

REVENUE FROM DISTILLED SPIRITS

August 23, 1935.—Ordered to be printed

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

CONFERENCE REPORT

[To accompany H. R. 8870]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 8870) to further protect the revenue derived from distilled spirits, wine, and malt beverages; to regulate interstate and foreign commerce and enforce the postal laws with respect thereto; to enforce the twenty-first amendment, 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, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 21, 23, 24, 25, 27, 29, 30, 31, 32, 33, 34, 35, 36, 37, 39, 44, 45, 46, 47, 48, 50, 51, 52, 53, 54, 56, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 74, 76, 77, 78, 80, 81, 82, 83, 84, 85, 86, 87, 87½, 88, 89, 90, 91, 92, 94, 95, 96, 97, 98, 100, 101, 102, 105, 106, 107, 108, 109, 110, 112, 113, 114, 115, 116, 117, 118, 119, 120, 122, 123, 124, 125, 126, 128, 129, 131, 134, 136, 138, 139, 140, 141, 142, 145, 148, 149, 152, 154, 155, 156, and 157.

That the House recede from its disagreement to the amendments of the Senate numbered 4, 26, 38, 40, 41, 42, 43, 49, 55, 57, 73, 75, 93, 104, 111, 121, 133, 135, 137, 143, 144, and 147; and agree to the same.

Amendment numbered 14:

That the House recede from its disagreement to the amendment of the Senate numbered 14, 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) *The Administrator shall make a report to Congress, at the beginning of each regular session, of the administration of the functions with which*

he is charged, and shall include in such report the names and compensation of all persons employed by the Administration.

And the Senate agree to the same.

Amendment numbered 20:

That the House recede from its disagreement to the amendment of the Senate numbered 20, 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 date upon which the Administrator first appointed under this Act takes office*; and the Senate agree to the same.

Amendment numbered 22:

That the House recede from its disagreement to the amendment of the Senate numbered 22, 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 date upon which the Administrator first appointed under this Act takes office*; and the Senate agree to the same.

Amendment numbered 28:

That the House recede from its disagreement to the amendment of the Senate numbered 28, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert *or has, within three years prior to date of application, been convicted of a misdemeanor under any Federal law relating to liquor, including the taxation thereof*; and the Senate agree to the same.

Amendment numbered 79:

That the House recede from its disagreement to the amendment of the Senate numbered 79, and agree to the same with an amendment as follows:

Omit the matter proposed to be inserted and restore the matter proposed to be stricken out by said amendment; and on page 22 of the House bill, after line 23, insert the following:

In the case of malt beverages, the provisions of subsections (a), (b), (c), and (d) shall apply to transactions between a retailer or trade buyer in any State and a brewer, importer, or wholesaler of malt beverages outside such State only to the extent that the law of such State imposes similar requirements with respect to similar transactions between a retailer or trade buyer in such State and a brewer, importer, or wholesaler of malt beverages in such State, as the case may be. In the case of malt beverages, the provisions of subsections (e) and (f) shall apply to the labeling of malt beverages sold or shipped or delivered for shipment or otherwise introduced into or received in any State from any place outside thereof, or the advertising of malt beverages intended to be sold or shipped or delivered for shipment or otherwise introduced into or received in any State from any place outside thereof, only to the extent that the law of such State imposes similar requirements with respect to the labeling or advertising, as the case may be, of malt beverages not sold or shipped or delivered for shipment or otherwise introduced into or received in such State from any place outside thereof.

And the Senate agree to the same.

Amendment numbered 99:

That the House recede from its disagreement to the amendment of the Senate numbered 99, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be stricken out by said amendment insert the following: *as will require an accurate statement, in the case of distilled spirits (other than cordials, liqueurs, and specialties) produced by blending or rectification, if neutral spirits have been used in the production thereof, informing the consumer of the percentage of neutral spirits so used and of the name of the commodity from which such neutral spirits have been distilled, or in case of neutral spirits or of gin produced by a process of continuous distillation, the name of the commodity from which distilled; (4);* and the Senate agree to the same.

