
TO REFUND TAXES PAID ON DISTILLED SPIRITS IN
CERTAIN CASES

FEBRUARY 3 (calendar day, FEBRUARY 5), 1925.—Ordered to be printed

Mr. SMOOT, from the Committee on Finance, submitted the
following

R E P O R T

[To accompany H. R. 10528]

The Committee on Finance, to whom was referred the bill (H. R. 10528) to refund taxes paid on distilled spirits in certain cases, having considered the same, report favorably thereon with the recommendation that the bill do pass without amendment.

The reasons for this legislation are contained in the report of the Committee on Ways and Means to the House of Representatives, being Report No. 1124, Sixty-eighth Congress, which is as follows

[House Report No. 1124, Sixty-eighth Congress, second session]

The Committee on Ways and Means, to whom was referred the bill (H. R. 10528) to refund taxes paid on distilled spirits in certain cases, having had the same under consideration, report it back to the House with an amendment and recommend that the bill as amended do pass. The amendment is as follows:

Page 2, line 3, after the word "premises," insert a colon and the following:

"*Provided*, That the Commissioner of Internal Revenue may direct that any spirits on which refund of tax is claimed under this section shall be removed to and stored in a warehouse designated by him."

The legislation herein proposed authorizes the Commissioner of Internal Revenue to allow the claim of any distiller for the refund of taxes paid in excess of \$2.20 per proof gallon on distilled spirits produced and now owned by him and stored on the premises of the distillery where produced. No refund is to be allowed, however, unless the spirits are contained in the original packages in which they were tax paid, or in regularly stamped bottles and cases in which they were placed when bottled in bond, or in stamped or unstamped bottles into which they have been placed while on, and without removal from, the distillery premises.

In the opinion of the committee it was thought that in cases where the liquor upon which a refund of taxes is sought is not already in the concentration warehouse, the commissioner should have the power to order it to be removed and stored therein in order that it might be guarded and better supervision kept over it. This is accomplished by the amendment proposed to the bill.

Treasury officials are of the opinion that the amount involved is something less than \$200,000. This bill does not make any appropriation to pay these refunds but merely authorizes the Commissioner of Internal Revenue to allow

the claims. Payment of the refunds will have to be made by appropriation obtained in the usual way.

Under the revenue act of 1917 the tax on nonbeverage spirits was increased \$2.20 per proof gallon, and on beverage spirits to \$3.20 a gallon. The revenue act of 1918 allowed the nonbeverage rate to remain, but increased the beverage rate to \$6.40 a gallon. The taxes were paid by the distillers at the rates indicated under these acts. Thus there were large quantities of spirits upon which a beverage tax of \$6.40 a gallon had been paid and collected in the early part of 1919. War-time prohibition became effective July 1, 1919, four months after the revenue act of 1918 was enacted (February 25, 1919). It was expected that these spirits would be disposed of with the lifting of war-time prohibition and before the national prohibition act went into effect. As events proved, this was erroneous, and distillers found themselves with a large amount of spirits upon which the tax had been paid at a beverage rate of \$6.40 and which could only be sold or used for a nonbeverage purpose.

During the period of war-time prohibition many distillers having stocks of whiskey on hand on which the tax of \$6.40 per gallon had been paid disposed of their stocks contrary to law. Those not wishing to violate the law held their stocks during the entire period. These distillers still hold their spirits tax paid at the \$6.40 rate, and can not sell it without taking a heavy loss, for they can not hope to compete with distillers who can tax pay their spirits at the nonbeverage rate of \$2.20 per gallon. It is to place these few distillers on a parity with those who disregarded the law during war-time prohibition and allow them to dispose of their stocks in a legal manner and without great financial loss that this legislation is proposed.

In a letter to the Finance Committee of the Senate, on similar legislation, the Secretary of the Treasury comments as follows:

TREASURY DEPARTMENT,
Washington, May 19, 1924.

Hon. REED SMOOT,
*Chairman Committee on Finance,
United States Senate.*

SIR: Reference is made to a letter, dated April 15, 1924, from the clerk of the Committee on Finance, submitting a bill (S. 3072) in regard to the refund of taxes paid on distilled spirits in certain cases.

You request me to furnish the committee with such suggestions as I may deem proper touching the merits of the bill and the propriety of its passage.

I have examined the bill and it appears to be meritorious, and the passage of the same meets with no objections on the part of the Treasury Department, but I have to advise you that the matter was submitted to the Director of the Budget, who reports that it was taken up with the President and was found to be in conflict with his financial program.

Respectfully,

A. W. MELLON, *Secretary of the Treasury.*

