

REVENUE BILL OF 1935

AUGUST 22, 1935.—Ordered to be printed

Mr. DOUGHTON, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 8974]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 8974) to provide revenue, equalize taxation, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 1, 8, 12, and 25.

That the House recede from its disagreement to the amendments of the Senate numbered 3, 10, 13, 14, 18, 20, 21, 22, 23, and 24; and agree to the same.

Amendment numbered 2:

That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

“Upon net incomes not in excess of \$2,000, 12½ per centum.

“\$250 upon net incomes of \$2,000; and upon net incomes in excess of \$2,000 and not in excess of \$15,000, 13 per centum in addition of such excess.

“\$1,940 upon net incomes of \$15,000; and upon net incomes in excess of \$15,000 and not in excess of \$40,000, 14 per centum in addition of such excess.

“\$5,440 upon net incomes of \$40,000; and upon net incomes in excess of \$40,000, 15 per centum in addition of such excess.”

And the Senate agree to the same.

Amendment numbered 4:

That the House recede from its disagreement to the amendment of the Senate numbered 4, and agree to the same with an amendment, as follows:

In the matter proposed to be inserted by the Senate amendment strike out "15½" and insert 15; and the Senate agree to the same.

Amendment numbered 5:

That the House recede from its disagreement to the amendment of the Senate numbered 5, and agree to the same with an amendment, as follows:

In the matter proposed to be inserted by the Senate amendment strike out "15½" and insert 15; and the Senate agree to the same.

Amendment numbered 6:

That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree to the same with an amendment, as follows:

In the matter proposed to be inserted by the Senate amendment strike out "85 per centum" and insert 90 per centum; and the Senate agree to the same.

Amendment numbered 7:

That the House recede from its disagreement to the amendment of the Senate numbered 7, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

(i) Section 144 of the Revenue Act of 1934 is amended by striking out the period at the end thereof and inserting a colon and the following: "Provided further, That in the case of the payment, after December 31, 1935, of dividends of the class with respect to which a deduction is allowed by section 23 (p), the deduction and withholding provided for in this section shall also apply to 10 per centum of the amount of the payment: Provided further, That the Commissioner, under rules and regulations prescribed by him with the approval of the Secretary, may authorize withholding under this section and section 143 (a) (1) (B), in cases where the taxpayer has a taxable year ending on any other date than December 31, at the rate of 13¾ per centum (and, in the case of payments of dividends with respect to which withholding is required, may authorize such payments to be made without withholding) until the beginning of the taxpayer's first taxable year which begins after December 31, 1935."

And the Senate agree to the same.

Amendment numbered 9:

That the House recede from its disagreement to the amendment of the Senate numbered 9, and agree to the same with an amendment, as follows:

On page 6 of the Senate engrossed amendments, in line 1 and in line 7, strike out "\$1.50" and insert \$1.40; and the Senate agree to the same.

Amendment numbered 11:

That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: (*except subsections (f), (g), and (i) thereof*); and the Senate agree to the same.

Amendment numbered 15:

That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 109. PERSONAL HOLDING COMPANIES

(a) Section 351(a) of the Revenue Act of 1934 is amended to read as follows:

“(a) *IMPOSITION OF TAX.*—There shall be levied, collected, and paid, for each taxable year, upon the undistributed adjusted net income of every personal holding company a surtax equal to the sum of the following:

“(1) 20 per centum of the amount thereof not in excess of \$2,000; plus

“(2) 30 per centum of the amount thereof in excess of \$2,000 and not in excess of \$100,000; plus

“(3) 40 per centum of the amount thereof in excess of \$100,000 and not in excess of \$500,000; plus

“(4) 50 per centum of the amount thereof in excess of \$500,000 and not in excess of \$1,000,000; plus

“(5) 60 per centum of the amount thereof in excess of \$1,000,000.”

(b) Section 351(b)(2)(C) of such Act is amended by striking out the period at the end thereof and inserting in lieu thereof a comma and the following: “and distributions (not in complete or partial liquidation and not a ‘dividend’ as defined in section 115) made during the taxable year out of earnings or profits of such year.”

(c) The amendments made by this section shall apply only in the case of taxable years beginning after December 31, 1935.

And the Senate agree to the same.