Amendment numbered 103:

That the House recede from its disagreement to the amendment of the Senate numbered 103, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert a colon and the following: *Provided further, That nothing herein nor any decision, ruling, or regulation of any Department of the Government shall deny the right of any person to use any trade name or brand of foreign origin not presently effectively registered in the United States Patent Office which has been used by such person or predecessors in the United States for a period of at least five years last past, if the use of such name or brand is qualified by the name of the locality in the United States in which the product is produced, and, in the case of the use of such name or brand on any label or in any advertisement, if such qualification is as conspicuous as such name or brand;* and the Senate agree to the same.

Amendment Numbered 127:

That the House recede from its disagreement to the amendment of the Senate numbered 127, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be stricken out by said amendment insert the following: *as will require an accurate statement, in the case of distilled spirits (other than cordials, liqueurs and specialties) produced by blending or rectification, if neutral spirits have been used in the production thereof, informing the consumer of the percentage of neutral spirits so used and of the name of the commodity from which such neutral spirits have been distilled, or in case of neutral spirits or of gin produced by a process of continuous distillation, the name of the commodity from which distilled; (4);* and the Senate agree to the same.

Amendment numbered 130:

That the House recede from its disagreement to the amendment of the Senate numbered 130, 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 prohibitions of this subsection and regulations thereunder shall not apply to the publisher of any newspaper, periodical, or other publication, or radio broadcaster, unless such publisher or radio*

broadcaster is engaged in business as a distiller, brewer, rectifier, or other producer, or as an importer or wholesaler, of distilled spirits, wine, or malt beverages, or as a bottler, or warehouseman and bottler, of distilled spirits, directly or indirectly or through an affiliate; and the Senate agree to the same.

Amendment numbered 132:

That the House recede from its disagreement to the amendment of the Senate numbered 132, and agree to the same with an amendment, as follows: In the fifth line of said amendment strike out "Commission" and insert *Administrator*; and the Senate agree to the same.

Amendment numbered 146:

That the House recede from its disagreement to the amendment of the Senate numbered 146, 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:

DISPOSAL OF FORFEITED ALCOHOLIC BEVERAGES

SEC. 9. (a) All distilled spirits, wine, and malt beverages forfeited, summarily or by order of court, under any law of the United States, shall be delivered to the Secretary of the Treasury to be disposed of as hereinafter provided.

(b) The Secretary of the Treasury shall dispose of all distilled spirits, wine, and malt beverages which have been delivered to him pursuant to subsection (a)—

(1) By delivery to such Government agencies as, in his opinion, have a need for such distilled spirits, wine, or malt beverages for medicinal, scientific, or mechanical purposes; or

(2) By gift to such eleemosynary institutions as, in his opinion, have a need for such distilled spirits, wine, or malt beverages for medicinal purposes; or

(3) By destruction.

(c) No distilled spirits, wine, or malt beverages which have been seized under any law of the United States, may be disposed of in any manner whatsoever except after forfeiture and as provided in this section.

(d) The Secretary of the Treasury is authorized to make all rules and regulations necessary to carry out the provisions of this section.

And the Senate agree to the same.

Amendment numbered 150:

That the House recede from its disagreement to the amendment of the Senate numbered 150, 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. 11. Section 610 of the Revenue Act of 1918, as amended (U. S. C., Sup. VII, title 26, sec. 1310), is amended by adding at the end thereof the following new paragraph:

"The provisions of the internal-revenue laws applicable to natural wine shall apply in the same manner and to the same extent to citrus-fruit wines which are the product of normal alcoholic fermentation of the juice of sound ripe citrus fruit (except lemons and limes), with or without the

addition of dry cane, beet, or dextrose sugar (containing, respectively, not less than 95 per centum of actual sugar, calculated on a dry basis) for the purpose of perfecting the product according to standards, but without the addition or abstraction of other substances, except as may occur in the usual cellar treatment of clarifying or aging."

