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JANUARY 29, 1926

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# H. R. 1

SIXTY-NINTH CONGRESS  
FIRST SESSION

U.S. Laws, statutes, etc., 1925-1926 (69th Cong., 1st sess.)

## COMPARATIVE PRINT

OF THE

### BILL AS REPORTED TO THE SENATE

AND THE

### REVENUE ACT OF 1924 AS AMENDED

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1926

[PUBLIC—No. 176—68TH CONGRESS]

# AN ACT

To reduce and equalize taxation, to provide revenue, and for other purposes.

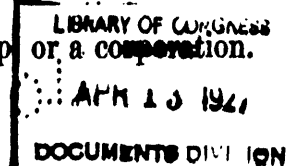
1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **TITLE I.—GENERAL DEFINITIONS**

4 **SECTION 1.** This Act may be cited as the "Revenue  
5 Act of 1924."

6 **SEC. 2.** (a) When used in this Act—

7 (1) The term "person" means an individual, a trust  
8 or estate, a partnership





## Calendar No. 54

69TH CONGRESS  
1ST SESSION

# H. R. 1

[Report No. 52]

IN THE SENATE OF THE UNITED STATES

DECEMBER 21, 1926

Read twice and referred to the Committee on Finance.

JANUARY 16 (calendar day, JANUARY 20), 1926

Reported by Mr. SMOOR, with amendments

[Omit the part struck through and insert the part printed in *italics*]

## AN ACT

To reduce and equalize taxation, to provide revenue, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 TITLE I.—GENERAL DEFINITIONS

4 SECTION 1. This Act may be cited as the "Revenue  
5 Act of 1926."

6 SEC. 2. (a) When used in this Act—

7 (1) The term "person" means an individual, a trust  
8 or estate, a partnership, or a corporation.

(2) The term "corporation" includes associations, joint-stock companies, and insurance companies.

(3) The term "domestic" when applied to a corporation or partnership means created or organized in the United States or under the law of the United States or of any State or Territory.

(4) The term "foreign" when applied to a corporation or partnership means a corporation or partnership which is not domestic.

(5) The term "United States" when used in a geographical sense includes only the States, the Territories of Alaska and Hawaii, and the District of Columbia.

(6) The term "Secretary" means the Secretary of the Treasury.

(7) The term "Commissioner" means the Commissioner of Internal Revenue.

(8) The term "collector" means collector of internal revenue.

(9) The term "taxpayer" means any person subject to a tax imposed by this Act.

(10) The term "military or naval forces of the United States" includes the Marine Corps, the Coast Guard, the Army Nurse Corps, Female, and the Navy Nurse Corps, Female.

1 (2) The term "corporation" includes associations,  
2 joint-stock companies, and insurance companies.

3 (3) The term "domestic" when applied to a corpora-  
4 tion or partnership means created or organized in the  
5 United States or under the law of the United States or of  
6 any State or Territory.

7 (4) The term "foreign" when applied to a corpora-  
8 tion or partnership means a corporation or partnership  
9 which is not domestic.

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11 graphical sense includes only the States, the Territories of  
12 Alaska and Hawaii, and the District of Columbia.

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14 Treasury.

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16 sioner of Internal Revenue.

17 (8) The term "collector" means collector of internal  
18 revenue.

19 (9) The term "taxpayer" means any person subject  
20 to a tax imposed by this Act.

21 (10) The term "military or naval forces of the United  
22 States" includes the Marine Corps, the Coast Guard, the  
23 Army Nurse Corps, Female, and the Navy Nurse Corps,  
24 Female.

1 (b) The terms "includes" and "including" when used  
2 in a definition contained in this Act shall not be deemed to  
3 exclude other things otherwise within the meaning of the  
4 term defined.

5 TITLE II.—INCOME TAX

6 PART I.—GENERAL PROVISIONS

7 DEFINITIONS

8 SEC. 200. When used in this title—

9 (a) The term "taxable year" means the calendar year,  
10 or the fiscal year ending during such calendar year, upon the  
11 basis of which the net income is computed under section 212  
12 or 232. The term "fiscal year" means an accounting period  
13 of twelve months ending on the last day of any month other  
14 than December. The term "taxable year" includes, in the  
15 case of a return made for a fractional part of a year under  
16 the provisions of this title or under regulations prescribed by  
17 the Commissioner with the approval of the Secretary, the  
18 period for which such return is made. The first taxable year,  
19 to be called the taxable year 1924, shall be the calendar year  
20 1924 or any fiscal year ending during the calendar year  
21 1924.

22 (b) The term "fiduciary" means a guardian, trustee,  
23 executor, administrator, conservator, or any person acting  
24 in any fiduciary capacity for any person,

(b) The terms "includes" and "including" when used in a definition contained in this Act shall not be deemed to exclude other things otherwise within the meaning of the term defined.

## TITLE II.—INCOME TAX

### PART I.—GENERAL PROVISIONS

#### DEFINITIONS

SEC. 200. When used in this title—

(a) The term "taxable year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the net income is computed under section 212 or 232. The term "fiscal year" means an accounting period of twelve months ending on the last day of any month other than December. The term "taxable year" includes, in the case of a return made for a fractional part of a year under the provisions of this title or under regulations prescribed by the Commissioner with the approval of the Secretary, the period for which such return is made. The first taxable year, to be called the taxable year 1925, shall be the calendar year 1925 or any fiscal year ending during the calendar year 1925.

(b) The term "fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator, or any person acting in any fiduciary capacity for any person.

1 (c) The term "withholding agent" means any person  
2 required to deduct and withhold any tax under the provisions  
3 of section 221 or 237.

4 (d) The terms "paid or incurred" and "paid or ac-  
5 crued" shall be construed according to the method of account-  
6 ing upon the basis of which the net income is computed  
7 under section 212 or 232. The deductions and credits pro-  
8 vided for in this title shall be taken for the taxable year in  
9 which "paid or accrued" or "paid or incurred", dependent  
10 upon the method of accounting upon the basis of which  
11 the net income is computed under section 212 or 232, unless  
12 in order to clearly reflect the income the deductions or credits  
13 should be taken as of a different period.

14 (e) The term "stock" includes the share in an asso-  
15 ciation, joint-stock company, or insurance company.

16 (f) The term "shareholder" includes a member in an  
17 association, joint-stock company, or insurance company.

18 DISTRIBUTIONS BY CORPORATIONS  
19 SEC. 201. (a) The term "dividend" when used in  
20 this title (except in paragraph (9) of subdivision (a) of sec-  
21 tion 234 and paragraph (4) of subdivision (a) of section  
22 245) means any distribution made by a corporation to its  
23 shareholders, whether in money or in other property, out  
24 of its earnings or profits accumulated after February 28,  
25 1913.

1 (c) The term "withholding agent" means any person  
2 required to deduct and withhold any tax under the provisions  
3 of section 221 or 237.

4 (d) The terms "paid or incurred" and "paid or ac-  
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6 ing upon the basis of which the net income is computed  
7 under section 212 or 232. The deductions and credits pro-  
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22 245) means any distribution made by a corporation to its  
23 shareholders, whether in money or in other property, out  
24 of its earnings or profits accumulated after February 28,  
25 1913.

1 (b) For the purposes of this Act every distribution is  
2 made out of earnings or profits to the extent thereof, and  
3 from the most recently accumulated earnings or profits.  
4 Any earnings or profits accumulated, or increase in value  
5 of property accrued, before March 1, 1913, may be dis-  
6 tributed exempt from tax, after the earnings and profits  
7 accumulated after February 28, 1913, have been distributed,  
8 but any such tax-free distribution shall be applied against  
9 and reduce the basis of the stock provided in section 204.

10 (c) Amounts distributed in complete liquidation of a  
11 corporation shall be treated as in full payment in exchange  
12 for the stock, and amounts distributed in partial liquidation  
13 of a corporation shall be treated as in part or full payment in  
14 exchange for the stock. The gain or loss to the distributee  
15 resulting from such exchange shall be determined under  
16 section 202, but shall be recognized only to the extent pro-  
17 vided in section 203. In the case of amounts distributed in  
18 partial liquidation (other than a distribution within the  
19 provisions of subdivision (g) of section 203 of stock or  
20 securities in connection with a reorganization), the part of  
21 such distribution which is properly chargeable to capital  
22 account shall not be considered a distribution of earnings or  
23 profits within the meaning of subdivision (b) of this section  
24 for the purpose of determining the taxability of subsequent  
25 distributions by the corporation.



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2 made out of earnings or profits to the extent thereof, and  
3 from the most recently accumulated earnings or profits.  
4 Any earnings or profits accumulated, or increase in value  
5 of property accrued, before March 1, 1913, may be dis-  
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23 profits within the meaning of subdivision (b) of this section  
24 for the purpose of determining the taxability of subsequent  
25 distributions by the corporation.

12

REVENUE ACT OF 1924, AS AMENDED [Sec. 201]

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(d) If any distribution (not in partial or complete liquidation) made by a corporation to its shareholders is not out of increase in value of property accrued before March 1, 1913, and is not out of earnings or profits, then the amount of such distribution shall be applied against and reduce the basis of the stock provided in section 204, and if in excess of such basis, such excess shall be taxable in the same manner as a gain from the sale or exchange of property. The provisions of this paragraph shall also apply to distributions from depletion reserves based on the discovery value of mines.

(e) Any distribution made by a corporation, which was classified as a personal service corporation under the provisions of the Revenue Act of 1918 or the Revenue Act of 1921, out of its earnings or profits which were taxable in accordance with the provisions of section 218 of the Revenue Act of 1918 or section 218 of the Revenue Act of 1921, shall be exempt from tax to the distributees.

(f) A stock dividend shall not be subject to tax, but if before or after the distribution of any such dividend the corporation proceeds to cancel or redeem its stock at such time and in such manner as to make the distribution and cancellation or redemption in whole or in part essentially equivalent to the distribution of a taxable dividend, the amount so dis-

(d) If any distribution (not in partial or complete liquidation) made by a corporation to its shareholders is not out of increase in value of property accrued before March 1, 1913, and is not out of earnings or profits, then the amount of such distribution shall be applied against and reduce the basis of the stock provided in section 204, and if in excess of such basis, such excess shall be taxable in the same manner as a gain from the sale or exchange of property. The provisions of this paragraph shall also apply to distributions from depletion reserves based on the discovery value of mines.

(e) Any distribution made by a corporation, which was classified as a personal service corporation under the provisions of the Revenue Act of 1918 or the Revenue Act of 1921, out of its earnings or profits which were taxable in accordance with the provisions of section 218 of the Revenue Act of 1918 or section 218 of the Revenue Act of 1921, shall be exempt from tax to the distributees.

(f) A stock dividend shall not be subject to tax.

(g) If a corporation cancels or redeems its stock (whether or not such stock was issued as a stock dividend) at such time and in such manner as to make the distribution and cancellation or redemption in whole or in part essentially equivalent to the distribution of a taxable dividend, the amount so distributed in redemp-

1 tributed in redemption or cancellation of the stock, to the  
2 extent that it represents a distribution of earnings or profits  
3 accumulated after February 28, 1913, shall be treated as a  
4 taxable dividend.

9 (g) As used in this section the term "amounts dis-  
distributed in partial liquidation" means a distribution by a  
10 corporation in complete cancellation or redemption of a part  
11 of its stock, or one of a series of distributions in complete  
12 cancellation or redemption of all or a portion of its stock.

13 DETERMINATION OF AMOUNT OF GAIN OR LOSS

14 SEC. 202. (a) Except as hereinafter provided in this  
15 section, the gain from the sale or other disposition of prop-  
16 erty shall be the excess of the amount realized therefrom  
17 over the basis provided in subdivision (a) or (b) of section  
18 204, and the loss shall be the excess of such basis over the  
19 amount realized.

20 (b) In computing the amount of gain or loss under  
21 subdivision (a) proper adjustment shall be made for (1)  
22 any expenditure properly chargeable to capital account, and  
23 (2) any item of loss, exhaustion, wear and tear, obsoles-

1 tion or cancellation of the stock, to the extent that it repre-  
2 sents a distribution of earnings or profits accumulated after  
3 February 28, 1913, shall be treated as a taxable divi-  
4 dend. *In the case of the cancellation or redemption of*  
5 *stock not issued as a stock dividend this subdivision shall*  
6 *apply only if the cancellation or redemption is made after*  
7 *January 1, 1926.*

8 (h) As used in this section the term "amounts dis-  
9 tributed in partial liquidation" means a distribution by a  
10 corporation in complete cancellation or redemption of a part  
11 of its stock, or one of a series of distributions in complete  
12 cancellation or redemption of all or a portion of its stock.

13 **DETERMINATION OF AMOUNT OF GAIN OR LOSS**

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15 section, the gain from the sale or other disposition of prop-  
16 erty shall be the excess of the amount realized therefrom  
17 over the basis provided in subdivision (a) or (b) of section  
18 204, and the loss shall be the excess of such basis over the  
19 amount realized.

20 (b) In computing the amount of gain or loss under  
21 subdivision (a) —

22 (1) Proper adjustment shall be made for any expendi-  
23 ture or item of loss properly chargeable to capital account,  
24 and

25 (2) The basis shall be diminished by the amount of the  
26 deductions for exhaustion, wear and tear, obsolescence, amor-

1 cence, amortization, or depletion, previously allowed with  
2 respect to such property.

12 (c) The amount realized from the sale or other dis-  
13 position of property shall be the sum of any money received  
14 plus the fair market value of the property (other than  
15 money) received.

16 (d) In the case of a sale or exchange, the extent to  
17 which the gain or loss determined under this section shall  
18 be recognized for the purposes of this title, shall be deter-  
19 mined under the provisions of section 203.

20 (e) Nothing in this section shall be construed to pre-  
21 vent (in the case of property sold under contract providing  
22 for payment in installments) the taxation of that portion of  
23 any installment payment representing gain or profit in the  
24 year in which such payment is received.

1 tization, and depletion which have since the acquisition of  
2 the property been allowable in respect of such property under  
3 this Act or prior income tax laws; but in no case shall the  
4 amount of the diminution in respect of depletion exceed a  
5 depletion deduction computed without reference to discovery  
6 value or to *paragraph (2) of subdivision (c) of section*  
7 *204*. In addition, if the property was acquired before  
8 March 1, 1913, the basis (if other than the fair market  
9 value as of March 1, 1913) shall be diminished in the amount  
10 of exhaustion, wear and tear, obsolescence, and depletion  
11 actually sustained before such date.

12 (c) The amount realized from the sale or other dis-  
13 position of property shall be the sum of any money received  
14 plus the fair market value of the property (other than  
15 money) received.

16 (d) In the case of a sale or exchange, the extent to  
17 which the gain or loss determined under this section shall  
18 be recognized for the purposes of this title, shall be deter-  
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21 vent (in the case of property sold under contract providing  
22 for payment in installments) the taxation of that portion of  
23 any installment payment representing gain or profit in the  
24 year in which such payment is received.

1 RECOGNITION OF GAIN OR LOSS FROM SALES AND  
2 EXCHANGES

3 SEC. 203. (a) Upon the sale or exchange of property  
4 the entire amount of the gain or loss, determined under  
5 section 202, shall be recognized, except as hereinafter pro-  
6 vided in this section.

7 (b) (1) No gain or loss shall be recognized if prop-  
8 erty held for productive use in trade or business or for  
9 investment (not including stock in trade or other property  
10 held primarily for sale, nor stocks, bonds, notes, choses in  
11 action, certificates of trust or beneficial interest, or other  
12 securities or evidences of indebtedness or interest) is ex-  
13 changed solely for property of a like kind to be held either  
14 for productive use in trade or business or for investment, or  
15 if common stock in a corporation is exchanged solely for  
16 common stock in the same corporation, or if preferred stock  
17 in a corporation is exchanged solely for preferred stock in  
18 the same corporation.

19 (2) No gain or loss shall be recognized if stock or  
20 securities in a corporation a party to a reorganization are, in  
21 pursuance of the plan of reorganization, exchanged solely  
22 for stock or securities in such corporation or in another  
23 corporation a party to the reorganization.

24 (3) No gain or loss shall be recognized of a corporation  
25 a party to a reorganization exchanges property, in pursu-



1 RECOGNITION OF GAIN OR LOSS FROM SALES AND  
2 EXCHANGES

3 SEC. 203. (a) Upon the sale or exchange of prop-  
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5 section 202, shall be recognized, except as hereinafter pro-  
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7 (b) (1) No gain or loss shall be recognized if prop-  
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10 held primarily for sale, nor stocks, bonds, notes, choses in  
11 action, certificates of trust or beneficial interest, or other  
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13 changed solely for property of a like kind to be held either  
14 for productive use in trade or business or for investment, or  
15 if common stock in a corporation is exchanged solely for  
16 common stock in the same corporation, or if preferred stock  
17 in a corporation is exchanged solely for preferred stock in  
18 the same corporation.

19 (2) No gain or loss shall be recognized if stock or se-  
20 curities in a corporation a party to a reorganization are, in  
21 pursuance of the plan of reorganization, exchanged solely  
22 for stock or securities in such corporation or in another cor-  
23 poration a party to the reorganization.

24 (3) No gain or loss shall be recognized if a corporation  
25 a party to a reorganization exchanges property, in pursu-

1    ance of the plan or reorganization, solely for stock or securi-  
2    ties in another corporation a party to the reorganization.

3           (4) No gain or loss shall be recognized if property is  
4    transferred to a corporation by one or more persons solely  
5    in exchange for stock or securities in such corporation, and  
6    immediately after the exchange such person or persons are  
7    in control of the corporation; but in the case of an exchange  
8    by two or more persons this paragraph shall apply only if  
9    the amount of the stock and securities received by each is  
10   substantially in proportion to his interest in the property prior  
11   to the exchange.

12           (5) If property (as a result of its destruction in whole or  
13   in part, theft or seizure, or an exercise of the power of requi-  
14   sition or condemnation, or the threat or imminence thereof) is  
15   compulsorily or involuntarily converted into property similar  
16   or related in service or use to the property so converted, or  
17   into money which is forthwith in good faith, under regula-  
18   tions prescribed by the Commissioner with the approval of  
19   the Secretary, expended in the acquisition of other property  
20   similar or related in service or use to the property so con-  
21   verted, or in the acquisition of control of a corporation own-  
22   ing such other property, or in the establishment of a replace-  
23   ment fund, no gain or loss shall be recognized. If any part  
24   of the money is not so expended, the gain, if any, shall be  
25   recognized, but in an amount not in excess of the money  
26   which is not so expended.

1 ance of the plan of reorganization, solely for stock or securi-  
2 ties in another corporation a party to the reorganization.

3 (4) No gain or loss shall be recognized if property is  
4 transferred to a corporation by one or more persons solely  
5 in exchange for stock or securities in such corporation, and  
6 immediately after the exchange such person or persons are  
7 in control of the corporation; but in the case of an exchange  
8 by two or more persons this paragraph shall apply only if  
9 the amount of the stock and securities received by each is  
10 substantially in proportion to his interest in the property prior  
11 to the exchange.

12 (5) If property (as a result of its destruction in whole or  
13 in part, theft or seizure, or an exercise of the power of requi-  
14 sition or condemnation, or the threat or imminence thereof) is  
15 compulsorily or involuntarily converted into property similar  
16 or related in service or use to the property so converted, or  
17 into money which is forthwith in good faith, under regula-  
18 tions prescribed by the Commissioner with the approval of  
19 the Secretary, expended in the acquisition of other property  
20 similar or related in service or use to the property so con-  
21 verted, or in the acquisition of control of a corporation own-  
22 ing such other property, or in the establishment of a replace-  
23 ment fund, no gain or loss shall be recognized. If any part  
24 of the money is not so expended, the gain, if any, shall be  
25 recognized, but in an amount not in excess of the money  
26 which is not so expended.

1 (c) If there is distributed, in pursuance of a plan of  
2 reorganization, to a shareholder in a corporation a party to  
3 the reorganization, stock or securities in such corporation or  
4 in another corporation a party to the reorganization, without  
5 the surrender by such shareholder of stock or securities in  
6 such a corporation, no gain to the distributee from the receipt  
7 of such stock or securities shall be recognized.

13 (d) (1) If an exchange would be within the provisions  
14 of paragraph (1), (2), or (4) of subdivision (b) if it were  
15 not for the fact that the property received in exchange con-  
16 sists not only of property permitted by such paragraph to be  
17 received without the recognition of gain, but also of other  
18 property or money, then the gain, if any, to the recipient  
19 shall be recognized, but in an amount not in excess of the sum  
20 of such money and the fair market value of such other prop-  
21 erty.

22 (2) If a distribution made in pursuance of a plan of  
23 reorganization is within the provisions of paragraph (1) but  
24 has the effect of the distribution of a taxable dividend, then  
25 there shall be taxed as a dividend to each distributee such an

1 (c) If there is distributed, in pursuance of a plan of  
2 reorganization, to a shareholder in a corporation a party to  
3 the reorganization, stock or securities in such corporation or  
4 in another corporation a party to the reorganization, without  
5 the surrender by such shareholder of stock or securities in  
6 such a corporation, no gain to the distributee from the receipt  
7 of such stock or securities shall be recognized. *If a cor-*  
8 *poration which owns at least a majority of the voting stock*  
9 *and at least a majority of the total number of shares of all*  
10 *other classes of stock of another corporation distributes such*  
11 *stock to its shareholders no gain to the distributee from the*  
12 *receipt of such stock shall be recognized.*

13 (d) (1) If an exchange would be within the provisions  
14 of paragraph (1), (2), or (4) of subdivision (b) if it were  
15 not for the fact that the property received in exchange con-  
16 sists not only of property permitted by such paragraph to be  
17 received without the recognition of gain, but also of other  
18 property or money, then the gain, if any, to the recipient  
19 shall be recognized, but in an amount not in excess of the sum  
20 of such money and the fair market value of such other prop-  
21 erty.

22 (2) If a distribution made in pursuance of a plan of  
23 reorganization is within the provisions of paragraph (1) but  
24 has the effect of the distribution of a taxable dividend, then  
25 there shall be taxed as a dividend to each distributee such an

1 amount of the gain recognized under paragraph (1) as is not  
2 in excess of his ratable share of the undistributed earnings  
3 and profits of the corporation accumulated after February  
4 28, 1913. The remainder, if any, of the gain recognized,  
5 under paragraph (1) shall be taxed as a gain from the  
6 exchange of property.

7 (e) If an exchange would be within the provisions of  
8 paragraph (3) of subdivision (b) if it were not for the fact  
9 that the property received in exchange consists not only of  
10 stock or securities permitted by such paragraph to be re-  
11 ceived without the recognition of gain, but also of other  
12 property or money, then—

13 (1) If the corporation receiving such other property  
14 or money distributes it in pursuance of the plan of reorgani-  
15 zation, no gain to the corporation shall be recognized from  
16 the exchange, but

17 (2) If the corporation receiving such other property  
18 or money does not distribute it in pursuance of the plan of  
19 reorganization, the gain, if any, to the corporation shall be  
20 recognized, but in an amount not in excess of the sum of  
21 such money and the fair market value of such other prop-  
22 erty so received, which is not so distributed.

23 (f) If an exchange would be within the provisions of  
24 paragraph (1), (2), (3), or (4) of subdivision (b) if it  
25 were not for the fact that the property received in exchange

1 amount of the gain recognized under paragraph (1) as is not  
2 in excess of his ratable share of the undistributed earnings  
3 and profits of the corporation accumulated after February  
4 28, 1913. The remainder, if any, of the gain recognized  
5 under paragraph (1) shall be taxed as a gain from the  
6 exchange of property.

7 (e) If an exchange would be within the provisions of  
8 paragraph (3) of subdivision (b) if it were not for the fact  
9 that the property received in exchange consists not only of  
10 stock or securities permitted by such paragraph to be re-  
11 ceived without the recognition of gain, but also of other  
12 property or money, then—

13 (1) If the corporation receiving such other property  
14 or money distributes it in pursuance of the plan of reorgani-  
15 zation, no gain to the corporation shall be recognized from  
16 the exchange, but

17 (2) If the corporation receiving such other property  
18 ~~or money~~ does not distribute it in pursuance of the plan of  
19 reorganization, the gain, if any, to the corporation shall be  
20 recognized, but in an amount not in excess of the sum of  
21 such money and the fair market value of such other prop-  
22 erty so received, which is not so distributed.

23 (f) If an exchange would be within the provisions of  
24 paragraph (1), (2), (3), or (4) of subdivision (b) if it  
25 were not for the fact that the property received in exchange

1 consists not only of property permitted by such paragraph to  
2 be received without the recognition of gain or loss, but also  
3 of other property or money, then no loss from the exchange  
4 shall be recognized.

5 (g) The distribution, in pursuance of a plan of reor-  
6 ganization, by or on behalf of a corporation a party to the  
7 reorganization, of its stock or securities or stock or securities  
8 in a corporation a party to the reorganization, shall not be  
9 considered a distribution of earnings or profits within the  
10 meaning of subdivision (b) of section 201 for the purpose  
11 of determining the taxability of subsequent distributions by  
12 the corporation.

13 (h) As used in this section and sections 201 and 204—

14 (1) The term "reorganization" means (A) a merger  
15 or consolidation (including the acquisition by one corpora-  
16 tion of at least a majority of the voting stock and at least a  
17 majority of the total number of shares of all other classes of  
18 stock of another corporation, or substantially all the prop-  
19 erties of another corporation), or (B) a transfer by a cor-  
20 poration of all or a part of its assets to another corporation  
21 if immediately after the transfer the transferor or its stock-  
22 holders or both are in control of the corporation to which the  
23 assets are transferred, or (C) a recapitalization, or (D) a  
24 mere change in identity, form, or place of organization,  
25 however effected.



1 consists not only of property permitted by such paragraph to  
2 be received without the recognition of gain or loss, but also  
3 of other property or money, then no loss from the exchange  
4 shall be recognized.

5 (g) The distribution, in pursuance of a plan of reor-  
6 ganization, by or on behalf of a corporation a party to the  
7 reorganization, of its stock or securities or stock or securities  
8 in a corporation a party to the reorganization, shall not be  
9 considered a distribution of earnings or profits within the  
10 meaning of subdivision (b) of section 201 for the purpose  
11 of determining the taxability of subsequent distributions by  
12 the corporation.

13 (h) As used in this section and sections 201 and 204—

14 (1) The term "reorganization" means (A) a merger  
15 or consolidation (including the acquisition by one corpora-  
16 tion of at least a majority of the voting stock and at least a  
17 majority of the total number of shares of all other classes of  
18 stock of another corporation, or substantially all the prop-  
19 erties of another corporation), or (B) a transfer by a cor-  
20 poration of all or a part of its assets to another corporation  
21 if immediately after the transfer the transferor or its stock-  
22 holders or both are in control of the corporation to which the  
23 assets are transferred, or (C) a recapitalization, or (D) a  
24 mere change in identity, form, or place of organization,  
25 however effected.

1 (2) The term "a party to a reorganization" includes  
2 a corporation resulting from a reorganization and includes  
3 both corporations in the case of an acquisition by one cor-  
4 poration of at least a majority of the voting stock and at  
5 least a majority of the total number of shares of all other  
6 classes of stock of another corporation.

7 (i) As used in this section the term "control" means  
8 the ownership of at least 80 per centum of the voting stock  
9 and at least 80 per centum of the total number of shares of  
10 all other classes of stock of the corporation.

11 BASIS FOR DETERMINING GAIN OR LOSS, DEPLETION, AND  
12 DEPRECIATION

13 SEC. 204. (a) The basis for determining the gain or  
14 loss from the sale or other disposition of property acquired  
15 after February 28, 1913, shall be the cost of such property;  
16 except that—

17 (1) If the property should have been included in the  
18 last inventory, the basis shall be the last inventory value  
19 thereof;

20 (2) If the property was acquired by gift after De-  
21 cember 31, 1920, the basis shall be the same as it would  
22 be in the hands of the donor or the last preceding owner by  
23 whom it was not acquired by gift. If the facts necessary  
24 to determine such basis are unknown to the donee, the  
25 Commissioner shall, if possible, obtain such facts from such

1 (2) The term "a party to a reorganization" includes a  
2 corporation resulting from a reorganization and includes  
3 both corporations in the case of an acquisition by one cor-  
4 poration of at least a majority of the voting stock and at  
5 least a majority of the total number of shares of all other  
6 classes of stock of another corporation.

7 (i) As used in this section the term "control" means  
8 the ownership of at least 80 per centum of the voting stock  
9 and at least 80 per centum of the total number of shares of  
10 all other classes of stock of the corporation.

11 BASIS FOR DETERMINING GAIN OR LOSS, DEPLETION, AND  
12 DEPRECIATION

13 SEC. 204. (a) The basis for determining the gain or  
14 loss from the sale or other disposition of property acquired  
15 after February 28, 1913, shall be the cost of such property;  
16 except that—

17 (1) If the property should have been included in the  
18 last inventory, the basis shall be the last inventory value  
19 thereof;

20 (2) If the property was acquired by gift after De-  
21 cember 31, 1920, the basis shall be the same as it would  
22 be in the hands of the donor or the last preceding owner by  
23 whom it was not acquired by gift. If the facts necessary  
24 to determine such basis are unknown to the donee, the  
25 Commissioner shall, if possible, obtain such facts from such

1 donor or last preceding owner, or any other person cognizant  
2 thereof. If the Commissioner finds it impossible to obtain  
3 such facts, the basis shall be the fair market value of such  
4 property as found by the Commissioner as of the date or  
5 approximate date at which, according to the best informa-  
6 tion that the Commissioner is able to obtain, such property  
7 was acquired by such donor or last preceding owner;

8 (3) If the property was acquired after December 31,  
9 1920, by a transfer in trust (other than by a transfer in  
10 trust by bequest or devise) the basis shall be the same as  
11 it would be in the hands of the grantor, increased in the  
12 amount of gain or decreased in the amount of loss recog-  
13 nized to the grantor upon such transfer under the law appli-  
14 cable to the year in which the transfer was made. The pro-  
15 visions of this paragraph shall not apply to the acquisition  
16 of such property interests as are specified in subdivision (c)  
17 or (e) of section 402 of the Revenue Act of 1921 or in  
18 subdivision (c), (d), or (f) of section 302 of this Act;

21 (4) If the property was acquired by gift or transfer  
22 in trust on or before December 31, 1920, the basis shall be  
23 the fair market value of such property at the time of such  
24 acquisition;

25 (5) If the property was acquired by bequest, devise,  
26 or inheritance, the basis shall be the fair market value of

1 donor or last preceding owner, or any other person cognizant  
2 thereof. If the Commissioner finds it impossible to obtain  
3 such facts, the basis shall be the fair market value of such  
4 property as found by the Commissioner as of the date or  
5 approximate date at which, according to the best informa-  
6 tion that the Commissioner is able to obtain, such property  
7 was acquired by such donor or last preceding owner;

8 (3) If the property was acquired after December 31,  
9 1920, by a transfer in trust (other than by a transfer in  
10 trust by bequest or devise) the basis shall be the same as  
11 it would be in the hands of the grantor, increased in the  
12 amount of gain or decreased in the amount of loss recog-  
13 nized to the grantor upon such transfer under the law appli-  
14 cable to the year in which the transfer was made. The pro-  
15 visions of this paragraph shall not apply to the acquisition  
16 of such property interests as are specified in subdivision (c)  
17 or (e) of section 402 of the Revenue Act of 1921, or in  
18 subdivision (c) or (f) of section 302 of the Revenue Act of  
19 1924, or in subdivision ~~(e)~~ or ~~(f)~~ of section 302 of this  
20 Act;

21 (4) If the property was acquired by gift or transfer  
22 in trust on or before December 31, 1920, the basis shall be  
23 the fair market value of such property at the time of such  
24 acquisition;

25 (5) If the property was acquired by bequest, devise,  
26 or inheritance, the basis shall be the fair market value of

1 such property at the time of such acquisition. The provi-  
2 sions of this paragraph shall apply to the acquisition of such  
3 property interests as are specified in subdivision (c) or  
4 (e) of section 402 of the Revenue Act of 1921, or in sub-  
5 division (c), (d), or (f) of section 302 of this Act;

7 (6) If the property was acquired upon an exchange  
8 described in subdivision (b), (d), (e), or (f) of section  
9 203, the basis shall be the same as in the case of the property  
10 exchanged, decreased in the amount of any money received  
11 by the taxpayer and increased in the amount of gain or  
12 decreased in the amount of loss to the taxpayer that was  
13 recognized upon such exchange under the law applicable  
14 to the year in which the exchange was made. If the  
15 property so acquired consisted in part of the type of property  
16 permitted by paragraph (1), (2), (3), or (4) of sub-  
17 division (b) of section 203 to be received without the recog-  
18 nition of gain or loss, and in part of other property, the basis  
19 provided in this paragraph shall be allocated between the  
20 properties (other than money) received, and for the purpose  
21 of the allocation there shall be assigned to such other prop-  
22 erty an amount equivalent to its fair market value at the  
23 date of the exchange. This paragraph shall not apply to  
24 property acquired by a corporation by the issuance of its

11 such property at the time of such acquisition. The provi-  
2 sions of this paragraph shall apply to the acquisition of such  
3 property interests as are specified in subdivision (c) or  
4 (e) of section 402 of the Revenue Act of 1921, or in sub-  
5 division (e) or (f) of section 302 of the Revenue Act of  
6 1924, or in subdivision ~~(e)~~ or ~~(f)~~ of section 302 of this Act;

7 (6) If the property was acquired upon an exchange  
8 described in subdivision (b), (d), (e), or (f) of section  
9 203, the basis shall be the same as in the case of the property  
10 exchanged, decreased in the amount of any money received  
11 by the taxpayer and increased in the amount of gain or  
12 decreased in the amount of loss to the taxpayer that was  
13 recognized upon such exchange under the law applicable  
14 to the year in which the exchange was made. If the  
15 property so acquired consisted in part of the type of property  
16 permitted by paragraph (1), (2), (3), or (4) of subdivision  
17 (b) of section 203 to be received without the recognition  
18 of gain or loss, and in part of other property, the basis pro-  
19 vided in this paragraph shall be allocated between the  
20 properties (other than money) received, and for the pur-  
21 pose of the allocation there shall be assigned to such other  
22 property an amount equivalent to its fair market value at the  
23 date of the exchange. This paragraph shall not apply to  
24 property acquired by a corporation by the issuance of its

1 stock or securities as the consideration in whole or in part for  
2 the transfer of the property to it;

3 (7) If the property (other than stock or securities in  
4 a corporation a party to the reorganization) was acquired  
5 after December 31, 1917, by a corporation in connection  
6 with a reorganization, and immediately after the transfer an  
7 interest or control in such property of 80 per centum or  
8 more remained in the same persons or any of them, then the  
9 basis shall be the same as it would be in the hands of the  
10 transferor, increased in the amount of gain or decreased in  
11 the amount of loss recognized to the transferor upon such  
12 transfer under the law applicable to the year in which the  
13 transfer was made;

14 (8) If the property (other than stock or securities in  
15 a corporation a party to a reorganization) was acquired after  
16 December 31, 1920, by a corporation by the issuance of its  
17 stock or securities in connection with a transaction described  
18 in paragraph (4) of subdivision (b) of section 203 (includ-  
19 ing, also, cases where part of the consideration for the trans-  
20 fer of such property to the corporation was property or  
21 money in addition to such stock or securities), then the basis  
22 shall be the same as it would be in the hands of the trans-  
23 feror, increased in the amount of gain or decreased in the  
24 amount of loss recognized to the transferor upon such transfer  
25 under the law applicable to the year in which the transfer  
26 was made;



1 stock or securities as the consideration in whole or in part for  
2 the transfer of the property to it;

3 (7) If the property (other than stock or securities in  
4 a corporation a party to the reorganization) was acquired  
5 after December 31, 1917, by a corporation in connection  
6 with a reorganization, and immediately after the transfer an  
7 interest or control in such property of 80 per centum or  
8 more remained in the same persons or any of them, then the  
9 basis shall be the same as it would be in the hands of the  
10 transferor, increased in the amount of gain or decreased in  
11 the amount of loss recognized to the transferor upon such  
12 transfer under the law applicable to the year in which the  
13 transfer was made;

14 (8) If the property (other than stock or securities in  
15 a corporation a party to a reorganization) was acquired after  
16 December 31, 1920, by a corporation by the issuance of its  
17 stock or securities in connection with a transaction described  
18 in paragraph (4) of subdivision (b) of section 203 (includ-  
19 ing, also, cases where part of the consideration for the trans-  
20 fer of such property to the corporation was property or  
21 money in addition to such stock or securities), then the basis  
22 shall be the same as it would be in the hands of the trans-  
23 feror, increased in the amount of gain or decreased in the  
24 amount of loss recognized to the transferor upon such transfer  
25 under the law applicable to the year in which the transfer  
26 was made;

(9) If the property consists of stock or securities distributed after December 31, 1923, to a taxpayer in connection with a transaction described in subdivision (c) of section 203, the basis in the case of the stock in respect of which the distribution was made shall be apportioned, under rules and regulations prescribed by the Commissioner with the approval of the Secretary, between such stock and the stock or securities distributed;

(10) If the property was acquired as the result of a compulsory or involuntary conversion described in paragraph (5) of subdivision (b) of section 203, the basis shall be the same as in the case of the property so converted, decreased in the amount of any money received by the taxpayer which was not expended in accordance with the provisions of law (applicable to the year in which such conversion was made) determining the taxable status of the gain or loss upon such conversion, and increased in the amount of gain or decreased in the amount of loss to the taxpayer recognized upon such conversion under the law applicable to the year in which such conversion was made;

(11) If substantially identical property was acquired after December 31, 1920, in place of stock or securities which were sold or disposed of and in respect of which loss was not allowed as a deduction under paragraph (5) of subdivision (a) of section 214 or paragraph (4) of subdivi-

1 (9) If the property consists of stock or securities dis-  
2 tributed after December 31, 1923, to a taxpayer in connec-  
3 tion with a transaction described in subdivision (c) of section  
4 203, the basis in the case of the stock in respect of which the  
5 distribution was made shall be apportioned, under rules and  
6 regulations prescribed by the Commissioner with the ap-  
7 proval of the Secretary, between such stock and the stock or  
8 securities distributed;

9 (10) If the property was acquired as the result of a  
10 compulsory or involuntary conversion described in para-  
11 graph (5) of subdivision (b) of section 203, the basis shall  
12 be the same as in the case of the property so converted, de-  
13 creased in the amount of any money received by the tax-  
14 payer which was not expended in accordance with the pro-  
15 visions of law (applicable to the year in which such conver-  
16 sion was made) determining the taxable status of the gain or  
17 loss upon such conversion, and increased in the amount of  
18 gain or decreased in the amount of loss to the taxpayer rec-  
19 ognized upon such conversion under the law applicable to  
20 the year in which such conversion was made;

21 (11) If substantially identical property was acquired  
22 after December 31, 1920, in place of stock or securities  
23 which were sold or disposed of and in respect of which loss  
24 was not allowed as a deduction under paragraph (5) of  
25 subdivision (a) of section 214 or paragraph (4) of subdi-

1 vision (a) of section 234 of this Act or the Revenue Act  
2 of 1921, the basis in the case of the property so acquired  
3 shall be the basis in the case of the stock or securities so sold  
4 or disposed of, except that if the repurchase price was in  
5 excess of the sale price such basis shall be increased in the  
6 amount of the difference, or if the repurchase price was less  
7 than the sale price such basis shall be decreased in the amount  
8 of the difference.

