

THE REVENUE BILL OF 1941

SEPTEMBER 15, 1941.—Ordered to be printed

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

CONFERENCE REPORT

[To accompany H. R. 5417]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5417) to provide revenue, 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 39, 41, 49, 54, 56, 63, 64, 65, 79, 91, 93, 94, 111, 117, 119, 120, 121, 125, 126, 128, 130, 131, 132, 134, 135, 136, 144, 163, and 164.

That the House recede from its disagreement to the amendments of the Senate numbered 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 43, 44, 45, 46, 47, 48, 50, 51, 52, 53, 59, 61, 62, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 92, 95, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 112, 113, 114, 115, 116, 122, 123, 127, 129, 133, 138, 139, 140, 141, 142, 146, 147, 148, 149, 150, 151, 152, 153, 154, 156, 157, 158, 159, 160, and 161 and agree to the same.

Amendment numbered 1:

That the House recede from its disagreement to the amendment of the Senate numbered 1, 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:

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And the Senate agree to the same.

Amendment numbered 40:

That the House recede from its disagreement to the amendment of the Senate numbered 40, 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. 117. EXTENSION OF TIME OF ORDERS OF SECURITIES AND EXCHANGE COMMISSION.

(a) *EXTENSION.*—Section 373 (a) of the Internal Revenue Code (relating to the definition of orders of the Securities and Exchange Commission with respect to which Supplement R applies) is amended to read as follows:

“(a) The term ‘order of the Securities and Exchange Commission’ means an order (1) issued after May 28, 1938, and prior to January 1, 1943, by the Securities and Exchange Commission to effectuate the provisions of section 11 (b) of the Public Utility Holding Company Act of 1935, 49 Stat. 820 (U. S. C., Supp. V, Title 16, section 79k (b)), or (2) issued by the Commission subsequent to December 31, 1942, in which it is expressly stated that an order of the character specified in clause (1) is amended or supplemented, and (3) which has become final in accordance with law.”

(b) *EFFECTIVE DATE OF AMENDMENT.*—The amendment made by this section shall be applicable only with respect to taxable years beginning after December 31, 1939.

And the Senate agree to the same.

Amendment numbered 42:

That the House recede from its disagreement to the amendment of the Senate numbered 42, 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: 118; and the Senate agree to the same.

Amendment numbered 55:

That the House recede from its disagreement to the amendment of the Senate numbered 55, 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: 205; and the Senate agree to the same.

Amendment numbered 57:

That the House recede from its disagreement to the amendment of the Senate numbered 57, 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) *RETURNS FOR 1941.*—Section 1203 (b) (2) of the Internal Revenue Code (relating to extensions of time for filing capital-stock tax returns) is amended by inserting at the end thereof the following: “With respect to the year ending June 30, 1941, the extension may be for not more than 90 days.”

And the Senate agree to the same.

Amendment numbered 58:

That the House recede from its disagreement to the amendment of the Senate numbered 58, 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: (d); and the Senate agree to the same.

Amendment numbered 60:

That the House recede from its disagreement to the amendment of the Senate numbered 60, 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. 302. DECLARED VALUE EXCESS PROFITS TAX—DEFENSE TAX RATES INCORPORATED IN RATE SCHEDULE.

(a) *RATES.*—Section 600 of the Internal Revenue Code (relating to rate of declared value excess profits tax) is amended as follows:

(1) By striking out the heading “(a) GENERAL RULE.—”;

(2) By amending the rate schedule to read as follows:

“6% per centum of such portion of its net income for such income-tax taxable year as is in excess of 10 per centum and not in excess of 15 per centum of the adjusted declared value;

“13% per centum of such portion of its net income for such income-tax taxable year as is in excess of 15 per centum of the adjusted declared value.”; and

(3) By repealing subsection (b) (relating to defense tax for five years).

(b) *EFFECTIVE DATE.*—This section shall be effective only with respect to income-tax taxable years ending after June 30, 1941.

And the Senate agree to the same.

Amendment numbered 80:

That the House recede from its disagreement to the amendment of the Senate numbered 80, 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: *30 cents*; and the Senate agree to the same.

Amendment numbered 96:

That the House recede from its disagreement to the amendment of the Senate numbered 96, 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:

“(1) (A) In the case of each telephone or radio telephone message or conversation which originates within the United States, for which the charge is more than 24 cents, a tax of five cents for each 50 cents, or fraction thereof, of the charge.

“(B) In the case of each telegraph, cable, or radio dispatch or message which originates within the United States, a tax of 10 per centum of the amount of the charge.

Only one payment of a tax imposed by subparagraph (A) or (B) shall be required notwithstanding the lines or stations of one or more persons are used in the transmission of such dispatch, message, or conversation.

“(2) (A) A tax equivalent to 10 per centum of the amount paid for leased wire, teletypewriter, or talking circuit special service.

“(B) A tax equivalent to 5 per centum of the amount paid for any wire and equipment service (including stock quotation and information services, burglar alarm or fire alarm service, and all other similar services, but not including service described in subparagraph (A)).

And the Senate agree to the same.