SEC. 12. Section 612 of the Revenue Act of 1918, as amended (U. S. C., Sup. VII, title 26, sec. 1301), is amended to read as follows:

"SEC. 612. That under such regulations and official supervision and upon the giving of such notices, entries, bonds, and other security as the Commissioner, with the approval of the Secretary, may prescribe, any producer of wines defined under the provisions of this title may withdraw from any fruit distillery or special bonded warehouse grape brandy, or wine spirits, for the fortification of such wines on the premises where actually made, and any producer of citrus-fruit wines may similarly withdraw citrus-fruit brandy for the fortification of citrus-fruit wines on the premises where actually made: Provided, That there shall be levied and assessed against the producer of such wines or citrus-fruit wines a tax (in lieu of the internal-revenue tax now imposed thereon by law) of 20 cents per proof gallon of grape brandy, citrus-fruit brandy, or wine spirit whenever withdrawn and hereafter so used by him in the fortification of such wines or citrus-fruit wines during the preceding month, which assessment shall be paid by him within ten months from the date of notice thereof: Provided further, That nothing contained in this section shall be construed as exempting any wines, citrus-fruit wines, cordials, liqueurs, or similar compounds from the payment of any tax provided for in this title.

"Any such wines or citrus-fruit wines may, under such regulations as the Secretary may prescribe, be sold or removed tax free for the manufacture of vinegar, or for the production of dealcoholized wines containing less than one-half of 1 per centum of alcohol by volume.

"The taxes imposed by this section shall not apply to dealcoholized wines containing less than one-half of 1 per centum of alcohol by volume."

SEC. 13. Section 613 of the Revenue Act of 1918, as amended (U. S. C., Sup. VII, title 26, sec. 1300(a)(2)), is amended by inserting after "grape brandy" a comma and the following: "or containing citrus-fruit wine fortified with citrus-fruit brandy."

SEC. 14. Section 42 of the Act entitled "An Act to reduce the revenue and equalize duties on imports, and for other purposes", approved October 1, 1890, as amended (U. S. C., Sup. VII, title 26, sec. 1302(a)), is amended by inserting at the end thereof the following new paragraph:

"The provisions of this section and section 43 shall apply to the use of citrus-fruit brandy in the preparation of fortified citrus-fruit wines in the same manner and to the same extent as such provisions apply to the use of wine spirits in the fortification of sweet wines, except that no brandy (other than a citrus-fruit brandy) may be used in the fortification of citrus-fruit wine and a citrus-fruit brandy prepared from one kind of citrus fruit may not be used for the fortification of a citrus-fruit wine prepared from another kind of citrus fruit or for the fortification of a wine prepared from any fruit other than citrus fruit."

SEC. 15. Section 3255 of the Revised Statutes, as amended (U. S. C., Sup. VII, title 26, sec. 1176), is amended to read as follows:

"**SEC. 3255.** *The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may exempt distillers of brandy made exclusively from apples, peaches, grapes, oranges, pears, pineapples, apricots, berries, plums, pawpaws, persimmons, prunes, figs, cherries, dates, or citrus fruits (except lemons and limes) from any provision of the internal-revenue laws relating to the manufacture of spirits, except as to the tax thereon, when in his judgment it may seem expedient to do so: Provided, That where, in the manufacture of wine or citrus-fruit wine, artificial sweetening has been used, the wine, or the fruit pomace residuum thereof, or the citrus-fruit wine may be used in the distillation of brandy or citrus-fruit brandy, as the case may be, and such use shall not prevent the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, from exempting such distiller from any provision of the internal-revenue laws relating to the manufacture of spirits, except as to the tax thereon, when in his judgment it may seem expedient to do so: And provided further, That the distillers mentioned in this section may add to not less than five hundred gallons (ten barrels) of grape cheese not more than five hundred gallons of a sugar solution made from cane, beet, starch, or corn sugar, 95 per centum pure, such solution to have a saccharine strength of not to exceed 10 per centum, and may ferment the resultant mixture on a winery or distillery premises, and such fermented product shall be regarded as distilling material."*

And the Senate agree to the same.