9 (b) The basis for determining the gain or loss from the  
10 sale or other disposition of property acquired before March  
11 1, 1913, shall be (A) the cost of such property (or, in the  
12 case of such property as is described in paragraph (1), (4),  
13 or (5), of subdivision (a), the basis as therein provided),  
14 or (B) the fair market value of such property as of March  
15 1, 1913, whichever is greater. In determining the fair  
16 market value of stock in a corporation as of March 1, 1913,  
17 due regard shall be given to the fair market value of the  
18 assets of the corporation as of that date.

19 (c) The basis upon which depletion, exhaustion, wear  
20 and tear, and obsolescence are to be allowed in respect of any  
21 property shall be the same as is provided in subdivision (a)  
22 or (b) for the purpose of determining the gain or loss  
23 upon the sale or other disposition of such property, except

1 provision (a) of section 234 of this Act, the Revenue Act of  
2 1921, or the Revenue Act of 1924, the basis in the case of  
3 the property so acquired shall be the basis in the case of the  
4 stock or securities so sold or disposed of, except that if the  
5 repurchase price was in excess of the sale price such basis  
6 shall be increased in the amount of the difference, or if the  
7 repurchase price was less than the sale price such basis shall  
8 be decreased in the amount of the difference.

9 (b) The basis for determining the gain or loss from the  
10 sale or other disposition of property acquired before March  
11 1, 1913, shall be (A) the cost of such property (or, in the  
12 case of such property as is described in paragraph (1), (4),  
13 or (5), of subdivision (a), the basis as therein provided),  
14 or (B) the fair market value of such property as of March  
15 1, 1913, whichever is greater. In determining the fair  
16 market value of stock in a corporation as of March 1, 1913,  
17 due regard shall be given to the fair market value of the  
18 assets of the corporation as of that date.

19 (c) The basis upon which depletion, exhaustion, wear  
20 and tear, and obsolescence are to be allowed in respect of any  
21 property shall be the same as is provided in subdivision (a)  
22 or (b) for the purpose of determining the gain or loss  
23 upon the sale or other disposition of such property, except  
24 that—

1 that in the case of mines, oil and gas wells, discovered by  
 2 the taxpayer after February 28, 1913, and not acquired as  
 3 the result of purchase of a proven tract or lease, where the  
 4 fair market value of the property is materially dispropor-  
 5 tionate to the cost, the basis for depletion shall be the fair  
 6 market value of the property at the date of discovery or  
 7 within thirty days thereafter; but such depletion allowance  
 8 based on discovery value shall not exceed 50 per centum  
 9 of the net income (computed without allowance for deple-  
 10 tion) from the property upon which the discovery was made,  
 11 except that in no case shall the depletion allowance be less  
 12 than it would be if computed without reference to discovery  
 13 value.

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1       (1) In the case of oil and gas wells discovered by the  
2 taxpayer after February 28, 1913, and prior to January 1,  
3 1925, and in the case of mines discovered by the taxpayer  
4 after February 28, 1913, the basis for depletion shall be  
5 the fair market value of the property at the date of discovery  
6 or within thirty days thereafter, if such wells and mines were  
7 not acquired as the result of purchase of a proven tract or  
8 lease, and if the fair market value of the property is materially  
9 disproportionate to the cost;

10       (2) In the case of oil and gas wells discovered by the  
11 taxpayer on or after January 1, 1925, in an area not  
12 proven at the date of such discovery, where the fair market  
13 value of the property is materially disproportionate to the  
14 cost, the basis for depletion shall be the fair market value at  
15 the date of discovery or within thirty days thereafter of the  
16 property proven by such discovery and included within the  
17 taxpayer's tracts or leases. In the case of oil or gas wells,  
18 each well producing oil or gas in commercial quantities shall  
19 be considered as having proven at least that portion of the  
20 productive sand, zone, or reservoir which is included in a  
21 square surface area of 160 acres having as its center  
22 the mouth of such well. In the case of the discovery  
23 of an oil or gas well by a person under an agreement  
24 whereby the cost of the well shall be shared with one or more  
25 other persons or whereby the cost of the well shall, if oil or

[For corresponding subdivision of the Revenue Act of 1924, see page 38,  
line 19.]



1 gas in commercial quantities is not found, be shared with  
2 such other person or persons, then such well shall not be con-  
3 sidered as having proven any part of a tract or lease held  
4 by such other person or persons.

5 ~~(d)~~ The depletion allowance based on discovery value  
6 provided in paragraph ~~(1)~~ or ~~(2)~~ of subdivision ~~(e)~~ shall  
7 not exceed 50 per centum of the net income of the taxpayer  
8 ~~(computed without allowance for depletion)~~ from the prop-  
9 erty upon which the discovery was made, except that in no  
10 case shall the depletion allowance be less than it would be if  
11 computed without reference to discovery value.

12 *(c) The basis upon which depletion, exhaustion, wear*  
13 *and tear, and obsolescence are to be allowed in respect of*  
14 *any property shall be the same as is provided in subdivision*  
15 *(a) or (b) for the purpose of determining the gain or loss*  
16 *upon the sale or other disposition of such property, except*  
17 *that—*

18 *(1) In the case of mines discovered by the taxpayer*  
19 *after February 28, 1913, the basis for depletion shall be*  
20 *the fair market value of the property at the date of discovery*  
21 *or within thirty days thereafter, if such mines were not*  
22 *acquired as the result of purchase of a proven tract or lease,*  
23 *and if the fair market value of the property is materially*  
24 *disproportionate to the cost. The depletion allowance based*  
25 *on discovery value provided in this paragraph shall not*

17

## INVENTORIES

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19       SEC. 205. Whenever in the opinion of the Commis-  
20 sioner the use of inventories is necessary in order clearly to  
21 determine the income of any taxpayer, inventories shall be  
22 taken by such taxpayer upon such basis as the Commissioner,  
23 with the approval of the Secretary, may prescribe as con-  
24 forming as nearly as may be to the best accounting practice  
25 in the trade or business and as most clearly reflecting the  
income.

1 exceed 50 per centum of the net income of the taxpayer  
2 (computed without allowance for depletion) from the prop-  
3 erty upon which the discovery was made, except that in no  
4 case shall the depletion allowance be less than it would be  
5 if computed without reference to discovery value. Dis-  
6 coveries shall include minerals discovered or proven in an  
7 existing mine or mining tract by the taxpayer after February  
8 28, 1913, not included in any prior valuation.

9 (2) In the case of oil and gas wells the allowance for  
10 depletion shall be 25 per centum of the gross income from  
11 the property during the taxable year. Such allowance shall  
12 not exceed 50 per centum of the net income of the taxpayer  
13 (computed without allowance for depletion) from the property,  
14 except that in no case shall the depletion allowance be less  
15 than it would be if computed without reference to this  
16 paragraph.

#### 17 INVENTORIES

18 SEC. 205. Whenever in the opinion of the Commis-  
19 sioner the use of inventories is necessary in order clearly to  
20 determine the income of any taxpayer, inventories shall be  
21 taken by such taxpayer upon such basis as the Commissioner,  
22 with the approval of the Secretary, may prescribe as con-  
23 forming as nearly as may be to the best accounting practice  
24 in the trade or business and as most clearly reflecting the  
25 income.

## NET LOSSES

SEC. 206. (a) As used in this section the term "net loss" means the excess of the deductions allowed by section 214 or 234 over the gross income, with the following exceptions and limitations:

(1) Deductions otherwise allowed by law not attributable to the operation of a trade or business regularly carried on by the taxpayer shall be allowed only to the extent of the amount of the gross income not derived from such trade or business;

(2) In the case of a taxpayer other than a corporation, deductions for capital losses otherwise allowed by law shall be allowed only to the extent of the capital gains;

(3) The deduction for depletion shall not exceed the amount which would be allowable if computed without reference to discovery value;

(4) The deduction provided for in paragraph (6) of subdivision (a) of section 234 of amounts received as dividends shall not be allowed;

(5) There shall be included in computing gross income the amount of interest received free from tax under this title, decreased by the amount of interest paid or accrued and losses sustained which is not allowed as a deduction by paragraph (2) of subdivision (a) of section 214 or by paragraph (2) of subdivision (a) of section 234.

## 1 NET LOSSES.

2 SEC. 206. (a) As used in this section the term "net  
3 loss" means the excess of the deductions allowed by  
4 section 214 or 234 over the gross income, with the following  
5 exceptions and limitations:

6 (1) Deductions otherwise allowed by law not attribut-  
7 able to the operation of a trade or business regularly carried  
8 on by the taxpayer shall be allowed only to the extent of the  
9 amount of the gross income not derived from such trade or  
10 business;

11 (2) In the case of a taxpayer other than a corporation,  
12 deductions for capital losses otherwise allowed by law shall  
13 be allowed only to the extent of the capital gains;

14 (3) The deduction for depletion shall not exceed the  
15 amount which would be allowable if computed without refer-  
16 ence to discovery value;

17 (4) The deduction provided for in paragraph (6) of  
18 subdivision (a) of section 234 of amounts received as divi-  
19 dends shall not be allowed;

20 (5) There shall be included in computing gross income  
21 the amount of interest received free from tax under this title,  
22 decreased by the amount of interest paid or accrued which  
23 is not allowed as a deduction by subdivision (e) paragraph  
24 (2) of subdivision (a) of section 214 or by paragraph (2)  
25 of subdivision (a) of section 234.

(b) If, for any taxable year, it appears upon the production of evidence satisfactory to the Commissioner that any taxpayer has sustained a net loss, the amount thereof shall be allowed as a deduction in computing the net income of the taxpayer for the succeeding taxable year (hereinafter in this section called "second year"), and if such net loss is in excess of such net income (computed without such deduction), the amount of such excess shall be allowed as a deduction in computing the net income for the next succeeding taxable year (hereinafter in this section called "third year"); the deduction in all cases to be made under regulations prescribed by the Commissioner with the approval of the Secretary.

(c) (1) If in the second year the taxpayer (other than a corporation) sustains a capital net loss, the deduction allowed by subdivision (b) of this section shall first be applied as a deduction in computing the ordinary net income for such year. If the deduction is in excess of the ordinary net income (computed without such deduction) then the amount of such excess shall be allowed as a deduction in computing net income for the third year.

(2) If in the second year the taxpayer (other than a corporation) has a capital net gain, the deduction allowed by subdivision (b) of this section shall first be applied as a deduction in computing the ordinary net income for

1 (b) If, for any taxable year, it appears upon the pro-  
2 duction of evidence satisfactory to the Commissioner that  
3 any taxpayer has sustained a net loss, the amount thereof  
4 shall be allowed as a deduction in computing the net income  
5 of the taxpayer for the succeeding taxable year (hereinafter  
6 in this section called "second year"); and if such net loss  
7 is in excess of such net income (computed without such de-  
8 duction), the amount of such excess shall be allowed as a  
9 deduction in computing the net income for the next suc-  
10 ceeding taxable year (hereinafter in this section called  
11 "third year"); the deduction in all cases to be made under  
12 regulations prescribed by the Commissioner with the ap-  
13 proval of the Secretary.

14 (c) (1) If in the second year the taxpayer (other  
15 than a corporation) sustains a capital net loss, the deduc-  
16 tion allowed by subdivision (b) of this section shall first  
17 be applied as a deduction in computing the ordinary net  
18 income for such year. If the deduction is in excess of the  
19 ordinary net income (computed without such deduction)  
20 then the amount of such excess shall be allowed as a deduc-  
21 tion in computing net income for the third year.

22 (2) If in the second year the taxpayer (other than a  
23 corporation) has a capital net gain, the deduction allowed  
24 by subdivision (b) of this section shall first be applied  
25 as a deduction in computing the ordinary net income for

1 such year. If the deduction is in excess of the ordinary net  
2 income (computed without such deduction) the amount of  
3 such excess shall next be applied against the capital net gain  
4 for such year, and if in excess of the capital net gain the  
5 amount of that excess shall be allowed as a deduction in  
6 computing net income for the third year.

7 (d) If any portion of a net loss is allowed as a deduc-  
8 tion in computing net income for the third year, under the  
9 provisions of either subdivision (b) or (c), and the tax-  
10 payer (other than a corporation) has in such year a capital  
11 net gain or a capital net loss, then the method of allowing  
12 such deduction in such third year shall be the same as pro-  
13 vided in subdivision (c).

14 (e) If for the taxable year 1922 a taxpayer sustained a  
15 net loss in excess of his net income for the taxable year  
16 1923 (such net loss and net income being computed under  
17 the Revenue Act of 1921), the amount of such excess  
18 shall be allowed as a deduction in computing net income  
19 for the taxable year 1924 in accordance with the method  
20 provided in subdivisions (b) and (c) of this section.

21 (f) If for the taxable year 1923 a taxpayer sustained  
22 a net loss within the provisions of the Revenue Act of  
23 1921, the amount of such net loss shall be allowed as a  
24 deduction in computing net income for the two succeeding



1 such year. If the deduction is in excess of the ordinary net  
2 income (computed without such deduction) the amount of  
3 such excess shall next be applied against the capital net gain  
4 for such year, and if in excess of the capital net gain the  
5 amount of that excess shall be allowed as a deduction in  
6 computing net income for the third year.

7 (d) If any portion of a net loss is allowed as a deduction  
8 in computing net income for the third year, under the pro-  
9 visions of either subdivision (b) or (c), and the taxpayer  
10 (other than a corporation) has in such year a capital net  
11 gain or a capital net loss, then the method of allowing such  
12 deduction in such third year shall be the same as provided  
13 in subdivision (c).

21 (e) If for the taxable year 1923 a taxpayer sus-  
22 tained a net loss within the provisions of the Revenue Act of  
23 1921, or if for the taxable year 1924 a taxpayer sustained a  
24 net loss within the provisions of the Revenue Act of 1924,  
25 the amount of such net loss shall be allowed as a deduction in

1 taxable years to the same extent and in the same manner  
2 as a net loss sustained for one taxable year is, under this  
3 Act, allowed as a deduction for the two succeeding taxable  
4 years.

5 (g) If a taxpayer makes return for a period beginning  
6 in one calendar year (hereinafter in this subdivision  
7 called "first calendar year") and ending in the following  
8 calendar year (hereinafter in this subdivision called "sec-  
9 ond calendar year") and the law applicable to the second  
10 calendar year is different from the law applicable to the first  
11 calendar year, then his net loss for the period ending during  
12 the second calendar year shall be the sum of: (1) the same  
13 proportion of a net loss for the entire period, determined  
14 under the law applicable to the first calendar year, which  
15 the portion of such period falling within such calendar year  
16 is of the entire period; and (2) the same proportion of a  
17 net loss for the entire period, determined under the law  
18 applicable to the second calendar year, which the portion  
19 of such period falling within such calendar year is of the  
20 entire period.

21 (h) The benefit of this section shall be allowed to the  
22 members of a partnership, to an estate or trust, and to  
23 insurance companies subject to the tax imposed by section  
24 243 or 246, under regulations prescribed by the Commis-  
25 sioner, with the approval of the Secretary.

1 computing net income for the two succeeding taxable years  
2 to the same extent and in the same manner as a net loss  
3 sustained for one taxable year is, under this Act, allowed  
4 as a deduction for the two succeeding taxable years.

5 (f) If a taxpayer makes return for a period begin-  
6 ning in one calendar year (hereinafter in this subdivision  
7 called "first calendar year") and ending in the following  
8 calendar year (hereinafter in this subdivision called "sec-  
9 ond calendar year") and the law applicable to the second  
10 calendar year is different from the law applicable to the first  
11 calendar year, then his net loss for the period ending during  
12 the second calendar year shall be the sum of: (1) the same  
13 proportion of a net loss for the entire period, determined  
14 under the law applicable to the first calendar year, which  
15 the portion of such period falling within such calendar year  
16 is of the entire period; and (2) the same proportion of a  
17 net loss for the entire period, determined under the law  
18 applicable to the second calendar year, which the portion  
19 of such period falling within such calendar year is of the  
20 entire period.

21 (g) The benefit of this section shall be allowed to  
22 the members of a partnership, to an estate or trust, and to  
23 insurance companies subject to the tax imposed by section  
24 243 or 246, under regulations prescribed by the Commis-  
25 sioner with the approval of the Secretary.

## 1 FISCAL YEARS

2 SEC. 207. (a) If the taxpayer makes return for a  
3 period beginning in one calendar year (hereinafter in this  
4 subdivision called "first calendar year") and ending in the  
5 following calendar year (hereinafter in this subdivision  
6 called "second calendar year") and the law applicable to  
7 the second calendar year is different from the law applicable  
8 to the first calendar year, then his tax under this title for  
9 the period ending during the second calendar year shall be  
10 the sum of: (1) the same proportion of a tax for the  
11 entire period, determined under the law applicable to the  
12 first calendar year and at the rates for such year, which the  
13 portion of such period falling within the first calendar year  
14 is of the entire period; and (2) the same proportion of a  
15 tax for the entire period, determined under the law appli-  
16 cable to the second calendar year and at the rates for such  
17 year, which the portion of such period falling within the  
18 second calendar year is of the entire period.

19 (b) If a fiscal year of a partnership begins in one  
20 calendar year and ends in another calendar year, and the  
21 law applicable to the second calendar year is different from  
22 the law applicable to the first calendar year, then (1) the  
23 rates for the calendar year during which such fiscal year  
24 begins shall apply to an amount of each partner's share of  
25 such partnership net income (determined under the law

## FISCAL YEARS

2100 SEC. 207. (a) If the taxpayer makes return for a  
2101 period beginning in one calendar year (hereinafter in this  
2102 subdivision called "first calendar year") and ending in the  
2103 following calendar year (hereinafter in this subdivision  
2104 called "second calendar year") and the law applicable to  
2105 the second calendar year is different from the law applicable  
2106 to the first calendar year, then his tax under this title for  
2107 the period ending during the second calendar year shall be  
2108 the sum of: (1) the same proportion of a tax for the  
2109 entire period, determined under the law applicable to the  
2110 first calendar year and at the rates for such year, which the  
2111 portion of such period falling within the first calendar year  
2112 is of the entire period; and (2) the same proportion of a  
2113 tax for the entire period, determined under the law appli-  
2114 cable to the second calendar year and at the rates for such  
2115 year, which the portion of such period falling within the  
2116 second calendar year is of the entire period.

2117 (b) If a fiscal year of a partnership begins in one  
2118 calendar year and ends in another calendar year, and the  
2119 law applicable to the second calendar year is different from  
2120 the law applicable to the first calendar year, then (1) the  
2121 rates for the calendar year during which such fiscal year  
2122 begins shall apply to an amount of each partner's share of  
2123 such partnership net income (determined under the law

1 applicable to such calendar year) equal to the proportion  
2 which the part of such fiscal year falling within such calen-  
3 dar year bears to the full fiscal year, and (2) the rates for  
4 the calendar year during which such fiscal year ends shall  
5 apply to an amount of each partner's share of such partner-  
6 ship net income (determined under the law applicable to  
7 such calendar year) equal to the proportion which the part  
8 of such fiscal year falling within such calendar year bears  
9 to the full fiscal year. In such cases the part of such income  
10 subject to the rates in effect for the most recent calendar  
11 year shall be added to the other income of the taxpayer  
12 subject to such rates and the resulting amount shall be placed  
13 in the lower brackets of the rate schedule applicable to such  
14 year, and the part of such income subject to the rates in  
15 effect for the next preceding calendar year shall be placed  
16 in the next higher brackets of the rate schedule applicable to  
17 such year.

18 (c) Any amount paid before or after the enactment  
19 of this Act on account of the tax imposed for a fiscal year  
20 beginning in 1923 and ending in 1924 by Title II of the  
21 Revenue Act of 1921 shall be credited toward the payment  
22 of the tax imposed for such fiscal year by this Act, and if  
23 the amount so paid exceeds the amount of such tax imposed  
24 by this Act, the excess shall be credited or refunded in ac-  
25 cordance with the provisions of section 281.

1 applicable to such calendar year) equal to the proportion  
2 which the part of such fiscal year falling within such calen-  
3 dar year bears to the full fiscal year, and (2) the rates for  
4 the calendar year during which such fiscal year ends shall  
5 apply to an amount of each partner's share of such partner-  
6 ship net income (determined under the law applicable to  
7 such calendar year) equal to the proportion which the part  
8 of such fiscal year falling within such calendar year bears  
9 to the full fiscal year. In such cases the part of such income  
10 subject to the rates in effect for the most recent calendar  
11 year shall be added to the other income of the taxpayer  
12 subject to such rates and the resulting amount shall be placed  
13 in the lower brackets of the rate schedule applicable to such  
14 year, and the part of such income subject to the rates in  
15 effect for the next preceding calendar year shall be placed  
16 in the next higher brackets of the rate schedule applicable to  
17 such year.

18 (c) Any amount paid before or after the enactment  
19 of this Act on account of the tax imposed for a fiscal year  
20 beginning in 1924 and ending in 1925 by Title II of the  
21 Revenue Act of 1924 shall be credited toward the payment  
22 of the tax imposed for such fiscal year by this Act, and if  
23 the amount so paid exceeds the amount of such tax imposed  
24 by this Act, the excess shall be credited or refunded in  
25 accordance with the provisions of section ~~281~~ 284.

1

## CAPITAL GAINS AND LOSSES

2

SEC. 208. (a) For the purposes of this title—

3

(1) The term "capital gain" means taxable gain from  
4 the sale or exchange of capital assets consummated after  
5 December 31, 1921;

6

(2) The term "capital loss" means deductible loss  
7 resulting from the sale or exchange of capital assets;

8

(3) The term "capital deductions" means such de-  
9 ductions as are allowed by section 214 for the purpose of  
10 computing net income, and are properly allocable to or  
11 chargeable against capital assets sold or exchanged during  
12 the taxable year;

13

(4) The term "ordinary deductions" means the de-  
14 ductions allowed by section 214 other than capital losses and  
15 capital deductions;

16

(5) The term "capital net gain" means the excess  
17 of the total amount of capital gain over the sum of (A) the  
18 capital deductions and capital losses, plus (B) the amount,  
19 if any, by which the ordinary deductions exceed the gross  
20 income computed without including capital gain;

21

(6) The term "capital net loss" means the excess  
22 of the sum of the capital losses plus the capital deductions  
23 over the total amount of capital gain;

24

(7) The term "ordinary net income" means the net  
25 income, computed in accordance with the provisions of this



1 CAPITAL GAINS AND LOSSES

2 SEC. 208. (a) For the purposes of this title—

3 (1) The term "capital gain" means taxable gain from  
4 the sale or exchange of capital assets consummated after  
5 December 31, 1921;

6 (2) The term "capital loss" means deductible loss  
7 resulting from the sale or exchange of capital assets;

8 (3) The term "capital deductions" means such de-  
9 ductions as are allowed by section 214 for the purpose of  
10 computing net income, and are properly allocable to or  
11 chargeable against capital assets sold or exchanged during  
12 the taxable year;

13 (4) The term "ordinary deductions" means the de-  
14 ductions allowed by section 214 other than capital losses and  
15 capital deductions;

16 (5) The term "capital net gain" means the excess  
17 of the total amount of capital gain over the sum of (A) the  
18 capital deductions and capital losses, plus (B) the amount,  
19 if any, by which the ordinary deductions exceed the gross  
20 income computed without including capital gain;

21 (6) The term "capital net loss" means the excess  
22 of the sum of the capital losses plus the capital deductions  
23 over the total amount of capital gain;

24 (7) The term "ordinary net income" means the net  
25 income, computed in accordance with the provisions of this

1 title, after excluding all items of capital gain, capital loss, and  
2 capital deductions; and

3 (8) The term "capital assets" means property held by  
4 the taxpayer for more than two years (whether or not con-  
5 nected with his trade or business), but does not include stock  
6 in trade of the taxpayer or other property of a kind which  
7 would properly be included in the inventory of the taxpayer  
8 if on hand at the close of the taxable year, or property held  
9 by the taxpayer primarily for sale in the course of his trade  
10 or business.

1 title, after excluding all items of capital gain, capital loss, and  
2 capital deductions; and

3 (8) The term "capital assets" means property held by  
4 the taxpayer for more than two years (whether or not con-  
5 nected with his trade or business), but does not include stock  
6 in trade of the taxpayer or other property of a kind which  
7 would properly be included in the inventory of the taxpayer  
8 if on hand at the close of the taxable year, or property held  
9 by the taxpayer primarily for sale in the course of his trade  
10 or business. In determining the period for which the tax-  
11 payer has held property received on an exchange there shall  
12 be included the period for which he held the property ex-  
13 changed, if under the provisions of section 204 the property  
14 received has, for the purpose of determining gain or loss  
15 from a sale or exchange, the same basis in whole or in part  
16 in his hands as the property exchanged. In determining the  
17 period for which the taxpayer has held property however  
18 acquired there shall be included the period for which such  
19 property was held by any other person, if under the pro-  
20 visions of section 204 such property has, for the purpose of  
21 determining gain or loss from a sale or exchange, the same  
22 basis in whole or in part in his hands as it would have in  
23 the hands of such other person. *In determining the period*  
24 *for which the taxpayer has held stock or securities received*  
25 *upon a distribution where no gain is recognized to the dis-*

6 (b) In the case of any taxpayer (other than a corpora-  
7 tion) who for any taxable year derives a capital net gain,  
8 there shall (at the election of the taxpayer) be levied, col-  
9 lected and paid, in lieu of the taxes imposed by sections 210  
10 and 211 of this title, a tax determined as follows:

11 A partial tax shall first be computed upon the basis of  
12 the ordinary net income at the rates and in the manner pro-  
13 vided in sections 210 and 211, and the total tax shall be this  
14 amount plus  $12\frac{1}{2}$  per centum of the capital net gain.

15 (c) In the case of any taxpayer (other than a corpora-  
16 tion) who for any taxable year sustains a capital net loss,  
17 there shall be levied, collected, and paid, in lieu of the taxes  
18 imposed by sections 210 and 211 of this title, a tax deter-  
19 mined as follows:

20 A partial tax shall first be computed upon the basis of  
21 the ordinary net income at the rates and in the manner pro-  
22 vided in sections 210 and 211, and the total tax shall be this  
23 amount minus  $12\frac{1}{2}$  per centum of the capital net loss, but in  
24 no case shall the tax under this subdivision be less than the  
25 taxes imposed by sections 210 and 211 computed without  
26 regard to the provisions of this section.

1. *tributee under the provisions of subdivision (c) of section*  
2. *203 of this Act or of the Revenue Act of 1924, there shall be*  
3. *included the period for which he held the stock or securities*  
4. *in the distributing corporation prior to the receipt of the*  
5. *stock or securities upon such distribution.*

6. (b) In the case of any taxpayer (other than a corpora-  
7. tion) who for any taxable year derives a capital net gain,  
8. there shall (at the election of the taxpayer) be levied, col-  
9. lected and paid, in lieu of the taxes imposed by sections 210  
10. and 211 of this title, a tax determined as follows:

11. A partial tax shall first be computed upon the basis of  
12. the ordinary net income at the rates and in the manner pro-  
13. vided in sections 210 and 211, and the total tax shall be this  
14. amount plus 12½ per centum of the capital net gain.

15. (c) In the case of any taxpayer (other than a corpora-  
16. tion) who for any taxable year sustains a capital net loss,  
17. there shall be levied, collected, and paid, in lieu of the taxes  
18. imposed by sections 210 and 211 of this title, a tax deter-  
19. mined as follows:

20. A partial tax shall first be computed upon the basis of  
21. the ordinary net income at the rates and in the manner pro-  
22. vided in sections 210 and 211, and the total tax shall be this  
23. amount minus 12½ per centum of the capital net loss; but in  
24. no case shall the tax under this subdivision be less than the  
25. taxes imposed by sections 210 and 211 computed without  
26. regard to the provisions of this section.

(d) The total tax determined under subdivision (b) or (c) shall be collected and paid in the same manner, at the same time, and subject to the same provisions of law, including penalties, as other taxes under this title.

(e) In the case of the members of a partnership, of an estate or trust, or of the beneficiary of an estate or trust, the proper part of each share of the net income which consists, respectively, of ordinary net income, capital net gain, or capital net loss, shall be determined under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary, and shall be separately shown in the return of the partnership or estate or trust, and shall be taxed to the member or beneficiary or to the estate or trust as provided in sections 218 and 219, but at the rates and in the manner provided in subdivision (b) or (c) of this section.

#### 17 EARNED INCOME

18 SEC. 209. (a) For the purposes of this section—

19 (1) The term "earned income" means wages, salaries,  
20 professional fees, and other amounts received as compensa-  
21 tion for personal services actually rendered, but does not  
22 include that part of the compensation derived by the tax-  
23 payer for personal services rendered by him to a corporation  
24 which represents a distribution of earnings or profits rather  
25 than a reasonable allowance as compensation for the personal

1 (d) The total tax determined under subdivision (b) or  
2 (c) shall be collected and paid in the same manner, at the  
3 same time, and subject to the same provisions of law, includ-  
4 ing penalties, as other taxes under this title.

5 (e) In the case of the members of a partnership, of an  
6 estate or trust, or of the beneficiary of an estate or trust,  
7 the proper part of each share of the net income which con-  
8 sists, respectively, of ordinary net income, capital net gain,  
9 or capital net loss, shall be determined under rules and  
10 regulations to be prescribed by the Commissioner with the  
11 approval of the Secretary, and shall be separately shown in  
12 the return of the partnership or estate or trust, and shall be  
13 taxed to the member or beneficiary or to the estate or trust  
14 as provided in sections 218 and 219, but at the rates and  
15 in the manner provided in subdivision (b) or (c) of this  
16 section.

17 EARNED INCOME

18 SEC. 209. (a) For the purposes of this section—

19 (1) The term "earned income" means wages, salaries,  
20 professional fees, and other amounts received as compensa-  
21 tion for personal services actually rendered, but does not  
22 include that part of the compensation derived by the tax-  
23 payer for personal services rendered by him to a corporation  
24 which represents a distribution of earnings or profits rather  
25 than a reasonable allowance as compensation for the personal

1 services actually rendered. In the case of a taxpayer en-  
2 gaged in a trade or business in which both personal services  
3 and capital are material income producing factors, a reason-  
4 able allowance as compensation for the personal services  
5 actually rendered by the taxpayer, not in excess of 20 per  
6 centum of his share of the net profits of such trade or busi-  
7 ness, shall be considered as earned income.

8 (2) The term "earned income deductions" means  
9 such deductions as are allowed by section 214 for the purpose  
10 of computing net income, and are properly allocable to or  
11 chargeable against earned income.

12 (3) The term "earned net income" means the excess  
13 of the amount of the earned income over the sum of the  
14 earned income deductions. If the taxpayer's net income is  
15 not more than \$5,000, his entire net income shall be con-  
16 sidered to be earned net income, and if his net income is more  
17 than \$5,000, his earned net income shall not be considered to  
18 be less than \$5,000. In no case shall the earned net income  
19 be considered to be more than \$10,000.

20 (b) In the case of an individual the tax shall, in addi-  
21 tion to the credits provided in section 222, be credited with  
22 25 per centum of the amount of tax which would be pay-  
23 able if his earned net income constituted his entire net  
24 income; but in no case shall the credit allowed under this  
25 subdivision exceed 25 per centum of his tax under  
26 section 210.



1 services actually rendered. In the case of a taxpayer en-  
2 gaged in a trade or business in which both personal services  
3 and capital are material income producing factors, a reason-  
4 able allowance as compensation for the personal services  
5 actually rendered by the taxpayer, not in excess of 20 per  
6 centum of his share of the net profits of such trade or busi-  
7 ness, shall be considered as earned income.

8 (2) The term "earned income deductions" means  
9 such deductions as are allowed by section 214 for the purpose  
10 of computing net income, and are properly allocable to or  
11 chargeable against earned income.

12 (3) The term "earned net income" means the excess of  
13 the amount of the earned income over the sum of the earned  
14 income deductions. If the taxpayer's net income is not more  
15 than \$5,000, his entire net income shall be considered to  
16 be earned net income, and if his net income is more than  
17 \$5,000, his earned net income shall not be considered to be  
18 less than \$5,000. In no case shall the earned net income  
19 be considered to be more than \$20,000.

20 (b) In the case of an individual the tax shall, in addi-  
21 tion to the credits provided in section 222, be credited with  
22 25 per centum of the amount of tax which would be pay-  
23 able if his earned net income constituted his entire net  
24 income; but in no case shall the credit allowed under this  
25 subdivision exceed 25 per centum of his tax under  
26 section 210 plus 25 per centum of the tax which would be

3 (c) In the case of the members of a partnership the  
4 proper part of each share of the net income which consists  
5 of earned income shall be determined under rules and regula-  
6 tions to be prescribed by the Commissioner with the approval  
7 of the Secretary and shall be separately shown in the return  
8 of the partnership and shall be taxed to the member as  
9 provided in section 218.