Amendment numbered 97:

That the House recede from its disagreement to the amendment of the Senate numbered 97, 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: *6 per centum*; and the Senate agree to the same.

Amendment numbered 118:

That the House recede from its disagreement to the amendment of the Senate numbered 118, 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:

“(10) ELECTRIC LIGHT BULBS AND TUBES.—Electric light bulbs and tubes, not including articles taxable under any other provision of this subchapter, 5 per centum.

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:

Restore the matter proposed to be stricken out by the Senate amendment and on page 68, line 15, of the House bill before the period insert a comma and the following: *or to a fountain pen if the only parts of the pen which consist of precious metals are essential parts not used for ornamental purposes*; and the Senate agree to the same.

Amendment number 137:

That the House recede from its disagreement to the amendment of the Senate numbered 137, and agree to the same with an amendment, as follows:

On page 41, line 17, of the Senate engrossed amendments strike out “2408” and insert 2409; on page 72, line 11, of the House bill strike out “2409” and insert 2410; and on page 72, line 15, of the House bill strike out “2410” and insert 2411; 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:

(d) CREDITS, AND TAX FREE SALES OF AUTOMOBILE RADIOS.—Section 3442, section 3443 (a) (1), and section 3444 (a) (1) and (2) of the Internal Revenue Code (relating to tax in case of sale of tires to manufacturers of automobiles, etc., and credit on sale) are amended by

striking out "tires or inner tubes" wherever appearing therein and inserting "tires, inner tubes, or automobile radios taxable under section 3404"; and by striking out "tire or inner tube" wherever appearing therein and inserting "tire, inner tube, or automobile radio taxable under section 3404". Section 3403 (e) of the Internal Revenue Code, as amended by this Act, is further amended by striking out "tires and inner tubes" where the phrase appears the first time and inserting "tires, inner tubes, or automobile radios"; paragraph (1) of subsection (e) of such section is amended by inserting before the semicolon "or, in the case of automobile radios, if such radios were taxable under section 3404"; paragraph (2) of subsection (e) of such section is amended by striking out "tires or inner tubes" wherever such phrase appears and inserting "tires, inner tubes, or automobile radios".

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:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *October 10, 1941*; and the Senate agree to the same.

Amendment numbered 155:

That the House recede from its disagreement to the amendment of the Senate numbered 155, 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: *There are authorized to be appropriated such sums as may be necessary to enable the Secretary of the Treasury to advance from time to time to the Postmaster General such sums as the Postmaster General may show shall be required for the expenses of the Post Office Department in performing in the District of Columbia and elsewhere all services required by this section.*

And the Senate agree to the same.

Amendment numbered 162:

That the House recede from its disagreement to the amendment of the Senate numbered 162, and agree to the same with an amendment, as follows:

On page 51, lines 8 and 9 of the Senate engrossed amendments strike out "AND MISCELLANEOUS AMENDMENTS"; and the Senate agree to the same.

R. L. DOUGHTON,
THOS. H. CULLEN,
JERE COOPER,
JOHN W. BOEHNE, JR.,
ALLEN T. TREADWAY,
HAROLD KNUTSON,
DANIEL A. REED,

Managers on the part of the House.

WALTER F. GEORGE,
DAVID I. WALSH,
ALBEN W. BARKLEY,
ARTHUR CAPPER,
JAMES J. DAVIS,

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. 5417) to provide revenue, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: This amendment changes the table of contents and the House recedes with an amendment conforming the table of contents to the bill as agreed to in conference.

Amendment No. 2: This amendment integrates the defense tax with the basic surtax rates in the House bill. The lowest surtax bracket rate is therefore 6 percent as compared with 5 percent under the House bill and the highest rate is 77 percent as compared with 75 percent under the existing law and under the House bill. The House recedes.

Amendment No. 3: The Senate amendment adds to the Internal Revenue Code a new supplement, designated Supplement T, to provide for the optional use of a simplified return where the gross income does not exceed \$3,000, in order that persons in the lower-income tax brackets, particularly those brought in by the reduction of the personal exemption, may be caused a minimum of difficulty in filling out their returns. There were no comparable provisions in the House bill.

If the taxpayer elects to use this simplified plan, the amount of the tax may be readily ascertained by reference to a table contained in the bill. This simplified return may be used only where the taxpayer's income is derived solely from salaries, wages, compensation for personal services, dividends, interest, rent, annuities, or royalties. If the taxpayer elects to use this method, no deductions or credits against net income are allowed. In lieu of these deductions and credits, the tax provided in the table represents a reduction, with respect to the average taxpayer in the bracket, of 10 percent of the tax that would otherwise be payable without such deductions or credits. This 10-percent reduction has been found to be the effect of the average amount of deductions taken by persons in these brackets. One set of rates is provided for married persons or heads of families and another is provided for single persons (not heads of families). In determining the amount payable, the taxpayer in either case reduces his gross income by \$400 for each dependent; then by reference to the appropriate table he ascertains the tax set out opposite the amount so determined.

It should be kept in mind that the use of the simplified return is at the option of the taxpayer and he elects each year whether to use this method or to file under the general provisions. However, once the return for any year has been filed under this method, the election shall be irrevocable, and if the taxpayer files under the general provisions

for any year he may not thereafter elect for such year to be taxed under the simplified method. Nonresident alien individuals, estates, or trusts are not allowed to use the simplified method.