Amendment numbered 16:

That the House recede from its disagreement to the amendment of the Senate numbered 16, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 110. CORPORATE LIQUIDATIONS

(a) Section 112 (b) of the Revenue Act of 1934 is amended by adding after paragraph (5) a new paragraph reading as follows:

“(6) *EXCHANGE IN LIQUIDATION.*—No gain or loss shall be recognized upon the receipt by a corporation of property (other than money)

distributed in complete liquidation of another corporation, if the corporation receiving such property on such exchange was on the date of the enactment of the Revenue Act of 1935 and has continued to be at all times until the exchange, in control of such other corporation. As used in this paragraph 'complete liquidation' includes any one of a series of distributions by a corporation in complete cancellation or redemption of all its stock in accordance with a plan of liquidation under which the transfer of the property under the liquidation is to be completed within a time specified in the plan, not exceeding five years from the close of the taxable year during which is made the first of the series of distributions under the plan. If such transfer of property is not completed within the taxable year the Commissioner may require of the taxpayer, as a condition to the non-recognition of gain under this paragraph, such bond, or waiver of the statute of limitations on assessment and collection, or both, as he may deem necessary to insure the assessment and collection of the tax if the transfer of the property is not completed in accordance with the plan. This paragraph shall not apply to any liquidation if any distribution in pursuance thereof has been made before the date of the enactment of the Revenue Act of 1935."

(b) Section 112 (c) (1) of the Revenue Act of 1934 is amended by striking out "or (5)" and inserting in lieu thereof "(5), or (6)".

(c) Section 112 (e) of the Revenue Act of 1934 is amended by striking out "subsection (b) (1) to (5)" and inserting in lieu thereof "subsection (b) (1) to (6)".

(d) Section 112 (i) of the Revenue Act of 1934 is amended by striking out "(4), or (5)" and inserting in lieu thereof "(4), (5), or (6)", and by striking out "(3) or (5)" and inserting in lieu thereof "(3), (5), or (6)".

(e) The amendments made by this section shall apply only in the case of taxable years beginning after December 31, 1935.

And the Senate agree to the same.

Amendment numbered 17:

That the House recede from its disagreement to the amendment of the Senate numbered 17, and agree to the same with an amendment, as follows:

On page 20 of the Senate engrossed amendments, strike out lines 6 to 25, both inclusive, and lines 1 to 16, both inclusive, on page 21, and in lieu thereof insert the following:

SEC. 202. ESTATE TAX—VALUATION

(a) Section 302 of the Revenue Act of 1926, as amended, is amended by adding a new subdivision as follows:

"(j) If the executor so elects upon his return (if filed within the time prescribed by law or prescribed by the Commissioner in pursuance of law), the value of the gross estate shall be determined by valuing all the property included therein on the date of the decedent's death as of the date one year after the decedent's death, except that (1) property included in the gross estate on the date of death and, within one year after the decedent's death, distributed by the executor (or, in the case of property included in the gross estate under subdivision (c), (d), or (f) of this section, distributed by the trustee under the instrument of transfer), or sold, exchanged, or otherwise disposed of, shall be included at its value as of the time of such distribution, sale, exchange, or other disposition, whichever

first occurs, instead of its value as of the date one year after the decedent's death, and (2) any interest or estate which is affected by mere lapse of time shall be included at its value as of the time of death (instead of the later date) with adjustment for any difference in its value as of the later date not due to mere lapse of time. No deduction under this title of any item shall be allowed if allowance for such item is in effect given by the valuation under this subdivision. Wherever in any other subdivision or section of this title or in Title II of the Revenue Act of 1932, reference is made to the value of property at the time of the decedent's death, such reference shall be deemed to refer to the value of such property used in determining the value of the gross estate. In case of an election made by the executor under this subdivision, then for the purposes of the deduction under section 303(a)(3) or section 303(b)(3), any bequest, legacy, devise, or transfer enumerated therein shall be valued as of the date of decedent's death with adjustment for any difference in value (not due to mere lapse of time or the occurrence or nonoccurrence of a contingency) of the property as of the date one year after the decedent's death (substituting the date of sale or exchange in the case of property sold or exchanged during such one-year period)."

(b) The amendment made by this section shall be effective only with respect to transfers of estates of decedents dying after the date of the enactment of this Act.

And the Senate agree to the same.

