

TO PROVIDE REVENUE, EQUALIZE TAXATION, AND FOR  
OTHER PURPOSES

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APRIL 30, 1934.—Ordered to be printed

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

CONFERENCE REPORT

[To accompany H.R. 7835]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 7835) 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 23, 26, 29, 31, 33, 37, 39, 40, 41, 42, 54, 55, 56, 57, 74, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 93, 94, 95, 109, 109½, 110, 111, 113, 114, 122, 123, 144, 146, 167, 175, and 182.

That the House recede from its disagreement to the amendments of the Senate numbered 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 15, 16, 17, 18, 20, 21, 22, 25, 27, 28, 30, 32, 34, 35, 36, 45, 47, 48, 49, 50, 51, 52, 53, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 75, 92, 96, 97, 98, 99, 100, 102, 103, 104, 105, 106, 107, 112, 115, 116, 117, 118, 119, 120, 121, 125, 126, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 152, 154, 155, 156, 157, 159, 160, 161, 162, 163, 164, 165, 166, 176, 178, 179, 180, 181, 183, and 184, 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 a surtax net income of \$4,000 there shall be no surtax; upon surtax net incomes in excess of \$4,000 and not in excess of \$6,000, 4 per centum of such excess.*

*\$80 upon surtax net incomes of \$6,000; and upon surtax net incomes in excess of \$6,000 and not in excess of \$8,000, 5 per centum in addition of such excess.*

\$180 upon surtax net incomes of \$8,000; and upon surtax net incomes in excess of \$8,000 and not in excess of \$10,000, 6 per centum in addition of such excess.

\$300 upon surtax net incomes of \$10,000; and upon surtax net incomes in excess of \$10,000 and not in excess of \$12,000, 7 per centum in addition of such excess.

\$440 upon surtax net incomes of \$12,000; and upon surtax net incomes in excess of \$12,000 and not in excess of \$14,000, 8 per centum in addition of such excess.

\$600 upon surtax net incomes of \$14,000; and upon surtax net incomes in excess of \$14,000 and not in excess of \$16,000, 9 per centum in addition of such excess.

\$780 upon surtax net incomes of \$16,000; and upon surtax net incomes in excess of \$16,000 and not in excess of \$18,000, 11 per centum in addition of such excess.

\$1,000 upon surtax net incomes of \$18,000; and upon surtax net incomes in excess of \$18,000 and not in excess of \$20,000, 13 per centum in addition of such excess.

\$1,260 upon surtax net incomes of \$20,000; and upon surtax net incomes in excess of \$20,000 and not in excess of \$22,000, 15 per centum in addition of such excess.

\$1,560 upon surtax net incomes of \$22,000; and upon surtax net incomes in excess of \$22,000 and not in excess of \$26,000, 17 per centum in addition of such excess.

\$2,240 upon surtax net incomes of \$26,000; and upon surtax net incomes in excess of \$26,000 and not in excess of \$32,000, 19 per centum in addition of such excess.

\$3,380 upon surtax net incomes of \$32,000; and upon surtax net incomes in excess of \$32,000 and not in excess of \$38,000, 21 per centum in addition of such excess.

\$4,640 upon surtax net incomes of \$38,000; and upon surtax net incomes in excess of \$38,000 and not in excess of \$44,000, 24 per centum in addition of such excess.

\$6,080 upon surtax net incomes of \$44,000; and upon surtax net incomes in excess of \$44,000 and not in excess of \$50,000, 27 per centum in addition of such excess.

\$7,700 upon surtax net incomes of \$50,000; and upon surtax net incomes in excess of \$50,000 and not in excess of \$56,000, 30 per centum in addition of such excess.

\$9,500 upon surtax net incomes of \$56,000; and upon surtax net incomes in excess of \$56,000 and not in excess of \$62,000, 33 per centum in addition of such excess.

\$11,480 upon surtax net incomes of \$62,000; and upon surtax net incomes in excess of \$62,000 and not in excess of \$68,000, 36 per centum in addition of such excess.

\$13,640 upon surtax net incomes of \$68,000; and upon surtax net incomes in excess of \$68,000 and not in excess of \$74,000, 39 per centum in addition of such excess.

\$15,980 upon surtax net incomes of \$74,000; and upon surtax net incomes in excess of \$74,000 and not in excess of \$80,000, 42 per centum in addition of such excess.

\$18,500 upon surtax net incomes of \$80,000; and upon surtax net incomes in excess of \$80,000 and not in excess of \$90,000, 45 per centum in addition of such excess.

\$23,000 upon surtax net incomes of \$90,000; and upon surtax net incomes in excess of \$90,000 and not in excess of \$100,000, 50 per centum in addition of such excess.

\$28,000 upon surtax net incomes of \$100,000; and upon surtax net incomes in excess of \$100,000 and not in excess of \$150,000, 52 per centum in addition of such excess.

\$54,000 upon surtax net incomes of \$150,000; and upon surtax net incomes in excess of \$150,000 and not in excess of \$200,000, 53 per centum in addition of such excess.

\$80,500 upon surtax net incomes of \$200,000; and upon surtax net incomes in excess of \$200,000 and not in excess of \$300,000, 54 per centum in addition of such excess.

\$134,500 upon surtax net incomes of \$300,000; and upon surtax net incomes in excess of \$300,000 and not in excess of \$400,000, 55 per centum in addition of such excess.

\$189,500 upon surtax net incomes of \$400,000; and upon surtax net incomes in excess of \$400,000 and not in excess of \$500,000, 56 per centum in addition of such excess.

\$245,500 upon surtax net incomes of \$500,000; and upon surtax net incomes in excess of \$500,000 and not in excess of \$750,000, 57 per centum in addition of such excess.

\$388,000 upon surtax net incomes of \$750,000; and upon surtax net incomes in excess of \$750,000 and not in excess of \$1,000,000, 58 per centum in addition of such excess.

\$533,000 upon surtax net incomes of \$1,000,000; and upon surtax net incomes in excess of \$1,000,000, 59 per centum in addition of such excess.

And the Senate 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:

*Amounts received as an annuity under an annuity or endowment contract shall be included in gross income; except that there shall be excluded from gross income the excess of the amount received in the taxable year over an amount equal to 3 per centum of the aggregate premiums or consideration paid for such annuity (whether or not paid during such year), until the aggregate amount excluded from gross income under this title or prior income tax laws in respect of such annuity equals the aggregate premiums or consideration paid for such annuity.*

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:

In lieu of the matter proposed to be inserted by the Senate amendment insert a comma and the following: *and no substantial part of*

*the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation; and the Senate agree to the same.*

Amendment numbered 24:

That the House recede from its disagreement to the amendment of the Senate numbered 24, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert \$14,000; and the Senate agree to the same.

Amendment numbered 38:

That the House recede from its disagreement to the amendment of the Senate numbered 38, 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:

(a) *Returns made under this title shall be open to inspection in the same manner, to the same extent, and subject to the same provisions of law, including penalties, as returns made under Title II of the Revenue Act of 1926; and all returns made under this Act shall constitute public records and shall be open to public examination and inspection to such extent as shall be authorized in rules and regulations promulgated by the President.*

(b) *Every person required to file an income return shall file with his return, upon a form prescribed by the Commissioner, a correct statement of the following items shown upon the return: (1) name and address, (2) total gross income, (3) total deductions, (4) net income, (5) total credits against net income for purposes of normal tax, and (6) tax payable. In case of any failure to file with the return the statement required by this subsection, the collector shall prepare it from the return, and \$5 shall be added to the tax. The amount so added to the tax shall be collected at the same time and in the same manner as amounts added under section 291. Such statements or copies thereof shall as soon as practicable be made available to public examination and inspection in such manner as the Commissioner, with the approval of the Secretary, may determine, in the office of the collector with which they are filed, for a period of not less than three years from the date they are required to be filed.*

And the Senate agree to the same.

Amendment numbered 43:

That the House recede from its disagreement to the amendment of the Senate numbered 43, 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 comma and the following: *and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation; and the Senate agree to the same.*

Amendment numbered 44:

That the House recede from its disagreement to the amendment of the Senate numbered 44, and agree to the same with an amendment as follows:

Omit the matter proposed to be inserted by the Senate amendment and on page 51 of the House bill, line 26, before the semicolon insert a period and the following: *Business done for the United States or any*

of its agencies shall be disregarded in determining the right to exemption under this paragraph; and the Senate agree to the same.

Amendment numbered 46.

That the House recede from its disagreement to the amendment of the Senate numbered 46, and agree to the same with an amendment as follows:

On page 18 of the Senate engrossed amendments, lines 14 and 15, strike out "increased by the amount of the dividend deduction allowed under section 23 (p)" and insert *computed without the allowance of the dividend deduction otherwise allowable*; and the Senate agree to the same.

Amendment numbered 73:

That the House recede from its disagreement to the amendment of the Senate numbered 73, and agree to the same with an amendment as follows:

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

#### *Sec. 141. Consolidated returns of railroad corporations*

(a) *Privilege To File Consolidated Returns.*—An affiliated group of corporations shall, subject to the provisions of this section, have the privilege of making a consolidated return for the taxable year in lieu of separate returns. The making of a consolidated return shall be upon the condition that all the corporations which have been members of the affiliated group at any time during the taxable year for which the return is made consent to all the regulations under subsection (b) (or, in case such regulations are not prescribed prior to the making of the return, then the regulations prescribed under section 141 (b) of the Revenue Act of 1932 in so far as not inconsistent with this Act) prescribed prior to the making of such return; and the making of a consolidated return shall be considered as such consent. In the case of a corporation which is a member of the affiliated group for a fractional part of the year the consolidated return shall include the income of such corporation for such part of the year as it is a member of the affiliated group.

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

(c) *Computation and Payment of Tax.*—In any case in which a consolidated return is made the tax shall be determined, computed, assessed, collected, and adjusted in accordance with the regulations under subsection (b) (or, in case such regulations are not prescribed prior to the making of the return, then the regulations prescribed under section 141 (b) of the Revenue Act of 1932 in so far as not inconsistent with this Act) prescribed prior to the date on which such return is made; except that there shall be added to the rate of tax prescribed by section 13 (a) a rate of 2 per centum, but the tax at such increased rate shall be considered as imposed by section 13 (a).