10 PART II.—INDIVIDUALS

11 NORMAL TAX

12 SEC. 210. (a) In lieu of the tax imposed by section  
13 210 of the Revenue Act of 1921, there shall be levied, col-  
14 lected, and paid for each taxable year upon the net income  
15 of every individual (except as provided in subdivision (b)  
16 of this section) a normal tax of 6 per centum of the amount  
17 of the net income in excess of the credits provided in sec-  
18 tion 216, except that in the case of a citizen or resident of  
19 the United States the rate upon the first \$4,000 of such  
20 excess amount shall be 2 per centum, and upon the next  
21 \$4,000 of such excess amount shall be 4 per centum;

22 (b) In lieu of the tax imposed by subdivision (a),  
23 there shall be levied, collected, and paid for each taxable  
24 year upon the net income of every nonresident alien indi-  
25 vidual, a resident of a contiguous country, a normal tax  
26 equal to the sum of the following:

1 payable under section 211 if his earned net income consti-  
2 tuted his entire *net* income.

3 (c) In the case of the members of a partnership the  
4 proper part of each share of the net income which consists  
5 of earned income shall be determined under rules and regula-  
6 tions to be prescribed by the Commissioner with the  
7 approval of the Secretary and shall be separately shown in  
8 the return of the partnership and shall be taxed to the  
9 member as provided in section 218.

10 PART II.—INDIVIDUALS

11 NORMAL TAX

12 SEC. 210. (a) In lieu of the tax imposed by section  
13 210 of the Revenue Act of 1924, there shall be levied,  
14 collected, and paid for each taxable year upon the net income  
15 of every individual (except as provided in subdivision (b)  
16 of this section) a normal tax of 5 per centum of the amount  
17 of the net income in excess of the credits provided in sec-  
18 tion 216, except that in the case of a citizen or resident of  
19 the United States the rate upon the first \$4,000 of such  
20 excess amount shall be 1½ per centum, and upon the next  
21 \$4,000 of such excess amount shall be 3 per centum;

22 (b) In lieu of the tax imposed by subdivision (a),  
23 there shall be levied, collected, and paid for each taxable  
24 year upon the net income of every nonresident alien indi-  
25 vidual, a resident of a contiguous country, a normal tax  
26 equal to the sum of the following:

1 (1) 2 per centum of the amount by which the part  
2 of the net income attributable to wages, salaries, profes-  
3 sional fees, or other amounts received as compensation for  
4 personal services actually performed in the United States,  
5 exceeds the credits provided in subdivisions (d) and (e) of  
6 section 216; but the amount taxable at such 2 per centum  
7 rate shall not exceed \$4,000;

8 (2) 4 per centum of the amount by which such  
9 part of the net income exceeds the sum of (A) the credits  
10 provided in subdivisions (d) and (e) of section 216, plus  
11 (B) \$4,000; but the amount taxable at such 4 per centum  
12 rate shall not exceed \$4,000; and

13 (3) 6 per centum of the amount of the net income in  
14 excess of the sum of (A) the amount taxed under para-  
15 graphs (1) and (2), plus (B) the credits provided in  
16 section 216.

17 SURTAX

18 SEC. 211. (a) In lieu of the tax imposed by section  
19 211 of the Revenue Act of 1921, but in addition to the  
20 normal tax imposed by section 210 of this Act, there shall  
21 be levied, collected, and paid for each taxable year upon the  
22 net income of every individual a surtax as follows:

23 Upon a net income of \$10,000 there shall be no surtax;  
24 upon net incomes in excess of \$10,000 and not in excess of  
25 \$14,000, 1 per centum of such excess.

1 (1)  $1\frac{1}{2}$  per centum of the amount by which the part  
2 of the net income attributable to wages, salaries, profes-  
3 sional fees, or other amounts received as compensation for  
4 personal services actually performed in the United States,  
5 exceeds the credits provided in subdivisions (d) and (e) of  
6 section 216; but the amount taxable at such  $1\frac{1}{2}$  per centum  
7 rate shall not exceed \$4,000;

8 (2) 3 per centum of the amount by which such  
9 part of the net income exceeds the sum of (A) the credits  
10 provided in subdivisions (d) and (e) of section 216, plus  
11 (B) \$4,000; but the amount taxable at such 3 per centum  
12 rate shall not exceed \$4,000; and

13 (3) 5 per centum of the amount of the net income in  
14 excess of the sum of (A) the amount taxed under para-  
15 graphs (1) and (2), plus (B) the credits provided in  
16 section 216.

17 SURTAX

18 SEC. 211. (a) In lieu of the tax imposed by section  
19 211 of the Revenue Act of 1924, but in addition to the  
20 normal tax imposed by section 210 of this Act, there shall  
21 be levied, collected, and paid for each taxable year upon the  
22 net income of every individual a surtax as follows:

23 Upon a net income of \$10,000 there shall be no surtax;  
24 upon net incomes in excess of \$10,000 and not in excess of  
25 \$14,000, 1 per centum of such excess.

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REVENUE ACT OF 1924, AS AMENDED [Sec. 211]

1       \$40 upon net incomes of \$14,000; and upon net in-  
2 comes in excess of \$14,000 and not in excess of \$16,000, 2  
3 per centum in addition of such excess.

4       \$80 upon net incomes of \$16,000; and upon net in-  
5 comes in excess of \$16,000 and not in excess of \$18,000, 3  
6 per centum in addition of such excess.

7       \$140 upon net incomes of \$18,000; and upon net in-  
8 comes in excess of \$18,000 and not in excess of \$20,000, 4  
9 per centum in addition of such excess.

10       \$220 upon net incomes of \$20,000; and upon net in-  
11 comes in excess of \$20,000 and not in excess of \$22,000, 5  
12 per centum in addition of such excess.

13       \$320 upon net incomes of \$22,000; and upon net in-  
14 comes in excess of \$22,000 and not in excess of \$24,000, 6  
15 per centum in addition of such excess.

16       \$440 upon net incomes of \$24,000; and upon net in-  
17 comes in excess of \$24,000 and not in excess of \$26,000, 7  
18 per centum in addition of such excess.

19       \$580 upon net incomes of \$26,000; and upon net in-  
20 comes in excess of \$26,000 and not in excess of \$28,000, 8  
21 per centum in addition of such excess.

22       \$740 upon net incomes of \$28,000; and upon net in-  
23 comes in excess of \$28,000 and not in excess of \$30,000, 9  
24 per centum in addition of such excess.

1       \$40 upon net incomes of \$14,000; and upon net in-  
2 comes in excess of \$14,000 and not in excess of \$16,000, 2  
3 per centum in addition of such excess.

4       \$80 upon net incomes of \$16,000; and upon net in-  
5 comes in excess of \$16,000 and not in excess of \$18,000, 3  
6 per centum in addition of such excess.

7       \$140 upon net incomes of \$18,000; and upon net in-  
8 comes in excess of \$18,000 and not in excess of \$20,000, 4  
9 per centum in addition of such excess.

10       \$220 upon net incomes of \$20,000; and upon net in-  
11 comes in excess of \$20,000 and not in excess of \$22,000, 5  
12 per centum in addition of such excess.

13       \$320 upon net incomes of \$22,000; and upon net in-  
14 comes in excess of \$22,000 and not in excess of \$24,000, 6  
15 per centum in addition of such excess.

16       \$440 upon net incomes of \$24,000; and upon net in-  
17 comes in excess of \$24,000 and not in excess of \$26,000, 7  
18 per centum in addition of such excess.

19       \$580 upon net incomes of \$26,000; and upon net in-  
20 comes in excess of \$26,000 and not in excess of \$28,000, 8  
21 per centum in addition of such excess.

22       \$740 upon net incomes of \$28,000; and upon net in-  
23 comes in excess of \$28,000 and not in excess of \$30,000, 9  
24 per centum in addition of such excess.

1           \$920 upon net incomes of \$30,000; and upon net in-  
2 comes in excess of \$30,000 and not in excess of \$34,000, 10  
3 per centum in addition of such excess.

4           \$1,320 upon net incomes of \$34,000; and upon net in-  
5 comes in excess of \$34,000 and not in excess of \$36,000, 11  
6 per centum in addition of such excess.

7           \$1,540 upon net incomes of \$36,000; and upon net in-  
8 comes in excess of \$36,000 and not in excess of \$38,000, 12  
9 per centum in addition of such excess.

10          \$1,780 upon net incomes of \$38,000; and upon net in-  
11 comes in excess of \$38,000 and not in excess of \$42,000, 13  
12 per centum in addition of such excess.

13          \$2,300 upon net incomes of \$42,000; and upon net in-  
14 comes in excess of \$42,000 and not in excess of \$44,000, 14  
15 per centum in addition of such excess.

16          \$2,580 upon net incomes of \$44,000; and upon net  
17 incomes in excess of \$44,000 and not in excess of \$46,000.  
18 15 per centum in addition of such excess.

19          \$2,800 upon net incomes of \$46,000; and upon net  
20 incomes in excess of \$46,000 and not in excess of \$48,000,  
21 16 per centum in addition of such excess.

22          \$3,200 upon net incomes of \$48,000; and upon net  
23 incomes in excess of \$48,000 and not in excess of \$50,000,  
24 17 per centum in addition of such excess.



1 \$920 upon net incomes of \$30,000; and upon net in-  
2 comes in excess of \$30,000 and not in excess of \$34,000, 10  
3 per centum in addition of such excess.

4 \$1,320 upon net incomes of \$34,000; and upon net in-  
5 comes in excess of \$34,000 and not in excess of \$36,000, 11  
6 per centum in addition of such excess.

7 \$1,540 upon net incomes of \$36,000; and upon net in-  
8 comes in excess of \$36,000 and not in excess of \$38,000, 12  
9 per centum in addition of such excess.

10 \$1,780 upon net incomes of \$38,000; and upon net in-  
11 comes in excess of \$38,000 and not in excess of \$42,000, 13  
12 per centum in addition of such excess.

13 \$2,300 upon net incomes of \$42,000; and upon net  
14 incomes in excess of \$42,000 and not in excess of \$46,000,  
15 14 per centum in addition of such excess.

16 \$2,860 upon net incomes of \$46,000; and upon net  
17 incomes in excess of \$46,000 and not in excess of \$50,000,  
18 15 per centum in addition of such excess.

19 \$3,460 upon net incomes of \$50,000; and upon net  
20 incomes in excess of \$50,000 and not in excess of \$60,000,  
21 16 per centum in addition of such excess.

22 \$5,060 upon net incomes of \$60,000; and upon net  
23 incomes in excess of \$60,000 and not in excess of \$70,000;  
24 17 per centum in addition of such excess.

1       \$3,540 upon net incomes of \$50,000; and upon net  
2 incomes in excess of \$50,000 and not in excess of \$52,000,  
3 18 per centum in addition of such excess.

4       \$3,900 upon net incomes of \$52,000; and upon net  
5 incomes in excess of \$52,000 and not in excess of \$56,000,  
6 19 per centum in addition of such excess.

7       \$4,660 upon net incomes of \$56,000; and upon net  
8 incomes in excess of \$56,000 and not in excess of \$58,000,  
9 20 per centum in addition of such excess.

10       \$5,060 upon net incomes of \$58,000; and upon net  
11 incomes in excess of \$58,000 and not in excess of \$62,000,  
12 21 per centum in addition of such excess.

13       \$5,900 upon net incomes of \$62,000; and upon net  
14 incomes in excess of \$62,000 and not in excess of \$64,000,  
15 22 per centum in addition of such excess.

16       \$6,340 upon net incomes of \$64,000; and upon net  
17 incomes in excess of \$64,000 and not in excess of \$66,000,  
18 23 per centum in addition of such excess.

19       \$6,800 upon net incomes of \$66,000; and upon net  
20 incomes in excess of \$66,000 and not in excess of \$68,000,  
21 24 per centum in addition of such excess.

22       \$7,280 upon net incomes of \$68,000; and upon net  
23 incomes in excess of \$68,000 and not in excess of \$70,000,  
24 25 per centum in addition of such excess.

[For surtax brackets in Revenue Act of 1924 corresponding to those below, see p. 72, commencing line 16, and pp. 74 and 76.]

1        *\$440 upon net incomes of \$24,000; and upon net in-*  
2 *comes in excess of \$24,000 and not in excess of \$28,000, 7*  
3 *per centum in addition of such excess.*

4        *\$720 upon net incomes of \$28,000; and upon net in-*  
5 *comes in excess of \$28,000 and not in excess of \$32,000, 8*  
6 *per centum in addition of such excess.*

7        *\$1,040 upon net incomes of \$32,000; and upon net in-*  
8 *comes in excess of \$32,000 and not in excess of \$36,000, 9*  
9 *per centum in addition of such excess.*

10       *\$1,400 upon net incomes of \$36,000; and upon net in-*  
11 *comes in excess of \$36,000 and not in excess of \$40,000, 10*  
12 *per centum in addition of such excess.*

13       *\$1,800 upon net incomes of \$40,000; and upon net in-*  
14 *comes in excess of \$40,000 and not in excess of \$44,000, 11*  
15 *per centum in addition of such excess.*

16       *\$2,240 upon net incomes of \$44,000; and upon net in-*  
17 *comes in excess of \$44,000 and not in excess of \$48,000, 12*  
18 *per centum in addition of such excess.*

19       *\$2,720 upon net incomes of \$48,000; and upon net in-*  
20 *comes in excess of \$48,000 and not in excess of \$52,000, 13*  
21 *per centum in addition of such excess.*

22       *\$3,240 upon net incomes of \$52,000; and upon net in-*  
23 *comes in excess of \$52,000 and not in excess of \$56,000, 14*  
24 *per centum in addition of such excess.*

1       \$7,780 upon net incomes of \$70,000; and upon net  
2 incomes in excess of \$70,000 and not in excess of \$74,000,  
3 26 per centum in addition of such excess.

4       \$8,820 upon net incomes of \$74,000; and upon net  
5 incomes in excess of \$74,000 and not in excess of \$76,000,  
6 27 per centum in addition of such excess.

7       \$9,360 upon net incomes of \$76,000; and upon net  
8 incomes in excess of \$76,000 and not in excess of \$80,000,  
9 28 per centum in addition of such excess.

10       \$10,480 upon net incomes of \$80,000; and upon net  
11 incomes in excess of \$80,000 and not in excess of \$82,000,  
12 29 per centum in addition of such excess.

13       \$11,060 upon net incomes of \$82,000; and upon net  
14 incomes in excess of \$82,000 and not in excess of \$84,000,  
15 30 per centum in addition of such excess.

16       \$11,660 upon net incomes of \$84,000; and upon net  
17 incomes in excess of \$84,000 and not in excess of \$88,000,  
18 31 per centum in addition of such excess.

19       \$12,900 upon net incomes of \$88,000; and upon net  
20 incomes in excess of \$88,000 and not in excess of \$90,000,  
21 32 per centum in addition of such excess.

22       \$13,540 upon net incomes of \$90,000; and upon net  
23 incomes in excess of \$90,000 and not in excess of \$92,000.  
24 33 per centum in addition of such excess.

[For surtax brackets in the Revenue Act of 1924 corresponding to those below see p. 76, line 7, and pp. 78 and 80.]

1        ~~\$3,800~~ upon net incomes of \$56,000; and upon net in-  
2 comes in excess of \$56,000 and not in excess of \$60,000, 15  
3 per centum in addition of such excess.

4        ~~\$4,400~~ upon net incomes of \$60,000; and upon net in-  
5 comes in excess of \$60,000 and not in excess of \$64,000, 16  
6 per centum in addition of such excess.

7        ~~\$5,040~~ upon net incomes of \$64,000; and upon net in-  
8 comes in excess of \$64,000 and not in excess of \$70,000, 17  
9 per centum in addition of such excess.

10       ~~\$6,760~~ ~~\$6,060~~ upon net incomes of \$70,000; and upon  
11 net incomes in excess of \$70,000 and not in excess of  
12 \$80,000, 18 per centum in addition of such excess.

13       ~~\$8,560~~ ~~\$7,860~~ upon net incomes of \$80,000; and upon  
14 net incomes in excess of \$80,000 and not in excess of  
15 \$100,000, 19 per centum in addition of such excess.

16       ~~\$12,260~~ ~~\$11,660~~ upon net incomes of \$100,000; and  
17 upon net incomes in excess of \$100,000, in addition 20 per  
18 centum of such excess.

1 \$14,200 upon net incomes of \$92,000; and upon net  
2 incomes in excess of \$92,000 and not in excess of \$94,000,  
3 34 per centum in addition of such excess.

4 \$14,880 upon net incomes of \$94,000; and upon net  
5 incomes in excess of \$94,000 and not in excess of \$96,000,  
6 35 per centum in addition of such excess.

7 \$15,580 upon net incomes of \$96,000; and upon net  
8 incomes in excess of \$96,000 and not in excess of \$100,000,  
9 36 per centum in addition of such excess.

10 \$17,020 upon net incomes of \$100,000; and upon net  
11 incomes in excess of \$100,000 and not in excess of \$200,000,  
12 37 per centum in addition of such excess.

13 \$54,020 upon net incomes of \$200,000; and upon net  
14 incomes in excess of \$200,000 and not in excess of \$300,000,  
15 38 per centum in addition of such excess.

16 \$92,020 upon net income of \$300,000; and upon net  
17 incomes in excess of \$300,000 and not in excess of \$500,000,  
18 39 per centum in addition of such excess.

19 \$170,020 upon net incomes of \$500,000; and upon  
20 net incomes in excess of \$500,000, in addition 40 per  
21 centum of such excess.

22 (b) In the case of a bona fide sale of mines, oil or gas  
23 wells, or any interest therein, where the principal value of  
24 the property has been demonstrated by prospecting or  
25 exploration and discovery work done by the taxpayer, the

of substantial interest in the property, and by holding  
 such interest until the date of the sale, the taxpayer shall  
 be deemed to have held such interest until the date of the  
 sale, and the provisions of this section shall apply to the  
 sale of such interest as if such interest were sold by the  
 taxpayer at the time of the sale of the property.

(b) In the case of a bona fide sale of mines, oil or gas  
 wells, or any interest therein, where the principal value of  
 the property has been demonstrated by prospecting or  
 exploration and discovery work done by the taxpayer, the

1 portion of the tax imposed by this section attributable to  
2 such sale shall not exceed 16 per centum of the selling price  
3 of such property or interest.

4 NET INCOME OF INDIVIDUALS DEFINED

5 SEC. 212. (a) In the case of an individual the term  
6 "net income" means the gross income as defined in section  
7 213, less the deductions allowed by sections 214 and 206.

8 (b) The net income shall be computed upon the basis  
9 of the taxpayer's annual accounting period (fiscal year or  
10 calendar year, as the case may be) in accordance with the  
11 method of accounting regularly employed in keeping the  
12 books of such taxpayer; but if no such method of accounting  
13 has been so employed, or if the method employed does not  
14 clearly reflect the income, the computation shall be made in  
15 accordance with such method as in the opinion of the Com-  
16 missioner does clearly reflect the income. If the taxpayer's  
17 annual accounting period is other than a fiscal year as de-  
18 fined in section 200 or if the taxpayer has no annual account-  
19 ing period or does not keep books, the net income shall be  
20 computed on the basis of the calendar year.

21 (c) If a taxpayer changes his accounting period from  
22 fiscal year to calendar year, from calendar year to fiscal year,  
23 or from one fiscal year to another, the net income shall, with  
24 the approval of the Commissioner, be computed on the basis  
25 of such new accounting period, subject to the provisions of  
26 section 226.



1 portion of the tax imposed by this section attributable to  
2 such sale shall not exceed 16 per centum of the selling price  
3 of such property or interest.

4 NET INCOME OF INDIVIDUALS DEFINED

5 SEC. 212. (a) In the case of an individual the term  
6 "net income" means the gross income as defined in section  
7 213, less the deductions allowed by sections 214 and 206.

8 (b) The net income shall be computed upon the basis  
9 of the taxpayer's annual accounting period (fiscal year or  
10 calendar year, as the case may be) in accordance with the  
11 method of accounting regularly employed in keeping the  
12 books of such taxpayer; but if no such method of accounting  
13 has been so employed, or if the method employed does not  
14 clearly reflect the income, the computation shall be made in  
15 accordance with such method as in the opinion of the Com-  
16 missioner does clearly reflect the income. If the taxpayer's  
17 annual accounting period is other than a fiscal year as de-  
18 fined in section 200 or if the taxpayer has no annual account-  
19 ing period or does not keep books, the net income shall be  
20 computed on the basis of the calendar year.

21 (c) If a taxpayer changes his accounting period from  
22 fiscal year to calendar year, from calendar year to fiscal year,  
23 or from one fiscal year to another, the net income shall, with  
24 the approval of the Commissioner, be computed on the basis  
25 of such new accounting period, subject to the provisions of  
26 section 226.

19

## GROSS INCOME DEFINED

20       SEC. 213. For the purposes of this title, except as  
21 otherwise provided in section 233—

22       (a) The term "gross income" includes gains, profits,  
23 and income derived from salaries, wages, or compensation  
24 for personal service (including in the case of the President  
25 of the United States, the judges of the Supreme and inferior

1 (d) Under regulations prescribed by the Commissioner  
2 with the approval of the Secretary, a person who regularly  
3 sells or otherwise disposes of personal property on the install-  
4 ment plan may return as income therefrom in any taxable  
5 year that proportion of the installment payments actually  
6 received in that year which the total profit realized or to be  
7 realized when the payment is completed, bears to the total  
8 contract price. In the case (1) of a casual sale or other  
9 disposition of personal property for a price exceeding  
10 \$1,000, or (2) of a sale or other disposition of real property,  
11 and if in either case the initial payments do not exceed one-  
12 fourth of the purchase price, the income may, under regula-  
13 tions prescribed by the Commissioner with the approval of the  
14 Secretary, be returned on the basis and in the manner above  
15 prescribed in this subdivision. As used in this subdivision  
16 the term "initial payments" means the payments received in  
17 cash or property other than evidences of indebtedness during  
18 the taxable period in which the sale or other disposition is made.

## 19 GROSS INCOME DEFINED

20 SEC. 213. For the purposes of this title, except as  
21 otherwise provided in section 288—

22 (a) The term "gross income" includes gains, profits,  
23 and income derived from salaries, wages, or compensation  
24 for personal service (including in the case of the President  
25 of the United States, the judges of the Supreme and inferior

1 courts of the United States, and all other officers and em-  
 2 ployees, whether elected or appointed, of the United States,  
 3 Alaska, Hawaii, or any political subdivision thereof, or the  
 4 District of Columbia, the compensation received as such),  
 5 of whatever kind and in whatever form paid, or from pro-  
 6 fessions, vocations, trades, businesses, commerce, or sales, or  
 7 dealings in property, whether real or personal, growing out  
 8 of the ownership or use of or interest in such property; also  
 9 from interest, rent, dividends, securities, or the transaction  
 10 of any business carried on for gain or profit, or gains or  
 11 profits and income derived from any source whatever. The  
 12 amount of all such items shall be included in the gross  
 13 income for the taxable year in which received by the tax-  
 14 payer, unless, under methods of accounting permitted under  
 15 subdivision (b) of section 212, any such amounts are to be  
 16 properly accounted for as of a different period.

17 (b) The term "gross income" does not include the  
 18 following items, which shall be exempt from taxation under  
 19 this title:

- 20 (1) The proceeds of life insurance policies paid upon  
 21 the death of the insured;
- 22 (2) The amount received by the insured as a return  
 23 of premium or premiums paid by him under life insurance,  
 24 endowment, or annuity contracts, either during the term  
 25 of the contract or at the maturity of the term mentioned in the contract or  
 26 upon surrender of the contract;

1 courts of the United States, and all other officers and em-  
2 ployees, whether elected or appointed, of the United States,  
3 Alaska, Hawaii, or any political subdivision thereof, or the  
4 District of Columbia, the compensation received as such),  
5 of whatever kind and in whatever form paid, or from pro-  
6 fessions, vocations, trades, businesses, commerce, or sales, or  
7 dealings in property, whether real or personal, growing out  
8 of the ownership or use of or interest in such property; also  
9 from interest, rent, dividends, securities, or the transaction  
10 of any business carried on for gain or profit, or gains or  
11 profits and income derived from any source whatever. The  
12 amount of all such items shall be included in the gross  
13 income for the taxable year in which received by the tax-  
14 payer, unless, under methods of accounting permitted under  
15 subdivision (b) of section 212, any such amounts are to be  
16 properly accounted for as of a different period.

17 (b) The term "gross income" does not include the  
18 following items, which shall be exempt from taxation under  
19 this title:

20 (1) The proceeds of life insurance policies paid by  
21 reason of the death of the insured;

22 (2) The amount received by the insured as a return  
23 of premium or premiums paid by him under life insurance,  
24 endowment, or annuity contracts, either during the term  
25 or at the maturity of the term mentioned in the contract or  
26 upon surrender of the contract;

(1) [See corresponding paragraphs see page 86.]

(2) [See corresponding paragraphs see page 86.]

(3) [See corresponding paragraphs see page 86.]

(4) [See corresponding paragraphs see page 86.]

(5) [See corresponding paragraphs see page 86.]

(6) [See corresponding paragraphs see page 86.]

(7) [See corresponding paragraphs see page 86.]

(8) [See corresponding paragraphs see page 86.]

(9) [See corresponding paragraphs see page 86.]

(10) [See corresponding paragraphs see page 86.]

(11) [See corresponding paragraphs see page 86.]

(12) [See corresponding paragraphs see page 86.]

(13) [See corresponding paragraphs see page 86.]

(14) [See corresponding paragraphs see page 86.]

(15) [See corresponding paragraphs see page 86.]

(16) [See corresponding paragraphs see page 86.]

(17) [See corresponding paragraphs see page 86.]

18 (3) The value of property acquired by gift, bequest,  
 19 devise, or descent (but the income from such property  
 20 shall be included in gross income);

21 (4) Interest upon (A) the obligations of a State,  
 22 Territory, or any political subdivision thereof, or the Dis-  
 23 trict of Columbia; or (B) securities issued under the pro-  
 24 visions of the Federal Farm Loan Act, or under the pro-  
 25 visions of such Act as amended; or (C) the obligations of

1 (1) Amounts received under a life insurance contract  
2 paid by reason of the death of the insured, whether in a single  
3 sum or in installments (but if such amounts are held by the  
4 insurer under an agreement to pay interest thereon, the interest  
5 payments shall be included in gross income);

6 (2) Amounts received (other than amounts paid by  
7 reason of the death of the insured and interest payments on  
8 such amounts) under a life insurance, endowment, or annuity  
9 contract, but only to the extent that such amounts do not  
10 exceed the premiums or consideration paid, whether or not  
11 paid during the taxable year. In the case of a transfer for  
12 a valuable consideration, by assignment or otherwise, of a  
13 life insurance, endowment, or annuity contract, or any  
14 interest therein, only the actual value of such consideration  
15 and the amount of the premiums and other sums subse-  
16 quently paid by the transferee shall be exempt from taxation  
17 under paragraph (1) or this paragraph;

18 (3) The value of property acquired by gift, bequest,  
19 devise, or descent inheritance (but the income from such  
20 property shall be included in gross income);

21 (4) Interest upon (A) the obligations of a State,  
22 Territory, or any political subdivision thereof, or the Dis-  
23 trict of Columbia; or (B) securities issued under the pro-  
24 visions of the Federal Farm Loan Act, or under the pro-  
25 visions of such Act as amended; or (C) the obligations of

1 the United States or its possessions. Every person owning  
2 any of the obligations or securities enumerated in clause  
3 (A), (B), or (C) shall, in the return required by this  
4 title, submit a statement showing the number and amount  
5 of such obligations and securities owned by him and the  
6 income received therefrom, in such form and with such  
7 information as the Commissioner may require. In the case  
8 of obligations of the United States issued after September  
9 1, 1917 (other than postal savings certificates of deposit),  
10 the interest shall be exempt only if and to the extent pro-  
11 vided in the respective Acts authorizing the issue thereof  
12 as amended and supplemented, and shall be excluded from  
13 gross income only if and to the extent it is wholly exempt  
14 to the taxpayer from income taxes;

15 (5) The income of foreign governments received from  
16 investments in the United States in stocks, bonds, or other  
17 domestic securities, owned by such foreign governments, or  
18 from interest on deposits in banks in the United States of  
19 moneys belonging to such foreign governments, or from any  
20 other source within the United States;

21 (6) Amounts received through accident or health  
22 insurance or under workmen's compensation acts, as com-  
23 pensation for personal injuries or sickness, plus the amount  
24 of any damages received whether by suit or agreement on  
25 account of such injuries or sickness;



of the United States or its possessions. Every person owning any of the obligations or securities enumerated in clause (A), (B), or (C) shall, in the return required by this title, submit a statement showing the number and amount of such obligations and securities owned by him and the income received therefrom, in such form and with such information as the Commissioner may require. In the case of obligations of the United States issued after September 1, 1917 (other than postal savings certificates of deposit), the interest shall be exempt only if and to the extent provided in the respective Acts authorizing the issue thereof as amended and supplemented, and shall be excluded from gross income only if and to the extent it is wholly exempt to the taxpayer from income taxes;

(5) The income of foreign governments received from investments in the United States in stocks, bonds, or other domestic securities, owned by such foreign governments, or from interest on deposits in banks in the United States of moneys belonging to such foreign governments, or from any other source within the United States;

(6) Amounts received, through accident or health insurance or under workmen's compensation acts, as compensation for personal injuries or sickness, plus the amount of any damages received whether by suit or agreement, on account of such injuries or sickness;

(7) Income derived from any public utility or the exercise of any essential governmental function and accruing to any State, Territory, or the District of Columbia, or any political subdivision of a State or Territory, or income accruing to the Government of any possession of the United States, or any political subdivision thereof.

Whenever any State, Territory, or the District of Columbia, or any political subdivision of a State or Territory, prior to September 8, 1916, entered in good faith into a contract with any person, the object and purpose of which is to acquire, construct, operate, or maintain a public utility—

(A) If by the terms of such contract the tax imposed by this title is to be paid out of the proceeds from the operation of such public utility, prior to any division of such proceeds between the person and the State, Territory, political subdivision, or the District of Columbia, and if, but for the imposition of the tax imposed by this title, a part of such proceeds for the taxable year would accrue directly to or for the use of such State, Territory, political subdivision, or the District of Columbia, then a tax upon the net income from the operation of such public utility shall be levied, assessed, collected, and paid in the manner and at the rates prescribed in this title, but there shall be refunded to such State, Territory, political subdivision, or the District of Columbia (under rules and regulations to be prescribed by the

1 (7) Income derived from any public utility or the exer-  
2 use of any essential governmental function and accruing to  
3 any State, Territory, or the District of Columbia, or any  
4 political subdivision of a State or Territory, or income accru-  
5 ing to the Government of any possession of the United States,  
6 or any political subdivision thereof.

7 Whenever any State, Territory, or the District of  
8 Columbia, or any political subdivision of a State or Territory,  
9 prior to September 8, 1916, entered in good faith into a con-  
10 tract with any person, the object and purpose of which is to  
11 acquire, construct, operate, or maintain a public utility—

12 (A) If by the terms of such contract the tax imposed  
13 by this title is to be paid out of the proceeds from the opera-  
14 tion of such public utility, prior to any division of such pro-  
15 ceeds between the person and the State, Territory, political  
16 subdivision, or the District of Columbia, and if, but for the  
17 imposition of the tax imposed by this title, a part of such  
18 proceeds for the taxable year would accrue directly to or  
19 for the use of such State, Territory, political subdivision, or  
20 the District of Columbia, then a tax upon the net income  
21 from the operation of such public utility shall be levied, as-  
22 sessed, collected, and paid in the manner and at the rates  
23 prescribed in this title, but there shall be refunded to such  
24 State, Territory, political subdivision, or the District of Co-  
25 lumbia (under rules and regulations to be prescribed by the

1. Commissioner with the approval of the Secretary) an  
2. amount which bears the same relation to the amount of the  
3. tax as the amount which (but for the imposition of the  
4. tax imposed by this title) would have accrued directly to or  
5. for the use of such State, Territory, political subdivision, or  
6. the District of Columbia, bears to the amount of the net  
7. income from the operation of such public utility for such  
8. taxable year.

9. (B) If by the terms of such contract no part of the  
10. proceeds from the operation of the public utility for the  
11. taxable year would, irrespective of the tax imposed by this  
12. title, accrue directly to or for the use of such State, Terri-  
13. tory, political subdivision, or the District of Columbia, then  
14. the tax upon the net income of such person from the opera-  
15. tion of such public utility shall be levied, assessed, collected,  
16. and paid in the manner and at the rates prescribed in this  
17. title;

18. (8) The income of a nonresident alien or foreign  
19. corporation which consists exclusively of earnings derived  
20. from the operation of a ship or ships documented under the  
21. laws of a foreign country which grants an equivalent ex-  
22. emption to citizens of the United States and to corporations  
23. organized in the United States;

24. (9) Amounts received as compensation, family allot-  
25. ments and allowances under the provisions of the War Risk

10 Commissioner (with the approval of the Secretary) an  
20 amount which bears the same relation to the amount of the  
30 tax as the amount which (but for the imposition of the  
40 tax imposed by this title) would have accrued directly to or  
50 for the use of such State, Territory, political subdivision, or  
60 the District of Columbia, bears to the amount of the net in-  
70 come from the operation of such public utility for such tax-  
80 able year.

90 (B) If by the terms of such contract no part of the pro-  
100 ceeds from the operation of the public utility for the tax-  
110 able year would, irrespective of the tax imposed by this  
120 title, accrue directly to or for the use of such State, Terri-  
130 tory, political subdivision, or the District of Columbia, then  
140 the tax upon the net income of such person from the opera-  
150 tion of such public utility shall be levied, assessed, collected,  
160 and paid in the manner and at the rates prescribed in this  
170 title;

180 (8) The income of a nonresident alien or foreign  
190 corporation which consists exclusively of earnings derived  
200 from the operation of a ship or ships documented under the  
210 laws of a foreign country which grants an equivalent ex-  
220 emption to citizens of the United States and to corporations  
230 organized in the United States;

240 (9) Amounts received as compensation, family allot-  
250 ments and allowances under the provisions of the War Risk

1 Insurance and the Vocational Rehabilitation Act, or the  
2 World War Veterans' Act, 1924, or as pensions from the  
3 United States for service of the beneficiary or another in the  
4 military or naval forces of the United States in time of war,  
5 or as a State pension for services rendered by the beneficiary  
6 or another for which the State is paying a pension;

7 (10) The amount received by an individual before  
8 January 1, 1927, as dividends or interest from domestic  
9 building and loan associations, substantially all the business  
10 of which is confined to making loans to members, but the  
11 amount excluded from gross income under this paragraph in  
12 any taxable year shall not exceed \$300;

13 (11) The rental value of a dwelling house and appur-  
14 tenances thereof furnished to a minister of the gospel as part  
15 of his compensation;

16 (12) The receipts of shipowners' mutual protection  
17 and indemnity associations, not organized for profit, and no  
18 part of the net earnings of which inures to the benefit of any  
19 private shareholder; but such corporations shall be subject  
20 as other persons to the tax upon their net income from in-  
21 terest, dividends, and rents;

22 (13) In the case of a person, amounts distributed as  
23 dividends to or for his benefit by a corporation organized  
24 under the China Trade Act, 1922, if, at the time of such  
25 distribution, he is a resident of China, and the taxable

1 Insurance and the Vocational Rehabilitation Acts or the  
2 World War Veterans' Act, 1924, or as pensions from the  
3 United States for service of the beneficiary or another in the  
4 military or naval forces of the United States in time of war,  
5 or as a State pension for services rendered by the beneficiary  
6 or another for which the State is paying a pension;

7 (10) The amount received by an individual as  
8 dividends or interest from domestic building and loan  
9 associations, substantially all the business of which  
10 is confined to making loans to members, but the  
11 amount excluded from gross income under this paragraph in  
12 any taxable year shall not exceed \$300;

13 (11) The rental value of a dwelling house and appur-  
14 tenances thereof furnished to a minister of the gospel as part  
15 of his compensation;

16 (12) The receipts of shipowners' mutual protection  
17 and indemnity associations, not organized for profit, and no  
18 part of the net earnings of which inures to the benefit of any  
19 private shareholder; but such corporations shall be sub-  
20 ject as other persons to the tax upon their net income from  
21 interest, dividends, and rents;

22 (13) In the case of a person, amounts distributed  
23 as dividends to or for his benefit by a corporation organ-  
24 ized under the China Trade Act, 1922, if, at the time of such  
25 distribution, he is a resident of China, and the equitable

1 right to the income of the shares of stock of the corporation  
2 is in good faith vested in him;

10 (c) In the case of a nonresident alien individual, gross  
11 income means only the gross income from sources within the  
12 United States, determined under the provisions of section  
13 217.