Amendment numbered 19:

That the House recede from its disagreement to the amendment of the Senate numbered 19, and agree to the same with an amendment, as follows:

On page 27 of the Senate engrossed amendments, lines 7 and 8, strike out "after the date this amendment takes effect" and insert *on or after the first day of the second month following the date of the enactment of the Revenue Act of 1935*; and on page 29 of the Senate engrossed amendments, line 3, strike out "fifteenth" and insert *thirtieth*; and on page 31 of the Senate engrossed amendments, strike out lines 13 to 17, both inclusive; and on page 32 of the Senate engrossed amendments, strike out lines 1 to 6, both inclusive.

And the Senate agree to the same.

R. L. DOUGHTON,
SAMUEL B. HILL,
THOS. H. CULLEN,

Managers on the part of the House.

PAT HARRISON,
WILLIAM H. KING,
WALTER F. GEORGE,
ROBERT M. LA FOLLETTE, Jr.,

Managers on the part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.-R. 8974) to provide revenue, equalize taxation, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment no. 1: This amendment proposes increased surtax rates over those imposed by existing law beginning on amounts of surtax net income in excess of \$1,000,000. Under existing law the rate on the amount of surtax net income in excess of \$1,000,000 is 59 percent. Under the amendment, amounts of surtax net income in excess of \$1,000,000 and not in excess of \$1,500,000 would be taxed at 60 percent, and the rates would then be increased by suitable gradation until amounts of surtax net income in excess of \$10,000,000 would be taxed at 75 percent. Under the House bill, the surtax rates are increased over the rates contained in existing law in the case of surtax net incomes of over \$50,000. The rate in the House bill is 31 percent on amounts of surtax net income between \$50,000 and \$56,000, while under existing law the rate in this bracket is 30 percent. The rates in the House bill are then graduated upward until amounts of surtax net income in excess of \$5,000,000 are taxed at 75 percent. The Senate recedes.

Amendment no. 2: This amendment provides for a graduated income tax on corporations as follows:

Upon net incomes not in excess of \$15,000, 12½ percent.

Upon net incomes in excess of \$15,000 and not in excess of \$40,000, 14 percent in addition of such excess.

Upon net incomes in excess of \$40,000 and not in excess of \$100,000, 15 percent in addition of such excess.

Upon net incomes in excess of \$100,000, 15½ percent in addition of such excess.

The House bill contains the following rates in respect to this tax:

Upon net incomes not in excess of \$15,000, 13¼ percent.

Upon net incomes in excess of \$15,000, 14¼ percent in addition of such excess.

The House recedes with an amendment substituting the following rates for those proposed in the Senate bill:

Upon net incomes not in excess of \$2,000, 12½ percent.

Upon net incomes in excess of \$2,000 and not in excess of \$15,000, 13 percent in addition of such excess.

Upon net incomes in excess of \$15,000 and not in excess of \$40,000, 14 percent in addition of such excess.

Upon net incomes in excess of \$40,000, 15 percent in addition of such excess.

Amendment no. 3: The House bill provided for a limited deduction, in computing net income, of contributions to corporations, community chests, etc., organized and operated exclusively for reli-

gious, charitable, scientific, literary, or educational purposes. The Senate amendment adds "or the prevention of cruelty to children". The House recedes.

Amendments nos. 4 and 5: These amendments provide that the rate of withholding at the source in the case of foreign corporations after December 31, 1935, shall be 15½ percent instead of 13¼. The House recedes with an amendment in each case making the rate 15 percent.

Amendment no. 6: Under existing law, which was not changed in this respect by the House bill, corporations, both domestic and foreign, are allowed a deduction, in computing net income, of dividends received from domestic corporations subject to income tax (except dividends received from a China Trade Act corporation or from certain corporations taxable on only gross income sources within the United States because of receiving a large percentage of their gross income from sources within a possession of the United States). The Senate amendment confines the deduction to 85 percent of the amount of the dividends. The House recedes with an amendment changing 85 percent to 90 percent.

Amendment no. 7: This amendment provides for withholding of tax at the source in the case of dividends paid to a foreign corporation, with respect to 15 percent of the amount of the dividend, since under amendment no. 6 only 85 percent of the dividend is nontaxable. The House recedes with an amendment changing 15 percent to 10 percent, in pursuance of the action taken on amendment no. 6, and authorizing the Commissioner, under regulations prescribed by him with the approval of the Secretary, to permit withholding under existing law, in the case of a corporate taxpayer having a taxable year ending on any other date than December 31, until the beginning of its first taxable year which begins after December 31, 1935.