(d) *Definition of "Affiliated Group".—As used in this section an "affiliated group" means one or more chains of corporations connected through stock ownership with a common parent corporation if—*

(1) *At least 95 per centum of the stock of each of the corporations (except the common parent corporation) is owned directly by one or more of the other corporations; and*

(2) *The common parent corporation owns directly at least 95 per centum of the stock of at least one of the other corporations; and*

(3) *Each of the corporations is either (A) a corporation whose principal business is that of a common carrier by railroad or (B) a corporation the assets of which consist principally of stock in such corporations and which does not itself operate a business other than that of a common carrier by railroad. For the purpose of determining whether the principal business of a corporation is that of a common carrier by railroad, if a common carrier by railroad has leased its railroad properties and such properties are operated as such by another common carrier by railroad, the business of receiving rents for such railroad properties shall be considered as the business of a common carrier by railroad.*

*As used in this subsection (except in paragraph (3)) the term "stock" does not include nonvoting stock which is limited and preferred as to dividends.*

(e) *Foreign Corporations.—A foreign corporation shall not be deemed to be affiliated with any other corporation within the meaning of this section.*

(f) *China Trade Act Corporations.—A corporation organized under the China Trade Act, 1922, shall not be deemed to be affiliated with any other corporation within the meaning of this section.*

(g) *Corporations Deriving Income From Possessions of United States.—For the purposes of this section a corporation entitled to the benefits of section 251, by reason of receiving a large percentage of its income from possessions of the United States, shall be treated as a foreign corporation.*

(h) *Subsidiary Formed To Comply With Foreign Law.—In the case of a domestic corporation owning or controlling, directly or indirectly, 100 per centum of the capital stock (exclusive of directors' qualifying shares) of a corporation organized under the laws of a contiguous foreign country and maintained solely for the purpose of complying with the laws of such country as to title and operation of property, such foreign corporation may, at the option of the domestic corporation, be treated for the purpose of this title as a domestic corporation.*

(i) *Suspension of Running of Statute of Limitations.—If a notice under section 272 (a) in respect of a deficiency for any taxable year is mailed to a corporation, the suspension of the running of the statute of limitations, provided in section 277, shall apply in the case of corporations with which such corporation made a consolidated return for such taxable year.*

(j) *Allocation of Income and Deductions.—For allocation of income and deductions of related trades or businesses, see section 45.*

And the Senate agree to the same.

Amendment numbered 101:

That the House recede from its disagreement to the amendment of the Senate numbered 101, 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:

(c) *For the purpose only of the tax imposed by this section there shall be allowed as a credit against net income (or, in the case of a foreign life insurance company, against net income from sources within the United States) the amount received as interest upon obligations of the United States or of corporations organized under Act of Congress which is allowed to an individual as a credit for purposes of normal tax by section 25 (a) (2) or (3). In the case of a foreign life insurance company the credit shall not exceed an amount which bears the same ratio to the amount otherwise allowed as a credit as the reserve funds required by law and held by it at the end of the taxable year upon business transacted within the United States is of the reserve funds held by it at the end of the taxable year upon all business transacted.*

And the Senate agree to the same.

Amendment numbered 108:

That the House recede from its disagreement to the amendment of the Senate numbered 108, 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:

(f) *For the purpose only of the tax imposed by this section there shall be allowed as a credit against net income (or, in the case of a foreign corporation, against net income from sources within the United States) the amount received as interest upon obligations of the United States or of corporations organized under Act of Congress which is allowed to an individual as a credit for purposes of normal tax by section 25 (a) (2) or (3).*

And the Senate agree to the same.

Amendment numbered 124:

That the House recede from its disagreement to the amendment of the Senate numbered 124, and agree to the same with an amendment as follows:

On page 32 of the Senate engrossed amendments strike out all of the page after line 2 and insert in lieu thereof the following:

(2) *The term "undistributed adjusted net income" means the adjusted net income minus the sum of:*

(A) *20 per centum of the excess of the adjusted net income over the amount of dividends received from personal holding companies which are allowable as a deduction for the purposes of the tax imposed by section 13 or 204;*

(B) *Amounts used or set aside to retire indebtedness incurred prior to January 1, 1934, if such amounts are reasonable with reference to the size and terms of such indebtedness; and*

(C) *Dividends paid during the taxable year.*

(3) *The term "adjusted net income" means the net income computed without the allowance of the dividend deduction otherwise allowable, but minus the sum of:*

(A) *Federal income, war-profits, and excess-profits taxes paid or accrued, but not including the tax imposed by this section;*

(B) *Contributions or gifts, not otherwise allowed as a deduction, to or for the use of donees described in section 23 (o) for the purposes therein specified; and*

*(C) Losses from sales or exchanges of capital assets which are disallowed as a deduction by section 117 (d).*

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 inserted by the Senate amendment insert the following:

*Sec. 405. Estate tax rates*

*(a) Section 401 (b) of the Revenue Act of 1932 is amended to read as follows:*

*"(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.*

*"\$1,000 upon net estates of \$40,000; and upon net estates in excess of \$40,000 and not in excess of \$50,000, 5 per centum in addition of such excess.*

*"\$1,500 upon net estates of \$50,000; and upon net estates in excess of \$50,000 and not in excess of \$70,000, 7 per centum in addition of such excess.*

*"\$2,900 upon net estates of \$70,000; and upon net estates in excess of \$70,000 and not in excess of \$100,000, 9 per centum in addition of such excess.*

*"\$5,600 upon net estates of \$100,000; and upon net estates in excess of \$100,000 and not in excess of \$200,000, 12 per centum in addition of such excess.*

*"\$17,600 upon net estates of \$200,000; and upon net estates in excess of \$200,000 and not in excess of \$400,000, 16 per centum in addition of such excess.*

*"\$49,600 upon net estates of \$400,000; and upon net estates in excess of \$400,000 and not in excess of \$600,000, 19 per centum in addition of such excess.*

*"\$87,600 upon net estates of \$600,000; and upon net estates in excess of \$600,000 and not in excess of \$800,000, 22 per centum in addition of such excess.*

*"\$131,600 upon net estates of \$800,000; and upon net estates in excess of \$800,000 and not in excess of \$1,000,000, 25 per centum in addition of such excess.*

*"\$181,600 upon net estates of \$1,000,000; and upon net estates in excess of \$1,000,000 and not in excess of \$1,500,000, 28 per centum in addition of such excess.*



"\$321,600 upon net estates of \$1,500,000; and upon net estates in excess of \$1,500,000 and not in excess of \$2,000,000, 31 per centum in addition of such excess.

"\$476,600 upon net estates of \$2,000,000; and upon net estates in excess of \$2,000,000 and not in excess of \$2,500,000, 34 per centum in addition of such excess.

"\$646,600 upon net estates of \$2,500,000; and upon net estates in excess of \$2,500,000 and not in excess of \$3,000,000, 37 per centum in addition of such excess.

"\$831,600 upon net estates of \$3,000,000; and upon net estates in excess of \$3,000,000 and not in excess of \$3,500,000, 40 per centum in addition of such excess.

"\$1,031,600 upon net estates of \$3,500,000; and upon net estates in excess of \$3,500,000 and not in excess of \$4,000,000, 43 per centum in addition of such excess.

"\$1,246,600 upon net estates of \$4,000,000; and upon net estates in excess of \$4,000,000 and not in excess of \$4,500,000, 46 per centum in addition of such excess.

"\$1,476,600 upon net estates of \$4,500,000; and upon net estates in excess of \$4,500,000 and not in excess of \$5,000,000, 48 per centum in addition of such excess.

"\$1,716,600 upon net estates of \$5,000,000; and upon net estates in excess of \$5,000,000 and not in excess of \$6,000,000, 50 per centum in addition of such excess.

"\$2,216,600 upon net estates of \$6,000,000; and upon net estates in excess of \$6,000,000 and not in excess of \$7,000,000, 52 per centum in addition of such excess.

"\$2,736,600 upon net estates of \$7,000,000; and upon net estates in excess of \$7,000,000 and not in excess of \$8,000,000, 54 per centum in addition of such excess.

"\$3,276,600 upon net estates of \$8,000,000; and upon net estates in excess of \$8,000,000 and not in excess of \$9,000,000, 56 per centum in addition of such excess.

"\$3,836,600 upon net estates of \$9,000,000; and upon net estates in excess of \$9,000,000 and not in excess of \$10,000,000, 58 per centum in addition of such excess.

"\$4,416,600 upon net estates of \$10,000,000; and upon net estates in excess of \$10,000,000, 60 per centum in addition of such excess."

(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 128:

That the House recede from its disagreement to the amendment of the Senate numbered 128, 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. 406. Nondeductibility of certain transfers*

*Section 303 (a) (3) and section 303 (b) (3) of the Revenue Act of 1926, as amended, are amended by inserting after "individual", wherever appearing therein, a comma and the following: "and no substantial part*

of the activities of which is carrying on propoganda, or otherwise attempting, to influence legislation”.

And the Senate agree to the same.

Amendment numbered 142:

That the House recede from its disagreement to the amendment of the Senate numbered 142, 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:

*The President is authorized to appoint, by and with the advice and consent of the Senate, an Assistant General Counsel for the Bureau of Internal Revenue and to fix his compensation at a rate not in excess of \$10,000 per annum. The Secretary may appoint and fix the duties of such other Assistant General Counsel (not to exceed five) and such other officers and employees as he may deem necessary to assist the General Counsel in the performance of his duties. The Secretary may designate one of the Assistant General Counsel to act as the General Counsel during the absence of the General Counsel. The General Counsel, with the approval of the Secretary, is authorized to delegate to any Assistant General Counsel any authority, duty, or function which the General Counsel is authorized or required to exercise or perform. The Assistant General Counsel appointed by the Secretary may be appointed and compensated without regard to the provisions of the Classification Act of 1923, as amended, and the Civil Service laws and shall receive compensation at such rate (not in excess of \$10,000 per annum) as may be fixed by the Secretary.*

And the Senate agree to the same.