14 DEDUCTIONS ALLOWED INDIVIDUALS

15 SEC. 214. (a) In computing net income there shall  
16 be allowed as deductions:

17 (1) All the ordinary and necessary expenses paid or  
18 incurred during the taxable year in carrying on any trade  
19 or business, including a reasonable allowance for salaries or  
20 other compensation for personal services actually rendered;  
21 traveling expenses (including the entire amount expended  
22 for meals and lodging) while away from home in the pur-  
23 suit of a trade or business; and rentals or other payments  
24 required to be made as a condition to the continued use or  
25 possession, for purposes of the trade or business, of property



1 right to the income of the shares of stock of the corporation  
2 is in good faith vested in ~~him~~; *him*.

3 ~~(14) In the case of an individual citizen of the United~~  
4 ~~States, amounts received as salary or commission for the sale~~  
5 ~~for export from the United States of tangible personal prop-~~  
6 ~~erty produced in the United States, in respect of such sales~~  
7 ~~made while he is actually employed outside of the United~~  
8 ~~States, if he is so employed for more than six months during~~  
9 ~~the taxable year.~~

10 (c) In the case of a nonresident alien individual, gross  
11 income means only the gross income from sources within the  
12 United States, determined under the provisions of section  
13 217.

14 DEDUCTIONS ALLOWED INDIVIDUALS

15 SEC. 214. (a) In computing net income there shall  
16 be allowed as deductions:

17 (1) All the ordinary and necessary expenses paid or  
18 incurred during the taxable year in carrying on any trade  
19 or business, including a reasonable allowance for salaries or  
20 other compensation for personal services actually rendered;  
21 traveling expenses (including the entire amount expended  
22 for meals and lodging) while away from home in the pur-  
23 suit of a trade or business; and rentals or other payments re-  
24 quired to be made as a condition to the continued use or  
25 possession, for purposes of the trade or business, of property

1 to which the taxpayer has not taken or is not taking title  
2 or in which he has no equity;

3 (2) All interest paid or accrued within the taxable  
4 year on indebtedness, except on indebtedness incurred or  
5 continued to purchase or carry obligations or securities  
6 (other than obligations of the United States issued after Sep-  
7 tember 24, 1917, and originally subscribed for by the tax-  
8 payer) the interest upon which is wholly exempt from tax-  
9 ation under this title;

10 (3) Taxes paid or accrued within the taxable year  
11 except (A) income, war-profits, and excess-profits taxes  
12 imposed by the authority of the United States, (B) so  
13 much of the income, war-profits, and excess-profits taxes,  
14 imposed by the authority of any foreign country or pos-  
15 session of the United States, as is allowed as a credit under  
16 section 222, (C) taxes assessed against local benefits of  
17 a kind tending to increase the value of the property assessed,  
18 and (D) taxes imposed upon the taxpayer upon his in-  
19 terest as shareholder of a corporation, which are paid by  
20 the corporation without reimbursement from the taxpayer.  
21 For the purpose of this paragraph, estate, inheritance,  
22 legacy, and succession taxes accrue on the due date  
23 thereof except as otherwise provided by the law of the  
24 jurisdiction imposing such taxes;

1 to which the taxpayer has not taken or is not taking title  
2 or in which he has no equity;

3 (2) All interest paid or accrued within the taxable  
4 year on indebtedness ~~indebtedness~~, *except on indebtedness*  
5 *incurred or continued to purchase or carry obligations or*  
6 *securities (other than obligations of the United States issued*  
7 *after September 24, 1917, and originally subscribed for*  
8 *by the taxpayer) the interest upon which is wholly exempt*  
9 *from taxation under this title;*

10 (3) Taxes paid or accrued within the taxable year  
11 except (A) income, war-profits, and excess-profits taxes  
12 imposed by the authority of the United States, (B) so  
13 much of the income, war-profits, and excess-profits taxes,  
14 imposed by the authority of any foreign country or pos-  
15 session of the United States, as is allowed as a credit under  
16 section 222, (C) taxes assessed against local benefits of  
17 a kind tending to increase the value of the property assessed,  
18 and (D) taxes imposed upon the taxpayer upon his in-  
19 terest as shareholder of a corporation, which are paid by  
20 the corporation without reimbursement from the taxpayer.  
21 For the purpose of this paragraph, estate, inheritance,  
22 legacy, and succession taxes accrue on the due date  
23 thereof except as otherwise provided by the law of the  
24 jurisdiction imposing such taxes;

1 (4) Losses sustained during the taxable year and  
2 not compensated for by insurance or otherwise, if incurred  
3 in trade or business;

4 (5) Losses sustained during the taxable year and not  
5 compensated for by insurance or otherwise, if incurred in  
6 any transaction entered into for profit, though not con-  
7 nected with the trade or business; but in the case of a non-  
8 resident alien individual only if the profit, if such trans-  
9 action had resulted in a profit, would be taxable under  
10 this title. No deduction shall be allowed under this para-  
11 graph for any loss claimed to have been sustained in any  
12 sale or other disposition of shares of stock or securities  
13 where it appears that within thirty days before or after  
14 the date of such sale or other disposition the taxpayer has  
15 acquired (otherwise than by bequest or inheritance) or  
16 has entered into a contract or option to acquire substan-  
17 tially identical property, and the property so acquired is  
18 held by the taxpayer for any period after such sale or other  
19 disposition. If such acquisition or the contract or option to  
20 acquire is to the extent of part only of substantially iden-  
21 tical property, then only a proportionate part of the loss  
22 shall be disallowed;

23 (6) Losses sustained during the taxable year of prop-  
24 erty not connected with the trade or business (but in the  
25 case of a nonresident alien individual only property within

1 (4) Losses sustained during the taxable year and  
2 not compensated for by insurance or otherwise, if incurred  
3 in trade or business;

4 (5) Losses sustained during the taxable year and not  
5 compensated for by insurance or otherwise, if incurred in  
6 any transaction entered into for profit, though not con-  
7 nected with the trade or business; but in the case of a non-  
8 resident alien individual only if the profit, if such trans-  
9 action had resulted in a profit, would be taxable under  
10 this title. No deduction shall be allowed under this para-  
11 graph for any loss claimed to have been sustained in any  
12 sale or other disposition of shares of stock or securities  
13 where it appears that within thirty days before or after  
14 the date of such sale or other disposition the taxpayer has  
15 acquired (otherwise than by bequest or inheritance) or  
16 has entered into a contract or option to acquire substan-  
17 tially identical property, and the property so acquired is  
18 held by the taxpayer for any period after such sale or other  
19 disposition. If such acquisition or the contract or option  
20 to acquire is to the extent of part only of substantially iden-  
21 tical property, then only a proportionate part of the loss  
22 shall be disallowed;

23 (6) Losses sustained during the taxable year of prop-  
24 erty not connected with the trade or business (but in the  
25 case of a nonresident alien individual only property within

1. the United States) if arising from fires, storms, shipwreck,  
2. or other casualty, or from theft, and if not compensated for  
3. by insurance or otherwise. The basis for determining the  
4. amount of the deduction under this paragraph, or paragraph  
5. (4) or (5), shall be the same as is provided in section 204  
6. for determining the gain or loss from the sale or other  
7. disposition of property;

8. (7) Debts ascertained to be worthless and charged off  
9. within the taxable year (or, in the discretion of the Com-  
10. missioner, a reasonable addition to a reserve for bad debts);  
11. and when satisfied that a debt is recoverable only in part,  
12. the Commissioner may allow such debt to be charged off in  
13. part;

14. (8) A reasonable allowance for the exhaustion, wear  
15. and tear of property used in the trade or business, including  
16. a reasonable allowance for obsolescence;

23. (9) In the case of mines, oil and gas wells, other  
24. natural deposits, and timber; a reasonable allowance for  
25. depletion and for depreciation of improvements, according

1 the United States) if arising from fires, storms, shipwreck,  
2 or other casualty, or from theft, and if not compensated for  
3 by insurance or otherwise. The basis for determining the  
4 amount of the deduction under this paragraph, or paragraph  
5 (4) or (5), shall be the same as is provided in section 204  
6 for determining the gain or loss from the sale or other dis-  
7 position of property;

8 (7) Debts ascertained to be worthless and charged off  
9 within the taxable year (or, in the discretion of the Com-  
10 missioner, a reasonable addition to a reserve for bad debts);  
11 and when satisfied that a debt is recoverable only in part,  
12 the Commissioner may allow such debt to be charged off in  
13 part;

14 (8) A reasonable allowance for the exhaustion, wear  
15 and tear of property used in the trade or business, including  
16 a reasonable allowance for ~~obsolescence~~ *obsolescence*. *In the*  
17 *case of improved real estate held by one person for life*  
18 *with remainder to another person, the deduction provided*  
19 *for in this paragraph shall be equitably apportioned between*  
20 *the life tenant and the remainderman under rules and regula-*  
21 *tions prescribed by the Commissioner with the approval of*  
22 *the Secretary;*

23 (9) In the case of mines, oil and gas wells, other  
24 natural deposits, and timber, a reasonable allowance for  
25 depletion and for depreciation of improvements, according

1 to the peculiar conditions in each case; such reasonable  
2 allowance in all cases to be made under rules and regulations  
3 to be prescribed by the Commissioner, with the approval of  
4 the Secretary. In the case of leases the deduction allowed  
5 by this paragraph shall be equitably apportioned between  
6 the lessor and lessee;

7 (10) Contributions or gifts made within the taxable  
8 year to or for the use of: (A) The United States, any  
9 State, Territory, or any political subdivision thereof, or the  
10 District of Columbia, for exclusively public purposes; (B)  
11 any corporation, or trust, or community chest, fund, or  
12 foundation, organized and operated exclusively for religious,  
13 charitable, scientific, literary, or educational purposes, or  
14 for the prevention of cruelty to children or animals, no part  
15 of the net earnings of which inures to the benefit of any  
16 private shareholder or individual; (C) the special fund for  
17 vocational rehabilitation authorized by section 7 of the Vocar-  
18 tional Rehabilitation Act; (D) posts or organizations of  
19 war veterans, or auxiliary units or societies of any such posts  
20 or organizations, if such posts, organizations, units, or socie-  
21 ties are organized in the United States or any of its posses-  
22 sions, and if no part of their net earnings inures to the benefit  
23 of any private shareholder or individual; or (E) a fraternal  
24 society, order, or association, operating under the lodge  
25 system, but only if such contributions or gifts are to be used



1 to the peculiar conditions in each case; such reasonable  
2 allowance in all cases to be made under rules and regulations  
3 to be prescribed by the Commissioner, with the approval of  
4 the Secretary. In the case of leases the deduction allowed  
5 by this paragraph shall be equitably apportioned between  
6 the lessor and lessee;

7 (10) Contributions or gifts made within the taxable  
8 year to or for the use of: (A) The United States, any  
9 State, Territory, or any political subdivision thereof, or the  
10 District of Columbia, for exclusively public purposes; (B)  
11 any corporation, or trust, or community chest, fund, or  
12 foundation, organized and operated exclusively for religious,  
13 charitable, scientific, literary, or educational purposes, or  
14 for the prevention of cruelty to children or animals, no part  
15 of the net earnings of which inures to the benefit of any  
16 private shareholder or individual; (C) the special fund for  
17 vocational rehabilitation authorized by section 7 of the Voca-  
18 tional Rehabilitation Act; (D) posts or organizations of  
19 war veterans, or auxiliary units or societies of any such posts  
20 or organizations, if such posts, organizations, units, or socie-  
21 ties are organized in the United States or any of its posses-  
22 sions, and if no part of their net earnings inures to the benefit  
23 of any private shareholder or individual; or (E) a fraternal  
24 society, order, or association, operating under the lodge  
25 system, but only if such contributions or gifts are to be used

1 exclusively for religious, charitable, scientific, literary, or  
2 educational purposes, or for the prevention of cruelty to  
3 children or animals; to an amount which in all the above  
4 cases combined does not exceed 15 per centum of the tax-  
5 payer's net income as computed without the benefit of this  
6 paragraph, except that if in the taxable year and in each  
7 of the ten preceding taxable years the amount in all the  
8 above cases combined exceeds 90 per centum of the tax-  
9 payer's net income for each such year, as computed without  
10 the benefit of this paragraph, then to the full amount of such  
11 contributions and gifts made within the taxable year. In  
12 case of a nonresident alien individual this deduction shall be  
13 allowed only as to contributions or gifts made to domestic  
14 corporations, or to community chests, funds, or foundations,  
15 created in the United States, or to such vocational re-  
16 habilitation fund. Such contributions or gifts shall be  
17 allowable as deductions only if verified under rules and regu-  
18 lations prescribed by the Commissioner, with the approval  
19 of the Secretary:

20 (b) In the case of a nonresident alien individual, the  
21 deductions allowed in subdivision (a), except those allowed  
22 in paragraphs (5), (6), and (10), shall be allowed only  
23 if and to the extent that they are connected with income  
24 from sources within the United States; and the proper appor-  
25 tionment and allocation of the deductions with respect to

1 exclusively for religious, charitable, scientific, literary, or  
2 educational purposes, or for the prevention of cruelty to  
3 children or animals; to an amount which in all the above  
4 cases combined does not exceed 15 per centum of the tax-  
5 payer's net income as computed without the benefit of this  
6 paragraph, except that if in the taxable year and in each  
7 of the ten preceding taxable years the amount in all the  
8 above cases combined exceeds 90 per centum of the tax-  
9 payer's net income for each such year, as computed without  
10 the benefit of this paragraph, then to the full amount of such  
11 contributions and gifts made within the taxable year. In  
12 case of a nonresident alien individual this deduction shall be  
13 allowed only as to contributions or gifts made to domestic  
14 corporations, or to community chests, funds, or foundations,  
15 created in the United States, or to such vocational re-  
16 habilitation fund. Such contributions or gifts shall be  
17 allowable as deductions only if verified under rules and regu-  
18 lations prescribed by the Commissioner, with the approval  
19 of the Secretary.

20 (b) In the case of a nonresident alien individual, the  
21 deductions allowed in subdivision (a), except those allowed  
22 in paragraphs (5), (6), and (10), shall be allowed only  
23 if and to the extent that they are connected with income  
24 from sources within the United States; and the proper appor-  
25 tionment and allocation of the deductions with respect to

1 sources of income within and without the United States shall  
2 be determined as provided in section 217 under rules and  
3 regulations prescribed by the Commissioner with the  
4 approval of the Secretary. In the case of a citizen entitled  
5 to the benefits of section 262 the deductions shall be the  
6 same and shall be determined in the same manner as in the  
7 case of a nonresident alien individual.

15

## ITEMS NOT DEDUCTIBLE

16 SEC. 215. (a) In computing net income no deduction  
17 shall in any case be allowed in respect of—

18 (1) Personal, living, or family expenses;

19 (2) Any amount paid out for new buildings or for per-  
20 manent improvements or betterments made to increase the  
21 value of any property or estate;

22 (3) Any amount expended in restoring property or in  
23 making good the exhaustion thereof for which an allowance  
24 is or has been made; or

1 sources of income within and without the United States shall  
2 be determined as provided in section 217 under rules and  
3 regulations prescribed by the Commissioner with the  
4 approval of the Secretary. In the case of a citizen entitled  
5 to the benefits of section 202 the deductions shall be the  
6 same and shall be determined in the same manner as in the  
7 case of a nonresident alien individual.

8 ~~(e)~~ The amount of the interest deduction provided for  
9 in paragraph ~~(b)~~ of subdivision ~~(a)~~, unless the interest on  
10 indebtedness is paid or incurred in carrying on a trade or  
11 business, shall be allowed as a deduction only if and to the  
12 extent that such amount exceeds the amount of interest on  
13 obligations or securities the interest upon which is wholly  
14 exempt from taxation under this title.

15 ITEMS NOT DEDUCTIBLE

16 SEC. 215. (a) In computing net income no deduction  
17 shall in any case be allowed in respect of—

18 (1) Personal, living, or family expenses;

19 (2) Any amount paid out for new buildings or for per-  
20 manent improvements or betterments made to increase the  
21 value of any property or estate;

22 (3) Any amount expended in restoring property or in  
23 making good the exhaustion thereof for which an allowance  
24 is or has been made; or

1 (4) Premiums paid on any life insurance policy cov-  
2 ering the life of any officer or employee, or of any person  
3 financially interested in any trade or business carried on by  
4 the taxpayer, when the taxpayer is directly or indirectly a  
5 beneficiary under such policy.

6 (b) Amounts paid under the laws of any State, Ter-  
7 ritory, District of Columbia, possession of the United States,  
8 or foreign country as income to the holder of a life or  
9 terminable interest acquired by gift, bequest, or inheritance  
10 shall not be reduced or diminished by any deduction for  
11 shrinkage (by whatever name called) in the value of such  
12 interest due to the lapse of time, nor by any deduction  
13 allowed by this Act for the purpose of computing the net  
14 income of an estate or trust but not allowed under the laws  
15 of such State, Territory, District of Columbia, possession  
16 of the United States, or foreign country for the purpose of  
17 computing the income to which such holder is entitled.

18 CREDITS ALLOWED INDIVIDUALS

19 SEC. 216. For the purpose of the normal tax only there  
20 shall be allowed the following credits:

21 (a) The amount received as dividends (1) from a  
22 domestic corporation other than a corporation entitled to the  
23 benefits of section 262, and other than a corporation organ-  
24 ized under the China Trade Act, 1922, or (2) from a foreign  
25 corporation when it is shown to the satisfaction of the Com-

1 (4) Premiums paid on any life insurance policy cov-  
2 ering the life of any officer or employee, or of any person  
3 financially interested in any trade or business carried on by  
4 the taxpayer, when the taxpayer is directly or indirectly a  
5 beneficiary under such policy.

6 (b) Amounts paid under the laws of any State, Ter-  
7 ritory, District of Columbia, possession of the United States,  
8 or foreign country as income to the holder of a life or  
9 terminable interest acquired by gift, bequest, or inheritance  
10 shall not be reduced or diminished by any deduction for  
11 shrinkage (by whatever name called) in the value of such  
12 interest due to the lapse of time, nor by any deduction  
13 allowed by this Act for the purpose of computing the net  
14 income of an estate or trust but not allowed under the laws  
15 of such State, Territory, District of Columbia, possession  
16 of the United States, or foreign country for the purpose of  
17 computing the income to which such holder is entitled.

18 CREDITS ALLOWED INDIVIDUALS

19 SEC. 216. For the purpose of the normal tax only there  
20 shall be allowed the following credits:

21 (a) The amount received as dividends (1) from a  
22 domestic corporation other than a corporation entitled to the  
23 benefits of section 262, and other than a corporation organ-  
24 ized under the China Trade Act, 1922; or (2) from a foreign  
25 corporation when it is shown to the satisfaction of the Com-

1 missioner that more than 50 per centum of the gross income  
2 of such foreign corporation for the three-year period ending  
3 with the close of its taxable year preceding the declaration  
4 of such dividends (or for such part of such period as the  
5 corporation has been in existence) was derived from sources  
6 within the United States as determined under the provisions  
7 of section 217;

8 (b) The amount received as interest upon obligations  
9 of the United States which is included in gross income under  
10 section 213;

11 (c) In the case of a single person, a personal exemp-  
12 tion of \$1,000; or in the case of the head of a family or a mar-  
13 ried person living with husband or wife, a personal exemp-  
14 tion of \$2,500. A husband and wife living together shall re-  
15 ceive but one personal exemption. The amount of such per-  
16 sonal exemption shall be \$2,500. If such husband and wife  
17 make separate returns, the personal exemption may be taken  
18 by either or divided between them.

19 (d) \$400 for each person (other than husband or  
20 wife) dependent upon and receiving his chief support from  
21 the taxpayer if such dependent person is under eighteen  
22 years of age or is incapable of self-support because mentally  
23 or physically defective.

24 (e) In the case of a nonresident alien individual or of a  
25 citizen entitled to the benefits of section 262, the personal



1 missioner that more than 50 per centum of the gross income  
2 of such foreign corporation for the three-year period ending  
3 with the close of its taxable year preceding the declaration  
4 of such dividends (or for such part of such period as the  
5 corporation has been in existence) was derived from sources  
6 within the United States as determined under the provisions  
7 of section 217;

8 (b) The amount received as interest upon obligations  
9 of the United States which is included in gross income under  
10 section 213;

11 (c) In the case of a single person, a personal exemp-  
12 tion of \$1,500; or in the case of the head of a family or  
13 a married person living with husband or wife, a personal  
14 exemption of \$3,500. A husband and wife living to-  
15 gether shall receive but one personal exemption. The  
16 amount of such personal exemption shall be \$3,500. If  
17 such husband and wife make separate returns, the personal  
18 exemption may be taken by either or divided between them.

19 (d) \$400 for each person (other than husband or  
20 wife) dependent upon and receiving his chief support from  
21 the taxpayer if such dependent person is under eighteen  
22 years of age or is incapable of self-support because mentally  
23 or physically defective.

24 (e) In the case of a nonresident alien individual or of a  
25 citizen entitled to the benefits of section 262, the personal

1 exemption shall be only \$1,000. The credit provided in  
2 subdivision (d) shall not be allowed in the case of a non-  
3 resident alien individual unless he is a resident of a con-  
4 tiguous country nor in the case of a citizen entitled to the  
5 benefits of section 262.

6 (f) (1) The credits allowed by subdivisions (d) and  
7 (e) of this section shall be determined by the status of the  
8 taxpayer on the last day of his taxable year:

9 (2) The credit allowed by subdivision (d) of this  
10 section shall, in case the status of the taxpayer changes  
11 during his taxable year, be the sum of (A) an amount which  
12 bears the same ratio to \$1,000 as the number of months  
13 during which the taxpayer was single bears to twelve months,  
14 plus (B) an amount which bears the same ratio to \$2,500  
15 as the number of months during which the taxpayer was  
16 a married person living with husband or wife or was the  
17 head of a family bears to twelve months. For the purposes  
18 of this paragraph a fractional part of a month shall be dis-  
19 regarded unless it amounts to more than half a month; in  
20 which case it shall be considered as a month.

21 (3) In the case of an individual who dies during  
22 the taxable year, the credits allowed by subdivisions (c),  
23 (d), and (e) shall be determined by his status at the time  
24 of his death, and in such case full credits shall be allowed  
25 to the surviving spouse, if any, according to his or her status  
26 at the close of the taxable year.

1 exemption shall be only \$1,500. The credit provided in  
2 subdivision (d) shall not be allowed in the case of a non-  
3 resident alien individual unless he is a resident of a con-  
4 tiguous country, nor in the case of a citizen entitled to the  
5 benefits of section 262.

6 (f) (1) The credits allowed by subdivisions (d) and  
7 (e) of this section shall be determined by the status of the  
8 taxpayer on the last day of his taxable year.

9 (2) The credit allowed by subdivision (c) of this  
10 section shall, in case the status of the taxpayer changes  
11 during his taxable year, be the sum of (A) an amount which  
12 bears the same ratio to \$1,500 as the number of months  
13 during which the taxpayer was single bears to twelve  
14 months, plus (B) an amount which bears the same ratio  
15 to \$3,500 as the number of months during which the tax-  
16 payer was a married person living with husband or wife  
17 or was the head of a family bears to twelve months. For  
18 the purposes of this paragraph a fractional part of a month  
19 shall be disregarded unless it amounts to more than half a  
20 month, in which case it shall be considered as a month.

21 (3) In the case of an individual who dies during  
22 the taxable year, the credits allowed by subdivisions (c),  
23 (d), and (e) shall be determined by his status at the time  
24 of his death, and in such case full credits shall be allowed  
25 to the surviving spouse, if any, according to his or her status  
26 at the close of the taxable year.

## 1 NET INCOME OF NONRESIDENT ALIEN INDIVIDUALS

2 SEC. 217. (a) In the case of a nonresident alien  
3 individual or of a citizen entitled to the benefits of section  
4 262, the following items of gross income shall be treated  
5 as income from sources within the United States:

6 (1) Interest on bonds, notes, or other interest-bearing  
7 obligations of residents, corporate or otherwise, not in-  
8 cluding (A) interest on deposits with persons carrying on  
9 the banking business paid to persons not engaged in busi-  
10 ness within the United States and not having an office or  
11 place of business therein, or (B) interest received from a  
12 resident alien individual, a resident foreign corporation, or  
13 a domestic corporation, when it is shown to the satisfac-  
14 tion of the Commissioner that less than 20 per centum of  
15 the gross income of such resident payor or domestic cor-  
16 poration has been derived from sources within the United  
17 States, as determined under the provisions of this section,  
18 for the three-year period ending with the close of the tax-  
19 able year of such payor preceding the payment of such  
20 interest, or for such part of such period as may be appli-  
21 cable;

22 (2) The amount received as dividends (A) from a  
23 domestic corporation other than a corporation entitled to the  
24 benefits of section 262, and other than a corporation less  
25 than 20 per centum of whose gross income is shown to the

1 NET INCOME OF NONRESIDENT ALIEN INDIVIDUALS 1

2 SEC. 217. (a) In the case of a nonresident alien  
3 individual or of a citizen entitled to the benefits of section  
4 262, the following items of gross income shall be treated  
5 as income from sources within the United States:

6 (1) Interest on bonds, notes, or other interest-bear-  
7 ing obligations of residents, corporate or otherwise, not in-  
8 cluding (A) interest on deposits with persons carrying on  
9 the banking business paid to persons not engaged in busi-  
10 ness within the United States and not having an office or  
11 place of business therein, or (B) interest received from a  
12 resident alien individual, a resident foreign corporation, or  
13 a domestic corporation, when it is shown to the satisfac-  
14 tion of the Commissioner that less than 20 per centum of  
15 the gross income of such resident payor or domestic cor-  
16 poration has been derived from sources within the United  
17 States, as determined under the provisions of this section,  
18 for the three-year period ending with the close of the tax-  
19 able year of such payor preceding the payment of such  
20 interest, or for such part of such period as may be appli-  
21 cable;

22 (2) The amount received as dividends (A) from a  
23 domestic corporation other than a corporation entitled to the  
24 benefits of section 262, and other than a corporation less  
25 than 20 per centum of whose gross income is shown to the

1 satisfaction of the Commissioner to have been derived from  
2 sources within the United States, as determined under the  
3 provisions of this section, for the three-year period ending  
4 with the close of the taxable year of such corporation pre-  
5 ceding the declaration of such dividends, (or for such part  
6 of such period as the corporation has been in existence), or  
7 (B) from a foreign corporation unless less than 50 per  
8 centum of the gross income of such foreign corporation for  
9 the three-year period ending with the close of its taxable  
10 year preceding the declaration of such dividends, (or for such  
11 part of such period as the corporation has been in existence),  
12 was derived from sources within the United States as deter-  
13 mined under the provisions of this section;

14 (3) Compensation for labor or personal services per-  
15 formed in the United States;

16 (4) Rentals or royalties from property located in the  
17 United States, or from any interest in such property, includ-  
18 ing rentals or royalties for the use of or for the privilege of  
19 using in the United States, patents, copyrights, secret proc-  
20 esses and formulas, good will, trade-marks, trade brands,  
21 franchises, and other like property; and

22 (5) Gains, profits, and income from the sale of real  
23 property located in the United States.

24 (b) From the items of gross income specified in subdi-  
25 vision (a) there shall be deducted the expenses, losses, and

1 satisfaction of the Commissioner to have been derived from  
2 sources within the United States, as determined under the  
3 provisions of this section, for the three-year period ending  
4 with the close of the taxable year of such corporation pre-  
5 ceding the declaration of such dividends (or for such part  
6 of such period as the corporation has been in existence), or  
7 (B) from a foreign corporation unless less than 50 per  
8 centum of the gross income of such foreign corporation for  
9 the three-year period ending with the close of its taxable  
10 year preceding the declaration of such dividends (or for such  
11 part of such period as the corporation has been in existence)  
12 was derived from sources within the United States as deter-  
13 mined under the provisions of this section;

14 (3) Compensation for labor or personal services per-  
15 formed in the United States;

16 (4) Rentals or royalties from property located in the  
17 United States or from any interest in such property, includ-  
18 ing rentals or royalties for the use of or for the privilege of  
19 using in the United States, patents, copyrights, secret pro-  
20 cesses and formulas, good will, trade-marks, trade brands,  
21 franchises, and other like property; and

22 (5) Gains, profits, and income from the sale of real  
23 property located in the United States.

24 (b) From the items of gross income specified in subdi-  
25 vision (a) there shall be deducted the expenses, losses, and

1 other deductions properly apportioned or allocated thereto  
2 and a ratable part of any expenses, losses, or other deductions  
3 which can not definitely be allocated to some item or class of  
4 gross income. The remainder, if any, shall be included in  
5 full as net income from sources within the United States.

6 (c) The following items of gross income shall be treated  
7 as income from sources without the United States:

8 (1) Interest other than that derived from sources  
9 within the United States as provided in paragraph (1) of  
10 subdivision (a);

11 (2) Dividends other than those derived from sources  
12 within the United States as provided in paragraph (2) of  
13 subdivision (a);

14 (3) Compensation for labor or personal services per-  
15 formed without the United States;

16 (4) Rentals or royalties from property located without  
17 the United States or from any interest in such property,  
18 including rentals or royalties for the use of or for the privi-  
19 lege of using without the United States, patents, copyrights,  
20 secret processes and formulas, good will, trade-marks, trade-  
21 brands, franchises, and other like properties; and

22 (5) Gains, profits, and income from the sale of real  
23 property located without the United States.

24 (d) From the items of gross income specified in sub-  
25 division (c) there shall be deducted the expenses, losses, and



1 other deductions properly apportioned or allocated thereto  
2 and a ratable part of any expenses, losses, or other deductions  
3 which can not definitely be allocated to some item or class of  
4 gross income. The remainder, if any, shall be included in  
5 full as net income from sources within the United States.

6 (c) The following items of gross income shall be treated  
7 as income from sources without the United States:

8 (1) Interest other than that derived from sources  
9 within the United States as provided in paragraph (1) of  
10 subdivision (a);

11 (2) Dividends other than those derived from sources  
12 within the United States as provided in paragraph (2) of  
13 subdivision (a);

14 (3) Compensation for labor or personal services per-  
15 formed without the United States;

16 (4) Rentals or royalties from property located without  
17 the United States or from any interest in such property,  
18 including rentals or royalties for the use of or for the privi-  
19 lege of using without the United States, patents, copy-  
20 rights, secret processes and formulas, good will, trade-marks,  
21 trade brands, franchises, and other like properties; and

22 (5) Gains, profits, and income from the sale of real  
23 property located without the United States.

24 (d) From the items of gross income specified in sub-  
25 division (c) there shall be deducted the expenses, losses, and

1 other deductions properly apportioned or allocated thereto,  
2 and a ratable part of any expenses, losses, or other deduc-  
3 tions which can not definitely be allocated to some item or  
4 class of gross income. The remainder, if any, shall be  
5 treated in full as net income from sources without the United  
6 States.

7 (e) Items of gross income, expenses, losses and deduc-  
8 tions, other than those specified in subdivisions (a) and (c),  
9 shall be allocated or apportioned to sources within or without  
10 the United States under rules and regulations prescribed  
11 by the Commissioner with the approval of the Secretary.  
12 Where items of gross income are separately allocated to  
13 sources within the United States, there shall be deducted  
14 (for the purpose of computing the net income therefrom)  
15 the expenses, losses and other deductions properly appor-  
16 tioned or allocated thereto and a ratable part of other ex-  
17 penses, losses or other deductions which can not definitely  
18 be allocated to some item or class of gross income. The  
19 remainder, if any, shall be included in full as net income  
20 from sources within the United States. In the case of gross  
21 income derived from sources partly within and partly with-  
22 out the United States, the net income may first be com-  
23 puted by deducting the expenses, losses or other deduc-  
24 tions apportioned or allocated thereto and a ratable part of  
25 any expenses, losses, or other deductions which can not defi-

1 other deductions properly apportioned or allocated thereto,  
2 and a ratable part of any expenses, losses, or other deduc-  
3 tions which can not definitely be allocated to some item or  
4 class of gross income. The remainder, if any, shall be  
5 treated in full as net income from sources without the United  
6 States.

7 (d) Items of gross income, expenses, losses and deduc-  
8 tions, other than those specified in subdivisions (a) and (c),  
9 shall be allocated or apportioned to sources within or without  
10 the United States under such rules and regulations prescribed  
11 by the Commissioner with the approval of the Secretary.

12 Where items of gross income are separately allocated to  
13 sources within the United States, there shall be deducted  
14 (for the purpose of computing the net income therefrom)  
15 the expenses, losses and other deductions properly appor-  
16 tioned or allocated thereto and a ratable part of other ex-  
17 penses, losses or other deductions which can not definitely  
18 be allocated to some item or class of gross income. The  
19 remainder, if any, shall be included in full as net income  
20 from sources within the United States. In the case of gross  
21 income derived from sources partly within and partly with-  
22 out the United States, the net income may first be com-  
23 puted by deducting the expenses, losses or other deduc-  
24 tions apportioned or allocated thereto and a ratable part of  
25 any expenses, losses or other deductions which can not defi-

1 nitely be allocated to some items or class of gross income;  
2 and the portion of such net income attributable to sources  
3 within the United States may be determined by processes  
4 or formulas of general apportionment prescribed by the  
5 Commissioner with the approval of the Secretary. Gains,  
6 profits and income from (1) transportation or other services  
7 rendered partly within and partly without the United States,  
8 or (2) from the sale of personal property produced (in  
9 whole or in part) by the taxpayer within and sold without  
10 the United States, or produced (in whole or in part) by  
11 the taxpayer without and sold within the United States,  
12 shall be treated as derived partly from sources within and  
13 partly from sources without the United States. Gains,  
14 profits and income derived from the purchase of personal  
15 property within and its sale without the United States or  
16 from the purchase of personal property without and its sale  
17 within the United States, shall be treated as derived en-  
18 tirely from sources within the country in which sold.

1. nitely be allocated to some items or class of gross income;  
2. and the portion of such net income attributable to sources  
3. within the United States may be determined by processes  
4. or formulas of general apportionment prescribed by the  
5. Commissioner with the approval of the Secretary. Gains,  
6. profits and income from (1) transportation or other services  
7. rendered partly within and partly without the United States,  
8. or (2) from the sale of personal property produced (in  
9. whole or in part) by the taxpayer within and sold without  
10. the United States, or produced (in whole or in part) by  
11. the taxpayer without and sold within the United States,  
12. shall be treated as derived partly from sources within and  
13. partly from sources without the United States. Gains,  
14. profits and income derived from the purchase of personal  
15. property within and its sale without the United States or  
16. from the purchase of personal property without and its sale  
17. within the United States, shall be treated as derived en-  
18. tirely from sources within the country in which sold,—except  
19. that gains, profits and income derived from the purchase of  
20. personal property within the United States and its sale  
21. within a possession of the United States or from the pur-  
22. chase of personal property within a possession of the United  
23. States and its sale within the United States shall be treated  
24. as derived partly from sources within and partly from  
25. sources without the United States.

1 (f) As used in this section the words "sale" or "sold"  
2 include "exchange" or "exchanged"; and the word "pro-  
3 duced" includes "created," "fabricated," "manufactured,"  
4 "extracted," "processed," "cured," or "aged."

5 (g) (1) Except as provided in paragraph (2) a non-  
6 resident alien individual or a citizen entitled to the benefits of  
7 section 202 shall receive the benefit of the deductions and  
8 credits allowed in this title only by filing or causing to be  
9 filed with the collector a true and accurate return of his total  
10 income received from all sources in the United States, in the  
11 manner prescribed in this title; including therein all the  
12 information which the Commissioner may deem necessary  
13 for the calculation of such deductions and credits.

14 (2) The benefit of the credits allowed in subdivisions  
15 (d) and (e) of section 216, and of the reduced rate of tax  
16 provided for in subdivision (b) of section 210, may, in the  
17 discretion of the Commissioner and under regulations pre-  
18 scribed by him with the approval of the Secretary, be re-  
19 ceived by a nonresident alien individual entitled thereto, by  
20 filing a claim therefor with the withholding agent.