Amendment no. 8: This amendment subjects to both normal and surtax and to the corporation income tax interest on obligations of the United States and all instrumentalities of the United States, issued or reissued on or after the date of the enactment of the bill. The Senate recedes.

Amendment no. 9: The House bill raised the rates of the excess-profits tax imposed by section 702 of the Revenue Act of 1934, starting with 5 percent of the part of the net income in excess of 8 percent and not in excess of 12 percent of the adjusted declared value, up to 20 percent of the portion of the net income in excess of 25 percent of the adjusted declared value. The House bill made no change in the existing capital-stock tax. The Senate amendment reimposes the capital-stock tax beginning with the year ending June 30, 1936, with a rate of \$1.50 a thousand instead of \$1 a thousand as under existing law, but allowing a new declaration of value. It also reimposes the excess-profits tax beginning with the first income-tax year ending after June 30, 1936, with the rates fixed at 6 percent of the portion of the net income in excess of 10 percent and not in excess of 15 percent of the adjusted declared value, and 12 percent of the portion of the net income in excess of 15 percent of the adjusted declared value. In computing net income a deduction is allowed of the corporation income tax for the same year. The Senate amendment also allows to China Trade Act corporations a credit against the adjusted declared value of the capital stock based on the proportion borne to the par value of all their stock by the par value of the

shares owned by residents of China, the United States or possessions of the United States, and by individual citizens of the United States or China. The House recedes with an amendment fixing the rate of capital-stock tax at \$1.40.

Amendment no. 10: This is a change in section number. The House recedes.

Amendment no. 11: This is a technical amendment made necessary by amendments nos. 4 and 5, and the House recedes with an amendment making a further technical change made necessary by amendment no. 7.

Amendment no. 12: This is a technical amendment made necessary by amendment no. 8, and the Senate recedes.

Amendment no. 13: This is a technical amendment made necessary by amendment no. 9, and the House recedes.

Amendment no. 14: This amendment allows China Trade Act corporations, for the purpose of the excess-profits tax imposed under amendment no. 9, a credit against net income similar to the credit allowed them under the income-tax law for the purpose of computing their net income subject to the corporation tax. The House recedes.

Amendment no. 15: This amendment makes three changes in section 351 of the Revenue Act of 1934 relating to the income tax of personal holding companies, applicable only in the case of taxable years beginning after December 31, 1935.

(1) The amendment increases the rates, starting at 20 percent of the amount of the undistributed adjusted net income not in excess of \$2,000 up to 60 percent of the amount thereof in excess of \$1,000,000. This provision is retained under the conference agreement.

(2) The amendment also provides that in the case of an affiliated group of corporations (defined in terms of 95-percent ownership), if the sum of the gross incomes of all the members of the group derived from royalties, dividends, interest, annuities, and gains from the sale of stock of securities is less than 80 percent of the sum of the gross income of all members of the group, then the common parent corporation shall not be considered a personal holding company. This provision is omitted under the conference agreement.

(3) The amendment also permits as a deduction in computing undistributed adjusted net income distributions made during the taxable year out of earnings and profits of such year, if not a distribution in liquidation and if not already deductible as a "dividend". This provision is retained under the conference agreement.

Amendment no. 16: This amendment provides that no gain or loss shall be recognized upon the receipt by a corporation of property or money in liquidation of another corporation if the receiving corporation owns at least 80 percent of the voting stock of such other corporation. The House recedes with an amendment containing the following limitations:

(1) The nonrecognition of gain is confined to property received from the corporation being liquidated and does not extend to money. If, in addition to property, money is received on liquidation, the gain is recognized in an amount not in excess of the money so received; but no loss is recognized in such a case.

(2) The amendment does not apply to any liquidation where a distribution in pursuance of such liquidation was made before the date of the enactment of the Revenue Act of 1935.

(3) The corporation receiving the property on liquidation must own at least 80 percent of the voting stock and at least 80 percent of the total number of shares of all other classes of stock of the corporation being liquidated. This ownership must exist on the date of the enactment of the Revenue Act of 1935 and must continue at all times thereafter until the exchange.

(4) Liquidation is confined to "complete liquidation", which is defined to include any one of a series of distributions by a corporation in complete cancelation or redemption of all of its stock in accordance with a plan of liquidation under which the transfer of the property under the liquidation is to be completed within a time specified in the plan, not exceeding 5 years from the close of the taxable year during which is made the first of the series of distributions under the plan.