Amendment numbered 143:

That the House recede from its disagreement to the amendment of the Senate numbered 143, 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:

*The Secretary of the Treasury is authorized (without regard to the Classification Act of 1923, as amended, and the Civil Service laws) to appoint and fix the compensation of five assistants at rates of compensation of not to exceed \$10,000 per annum, but the rates so fixed shall be subject to the reduction applicable to officers and employees of the Federal Government generally.*

And the Senate agree to the same.

Amendment numbered 145:

That the House recede from its disagreement to the amendment of the Senate numbered 145, and agree to the same with an amendment as follows:

Restore the matter proposed to be stricken out by the Senate amendment and on page 194 of the House bill, line 5, after “officer” insert *or employee*; and the Senate agree to the same.

Amendment numbered 147:

That the House recede from its disagreement to the amendment of the Senate numbered 147, 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. 516. Commissioner as party to suit*

*Section 907 of the Revenue Act of 1924, as amended, is amended by adding at the end thereof a new subdivision to read as follows:*

*"(g) When the incumbent of the office of Commissioner changes, no substitution of the name of his successor shall be required in proceedings pending after the date of the enactment of the Revenue Act of 1934 before any appellate court reviewing the action of the Board."*

And the Senate agree to the same.

Amendment numbered 148:

That the House recede from its disagreement to the amendment of the Senate numbered 148, 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. 517. Nondeductibility of certain gifts*

*(a) Section 505 (a) (2) (B) and section 505 (b) (2) of the Revenue Act of 1932 are amended by inserting after "individual" a comma and the following: "and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation".*

*(b) Section 505 (b) (3) of the Revenue Act of 1932 is amended by inserting after "animals" a comma and the following: "no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation".*

And the Senate agree to the same.

Amendment numbered 149:

That the House recede from its disagreement to the amendment of the Senate numbered 149, and agree to the same with an amendment as follows:

On page 43 of the Senate engrossed amendments, line 11, strike out "517" and insert 518; 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:

On page 44 of the Senate engrossed amendments, line 2, strike out "518" and insert 519; 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. 520. Gift tax rates*

*(a) The gift-tax schedule set forth in section 502 of the Revenue Act of 1932 is amended to read as follows:*

*"Upon net gifts not in excess of \$10,000, three fourths of 1 per centum.*

*"\$75 upon net gifts of \$10,000; and upon net gifts in excess of \$10,000 and not in excess of \$20,000, 1½ per centum in addition of such excess.*

"\$225 upon net gifts of \$20,000; and upon net gifts in excess of \$20,000 and not in excess of \$30,000, 2¼ per centum in addition of such excess.

"\$450 upon net gifts of \$30,000; and upon net gifts in excess of \$30,000 and not in excess of \$40,000, 3 per centum in addition of such excess.

"\$750 upon net gifts of \$40,000; and upon net gifts in excess of \$40,000 and not in excess of \$50,000, 3¾ per centum in addition of such excess.

"\$1,125 upon net gifts of \$50,000; and upon net gifts in excess of \$50,000 and not in excess of \$70,000, 5¼ per centum in addition of such excess.

"\$2,175 upon net gifts of \$70,000; and upon net gifts in excess of \$70,000 and not in excess of \$100,000, 6¾ per centum in addition of such excess.

"\$4,200 upon net gifts of \$100,000; and upon net gifts in excess of \$100,000 and not in excess of \$200,000, 9 per centum in addition of such excess.

"\$13,200 upon net gifts of \$200,000; and upon net gifts in excess of \$200,000 and not in excess of \$400,000, 12 per centum in addition of such excess.

"\$37,200 upon net gifts of \$400,000; and upon net gifts in excess of \$400,000 and not in excess of \$600,000, 14¼ per centum in addition of such excess.

"\$65,700 upon net gifts of \$600,000; and upon net gifts in excess of \$600,000 and not in excess of \$800,000, 16½ per centum in addition of such excess.

"\$98,700 upon net gifts of \$800,000; and upon net gifts in excess of \$800,000 and not in excess of \$1,000,000, 18¾ per centum in addition of such excess.

"\$136,200 upon net gifts of \$1,000,000; and upon net gifts in excess of \$1,000,000 and not in excess of \$1,500,000, 21 per centum in addition of such excess.

"\$241,200 upon net gifts of \$1,500,000; and upon net gifts in excess of \$1,500,000 and not in excess of \$2,000,000, 23¼ per centum in addition of such excess.

"\$357,450 upon net gifts of \$2,000,000; and upon net gifts in excess of \$2,000,000 and not in excess of \$2,500,000, 25½ per centum in addition of such excess.

"\$484,950 upon net gifts of \$2,500,000; and upon net gifts in excess of \$2,500,000 and not in excess of \$3,000,000, 27¾ per centum in addition of such excess.

"\$623,700 upon net gifts of \$3,000,000; and upon net gifts in excess of \$3,000,000 and not in excess of \$3,500,000, 30 per centum in addition of such excess.

"\$773,700 upon net gifts of \$3,500,000; and upon net gifts in excess of \$3,500,000, and not in excess of \$4,000,000, 32¼ per centum in addition of such excess.

"\$934,950 upon net gifts of \$4,000,000; and upon net gifts in excess of \$4,000,000 and not in excess of \$4,500,000, 34½ per centum in addition of such excess.

"\$1,107,450 upon net gifts of \$4,500,000; and upon net gifts in excess of \$4,500,000 and not in excess of \$5,000,000, 36 per centum in addition of such excess.

"\$1,287,450 upon net gifts of \$5,000,000; and upon net gifts in excess of \$5,000,000 and not in excess of \$6,000,000, 37½ per centum in addition of such excess.

"\$1,662,450 upon net gifts of \$6,000,000; and upon net gifts in excess of \$6,000,000 and not in excess of \$7,000,000, 39 per centum in addition of such excess.

"\$2,052,450 upon net gifts of \$7,000,000; and upon net gifts in excess of \$7,000,000 and not in excess of \$8,000,000, 40½ per centum in addition of such excess.

"\$2,457,450 upon net gifts of \$8,000,000; and upon net gifts in excess of \$8,000,000 and not in excess of \$9,000,000, 42 per centum in addition of such excess.

"\$2,877,450 upon net gifts of \$9,000,000; and upon net gifts in excess of \$9,000,000 and not in excess of \$10,000,000, 43½ per centum in addition of such excess.

"\$3,312,450 upon net gifts of \$10,000,000; and upon net gifts in excess of \$10,000,000, 45 per centum in addition of such excess."

(b) The amendment made by subsection (a) of this section shall be applied in computing the tax for the calendar year 1935 and each calendar year thereafter (but not the tax for the calendar year 1934 or a previous calendar year), and such amendment shall be applied in all computations in respect of the calendar year 1934 and previous calendar years for the purpose of computing the tax for the calendar year 1935 or any calendar year thereafter.

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 amendment of the Senate, insert the following:

Section 601 (c) of the Revenue Act of 1932 is amended by adding at the end thereof a new paragraph as follows:

"(8) Whale oil (except sperm oil), fish oil (except cod oil, cod-liver oil, and halibut liver oil), marine animal oil, and any combination or mixture containing a substantial quantity of any one or more of such oils, 3 cents per pound. The tax on the importation of such articles after the date of the enactment of the Revenue Act of 1934, and shall not be subject to the provisions of subsection (b) (4) of this section (prohibiting drawback) or section 629 (relating to expiration of taxes)."

#### Sec. 602½. Processing tax on certain oils

(a) There is hereby imposed upon the first domestic processing of coconut oil, sesame oil, palm oil, palm kernel oil, or sunflower oil, or of any combination or mixture containing a substantial quantity of any one or more of such oils with respect to any of which oils there has been no previous first domestic processing, a tax of 3 cents per pound, to be paid by the processor. There is hereby imposed (in addition to the tax imposed by the preceding sentence) a tax of 2 cents per pound, to be paid by the processor, upon the first domestic processing of coconut oil or of any combination or mixture containing a substantial quantity of coconut oil with respect to which oil there has been no previous first domestic processing, except that the tax imposed by this sentence shall not apply when it is established, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, that such coconut oil (whether

or not contained in such a combination or mixture), (A) is wholly the production of the Philippine Islands or any other possession of the United States, or (B) was produced wholly from materials the growth or production of the Philippine Islands or any other possession of the United States, or (C) was brought into the United States on or before the 30th day after the date of the enactment of this Act or produced from materials brought into the United States on or before the 30th day after the date of the enactment of this Act, or (D) was purchased under a bona fide contract entered into prior to April 26, 1934, or produced from materials purchased under a bonafide contract entered into prior to April 26, 1934. All taxes collected under this section with respect to coconut oil wholly of Philippine production or produced from materials wholly of Philippine growth or production, shall be held as a separate fund and paid to the Treasury of the Philippine Islands, but if at any time the Philippine Government provides by any law for any subsidy to be paid to the producers of copra, coconut oil, or allied products, no further payments to the Philippine Treasury shall be made under this subsection. For the purposes of this section the term "first domestic processing" means the first use in the United States, in the manufacture or production of an article intended for sale, of the article with respect to which the tax is imposed, but does not include the use of palm oil in the manufacture of tin plate.

And the Senate agree to the same.

Amendment numbered 158:

That the House recede from its disagreement to the amendment of the Senate numbered 158, and agree to the same with an amendment as follows:

On page 51 of the Senate engrossed amendments, line 13, strike out "first day of the first calendar month" and insert *thirtieth day*; and on page 52 of the Senate engrossed amendments, lines 10 and 11, strike out "first day of the first calendar month" and insert *thirtieth day*; and the Senate agree to the same.

Amendment numbered 168:

That the House recede from its disagreement to the amendment of the Senate numbered 168, and agree to the same with an amendment as follows:

On page 58 of the Senate engrossed amendments, line 12, strike out "606" and insert *607*; and the Senate agree to the same.