The House recesses.

Amendment No. 4: The House bill made permanent the defense tax imposed by section 15 of the Internal Revenue Code as added by section 201 of the Revenue Act of 1940. The Senate amendment integrates the defense tax rates with the rates provided in section 13 (b) (1) and (2) of the code, making the basic rate 24 percent. In the case of corporations having net incomes of \$25,000 or less, the rates under existing law (including the defense tax) are graduated as follows: 14.85 percent on normal tax net incomes not in excess of \$5,000; 16.5 percent on the portion of such net income in excess of \$5,000 and not in excess of \$20,000; and 18.7 percent on the excess over \$20,000. The Senate amendment integrating the defense tax applicable to such net incomes makes the rates 15, 17 and 19 percent, respectively. Under the Senate amendment the alternative tax applicable to corporations having net incomes slightly in excess of \$25,000 is \$4,250 plus 37 percent of the normal tax net income in excess of \$25,000. Under this provision the full tax rate of 24 percent does not become effective until the normal tax net income of the corporation reaches \$38,461.54.

This amendment also integrates the defense tax with the normal taxes on resident foreign corporations and on mutual investment companies, and with the surtax on corporations improperly accumulating surplus.

The House recesses.

Amendments Nos. 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, and 17: Section 102 of the House bill imposed upon all corporations (including insurance companies) except nonresident foreign corporations, and mutual investment companies (the latter being dealt with separately) a surtax of 5 percent upon the first \$25,000 of the corporation's surtax net income and 6 percent upon the excess of such income over \$25,000. "Corporation surtax net income" was defined as net income minus the credit for dividends received provided in section 26 (b) and thus includes partially tax-exempt interest in the tax base. The section also imposed upon mutual investment companies a surtax upon Supplement Q surtax net income of such companies at rates corresponding to those imposed upon corporations generally.

The Senate amendments retain the surtax but in lieu of the rates provided in the House bill the amendment provides a surtax of 6 percent on the first \$25,000 surtax net income and 7 percent on the remainder. Since the credit for interest on partially tax-exempt Government securities is not allowable in computing surtax net income, the Senate amendment also provides that for the purposes of the surtax the dividends received credit shall be limited to 85 percent of the net income rather than 85 percent of the adjusted net income.

These amendments also terminate the defense tax, the defense tax rates being integrated with the basic rates.

The House recesses.

Amendments Nos. 18, 19, 20, 21, 22, 23, 24, 25, 26, and 27: The House bill increased the rates of tax on nonresident alien individuals and foreign corporations and made permanent the defense tax. These amendments retain the increased rates but terminate the

defense tax and integrate the 10 percent defense tax with the basic rates. The amendments also reduce from \$23,800 to \$23,000 the amount of the gross income at which a nonresident alien individual becomes subject to the full normal and surtax rates. The amount of \$23,000 represents the approximate point at which, under the provisions of the bill, an effective rate of 27½ percent is reached. The House recedes.

Amendments Nos. 28, 29, and 30: These are changes in section numbers; and the House recedes.

Amendment No. 31: This amendment integrates the defense tax with the basic rates of tax imposed upon personal holding companies and transfers to avoid income tax and terminates the defense tax. The House recedes.

Amendment No. 32: This amendment incorporates a new section amending section 25 (b) (1) of the Code to lower the personal exemption of a married person or the head of a family from \$2,000 to \$1,500 and the personal exemption of a single person or a married person not living with husband or wife from \$800 to \$750. The section also amends section 25 (b) (1) to provide a personal exemption of \$750 for a married person whose spouse files a separate return under Supplement T, added by section 102 of the bill. See amendment No. 3.

The section also amends sections 214 and 251 (f) of the Internal Revenue Code to provide in the case of nonresident aliens and citizens entitled to the benefits of section 251 a personal exemption of \$750 in lieu of \$800 to conform with the changes made in section 25 (b).

The tax bill as reported by the Committee on Ways and Means contained a provision requiring a joint income tax return from a husband and wife living together. This provision was estimated to yield additional revenue of about \$300,000,000. It was stricken from the bill by the House.

As reported by the Finance Committee to the Senate, the bill contained a provision taxing a husband and wife in a community property State on exactly the same basis as persons similarly situated in non-community property States. This provision was estimated to yield \$46,800,000. It was eliminated by the Senate with the understanding that it would be the subject of hearings and action in the administrative bill.

In view of the action by the House and Senate in this regard, in order to make up this substantial loss in revenue, it is necessary to lower the personal exemption of married persons from \$2,000 to \$1,500 and of single persons from \$800 to \$750. This section will produce added revenue of \$303,000,000, or approximately the amount lost by the elimination of the joint return provision.

This reduction in the personal exemption will require the filing of 4,930,000 new income tax returns and will increase the number of income tax payers by 2,275,000. Of the 4,930,000 new returns, 4,453,000 will come from married persons and heads of families and 477,000 will come from single persons. Of the 2,275,000 new taxpayers, 1,850,000 will be married persons and 425,000 will be single.