(5) If the transfer of property in liquidation is not completed within the taxable year, the Commissioner is given authority to require a bond, or a waiver extending the period for assessment and collection of the tax, or both bond and waiver, so that the Government's right to assess or collect may not be jeopardized if the transfer of the property is not completed in accordance with the plan.

(6) Since the liquidations are treated as tax-free exchanges, the basis provisions of section 113 (a) (6) of the Revenue Act of 1934 will be applicable. The following examples will show how the basis is determined under this section (assuming for simplicity that there were no adjustments to be made in the basis of the stock):

CASE No. 1

Corporation A paid \$100,000 for the stock of Corporation B. It liquidates Corporation B and receives on liquidation property worth \$200,000 at the date of liquidation. Corporation A has realized a gain of \$100,000 from the liquidation, which under the amendment is not recognized. However, the basis of Corporation B's property in the hands of Corporation A will be not \$200,000, the value at the time of liquidation, but \$100,000, the amount Corporation A paid for Corporation B's stock. Corporation A subsequently sells the property it acquired from Corporation B on liquidation for \$200,000. Corporation A will be required to pay a tax in the year of sale on a \$100,000 gain.

CASE No. 2

Corporation A paid \$100,000 for the stock of Corporation B. It liquidates Corporation B and receives on liquidation the following:

Property.....	\$150, 000
Cash.....	50, 000
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Total.....	200, 000

The gain of \$100,000 realized upon liquidation will be recognized only up to the amount of the cash, namely, \$50,000. The basis of the property is \$100,000 computed as follows:

(\$100,000 cost of Corporation B's stock to Corporation A, decreased in the amount of money received, \$50,000, and increased in the amount of gain recognized to Corporation A at the time of liquidation, \$50,000.)

If Corporation A sells the property for \$150,000, it will be required to pay a tax on a gain of \$50,000, which is the gain the recognition of which was postponed at the time of liquidation.

Amendment no. 17: This amendment strikes out the inheritance tax in the House bill and inserts in lieu thereof an increase in the rates of estate tax. Under existing law net estates not in excess of \$10,000 are taxed at 1 percent; under the amendment this rate is increased to 2 percent. Gradual increases in the rates are made in the other brackets until the amount of a net estate in excess of \$50,000,000 is taxed at 70 percent. Under existing law, the maximum rate is 60 percent on the portion of the net estate in excess of \$10,000,000. The conference agreement retains the change of rates proposed in the Senate amendment.

The amendment also reduces the specific exemption allowed for purposes of the additional estate tax imposed by the Revenue Act of 1932, as amended, from \$50,000 to \$40,000. This portion of the Senate amendment is also retained under the conference agreement.

The amendment also allows an additional deduction, in computing the value of the net estate, of the net shrinkage in value of assets arising from the difference in the aggregate value of assets forming part of the decedent's gross estate on the date of death and the aggregate value of such assets 1 year thereafter, substituting the date of sale or exchange by the executor in the case of assets sold or exchanged during such 1-year period. In lieu of this provision, the conference action inserts a provision giving the executor an election with respect to the time as of which the property included in the gross estate is to be valued. Under existing law the valuation is made as of the date of death. If the executor exercises the election given him by the conference agreement, all the property included in the estate on the date of death is to be valued as of the date 1 year after the decedent's death, except that the value (at the time of distribution, sale, exchange, or other disposition) of property distributed, sold, exchanged, or otherwise disposed of, is taken in lieu of its value as of 1 year after death. Where the decedent owns an interest or estate the value of which is affected by mere lapse of time, the value used under the election is the value as of date of death adjusted for changes in value not due merely to lapse of time. Deductions for losses from fire, other casualties, etc., and other deductions, are disallowed if reflected in the later valuation of the property. The conference agreement also provides that the valuation of property transferred to charities, etc., for the purpose of the deduction under existing law, shall be made on the same basis used in valuing the gross estate, disregarding any change due to mere lapse of time or the occurrence or nonoccurrence of a contingency. The operation of this new provision giving the executor an election may be shown by the following example:

A decedent dies owning real estate of the value of \$100,000, corporate stock of the value of \$60,000, bonds of the value of \$20,000, foreign government bonds maturing 9 months after date of death of a face value of \$10,000, but of a value of \$9,550, and cash amounting to \$5,000. These values are as of the date of death. The gross estate at date of death amounted, therefore, to \$194,550. The decedent had debts of \$15,000 and the administration expenses were \$25,000, which debts and expenses were promptly paid by the executor. The value of the net estate as of date of death was, therefore (after taking

off the specific exemption), \$114,550. Six months after the decedent's death the executor distributed the bonds to a legatee under the will, at which time they were worth \$18,000, and he sold all the corporate stock owned by the decedent for a fair market value of \$50,000 in order to raise cash to pay the debts and expenses. The foreign bonds were paid in full at maturity. During the first year after the decedent's death the value of his real estate appreciated \$5,000. The executor elects to take advantage of the new provision of the bill. The value will be arrived at in this way:

Assets:	<i>Value</i>
Real estate (as of 1 year after death)-----	\$105,000
Corporate stock (as of date of sale)-----	50,000
Bonds (as of date of distribution)-----	18,000
Foreign bonds (as of date of disposition, i. e., maturity)-----	10,000
Cash-----	5,000
 Gross estate-----	 188,000
Deduct:	
Debts-----	\$15,000
Administration expenses-----	25,000
Specific exemption-----	40,000
	80,000
 Net estate-----	 108,000

The amendment also gives a new deduction, in determining the net estate of a decedent who was a citizen or resident of the United States, of the proceeds of life insurance policies payable to the estate in trust for the payment of death duties imposed by the United States or any other jurisdiction, to the extent that such proceeds are actually used in the payment of such taxes. This provision is omitted under the conference agreement.

The amendment also makes the due date of the estate tax 15 months after death instead of 1 year as provided in existing law. This provision is retained under the conference agreement.

All the above amendments are effective only in the case of decedents dying after the date of the enactment of the bill. This provision is retained under the conference agreement.

Amendment no 18: This amendment strikes out the gift tax on donees in the House bill and inserts in lieu thereof an increase in the rates of the gift tax on donors provided in the Revenue Act of 1932. Under existing law, the gift tax rate on net gifts not in excess of \$10,000 is three-fourths of 1 percent; the amendment increases this rate to 1½ percent. Consistent increases are made in the higher brackets until the amount of a net gift in excess of \$50,000,000 is taxed at 52½ percent. Under existing law the maximum rate is 45 percent on the amount of the net gift in excess of \$10,000,000. The gift tax rates proposed are three-fourths of the estate tax rates proposed. This is the same ratio as exists between the estate and gift tax rates under existing law. The conference agreement retains the change of rates proposed in the Senate amendment.

The amendment also reduces the specific exemption in such act from \$50,000 to \$40,000. This provision is retained under the conference agreement.

The above amendments are effective only in the computation of gift taxes for the calendar year 1936 and subsequent years. This provision is retained under the conference agreement.

Amendment no. 19: This amendment inserts a new title covering a number of miscellaneous matters, each of which is separately stated below, together with the action of the conferees thereon.

MANUFACTURERS' EXCISE TAXES

Section 401 makes the following amendments to the Revenue Act of 1932 with respect to the manufacturers' excise taxes:

(1) Section 620 (3) of the Revenue Act of 1932, as amended, is amended to permit the tax-free sale of any article taxable under title IV of the Revenue Act of 1932 sold by the manufacturer or producer to or for the exclusive use of the United States, any State, Territory of the United States, political subdivision thereof, or the District of Columbia. The amendment exempts all sales to States or political subdivisions thereof for exclusive use by them regardless of whether or not the articles are to be used for an essential Governmental function, and permits more than one dealer in the chain of sales.

(2) The amendment to section 621 (a) of the Revenue Act of 1932 will permit a refund or credit of the tax paid by any manufacturer or producer on his sale of an article if such article is eventually resold through one or more dealers to the United States, any State, Territory of the United States, political subdivision thereof, or the District of Columbia. A credit or refund is also provided if an article is ultimately used, or resold for use, as fuel supplies, etc., of certain vessels. Similar amendments allow refunds when certain articles subject to the gasoline tax are ultimately used, or resold for use, for non-motor-fuel purposes and where lubricating oils are ultimately used, or resold for use, for nonlubricating purposes. All these refunds are allowed to the manufacturer for the benefit of the person who sells the articles to the user.

(3) Another amendment allows interest on refunds of overpayments of the manufacturers' sales taxes at the rate of 6 percent per annum.