Amendment numbered 169:

That the House recede from its disagreement to the amendment of the Senate numbered 169, and agree to the same with an amendment as follows:

On page 59 of the Senate engrossed amendments, line 2, strike out "607" and insert *608*; and the Senate agree to the same.

Amendment numbered 170:

That the House recede from its disagreement to the amendment of the Senate numbered 170, and agree to the same with an amendment, as follows:

On page 59 of the Senate engrossed amendments, line 8, strike out "608" and insert *609*; and the Senate agree to the same.

Amendment numbered 171:

That the House recede from its disagreement to the amendment of the Senate numbered 171, and agree to the same with an amendment as follows:

On page 59 of the Senate engrossed amendments, line 14, strike out "609" and insert 610; and the Senate agree to the same.

Amendment numbered 172:

That the House recede from its disagreement to the amendment of the Senate numbered 172, and agree to the same with an amendment as follows:

On page 60 of the Senate engrossed amendments, line 4, strike out "610" and insert 611; and the Senate agree to the same.

Amendment numbered 173:

That the House recede from its disagreement to the amendment of the Senate numbered 173, 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. 612. Stamp tax on sales of produce for future delivery*

*(a) Effective on the day following the enactment of this Act subdivision 4 of Schedule A of Title VIII of the Revenue Act of 1926, as amended, is amended by striking out "5 cents" wherever appearing in such subdivision, and inserting in lieu thereof "3 cents."*

*(b) Section 726 (c) of the Revenue Act of 1932 is amended by striking out "5 cents" and inserting in lieu thereof "3 cents'."*

And the Senate agree to the same.

Amendment numbered 174:

That the House recede from its disagreement to the amendment of the Senate numbered 174, and agree to the same with an amendment as follows:

On page 61 of the Senate engrossed amendments, line 2, strike out "612" and insert 613; and the Senate agree to the same.

Amendment numbered 177:

That the House recede from its disagreement to the amendment of the Senate numbered 177 and agree to the same with an amendment as follows:

On page 66 of the Senate engrossed amendments, line 7, strike out "and (4)" and insert *(4) the excess of its income wholly exempt from the taxes imposed by Title I over the amount disallowed as a deduction by section 24(a) (5) of such title, and (5);* and the Senate agree to the same.

The committee of conference report in disagreement amendments numbered 1 and 13.

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

*Managers on the part of the House.*

PAT HARRISON,  
WILLIAM H. KING,  
WALTER F. GEORGE,  
JAMES COUZENS,

*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. 7835) to provide revenue, equalize taxation, and for other purposes, submit the following written statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment no. 2: In the House bill the surtax rates commenced at 4 percent upon surtax net incomes of \$4,000 and not in excess of \$8,000 and increased progressively by brackets to 59 percent upon the portion of the surtax net income in excess of \$1,000,000. The Senate amendment increases the surtax rates in all brackets up to and including the bracket of surtax net incomes of \$26,000 to \$32,000. Above this bracket the Senate amendment makes no rate changes. Under the Senate amendment the surtax rates commence at 5 percent upon surtax net incomes of \$4,000 and not in excess of \$6,000. The Senate amendment affects, however, the total surtaxes paid in the higher brackets on account of the cumulative nature of the surtax schedule. Under the House bill the total surtax on a surtax net income of \$1,000,000 is \$532,740, while under the Senate amendment the total surtax on the same amount of surtax net income is \$533,240.

In respect to this Senate amendment, the House recedes with an amendment decreasing the surtax rates proposed by the Senate up to and including the bracket of surtax net incomes of \$16,000 to \$18,000. The rates proposed in these lower brackets add 1 percent to the House rates, except in the first bracket covering surtax net incomes of \$4,000 to \$6,000, in which case the rate is 4 percent as in the House bill.

The following table shows the differences between the surtax rates contained in the House bill, the Senate amendment, and the conference agreement:

*Surtax rates*

Portion of surtax net incomes from	House bill	Senate amendment	Conference agreement	Portion of surtax net incomes from	House bill	Senate amendment	Conference agreement
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
\$4,000 to \$6,000.....	4	6	4	\$50,000 to \$62,000.....	33	33	33
\$6,000 to \$8,000.....	4	7	5	\$62,000 to \$68,000.....	36	36	36
\$8,000 to \$10,000.....	5	8	6	\$68,000 to \$74,000.....	39	39	39
\$10,000 to \$12,000.....	6	9	7	\$74,000 to \$80,000.....	42	42	42
\$12,000 to \$14,000.....	7	10	8	\$80,000 to \$90,000.....	45	45	45
\$14,000 to \$16,000.....	8	11	9	\$90,000 to \$100,000.....	50	50	50
\$16,000 to \$18,000.....	10	12	11	\$100,000 to \$150,000.....	52	52	52
\$18,000 to \$20,000.....	12	13	13	\$150,000 to \$200,000.....	53	53	53
\$20,000 to \$22,000.....	14	15	15	\$200,000 to \$300,000.....	54	54	54
\$22,000 to \$26,000.....	16	17	17	\$300,000 to \$400,000.....	55	55	55
\$26,000 to \$32,000.....	18	19	19	\$400,000 to \$500,000.....	56	56	56
\$32,000 to \$38,000.....	21	21	21	\$500,000 to \$750,000.....	57	57	57
\$38,000 to \$44,000.....	24	24	24	\$750,000 to \$1,000,000.....	58	58	58
\$44,000 to \$50,000.....	27	27	27	Over \$1,000,000.....	59	59	59
\$50,000 to \$56,000.....	30	30	30				

Amendments nos. 3, 4, 5, and 6: These make clerical changes in cross references; and the House recedes.

Amendment no. 7: This amendment is necessitated by amendments nos. 15 and 25; and the House recedes.



Amendment no. 8: This is a clerical change, and the House recedes.

Amendments nos. 9, 10, 11, and 12: These make clerical changes in cross references; and the House recedes.

Amendment no. 14: The House bill requires an annuitant to include in his gross income a portion of the annual receipts in an amount equal to 3 percent of the cost of the annuity. The Senate amendment excepts from the House change persons whose aggregate receipts from annuities in the year do not exceed \$500, and makes some minor changes in phraseology. The House recedes with an amendment rejecting the \$500 exception.

Amendments nos. 15 and 25: Under the House bill interest on obligations of the United States and of certain of its instrumentalities which under the acts authorizing their issue was exempt from normal tax but subject to surtax, was included in gross income in the case of an individual, but excluded in the case of a corporation. Senate amendment no. 15 includes all such interest in gross income in the case of corporations as well as individuals, and amendment no. 25 allows the amount thereof as a credit to corporations against net income for the purposes of the normal corporation tax. Thus the interest on such obligations remains in gross income and net income for the purpose of corporate surtaxes, such as sections 102 and 351 of the bill as passed by the Senate. The House recedes on both amendments.

Amendment no. 16: This is a clerical amendment; and the House recedes.

Amendment no. 17: Under existing law interest paid on indebtedness incurred or continued to purchase or carry obligations (other than obligations of the United States issued after Sept. 24, 1917, and originally subscribed for by the taxpayer) is not allowed as a deduction if the interest received on such obligations is wholly exempt from income taxes. The House bill also denies the deduction if the proceeds of such indebtedness were used to purchase or carry such obligations, regardless of the purpose of the taxpayer in incurring such indebtedness. The Senate amendment restores the provisions of existing law; and the House recedes.

Amendment no. 18: Under existing law a taxpayer is denied a deduction for interest paid or accrued on money borrowed to purchase an annuity. The House bill also denies the deduction if the money borrowed was actually used to purchase an annuity even though the indebtedness was not incurred for that purpose. The Senate amendment permits a deduction in both of such cases; and the House recedes.

Amendment no. 19: This amendment prohibits any deduction for contributions made to certain organizations, a substantial part of the activities of which is participation in partisan politics or is carrying on propaganda, or otherwise attempting, to influence legislation; and the House recedes with an amendment striking out the words "participation in partisan politics or is".

Amendment no. 20: The House bill disallows deductions allocable to tax-exempt income. The Senate amendment excepts from the House provision deductions allocable to tax-exempt interest; and the House recedes.

Amendment no. 21: The House bill disallowed deductions allocable to income "wholly exempt to the taxpayer" from the taxes imposed by title I. The Senate amendment makes the disallowance of the deduction depend on whether the income is "wholly exempt" from the taxes imposed by title I. The House recedes.

Amendment no. 22: Under the House bill no deduction is allowed for losses in the case of sales or exchanges of property between members of a family, or between a shareholder and a corporation in which such shareholder owns a majority of the voting stock. The Senate amendment makes a slight change with respect to transfers to a closely held corporation. Instead of making the test depend upon the ownership of a majority of the voting stock of such corporation, the standard is changed so that it depends upon the ownership of 50 percent in value of the outstanding stock. The House recedes.

Amendment no. 23: This amendment eliminates a cross reference made unnecessary by amendment no. 77 eliminating the requirement of withholding of tax at the source in the case of tax-free covenant bonds; and the Senate recedes.

Amendment no. 24: This amendment increases the maximum earned net income allowed under the House bill from \$8,000 to \$20,000; and the House recedes with an amendment making the maximum \$14,000.

Amendment no. 25: See amendment no. 15.

Amendment no. 26: This is a change in section number; and the Senate recedes.

Amendment no. 27: Under the House bill all items of income and deductions accrued up to the date of the death of the decedent were required to be reflected in the last return filed for the decedent, regardless of the fact that he may have kept his books on a cash basis. The Senate amendment makes a clarifying change to the effect that a credit of the accrued items, such as dividends and interest on partially tax-exempt securities, will also be permitted in such cases. The House recedes.

Amendment no. 28: This amendment makes it clear that where the profit on the sale or exchange of property is returned on the installment basis by spreading the profit over the period during which the installment obligations are satisfied or disposed of, such profit shall be taken into account under the brackets set forth in section 117 of the bill according to the period for which the original property sold was held rather than according to the period for which the installment obligations were held; and the House recedes.