Amendment numbered 151:

That the House recede from its disagreement to the amendment of the Senate numbered 151, 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. 16. (a) Section 1 of the Act of March 3, 1877, as amended (U. S. C., Supp. VII, sec. 1250), is amended by striking out "not exceeding ten in numbers in any one collection district," and by inserting at the end of such section the following new paragraph:

"The Commissioner of Internal Revenue, under such regulations as he may promulgate from time to time with the approval of the Secretary of the Treasury, may, in his discretion, establish such warehouses adjacent to distilleries, and may, in his discretion, permit the removal of brandy directly from the distillery to such warehouses, and from such warehouses to the distillery warehouse of the producing distiller."

(b) Section 51 of the Act of August 27, 1894, as amended (U. S. C., Supp. VII, sec. 1265), is amended by striking out "not exceeding ten in number in any one collection district," and by inserting at the end of such section the following new paragraph:

"The Commissioner of Internal Revenue, under such regulations as he may promulgate from time to time with the approval of the Secretary of the Treasury, may, in his discretion, establish such warehouses adjacent to distilleries, and may, in his discretion, permit the removal of spirits directly from the distillery to such warehouses, and from such warehouses to the distillery warehouse of the producing distiller."

And the Senate agree to the same.

Amendment numbered 153:

That the House recede from its disagreement to the amendment of the Senate numbered 153, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert 17; and the Senate agree to the same.

That the Senate recede from its amendment to the title.

R. L. DOUGHTON,
SAMUEL B. HILL,
THOS. H. CULLEN,
ALLEN T. TREADWAY,
ISAAC BACHARACH,

Managers on the part of the House.

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

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 amendment of the Senate to the bill (H. R. 8870) to further protect the revenue derived from distilled spirits, wine, and malt beverages; to regulate interstate and foreign commerce and enforce the postal laws with respect thereto; to enforce the twenty-first amendment, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report:

Amendment no. 1: This amendment changes the short title of the act. The Senate recedes.

Amendment no. 2: The House bill created the Federal Alcohol Administration as a division in the Treasury Department. The Administration was to be headed by an Administrator appointed by the President, by and with the advice and consent of the Senate. Appointments of officers and employees by the Administrator were to be made without regard to the civil-service laws and the Classification Act of 1923, as amended, but their compensation was subject to the approval of the Secretary of the Treasury. All rules and regulations prescribed by the Administrator were subject to the approval of the Secretary of the Treasury. The Senate amendment establishes in lieu of the Federal Alcohol Administration provided in the House bill an independent agency to be known as the "Federal Alcohol Commission", to be composed of three Commissioners appointed by the President, by and with the advice and consent of the Senate. It provides that not more than two members of the Commission shall be members of the same political party. The amendment further provides that one of the Commissioners shall be chairman of the Commission and shall be its chief executive officer; another Commissioner shall be vice chairman of the Commission; and a third Commissioner, who shall be a lawyer, shall be general counsel of the Commission. Under the Senate amendment, appointments by the Commission are made without regard to the civil-service laws but subject to the Classification Act of 1923, as amended, and any officer or employee receiving a salary at the rate of \$5,000 or more per annum is required to be appointed by the President, by and with the advice and consent of the Senate. All officers and employees of the Commission receiving less salary are to be appointed by the Commission and the Commission is to prescribe the duties of all its officers and employees irrespective of their method of appointment. The Senate recedes.

Amendments nos. 3, 5, 6, 7, 8, 9, 10, 11, 12, 17, 21, 23, 27, 29, 30, 31, 32, 33, 34, 35, 36, 44, 45, 46, 47, 48, 50, 51, 52, 53, 54, 56, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 74, 76, 77, 87, 95, 96, 107, 110, 113, 115, 116, 117, 118, 120, 122, 124, 125, 131, 134, 136, 138, 139, 140, 141, 142, 145, 148, 149, and 154: These amendments

are clerical amendments made necessary by reason of Senate amendment no. 2. The Senate recedes in conformity with the action on amendment no. 2.

Amendment no. 4: This is a clerical amendment, and the House recedes.

Amendment no. 13: The Senate amendment authorizes the Commission to make investigations and studies with respect to various phases of the alcoholic beverage industries, or with respect to matters necessary for the performance of its powers and duties, and to report thereon to the President and Congress from time to time, together with its recommendations. The House bill had no similar provision. The Senate recedes.