Of the total amount of additional revenue to be secured from lowering the exemptions, approximately \$47,000,000 will come from new taxpayers. Of this amount, only \$10,000,000 will come from new income tax returns. The balance of this additional revenue, \$256,000,000 will be secured from persons taxable under existing law.

The question of the joint return and the treatment of community-property income will be further considered by the Committees on

Ways and Means and Finance in connection with the bill dealing with administrative matters.

The House recesses.

Amendment No. 33: This amendment incorporates a new section to amend sections 51 (a), 142 (a), and 147 (a) relating to the requirement for individual and fiduciary returns and information returns in order to conform such requirement with the changes in the personal exemption. The House recesses.

Amendment No. 34: This is a change in section number; and the House recesses.

Amendment No. 35: This is a change in section number; and the House recesses.

Amendment No. 36: This amendment makes a clerical change; and the House recesses.

Amendment No. 37: This amendment provides that the issuing discount on certain short-term Federal, State, and local government obligations issued on a discount basis on or after March 1, 1941, shall not be deemed to accrue until such obligations are paid at maturity, sold, or otherwise disposed of, and that such obligations shall not be treated as capital assets within the meaning of section 117 of the Internal Revenue Code. The principal effect of this amendment is to eliminate the necessity (except in the case of life-insurance companies) for making an allocation between interest and capital gain or loss on the disposition of any such obligation and the necessity for including any portion of the original discount in income for any taxable year other than that in which such obligation is paid at maturity, sold, or otherwise disposed of. Thus, under the amendment a person owning a Treasury bill issued on or after March 1, 1941, would not be required to include any portion of the original discount in income for any taxable year until that in which it is paid at maturity, sold, or otherwise disposed of, and for such year would need only to compare the sales price, or the amount paid at maturity, with the purchase price or other basis, and account for the net gain or loss. This amendment is applicable to taxable years ending after February 28, 1941. The House recesses.

Amendment No. 38: This is a change in section number; and the House recesses.

Amendment No. 39: By this amendment, the Senate adds a new section to the bill, section 117, entitled "Alimony and separate maintenance payments." This section of the bill amended sections 22, 23, and 25 of the Internal Revenue Code and added a new section to Supplement E of chapter 1 of the code in order to treat periodic payments in the nature of or in lieu of alimony or an allowance for support as income to a divorced or legally separated spouse or former spouse actually receiving such payments and to allow the other spouse (or former spouse) to deduct or exclude from his income an amount on account of such payments. The conferees have deferred action on the merits of this amendment with the understanding that it will be considered in a later bill dealing with administrative matters. The Senate recesses.

Amendment No. 40: This amendment extends from January 1, 1941, to January 1, 1943, the time during which an order may be issued by the Securities and Exchange Commission, relating to certain transactions arising out of the simplification or geographical integration of

public-utility holding-company systems, under which orders such transactions are treated as tax-free exchanges under Supplement R of the Internal Revenue Code.

The House recedes with a technical amendment.

Amendment No. 41: This amendment amends section 23 (a) (1) of the Internal Revenue Code by inserting after the words "taxable year" the words "in conserving and conducting the business affairs of the taxpayer". The conferees have deferred action on the merits of this amendment with the understanding that it will be considered in a later bill dealing with administrative matters. They were advised by the Treasury Department that wherever possible final decision by the Bureau of Internal Revenue on issues arising under the *Higgins v. Smith* decision would be deferred pending such later legislation. The Senate recedes.

Amendment No. 42: This is a change in section number and the House recedes with an amendment making a further change in section number.

Amendment No. 43: This is a technical amendment and the House recedes.

Amendments Nos. 44, 45, 46, and 47: The House bill imposed a special 10-percent excess-profits tax, in certain cases where the invested capital credit is used, upon the excess of the adjusted excess profits net income under the income method over the adjusted excess profits net income under the invested capital method.

These amendments strike from the House bill the provisions relating to this tax. The House recedes.

Amendment No. 48: This is a change in section number; and the House recedes.

Amendment No. 49: This is a technical amendment related to Amendment No. 57. In view of the action on amendment No. 57 the Senate recedes.

Amendment No. 50: This is a change in section number; and the House recedes.

Amendment No. 51: This is a technical amendment designed to make the limitations of section 718 (a) (6) (A) of the Internal Revenue Code, added by section 205 of the House bill, applicable to certain exchanges of the same character as those described in the House bill but which were technically not within such provision because they are governed by Supplement R of the Code rather than section 112 (b) (3), (4) or (5). The House recedes.

Amendment No. 52: This amendment makes a clerical change; and the House recedes.

Amendment No. 53: This amendment has the effect of preventing a distribution of taxable stock dividends out of pre-1941 accumulated earnings and profits from constituting new capital solely because of subsequent operating losses or because of subsequently accumulated but undistributed earnings and profits, and also has the effect of preventing money or property paid in from constituting new capital if such money or property merely takes the place of pre-1941 accumulated earnings and profits previously distributed after the beginning of the first taxable year which begins after December 31, 1940. The House recedes.