21 PARTNERSHIPS

22 SEC. 218. (a) Individuals carrying on business in part-  
23 nership shall be liable for income tax only in their individual  
24 capacity. There shall be included in computing the net  
25 income of each partner his distributive share, whether dis-

1 (f) As used in this section the words "sale" or "sold"  
2 include "exchange" or "exchanged"; and the word "pro-  
3 duced" includes "created," "fabricated," "manufactured,"  
4 "extracted," "processed," "cured," or "aged."

5 (g) (1) Except as provided in paragraph (2) a non-  
6 resident alien individual or a citizen entitled to the benefits of  
7 section 262 shall receive the benefit of the deductions and  
8 credits allowed in this title only by filing or causing to be  
9 filed with the collector a true and accurate return of his total  
10 income received from all sources in the United States, in the  
11 manner prescribed in this title; including therein all the  
12 information which the Commissioner may deem necessary  
13 for the calculation of such deductions and credits.

14 (2) The benefit of the credits allowed in subdivisions  
15 (d) and (e) of section 216, and of the reduced rate of tax  
16 provided for in subdivision (b) of section 210, may, in the  
17 discretion of the Commissioner and under regulations pre-  
18 scribed by him with the approval of the Secretary, be re-  
19 ceived by a nonresident alien individual entitled thereto, by  
20 filing a claim therefor with the withholding agent.

21 PARTNERSHIPS

22 SEC. 218. (a) Individuals carrying on business in part-  
23 nership shall be liable for income tax only in their individual  
24 capacity. There shall be included in computing the net  
25 income of each partner his distributive share, whether dis-

1 tributed or not, of the net income of the partnership for the  
2 taxable year, or, if his net income for such taxable year is  
3 computed upon the basis of a period different from that upon  
4 the basis of which the net income of the partnership is com-  
5 puted, then his distributive share of the net income of the  
6 partnership for any accounting period of the partnership  
7 ending within the taxable year upon the basis of which the  
8 partner's net income is computed.

9 (b) The partner shall, for the purpose of the normal  
10 tax, be allowed as credits, in addition to the credits allowed  
11 to him under section 216, his proportionate share of such  
12 amounts specified in subdivisions (a) and (b) of section 216  
13 as are received by the partnership.

14 (c) The net income of the partnership shall be com-  
15 puted in the same manner and on the same basis as provided  
16 in section 212 except that the deduction provided in para-  
17 graph (10) of subdivision (a) of section 214 shall not be  
18 allowed.

19

## ESTATES AND TRUSTS

20 SEC. 219. (a) The tax imposed by Parts I and II of  
21 this title shall apply to the income of estates or of any kind  
22 of property held in trust, including—

23 (1) Income accumulated in trust for the benefit of  
24 unborn or unascertained persons or persons with contingent  
25 interests, and income accumulated or held for future distribu-  
26 tion under the terms of the will or trust;



1 tributed or not, of the net income of the partnership for the  
2 taxable year, or, if his net income for such taxable year is  
3 computed upon the basis of a period different from that upon  
4 the basis of which the net income of the partnership is com-  
5 puted, then his distributive share of the net income of the  
6 partnership for any accounting period of the partnership  
7 ending within the taxable year upon the basis of which the  
8 partner's net income is computed.

9 (b) The partner shall, for the purpose of the normal  
10 tax, be allowed as credits, in addition to the credits allowed  
11 to him under section 216, his proportionate share of such  
12 amounts specified in subdivisions (a) and (b) of section 216  
13 as are received by the partnership.

14 (c) The net income of the partnership shall be com-  
15 puted in the same manner and on the same basis as provided  
16 in section 212 except that the deduction provided in para-  
17 graph (10) of subdivision (a) of section 214 shall not be  
18 allowed.

19 ESTATES AND TRUSTS

20 SEC. 219. (a) The tax imposed by Parts I and II of  
21 this title shall apply to the income of estates or of any kind  
22 of property held in trust, including—

23 (1) Income accumulated in trust for the benefit of  
24 unborn or unascertained persons or persons with contingent  
25 interests, and income accumulated or held for future distribu-  
26 tion under the terms of the will or trust;

1 (2) Income which is to be distributed currently by the  
2 fiduciary to the beneficiaries, and incomes collected by a  
3 guardian of an infant which is to be held or distributed as the  
4 court may direct;

5 (3) Income received by estates of deceased persons  
6 during the period of administration or settlement of the  
7 estate; and

8 (4) Income which, in the discretion of the fiduciary,  
9 may be either distributed to the beneficiaries or accumulated.

10 (b) Except as otherwise provided in subdivisions (g)  
11 and (h), the tax shall be computed upon the net income  
12 of the estate or trust, and shall be paid by the fiduciary.  
13 The net income of the estate or trust shall be computed  
14 in the same manner and on the same basis as provided in  
15 section 212, except that—

16 (1) There shall be allowed as a deduction (in lieu of  
17 the deduction authorized by paragraph (10) of subdivision  
18 (a) of section 214) any part of the gross income, without  
19 limitation, which pursuant to the terms of the will or deed  
20 creating the trust, is during the taxable year paid or perma-  
21 nently set aside for the purposes and in the manner specified  
22 in paragraph (10) of subdivision (a) of section 214, or is  
23 to be used exclusively for religious, charitable, scientific,  
24 literary, or educational purposes, or for the prevention of  
25 cruelty to children or animals, or for the establishment,

1 (2) Income which is to be distributed currently by the  
2 fiduciary to the beneficiaries, and income collected by a  
3 guardian of an infant which is to be held or distributed as the  
4 court may direct;

5 (3) Income received by estates of deceased persons  
6 during the period of administration or settlement of the  
7 estate; and

8 (4) Income which, in the discretion of the fiduciary,  
9 may be either distributed to the beneficiaries or accumulated.

10 (b) Except as otherwise provided in subdivisions (g)  
11 and (h), the tax shall be computed upon the net income  
12 of the estate or trust, and shall be paid by the fiduciary.  
13 The net income of the estate or trust shall be computed  
14 in the same manner and on the same basis as provided in  
15 section 212, except that—

16 (1) There shall be allowed as a deduction (in lieu of  
17 the deduction authorized by paragraph (10) of subdivision  
18 (a) of section 214) any part of the gross income, without  
19 limitation, which pursuant to the terms of the will or deed  
20 creating the trust, is during the taxable year paid or perma-  
21 nently set aside for the purposes and in the manner specified  
22 in paragraph (10) of subdivision (a) of section 214, or is  
23 to be used exclusively for religious, charitable, scientific,  
24 literary, or educational purposes, or for the prevention of  
25 cruelty to children or animals, or for the establishment,

1 acquisition, maintenance or operation of a public cemetery  
2 not operated for profit;

3 (2) There shall be allowed as an additional deduc-  
4 tion in computing the net income of the estate or trust the  
5 amount of the income of the estate or trust for its taxable  
6 year which is to be distributed currently by the fiduciary to  
7 the beneficiaries, and the amount of the income collected by  
8 a guardian of an infant which is to be held or distributed  
9 as the court may direct, but the amount so allowed as a  
10 deduction shall be included in computing the net income of  
11 the beneficiaries whether distributed to them or not. Any  
12 amount allowed as a deduction under this paragraph shall  
13 not be allowed as a deduction under paragraph (3) in the  
14 same or any succeeding taxable year;

15 (3) In the case of income received by estates of  
16 deceased persons during the period of administration or  
17 settlement of the estate, and in the case of income which,  
18 in the discretion of the fiduciary, may be either distributed  
19 to the beneficiary or accumulated, there shall be allowed  
20 as an additional deduction in computing the net income of  
21 the estate or trust the amount of the income of the estate  
22 or trust for its taxable year which is properly paid or credited  
23 during such year to any legatee, heir, or beneficiary, but  
24 the amount so allowed as a deduction shall be included in  
25 computing the net income of the legatee, heir, or beneficiary.

1 acquisition, maintenance or operation of a public cemetery  
2 not operated for profit;

3 (2) There shall be allowed as an additional deduc-  
4 tion in computing the net income of the estate or trust the  
5 amount of the income of the estate or trust for its taxable  
6 year which is to be distributed currently by the fiduciary to  
7 the beneficiaries, and the amount of the income collected by  
8 a guardian of an infant which is to be held or distributed  
9 as the court may direct, but the amount so allowed as a  
10 deduction shall be included in computing the net income of  
11 the beneficiaries whether distributed to them or not. Any  
12 amount allowed as a deduction under this paragraph shall  
13 not be allowed as a deduction under paragraph (3) in the  
14 same or any succeeding taxable year;

15 (3) In the case of income received by estates of  
16 deceased persons during the period of administration or  
17 settlement of the estate, and in the case of income which,  
18 in the discretion of the fiduciary, may be either distributed  
19 to the beneficiary or accumulated, there shall be allowed  
20 as an additional deduction in computing the net income of  
21 the estate or trust the amount of the income of the estate  
22 or trust for its taxable year which is properly paid or credited  
23 during such year to any legatee, heir, or beneficiary, but  
24 the amount so allowed as a deduction shall be included in  
25 computing the net income of the legatee, heir, or beneficiary.

1 (c) For the purpose of the normal tax the estate or  
2 trust shall be allowed the same credit as is allowed to a  
3 single person under subdivision (c) of section 216, and,  
4 if no part of the income of the estate or trust is included in  
5 computing the net income of any legatee, heir, or beneficiary,  
6 then in addition the same credits as are allowed by sub-  
7 divisions (a) and (b) of section 216.

8 (d) If any part of the income of an estate or trust is  
9 included in computing the net income of any legatee, heir,  
10 or beneficiary, such legatee, heir, or beneficiary shall, for the  
11 purpose of the normal tax, be allowed as credits, in addition  
12 to the credits allowed to him under section 216, his propor-  
13 tionate share of such amounts specified in subdivisions (a)  
14 and (b) of section 216 as are, under this section, required  
15 to be included in computing his net income. Any remaining  
16 portion of such amounts specified in subdivisions (a) and  
17 (b) of section 216 shall, for the purpose of the normal tax,  
18 be allowed as credits to the estate or trust.

19 (e) If the taxable year of a beneficiary is different  
20 from that of the estate or trust, the amount which he is  
21 required, under paragraph (2) of subdivision (b) of this  
22 section, to include in computing his net income, shall be  
23 based upon the income of the estate or trust for its taxable  
24 year ending within his taxable year.

1 (c) For the purpose of the normal tax the estate or  
2 trust shall be allowed the same credit as is allowed to a  
3 single person under subdivision (c) of section 216, and,  
4 if no part of the income of the estate or trust is included in  
5 computing the net income of any legatee, heir, or beneficiary,  
6 then in addition the same credits as are allowed by sub-  
7 divisions (a) and (b) of section 216.

8 (d) If any part of the income of an estate or trust is  
9 included in computing the net income of any legatee, heir,  
10 or beneficiary, such legatee, heir, or beneficiary shall, for the  
11 purpose of the normal tax, be allowed as credits, in addition  
12 to the credits allowed to him under section 216, his propor-  
13 tionate share of such amounts specified in subdivisions (a)  
14 and (b) of section 216 as are, under this section, required  
15 to be included in computing his net income. Any remaining  
16 portion of such amounts specified in subdivisions (a) and  
17 (b) of section 216 shall, for the purpose of the normal tax,  
18 be allowed as credits to the estate or trust.

19 (e) If the taxable year of a beneficiary is different  
20 from that of the estate or trust, the amount which he is  
21 required, under paragraph (2) of subdivision (b) of this  
22 section, to include in computing his net income, shall be  
23 based upon the income of the estate or trust for its taxable  
24 year ending within his taxable year.

1 (f) A trust created by an employer as a part of a stock  
2 bonus or profit-sharing plan for the exclusive benefit of some  
3 or all of his employees, to which contributions are made by  
4 such employer, or employees, or both, for the purpose of  
5 distributing to such employees the earnings and principal of  
6 the fund accumulated by the trust in accordance with such  
7 plan, shall not be taxable under this section, but the amount  
8 actually distributed or made available to any distributee shall  
9 be taxable to him in the year in which so distributed or made  
10 available to the extent that it exceeds the amounts paid in  
11 by him. Such distributees shall for the purpose of the normal  
12 tax be allowed as credits such part of the amount so dis-  
13 tributed or made available as represents the items specified  
14 in subdivisions (a) and (b) of section 216.

15 (g) Where the grantor of a trust has, at any time dur-  
16 ing the taxable year, either alone or in conjunction with any  
17 person not a beneficiary of the trust, the power to revest in  
18 himself title to any part of the corpus of the trust, then the  
19 income of such part of the trust for such taxable year shall be  
20 included in computing the net income of the grantor.

21 (h) Where any part of the income of a trust may, in  
22 the discretion of the grantor of the trust, either alone or in  
23 conjunction with any person not a beneficiary of the trust,  
24 be distributed to the grantor or be held or accumulated for  
25 future distribution to him, or where any part of the income



1 (f) A trust created by an employer as a part of a stock  
2 bonus or profit-sharing plan for the exclusive benefit of some  
3 or all of his employees, to which contributions are made by  
4 such employer, or employees, or both, for the purpose of  
5 distributing to such employees the earnings and principal of  
6 the fund accumulated by the trust in accordance with such  
7 plan, shall not be taxable under this section, but the amount  
8 actually distributed or made available to any distributee shall  
9 be taxable to him in the year in which so distributed or made  
10 available to the extent that it exceeds the amounts paid in  
11 by him. Such distributees shall for the purpose of the normal  
12 tax be allowed as credits such part of the amount so dis-  
13 tributed or made available as represents the items specified  
14 in subdivisions (a) and (b) of section 216.

15 (g) Where the grantor of a trust has, at any time dur-  
16 ing the taxable year, either alone or in conjunction with any  
17 person not a beneficiary of the trust, the power to revest in  
18 himself title to any part of the corpus of the trust, then the  
19 income of such part of the trust for such taxable year shall be  
20 included in computing the net income of the grantor.

21 (h) Where any part of the income of a trust may, in  
22 the discretion of the grantor of the trust, either alone or in  
23 conjunction with any person not a beneficiary of the trust,  
24 be distributed to the grantor or be held or accumulated for  
25 future distribution to him, or where any part of the income

1 of a trust is or may be applied to the payment of premiums  
2 upon policies of insurance on the life of the grantor (except  
3 policies of insurance irrevocably payable for the purposes  
4 and in the manner specified in paragraph (10) of subdivi-  
5 sion (a) of section 214), such part of the income of the  
6 trust shall be included in computing the net income of the  
7 grantor.

8 EVASION OF SURTAXES BY INCORPORATION

9 SEC. 220. (a) If any corporation, however created or  
10 organized, is formed or availed of for the purpose of pre-  
11 venting the imposition of the surtax upon its shareholders  
12 through the medium of permitting its gains and profits to  
13 accumulate instead of being divided or distributed, there shall  
14 be levied, collected, and paid for each taxable year upon the  
15 net income of such corporation a tax equal to 50 per centum  
16 of the amount thereof, which shall be in addition to the tax  
17 imposed by section 230 of this title and shall (except as pro-  
18 vided in subdivision (d) of this section) be computed, col-  
19 lected, and paid upon the same basis and in the same  
20 manner and subject to the same provisions of law, including  
21 penalties, as that tax.

22 (b) The fact that any corporation is a mere holding  
23 or investment company, or that the gains or profits are  
24 permitted to accumulate beyond the reasonable needs of  
25 the business, shall be prima facie evidence of a purpose to  
26 escape the surtax.

1 of a trust is or may be applied to the payment of premiums  
2 upon policies of insurance on the life of the grantor (except  
3 policies of insurance irrevocably payable for the purposes  
4 and in the manner specified in paragraph (10) of subdivi-  
5 sion (a) of section 214), such part of the income of the  
6 trust shall be included in computing the net income of the  
7 grantor.

8 EVASION OF SURTAXES BY INCORPORATION

9 SEC. 220. (a) If any corporation, however created or  
10 organized, is formed or availed of for the purpose of pre-  
11 venting the imposition of the surtax upon its shareholders  
12 through the medium of permitting its gains and profits to  
13 accumulate instead of being divided or distributed, there shall  
14 be levied, collected, and paid for each taxable year upon the  
15 net income of such corporation a tax equal to 50 per centum  
16 of the amount thereof, which shall be in addition to the tax  
17 imposed by section 230 of this title and shall (except as pro-  
18 vided in subdivision (d) of this section) be computed, col-  
19 lected, and paid upon the same basis and in the same manner  
20 and subject to the same provisions of law, including penal-  
21 ties, as that tax.

22 (b) The fact that any corporation is a mere holding  
23 or investment company, or that the gains or profits are  
24 permitted to accumulate beyond the reasonable needs of  
25 the business, shall be prima facie evidence of a purpose to  
26 escape the surtax.

1 (c) When requested by the Commissioner, or any  
2 collector, every corporation shall forward to him a correct  
3 statement of such gains and profits and the names and ad-  
4 dresses of the individuals or shareholders who would be  
5 entitled to the same if divided or distributed, and of the  
6 amounts that would be payable to each.

7 (d) As used in this section the term "net income"  
8 means the net income as defined in section 232, increased  
9 by the sum of the amount of the deduction allowed under  
10 paragraph (6) of subdivision (a) of section 234, and the  
11 amount of the interest on obligations of the United States  
12 issued after September 1, 1917, which would be subject  
13 to tax in whole or in part in the hands of an individual  
14 owner.

1 (c) When requested by the Commissioner, or any  
2 collector, every corporation shall forward to him a correct  
3 statement of such gains and profits and the names and ad-  
4 dresses of the individuals or shareholders who would be  
5 entitled to the same if divided or distributed, and of the  
6 amounts that would be payable to each.

7 (d) As used in this section the term "net income"  
8 means the net income as defined in section 232, increased  
9 by the sum of the amount of the deduction allowed under  
10 paragraph (6) of subdivision (a) of section 234, and the  
11 amount of the interest on obligations of the United States  
12 issued after September 1, 1917, which would be subject  
13 to tax in whole or in part in the hands of an individual  
14 owner.

15 (e) *The tax imposed by subdivision (a) of this section*  
16 *shall not apply in respect of any taxable year if all the*  
17 *shareholders of the corporation include in their gross income*  
18 *their entire distributive share, whether distributed or not,*  
19 *of the net income of the corporation for such year. Any*  
20 *amount so included in the gross income of a shareholder*  
21 *shall be treated as a dividend received. Any subsequent*  
22 *distribution made by the corporation out of the earnings or*  
23 *profits for such taxable year shall, if distributed to any*  
24 *shareholder who has so included in his gross income his*  
25 *distributive share, be exempt from tax in the amount of the*  
26 *share so included.*

## 1 PAYMENT OF INDIVIDUAL'S TAX AT SOURCE

2 SEC. 221. (a) All persons, in whatever capacity act-  
3 ing, including lessees or mortgagors of real or personal  
4 property, fiduciaries, employers, and all officers and em-  
5 ployees of the United States, having the control, receipt,  
6 custody, disposal, or payment of interest (except interest on  
7 deposits with persons carrying on the banking business paid  
8 to persons not engaged in business in the United States and  
9 not having an office or place of business therein), rent,  
10 salaries, wages, premiums, annuities, compensations, re-  
11 munerations, emoluments, or other fixed or determinable  
12 annual or periodical gains, profits, and income, of any non-  
13 resident alien individual, or of any partnership not engaged  
14 in trade or business within the United States and not having  
15 any office or place of business therein and composed in  
16 whole or in part of nonresident aliens, (other than income  
17 received as dividends of the class allowed as a credit by  
18 subdivision (a) of section 216) shall (except in the cases  
19 provided for in subdivision (b) and except as otherwise  
20 provided in regulations prescribed by the Commissioner  
21 under section 217) deduct and withhold from such annual  
22 or periodical gains, profits, and income a tax equal to 6 per  
23 centum thereof: *Provided*, That the Commissioner may  
24 authorize such tax to be deducted and withheld from the

## PAYMENT OF INDIVIDUAL'S TAX AT SOURCE

SEC. 221. (a) All persons, in whatever capacity acting, including lessees or mortgagors of real or personal property, fiduciaries, employers, and all officers and employees of the United States, having the control, receipt, custody, disposal, or payment of interest (except interest on deposits with persons carrying on the banking business paid to persons not engaged in business in the United States and not having an office or place of business therein), rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income, of any non-resident alien individual, or of any partnership not engaged in trade or business within the United States and not having any office or place of business therein and composed in whole or in part of nonresident aliens, (other than income received as dividends of the class allowed as a credit by subdivision (a) of section 216) shall (except in the cases provided for in subdivision (b) and except as otherwise provided in regulations prescribed by the Commissioner under section 217) deduct and withhold from such annual or periodical gains, profits, and income a tax equal to 5 per centum thereof: *Provided*, That the Commissioner may authorize such tax to be deducted and withheld from the

1 interest upon any securities the owners of which are not  
2 known to the withholding agent.

3 (b) In any case where bonds, mortgages, or deeds  
4 of trust, or other similar obligations of a corporation con-  
5 tain a contract or provision by which the obligor agrees to  
6 pay any portion of the tax imposed by this title upon the  
7 obligee, or to reimburse the obligee for any portion of the  
8 tax, or to pay the interest without deduction for any tax  
9 which the obligor may be required or permitted to pay  
10 thereon, or to retain therefrom under any law of the United  
11 States, the obligor shall deduct and withhold a tax equal  
12 to 2 per centum of the interest upon such bonds, mortgages,  
13 deeds of trust, or other obligations, whether such interest  
14 is payable annually or at shorter or longer periods and  
15 whether payable to a nonresident alien individual or to an  
16 individual citizen or resident of the United States or to a  
17 partnership: *Provided*, That the Commissioner may author-  
18 ize such tax to be deducted and withheld in the case of  
19 interest upon any such bonds, mortgages, deeds of trust,  
20 or other obligations, the owners of which are not known to  
21 the withholding agent. Such deduction and withholding  
22 shall not be required in the case of a citizen or resident  
23 entitled to receive such interest, if he files with the with-  
24 holding agent on or before February 1 a signed notice in  
25 writing claiming the benefit of the credits provided in sub-



1 interest upon any securities the owners of which are not  
2 known to the withholding agent.

3 (b) In any case where bonds, mortgages, or deeds  
4 of trust, or other similar obligations of a corporation con-  
5 tain a contract or provision by which the obligor agrees to  
6 pay any portion of the tax imposed by this title upon the  
7 obligee, or to reimburse the obligee for any portion of the  
8 tax, or to pay the interest without deduction for any tax  
9 which the obligor may be required or permitted to pay  
10 thereon, or to retain therefrom under any law of the United  
11 States, the obligor shall deduct and withhold a tax equal  
12 to 2 per centum of the interest upon such bonds, mortgages,  
13 deeds of trust, or other obligations, whether such interest  
14 is payable annually or at shorter or longer periods and  
15 whether payable to a nonresident alien individual or to an  
16 individual citizen or resident of the United States or to a  
17 partnership: *Provided*, That the Commissioner may author-  
18 ize such tax to be deducted and withheld in the case of  
19 interest upon any such bonds, mortgages, deeds of trust,  
20 or other obligations, the owners of which are not known to  
21 the withholding agent. Such deduction and withholding  
22 shall not be required in the case of a citizen or resident  
23 entitled to receive such interest, if he files with the with-  
24 holding agent on or before February 1 a signed notice in  
25 writing claiming the benefit of the credits provided in sub-

1 divisions (c) and (d) of section 216; nor in the case of  
2 a nonresident alien individual if so provided for in regula-  
3 tions prescribed by the Commissioner under subdivision (g)  
4 of section 217.

11 (c) Every person required to deduct and withhold any  
12 tax under this section shall make return thereof on or before  
13 March 15 of each year and shall on or before June 15 pay  
14 the tax to the official of the United States Government  
15 authorized to receive it. Every such person is hereby made  
16 liable for such tax and is hereby indemnified against the  
17 claims and demands of any person for the amount of any  
18 payments made in accordance with the provisions of this  
19 section.

20 (d) Income upon which any tax is required to be  
21 withheld at the source under this section shall be included  
22 in the return of the recipient of such income, but any amount  
23 of tax so withheld shall be credited against the amount of  
24 income tax as computed in such return.

25 (e) If any tax required under this section to be de-  
26 ducted and withheld is paid by the recipient of the income,

1 divisions (c) and (d) of section 216; nor in the case of  
2 a nonresident alien individual if so provided for in regula-  
3 tions prescribed by the Commissioner under subdivision (g)  
4 of section 217. *Such deduction and withholdings shall be*  
5 *at the rate of 1½ per centum instead of at the rate of 2 per*  
6 *centum in the case of a citizen or resident entitled to receive*  
7 *such interest if he files with the withholding agent on or*  
8 *before February 1 a signed notice in writing that his net*  
9 *income in excess of the credits provided in section 216 does*  
10 *not exceed \$4,000.*

11 (c) Every person required to deduct and withhold any  
12 tax under this section shall make return thereof on or before  
13 March 15 of each year and shall on or before June 15 pay  
14 the tax to the official of the United States Government  
15 authorized to receive it. Every such person is hereby made  
16 liable for such tax and is hereby indemnified against the  
17 claims and demands of any person for the amount of any  
18 payments made in accordance with the provisions of this  
19 section.

20 (d) Income upon which any tax is required to be  
21 withheld at the source under this section shall be included  
22 in the return of the recipient of such income, but any amount  
23 of tax so withheld shall be credited against the amount of  
24 income tax as computed in such return.

25 (e) If any tax required under this section to be de-  
26 ducted and withheld is paid by the recipient of the income,

1 it shall not be re-collected from the withholding agent; nor  
2 in cases in which the tax is so paid shall any penalty be  
3 imposed upon or collected from the recipient of the income  
4 for the withholding agent for failure to return or pay the  
5 same, unless such failure was fraudulent and for the purpose  
6 of evading payment.

7 CREDIT FOR TAXES IN CASE OF INDIVIDUALS

8 SEC. 222. (a) The tax computed under Parts I and  
9 II of this title shall be credited with:

10 (1) In the case of a citizen of the United States the  
11 amount of any income, war-profits, and excess-profits taxes  
12 paid or accrued during the taxable year to any foreign  
13 country or to any possession of the United States; and

14 (2) In the case of a resident of the United States, the  
15 amount of any such taxes paid or accrued during the taxable  
16 year to any possession of the United States; and

17 (3) In the case of an alien resident of the United  
18 States, the amount of any such taxes paid or accrued during  
19 the taxable year to any foreign country, if the foreign coun-  
20 try of which such alien resident is a citizen or subject, or  
21 imposing such taxes, allows a similar credit to citizens of the  
22 United States residing in such country; and

23 (4) In the case of any such individual who is a mem-  
24 ber of a partnership or a beneficiary of an estate or trust, his  
25 proportionate share of such taxes of the partnership or the  
26 estate or trust paid or accrued during the taxable year to

1 it shall not be re-collected from the withholding agent; nor in  
2 cases in which the tax is so paid shall any penalty be imposed  
3 upon or collected from the recipient of the income or the  
4 withholding agent for failure to return or pay the same,  
5 unless such failure was fraudulent and for the purpose of  
6 evading payment.

## 7 CREDIT FOR TAXES IN CASE OF INDIVIDUALS

8 SEC. 222. (a) The tax computed under Parts I and  
9 II of this title shall be credited with:

10 (1) In the case of a citizen of the United States the  
11 amount of any income, war-profits, and excess-profits taxes  
12 paid or accrued during the taxable year to any foreign  
13 country or to any possession of the United States; and

14 (2) In the case of a resident of the United States, the  
15 amount of any such taxes paid or accrued during the taxable  
16 year to any possession of the United States; and

17 (3) In the case of an alien resident of the United States,  
18 the amount of any such taxes paid or accrued during the  
19 taxable year to any foreign country, if the foreign country  
20 of which such alien resident is a citizen or subject, in im-  
21 posing such taxes, allows a similar credit to citizens of the  
22 United States residing in such country; and

23 (4) In the case of any such individual who is a member  
24 of a partnership or a beneficiary of an estate or trust, his  
25 proportionate share of such taxes of the partnership or the  
26 estate or trust paid or accrued during the taxable year to

1 a foreign country or to any possession of the United States,  
2 as the case may be.  
3 (5) The above credits shall not be allowed in the case  
4 of a citizen entitled to the benefits of section 262; and in no  
5 other case shall the amount of credit taken under this subdivi-  
6 sion exceed the same proportion of the tax (computed on  
7 the basis of the taxpayer's net income without the deduction  
8 of any income, war-profits, or excess-profits tax any part of  
9 which may be allowed to him as a credit by this section),  
10 against which such credit is taken, which the taxpayer's net  
11 income (computed without the deduction of any such income,  
12 war-profits, or excess-profits tax) from sources without the  
13 United States bears to his entire net income (computed  
14 without such deduction) for the same taxable year.  
15 (b) If accrued taxes when paid differ from the  
16 amounts claimed as credits by the taxpayer, or if any tax  
17 paid is refunded in whole or in part, the taxpayer shall notify  
18 the Commissioner, who shall redetermine the amount of the  
19 tax due under Parts I and II of this title for the year or years  
20 affected, and the amount of tax due upon such redetermina-  
21 tion, if any, shall be paid by the taxpayer upon notice and  
22 demand by the collector, or the amount of tax overpaid, if  
23 any, shall be credited or refunded to the taxpayer in accord-  
24 ance with the provisions of section 281. In the case of such  
25 a tax accrued but not paid, the Commissioner as a condition

1 a foreign country or to any possession of the United States, as  
2 the case may be.

3 (5) The above credits shall not be allowed in the case  
4 of a citizen entitled to the benefits of section 262; and in no  
5 other case shall the amount of credit taken under this subdi-  
6 vision exceed the same proportion of the tax (computed on  
7 the basis of the taxpayer's net income without the deduction  
8 of any income, war-profits, or excess-profits tax any part of  
9 which may be allowed to him as a credit by this section),  
10 against which such credit is taken, which the taxpayer's net  
11 income (computed without the deduction of any such income,  
12 war-profits, or excess-profits tax) from sources without the  
13 United States bears to his entire net income (computed with-  
14 out such deduction) for the same taxable year.

15 (b) If accrued taxes when paid differ from the  
16 amounts claimed as credits by the taxpayer, or if any tax  
17 paid is refunded in whole or in part, the taxpayer shall notify  
18 the Commissioner, who shall redetermine the amount of the  
19 tax due under Parts I and II of this title for the year or years  
20 affected, and the amount of tax due upon such redetermina-  
21 tion, if any, shall be paid by the taxpayer upon notice and  
22 demand by the collector, or the amount of tax overpaid, if  
23 any, shall be credited or refunded to the taxpayer in accord-  
24 ance with the provisions of section ~~281~~ 284. In the case of  
25 such a tax accrued but not paid, the Commissioner as a condi-

1 precedent to the allowance of this credit may require the  
2 taxpayer to give a bond with sureties satisfactory to and to  
3 be approved by the Commissioner in such sum as the Com-  
4 missioner may require, conditioned upon the payment by  
5 the taxpayer of any amount of tax found due upon any  
6 such redetermination; and the bond herein prescribed shall  
7 contain such further conditions as the Commissioner may  
8 require.

9 (c) The credits provided for in subdivision (a) of  
10 this section may, at the option of the taxpayer and irre-  
11 spective of the method of accounting employed in keeping  
12 his books, be taken in the year in which the taxes of the  
13 foreign country or the possession of the United States  
14 accrued, subject, however, to the conditions prescribed in  
15 subdivision (b) of this section. If the taxpayer elects to  
16 take such credits in the year in which the taxes of the foreign  
17 country or the possession of the United States accrued, the  
18 credits for all subsequent years shall be taken upon the same  
19 basis.

20 (d) These credits shall be allowed only if the taxpayer  
21 furnishes evidence satisfactory to the Commissioner showing  
22 the amount of income derived from sources without the  
23 United States, and all other information necessary for the  
24 verification and computation of such credits.



tion precedent to the allowance of this credit may require the taxpayer to give a bond with sureties satisfactory to and to be approved by the Commissioner in such sum as the Commissioner may require, conditioned upon the payment by the taxpayer of any amount of tax found due upon any such redetermination; and the bond herein prescribed shall contain such further conditions as the Commissioner may require.

(c) The credits provided for in subdivision (a) of this section may, at the option of the taxpayer and irrespective of the method of accounting employed in keeping his books, be taken in the year in which the taxes of the foreign country or the possession of the United States accrued, subject, however, to the conditions prescribed in subdivision (b) of this section. If the taxpayer elects to take such credits in the year in which the taxes of the foreign country or the possession of the United States accrued, the credits for all subsequent years shall be taken upon the same basis.

(d) These credits shall be allowed only if the taxpayer furnishes evidence satisfactory to the Commissioner showing the amount of income derived from sources without the United States, and all other information necessary for the verification and computation of such credits.

## 1 INDIVIDUAL RETURNS

2 SEC. 223. (a) The following individuals shall each  
3 make under oath a return stating specifically the items of  
4 his gross income and the deductions and credits allowed  
5 under this title—

6 (1) Every individual having a net income for the tax-  
7 able year of \$1,000 or over, if single, or if married and not  
8 living with husband or wife;

9 (2) Every individual having a net income for the tax-  
10 able year of \$2,500 or over, if married and living with  
11 husband or wife; and

12 (3) Every individual having a gross income for the  
13 taxable year of \$5,000 or over, regardless of the amount of  
14 his net income.

15 (b) If a husband and wife living together have an  
16 aggregate net income for the taxable year of \$2,500  
17 or over, or an aggregate gross income for such year of  
18 \$5,000 or over—

19 (1) Each shall make such a return, or

20 (2) The income of each shall be included in a single  
21 joint return, in which case the tax shall be computed on the  
22 aggregate income.

23 (c) If the taxpayer is unable to make his own return,  
24 the return shall be made by a duly authorized agent or by  
25 the guardian or other person charged with the care of the  
26 person or property of such taxpayer.

1 INDIVIDUAL RETURNS

2 SEC. 223. (a) The following individuals shall each  
3 make under oath a return stating specifically the items of  
4 his gross income and the deductions and credits allowed  
5 under this title--

6 (1) Every individual having a net income for the tax-  
7 able year of \$1,500 or over, if single, or if married and not  
8 living with husband or wife;

9 (2) Every individual having a net income for the tax-  
10 able year of \$3,500 or over, if married and living with  
11 husband or wife; and

12 (3) Every individual having a gross income for the  
13 taxable year of \$5,000 or over, regardless of the amount of  
14 his net income.

15 (b) If a husband and wife living together have an  
16 aggregate net income for the taxable year of \$3,500 or  
17 over, or an aggregate gross income for such year of \$5,000  
18 or over--

19 (1) Each shall make such a return, or

20 (2) The income of each shall be included in a single  
21 joint return, in which case the tax shall be computed on the  
22 aggregate income.

23 (c) If the taxpayer is unable to make his own return,  
24 the return shall be made by a duly authorized agent or by  
25 the guardian or other person charged with the care of the  
26 person or property of such taxpayer.

1

## PARTNERSHIP RETURNS

2

SEC. 224. Every partnership shall make a return for  
3 each taxable year, stating specifically the items of its gross  
4 income and the deductions allowed by this title, and shall  
5 include in the return the names and addresses of the indi-  
6 viduals who would be entitled to share in the net income if  
7 distributed and the amount of the distributive share of each  
8 individual. The return shall be sworn to by any one of  
9 the partners.

10

## FIDUCIARY RETURNS

11

SEC. 225. (a) Every fiduciary (except a receiver  
12 appointed by authority of law in possession of part only of  
13 the property of an individual) shall make under oath a  
14 return for any of the following individuals, estates, or trusts  
15 for which he acts, stating specifically the items of gross  
16 income thereof and the deductions and credits allowed under  
17 this title—

18

(1) Every individual having a net income for the tax-  
19 able year of \$1,000 or over, if single, or if married and not  
20 living with husband or wife;

21

(2) Every individual having a net income for the  
22 taxable year of \$2,500 or over, if married and living with  
23 husband or wife;

24

(3) Every individual having a gross income for the  
25 taxable year of \$5,000 or over, regardless of the amount of  
26 his net income;

## PARTNERSHIP RETURNS

1  
2       SEC. 224. Every partnership shall make a return for  
3 each taxable year, stating specifically the items of its gross  
4 income and the deductions allowed by this title, and shall  
5 include in the return the names and addresses of the indi-  
6 viduals who would be entitled to share in the net income if  
7 distributed and the amount of the distributive share of each  
8 individual. The return shall be sworn to by any one of  
9 the partners.