Amendment no. 14: The Senate amendment provides that the Commission shall make an annual report to Congress and include therein the names and compensation of all persons employed by the Commission. The House bill had no similar provision. The House recedes with an amendment placing such duties on the administrator.

Amendments nos. 15, 16, 18, 19, 24, 25, 37, 39, 78, 79, 80, 81, 82, 83, 89, 90, 91, 92, 94, 97, 101, 102, 106, 108, 109, 112, 114, 119, 123, 126, 155, and 157: The House bill covered beer and other malt beverages, and its provisions applied to brewers and importers and wholesale distributors of such malt beverages, except that brewers were exempt from the provisions of the House bill requiring basic permits. The effect of these Senate amendments is to exempt brewers, importers, and wholesale distributors of malt beverages from all provision of the bill.

The conference agreement retains the provision of the House bill under which importers and wholesalers of malt beverages are required to have permits. The conference agreement applies the trade practices provisions of the bill to malt beverages with a modification under which such provisions are to apply to transactions between a brewer or other distributor outside a State and a retailer or trade buyer in a State only to the extent that the State imposes similar requirements on the same classes of persons and with respect to the same transactions within the State, and under which the requirements of the bill with respect to labeling and advertising are to apply to persons outside the State in respect of their products shipped into or advertised in a State only to the extent that the State imposes similar requirements in similar cases within the State. The conference action to accomplish this result consists of the House receding with an amendment on amendment no. 79 and the Senate receding on all the other amendments.

Amendments nos. 20 and 22: Under the House bill the requirement that importers, and persons engaged in the business of distilling spirits, producing wine, rectifying or blending distilled spirits or wine, or bottling or warehousing and bottling distilled spirits, must have a basic permit to engage in operations, became effective 60 days after the enactment of the act. The Senate amendment provides that these requirements shall be effective 60 days after such date as the majority of the commission first appointed takes office. The House recedes on both amendments with amendments changing "Commission" to "Administrator".

Amendment no. 26: The House bill provided that the requirement that wholesale distributors must have a basic permit to engage in

operations should take effect January 1, 1936. The Senate amendment provides that this requirement shall take effect March 1, 1936. The House recedes.

Amendment no. 28: The House bill provided that applicants for a basic permit (other than those entitled thereto as a matter of right) should not be entitled to the permit if it were found that the applicant had within 5 years prior to the date of application been convicted of a felony. The Senate amendment adds an additional requirement that the applicant must not have been convicted, in such period, of a violation of a Federal law relating to liquor, including the taxation thereof, irrespective of whether the violation constituted a felony. The House recedes with an amendment providing that the applicant must not have been convicted, within a period of 3 years prior to date of application, of a misdemeanor under any Federal law relating to liquor, including the taxation thereof.

Amendments nos. 38, 40, 41, 42, and 132: The House bill provided that distilled spirits could be distributed without restriction in barrels, casks, or kegs made of wood, if the container had a capacity of 1 wine gallon or more. This authority was, however, subject to an exception in the case of distribution into those States in which the use or sale of any such barrel, cask, or keg is prohibited by the law of the State. The House bill further provided that a recipient of bulk goods should not be entitled to package or repackage the bulk distilled spirits for sale or resale in bottles or other containers intended to reach the consumer, unless the bottler was a distiller, rectifier of distilled spirits, a person operating a bonded warehouse qualified under the internal-revenue laws, or a class 8 bonded warehouse qualified under the customs laws, holding a basic permit, or was a proprietor of an industrial alcohol plant, or was an agency of a State or any political subdivision thereof. The House bill further provided that a recipient of bulk distilled spirits should not dispense the distilled spirits for sale unless such person was a bona fide hotel or club. Specific provision was also made in the House bill recognizing that a wholesaler of distilled spirits could qualify as a rectifier but prohibiting a retailer from so qualifying.