Amendment No. 54: This amendment strikes out section 206 of the House bill, which provides that section 731 of the Internal Revenue

Code (exempting from excess-profits tax income derived from mining certain metals) shall not apply with respect to any taxable year beginning after December 31, 1940. The Senate recedes.

Amendment No. 55: This is a change in section number and the House recedes with an amendment making a further change in section number.

Amendment No. 56: This is a technical amendment rendered unnecessary by the action taken on Senate amendment No. 57; and the Senate recedes.

Amendment No. 57: This amendment allows corporations subject to the capital-stock tax to make a new declaration of capital-stock value annually and permits the Commissioner to grant an additional extension of 30 days for the filing of capital-stock tax returns for the year ending June 30, 1941. The House recedes with an amendment restoring the existing law with respect to the declaration of capital-stock valuation.

Amendment No. 58: This amendment changed a subsection designation from "(c)" to "(f)". The House recedes with an amendment changing the designation to "(d)".

Amendment No. 59: This is a clerical amendment; and the House recedes.

Amendment No. 60: This amendment integrates the defense tax rate of the declared value excess profits tax with the basic rate, and makes technical changes in connection with amendment No. 57, allowing declaration of capital-stock value annually for capital-stock tax purposes. The House recedes with an amendment eliminating the technical changes, rendered unnecessary by the action on Senate amendment No. 57.

Amendments Nos. 61 and 62: The House bill increased the rates applicable to the additional estate tax with respect to decedents dying after the date of enactment of the act, and made permanent the defense tax on net estates imposed by section 951 of the Internal Revenue Code. By reason of the integration of the defense tax and the additional estate tax, these amendments further increase the rates applicable to the additional estate tax, and repeal section 951 of the Internal Revenue Code, which relates to the defense tax rate. The House recedes.

Amendment No. 63: This is an administrative amendment to the estate tax provisions of the Internal Revenue Code and the Revenue Act of 1926, relating to the deduction from the gross estate of property previously taxed. The conferees have deferred action on the merits of this amendment with the understanding that it will be considered in a later bill dealing with administrative matters. The Senate recedes.

Amendment No. 64: This is an administrative amendment to the estate tax provisions of the Internal Revenue Code, relating to the determination of the deduction for charitable, etc., bequests. The conferees have deferred action with the understanding that it will be considered in a later bill dealing with administrative matters. The Senate recedes.

Amendment No. 65: This amendment makes a change in section number; and the Senate recedes.

Amendments Nos. 66 and 70: The House bill increased the rates for computing the gift tax for the calendar year 1942 and each calendar

year thereafter, and made permanent the defense tax imposed for five years by section 1001 (d) of the Internal Revenue Code. By reason of the integration of the defense tax and the gift tax, these amendments further increase the rates for computing the gift tax, and repeal section 1001 (d) of the Internal Revenue Code, which relates to the defense tax rate. The House recedes.

Amendments Nos. 67, 68, and 69: These amendments make clerical changes; and the House recedes.

Amendments Nos. 71, 72, 73, 74 and 76: These amendments eliminate the differential in favor of brandy and subject brandy to the same \$4 rate as other distilled spirits. In connection with this change a clerical amendment is made in the heading of section 533 (a) and the floor stocks tax on brandy is made \$1.25, the difference between the rate of \$2.75 under existing law and the \$4 rate under the Senate amendment. The House recedes.

Amendments Nos. 75, 77 and 78: These are clerical amendments dependent upon amendment No. 89, which changes the effective date of part III; and the House recedes.

Amendments Nos. 79, 80, 81, 82 and 83: These amendments increase the House bill rates on still wines from 8, 24 and 50 cents to 10, 35 and 65 cents, respectively; the rate of 4 cents on sparkling wines to 7 cents; and the rate of $2\frac{1}{4}$ cents on artificially carbonated wines and on liqueurs, cordials, and similar compounds to $3\frac{1}{2}$ cents. The House recedes on amendments Nos. 81, 82 and 83 and recedes on amendment No. 80 with an amendment reducing the 35-cent rate on still wines containing more than 14 percent and not exceeding 21 percent of absolute alcohol to 30 cents. The Senate recedes on amendment No. 79, thereby reverting to the 8-cent rate in the House bill on still wines containing not more than 14 percent of absolute alcohol.

Amendments Nos. 84, 85 and 86: These are clerical amendments dependent upon amendment No. 89, which changes the effective date of part III; and the House recedes.

Amendment No. 87: The House bill imposed a floor stocks tax on tires and tubes held for sale on the effective date of part III of title V of the Revenue Act of 1941. The amendment makes the tax applicable to tires and tubes held on October 1, 1941, the effective date of such part under amendment No. 89; and the House recedes.

Amendment No. 88: The House bill made amendments made by part III of title V applicable with respect to the period beginning with the effective date of this part. The amendment makes the amendments made by part III of title V applicable with respect to the period beginning with October 1, 1941; and the House recedes.

Amendment No. 89: The House bill provided that part III of title V shall take effect on the first day of the first month which begins more than 10 days after the date of the enactment of this act. The amendment makes part III effective October 1, 1941; and the House recedes.