Amendment no. 29: This amendment permits a taxpayer holding installment obligations on December 31, 1933 (which originally matured prior to January 1, 1934, but which were extended so as to mature after that date), the option of paying the tax on such installments when paid or otherwise disposed of at the 12½ percent capital gain rate provided for in existing law. The Senate recedes.

Amendment no. 30: This is a clerical amendment; and the House recedes.

Amendment no. 31: This is a clerical amendment changing a section number; and the Senate recedes.

Amendment no. 32: This amendment is declaratory of existing law to the effect that the term "trade or business" includes the performance of the functions of a public office; and the House recedes.

Amendment no. 33: This is a clerical change in a section number; and the Senate recedes.

Amendment no. 34: This is a clerical amendment made necessary by amendment no. 36; and the House recedes.

Amendment no. 35: This amendment permits a corporate return to be sworn to by the chief accounting officer in lieu of the treasurer or assistant treasurer; and the House recedes.

Amendment no. 36: This amendment eliminates a cross-reference; and the House recedes.

Amendment no. 37: This is a clerical change in section numbers in a cross-reference; and the Senate recedes.

Amendment no. 38: This amendment provides that income-tax returns shall be open to public examination and inspection under regulations promulgated by the Secretary and approved by the President. Under the House bill (which is the same as existing law) the returns are open to public inspection only to the extent provided for by rules and regulations promulgated by the President. Subsections (b) and (c) of this amendment restate existing law. The House recedes with an amendment restoring the language of the House bill and adding a paragraph to the effect that every person required to file an income return shall file therewith a statement of the following items shown upon the return: (1) Name and address, (2) total gross income, (3) total deductions, (4) net income, (5) total credits against net income for purposes of normal tax, and (6) tax payable. Such statements or copies thereof are to be available to public examination and inspection in the office of the collector where filed for at least 3 years.

Amendment no. 39: This amendment is a clerical change in a section number; and the Senate recedes.

Amendment no. 40: This amendment is made necessary by Senate amendment no. 77 eliminating withholding at the source in the case of tax-free covenant bonds. The Senate recedes.

Amendments nos. 41 and 42: These amendments make clerical changes in section numbers; and the Senate recedes.

Amendment no. 43: This amendment provides that certain organizations, a substantial part of the activities of which is participation in partisan politics or is carrying on propaganda, or otherwise attempting to influence legislation, shall not be exempt from the income tax; and the House recedes with an amendment striking out the words "participation in partisan politics or is".

Amendment no. 44: This amendment provides that a farmers' cooperative marketing or purchasing association need only keep such records as will show the actual business done with nonmembers and the profit, if any, derived therefrom, and that exemption shall not be denied on the ground that the record of transactions between the association and nonmembers is not kept on ledger accounts. The amendment also provides that such an association shall be allowed to retain the profits, if any, derived from its business with nonmembers, subject to the right of any nonmember to use his share of such profits, if any, to qualify as a member of the association. Under the amendment, business done for the Federal Government or any of its agencies is not to be considered nonmember business. The House recedes with an amendment inserting in lieu of the matter proposed to be inserted by the Senate amendment a provision that business done for the

United States or any of its agencies shall be disregarded in determining the right to exemption.

Amendments nos. 45 and 124: Amendment no. 45 strikes out the provision in the House bill providing for a "Tax on personal holding companies", and amendment no. 124 substitutes a surtax on personal holding companies for taxable years to which title I applies. The House bill proposed a tax of 35 percent on the "undistributed adjusted net income" of such companies. The Senate amendment proposes a surtax of 30 percent on the first \$100,000 of such income plus 40 percent on the balance over \$100,000. The House bill defined a personal holding company as a corporation, 80 percent of whose gross income was derived from rents, royalties, dividends, interest, annuities and gains from the sale of stock or securities, and 50 percent in value of whose outstanding stock was owned by not more than five individuals. As used in the section, the term "royalty" is not intended to include overriding royalties received by an operating company. The House bill also exempted banks and insurance companies from the operation of this section. The Senate amendment omits the word "rents" from the House definition and changes the House exemption so that corporations exempt under section 101, banks or trust companies (a substantial part of whose business is the receipt of deposits) and life insurance companies and surety companies shall be exempt from the operation of this section. The House bill provided for a deduction from "adjusted net income" in arriving at "undistributed adjusted net income" of 10 percent of the adjusted net income. The Senate amendment provides for a deduction of 20 percent of the excess of the adjusted net income over the amount of the dividend deduction allowed corporations for normal tax purposes.

The conference agreement changes this deduction to 20 percent of the excess of the adjusted net income over the amount of the dividends from personal holding companies which are allowable as a deduction for the purpose of the tax imposed by section 13 or 204. The Senate amendment provides for a further deduction from adjusted net income of a reasonable amount used or set aside to retire indebtedness incurred before January 1, 1934. Under the conference agreement the reasonableness of such amount is to be determined with reference to the size and terms of the indebtedness. The Senate amendment omits the provision of the House bill which provided for a deduction in arriving at the adjusted net income of the losses from sales or exchanges of capital assets disallowed as a deduction under section 117 (d). The conference agreement restores this provision of the House bill. The Senate amendment provides for a separate return for the purposes of this surtax on personal holding companies. All provisions of law in respect of the taxes imposed by title I are applicable to this return, except that the foreign-tax credit imposed by section 131 is not allowed. However, the deduction of foreign taxes under section 23 (c) is permitted for the purposes of the surtax even if for the purposes of the corporate tax imposed by title I a credit for such taxes is taken. The Senate amendment adds a provision permitting the corporation to avoid liability in respect of this surtax if all of its shareholders include in their gross income their entire pro rata shares, whether distributed or not, of the adjusted net income of the corporation for the year. The House recedes on amendment no. 45. On amendment no. 124 the House recedes with the amend-

ments described above as made by the conference agreement and with a further amendment defining adjusted net income to be net income computed without the allowance of the dividend deduction otherwise allowable minus certain taxes, contributions, and losses specified in the personal holding company section.

Amendment no. 46: This amendment strikes out the provision of the House bill providing for a "tax on other corporations improperly accumulating surplus" and substitutes a provision providing for a "surtax on corporations improperly accumulating surplus." The House bill imposed a tax of 25 percent on the net income of the corporation. The Senate amendment provides for a surtax of 25 percent on so much of the adjusted net income of the corporation as is not in excess of \$100,000, plus 35 percent on so much of the adjusted net income as is in excess of \$100,000. The term "net income" for the purposes of the House provision was given a special definition. The "net income" as specifically defined in the House bill has the same legal effect as the "adjusted net income" defined in the Senate amendment. Both the tax proposed by the House bill and the surtax proposed by the Senate amendment are in addition to the corporate tax imposed in section 13. The Senate amendment adds to this provision a paragraph permitting the corporation to avoid liability in respect to the surtax if all of its shareholders include in their gross income their entire pro rata shares, whether distributed or not, of the "adjusted net income" of the corporation for the year. The Senate amendment also omits as surplusage the provision of the House bill as to computation, collection, and payment of tax. The House recedes with an amendment making a clarifying change.

Amendment no. 47: The House bill imposed upon citizens or subjects of a foreign country an additional income tax equal to 50 percent of the tax otherwise imposed, if the President finds and proclaims that such country subjects our citizens or corporations to discriminatory taxes. The Senate amendment, instead of imposing an additional tax, doubles the rate of normal and surtax of individuals, and the regular tax on corporations and insurance companies, with a limitation that the tax at such doubled rates shall not exceed 80 percent of the net income. The Senate amendment also makes the section applicable in the case of "extraterritorial" as well as "discriminatory" taxes. The amendment also omits as surplusage the provisions of the House bill as to computation, collection, and payment of the tax. The House recedes.

Amendment no. 48: This amendment adds language found in existing law, in conformity with Senate amendment no. 62; and the House recedes.

Amendments nos. 49, 50, 51, and 52: These amendments broaden the scope of a reorganization (as defined in the House bill) in connection with which exchanges of property may be made without the recognition of gain or loss. The amendments, in addition to making it clear that mergers and consolidations, as those terms are used in the reorganization definition, are confined to statutory mergers and consolidations, add to the definition of reorganizations the acquisition by one corporation for all or part of its voting stock of (1) 80 percent of the voting stock and at least 80 percent of the total number of shares of all other classes of stock of another corporation, or (2) substantially all the properties of another corporation. To conform to

this addition, the definition of "a party to a reorganization" is extended to include both corporations in the type of cases just mentioned. The House recedes.

Amendment no. 53: This amendment makes it clear that if the property of the decedent is sold by the executor or other representative of the estate of the decedent, the basis for computing gain or loss from such sale is the fair market value at the date of death. The House recedes.

Amendments nos. 54, 55, 56, and 57: These are clerical amendments made necessary by the Senate amendments relating to consolidated returns; and the Senate recedes.

Amendments nos. 58 and 59: These are clerical amendments; and the House recedes.

Amendment no. 60: This amendment provides that the election of the taxpayer as between percentage depletion for coal mines, metal mines, and sulphur mines and deposits, and depletion otherwise computed, shall be binding in future taxable years on holders of the property who would under section 113 compute their gain from its sale by using the basis of such taxpayer. The House recedes.

Amendment no. 61: This amendment adds language found in existing law, in conformity with Senate amendment no. 62; and the House recedes.

Amendment no. 62: This amendment restores the provisions of existing law which exempt from taxation as ordinary dividends distributions of earnings or profits accumulated, or increase in value of property accrued, prior to March 1, 1913; and the House recedes.

Amendments nos. 63 and 64: These amendments add language found in existing law, in conformity with Senate amendment no. 62; and the House recedes.

Amendment no. 65: The House bill provided that (except in the case of corporations) only 40 percent of the recognized gain or loss from the sale or exchange of a capital asset should be taken into account in computing net income if the asset had been held for more than 5 years. The Senate amendment provides for 30 percent if the asset has been held for more than 10 years. The House recedes.