Senate amendments numbered 40, 41, and 42 strike out the House provisions. Senate amendment numbered 132 makes it unlawful for any person to sell or offer to sell, contract to sell or otherwise dispose of distilled spirits in containers having a capacity in excess of 1 gallon, except under regulations of the Commission for export, or to a distiller or rectifier (including a wholesaler who qualifies as a rectifier) of distilled spirits, person operating a bonded warehouse under the internal-revenue laws or a class 8 bonded warehouse qualified under the customs laws, a wine maker for the fortification of wines, a proprietor of an industrial alcohol plant, or an agency of the United States or any State or political subdivision thereof. The Senate amendment also makes it unlawful for any person to import distilled spirits in bulk unless he is one of the list above specified or unless for sale to or use by one of such persons. The Senate amendment further makes unlawful transactions in warehouse receipts covering spirits in bulk unless the particular receipt includes among its terms a requirement that the warehouseman shall, before delivery of the distilled spirits, pursuant to the delivery of the receipt, package them in bottles labeled and marked in accordance with law, or deliver them in bulk only to per-

sons to whom it is lawful to sell or otherwise dispose of distilled spirits in bulk; i. e., the persons in the list above specified. The Senate amendment further provides that it is unlawful for any person to bottle distilled spirits, or package or repackage distilled spirits in bottles, unless the bottler is a person to whom it is lawful to sell or otherwise dispose of distilled spirits in bulk; i. e., a person in the list above specified. A criminal penalty of \$5,000 or imprisonment for not more than 1 year, or both, is provided for the violation, and all distilled spirits and the containers thereof with respect to which a violation occurs are forfeited to the United States.

Senate amendment numbered 38 makes observance of the bulk sales requirements as set forth in Senate amendment numbered 132 a condition of a basic permit issued under the bill. The House recedes on amendments numbered 38, 40, 41, and 42, and recedes with an amendment on 132, changing "Commission" to "Administrator".

Amendments nos. 43, 49, 55, 57, and 75: These are clerical amendments changing paragraph letters. The House recedes.

Amendment no. 73: This is a clarifying amendment, and the House recedes.

Amendment no. 84: This amendment excepts from the tied-house prohibitions signs not exceeding \$100 in aggregate value to any retailer in any calendar year. There is no corresponding exception in the House bill. The Senate recedes.

Amendments nos. 85 and 86: Amendment no. 85 excepts from the tied-house prohibitions "advertising specialties and graphic arts advertising items of paper or paperlike substance." Amendment no. 86 makes a clerical amendment in connection with amendment no. 85. The Senate recedes.

Amendment no. 87½: The House bill provided in the tied-house prohibition that credit in excess of the period usual and customary to the industry for the particular class of transactions could not be extended to the retailer. The Senate amendment strikes out "to the industry". The Senate recedes.

Amendment no. 88: The House bill provided that the tied-house prohibition against excessive credits to retailers should be subject to regulations of the enforcement agency. The Senate amendment strikes out the requirement as to regulations. The Senate recedes.

Amendment no. 93: This amendment provides that the restrictions in the "consignment sales" subsection shall not apply to transactions involving solely the bona fide return of merchandise for ordinary and usual commercial reasons arising after the merchandise has been sold. The House bill contained no corresponding provision. The House recedes.

Amendment no. 98: The House bill provided that the regulations of the enforcement agency as to informative labeling should provide the consumer with adequate information as to the manufacturer or bottler or importer of the particular product. The Senate amendment provides that in case of domestically bottled goods the regulation shall require the label to show the name of the manufacturer or bottler or distributor, and, in the case of imported products, show the name of the foreign manufacturer and the domestic importer. The Senate recedes.