This section of the Senate amendment is retained under the conference agreement, with a clerical change.

ARTICLES PRODUCED FROM TAXABLE OILS

Section 402 provides for a tax on the importation (from a foreign country, a possession of the United States, or the high seas) of articles manufactured or produced wholly or in chief value from oils of the classes subject (at the time of importation of such articles) to the tax under existing law on the processing of coconut oil and certain other vegetable oils or the tax on the importation of certain fish and marine-animal oils. The tax is to be computed by applying the rates provided for in the existing taxes to the amount of the specified oils from which the imported articles are made. Provision is made for payments to the Philippine treasury analogous to the provision now applying under the processing tax on coconut oil. The new tax is subject to the same administrative and drawback provisions of law as is the existing tax on imported fish and marine-animal oils. The conference agreement retains this section, to take effect after the thirtieth day after date of the enactment of the act, instead of the fifteenth day as provided in the Senate amendment.

SPECIAL EXCISE TAX ON CARRYING ON LIQUOR BUSINESS

Section 403 of the bill, added by amendment no. 19, terminates as of June 30, 1935, the special excise tax of \$1,000 a year imposed by section 701 of the Revenue Act of 1926 on every person carrying on the business of a brewer, distiller, liquor dealer, or manufacturer of stills, contrary to State law. This portion of the Senate amendment is retained under the conference agreement.

INTEREST ON DELINQUENT TAXES

The amendment also provides that the rate of interest on any internal-revenue tax, or customs duty, not paid when due, shall be at the rate of 6 percent per annum. This makes all interest provisions with reference to deficiencies and delinquencies of internal-revenue taxes uniform as far as the rate of interest is concerned. Under existing law, interest is assessed on deficiencies of income, excess profits, estate, and gift taxes at the rate of 6 percent per annum and the deficiency, with interest thereon to date of assessment, is not subject to interest at 1 percent per month until 10 days (30 days in the case of estate taxes) after notice and demand, whereas the interest on overdue miscellaneous excise taxes is 1 percent per month from the due date of the tax. Under the amendment the rate will be uniformly 6 percent per annum before and after notice and demand. The amendment merely changes the rate and does not provide for interest in any cases where interest does not now accrue. This portion of the Senate amendment is retained under the conference agreement.

DECLARATORY JUDGMENTS AS TO TAXES

The amendment also adds a section making it clear that the Federal Declaratory Judgments Act of June 14, 1934, has no application to Federal taxes. This portion of the Senate amendment is retained under the conference agreement.

FAILURE TO FILE RETURNS ON TIME

Under existing law, if a return of an internal-revenue tax is not filed at the time prescribed therefor, 25 percent of the tax is added to the tax, whether the delay in filing the return is 1 day or a longer period. Section 406 (first paragraph) of the bill, added by the amendment no. 19, provides for an addition to the tax, in lieu of such 25-percent addition, in cases where the time fixed for filing the return is subsequent to the passage of the bill, of 5 percent of the tax if the failure is for not more than 30 days, with an additional 5 percent for each additional 30 days during which the failure continues, not to exceed 25 percent in the aggregate. This portion of the Senate amendment is retained under the conference agreement.

TAX ON WHALE OIL

The amendment exempts whale oil from the present tax of 3 cents a pound on importation. This portion of the Senate amendment is omitted under the conference agreement.

TAXES ON CRUDE PETROLEUM

The first paragraph of section 407, added by the amendment, reduces the existing taxes on the production and on the refining of crude petroleum from one-tenth of 1 cent per barrel of 42 gallons to one-twenty-fifth of 1 cent per barrel. This portion of the Senate amendment is retained under the conference agreement.

EFFECT OF CLOSING AGREEMENTS

The amendment also provides that if the Commissioner, in determining the tax liability of any person, has entered into an agreement in writing with such person in respect of any issue likewise involved in the tax liabilities of one or more other persons and arising out of the same transaction, then none of such other persons shall be denied a settlement of such issue on the same basis. This portion of the Senate amendment is omitted under the conference agreement.

Amendments nos. 20, 21, 23, and 24: These amendments make changes in title and section numbers. The House recedes.

Amendment no. 22: This amendment adds a definition of the term "collector". The House recedes.

Amendment no. 25: This amendment repeals sections 6, 7, and 8 of the Silver Purchase Act of 1934 and declares void all Treasury regulations in pursuance of such sections. The Senate recedes.