Amendment no. 66: The House bill excluded from the definition of "capital assets" property held primarily for sale in the course of the taxpayer's trade or business. The Senate amendment confines the exclusion to property held primarily for sale to customers in the ordinary course of the taxpayer's trade or business, thus making it impossible to contend that a stock speculator trading on his own account is not subject to the provisions of section 117. The House recedes.

Amendment no. 67: This amendment assures that losses from sales or exchanges of capital assets (to the extent they are taken into account and are otherwise deductible) shall be allowed in the amount of \$2,000, or, if the taxpayer has gains as well as losses from that source, in the amount of \$2,000 plus such gains. The House recedes.

Amendment no. 68: This amendment modifies the limitation on capital losses contained in the House bill in the case of incorporated banks and trust companies a substantial part of whose business is the receipt of deposits as follows: If evidences of indebtedness with interest coupons or in registered form issued by a corporation or by a government are sold at a loss, such loss, to the extent represented by

the excess of the par or face value of the obligation over the selling price, shall be deductible without regard to the limitation on capital losses, and shall not be taken into consideration either directly or indirectly in applying the capital loss limitation with respect to other capital losses. The House recedes.

Amendment no. 69: This amendment will preclude the contention that gains or losses from short sales of property are not capital gains and losses. Under the House bill the property so sold was in all cases deemed to have been held for 1 year or less, while under this amendment the period for which the property was held will depend in each case upon the actual holding period of the property which is used by the seller to cover his obligation to deliver. The amendment omits the provision of the House bill relative to the treatment of sales or exchanges of privileges or options, since the treatment of such transactions is amply covered by the general provisions applying to capital gains and losses. Finally, under the amendment it is the gains or losses attributable to "the failure to exercise" privileges or options to buy or sell property and not all gains or losses attributable to such privileges or options which are to be treated, as a matter of law and without regard to varying circumstances, as gains or losses from sales or exchanges of capital assets held for 1 year or less. The House recedes.

Amendment no. 70: This amendment provides that dividends from foreign corporations (50 percent or more of the gross income of which was derived from sources within the United States) shall be treated for purposes of section 131, relating to foreign-tax credits, as income from sources without the United States; and the House recedes.

Amendments nos. 71 and 72: The House bill reduced the foreign tax credit allowed under existing law by limiting the amount of the credit to the proportion of the tax which one half the net income from each foreign source bears to the total income. The Senate amendments restore the provisions of existing law. The House recedes.

Amendment no. 73: This amendment eliminates section 141 of the House bill, permitting the filing of consolidated returns. The House recedes with an amendment restoring the privilege of making a consolidated return (granted by sec. 141 of the House bill) to any affiliated group of corporations each of which is either (A) a corporation whose principal business is that of a common carrier by railroad or (B) a corporation the assets of which consist principally of stock in such corporations and which does not itself operate a business other than that of a common carrier by railroad.

Amendment no. 74: This is a clerical change in a section number; and the Senate recedes.

Amendment no. 75: This is a clerical change; and the House recedes.

Amendment no. 76: This is a clerical change in a section number; and the Senate recedes.

Amendment no. 77: This amendment eliminates section 142(a) of the House bill requiring withholding of tax at the source in the case of tax-free covenant bonds; and the Senate recedes.

Amendments nos. 78, 79, 80, 81, 82, and 83: These are clerical amendments made necessary by Senate amendment no. 77; and the Senate recedes.

Amendments nos. 84 and 85: These are clerical changes in section numbers. The Senate recedes.

Amendment no. 86: This is an amendment made necessary by Senate amendment no. 77; and the Senate recedes.

Amendments nos. 87, 88, 89, 90, and 91: These are changes in section numbers; and the Senate recedes.

Amendment no. 92: This amendment provides that every corporation shall, in its return, submit a list of the names of all officers and employees to whom more than \$15,000 was paid by the corporation during the taxable year by way of salary, commission, bonus, or other compensation for personal services rendered. The amendment also provides that the amounts paid to such individuals shall be reported, and that the Secretary of the Treasury shall submit an annual report to Congress showing the names of the individuals, the amount paid to each, and the name of the paying corporation. The House recedes.

Amendments nos. 93, 94, and 95: These amendments make clerical changes in section numbers; and the Senate recedes.

Amendments nos. 96 and 97: Under existing law, the income from a revocable trust is taxable to the grantor only where such grantor (or a person not having a substantial adverse interest in the trust) has the power within the taxable year to revest in the grantor title to any part of the corpus of the trust. Under the terms of some trusts, the power to revoke cannot be exercised within the taxable year, except upon advance notice delivered to the trustee during the preceding taxable year. If this notice is not given within the preceding taxable year, the courts have held that the grantor is not required under existing law to include the trust income for the taxable year in his return. The Senate amendments require the income from trusts of this type to be reported by the grantor. The House recedes.

Amendments nos. 98, 99, 101, 102, 104, 105, 107, and 108: These amendments carry out in the case of insurance companies the same policy as do amendments nos. 15 and 25 in the case of other corporations. Interest excluded from gross income under section 22 (b) (4) but included in the gross income of an insurance company, is allowed as a deduction from gross income, while interest on partially exempt obligations is allowed as a credit against net income for the purpose of the tax imposed by sections 201 and 204, but not for purposes of surtax. The House recedes on amendments nos. 98, 99, 102, 104, 105, and 107, and recedes on amendments nos. 101 and 108 with amendments making corrections with respect to foreign corporations.

Amendment no. 100: This is a clerical change. The House recedes.

Amendments nos. 101 and 102: See amendment no. 98.

Amendment no. 103: This is a similar amendment to amendment no. 17. The House recedes.

Amendments nos. 104 and 105: See amendment no. 98.

Amendment no. 106: This is a clerical change. The House recedes.

Amendments nos. 107 and 108: See amendment no. 98.

Amendments nos. 109 and 109½: These amendments make changes in section numbers. The Senate recedes.

Amendments nos. 110 and 111: These are technical amendments made necessary by Senate amendment no. 73. The Senate recedes.

Amendment no. 112: This is a technical amendment made necessary by Senate amendment no. 25. The House recedes.

Amendment no. 113: This is a technical amendment made necessary by Senate amendment no. 73. The Senate recedes.



Amendment no. 114: This amendment makes a change in section number. The Senate recedes.

Amendment no. 115: This amendment provides that in computing the 90-day period for filing petitions with the Board of Tax Appeals, legal holidays in the District of Columbia shall not be counted as the ninetieth day. The House recedes.

Amendment no. 116: This is a clerical change. The House recedes.

Amendments nos. 117 and 121: The House bill provided that there should be no statute of limitations in case the taxpayer omits from gross income an amount properly includible therein which is in excess of 25 percent of the gross income stated in the return. Amendment no. 121 strikes out this provision and amendment no. 117 substitutes a period of limitation of 5 years after the filing of the return. The House recedes.

Amendments nos. 118, 119, and 120: These amendments make changes in subsection letters. The House recedes.

Amendment no. 121: See amendment no. 117.

Amendments nos. 122 and 123: These amendments make changes in section numbers. The Senate recedes.

Amendment no. 124: See amendment no. 45.

Amendment no. 125: This amendment makes a clerical change. The House recedes.

Amendment no. 126: This amendment excludes from the gross estate for estate tax purposes, real estate situated outside the United States. The House recedes.

Amendment no. 127: This amendment increases the rates of the additional estate tax imposed by the Revenue Act of 1932 in the case of decedents dying after the date of the enactment of the proposed bill. The House bill did not change existing law in this respect. The rates of existing law begin at 1 percent on net estates not in excess of \$10,000 and are graduated by brackets until the portion of a net estate in excess of \$10,000,000 is taxed at 45 percent. Under the Senate amendment the rates begin at 1 percent on net estates not in excess of \$20,000 and are graduated by brackets until the portion of the net estate in excess of \$10,000,000 is taxed at 60 percent. The Senate amendment also reduces the specific exemption of \$50,000 allowed by existing law to \$40,000. The House recedes with amendments fixing the specific exemption at \$50,000 as in existing law, making the first bracket \$10,000 instead of \$20,000, and making such minor changes in the Senate rate schedule as is necessary because of these two amendments. The following table gives a comparison of the tax under existing law, under the Senate amendment, and under the conference report on net estates of various sizes before the specific exemption is deducted:

## EQUALIZE TAXATION

*Comparison of estate taxes*

[Exemption, present law, \$50,000; exemption, Senate amendment, \$40,000; exemption, conference report \$60,000]

Net estate before exemption	Tax		
	Present law	Senate amendment	Conference report
\$50,000.....		\$100	
\$75,000.....	\$450	550	\$450
\$100,000.....	1,500	1,600	1,500
\$150,000.....	5,000	6,000	5,600
\$200,000.....	9,500	12,000	11,600
\$300,000.....	19,500	26,400	25,600
\$500,000.....	42,500	60,200	59,100
\$1,000,000.....	117,500	170,800	169,100
\$2,000,000.....	315,500	463,400	461,100
\$5,000,000.....	1,149,500	1,696,600	1,692,600
\$10,000,000.....	3,094,500	4,392,600	4,387,600
\$20,000,000.....	7,593,500	10,391,800	10,386,600
\$50,000,000.....	21,093,500	28,391,800	28,386,600

Amendment no. 128: This amendment denies a deduction, for the purposes of computing the net estate subject to the estate tax, for contributions made to organizations, a substantial part of whose activities is participation in partisan politics or is carrying on propaganda, or otherwise attempting, to influence legislation; and the House recedes with an amendment striking out the words "participation in partisan politics or is".

Amendment no. 129: This is a clerical change in a section heading; and the House recedes.

Amendment no. 130: This amendment makes this section of the bill, relating to the period for filing petitions with the Board of Tax Appeals apply to gift and estate taxes, as well as the income tax imposed under prior acts; and the House recedes.

Amendments nos. 131 and 132: These amendments provide that a legal holiday in the District of Columbia shall not be counted as the 90th day in computing the period for filing petitions with the Board of Tax Appeals; and the House recedes.