## FIDUCIARY RETURNS

10  
11       SEC. 225. (a) Every fiduciary (except a receiver  
12 appointed by authority of law in possession of part only of  
13 the property of an individual) shall make under oath a  
14 return for any of the following individuals, estates, or trusts  
15 for which he acts, stating specifically the items of gross  
16 income thereof and the deductions and credits allowed under  
17 this title—

18       (1) Every individual having a net income for the tax-  
19 able year of \$1,500 or over, if single, or if married and not  
20 living with husband or wife;

21       (2) Every individual having a net income for the  
22 taxable year of \$3,500 or over, if married and living with  
23 husband or wife;

24       (3) Every individual having a gross income for the  
25 taxable year of \$5,000 or over, regardless of the amount of  
26 his net income;

1 (4) Every estate or trust the net income of which for  
2 the taxable year is \$1,000 or over;

3 (5) Every estate or trust the gross income of which for  
4 the taxable year is \$5,000 or over, regardless of the amount  
5 of the net income; and

6 (6) Every estate or trust of which any beneficiary is a  
7 nonresident alien.

8 (b) Under such regulations as the Commissioner with  
9 the approval of the Secretary may prescribe a return made  
10 by one of two or more joint fiduciaries and filed in the office  
11 of the collector of the district where such fiduciary resides  
12 shall be sufficient compliance with the above requirement.  
13 Such fiduciary shall make oath (1) that he has sufficient  
14 knowledge of the affairs of the individual, estate, or trust for  
15 which the return is made, to enable him to make the return,  
16 and (2) that the return is, to the best of his knowledge and  
17 belief, true and correct. Any fiduciary required to make a  
18 return under this Act shall be subject to all the provisions of  
19 this Act which apply to individuals.

20 RETURNS FOR A PERIOD OF LESS THAN TWELVE MONTHS

21 SEC. 226. (a) If a taxpayer, with the approval of the  
22 Commissioner, changes the basis of computing net income  
23 from fiscal year to calendar year a separate return shall be  
24 made for the period between the close of the last fiscal year  
25 for which return was made and the following December 31.

- 1 (4) Every estate or trust the net income of which for
- 2 the taxable year is \$1,500 or over;
- 3 (5) Every estate or trust the gross income of which for
- 4 the taxable year is \$5,000 or over, regardless of the amount
- 5 of the net income; and
- 6 (6) Every estate or trust of which any beneficiary is a
- 7 nonresident alien.

8 (b) Under such regulations as the Commissioner with  
9 the approval of the Secretary may prescribe a return made  
10 by one of two or more joint fiduciaries and filed in the office  
11 of the collector of the district where such fiduciary resides  
12 shall be sufficient compliance with the above requirement.  
13 Such fiduciary shall make oath (1) that he has sufficient  
14 knowledge of the affairs of the individual, estate or trust for  
15 which the return is made, to enable him to make the return,  
16 and (2) that the return is, to the best of his knowledge and  
17 belief, true and correct. Any fiduciary required to make a  
18 return under this Act shall be subject to all the provisions of  
19 this Act which apply to individuals.

20 RETURNS FOR A PERIOD OF LESS THAN TWELVE MONTHS

21 SEC. 226. (a) If a taxpayer, with the approval of the  
22 Commissioner, changes the basis of computing net income  
23 from fiscal year to calendar year, a separate return shall be  
24 made for the period between the close of the last fiscal year  
25 for which return was made, and the following December 31.

1 If the change is from calendar year to fiscal year, a separate  
2 return shall be made for the period between the close of the  
3 last calendar year for which return was made and the date  
4 designated as the close of the fiscal year. If the change is  
5 from one fiscal year to another fiscal year a separate return  
6 shall be made for the period between the close of the former  
7 fiscal year and the date designated as the close of the new  
8 fiscal year.

9 (b) Where a separate return is so made, and in all  
10 other cases where a separate return is required or permitted,  
11 by regulations prescribed by the Commissioner with the  
12 approval of the Secretary, to be made for a fractional part of  
13 a year, then the income shall be computed on the basis of  
14 the period for which separate return is made.

15 (c) If a separate return is made under subdivision (a)  
16 the net income, computed in accordance with the provisions  
17 of subdivision (b), shall be placed on an annual basis by  
18 multiplying the amount thereof by twelve and dividing by  
19 the number of months included in the period for which the  
20 separate return is made. The tax shall be such part of the  
21 tax computed on such annual basis as the number of months  
22 in such period is of twelve months.

23 (d) The Commissioner with the approval of the Sec-  
24 retary shall by regulations prescribe the method of applying  
25 the provisions of subdivisions (b) and (c) to cases where



1 If the change is from calendar year to fiscal year, a separate  
2 return shall be made for the period between the close of the  
3 last calendar year for which return was made and the date  
4 designated as the close of the fiscal year. If the change is  
5 from one fiscal year to another fiscal year, a separate return  
6 shall be made for the period between the close of the former  
7 fiscal year and the date designated as the close of the new  
8 fiscal year.

9 (b) Where a separate return is so made, and in all  
10 other cases where a separate return is required or permitted,  
11 by regulations prescribed by the Commissioner with the  
12 approval of the Secretary, to be made for a fractional part of  
13 a year, then the income shall be computed on the basis of  
14 the period for which separate return is made.

15 (c) If a separate return is made under subdivision (a),  
16 the net income, computed in accordance with the provisions  
17 of subdivision (b), shall be placed on an annual basis by  
18 multiplying the amount thereof by twelve and dividing by  
19 the number of months included in the period for which the  
20 separate return is made. The tax shall be such part of the  
21 tax computed on such annual basis as the number of months  
22 in such period is of twelve months.

23 (d) The Commissioner with the approval of the Sec-  
24 retary shall by regulations prescribe the method of applying  
25 the provisions of subdivisions (b) and (c) to cases where

1 the taxpayer makes a separate return under subdivision (a)  
2 and it appears that for the period for which the return is so  
3 made he has derived a capital net gain, or sustained a capital  
4 net loss, or received earned income.

5 (c) In the case of a return made for a fractional part  
6 of a year, except a return made under subdivision (a), the  
7 credits provided in subdivisions (d), (d), and (e) of sec-  
8 tion 216 shall be reduced respectively to amounts which  
9 bear the same ratio to the full credits provided in such sub-  
10 divisions as the number of months in the period for which  
11 return is made bears to twelve months.

12 TIME AND PLACE FOR FILING INDIVIDUAL, PARTNERSHIP,

13 AND FIDUCIARY RETURNS

14 SEC. 227. (a) Returns (except in the case of non-  
15 resident aliens) shall be made on or before the fifteenth day  
16 of the third month following the close of the fiscal year, or  
17 if the return is made on the basis of the calendar year, then  
18 the return shall be made on or before the 15th day of March.  
19 In the case of a nonresident alien individual returns shall  
20 be made on or before the fifteenth day of the sixth month  
21 following the close of the fiscal year, or, if the return is made  
22 on the basis of the calendar year, then the return shall be  
23 made on or before the 15th day of June. The Commissioner  
24 may grant a reasonable extension of time for filing returns,  
25 if application therefor is made before the date prescribed by

1 the taxpayer makes a separate return under subdivision (a)  
2 and it appears that for the period for which the return is so  
3 made he has derived a capital net gain, or sustained a capital  
4 net loss, or received earned income.

5 (e) In the case of a return made for a fractional part  
6 of a year, except a return made under subdivision (a), the  
7 credits provided in subdivisions (e), (d), and (a) of Sec-  
8 tion 216 shall be reduced, respectively, to amounts which  
9 bear the same ratio to the full credits provided in such sub-  
10 divisions as the number of months in the period for which  
11 return is made bears to twelve months.

12 TIME AND PLACE FOR FILING INDIVIDUAL, PARTNERSHIP,  
13 AND FIDUCIARY RETURNS

14 SEC. 227. (a) Returns (except in the case of non-  
15 resident aliens) shall be made on or before the fifteenth day  
16 of the third month following the close of the fiscal year; or,  
17 if the return is made on the basis of the calendar year, then  
18 the return shall be made on or before the 15th day of March.  
19 In the case of a nonresident alien, individual returns shall  
20 be made on or before the fifteenth day of the sixth month  
21 following the close of the fiscal year, or, if the return is made  
22 on the basis of the calendar year, then the return shall be  
23 made on or before the 15th day of June. The Commissioner  
24 may grant a reasonable extension of time for filing returns,  
25 under such rules and regulations as he shall prescribe with

1 law for filing the return, whenever in his judgment good  
 2 cause exists, and shall keep a record of every such extension  
 3 and the reason therefor. Except in the case of taxpayers  
 4 who are abroad, no such extension shall be for more than  
 5 six months.

6 (b) Returns shall be made to the collector for the dis-  
 7 trict in which is located the legal residence or principal place  
 8 of business of the person making the return, or, if he has no  
 9 legal residence or principal place of business in the United  
 10 States, then to the collector at Baltimore, Maryland.

11 PART III.—CORPORATIONS

12 TAX ON CORPORATIONS

13 SEC. 230. In lieu of the tax imposed by section 280  
 14 of the Revenue Act of 1921 there shall be levied, col-  
 15 lected, and paid for each taxable year upon the net income  
 16 of every corporation a tax of 12½ per centum of the amount  
 17 of the net income in excess of the credits provided in sec-  
 18 tions 236 and 268.

19 CONDITIONAL AND OTHER EXEMPTIONS OF CORPORATIONS

20 SEC. 231. The following organizations shall be exempt  
 21 from taxation under this title—

- 22 (1) Labor, agricultural, or horticultural organizations;
- 23 (2) Mutual savings banks not having a capital stock  
 24 represented by shares;
- 25 (3) Fraternal beneficiary societies, orders, or associa-  
 26 tions, (a) operating under the lodge system or for the exclu-

1 the approval of the Secretary. Except in the case of tax-  
2 payers who are abroad, no such extension shall be for more  
3 than six months.

6 (b) Returns shall be made to the collector for the dis-  
7 trict in which is located the legal residence or principal place  
8 of business of the person making the return, or, if he has no  
9 legal residence or principal place of business in the United  
10 States, then to the collector at Baltimore, Maryland.

### 11 PART III.—CORPORATIONS

#### 12 TAX ON CORPORATIONS

13 SEC. 230. In lieu of the tax imposed by section 230  
14 of the Revenue Act of 1924 there shall be levied, collected,  
15 and paid for each taxable year upon the net income of every  
16 corporation a tax of  $12\frac{1}{2}$  per centum ~~13 $\frac{1}{2}$  per centum~~ of  
17 the amount of the net income in excess of the credits provided  
18 in sections 236 and 263.

#### 19 CONDITIONAL AND OTHER EXEMPTIONS OF CORPORATIONS

20 SEC. 231. The following organizations shall be exempt  
21 from taxation under this title—

- 22 (1) Labor, agricultural, or horticultural organizations;
- 23 (2) Mutual savings banks not having a capital stock  
24 represented by shares;
- 25 (3) Fraternal beneficiary societies, orders, or associa-  
26 tions, (a) operating under the lodge system or for the exclu-

1 sive benefit of the members of a fraternity itself operating  
2 under the lodge system; and (b) providing for the payment  
3 of life, sick, accident, or other benefits to the members of  
4 such society, order, or association or their dependents;

5 (4) Domestic building and loan associations substan-  
6 tially all the business of which is confined to making loans  
7 to members; and cooperative banks without capital stock  
8 organized and operated for mutual purposes and without  
9 profit;

10 (5) Cemetery companies owned and operated exclu-  
11 sively for the benefit of their members or which are not  
12 operated for profit; and any corporation chartered solely  
13 for burial purposes as a cemetery corporation and not per-  
14 mitted by its charter to engage in any business not neces-  
15 sarily incident to that purpose, no part of the net earnings  
16 of which inures to the benefit of any private shareholder or  
17 individual;

18 (6) Corporations, and any community chest, fund, or  
19 foundation, organized and operated exclusively for religious,  
20 charitable, scientific, literary, or educational purposes, or for  
21 the prevention of cruelty to children or animals, no part of  
22 the net earnings of which inures to the benefit of any private  
23 shareholder or individual;

24 (7) Business leagues, chambers of commerce, or boards  
25 of trade, not organized for profit and no part of the net

1 sive benefit of the members of a fraternity itself operating  
2 under the lodge system; and (b) providing for the payment  
3 of life, sick, accident, or other benefits to the members of  
4 such society, order, or association or their dependants;

5 (4) Domestic building and loan associations substan-  
6 tially all the business of which is confined to making loans  
7 to members; and cooperative banks without capital stock  
8 organized and operated for mutual purposes and without  
9 profit;

10 (5) Cemetery companies owned and operated exclu-  
11 sively for the benefit of their members or which are not  
12 operated for profit; and any corporation chartered solely  
13 for burial purposes as a cemetery corporation and not per-  
14 mitted by its charter to engage in any business not neces-  
15 sarily incident to that purpose, no part of the net earnings  
16 of which inures to the benefit of any private shareholder or  
17 individual;

18 (6) Corporations, and any community chest, fund, or  
19 foundation, organized and operated exclusively for religious,  
20 charitable, scientific, literary, or educational purposes, or for  
21 the prevention of cruelty to children or animals, no part of  
22 the net earnings of which inures to the benefit of any private  
23 shareholder or individual;

24 (7) Business leagues, chambers of commerce, or board  
25 of trade, not organized for profit and no part of the net

1 earnings of which inures to the benefit of any private share-  
2 holder or individual;

3 (8) Civic leagues or organizations not organized for  
4 profit but operated exclusively for the promotion of social  
5 welfare, or local associations of employees, the membership  
6 of which is limited to the employees of a designated person  
7 or persons in a particular municipality, and the net earn-  
8 ings of which are devoted exclusively to charitable, educa-  
9 tional, or recreational purposes;

10 (9) Clubs organized and operated exclusively for  
11 pleasure, recreation, and other nonprofitable purposes, no  
12 part of the net earnings of which inures to the benefit of any  
13 private shareholder;

14 (10) Benevolent life insurance associations of a purely  
15 local character, farmers' or other mutual hail, cyclone,  
16 casualty, or fire insurance companies, mutual ditch or irriga-  
17 tion companies, mutual or cooperative telephone companies,  
18 or like organizations; but only if 85 per centum or more of  
19 the income consists of amounts collected from members  
20 for the sole purpose of meeting losses and expenses;



1 earnings of which inures to the benefit of any private share-  
2 holder or individual;

3 (8) Civic leagues or organizations not organized for  
4 profit but operated exclusively for the promotion of social  
5 welfare, or local associations of employees, the membership  
6 of which is limited to the employees of a designated person  
7 or persons in a particular municipality, and the net earn-  
8 ings of which are devoted exclusively to charitable, educa-  
9 tional, or recreational purposes;

10 (9) Clubs organized and operated exclusively for  
11 pleasure, recreation, and other nonprofitable purposes, no  
12 part of the net earnings of which inures to the benefit of any  
13 private shareholder;

14 (10) Benevolent life insurance associations of a purely  
15 local character, *mutual farmers' or other mutual fire insur-*  
16 *ance companies, mutual ditch or irrigation companies,*  
17 *mutual or cooperative telephone companies, or like*  
18 *organizations; but only if 85 per centum or more of*  
19 *the income consists of amounts collected from members*  
20 *for the sole purpose of meeting losses and expenses;*

21 (11) Farmers' or other mutual hail, cyclone, *casualty,*  
22 *or fire or casualty* insurance companies or associations the  
23 income of which is used or held for the purpose of paying  
24 losses or expenses;

(11) Farmers', fruit-growers', or like associations,  
 organized and operated as sales agents for the purpose of  
 marketing the products of members and turning back to  
 them the proceeds of sales, less the necessary selling  
 expenses, on the basis of the quantity of produce furnished  
 by them; or organized and operated as purchasing agents  
 for the purpose of purchasing supplies and equipment for  
 the use of members and turning over such supplies and  
 equipment to such members at actual cost, plus necessary  
 expenses;

... although it is to be understood that the provisions of this section shall not apply to any association which is organized and operated as a sales agent for the purpose of marketing the products of members and turning back to them the proceeds of sales, less the necessary selling expenses, on the basis of the quantity of produce furnished by them; or organized and operated as purchasing agents for the purpose of purchasing supplies and equipment for the use of members and turning over such supplies and equipment to such members at actual cost, plus necessary expenses; ...

1       (12) Farmers', fruit growers', or like associations,  
2 organized and operated as sales agents for the purpose of  
3 marketing the products of members and turning back to  
4 them the proceeds of sales, less the necessary selling  
5 expenses, on the basis of the quantity of produce furnished  
6 by them; or organized and operated as purchasing agents  
7 for the purpose of purchasing supplies and equipment for  
8 the use of members and turning over such supplies and  
9 equipment to such members at actual cost, plus necessary  
10 expenses;

11       (12) Any farmers', fruit growers', or like association  
12 organized and operated on a cooperative basis (a) for the  
13 purpose of marketing the products of members or other pro-  
14 ducers, and turning back to them the proceeds of sales, less  
15 the necessary marketing expenses, on the basis of either the  
16 quantity or the value of the products furnished by them,  
17 or (b) for the purpose of purchasing supplies and equip-  
18 ment for the use of such members and other persons and  
19 turning over such supplies and equipment to them at actual  
20 cost, plus necessary expenses. Exemption shall not be denied  
21 any association because it has capital stock, (1) if the divi-  
22 dend rate of such stock is fixed at not to exceed either the  
23 legal rate of interest, in the State of incorporation, on the  
24 value of the consideration for which the stock was issued,

(11) Corporations organized for the exclusive purpose  
 of holding title to property, collecting income therefrom,  
 and turning over the entire amount thereof, less expenses,  
 to an organization which itself is exempt from the tax  
 imposed by this title; and  
 (12) Federal land banks, national farm-loan associa-  
 tions, and Federal intermediate credit banks, as provided  
 in the Federal Farm Loan Act, as amended.

(12) Corporations organized for the exclusive purpose  
 of holding title to property, collecting income therefrom,  
 and turning over the entire amount thereof, less expenses,  
 to an organization which itself is exempt from the tax  
 imposed by this title; and  
 (13) Federal land banks, national farm-loan associa-  
 tions, and Federal intermediate credit banks, as provided  
 in the Federal Farm Loan Act, as amended.

1 or 8 per centum per annum of the par value of such stock  
2 (or if without a par value then of the value of the con-  
3 sideration for which the stock was issued), whichever is the  
4 greater; and (2) if substantially all such stock is owned by  
5 the members and other producers who market their products  
6 or purchase their supplies and equipment through the asso-  
7 ciation; nor shall exemption be denied any association because  
8 there is accumulated and maintained by it a reserve required  
9 by State law or a reasonable reserve for any necessary pur-  
10 pose. The Commissioner, with the approval of the Secretary,  
11 may prescribe by regulation the extent of marketing or  
12 purchasing operations for nonmembers, but any such pur-  
13 chasing association may purchase supplies and equipment  
14 for persons other than its members and other producers if  
15 the value of such purchases does not exceed 15 per centum  
16 of the total value of all its purchases;

17 (13) Corporations organized for the exclusive pur-  
18 pose of holding title to property, collecting income there-  
19 from, and turning over the entire amount thereof, less  
20 expenses, to an organization which itself is exempt from  
21 the tax imposed by this title; and

22 (14) Federal land banks, national farm-loan asso-  
23 ciations, and Federal intermediate credit banks, as pro-  
24 vided in the Federal Farm Loan Act, as amended.

## 1 NET INCOME OF CORPORATIONS DEFERRED

2 SEC. 232. In the case of a corporation subject to the  
3 tax imposed by section 230 the term "net income" means  
4 the gross income as defined in section 233 less the deduc-  
5 tions allowed by sections 234 and 236, and the net in-  
6 come shall be computed on the same basis as is provided  
7 in subdivision (b) of section 219 or in section 226. In the  
8 case of a foreign corporation or of a corporation entitled to  
9 the benefits of section 262 the computation shall also be  
10 made in the manner provided in section 217.

## 11 GROSS INCOME OF CORPORATIONS DEFINED

12 SEC. 233. (a) In the case of a corporation subject  
13 to the tax imposed by section 230 the term "gross in-  
14 come" means the gross income as defined in sections 218  
15 and 217, except that mutual marine insurance companies  
16 shall include in gross income the gross premiums collected  
17 and received by them less amounts paid for reinsurance.

18 (b) In the case of a foreign corporation, gross in-  
19 come means only gross income from sources within the  
20 United States, determined (except in the case of insur-  
21 ance companies subject to the tax imposed by sections 243  
22 or 246) in the manner provided in section 217.

## 23 DEDUCTIONS ALLOWED CORPORATIONS

24 SEC. 234. (a) In computing the net income of a cor-  
25 poration subject to the tax imposed by section 230 there  
26 shall be allowed as deductions:

1 NET INCOME OF CORPORATIONS DEFINED

2 SEC. 232. In the case of a corporation subject to the  
 3 tax imposed by section 230 the term "net income" means  
 4 the gross income as defined in section 233 less the deduc-  
 5 tions allowed by sections 234 and 206, and the net in-  
 6 come shall be computed on the same basis as is provided  
 7 in subdivision (b) of section 212 or in section 226. In the  
 8 case of a foreign corporation or of a corporation entitled to  
 9 the benefits of section 262 the computation shall also be  
 10 made in the manner provided in section 217.

11 GROSS INCOME OF CORPORATIONS DEFINED

12 SEC. 233. (a) In the case of a corporation subject  
 13 to the tax imposed by section 230 the term "gross in-  
 14 come" means the gross income as defined in sections 213  
 15 and 217, except that mutual marine insurance companies  
 16 shall include in gross income the gross premiums collected  
 17 and received by them less amounts paid for reinsurance.

18 (b) In the case of a foreign corporation, gross in-  
 19 come means only gross income from sources within the  
 20 United States, determined (except in the case of insur-  
 21 ance companies subject to the tax imposed by sections 243  
 22 or 246) in the manner provided in section 217.

23 DEDUCTIONS ALLOWED CORPORATIONS

24 SEC. 234. (a) In computing the net income of a cor-  
 25 poration subject to the tax imposed by section 230 there  
 26 shall be allowed as deductions:

1 (1) All the ordinary and necessary expenses paid or  
2 incurred during the taxable year in carrying on any trade  
3 or business, including a reasonable allowance for salaries or  
4 other compensation for personal services actually rendered,  
5 and including rentals or other payments required to be made  
6 as a condition to the continued use or possession of property  
7 to which the corporation has not taken or is not taking title,  
8 or in which it has no equity;

9 (2) All interest paid or accrued within the taxable  
10 year on its indebtedness, except on indebtedness incurred or  
11 continued to purchase or carry obligations or securities (other  
12 than obligations of the United States issued after September  
13 24, 1917, and originally subscribed for by the taxpayer) the  
14 interest upon which is wholly exempt from taxation under  
15 this title;

16 (3) Taxes paid or accrued within the taxable year  
17 except (A) income, war-profits, and excess-profits taxes im-  
18 posed by the authority of the United States, (B) so much  
19 of the income, war-profits, and excess-profits taxes imposed  
20 by the authority of any foreign country or possession of the  
21 United States as is allowed as a credit under section 238,  
22 and (C) taxes assessed against local benefits of a kind tend-  
23 ing to increase the value of the property assessed. In the  
24 case of obligors specified in subdivision (b) of section 221 no



1           (1) All the ordinary and necessary expenses paid or  
2 incurred during the taxable year in carrying on any trade  
3 or business, including a reasonable allowance for salaries or  
4 other compensation for personal services actually rendered,  
5 and including rentals or other payments required to be made  
6 as a condition to the continued use or possession of property  
7 to which the corporation has not taken or is not taking title,  
8 or in which it has no equity;

9           (2) All interest paid or accrued within the taxable  
10 year on its indebtedness, except on indebtedness incurred or  
11 continued to purchase or carry obligations or securities (other  
12 than obligations of the United States issued after September  
13 24, 1917, and originally subscribed for by the taxpayer) the  
14 interest upon which is wholly exempt from taxation under  
15 this title;

16           (3) Taxes paid or accrued within the taxable year  
17 except (A) income, war-profits, and excess-profits taxes im-  
18 posed by the authority of the United States, (B) so much  
19 of the income, war-profits, and excess-profits taxes imposed  
20 by the authority of any foreign country or possession of the  
21 United States as is allowed as a credit under section 238,  
22 and (C) taxes assessed against local benefits of a kind tend-  
23 ing to increase the value of the property assessed. In the  
24 case of obligors specified in subdivision (b) of section 221 no

1 deduction for the payment of the tax imposed by this title, or  
2 any other tax paid pursuant to the tax-free covenant clause,  
3 shall be allowed, nor shall such tax be included in the gross  
4 income of the obligee. The deduction allowed by this para-  
5 graph shall be allowed in the case of taxes imposed upon a  
6 shareholder of a corporation upon his interest as shareholder,  
7 which are paid by the corporation without reimbursement  
8 from the shareholder, but in such cases no deduction shall  
9 be allowed the shareholder for the amount of such taxes.  
10 For the purpose of this paragraph, estate, inheritance, leg-  
11 acy, and succession taxes accrue on the due date thereof ex-  
12 cept as otherwise provided by law of the jurisdiction im-  
13 posing such taxes;

14 (4) Losses sustained during the taxable year and not  
15 compensated for by insurance or otherwise. No deduction  
16 shall be allowed under this paragraph for any loss claimed  
17 to have been sustained in any sale or other disposition of  
18 shares of stock or securities where it appears that within  
19 thirty days before or after the date of such sale or other  
20 disposition the taxpayer has acquired (otherwise than by  
21 bequest or inheritance) or has entered into a contract or  
22 option to acquire substantially identical property, and the  
23 property so acquired is held by the taxpayer for any period  
24 after such sale or other disposition, unless such claim is

1 deduction for the payment of the tax imposed by this title, or  
2 any other tax paid pursuant to the tax-free covenant clause.  
3 shall be allowed, nor shall such tax be included in the gross  
4 income of the obligee. The deduction allowed by this para-  
5 graph shall be allowed in the case of taxes imposed upon a  
6 shareholder of a corporation upon his interest as shareholder,  
7 which are paid by the corporation without reimbursement  
8 from the shareholder, but in such cases no deduction shall  
9 be allowed the shareholder for the amount of such taxes.  
10 For the purpose of this paragraph, estate, inheritance, leg-  
11 acy, and succession taxes accrue on the due date thereof ex-  
12 cept as otherwise provided by law of the jurisdiction im-  
13 posing such taxes;

14 (4) Losses sustained during the taxable year and not  
15 compensated for by insurance or otherwise. No deduction  
16 shall be allowed under this paragraph for any loss claimed  
17 to have been sustained in any sale or other disposition of  
18 shares of stock or securities where it appears that within  
19 thirty days before or after the date of such sale or other  
20 disposition the taxpayer has acquired (otherwise than by  
21 bequest or inheritance) or has entered into a contract or  
22 option to acquire substantially identical property, and the  
23 property so acquired is held by the taxpayer for any period  
24 after such sale or other disposition, unless such claim is

1 made by a dealer in stock or securities and with respect  
2 to a transaction made in the ordinary course of its business.

3 If such acquisition or the contract or option to acquire is  
4 to the extent of part only of substantially identical property,  
5 then only a proportionate part of the loss shall be disallowed.

6 The basis for determining the amount of the deduction for  
7 losses sustained shall be the same as is provided in section  
8 204 for determining the gain or loss from the sale or other  
9 disposition of property;

10 (5) Debts ascertained to be worthless and charged  
11 off within the taxable year (or in the discretion of the  
12 Commissioner, a reasonable addition to a reserve for bad  
13 debts); and when satisfied that a debt is recoverable only  
14 in part, the Commissioner may allow such debt to be  
15 charged off in part;

16 (6) The amount received as dividends (A) from a  
17 domestic corporation other than a corporation entitled to  
18 the benefits of section 262, and other than a corporation  
19 organized under the China Trade Act, 1922, or (B) from  
20 any foreign corporation when it is shown to the satisfaction  
21 of the Commissioner that more than 50 per centum of the  
22 gross income of such foreign corporation for the three-year  
23 period ending with the close of its taxable year preceding  
24 the declaration of such dividends (or for such part of such

1 made by a dealer in stock or securities and with respect  
2 to a transaction made in the ordinary course of its business.

3 If such acquisition or the contract or option to acquire is  
4 to the extent of part only of substantially identical property,  
5 then only a proportionate part of the loss shall be disallowed.

6 The basis for determining the amount of the deduction for  
7 losses sustained shall be the same as is provided in section  
8 204 for determining the gain or loss from the sale or other  
9 disposition of property;

10 (5) Debts ascertained to be worthless and charged  
11 off within the taxable year (or in the discretion of the  
12 Commissioner, a reasonable addition to a reserve for bad  
13 debts); and when satisfied that a debt is recoverable only  
14 in part, the Commissioner may allow such debt to be  
15 charged off in part;

16 (6) The amount received as dividends (A) from a  
17 domestic corporation other than a corporation entitled to  
18 the benefits of section 262, and other than a corporation  
19 organized under the China Trade Act, 1922, or (B) from  
20 any foreign corporation when it is shown to the satisfaction  
21 of the Commissioner that more than 50 per centum of the  
22 gross income of such foreign corporation for the three-year  
23 period ending with the close of its taxable year preceding  
24 the declaration of such dividends (or for such part of such

1 period as the foreign corporation has been in existence) was  
2 derived from sources within the United States as deter-  
3 mined under section 217;

4 (7) A reasonable allowance for the exhaustion, wear  
5 and tear of property used in the trade or business, includ-  
6 ing a reasonable allowance for obsolescence;

7 (8) In the case of mines, oil and gas wells, other natu-  
8 ral deposits, and timber, a reasonable allowance for de-  
9 pletion and for depreciation of improvements, according to  
10 the peculiar conditions in each case; such reasonable allow-  
11 ance in all cases to be made under rules and regulations  
12 to be prescribed by the Commissioner with the approval of  
13 the Secretary. In the case of leases the deductions allowed  
14 by this paragraph shall be equitably apportioned between  
15 the lessor and lessee;

16 (9) In the case of insurance companies (other than  
17 life insurance companies), in addition to the above (unless  
18 otherwise allowed): (A) The net addition required by law  
19 to be made within the taxable year to reserve funds (includ-  
20 ing in the case of assessment insurance companies the actual  
21 deposit of sums with State or Territorial officers pursuant to  
22 law as additions to guarantee or reserve funds); and (B)  
23 the sums other than dividends paid within the taxable year  
24 on policy and annuity contracts. This paragraph shall apply

1 period as the foreign corporation has been in existence) was  
2 derived from sources within the United States as deter-  
3 mined under section 217;

4 (7) A reasonable allowance for the exhaustion, wear  
5 and tear of property used in the trade or business, includ-  
6 ing a reasonable allowance for obsolescence;

7 (8) In the case of mines, oil and gas wells, other natu-  
8 ral deposits, and timber, a reasonable allowance for de-  
9 pletion and for depreciation of improvements, according to  
10 the peculiar conditions in each case; such reasonable allow-  
11 ance in all cases to be made under rules and regulations  
12 to be prescribed by the Commissioner with the approval of  
13 the Secretary. In the case of leases the deductions allowed  
14 by this paragraph shall be equitably apportioned between  
15 the lessor and lessee;

16 (9) In the case of insurance companies (other than  
17 life insurance companies), in addition to the above (unless  
18 otherwise allowed): (A) The net addition required by law  
19 to be made within the taxable year to reserve funds (includ-  
20 ing in the case of assessment insurance companies the actual  
21 deposit of sums with State or Territorial officers pursuant to  
22 law as additions to guarantee or reserve funds); and (B)  
23 the sums other than dividends paid within the taxable year  
24 on policy and annuity contracts. This paragraph shall apply

1 only to mutual insurance companies other than life insurance  
2 companies;

3 (10) In the case of mutual marine insurance compa-  
4 nies, there shall be allowed, in addition to the deductions  
5 allowed in paragraphs (1) to (9), inclusive, unless other-  
6 wise allowed, amounts repaid to policyholders on account of  
7 premiums previously paid by them, and interest paid upon  
8 such amounts between the ascertainment and the payment  
9 thereof;

10 (11) In the case of mutual insurance companies  
11 (including interinsurers and reciprocal underwriters, but not  
12 including mutual life or mutual marine insurance companies)  
13 requiring their members to make premium deposits to pro-  
14 vide for losses and expenses, there shall be allowed, in addi-  
15 tion to the deductions allowed in paragraphs (1) to (9),  
16 inclusive, unless otherwise allowed, the amount of premium  
17 deposits returned to their policyholders and the amount of  
18 premium deposits retained for the payment of losses, ex-  
19 penses, and reinsurance reserves.

20 (b) In the case of a foreign corporation or of a cor-  
21 poration entitled to the benefits of section 262 the deductions  
22 allowed in subdivision (a) shall be allowed only if and to  
23 the extent that they are connected with income from sources  
24 within the United States; and the proper apportionment and



1 only to mutual insurance companies other than life insurance  
2 companies;

3 (10) In the case of mutual marine insurance compa-  
4 nies, there shall be allowed, in addition to the deductions  
5 allowed in paragraphs (1) to (9), inclusive, unless other-  
6 wise allowed, amounts repaid to policyholders on account of  
7 premiums previously paid by them, and interest paid upon  
8 such amounts between the ascertainment and the payment  
9 thereof;

10 (11) In the case of mutual insurance companies  
11 (including interinsurers and reciprocal underwriters, but not  
12 including mutual life or mutual marine insurance companies)  
13 requiring their members to make premium deposits to pro-  
14 vide for losses and expenses, there shall be allowed, in addi-  
15 tion to the deductions allowed in paragraphs (1) to (9),  
16 inclusive, unless otherwise allowed, the amount of premium  
17 deposits returned to their policyholders and the amount of  
18 premium deposits retained for the payment of losses,  
19 expenses, and reinsurance reserves.

20 (b) In the case of a foreign corporation or of a cor-  
21 poration entitled to the benefits of section 262 the deductions  
22 allowed in subdivision (a) shall be allowed only if and to  
23 the extent that they are connected with income from sources  
24 within the United States; and the proper apportionment and

1 allocation of the deductions with respect to sources within  
2 and without the United States shall be determined as pro-  
3 vided in section 217 under rules and regulations prescribed  
4 by the Commissioner with the approval of the Secretary.

5 ITEMS NOT DEDUCTIBLE BY CORPORATIONS

6 SEC. 235. In computing net income no deduction shall  
7 in any case be allowed in respect of any of the items speci-  
8 fied in section 215.

9 CREDITS ALLOWED CORPORATIONS

10 SEC. 236. For the purpose only of the tax imposed by  
11 section 230 there shall be allowed the following credits:

12 (a) The amount received as interest upon obligations  
13 of the United States which is included in gross income under  
14 section 233; and

15 (b) In the case of a domestic corporation the net  
16 income of which is \$25,000 or less, a specific credit of  
17 \$2,000; but if the net income is more than \$25,000 the tax  
18 imposed by section 230 shall not exceed the tax which  
19 would be payable if the \$2,000 credit were allowed, plus the  
20 amount of the net income in excess of \$25,000.

21 PAYMENT OF CORPORATION INCOME TAX AT SOURCE

22 SEC. 237. In the case of foreign corporations subject  
23 to taxation under this title not engaged in trade or business  
24 within the United States and not having any office or place

1 allocation of the deductions with respect to sources within  
2 and without the United States shall be determined as pro-  
3 vided in section 217 under rules and regulations prescribed  
4 by the Commissioner with the approval of the Secretary.

5 ITEMS NOT DEDUCTIBLE BY CORPORATIONS

6 SEC. 235. In computing net income no deduction shall  
7 in any case be allowed in respect of any of the items specified  
8 in section 215.

9 CREDITS ALLOWED CORPORATIONS

10 SEC. 236. For the purpose only of the tax imposed by  
11 section 230 there shall be allowed the following credits:

12 (a) The amount received as interest upon obligations  
13 of the United States which is included in gross income under  
14 section 233; and

15 (b) In the case of a domestic corporation the net  
16 income of which is \$25,000 or less, a specific credit of  
17 \$2,000; but if the net income is more than \$25,000 the tax  
18 imposed by section 230 shall not exceed the tax which  
19 would be payable if the \$2,000 credit were allowed, plus the  
20 amount of the net income in excess of \$25,000.