Amendments Nos. 90 and 92: The House bill exempted from admissions tax payments for admission which are less than 10 cents. It also provided that amounts paid for admission by season ticket or subscription should be exempt only if the amount which would be charged to the holder or subscriber for a single admission would be less than 10 cents. These amendments allow the exemption with respect to

charges under 10 cents only as to children under 12 years of age and eliminate the provision of the House bill relative to season tickets or subscriptions; and the House recedes.

Amendment No. 91: The House bill exempted children under 12 years of age from the provision that in the case of persons admitted free or at reduced rates an equivalent tax shall be collected based on the price charged to other persons for the same or similar accommodations. The amendment extends the exemption to persons under 18 years of age; and the Senate recedes.

Amendments Nos. 93 and 94: The House bill terminated the exemptions from admissions tax extended by section 1701 of the Internal Revenue Code with respect to, among others, certain religious, educational, or charitable entertainments; agricultural fairs; and certain concerts conducted by certain civic or community membership associations. The amendments restore these exemptions and also exempt admissions to entertainments conducted by public or parochial, elementary or high schools; and the Senate recedes.

Amendment No. 95: This amendment makes the floor stocks tax on matches imposed by the House bill effective on October 1, 1941, the effective date of part IV of title V of the bill under amendment No. 103; and the House recedes.

Amendment No. 96: By section 548 the House bill imposed on telephone, telegraph, cable, and radio dispatches, messages, and conversations for which the charge is more than 24 cents, a tax at the rate of 5 cents for each 50 cents or fraction thereof of the charge. The amendment confines this tax to telephone or radio telephone messages or conversations and imposes in the case of each telegraph, cable, or radio dispatch or message a tax of 10 per centum of the amount of the charge.

Section 548 of the House bill also imposed a tax equivalent to 5 percent of the amount paid for (A) leased wire or talking circuit special service or (B) wire and equipment service (including teletypewriter service, burglar alarm service, news ticker service and stock quotation and information services, and all other similar services). The amendment imposes a 10-percent tax with respect to leased wire, teletypewriter or talking circuit special service and a 5-percent tax with respect to amounts paid for wire and equipment service, but not including burglar or fire alarm service.

The House recedes with an amendment subjecting burglar and fire alarm service to the 5-percent tax.

Amendment No. 97: This amendment increases the tax imposed on the amount paid by subscribers for local telephone service from 5 percent as fixed by the House bill to 10 percent; and the House recedes with an amendment fixing the rate at 6 percent.

Amendments Nos. 98 and 99: The House bill, in certain cases, exempts from the taxes under section 3465 of the Internal Revenue Code, as amended by section 548 of the House bill, any payment received from any person for services or facilities utilized in the collection of news for the public press, or radio broadcasting, or in the dissemination of news through the public press. The amendments also exempt news-ticker services furnishing a general news service similar to that of the public press; and the House recedes.

Amendments Nos. 100, 101, and 102: The House bill provided that in the case of leases, contracts of sale, or conditional sales and deliv-

eries thereunder made before July 1, 1941, payments made subsequent to the effective date of part IV of Title V were to be taxed at the rate in force prior to such effective date. The amendments apply this provision to leases, contracts of sale, and conditional sales and deliveries thereunder made prior to October 1, 1941, the effective date of such part under amendment No. 103. The House recedes.

Amendments Nos. 103, 104, 105, 106, 107, and 108: These amendments change the effective dates of certain provisions, the effective date in the case of amendments Nos. 103, 104, and 105, being October 1, 1941, and the effective date in the case of amendment No. 106 being October 5, 1941, and in the case of amendments Nos. 107 and 108, being October 6, 1941; and the House recedes.

Amendment No. 109: This amendment eliminates the taxes on soft drinks, finished or fountain syrups and carbonic acid gas imposed by the House bill; and the House recedes.

Amendment No. 110: This is a change of section number; and the House recedes.

Amendment No. 111: This amendment eliminates the tax imposed by the House bill on artificial lures, baits, and flies; and the Senate recedes.

Amendments Nos. 112, 113, and 114: These amendments make the tax imposed by the House bill on certain electrical appliances applicable also to gas or oil water heaters and gas or oil appliances used for cooking, warming, etc.; and the House recedes.

Amendments Nos. 115 and 116: These amendments delete the names of certain business appliances made taxable by the House bill and provide appropriate descriptions for such appliances not already covered under other designations; and the House recedes.

Amendment No. 117: The House bill taxed only washing machines of the kind used in commercial laundries. The amendment extends the tax to domestic washing machines and other washing machines generally; and the Senate recedes.

Amendment No. 118: This amendment imposes a 10 percent manufacturers' excise tax on electric light bulbs. The House recedes with an amendment excluding articles otherwise taxable, reducing the tax to 5 percent, and making it clear that the tax applies to electric light tubes.

Amendments Nos. 119 and 124: The House bill imposed a tax on jewelry and other enumerated articles sold at retail. Amendment No. 124 deletes this tax but amendment No. 119 substitutes a tax on similar articles sold by the manufacturer, producer, or importer with an exemption of fountain pens if the only part of the pen which consists of precious metals is the point or other essential part not used for ornamental purposes. The Senate recedes on amendment No. 119. The House recedes on amendment No. 124 with an amendment restoring the tax on articles sold at retail, and excepting fountain pens if the only parts of the pen which consist of precious metals are points or other essential parts not used for ornamental purposes.