Amendment no. 133: This amendment makes a technical correction. The House recedes.

Amendment no. 134: This amendment retains the substance of the House provision which authorized a credit or refund of overpayments of taxes paid under prior acts only when found by the Board of Tax Appeals to have been paid within 3 years before filing claim or petition but rewrites the provision so that the period is 2 years in the case of income taxes and 3 years in the case of gift taxes. The House recedes.

Amendments nos. 135, 136, 137, and 138: These amendments make changes in subsection letters. The House recedes.

Amendments nos. 139 and 140: These are correcting clerical amendments. The House recedes.

Amendment no. 141: This amendment clarifies the House bill to make it plain (1) that, if the interest of the United States in the portion of the property to be discharged from the lien is without value, the collector may, if satisfactory to the Commissioner, release the lien without any payment being made, and (2) that it is not the value of the taxpayer's equity in the property at the time of the

discharge but rather the value of the interest of the United States at such time which controls the minimum amount of the payment to be made as a condition precedent to the discharge; and the House recedes.

Amendment no. 142: This amendment substitutes for the provision of the House bill which authorized the Secretary of the Treasury to appoint not to exceed six Assistant General Counsel in the Treasury a provision authorizing such appointment by the President by and with the advice and consent of the Senate. The amendment also subjects the delegation by the General Counsel of his power to any such Assistant General Counsel to the approval of the Secretary. The House recedes with an amendment providing for the appointment by the President with Senate confirmation only in the case of the Assistant General Counsel for the Bureau of Internal Revenue and for appointment by the Secretary of the other Assistant General Counsel.

Amendment no. 143: This amendment substitutes for the House provision which authorized the Secretary of the Treasury to appoint 10 assistants in the Treasury, a provision authorizing appointment of 5 such assistants by the President by and with the advice and consent of the Senate. The House recedes with an amendment restoring the House provision but reducing the number of assistants to 5.

Amendment no. 144: This is a clerical change; and the Senate recedes.

Amendment no. 145: This amendment strikes out the provision of the House bill providing special additional penalties for failure to report income from illegally produced petroleum and providing awards for informers in such cases. The House recedes with an amendment restoring the matter stricken out but prohibiting employees of the United States from receiving rewards as informers.

Amendment no. 146: This is a clerical amendment changing a section number. The Senate recedes.

Amendment no. 147: This amendment provides that petitions filed with the Board of Tax Appeals shall be entitled "In re" followed by the name of the petitioner, and that no substitution of the name of a new commissioner shall be required in proceedings before any appellate court reviewing the action of the Board of Tax Appeals; and the House recedes with an amendment striking out the provision as to the title of petitions, and changing the section number.

Amendment no. 148: This amendment denies a deduction for the purpose of computing the net gifts subject to the gift tax for contributions made to organizations, a substantial part of whose activities is participation in partisan politics or is carrying on propaganda, or otherwise attempting, to influence legislation; and the House recedes with an amendment striking out the words "participation in partisan politics or is", and making a change in section number.

Amendment no. 149: This amendment limits the liability imposed by existing law, upon any executor, administrator, assignee, or other person who pays debts of another or of an estate for which he acts before paying the claims of the United States against such estate or other person to the amount of the payment so made. The amendment applies only to payments made after June 6, 1932, and payments made on or before such date remain subject to existing law. There is no comparable provision in the House bill. The House recedes with an amendment changing the section number.

**Amendment no. 150:** Subsection (a) of this amendment amends the provisions of existing law which relate to venue of appeals from the Board of Tax Appeals to the Circuit Courts of Appeal or the Court of Appeals of the District of Columbia so as to provide for review in the circuit in which is located the collector's office in which the return was filed, or the Court of Appeals of the District of Columbia if no return was filed. It further specifically authorizes the Commissioner and the taxpayer to stipulate review by any Circuit Court of Appeals or to stipulate review by the Court of Appeals of the District.

The amendments explained above are applied to all decisions of the Board made on or after the date of the enactment of the act but not to those rendered before such time except that the provisions authorizing stipulation of court of review by the Commissioner and the taxpayer may be applied to decisions rendered prior to that time. The House recedes with an amendment changing the section number.

**Amendment no. 151:** This amendment increases the rates of the gift tax imposed by the Revenue Act of 1932 in the case of gifts made after December 31, 1934. The House bill did not change existing law in this respect. The rates of existing law begin at three fourths of 1 percent on net gifts not in excess of \$10,000 and are graduated by brackets until the portion of the net gifts in excess of \$10,000,000 is taxed at 33½ percent. Under the Senate amendment the rates begin at three fourths of 1 percent on net gifts not in excess of \$20,000 and are graduated by brackets until the portion of the net gifts in excess of \$10,000,000 is taxed at 45 percent. The Senate amendment also reduces the specific exemption of \$50,000 allowed by existing law to \$40,000. The Senate amendment applies the new schedule and exemption only to the taxation of gifts made in calendar years beginning with the calendar year 1935, but, since the gift tax is cumulative, in order to secure the fair result, it is obviously necessary to apply the new schedule and exemption in computing the tax for the years 1935 and following as if the new schedule and exemption had been in force since the time when the gift tax under the 1932 act went into effect. The House recedes with amendments fixing the specific exemption at \$50,000 as in existing law, making the first bracket \$10,000 instead of \$20,000, and making such minor changes in the Senate rate schedule as are necessary because of these two amendments. The following table gives a comparison of the tax under existing law, under the Senate amendment, and under the conference report on net gifts of various sizes before the specific exemption is deducted:

Comparison of gift taxes

[Exemption, present law, \$50,000; exemption, Senate amendment, \$40,000; exemption, conference report \$50,000]

Net gifts before exemption	Tax		
	Present law	Senate bill	Conference report
\$50,000.....		\$75.00	
\$75,000.....	\$337.60	412.50	\$337.60
\$100,000.....	1,125.00	1,200.00	1,125.00
\$150,000.....	3,625.00	4,500.00	4,200.00
\$200,000.....	6,875.00	9,000.00	8,700.00
\$300,000.....	14,125.00	19,800.00	19,200.00
\$500,000.....	30,875.00	45,150.00	44,325.00
\$1,000,000.....	85,875.00	128,100.00	126,825.00
\$2,000,000.....	231,875.00	347,500.00	345,825.00
\$5,000,000.....	849,875.00	1,272,450.00	1,269,450.00
\$10,000,000.....	2,296,125.00	3,294,450.00	3,290,700.00
\$20,000,000.....	5,645,375.00	7,793,850.00	7,789,950.00
\$50,000,000.....	15,695,375.00	21,293,850.00	21,289,950.00

To illustrate the computation of the gift tax for calendar years beginning after December 31, 1934, assume that a taxpayer made gifts of \$200,000 in 1932, \$200,000 in 1933, \$500,000 in 1934, and \$150,000 in 1935. His gift tax for 1935 in this case would be computed as follows:

(1) *Computation under clause (1) of section 502 of Revenue Act of 1932 (computed with schedule of rates and specific exemption provided in conference report) applying to aggregate of gifts made in years 1932 to 1935, inclusive*

Total gifts (in 4 years).....	\$1,050,000
Specific exemption.....	50,000
Net gifts.....	1,000,000
Provisional tax (new rate schedule).....	136,200

(2) *Computation under clause (2) of section 502 of Revenue Act of 1932 (computed with schedule of rates and specific exemption provided in conference report) applying to aggregate of gifts made in years 1932 to 1934, inclusive*

Total gifts (in 3 years prior to 1935).....	\$900,000
Specific exemption.....	50,000
Net gifts.....	850,000
Provisional tax (new rate schedule).....	108,075

(3) *Tax payable on 1935 gift*

Provisional tax on aggregate of gifts for 4 years (see par. (1) above) ..	\$136,200
Provisional tax on aggregate of gifts for 3 years prior to 1935 (see par. (2) above).....	108,075
1935 gift tax (under conference report).....	28,125

Amendment no. 152: This amendment strikes out the provision of the House bill which repeals the tax imposed by section 615 of the Revenue Act of 1932, on the sale or use of unfermented fruit juices and substitutes therefor a provision which terminates the entire tax on soft drinks, etc., under that section. The House recesses.

Amendment no. 153: The House bill imposed a tax of 5 cents per pound on the first domestic processing (defined as the first use in commercial manufacture or production) of coconut oil, sesame oil, or combinations or mixtures brought into the United States in chief value of either or both such oils.

This amendment reduces the rate of tax to 3 cents per pound. It also adds palm oil, palm-kernel oil, sunflower oil, perilla oil, imported whale oil, imported fish oil (except cod and cod-liver oil), and imported marine-animal oil to the taxable oils and taxes combinations of the oils enumerated in the section and mixtures containing substantial quantities of any one or more of such oils. Palm oil used in the manufacture of tin plate is exempted from the tax. All taxes collected under the subsection on products of the Philippines are to be held as a separate fund and paid into the treasury of the Philippines, but this provision is to be inoperative if the Philippine government by any law provides for any subsidy to be paid to producers of copra, coconut oil, or allied products.

The House recedes with an amendment which (1) taxes the oils enumerated in the Senate amendment, except sperm oil, perilla oil, and halibut liver oil; (2) taxes combinations or mixtures containing substantial quantities of taxable oils with respect to which there has been no previous first domestic processing; (3) retains the rate of 3 cents per pound on all the articles taxable, except that an additional tax of 2 cents (making a total of 5 cents) per pound is imposed on coconut oil (and combinations or mixtures containing substantial quantities of coconut oil) unless the oil is the product of the Philippines or other possessions or produced from materials from the Philippines or other possessions, or was in the United States on or before the 30th day after the enactment of the act or produced from materials in the United States on or before the same day, or was contracted for, or produced from materials contracted for, before April 26, 1934; (4) changes the point of imposition of the tax in the case of imported whale oil, imported fish oil, and imported marine animal oil to the importation instead of the first domestic processing; and (5) provides for payment to the Philippine treasury of taxes collected on coconut oil, and mixtures containing coconut oil, of Philippine origin or produced from Philippine materials.