21 PAYMENT OF CORPORATION INCOME TAX AT SOURCE

22 SEC. 237. In the case of foreign corporations subject  
23 to taxation under this title not engaged in trade or business  
24 within the United States and not having any office or place

1 of business therein, there shall be deducted and withheld  
2 at the source in the same manner and upon the same items  
3 of income as is provided in section 221 a tax equal to 12½  
4 per centum thereof,

7 and such tax shall be returned and paid  
8 in the same manner and subject to the same conditions as  
9 provided in that section: *Provided*, That in the case of  
10 interest described in subdivision (b) of that section the de-  
11 duction and withholding shall be at the rate of 2 per centum.

18 CREDIT FOR TAXES IN CASE OF CORPORATIONS

14 SEC. 238. (a) In the case of a domestic corporation  
15 the tax imposed by this title shall be credited with the  
16 amount of any income, war-profits, and excess-profits taxes  
17 paid or accrued during the same taxable year to any foreign  
18 country, or to any possession of the United States: *Pro-*  
19 *vided*, That the amount of such credit shall in no case exceed  
20 the same proportion of the tax (computed on the basis of  
21 the taxpayer's net income without the deduction of any  
22 income, war-profits, or excess-profits taxes imposed by any  
23 foreign country or possession of the United States), against  
24 which such credit is taken, which the taxpayer's net income  
25 (computed without the deduction of any such income, war-

1 of business therein, there shall be deducted and withheld  
2 at the source in the same manner and upon the same items  
3 of income as is provided in section 221 a tax equal to 12½  
4 per centum thereof *in respect of all payments of income*  
5 *made before the enactment of this Act, and equal to 13½ per*  
6 *centum thereof in respect of all payments of income made*  
7 *after the enactment of this Act, and such tax shall be returned*  
8 and paid in the same manner and subject to the same condi-  
9 tions as provided in that section: *Provided, That in the case*  
10 *of interest described in subdivision (b) of that section the*  
11 *deduction and withholding shall be at the rate of 2 per*  
12 *centum.*

## 13 CREDIT FOR TAXES IN CASE OF CORPORATIONS

14 SEC. 238. (a) In the case of a domestic corporation  
15 the tax imposed by this title shall be credited with the  
16 amount of any income, war-profits, and excess-profits taxes  
17 paid or accrued during the same taxable year to any foreign  
18 country, or to any possession of the United States: *Pro-*  
19 *vided, That the amount of such credit shall in no case exceed*  
20 *the same proportion of the tax (computed on the basis of*  
21 *the taxpayer's net income without the deduction of any*  
22 *income, war-profits, or excess-profits taxes imposed by any*  
23 *foreign country or possession of the United States), against*  
24 *which such credit is taken, which the taxpayer's net income*  
25 *(computed without the deduction of any such income, war-*

1 profits, or excess-profits tax) from sources without the  
2 United States bears to its entire net income (composed with-  
3 out such deduction) for the same taxable year. In the case  
4 of domestic insurance companies subject to the tax imposed  
5 by section 243 or 246, the term "net income" as used in  
6 this subdivision means net income as defined in sections  
7 245 and 246, respectively.

8 (b) If accrued taxes when paid differ from the  
9 amounts claimed as credits by the corporation, or if any  
10 tax paid is refunded in whole or in part, the corporation  
11 shall at once notify the Commissioner, who shall redeter-  
12 mine the amount of the taxes for the year or years affected,  
13 and the amount of taxes due upon such redetermination, if  
14 any, shall be paid by the corporation upon notice and de-  
15 mand by the collector, or the amount of taxes overpaid, if  
16 any, shall be credited, or refunded to the corporation in  
17 accordance with the provisions of section 281. In the case  
18 of such a tax accrued but not paid, the Commissioner as a  
19 condition precedent to the allowance of this credit may  
20 require the corporation to give a bond with sureties satis-  
21 factory to and to be approved by him in such sum as he  
22 may require, conditioned upon the payment by the taxpayer  
23 of any amount of taxes found due upon any such redeter-  
24 mination; and the bond herein prescribed shall contain such  
25 further conditions as the Commissioner may require.

1 profits, or excess-profits tax) from sources without the  
2 United States bear to its entire net income (computed with-  
3 out such deduction) for the same taxable year. In the case  
4 of domestic insurance companies subject to the tax imposed  
5 by section 243 or 246, the term "net income" as used in  
6 this subdivision means net income as defined in sections  
7 245 and 246, respectively.

8 (b) If accrued taxes when paid differ from the  
9 amounts claimed as credits by the corporation, or if any  
10 tax paid is refunded in whole or in part, the corporation  
11 shall at once notify the Commissioner, who shall redeter-  
12 mine the amount of the taxes for the year or years affected,  
13 and the amount of taxes due upon such redetermination, if  
14 any, shall be paid by the corporation upon notice and de-  
15 mand by the collector, or the amount of taxes overpaid, if  
16 any, shall be credited, or refunded to the corporation in  
17 accordance with the provisions of section ~~281~~ 284. In the  
18 case of such a tax accrued but not paid, the Commissioner as  
19 a condition precedent to the allowance of this credit may  
20 require the corporation to give a bond with sureties satis-  
21 factory to and to be approved by him in such sum as he  
22 may require, conditioned upon the payment by the taxpayer  
23 of any amount of taxes found due upon any such redeter-  
24 mination; and the bond herein prescribed shall contain such  
25 further conditions as the Commissioner may require.

1 (c) The credits provided for in subdivision (a) of this  
2 section may, at the option of the taxpayer and irrespective  
3 of the method of accounting employed in keeping its books,  
4 be taken in the year in which the taxes of the foreign country  
5 or the possession of the United States accrued, subject, how-  
6 ever, to the conditions prescribed in subdivision (b) of this  
7 section. If the taxpayer elects to take such credits in the  
8 year in which the taxes of the foreign country or the posses-  
9 sion of the United States accrued, the credits for all subse-  
10 quent years shall be taken upon the same basis.

11 (d) These credits shall be allowed only if the tax-  
12 payer furnishes evidence satisfactory to the Commissioner  
13 showing the amount of income derived from sources without  
14 the United States, and all other information necessary for  
15 the verification and computation of such credit.

16 (e) For the purposes of this section a domestic corpora-  
17 tion which owns a majority of the voting stock of a foreign  
18 corporation from which it receives dividends (not deductible  
19 under section 234) in any taxable year shall be deemed  
20 to have paid the same proportion of any income, war-profits,  
21 or excess-profits taxes paid by such foreign corporation to  
22 any foreign country or to any possession of the United States,  
23 upon or with respect to the accumulated profits of such  
24 foreign corporation from which such dividends were paid,



1 (c) The credits provided for in subdivision (a) of this  
2 section may, at the option of the taxpayer and irrespective  
3 of the method of accounting employed in keeping its books,  
4 be taken in the year in which the taxes of the foreign country  
5 or the possession of the United States accrued, subject, how-  
6 ever, to the conditions prescribed in subdivision (b) of this  
7 section. If the taxpayer elects to take such credits in the  
8 year in which the taxes of the foreign country or the posses-  
9 sion of the United States accrued, the credits for all subse-  
10 quent years shall be taken upon the same basis.

11 (d) These credits shall be allowed only if the tax-  
12 payer furnishes evidence satisfactory to the Commissioner  
13 showing the amount of income derived from sources without  
14 the United States, and all other information necessary for  
15 the verification and computation of such credit.

16 (e) For the purposes of this section a domestic corpora-  
17 tion which owns a majority of the voting stock of a foreign  
18 corporation from which it receives dividends (not deductible  
19 under section 234) in any taxable year shall be deemed  
20 to have paid the same proportion of any income, war-profits,  
21 or excess-profits taxes paid by such foreign corporation to  
22 any foreign country or to any possession of the United States,  
23 upon or with respect to the accumulated profits of such  
24 foreign corporation from which such dividends were paid.

1 which the amount of such dividends bears to the amount of  
2 such accumulated profits: *Provided*, That the credit allowed  
3 to any domestic corporation under this subdivision shall in  
4 no case exceed the same proportion of the taxes against which  
5 it is credited, which the amount of such dividends bears to the  
6 amount of the entire net income of the domestic corporation  
7 in which such dividends are included. The term "accumu-  
8 lated profits" when used in this subdivision in reference to  
9 a foreign corporation, means the amount of its gains, profits,  
10 or income in excess of the income, war-profits, and excess-  
11 profits taxes imposed upon or with respect to such profits or  
12 income; and the Commissioner with the approval of the Sec-  
13 retary shall have full power to determine from the accumu-  
14 lated profits of what year or years such dividends were paid;  
15 treating dividends paid in the first sixty days of any year  
16 as having been paid from the accumulated profits of the pre-  
17 ceding year or years (unless to his satisfaction shown other-  
18 wise), and in other respects treating dividends as having been  
19 paid from the most recently accumulated gains, profits, or  
20 earnings. In the case of a foreign corporation, the income,  
21 war-profits, and excess-profits taxes of which are determined  
22 on the basis of an accounting period of less than one year,  
23 the word "year" as used in this subdivision shall be con-  
24 strued to mean such accounting period.

1 which the amount of such dividends bears to the amount of  
2 such accumulated profits: *Provided*, That the credit allowed  
3 to any domestic corporation under this subdivision shall in  
4 no case exceed the same proportion of the taxes against which  
5 it is credited, which the amount of such dividends bears to the  
6 amount of the entire net income of the domestic corporation  
7 in which such dividends are included. The term "accumu-  
8 lated profits" when used in this subdivision in reference to  
9 a foreign corporation, means the amount of its gains, profits,  
10 or income in excess of the income, war-profits, and excess-  
11 profits taxes imposed upon or with respect to such profits or  
12 income; and the Commissioner with the approval of the Sec-  
13 retary shall have full power to determine from the accumu-  
14 lated profits of what year or years such dividends were paid;  
15 treating dividends paid in the first sixty days of any year  
16 as having been paid from the accumulated profits of the pre-  
17 ceding year or years (unless to his satisfaction shown other-  
18 wise), and in other respects treating dividends as having been  
19 paid from the most recently accumulated gains, profits, or  
20 earnings. In the case of a foreign corporation, the income,  
21 war-profits, and excess-profits taxes of which are determined  
22 on the basis of an accounting period of less than one year,  
23 the word "year" as used in this subdivision shall be con-  
24 strued to mean such accounting period.

1 (f) For the purposes of this section a corporation en-  
2 titled to the benefits of section 262 or 263 shall be treated  
3 as a foreign corporation.

4 CORPORATION RETURNS

5 SEC. 239. (a) Every corporation subject to taxation  
6 under this title shall make a return, stating specifically the  
7 items of its gross income and the deductions and credits  
8 allowed by this title. The return shall be sworn to by the  
9 president, vice president, or other principal officer and by  
10 the treasurer or assistant treasurer. If any foreign corpora-  
11 tion has no office or place of business in the United States  
12 but has an agent in the United States, the return shall be  
13 made by the agent. In cases where receivers, trustees in  
14 bankruptcy, or assignees are operating the property or busi-  
15 ness of corporations, such receivers, trustees, or assignees  
16 shall make returns for such corporations in the same manner  
17 and form as corporations are required to make returns. Any  
18 tax due on the basis of such returns made by receivers,  
19 trustees, or assignees shall be collected in the same manner  
20 as if collected from the corporations of whose business or  
21 property they have custody and control.

22 (b) Returns made under this section shall be subject  
23 to the provisions of section 226. In the case of a return  
24 made for a fractional part of a year, except a return made  
25 under subdivision (a) of section 226, the credit provided in

1 (f) For the purposes of this section a corporation en-  
2 titled to the benefits of section 262 or 263 shall be treated  
3 as a foreign corporation.

4 CORPORATION RETURNS

5 SEC. 239. (a) Every corporation subject to taxation  
6 under this title shall make a return, stating specifically the  
7 items of its gross income and the deductions and credits  
8 allowed by this title. The return shall be sworn to by the  
9 president, vice president, or other principal officer and by  
10 the treasurer or assistant treasurer. If any foreign corpora-  
11 tion has no office or place of business in the United States  
12 but has an agent in the United States, the return shall be  
13 made by the agent. In cases where receivers, trustees in  
14 bankruptcy, or assignees are operating the property or busi-  
15 ness of corporations, such receivers, trustees, or assignees  
16 shall make returns for such corporations in the same manner  
17 and form as corporations are required to make returns. Any  
18 tax due on the basis of such returns made by receivers,  
19 trustees, or assignees shall be collected in the same manner  
20 as if collected from the corporations of whose business or  
21 property they have custody and control.

22 (b) Returns made under this section shall be subject  
23 to the provisions of section 226. In the case of a return  
24 made for a fractional part of a year, except a return made  
25 under subdivision (a) of section 226, the credit provided in

1 subdivision (b) of section 236 shall be reduced to an amount  
2 which bears the same ratio to the full credit therein provided  
3 as the number of months in the period for which the return  
4 is made bears to twelve months.

5 (c) There shall be included in the return or appended  
6 thereto a statement of such facts as will enable the Com-  
7 missioner to determine the portion of the earnings or profits  
8 of the corporation (including gains, profits and income not  
9 taxed) accumulated during the taxable year for which the  
10 return is made, which have been distributed or ordered to be  
11 distributed, respectively, to its shareholders during such year.

#### 12 CONSOLIDATED RETURNS OF CORPORATIONS

13 SEC. 240. (a) Corporations which are affiliated within  
14 the meaning of this section may, for any taxable year, make  
15 separate returns or, under regulations prescribed by the Com-  
16 missioner with the approval of the Secretary, make a consoli-  
17 dated return of net income for the purpose of this title, in  
18 which case the taxes thereunder shall be computed and  
19 determined upon the basis of such return. If return is made  
20 on either of such bases, all returns thereafter made shall be  
21 upon the same basis unless permission to change the basis is  
22 granted by the Commissioner.

23 (b) In any case in which a tax is assessed upon the  
24 basis of a consolidated return, the total tax shall be computed  
25 in the first instance as a unit and shall then be assessed upon

1 subdivision (b) of section 236 shall be reduced to an amount  
2 which bears the same ratio to the full credit therein provided  
3 as the number of months in the period for which the return  
4 is made bears to twelve months.

5 (c) There shall be included in the return or appended  
6 thereto a statement of such facts as will enable the Com-  
7 missioner to determine the portion of the earnings or profits  
8 of the corporation (including gains, profits and income not  
9 taxed) accumulated during the taxable year for which the  
10 return is made, which have been distributed or ordered to be  
11 distributed, respectively, to its shareholders during such year.

12 CONSOLIDATED RETURNS OF CORPORATIONS

13 SEC. 240. (a) Corporations which are affiliated within  
14 the meaning of this section may, for any taxable year, make  
15 separate returns or, under regulations prescribed by the Com-  
16 missioner with the approval of the Secretary, make a consoli-  
17 dated return of net income for the purpose of this title, in  
18 which case the taxes thereunder shall be computed and  
19 determined upon the basis of such return. If return is made  
20 on either of such bases, all returns thereafter made shall be  
21 upon the same basis unless permission to change the basis is  
22 granted by the Commissioner.

23 (b) In any case in which a tax is assessed upon the  
24 basis of a consolidated return, the total tax shall be computed  
25 in the first instance as a unit and shall then be assessed upon

1 the respective affiliated corporations in such proportions as  
2 may be agreed upon among them, or, in the absence of any  
3 such agreement, then on the basis of the net income properly  
4 assignable to each. There shall be allowed in computing the  
5 income tax only one specific credit computed as provided in  
6 subdivision (b) of section 236.

7 (c) For the purpose of this section two or more do-  
8 mestic corporations shall be deemed to be affiliated (1) if  
9 one corporation owns at least 95 per centum of the voting  
10 stock of the other or others, or (2) if at least 95 per centum  
11 of the voting stock of two or more corporations is owned by  
12 the same interests. A corporation organized under the China  
13 Trade Act, 1922, shall not be deemed to be affiliated with  
14 any other corporation within the meaning of this section.

15 (d) In any case of two or more related trades or busi-  
16 nesses (whether unincorporated or incorporated and whether  
17 organized in the United States or not) owned or controlled  
18 directly or indirectly by the same interests, the Commis-  
19 sioner may and at the request of the taxpayer shall, if neces-  
20 sary in order to make an accurate distribution or apportion-  
21 ment of gains, profits, income, deductions, or capital between  
22 or among such related trades or businesses, consolidate the  
23 accounts of such related trades or businesses.

24 (e) For the purposes of this section a corporation en-  
25 titled to the benefits of section 262 shall be treated as a  
26 foreign corporation.



1 the respective affiliated corporations in such proportions as  
2 may be agreed upon among them, or, in the absence of any  
3 such agreement, then on the basis of the net income properly  
4 assignable to each. There shall be allowed in computing the  
5 income tax only one specific credit computed as provided in  
6 subdivision (b) of section 236.

7 (c) For the purpose of this section two or more de-  
8 mestic corporations shall be deemed to be affiliated (1) if  
9 one corporation owns at least 95 per centum of the voting  
10 stock of the other or others, or (2) if at least 95 per centum  
11 of the voting stock of two or more corporations is owned by  
12 the same interests. A corporation organized under the China  
13 Trade Act, 1922, shall not be deemed to be affiliated with  
14 any other corporation within the meaning of this section.

15 (d) In any case of two or more related trades or busi-  
16 nesses (whether unincorporated or incorporated and whether  
17 organized in the United States or not) owned or controlled  
18 directly or indirectly by the same interests, the Commis-  
19 sioner may and at the request of the taxpayer shall, if neces-  
20 sary in order to make an accurate distribution or apportion-  
21 ment of gains, profits, income, deductions, or capital between  
22 or among such related trades or businesses, consolidate the  
23 accounts of such related trades or businesses.

24 (e) For the purposes of this section a corporation en-  
25 titled to the benefits of section 262 shall be treated as a  
26 foreign corporation.

## 1 TIME AND PLACE FOR FILING CORPORATE RETURNS

2 SEC. 241. (a) Returns of corporations shall be made  
3 at the same time as is provided in subdivision (a) of section  
4 227, except that in the case of foreign corporations not hav-  
5 ing any office or place of business in the United States re-  
6 turns shall be made at the same time as provided in section  
7 227 in the case of a nonresident alien individual.

8 (b) Returns shall be made to the collector of the district  
9 in which is located the principal place of business or prin-  
10 cipal office or agency of the corporation, or, if it has no prin-  
11 cipal place of business or principal office or agency in the  
12 United States, then to the collector at Baltimore, Maryland.

## 13 TAXES ON INSURANCE COMPANIES

14 SEC. 242. When used in this title the term "life insur-  
15 ance company" means an insurance company engaged in  
16 the business of issuing life insurance and annuity contracts  
17 (including contracts of combined life, health, and accident  
18 insurance), the reserve funds of which held for the fulfill-  
19 ment of such contracts comprise more than 50 per centum  
20 of its total reserve funds.

21 SEC. 243. In lieu of the taxes imposed by sections 230  
22 and 700, there shall be levied, collected, and paid for each  
23 taxable year upon the net income of every life insurance  
24 company a tax as follows:

1           **TIME AND PLACE FOR FILING CORPORATE RETURNS**

2           **SEC. 241.** (a) Returns of corporations shall be made  
3 at the same time as is provided in subdivision (a) of section  
4 227, except that in the case of foreign corporations not hav-  
5 ing any office or place of business in the United States re-  
6 turns shall be made at the same time as provided in section  
7 227 in the case of a nonresident alien individual.

8           (b) Returns shall be made to the collector of the district  
9 in which is located the principal place of business or prin-  
10 cipal office or agency of the corporation, or, if it has no prin-  
11 cipal place of business or principal office or agency in the  
12 United States, then to the collector at Baltimore, Maryland.

13                           **TAXES ON INSURANCE COMPANIES**

14           **SEC. 242.** When used in this title the term "life insur-  
15 ance company" means an insurance company engaged in  
16 the business of issuing life insurance and annuity contracts  
17 (including contracts of combined life, health, and accident  
18 insurance), the reserve funds of which held for the fulfill-  
19 ment of such contracts comprise more than 50 per centum  
20 of its total reserve funds.

21           **SEC. 243.** In lieu of the taxes imposed by sections 280  
22 and 700 tax imposed by section 230, there shall be levied,  
23 collected, and paid for each taxable year upon the net income  
24 of every life insurance company a tax as follows:

1 (1) In the case of a domestic life insurance company,  
2 the same percentage of its net income as is imposed upon  
3 other corporations by section 230;

5 (2) In the case of a foreign life insurance company,  
6 the same percentage of its net income from sources within  
7 the United States as is imposed upon the net income of other  
8 corporations by section 230.

10 SEC. 244. (a) In the case of a life insurance company  
11 the term "gross income" means the gross amount of income  
12 received during the taxable year from interest, dividends,  
13 and rents.

14 (b) The term "reserve funds required by law" in-  
15 cludes, in the case of assessment insurance, sums actually  
16 deposited by any company or association with State or Ter-  
17 torial officers pursuant to law as guaranty or reserve funds,  
18 and any funds maintained under the charter or articles of  
19 incorporation of the company or association exclusively for  
20 the payment of claims arising under certificates of member-  
21 ship or policies issued upon the assessment plan and not  
22 subject to any other use.

23 SEC. 245. (a) In the case of a life insurance company  
24 the term "net income" means the gross income less—

1 (1) In the case of a domestic life insurance company,  
2 the same percentage of its net income as is imposed upon  
3 other corporations by section ~~230~~ 12 $\frac{1}{2}$  per centum of its net  
4 income;

5 (2) In the case of a foreign life insurance company,  
6 the same percentage of its net income from sources within  
7 the United States as is imposed upon the net income of other  
8 corporations by section ~~230~~ 12 $\frac{1}{2}$  per centum of its net income  
9 from sources within the United States.

10 SEC. 244. (a) In the case of a life insurance company  
11 the term "gross income" means the gross amount of income  
12 received during the taxable year from interest, dividends, and  
13 rents.

14 (b) The term "reserve funds required by law" in-  
15 cludes, in the case of assessment insurance, sums actually  
16 deposited by any company or association with State or Ter-  
17 ritorial officers pursuant to law as guaranty or reserve funds,  
18 and any funds maintained under the charter or articles of  
19 incorporation of the company or association exclusively for  
20 the payment of claims arising under certificates of member-  
21 ship or policies issued upon the assessment plan and not  
22 subject to any other use.

23 SEC. 245. (a) In the case of a life insurance company  
24 the term "net income" means the gross income less—

1 (1) The amount of interest received during the taxable  
2 year which under paragraph (4) of subdivision (b) of  
3 section 213 is exempt from taxation under this title;

4 (2) An amount equal to the excess, if any, over the  
5 deduction specified in paragraph (1) of this subdivision, of  
6 4 per centum of the mean of the reserve funds required by  
7 law and held at the beginning and end of the taxable year,  
8 plus (in case of life insurance companies issuing policies  
9 covering life, health, and accident insurance combined in  
10 one policy issued on the weekly premium payment plan, con-  
11 tinuing for life and not subject to cancellation) 4 per  
12 centum of the mean of such reserve funds (not required by  
13 law) held at the beginning and end of the taxable year, as  
14 the Commissioner finds to be necessary for the protection of  
15 the holders of such policies only;

16 (3) The amount received as dividends (A) from a  
17 domestic corporation other than a corporation entitled to  
18 the benefits of section 262, and other than a corporation or-  
19 ganized under the China Trade Act, 1922, or (B) from  
20 any foreign corporation when it is shown to the satisfaction  
21 of the Commissioner that more than 50 per centum of the  
22 gross income of such foreign corporation for the three-year  
23 period ending with the close of its taxable year preceding  
24 the declaration of such dividends (or for such part of such  
25 period as the foreign corporation has been in existence) was

1 (1) The amount of interest received during the taxable  
2 year which under paragraph (4) of subdivision (b) of  
3 section 213 is exempt from taxation under this title;

4 (2) An amount equal to the excess, if any, over the  
5 deduction specified in paragraph (1) of this subdivision, of  
6 4 per centum of the mean of the reserve funds required by  
7 law and held at the beginning and end of the taxable year,  
8 plus (in case of life insurance companies issuing policies  
9 covering life, health, and accident insurance combined, in  
10 one policy issued on the weekly premium payment plan, con-  
11 tinuing for life and not subject to cancellation) 4 per  
12 centum of the mean of such reserve funds (not required by  
13 law) held at the beginning and end of the taxable year, as  
14 the Commissioner finds to be necessary for the protection of  
15 the holders of such policies only;

16 (3) The amount received as dividends (A) from a  
17 domestic corporation other than a corporation entitled to  
18 the benefits of section 262, and other than a corporation or-  
19 ganized under the China Trade Act, 1922, or (B) from  
20 any foreign corporation when it is shown to the satisfaction  
21 of the Commissioner that more than 50 per centum of the  
22 gross income of such foreign corporation for the three-year  
23 period ending with the close of its taxable year preceding  
24 the declaration of such dividends (or for such part of such  
25 period as the foreign corporation has been in existence) was

1 derived from sources within the United States as determined  
2 under section 217;

3 (4) An amount equal to 2 per centum of any sums  
4 held at the end of the taxable year as a reserve for dividends  
5 (other than dividends payable during the year following  
6 the taxable year) the payment of which is deferred for a  
7 period of not less than five years from the date of the policy  
8 contract;

9 (5) Investment expenses paid during the taxable year:  
10 *Provided*, That if any general expenses are in part assigned  
11 to or included in the investment expenses, the total deduc-  
12 tion under this paragraph shall not exceed one-fourth of  
13 1 per centum of the book value of the mean of the invested  
14 assets held at the beginning and end of the taxable year;

15 (6) Taxes and other expenses paid during the taxable  
16 year exclusively upon or with respect to the real estate  
17 owned by the company, not including taxes assessed against  
18 local benefits of a kind tending to increase the value of the  
19 property assessed, and not including any amount paid out  
20 for new buildings, or for permanent improvements or better-  
21 ments made to increase the value of any property. The  
22 deduction allowed by this paragraph shall be allowed in  
23 the case of taxes imposed upon a shareholder of a company  
24 upon his interest as shareholder, which are paid by the  
25 company without reimbursement from the shareholder, but



1 derived from sources within the United States as determined  
2 under section 217;

3 (4) An amount equal to 2 per centum of any sums  
4 held at the end of the taxable year as a reserve for dividends  
5 (other than dividends payable during the year following  
6 the taxable year) the payment of which is deferred for a  
7 period of not less than five years from the date of the policy  
8 contract;

9 (5) Investment expenses paid during the taxable year:  
10 *Provided*, That if any general expenses are in part assigned  
11 to or included in the investment expenses, the total deduc-  
12 tion under this paragraph shall not exceed one-fourth of  
13 1 per centum of the book value of the mean of the invested  
14 assets held at the beginning and end of the taxable year;

15 (6) Taxes and other expenses paid during the taxable  
16 year exclusively upon or with respect to the real estate  
17 owned by the company, not including taxes assessed against  
18 local benefits of a kind tending to increase the value of the  
19 property assessed, and not including any amount paid out  
20 for new buildings, or for permanent improvements or better-  
21 ments made to increase the value of any property. The  
22 deduction allowed by this paragraph shall be allowed in  
23 the case of taxes imposed upon a shareholder of a company  
24 upon his interest as shareholder, which are paid by the  
25 company without reimbursement from the shareholder, but

1 in such cases no deduction shall be allowed the shareholder  
2 for the amount of such taxes;

3 (7) A reasonable allowance for the exhaustion, wear  
4 and tear of property, including a reasonable allowance for  
5 obsolescence;

6 (8) All interest paid or accrued within the taxable  
7 year on its indebtedness, except on indebtedness incurred  
8 or continued to purchase or carry obligations or securities  
9 (other than obligations of the United States issued after  
10 September 24, 1917, and originally subscribed for by the  
11 taxpayer) the interest upon which is wholly exempt from  
12 taxation under this title; and

13 (9) In the case of a domestic life insurance company,  
14 the net income of which (computed without the benefit of  
15 this paragraph) is \$25,000 or less, the sum of \$2,000; but  
16 if the net income is more than \$25,000 the tax imposed by  
17 section 243 shall not exceed the tax which would be pay-  
18 able if the \$2,000 credit were allowed, plus the amount of  
19 the net income in excess of \$25,000.

20 (b) No deduction shall be made under paragraphs  
21 (6) and (7) of subdivision (a) on account of any real  
22 estate owned and occupied in whole or in part by a life  
23 insurance company unless there is included in the return  
24 of gross income the rental value of the space so occupied.  
25 Such rental value shall be not less than a sum which in

1 in such cases no deduction shall be allowed the shareholder  
2 for the amount of such taxes;

3 (7) A reasonable allowance for the exhaustion, wear  
4 and tear of property, including a reasonable allowance for  
5 obsolescence;

6 (8) All interest paid or accrued within the taxable  
7 year on its indebtedness, except on indebtedness incurred  
8 or continued to purchase or carry obligations or securities  
9 (other than obligations of the United States issued after  
10 September, 24, 1917, and originally subscribed for by the  
11 taxpayer) the interest upon which is wholly exempt from  
12 taxation under this title; and

13 (9) In the case of a domestic life insurance company,  
14 the net income of which (computed without the benefit of  
15 this paragraph) is \$25,000 or less, the sum of \$2,000; but  
16 if the net income is more than \$25,000 the tax imposed by  
17 section 243 shall not exceed the tax which would be pay-  
18 able if the \$2,000 credit were allowed, plus the amount of  
19 the net income in excess of \$25,000.

20 (b) No deduction shall be made under paragraphs  
21 (6) and (7) of subdivision (a) on account of any real  
22 estate owned and occupied in whole or in part by a life  
23 insurance company unless there is included in the return  
24 of gross income the rental value of the space so occupied.  
25 Such rental value shall be not less than a sum which in

1 addition to any rents received from other tenants shall pro-  
2 vide a net income (after deducting taxes, depreciation, and  
3 all other expenses) at the rate of 4 per centum per annum  
4 of the book value at the end of the taxable year of the real  
5 estate so owned or occupied.

6 (c) In the case of a foreign life insurance company  
7 the amount of its net income for any taxable year from  
8 sources within the United States shall be the same pro-  
9 portion of its net income for the taxable year from sources  
10 within and without the United States, which the reserve  
11 funds required by law and held by it at the end of the tax-  
12 able year upon business transacted within the United  
13 States is of the reserve funds held by it at the end of the  
14 taxable year upon all business transacted.

15 SEC. 246. (a) In lieu of the taxes imposed by sec-  
16 tions 230 and 700, there shall be levied, collected, and paid  
17 for each taxable year upon the net income of every insur-  
18 ance company (other than a life or mutual insurance  
19 company) a tax as follows:

20 (1) In the case of such a domestic insurance com-  
21 pany the same percentage of its net income as is imposed  
22 upon other corporations by section 230;

24 (2) In the case of such a foreign insurance company  
25 the same percentage of its net income from sources within

1 addition to any rents received from other tenants, shall pro-  
2 vide a net income (after deducting taxes, depreciation, and  
3 all other expenses) at the rate of 4 per centum per annum  
4 of the book value at the end of the taxable year of the real  
5 estate so owned or occupied.

6 (c) In the case of a foreign life insurance company  
7 the amount of its net income for any taxable year from  
8 sources within the United States shall be the same pro-  
9 portion of its net income for the taxable year from sources  
10 within and without the United States, which the reserve  
11 funds required by law and held by it at the end of the tax-  
12 able year upon business transacted within the United  
13 States is of the reserve funds held by it at the end of the  
14 taxable year upon all business transacted.

15 SEC. 246. (a) In lieu of the taxes imposed by sec-  
16 tions 230 and 700 tax imposed by section 230, there shall be  
17 levied, collected, and paid for each taxable year upon the  
18 net income of every insurance company (other than a life  
19 or mutual insurance company) a tax as follows:

20 (1) In the case of such a domestic insurance com-  
21 pany the same percentage of its net income as is imposed  
22 upon other corporations by section 230 company, 12½ per  
23 centum of its net income;

24 (2) In the case of such a foreign insurance company  
25 the same percentage of its net income from sources within

1 the United States as is imposed upon the net income of  
2 other corporations by section 230.

4 (b) In the case of an insurance company subject to  
5 the tax imposed by this section—

6 (1) The term "gross income" means the combined  
7 gross amount earned during the taxable year, from invest-  
8 ment income and from underwriting income as provided  
9 in this subdivision, computed on the basis of the under-  
10 writing and investment exhibit of the annual statement  
11 approved by the National Convention of Insurance Com-  
12 missioners;

13 (2) The term "net income" means the gross income  
14 as defined in paragraph (1) of this subdivision less the de-  
15 ductions allowed by section 247;

16 (3) The term "investment income" means the gross  
17 amount of income earned during the taxable year from  
18 interest, dividends, and rents, computed as follows:

19 To all interest, dividends, and rents received during  
20 the taxable year, add interest, dividends, and rents due  
21 and accrued at the end of the taxable year, and deduct all  
22 interest, dividends, and rents due and accrued at the end  
23 of the preceding taxable year;

24 (4) The term "underwriting income" means the  
25 premiums earned on insurance contracts during the taxable  
26 year less losses incurred and expenses incurred;

1 the United States as is imposed upon the net income of  
2 other corporations by section 230 company, 12½ per centum  
3 of its net income from sources within the United States.

4 (b) In the case of an insurance company subject to  
5 the tax imposed by this section—

6 (1) The term "gross income" means the combined  
7 gross amount earned during the taxable year, from invest-  
8 ment income and from underwriting income as provided  
9 in this subdivision, computed on the basis of the under-  
10 writing and investment exhibit of the annual statement  
11 approved by the National Convention of Insurance Com-  
12 missioners;

13 (2) The term "net income" means the gross income  
14 as defined in paragraph (1) of this subdivision less the de-  
15 ductions allowed by section 247;

16 (3) The term "investment income" means the gross  
17 amount of income earned during the taxable year from  
18 interest, dividends, and rents, computed as follows:

19 To all interest, dividends and rents received during  
20 the taxable year, add interest, dividends and rents due  
21 and accrued at the end of the taxable year, and deduct all  
22 interest, dividends and rents due and accrued at the end  
23 of the preceding taxable year;

24 (4) The term "underwriting income" means the  
25 premiums earned on insurance contracts during the taxable  
26 year less losses incurred and expenses incurred;

1 (5) The term "premiums earned on insurance con-  
2 tracts during the taxable year" means an amount computed  
3 as follows:

4 From the amount of gross premiums written on in-  
5 surance contracts during the taxable year, deduct return  
6 premiums and premiums paid for reinsurance. To the  
7 result so obtained add unearned premiums on outstanding  
8 business at the end of the preceding taxable year and deduct  
9 unearned premiums on outstanding business at the end of the  
10 taxable year;

11 (6) The term "losses incurred" means losses in-  
12 curred during the taxable year on insurance contracts, com-  
13 puted as follows:

14 To losses paid during the taxable year, add salvage  
15 and reinsurance recoverable outstanding at the end of the  
16 preceding taxable year; and deduct salvage and reinsurance  
17 recoverable outstanding at the end of the taxable year. To  
18 the result so obtained add all unpaid losses outstanding at  
19 the end of the taxable year and deduct unpaid losses out-  
20 standing at the end of the preceding taxable year;

21 (7) The term "expenses incurred" means all ex-  
22 penses shown on the annual statement approved by the  
23 National Convention of Insurance Commissioners, and shall  
24 be computed as follows:



1 (5) The term "premiums earned on insurance con-  
2 tracts during the taxable year" means an amount computed  
3 as follows:

4 From the amount of gross premiums written on in-  
5 surance contracts during the taxable year, deduct return  
6 premiums and premiums paid for reinsurance. To the  
7 result so obtained add unearned premiums on outstanding  
8 business at the end of the preceding taxable year and deduct  
9 unearned premiums on outstanding business at the end of the  
10 taxable year;

11 (6) The term "losses incurred" means losses in-  
12 curred during the taxable year on insurance contracts, com-  
13 puted as follows:

14 To losses paid during the taxable year, add salvage  
15 and reinsurance recoverable outstanding at the end of the  
16 preceding taxable year, and deduct salvage and reinsurance  
17 recoverable outstanding at the end of the taxable year. To  
18 the result so obtained add all unpaid losses outstanding at  
19 the end of the taxable year and deduct unpaid losses out-  
20 standing at the end of the preceding taxable year;

21 (7) The term "expenses incurred" means all ex-  
22 penses shown on the annual statement approved by the  
23 National Convention of Insurance Commissioners, and shall  
24 be computed as follows:

1 To all expenses paid during the taxable year add ex-  
2 penses unpaid at the end of the taxable year and deduct  
3 expenses unpaid at the end of the preceding taxable year.  
4 For the purpose of computing the net income subject to  
5 the tax imposed by this section there shall be deducted  
6 from expenses incurred, as defined in this paragraph, all ex-  
7 penses incurred which are not allowed as deductions by  
8 section 247.