Amendment No. 120: This amendment eliminates a provision of the House bill that an article subject to jewelry tax shall not be subject to any other tax imposed by section 551 (552 of the House bill); and the Senate recedes.

Amendment No. 121: This amendment is clerical; and the Senate recedes.

Amendment No. 122: This amendment makes the effective date of section 551, October 1, 1941, instead of the first day of the first month which begins more than 10 days after the enactment of the act; and the House recedes.

Amendment No. 123: This is a change in section number; and the House recedes.

Amendments Nos. 125 and 126: These are changes in section numbers; and the Senate recedes.

Amendment No. 127: Under the House bill, toilet preparations used by a barber shop, beauty parlor, or similar establishment, in the treatment of any customer or patron were considered as sold at retail and were subject to tax at 10 percent of their fair retail price, as determined by the Commissioner. Under the amendment, sales of toilet preparations to such establishments are treated as sales at retail. Sales by such establishments are also considered sales at retail under the amendment, but in such a case the tax imposed is credited with the tax paid on the sale to the establishment. The House recedes.

Amendment No. 128: This is a change in section number and the Senate recedes.

Amendment No. 129: This amendment provides certain rules for determining the taxable price of an article subject to retailers' excise tax. It provides that charges for coverings and containers and for placing the article in condition packed ready for shipment shall be included, but excludes the tax itself. There is also excluded, if stated as a separate charge, the amount of any retail sales tax imposed by any State, or Territory, or political subdivision of the foregoing, or the District of Columbia. The House recedes.

Amendments Nos. 130 and 131: These amendments change section numbers; and the Senate recedes.

Amendments Nos. 132 and 133: The House bill provided that the retail excise taxes should not apply to jewelry or furs if the article was the subject of a lease, contract for sale, or conditional sale and delivery was made and part of the consideration was paid before July 1, 1941. Amendment No. 132 is a technical amendment related to amendments Nos. 124 and 126. Amendment No. 133 changes "July 1, 1941" to "October 1, 1941". The Senate recedes on amendment No. 132, in conformity with the action on amendments Nos. 124 and 126. The House recedes on amendment No. 133.

Amendments Nos. 134, 135, and 136: These amendments change section numbers; and the Senate recedes.

Amendment No. 137: This amendment prohibits, under penalty, in connection with the sale or lease, or offer for sale or lease, of any article subject to retailers' excise tax, the making of any statement, written or oral, in advertisement or otherwise, intended or calculated to lead any person to believe that the price does not include the tax. The House recedes with a clerical amendment.

Amendments Nos. 138 and 139: These amendments make the retailers' excise taxes effective as of October 1, 1941, and terminate the manufacturers' tax on toilet articles as of the same date; and the House recedes.

Amendment No. 140: This amendment, in clarification of existing language, amends section 3440 of the Internal Revenue Code to pro-

vide specifically that a renewal or extension of a lease, or subsequent lease, shall be considered a taxable sale. The House recedes.

Amendment No. 141: This amendment permits liability for a manufacturers' excise tax imposed by the bill to be shifted from the manufacturer to the vendee in any case where, prior to the effective date of part V of title V of the bill (October 1, 1941, under amendment No. 156), any person has made a bona fide contract for the sale after that date of any article with respect to the sale of which a tax is imposed or an existing tax is increased by the bill and such contract does not permit the adding of the tax, unless the contract prohibits such addition. The House recedes.

Amendment No. 142: This amendment provides a refund of the tax on photographic apparatus imposed by section 551 (552 in the House bill) paid on unexposed motion picture films used or resold for use in the making of news reel motion picture films; and the House recedes.

Amendment No. 143: This amendment allows, with respect to automobile radios sold or used in connection with the sale of automobiles and similar articles, a credit similar to that allowed with respect to tires and tubes when so sold or used. The House recedes with a clarifying amendment.

Amendment No. 144: Under this amendment, refund of tax paid on distilled spirits would, under certain limitations therein provided, be allowed at the rate of \$1 per proof gallon in the case of distilled spirits used in the manufacture or production of an article intended for use for nonbeverage purposes and sold for such use. The Senate recedes.

Amendment No. 145: This amendment makes the tax on payments for transportation of persons applicable with respect to payments on or after October 1, 1941, instead of the first month which begins more than ten days after the date of the enactment of the act, as provided in the House bill. The House recedes with an amendment changing the date to October 10, 1941.

—Amendment No. 146: This amendment, in certain cases, exempts from transportation tax payments for transportation of military or naval personnel; and the House recedes.

Amendment No. 147: The House bill imposed an occupational tax of \$25 per annum with respect to the operation of a pin-ball game, a slot machine, or similar amusement or gaming device. The amendment establishes two different rates of tax; \$10 per annum in the case of a pin-ball game, or similar game or amusement machine, and \$50 with respect to so-called slot machines, the operation of which involves an element of chance; and the House recedes.