Amendments nos. 99, 100, 105, 127, 128, and 129: The House bill provided that the regulations of the enforcement agency with regard

to the informative labeling and advertising of distilled spirits provide that in the cases of distilled spirits (other than cordials, liqueurs, and specialties) there be stated on the label or in the advertisement, as the case might be, the percentage of the neutral spirits used in the production thereof and the name of the commodity from which the neutral spirits were distilled. The provision applied to distilled spirits produced by blending or rectification and to gin, whether produced by blending or rectification or by process of continuous distillation. The provisions did not apply to straight neutral spirits or alcohol produced by process of continuous distillation. The Senate amendments incorporate clarifying provisions making it certain that the informative requirements apply to gin produced by process of continuous distillation, as well as by blending or rectification and also extend the requirements to straight neutral spirits or alcohol produced by process of continuous distillation. In addition, the Senate amendment makes it clear that it is mandatory upon the enforcement agency to issue regulations of this informative character and that in case neutral spirits made from two different commodities are included in the product then the percentage made from each such commodity shall be stated.

Senate amendment no. 105 further provides that the regulations of the Commission with respect to labeling and standards of identity shall prohibit the designation of any product as neutral spirits or as any type of whisky or gin, or nonindustrial use, if the neutral spirits used in making the product are distilled from materials other than grain. This requirement applies to neutral spirits, whisky and gin produced by a process of continuous distillation, as well as to gin or any type of blended or other whisky produced by blending or rectification. The Senate amendment further provides by definition that the term "neutral spirits", where used throughout the act, is synonymous with ethyl alcohol.

The Senate recedes on amendments nos. 105 and 129 which make the regulations mandatory and which prohibit designation of whisky, neutral spirits, or gin, as such, unless produced from grain. The Senate recedes on amendments nos. 100 and 128 which make changes in numbers in connection with amendments nos. 105 and 129. The effect of the conference agreement is to insert the substance of the House provisions with the addition thereto of provisions similar to those in Senate amendments nos. 105 and 129 under which the requirement is imposed that there be a statement of the commodity from which neutral spirits or gin produced by continuous distillation is produced.

Amendment no. 103: This amendment provides that nothing in the act or any decision, ruling, or regulation of any Department of the Government shall deny the right of any person to use any trade name or brand of foreign origin not presently effectively registered in the United States Patent Office which has been used by such person or predecessors in the United States for a period of at least 5 years last past. The House bill had no corresponding provision. The House recedes with an amendment inserting the substance of the Senate provision but adding a limitation that if such a name or brand is used its use must be qualified by the name of the locality in the United States in which the product is produced and on labels and in advertising this qualification must be as conspicuous as the name or brand itself.

Amendments nos. 104 and 146: The House bill provided that no person should remove from Government custody after purchase at a Government sale any distilled spirits, wine, or malt beverages in bottles to be held for sale, until such bottles are packaged, marked, branded, and labeled in conformity with the labeling requirements of the bill. Senate amendment no. 104 strikes out these provisions. Senate amendment no. 146 provides that distilled spirits and wine forfeited or condemned shall not be sold, or otherwise disposed of, but shall be destroyed; except that any such distilled spirits and wine certified by Government chemists to be of a quality equivalent to United States Pharmacopoeia quality or suitable for medicinal purposes shall be disposed of by the Surgeon General of the United States Public Health Service to hospitals operated or maintained in whole or in part by the United States, for use by them for medicinal purposes only.

The conference agreement on amendment no. 146 inserts a provision under which distilled spirits, wine, and malt beverages forfeited summarily or by order of court are to be delivered to the Secretary of the Treasury. He is to dispose of them by delivering them to Government agencies for medicinal, scientific, or mechanical purposes, but if they have no need for them, by giving them to charitable institutions for medicinal purposes. Any articles which are not so disposed of are to be destroyed by the Secretary of the Treasury. Previous contrary authorizations are repealed and the Secretary is given power to prescribe rules and regulations to carry out the section.

The House recedes on amendment no. 104 relating to labeling after Government sale in view of the insertion of the provision prohibiting Government sales.

Amendment no. 111: The House bill provided that the requirements for certificates of label approval should become effective not later than January 1, 1936. The Senate amendment provides that these requirements shall become effective not later than March 1, 1936. The House recedes.

Amendment no. 121: This is a clerical amendment. The House recedes.