Amendment no. 154: This is a clerical amendment. The House recedes.

Amendment no. 155: This amendment is a clarifying amendment making certain that the credit or refund of the vegetable-oil tax applies only when the article into which the oil has gone is to be used by the State or political subdivision in the exercise of an essential governmental function. The House recedes.

Amendment no. 156: This amendment corrects a clerical error. The House recedes.

Amendment no. 157: This amendment makes the subsection of the vegetable-oil tax providing for covering collections therefrom into the Treasury of the United States consistent with the policy of covering the proceeds of such taxes on Philippine products into the Philippine treasury in certain circumstances. (See amendment no. 153.) The House recedes.

Amendment no. 158: The House bill amended sections 601 (c) (1) and 617 of the Revenue Act of 1932 in the following respects:

(1) Manufacturers and producers of gasoline or lubricating oil were required to register and give bond.

(2) The provisions for tax-free sales between manufacturers or producers and to dealers for resale to manufacturers or producers or for resale to States or political subdivisions thereof, were made inapplicable to gasoline and lubricating oil, and the provision for tax-free

sales of benzol for non-motor-fuel uses was eliminated. Provision was made for credit of tax paid on gasoline or lubricating oil upon a showing that the gasoline or lubricating oil had been used in the manufacture or production of an article on which tax was paid under title IV of the Revenue Act of 1932, and for credit of tax paid on benzol sold and used for a non-motor-fuel use.

(3) The sentence imposing the gasoline tax was amended by the express inclusion of sales by "the producer" as well as by "the importer or any producer."

(4) The definition of producer of gasoline was narrowed by the elimination of dealers selling exclusively to producers.

(5) The definition of gasoline was broadened to include all naphtha and to include all liquids prepared, advertised, offered for sale, or sold for use as, or used as, fuel for the propulsion of motor vehicles, motor boats, or airplanes, regardless of the chief use.

The Senate amendment completely rewrites the section with the following effect:

(1) The provisions for registration and bond are retained, with an added provision empowering the Commissioner to revoke the registration (and right to buy tax-free) of any manufacturer or producer guilty of tax evasion.

(2) Tax-free sales of gasoline and lubricating oil are continued as under the present law.

(3) The amendment making it clear that the tax applies to all sales by "the producer" is retained and a further amendment is made to subsection (b) to provide that any person who has purchased gasoline tax-free by virtue of the exemption of sales to a producer shall be regarded as the producer of such gasoline.

(4) The present definition of producer of gasoline is retained.

(5) The definition of gasoline in the House bill is liberalized by the exemption of any product (not commonly or commercially known or sold as gasoline) specifically sold for a non-motor-fuel use.

(6) A provision is added authorizing inspection of records, returns, etc., with respect to Federal gasoline or lubricating oil tax by State officers and the furnishing of information therefrom to such officers.

The House recedes with an amendment which makes the change in the definition of gasoline and the requirements of registration and bond effective 30 days after the enactment of the act instead of the first day of the next month.

Amendment no. 159: The House bill imposed a tax on the production of crude petroleum at the rate of one tenth of 1 cent a barrel, payable by stamp. This amendment rewrites the section to provide for imposition of the tax on sale by the producer, the tax to be withheld or collected by the purchaser and paid over by him to the United States. In cases where the producer himself removes the petroleum from the place of production or disposes of it otherwise than by sale, the producer is required to return and pay the tax. The provision for transferring the burden of the tax in the case of existing contracts has been eliminated. An exemption is inserted excepting crude petroleum produced from any well which is not capable of producing more than 5 barrels per day. The effective date is made the thirtieth day after the date of the enactment of this act. The House recedes.

Amendment no. 160: This amendment inserts a provision requiring persons handling, transporting, storing, or dealing in crude petroleum to make returns required by regulations. The House recedes.

Amendment no. 161: This amendment strikes out the provision of the House bill requiring the vendee under contracts existing on the date of enactment of the act to pay the petroleum refining tax instead of the vendor. The House recedes.

Amendments nos. 162, 163, 164, and 165: These amendments make changes in subsection letters. The House recedes.

Amendment no. 166: This amendment postpones the effective date of the section imposing tax on refining of petroleum to the thirtieth day after the enactment of the act. The House recedes.

Amendment no. 167: This amendment strikes out the provision of the House bill which advances the date of expiration of the check tax from July 1 to January 1, 1935. The Senate recedes.

Amendment no. 168: This amendment impresses taxes collected or withheld with a trust in favor of the United States and makes applicable for the enforcement of the Government's claim the administrative provisions applying to the assessment, collection, and payment of taxes. There is no comparable provision in the House bill. The House recedes with an amendment changing the section number.

Amendment no. 169: This amendment exempts articles sold for less than \$75 by the manufacturer, producer, or importer after the date of the enactment of the act from the tax under section 604 of the Revenue Act of 1932 on articles made of fur on the hide or pelt, or of which such fur is the component element of chief value. There is no comparable provision in the House bill. The House recedes with an amendment changing the section number.

Amendment no. 170: This amendment exempts articles sold for less than \$25 by the manufacturer, producer, or importer after the date of the enactment of the act from the tax under section 605 of the Revenue Act of 1932 on jewelry and similar articles. There is no comparable provision in the House bill. The House recedes with an amendment changing the section number.

Amendment no. 171: This amendment amends the provisions of existing law taxing cigarettes so that it will be certain that long cigarettes which are capable of being cut into several standard cigarettes may not pay tax as single cigarettes, by inserting a provision taxing at the rate of \$3 per thousand cigarettes of more than 6½ inches in length, counting each 2¾ inches or fraction thereof as a single cigarette. There is no comparable provision in the House bill. The House recedes with an amendment changing the section number.

Amendment no. 172: This amendment increases the existing excise tax on fancy wooden matches and wooden matches having a stained, dyed, or colored stick or stem from 2 cents per thousand to 5 cents per thousand. There is no comparable provision in the House bill. The House recedes with an amendment changing the section number.

Amendment no. 173: This amendment reduces the existing stamp tax on contracts for future delivery of produce from 5 cents per \$100 of value to 1 cent per \$100. There is no comparable provision in the House bill. The House recedes with an amendment making the rate 3 cents per \$100, and changing the section number.

Amendment no. 174: This amendment inserts a provision terminating on June 30, 1934, the tax on the use of both foreign and domestic



built boats. The House recedes with an amendment changing the section number.

Amendment no. 175: This amendment amends the existing law imposing internal-revenue taxes on distilled spirits by authorizing a rebate or refund of tax of 90 cents per gallon when the spirits are used in industry or the arts in making articles not fit for intoxicating beverage purposes. There is no comparable provision in the House bill. The Senate recedes.

Amendment no. 176: This amendment inserts a provision which exempts from the tax under section 613 of the Revenue Act of 1932 candy sold by the manufacturer, producer, or importer after the date of the enactment of the act. The House recedes.

Amendment no. 177: This amendment provides for a capital stock tax, quite similar to the capital stock tax temporarily imposed by the National Industrial Recovery Act. The tax is an excise tax for the privilege of carrying on or doing business as a corporation for each year ending on June 30. Insurance companies and corporations exempt from income taxes are exempt from the capital stock tax. The first year to which the tax applies is the year ending June 30, 1934, the tax applying only to corporations carrying on or doing business during such year on or after the date of the enactment of the pending bill. For the first year the tax is measured by the value of the capital stock as declared by the corporation as of the close of its last taxable year ending on or before June 30, 1934. The value of the capital stock having been declared for the first year, such value may not be subsequently amended. A reasonable original declared value is assured by means of the excess-profits tax which is based on the relation of the net income of the corporation to such declared value. The rate of the capital stock tax is \$1 per thousand dollars of the declared value.

The basis for the capital stock tax for subsequent years ending June 30 is arrived at by making certain adjustments to the original declared value. The adjusted declared value of the capital stock of a corporation for subsequent years is the original declared value plus (1) the cash and fair market value of property paid in for stock or shares, (2) paid-in surplus and contributions to capital, (3) its net income, and (4) the amount of the dividend deduction allowable for income-tax purposes, and minus (A) the value of property distributed in liquidation to shareholders, (B) distributions of earnings or profits, and (C) the excess of the deductions allowable for income-tax purposes over its gross income. These adjustments are to be made for each income-tax taxable year included in the period from the date as of which the original declared value was declared to the close of the taxpayer's last income-tax taxable year ending at or prior to the close of the year for which the capital stock is imposed. Each of these adjustments is to be computed on the basis of what a separate income tax return (whether or not such a return was filed) should have shown for each of the taxable years included in the period mentioned.

In the case of a foreign corporation the capital stock tax is for the privilege of carrying on or doing business as a corporation in the United States and is measured by the adjusted declared value of the capital employed by it in the transaction of business in the United States.

The House recedes with an amendment providing for the addition to the declared value of tax-exempt income.

Amendment no. 178: This amendment provides for an excess-profits tax on every corporation for each income-tax taxable year ending after the close of the first year in respect of which it is taxable under the capital stock tax imposed by the pending bill. The primary purpose of this tax is to induce corporations automatically to declare a fair value for their corporate stock for capital stock purposes. The rate is 5 percent on the portion of the net income (computed as for income-tax purposes) in excess of 12½ percent of the adjusted declared value of the stock of the corporation as of the close of the preceding income-tax taxable year. The House recedes.

Amendment no. 179: This amendment has the effect of terminating the capital stock tax and excess-profits tax imposed by the National Industrial Recovery Act as to certain periods with respect to which the pending bill imposes similar taxes. The House recedes.

Amendments nos. 180 and 181: These are clerical amendments; and the House recedes.

Amendment no. 182: This is a change in the section number; and the Senate recedes.

Amendments nos. 183 and 184: These are changes in section numbers; and the House recedes.

#### DISAGREEMENTS

The committee of conference have not agreed on the following amendments of the Senate:

On no. 1: Being the table of contents of the bill.

On no. 13: Providing an increase in the rate of tax for 1934.

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

*Managers on the part of the House.*