Amendment No. 148: The House bill provided with respect to the year ending June 30, 1942, that the tax on the operation of a coin-operated game or other amusement or gaming device should not be applicable with respect to operation prior to the effective date of part V of title V of the Revenue Act of 1941. The amendment fixes October 1, 1941, as the date prior to which operation of such device shall not cause tax liability to be incurred. The House recedes.

Amendments Nos. 149 and 150: These amendments reduce the tax on the operation of a bowling alley, billiard table, or pool table from \$15 to \$10 per annum, and make the date prior to which operation shall not cause tax liability to be incurred October 1, 1941. The House recedes.

Amendment No. 151: This amendment eliminates the tax imposed by the House bill upon every person who engages in business as a lessor of billboards; and the House recedes.

Amendment No. 152: This amendment makes a change in section number; and the House recedes.

Amendments Nos. 153 and 154: The House bill exempted from the tax on the use of boats, boats used exclusively for trade, and so forth. These amendments change "exclusively" to "chiefly" and also exempt boats used by the Sea Scouts Department of the Boy Scouts of America chiefly for training scouts in seamanship. The House recedes.

Amendment No. 155: The House bill authorized the Postmaster General to cooperate with the Commissioner of Internal Revenue in the sale of stamps, stickers, or tags used for payment of the tax on the use of motor vehicles and boats. By the Senate amendment, the Secretary of the Treasury is authorized and directed to advance from time to time to the Postmaster General such sums as the Postmaster General may show shall be required in the performance of such services. The House recedes with an amendment authorizing the appropriation of such sums as may be necessary to enable the Secretary of the Treasury to make the advances to the Postmaster General.

Amendment No. 156: This amendment changes a section number; and the House recedes.

Amendment No. 157: This amendment provides that part V of title V of the bill shall be effective October 1, 1941; and the House recedes.

Amendment No. 158: This amendment provides that the taxes collected with respect to the processing of coconut oil originating in Guam or American Samoa shall be held as separate funds and paid to the Treasuries of these possessions, with a condition that such funds shall not be used to subsidize producers of copra, coconut oil, or allied products in such possessions; and the House recedes.

Amendment No. 159: This amendment eliminates the tax imposed by the House bill with respect to the operation of a radio broadcasting station or engaging in network broadcasting; and the House recedes.

Amendment No. 160: This amendment establishes a committee to investigate nonessential Federal expenditures. The committee is to be composed of (a) three members of the Senate Committee on Finance and three members of the Senate Committee on Appropriations, to be appointed by the President of the Senate; (b) three members of the House Committee on Ways and Means, and three members of the House Committee on Appropriations, to be appointed by the Speaker of the House of Representatives; and (c) the Secretary of the Treasury and the Director of the Bureau of the Budget. It shall be the duty of such committee to make a complete study and investigation of all expenditures of the Federal Government with a view to recommending the elimination or reduction of all such expenditures deemed to be nonessential. The committee shall report to the President and to the Congress the result of its study together with its recommendations at the earliest practicable date. It is given the authority and powers commonly given to similar committees of the Senate and will operate under an appropriation not to exceed \$10,000. The House recedes.

Amendment No. 161: This amendment amends section 1303 of the Revenue Act of 1918, as amended, to strike out "President of the Senate" wherever it appears therein and insert in lieu thereof "President pro tempore of the Senate." The House recedes.

Amendment No. 162: This amendment allows further time within which a taxpayer may pay contributions into an unemployment fund under a State law and obtain credit therefor against the Federal unemployment tax for 1936, 1937, 1938, 1939, or 1940. There was no comparable provision in the House bill. In each of the past 3 years a similar provision of law has been enacted. Since this tax has been in effect for more than 5 years, a period in which taxpayers have had ample opportunity to familiarize themselves with the time limitation provided in the permanent law and to take advantage of prior relief legislation, the conferees are in agreement with the statement of the Finance Committee of the Senate that this relief legislation should be the last of its kind to be enacted. The House recedes with a clerical amendment.

Amendment No. 163: This amendment adds a new section which amends the provisions of title II of the Labor-Federal Security Appropriation Act, 1942, relating to the appropriation available to the Social Security Board for grants to States for unemployment compensation administration. The conferees were impressed with the purpose of this amendment, but due to difficulties of working out a suitable provision, action on the merits was deferred with the understanding that it would be considered in a later bill. The Senate recedes.

Amendment No. 164: This amendment adds a new section amending section 401 of the Second Revenue Act of 1940 (relative to the suspension of the Vinson-Trammell Act in the case of contracts or subcontracts not completed before the contractors' or subcontractors' first excess profits tax taxable year) to provide that for the purposes of such section a contract or subcontract shall be deemed to be completed on the date on which final delivery and acceptance of the vessel or other article specified therein is made. The conferees have deferred action on the merits of this amendment with the understanding that it will be considered in a later bill dealing with administrative matters. The Senate recedes.

R. L. DOUGHTON,
THOS. H. CULLEN,
JERE COOPER,
JOHN W. BOEHNE, JR.,
ALLEN T. TREADWAY,
HAROLD KNUTSON,
DANIEL A. REED,

Managers on the part of the House.

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