Amendment no. 130: This is a clarifying amendment and makes certain that the prohibitions with regard to false advertising and the requirements as to informative advertising shall not apply to the publisher of any newspaper, periodical, or other publication, or radio broadcaster unless such publisher or radio broadcaster is engaged in publishing the newspaper, periodical, or other publication, or in transmitting radio broadcasts, is engaged in the distilled spirits or wine industry, directly or indirectly. The House recedes with an amendment applying similar provisions in the case of malt beverages.

Amendments nos. 133, 137, 147, and 153: These are clerical amendments changing section numbers. The House recedes on 133, 137, and 147, and with an amendment making a further change in the number on 153.

Amendment no. 135: The House bill provided that violations of the act could be compromised by the enforcement agency at any time prior to the commencement of court proceedings with respect to the violation. The Senate amendment provides this power of compromise can be exercised either before, pending, or after completion of court proceedings. The House recedes.

Amendments nos. 143 and 144: These are clerical amendments, and the House recedes.

Amendment no. 150: The Senate amendment applies to citrus-fruit wines the provisions of internal-revenue laws applicable to "natural" grape wine. It also permits the withdrawal of citrus-fruit brandy and use of it for the fortification of citrus-fruit wine—applying in such case the same tax (20 cents a proof gallon) as in the case of grape brandy for fortification of grape wine. The amendment makes the necessary amendment to the provisions of law under which liqueurs, cordials, or similar compounds are taxed if grape brandy is used therein so that these provisions will apply with respect to citrus-fruit wines fortified with citrus-fruit brandy. The amendment makes applicable to the fortification of citrus-fruit wines with citrus-fruit brandy the provisions of law relating to fortification of grape wines with grape brandy but limits the provision so that a citrus-fruit brandy may be used only for the fortification of a citrus-fruit wine produced from the same fruit, e. g., orange brandy may be used only for fortification of orange wine. Citrus-fruit brandy distillers and date brandy distillers may be exempted by the Secretary of the Treasury from certain provisions of law relating to the manufacture of such brandies as in the case, under present law, of distillers of apple brandy and other fruit brandy distillers.

The amendment also exempts citrus-fruit wine makers and other wine makers (in the same manner as in the case of grape wine makers) from the special tax upon wine makers if they sell wines of their own production where they are made or at the wine maker's general business office.

The amendment also makes clear that where manufacturing chemists or flavoring extract manufacturers use recovered alcohol or spirits, they may be again used only in the making of medicines or flavoring extracts of the same kind in which they are first used.

The House recedes with an amendment which makes clarifying changes and which excepts lemons and limes from the application of the Senate provision. The conference agreement also omits the provisions relating to business offices of a wine maker and to the use of recovered alcohol in flavoring extracts and medicines.

Amendment no. 151: This amendment strikes out the limitation on the number of warehouses which the Commissioner of Internal Revenue may establish in any one collection district for the storage of fruit brandies and spirits distilled from materials other than fruit. It also provides that in the discretion of the Commissioner of Internal Revenue such warehouses may be established adjacent to distilleries, and further that he may in his discretion permit the removal of brandies and spirits, as the case may be, directly from the distillery to such warehouses, and from such warehouses to the distillery warehouse of the producing distiller. The House recedes with an amendment which omits the preamble and makes clerical changes.

Amendment no. 152: This amendment changes the method of levying and collecting the tax on distilled spirits. Under the present law, the tax is paid by the distiller or importer. The amendment imposes the tax on the retailer and provides that it shall be collected at the time of its first retail sale. The retailer is required to affix to the bottle or other container of distilled spirits stamps denoting the quantity contained therein and evidencing payment of all internal-revenue

taxes, and of all customs duties. The amendment further provides that no person shall manufacture, distill, import, or sell at wholesale or retail any distilled spirits unless such person furnishes a bond guaranteeing the payment of all taxes and customs duties imposed thereon. The Senate recedes.

Amendment no. 156: This is a clerical amendment changing the paragraph number. The Senate recedes.

The Senate amended the title of the bill to conform to the Senate amendment eliminating malt beverages from the bill. The Senate recedes.

R. L. DOUGHTON,
SAMUEL B. HILL,
THOS. H. CULLEN,
ALLEN T. TREADWAY,
ISAAC BACHARACH,

Managers on the part of the House.

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