9 SEC. 247. (a) In computing the net income of an in-  
10 surance company subject to the tax imposed by section 246  
11 there shall be allowed as deductions:

12 (1) All ordinary and necessary expenses incurred,  
13 as provided in paragraph (1) of subdivision (a) of sec-  
14 tion 234;

15 (2) All interest as provided in paragraph (2) of sub-  
16 division (a) of section 234;

17 (3) Taxes as provided in paragraph (3) of subdivision  
18 (a) of section 234;

19 (4) Losses incurred;

20 (5) Bad debts in the nature of agency balances and  
21 bills receivable ascertained to be worthless and charged off  
22 within the taxable year;

23 (3) The amount received as dividends from corpora-  
24 tions as provided in paragraph (6) of subdivision (a) of  
25 section 234;

1 To all expenses paid during the taxable year add ex-  
2 penses unpaid at the end of the taxable year and deduct  
3 expenses unpaid at the end of the preceding taxable year.  
4 For the purpose of computing the net income subject to  
5 the tax imposed by this section there shall be deducted  
6 from expenses incurred as defined in this paragraph all ex-  
7 penses incurred which are not allowed as deductions by  
8 section 247.

9 SEC. 247. (a) In computing the net income of an in-  
10 surance company subject to the tax imposed by section 246  
11 there shall be allowed as deductions:

12 (1) All ordinary and necessary expenses incurred,  
13 as provided in paragraph (1) of subdivision (a) of sec-  
14 tion 234;

15 (2) All interest as provided in paragraph (2) of sub-  
16 division (a) of section 234;

17 (3) Taxes as provided in paragraph (3) of subdivision  
18 (a) of section 234;

19 (4) Losses incurred;

20 (5) Bad debts in the nature of agency balances and  
21 bills receivable ascertained to be worthless and charged off  
22 within the taxable year;

23 (6) The amount received as dividends from corpora-  
24 tions as provided in paragraph (6) of subdivision (a) of  
25 section 234;

1 (7) The amount of interest earned during the taxable  
2 year which under paragraph (4) of subdivision (b) of sec-  
3 tion 213 is exempt from taxation under this title, and the  
4 amount of interest allowed as a credit under section 236;

5 (8) A reasonable allowance for the exhaustion, wear  
6 and tear of property, as provided in paragraph (7) of sub-  
7 division (a) of section 234;

8 (9) In the case of such a domestic insurance company,  
9 the net income of which (computed without the benefit of  
10 this paragraph) is \$25,000 or less, the sum of \$2,000; but if  
11 the net income is more than \$25,000 the tax imposed by sec-  
12 tion 246 shall not exceed the tax which would be payable if  
13 the \$2,000 credit were allowed, plus the amount of the net  
14 income in excess of \$25,000.

15 (b) In the case of a foreign corporation the deductions  
16 allowed in this section shall be allowed to the extent provided  
17 in subdivision (b) of section 234.

18 (c) Nothing in this section or in section 246 shall be  
19 construed to permit the same item to be twice deducted.

## 20 PART IV.—ADMINISTRATIVE PROVISIONS

### 21 RETURNS OF PAYMENTS OF DIVIDENDS

22 SEC. 254. Every corporation subject to the tax imposed  
23 by this title shall, when required by the Commissioner,  
24 render a correct return, duly verified under oath, of its pay-  
25 ments of dividends, stating the name and address of each

(7) The amount of interest earned during the taxable year which under paragraph (4) of subdivision (b) of section 213 is exempt from taxation under this title, and the amount of interest allowed as a credit under section 236;

(8) A reasonable allowance for the exhaustion, wear and tear of property, as provided in paragraph (7) of subdivision (a) of section 234;

(9) In the case of such a domestic insurance company, the net income of which (computed without the benefit of this paragraph) is \$25,000 or less, the sum of \$2,000; but if the net income is more than \$25,000 the tax imposed by section 246 shall not exceed the tax which would be payable if the \$2,000 credit were allowed, plus the amount of the net income in excess of \$25,000.

(b) In the case of a foreign corporation the deductions allowed in this section shall be allowed to the extent provided in subdivision (b) of section 234.

(c) Nothing in this section or in section 246 shall be construed to permit the same item to be twice deducted.

#### PART IV.—ADMINISTRATIVE PROVISIONS

##### RETURNS OF PAYMENTS OF DIVIDENDS

SEC. 254. Every corporation subject to the tax imposed by this title shall, when required by the Commissioner, render a correct return, duly verified under oath, of its payments of dividends, stating the name and address of each

1 shareholder, the number of shares owned by him, and the  
2 amount of dividends paid to him.

3 RETURNS OF BROKERS

4 SEC. 255. Every person doing business as a broker  
5 shall, when required by the Commissioner, render a correct  
6 return duly verified under oath, under such rules and regula-  
7 tions as the Commissioner, with the approval of the Secretary,  
8 may prescribe, showing the names of customers for whom  
9 such person has transacted any business, with such details  
10 as to the profits, losses, or other information which the  
11 Commissioner may require, as to each of such customers,  
12 as will enable the Commissioner to determine whether all  
13 income tax due on profits or gains of such customers has  
14 been paid.

15 INFORMATION AT SOURCE

16 SEC. 256. All persons, in whatever capacity acting, in-  
17 cluding lessees or mortgagors of real or personal property,  
18 fiduciaries, and employers, making payment to another per-  
19 son, of interest, rent, salaries, wages, premiums, annuities,  
20 compensations, remunerations, emoluments, or other fixed or  
21 determinable gains, profits, and income (other than pay-  
22 ments described in sections 254 and 255), of \$1,000 or  
23 more in any taxable year, or, in the case of such payments  
24 made by the United States, the officers or employees of the  
25 United States having information as to such payments and

1 shareholder, the number of shares owned by him, and the  
2 amount of dividends paid to him.

3 RETURNS OF BROKERS.

4 SEC. 255. Every person doing business as a broker  
5 shall, when required by the Commissioner, render a correct  
6 return duly verified under oath, under such rules and regula-  
7 tions as the Commissioner, with the approval of the Secretary,  
8 may prescribe, showing the names of customers for whom  
9 such person has transacted any business, with such details  
10 as to the profits, losses, or other information which the  
11 Commissioner may require, as to each of such customers,  
12 as will enable the Commissioner to determine whether all  
13 income tax due on profits or gains of such customers has  
14 been paid.

15 INFORMATION AT SOURCE.

16 SEC. 256. All persons, in whatever capacity acting, in-  
17 cluding lessees or mortgagors of real or personal property,  
18 fiduciaries, and employers, making payment to another per-  
19 son, of interest, rent, salaries, wages, premiums, annuities,  
20 compensations, remunerations, emoluments, or other fixed or  
21 determinable gains, profits, and income (other than pay-  
22 ments described in sections 254 and 255), of \$1,500  
23 or more in any taxable year, or, in the case of such payments  
24 made by the United States, the officers or employees of the  
25 United States having information as to such payments and

1 required to make returns in regard thereto by the regulations  
2 hereinafter provided for, shall render a true and accurate re-  
3 turn to the Commissioner, under such regulations and in such  
4 form and manner and to such extent as may be prescribed  
5 by him with the approval of the Secretary, setting forth the  
6 amount of such gains, profits, and income, and the name and  
7 address of the recipient of such payment.

8 Such returns may be required, regardless of amounts,  
9 (1) in the case of payments of interest upon bonds, mort-  
10 gages, deeds of trust, or other similar obligations of corpo-  
11 rations, and (2) in the case of collections of items (not pay-  
12 able in the United States) of interest upon the bonds of for-  
13 eign countries and interest upon the bonds of and dividends  
14 from foreign corporations by persons undertaking as a  
15 matter of business or for profit the collection of foreign pay-  
16 ments of such interest or dividends by means of coupons,  
17 checks, or bills of exchange.

18 When necessary to make effective the provisions of this  
19 section the name and address of the recipient of income shall  
20 be furnished upon demand of the person paying the income.

21 The provisions of this section shall not apply to the  
22 payment of interest on obligations of the United States.

23 RETURNS TO BE PUBLIC RECORDS

24 SEC. 257. (a) Returns upon which the tax has been  
25 determined by the Commissioner shall constitute public



1 required to make returns in regard thereto by the regulations  
2 hereinafter provided for, shall render a true and accurate re-  
3 turn to the Commissioner, under such regulations and in such  
4 form and manner and to such extent as may be prescribed  
5 by him with the approval of the Secretary, setting forth the  
6 amount of such gains, profits, and income, and the name and  
7 address of the recipient of such payment.

8 Such returns may be required, regardless of amounts,  
9 (1) in the case of payments of interest upon bonds, mort-  
10 gages, deeds of trust, or other similar obligations of corpo-  
11 rations, and (2) in the case of collections of items (not pay-  
12 able in the United States) of interest upon the bonds of for-  
13 eign countries and interest upon the bonds of and dividends  
14 from foreign corporations by persons undertaking as a mat-  
15 ter of business or for profit the collection of foreign payments  
16 of such interest or dividends by means of coupons, checks,  
17 or bills of exchange.

18 When necessary to make effective the provisions of this  
19 section the name and address of the recipient of income shall  
20 be furnished upon demand of the person paying the income.

21 The provisions of this section shall not apply to the  
22 payment of interest on obligations of the United States.

23 RETURNS TO BE PUBLIC RECORDS

24 SEC. 257. (a) Returns upon which the tax has been  
25 determined by the Commissioner shall constitute public

1 records; but they shall be open to inspection only upon  
2 order of the President and under rules and regulations pre-  
3 scribed by the Secretary and approved by the President:

4  
5  
6 *Provided*, That the Committee on Ways and Means of the  
7 House of Representatives, the Committee on Finance of the  
8 Senate, or a special committee of the Senate and House, shall  
9 have the right to call on the Secretary of the Treasury for,  
10 and it shall be his duty to furnish, any data of any character  
11 contained in or shown by the returns or any of them, that  
12 may be required by the committee;

13  
14  
15 and any such committee  
16 shall have the right, acting directly as a committee, or by  
17 and through such examiners or agents as it may designate  
18 or appoint, to inspect all or any of the returns at such times  
19 and in such manner as it may determine;

20 and any relevant  
21 or useful information thus obtained may be submitted by  
22 the committee obtaining it to the Senate or the House, or to  
23 to both the Senate and House, as the case may be:

24 *Provided further*, That the proper officers of any State may,  
25 upon the request of the governor thereof, have access to the

1 records; but they but, except as hereinafter provided in this  
2 section and section 1203, they shall be open to inspection  
3 only upon order of the President and under rules and regu-  
4 lations prescribed by the Secretary and approved by the  
5 President.

6 (b) (1) The Secretary and any officer or employee of  
7 the Treasury Department, upon request from the Committee  
8 on Ways and Means of the House of Representatives, the  
9 Committee on Finance of the Senate, or a select committee of  
10 the Senate or House specially authorized to investigate  
11 returns by a resolution of the Senate or House, or a joint  
12 committee so authorized by concurrent resolution, shall fur-  
13 nish such committee sitting in executive session with any  
14 data of any character contained in or shown by any return.

15 (2) Any such committee shall have the right, acting  
16 directly as a committee, or by or through such examiners or  
17 agents as it may designate or appoint, to inspect any or all  
18 of the returns at such times and in such manner as it may  
19 determine.

20 (3) Any relevant or useful information thus obtained  
21 may be submitted by the committee obtaining it to the Senate  
22 or the House, or to both the Senate and the House, as the  
23 case may be.

24 (c) The proper officers of any State may, upon the  
25 request of the governor thereof, have access to the returns

1 returns of any corporation, or to an abstract thereof showing  
2 the name and income of the corporation, at such times and in  
3 such manner as the Secretary may prescribe: *Provided*  
4 *further*, That all bona fide shareholders of record owning 1  
5 per centum or more of the outstanding stock of any cor-  
6 poration shall, upon making request of the Commissioner, be  
7 allowed to examine the annual income returns of such cor-  
8 poration and of its subsidiaries. Any shareholder who pur-  
9 suant to the provisions of this section is allowed to examine  
10 the return of any corporation, and who makes known in any  
11 manner whatever not provided by law the amount or source  
12 of income, profits, losses, expenditures, or any particular  
13 thereof, set forth or disclosed in any such return, shall be  
14 guilty of a misdemeanor and be punished by a fine not  
15 exceeding \$1,000 or by imprisonment not exceeding one  
16 year, or both.

17 (b) The Commissioner shall as soon as practicable  
18 in each year cause to be prepared and made available  
19 to public inspection in such manner as he may determine,  
20 in the office of the collector in each internal-revenue district  
21 and in such other places as he may determine, lists containing  
22 the name and the post-office address of each person mak-  
23 ing an income-tax return in such district, together with  
24 the amount of the income tax paid by such person.

1 of any corporation, or to an abstract thereof showing the  
2 name and income of the corporation, at such times and in  
3 such manner as the Secretary may prescribe.

4 (d) All bona fide shareholders of record owning 1  
5 per centum or more of the outstanding stock of any cor-  
6 poration shall, upon making request of the Commissioner, be  
7 allowed to examine the annual income returns of such cor-  
8 poration and of its subsidiaries. Any shareholder who pur-  
9 suant to the provisions of this section is allowed to examine  
10 the return of any corporation, and who makes known in any  
11 manner whatever not provided by law the amount or source  
12 of income, profits, losses, expenditures, or any particular  
13 thereof, set forth or disclosed in any such return, shall be  
14 guilty of a misdemeanor and be punished by a fine not  
15 exceeding \$1,000 or by imprisonment not exceeding one  
16 year, or both.

17 (e) The Commissioner shall as soon as practicable  
18 in each year cause to be prepared and made available  
19 to public inspection in such manner as he may determine,  
20 in the office of the collector in each internal-revenue district  
21 and in such other places as he may determine, lists containing  
22 the name and the post-office address of each person mak-  
23 ing an income-tax return in such district.

## 1 PUBLICATION OF STATISTICS

2 SEC. 258. The Commissioner, with the approval of the  
3 Secretary, shall prepare and publish annually statistics rea-  
4 sonably available with respect to the operation of the income,  
5 war-profits and excess-profits tax laws, including classifica-  
6 tions of taxpayers and of income, the amounts allowed as  
7 deductions, exemptions, and credits, and any other facts  
8 deemed pertinent and valuable.

## 9 COLLECTION OF FOREIGN ITEMS

10 SEC. 259. All persons undertaking as a matter of busi-  
11 ness or for profit the collection of foreign payments of in-  
12 terest or dividends by means of coupons, checks, or bills of  
13 exchange shall obtain a license from the Commissioner and  
14 shall be subject to such regulations enabling the Govern-  
15 ment to obtain the information required under this title as  
16 the Commissioner, with the approval of the Secretary, shall  
17 prescribe; and whoever knowingly undertakes to collect  
18 such payments without having obtained a license therefor,  
19 or without complying with such regulations, shall be guilty  
20 of a misdemeanor and shall be fined not more than \$5,000,  
21 or imprisoned for not more than one year, or both.

## 22 CITIZENS OF POSSESSIONS OF THE UNITED STATES

23 SEC. 260. Any individual who is a citizen of any  
24 possession of the United States (but not otherwise a citizen  
25 of the United States) and who is not a resident of the United

## 1 PUBLICATION OF STATISTICS

2 SEC. 258. The Commissioner, with the approval of the  
3 Secretary, shall prepare and publish annually statistics rea-  
4 sonably available with respect to the operation of the income,  
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7 deductions, exemptions, and credits, and any other facts  
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14 shall be subject to such regulations enabling the Govern-  
15 ment to obtain the information required under this title as  
16 the Commissioner, with the approval of the Secretary, shall  
17 prescribe; and whoever knowingly undertakes to collect  
18 such payments without having obtained a license therefor,  
19 or without complying with such regulations, shall be guilty  
20 of a misdemeanor and shall be fined not more than \$5,000,  
21 or imprisoned for not more than one year, or both.

## 22 CITIZENS OF POSSESSIONS OF THE UNITED STATES

23 SEC. 260. Any individual who is a citizen of any  
24 possession of the United States (but not otherwise a citizen  
25 of the United States) and who is not a resident of the United

1 States, shall be subject to taxation under this title only as  
2 to income derived from sources within the United States,  
3 and in such case the tax shall be computed and paid in the  
4 same manner and subject to the same conditions as in the  
5 case of other persons who are taxable only as to income  
6 derived from such sources.

7 Nothing in this section shall be construed to alter or  
8 amend the provisions of the Act entitled "An Act making  
9 appropriations for the naval service for the fiscal year ending  
10 June 30, 1922, and for other purposes," approved July 12,  
11 1921, relating to the imposition of income taxes in the Virgin  
12 Islands of the United States.

13 PORTO RICO AND THE PHILIPPINE ISLANDS

14 SEC. 261. In Porto Rico and the Philippine Islands  
15 the income tax shall be levied, assessed, collected, and paid  
16 as provided by law prior to the enactment of this Act.

17 The Porto Rican or the Philippine Legislature shall  
18 have power by due enactment to amend, alter, modify, or  
19 repeal the income tax laws in force in Porto Rico or the  
20 Philippine Islands, respectively.

21 INCOME FROM SOURCES WITHIN THE POSSESSIONS OF THE

22 UNITED STATES

23 SEC. 262. (a) In the case of citizens of the United  
24 States or domestic corporations, satisfying the following con-  
25 ditions, gross income means only gross income from sources  
26 within the United States—



1 States, shall be subject to taxation under this title only as  
2 to income derived from sources within the United States,  
3 and in such case the tax shall be computed and paid in the  
4 same manner and subject to the same conditions as in the  
5 case of other persons who are taxable only as to income  
6 derived from such sources.

7 Nothing in this section shall be construed to alter or  
8 amend the provisions of the Act entitled "An Act making  
9 appropriations for the naval service for the fiscal year ending  
10 June 30, 1922, and for other purposes," approved July 12,  
11 1921, relating to the imposition of income taxes in the Virgin  
12 Islands of the United States.

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15 the income tax shall be levied, assessed, collected, and paid  
16 as provided by law prior to the enactment of this Act.

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18 have power by due enactment to amend, alter, modify,  
19 or repeal the income tax laws in force in Porto Rico or the  
20 Philippine Islands, respectively.

21 INCOME FROM SOURCES WITHIN THE POSSESSIONS OF THE

22 UNITED STATES

23 SEC. 262. (a) In the case of citizens of the United  
24 States or domestic corporations, satisfying the following con-  
25 ditions, gross income means only gross income from sources  
26 within the United States—

1 (1) If 80 per centum or more of the gross income of  
2 such citizen or domestic corporation (computed without the  
3 benefit of this section), for the three-year period immediately  
4 preceding the close of the taxable year (or for such part of  
5 such period immediately preceding the close of such taxable  
6 year as may be applicable) was derived from sources within  
7 a possession of the United States; and

8 (2) If, in the case of such corporation, 50 per centum  
9 or more of its gross income (computed without the benefit  
10 of this section) for such period or such part thereof was  
11 derived from the active conduct of a trade or business within  
12 a possession of the United States; or

13 (3) If, in the case of such citizen, 50 per centum or  
14 more of his gross income (computed without the benefit of  
15 this section) for such period or such part thereof was derived  
16 from the active conduct of a trade or business within a pos-  
17 session of the United States either on his own account or as  
18 an employee or agent of another.

19 (b) Notwithstanding the provisions of subdivision (a)  
20 there shall be included in gross income all amounts received  
21 by such citizens or corporations within the United States,  
22 whether derived from sources within or without the United  
23 States.

24 (c) As used in this section the term "possession of the  
25 United States" does not include the Virgin Islands of the  
26 United States.

1 (1) If 80 per centum or more of the gross income of  
2 such citizen or domestic corporation (computed without the  
3 benefit of this section) for the three-year period immediately  
4 preceding the close of the taxable year (or for such part of  
5 such period immediately preceding the close of such taxable  
6 year as may be applicable) was derived from sources within  
7 a possession of the United States; and

8 (2) If, in the case of such corporation, 50 per centum  
9 or more of its gross income (computed without the benefit  
10 of this section) for such period or such part thereof was  
11 derived from the active conduct of a trade or business within  
12 a possession of the United States; or

13 (3) If, in the case of such citizen, 50 per centum or  
14 more of his gross income (computed without the benefit of  
15 this section) for such period or such part thereof was derived  
16 from the active conduct of a trade or business within a pos-  
17 session of the United States either on his own account, or as  
18 an employee or agent of another.

19 (b) Notwithstanding the provisions of subdivision (a),  
20 there shall be included in gross income all amounts received  
21 by such citizens or corporations within the United States,  
22 whether derived from sources within or without the United  
23 States.

24 (c) As used in this section the term "possession of the  
25 United States" does not include the Virgin Islands of the  
26 United States.

## 1 CHINA TRADE ACT CORPORATIONS

2 SEC. 263. (a) For the purpose only of the tax im-  
3 posed by section 230 there shall be allowed, in the case of a  
4 corporation organized under the China Trade Act, 1922, a  
5 credit of an amount equal to the proportion of the net income  
6 derived from sources within China (determined in a similar  
7 manner to that provided in section 217) which the par value  
8 of the shares of stock of the corporation owned on the last  
9 day of the taxable year by (1) persons resident in China,  
10 the United States, or possessions of the United States, and  
11 (2) individual citizens of the United States or China wher-  
12 ever resident, bears to the par value of the whole number  
13 of shares of stock of the corporation outstanding on such  
14 date: *Provided*, That in no case shall the amount by which  
15 the tax imposed by section 230 is diminished by reason of  
16 such credit exceed the amount of the special dividend certi-  
17 fied under subdivision (b) of this section.

18 (b) Such credit shall not be allowed unless the Secre-  
19 tary of Commerce has certified to the Commissioner—

20 (1) The amount which, during the year ending on  
21 the date fixed by law for filing the return, the corporation  
22 has distributed as a special dividend to or for the benefit of  
23 such persons as on the last day of the taxable year were  
24 resident in China, the United States, or possessions of the

## 1 CHINA TRADE ACT CORPORATIONS

2 SEC. 263. (a) For the purpose only of the tax im-  
3 posed by section 230 there shall be allowed, in the case of a  
4 corporation organized under the China Trade Act, 1922, a  
5 credit of an amount equal to the proportion of the net income  
6 derived from sources within China (determined in a similar  
7 manner to that provided in section 217) which the par value  
8 of the shares of stock of the corporation owned on the last  
9 day of the taxable year by (1) persons resident in China,  
10 the United States, or possessions of the United States, and  
11 (2) individual citizens of the United States or China wher-  
12 ever resident, bears to the par value of the whole number  
13 of shares of stock of the corporation outstanding on such  
14 date: *Provided*, That in no case shall the amount by which  
15 the tax imposed by section 230 is diminished by reason of  
16 such credit exceed the amount of the special dividend certi-  
17 fied under subdivision (b) of this section.

18 (b) Such credit shall not be allowed unless the Secre-  
19 tary of Commerce has certified to the Commissioner—

20 (1) The amount which, during the year ending on  
21 the date fixed by law for filing the return, the corporation  
22 has distributed as a special dividend to or for the benefit of  
23 such persons as on the last day of the taxable year were  
24 resident in China, the United States, or possessions of the

1 United States, or were individual citizens of the United  
2 States or China, and owned shares of stock of the corpora-  
3 tion;

4 (2) That such special dividend was in addition to  
5 all other amounts, payable or to be payable to such persons  
6 or for their benefit, by reason of their interest in the corpora-  
7 tion; and

8 (3) That such distribution has been made to or for  
9 the benefit of such persons in proportion to the par value  
10 of the shares of stock of the corporation owned by each; ex-  
11 cept that if the corporation has more than one class of stock,  
12 the certificates shall contain a statement that the articles of  
13 incorporation provide a method for the apportionment of  
14 such special dividend among such persons, and that  
15 the amount certified has been distributed in accordance  
16 with the method so provided.

17 (c) For the purposes of this section shares of stock  
18 of a corporation shall be considered to be owned by the  
19 person in whom the equitable right to the income from such  
20 shares is in good faith vested.

21 (d) As used in this section the term "China" shall  
22 have the same meaning as, when used in the China Trade  
23 Act, 1922.

1 United States, or were individual citizens of the United  
2 States or China, and owned shares of stock of the corpora-  
3 tion;

4 (2) That such special dividend was in addition to  
5 all other amounts, payable or to be payable to such persons  
6 or for their benefit, by reason of their interest in the corpo-  
7 ration; and

8 (3) That such distribution has been made to or for  
9 the benefit of such persons in proportion to the par value  
10 of the shares of stock of the corporation owned by each; ex-  
11 cept that if the corporation has more than one class of stock,  
12 the certificates shall contain a statement that the articles of  
13 incorporation provide a method for the apportionment of  
14 such special dividend among such persons, and that  
15 the amount certified has been distributed in accordance  
16 with the method so provided.

17 (c) For the purposes of this section shares of stock  
18 of a corporation shall be considered to be owned by the  
19 person in whom the equitable right to the income from such  
20 shares is in good faith vested.

21 (d) As used in this section the term "China" shall  
22 have the same meaning as when used in the China Trade  
23 Act, 1922.

1 PART V.—PAYMENT, COLLECTION, AND REFUND OF TAX  
2 AND PENALTIES

3 DATE ON WHICH TAX SHALL BE PAID

4 SEC. 270. (a) Except as provided in subdivisions  
5 (b), (c), and (d) of this section the total amount of tax  
6 imposed by this title shall be paid—

7 (1) In the case of a taxpayer, other than a non-  
8 resident alien individual, and other than a foreign corporation  
9 not having an office or place of business in the United States,  
10 on or before the fifteenth day of March following the close  
11 of the calendar year, or, if the return should be made on  
12 the basis of a fiscal year, then on or before the fifteenth  
13 day of the third month following the close of the fiscal year;  
14 and

15 (2) In the case of a nonresident alien individual, and  
16 of a foreign corporation not having an office or place of  
17 business in the United States, on or before the fifteenth  
18 day of June following the close of the calendar year, or, if  
19 the return should be made on the basis of a fiscal year, then  
20 on or before the fifteenth day of the sixth month following  
21 the close of the fiscal year.

22 (b) (1) The taxpayer may elect to pay the tax in  
23 four equal installments, in which case the first installment  
24 shall be paid on or before the latest date prescribed in sub-  
25 division (a) for the payment of the tax by the taxpayer,



1 PART V.—PAYMENT, COLLECTION, AND REFUND OF TAX  
2 AND PENALTIES

3 DATE ON WHICH TAX SHALL BE PAID

4 SEC. 270. (a) Except as provided in subdivisions  
5 (b), (c), and (d) of this section the total amount of tax  
6 imposed by this title shall be paid—

7 (1) In the case of a taxpayer, other than a non-  
8 resident alien individual, and other than a foreign corporation  
9 not having an office or place of business in the United States,  
10 on ~~or before~~ the fifteenth day of March following the close  
11 of the calendar year, or, if the return should be made on  
12 the basis of a fiscal year, then on ~~or before~~ the fifteenth  
13 day of the third month following the close of the fiscal year;  
14 and

15 (2) In the case of a nonresident alien individual, and  
16 of a foreign corporation not having an office or place of  
17 business in the United States, on ~~or before~~ the fifteenth  
18 day of June following the close of the calendar year, or, if  
19 the return should be made on the basis of a fiscal year, then  
20 on ~~or before~~ the fifteenth day of the sixth month following  
21 the close of the fiscal year.

22 (b) (1) The taxpayer may elect to pay the tax in  
23 four equal installments, in which case the first installment  
24 shall be paid on ~~or before~~ the latest *the* date prescribed in sub-  
25 division (a) for the payment of the tax by the taxpayer,

1 the second installment shall be paid on or before the fifteenth  
2 day of the third month, the third installment on or before  
3 the fifteenth day of the sixth month, and the fourth install-  
4 ment on or before the fifteenth day of the ninth month, after  
5 such date.

6 (2) If any installment is not paid on the date fixed  
7 for its payment, the whole amount of the tax unpaid shall  
8 be paid upon notice and demand from the collector.

9 (c) (1) At the request of the taxpayer, the Commis-  
10 sioner may extend the time for payment of the amount deter-  
11 mined as the tax by the taxpayer, or any installment thereof,  
12 for a period not to exceed six months from the date pre-  
13 scribed in subdivision (a) or (b) for the payment of the  
14 tax or an installment thereof. In such case the amount in  
15 respect of which the extension is granted shall be paid on  
16 or before the date of the expiration of the period of the ex-  
17 tension.

18 (2) If the time for payment is thus extended there  
19 shall be collected, as a part of such amount, interest thereon  
20 at the rate of 6 per centum per annum from the date when  
21 such payment should have been made if no extension had  
22 been granted, until the expiration of the period of the ex-  
23 tension.

1 the second installment shall be paid on ~~or~~ before the fifteenth  
2 day of the third month, the third installment on ~~or~~ before  
3 the fifteenth day of the sixth month, and the fourth install-  
4 ment on ~~or~~ before the fifteenth day of the ninth month, after  
5 such date.

6 (2) If any installment is not paid on *or before* the date  
7 fixed for its payment, the whole amount of the tax unpaid  
8 shall be paid upon notice and demand from the collector.

9 (c) (1) At the request of the taxpayer, the Commis-  
10 sioner may extend the time for payment of the amount deter-  
11 mined as the tax by the taxpayer, or any installment thereof,  
12 for a period not to exceed six months from the date pre-  
13 scribed in subdivision (a) or (b) for the payment of the  
14 tax or an installment thereof. In such case the amount in  
15 respect of which the extension is granted shall be paid on  
16 or before the date of the expiration of the period of the ex-  
17 tension.

18 (2) If the time for payment is thus extended there  
19 shall be collected, as a part of such amount, interest thereon  
20 at the rate of 6 per centum per annum from the date when  
21 such payment should have been made if no extension had  
22 been granted, until the expiration of the period of the ex-  
23 tension.

24 (d) *A tax imposed by this title, or any installment*  
25 *thereof, may be paid, at the election of the taxpayer, prior*  
26 *to the date prescribed for its payment.*

1 (d) The provisions of this section shall not apply to the  
2 payment of a tax required to be withheld at the source under  
3 section 221 or 237.

#### 4 EXAMINATION OF RETURN AND DETERMINATION OF TAX

5 SEC. 271. As soon as practicable after the return is  
6 filed the Commissioner shall examine it and shall determine  
7 the correct amount of the tax.

#### 8 OVERPAYMENTS

9 SEC. 272. If the taxpayer has paid as an installment  
10 of the tax more than the amount determined to be the  
11 correct amount of such installment, the excess shall be  
12 credited against the unpaid installments, if any. If the  
13 amount already paid, whether or not on the basis of in-  
14 stallments, exceeds the amount determined to be the correct  
15 amount of the tax, the excess shall be credited or refunded  
16 as provided in section 281.

#### 17 DEFICIENCY IN TAX

18 SEC. 273. As used in this title the term "deficiency"  
19 means—

20 (1) The amount by which the tax imposed by this  
21 title exceeds the amount shown as the tax by the taxpayer  
22 upon his return; but the amount so shown on the return  
23 shall first be increased by the amounts previously assessed  
24 (or collected without assessment) as a deficiency, and de-  
25 creased by the amounts previously abated, credited, refunded,  
26 or otherwise repaid in respect of such tax; or

1 ~~(d)~~ (e) The provisions of this section shall not apply  
2 to the payment of a tax required to be withheld at the source  
3 under section 221 or 237.

4 EXAMINATION OF RETURN AND DETERMINATION OF TAX

5 SEC. 271. As soon as practicable after the return is  
6 filed the Commissioner shall examine it and shall determine  
7 the correct amount of the tax.

8 OVERPAYMENTS

9 SEC. 272. If the taxpayer has paid as an installment  
10 of the tax more than the amount determined to be the  
11 correct amount of such installment, the excess shall be  
12 credited against the unpaid installments, if any. If the  
13 amount already paid, whether or not on the basis of in-  
14 stallments, exceeds the amount determined to be the correct  
15 amount of the tax, the excess shall be credited or refunded  
16 as provided in section ~~281~~ 284.

17 DEFICIENCY IN TAX

18 SEC. 273. As used in this title in respect of a tax im-  
19 posed by this title the term "deficiency" means—

20 (1) The amount by which the tax imposed by this  
21 title exceeds the amount shown as the tax by the taxpayer  
22 upon his return; but the amount so shown on the return  
23 shall first be increased by the amounts previously assessed  
24 (or collected without assessment) as a deficiency, and de-  
25 creased by the amounts previously abated, credited, refunded,  
26 or otherwise repaid in respect of such tax; or

1 (2) If no amount is shown as the tax by the tax-  
2 payer upon his return, or if no return is made by the tax-  
3 payer, then the amount by which the tax exceeds the  
4 amounts previously assessed (or collected without assess-  
5 ment) as a deficiency; but such amounts previously assessed,  
6 or collected without assessment, shall first be decreased by  
7 the amounts previously abated, credited, refunded, or other-  
8 wise repaid in respect of such tax.

9 SEC. 274. (a) If, in the case of any taxpayer, the Com-  
10 missioner determines that there is a deficiency in respect  
11 of the tax imposed by this title, the taxpayer, except as  
12 provided in subdivision (d), shall be notified of such  
13 deficiency by registered mail, but such deficiency shall be  
14 assessed only as hereinafter provided. Within 60 days  
15 after such notice is mailed the taxpayer may file an appeal  
16 with the Board of Tax Appeals established by section 900.

1           (2) If no amount is shown as the tax by the tax-  
2 payer upon his return, or if no return is made by the tax-  
3 payer, then the amount by which the tax exceeds the  
4 amounts previously assessed (or collected without assess-  
5 ment) as a deficiency; but such amounts previously assessed,  
6 or collected without assessment, shall first be decreased by  
7 the amounts previously abated, credited, refunded, or other-  
8 wise repaid in respect of such tax.

9       **Sec. 274.** (a) If, in the case of any taxpayer, the  
10 Commissioner determines that there is a deficiency in respect  
11 of the tax imposed by this title, the taxpayer, except as pro-  
12 vided in subdivisions (d) and (f), shall be notified of such  
13 deficiency by registered mail. Within 60 days after such  
14 notice is mailed, the taxpayer may file a petition with the  
15 Board of Tax Appeals for a redetermination of the defi-  
16 ciency. Except as provided in subdivision (d) or (f) of  
17 this section or in section 270 of this Act or in section 912 of  
18 the Revenue Act of 1924 as amended, no assessment of a  
19 deficiency in respect of the tax imposed by this title and no  
20 distraint or proceeding in court for its collection shall be  
21 made, begun, or prosecuted until the taxpayer has been  
22 notified of such deficiency as above provided, nor until the  
23 expiration of such 60-day period, nor, if a petition has been  
24 filed with the Board, until the decision of the Board has  
25 become final. The taxpayer, notwithstanding the provisions

5 (b) If the Board determines that there is a deficiency,  
6 the amount so determined shall be assessed and shall be paid  
7 upon notice and demand from the collector. No part of  
8 the amount determined as a deficiency by the Commissioner  
9 but disallowed as such by the Board shall be assessed, but a  
10 proceeding in court may be begun, without assessment, for  
11 the collection of any part of the amount so disallowed. The  
12 court shall include in its judgment interest upon the amount  
13 thereof at the rate of 6 per centum per annum from the date  
14 prescribed for the payment of the tax to the date of the  
15 judgment. Such proceeding shall be begun within one year  
16 after the final decision of the Board, and may be begun  
17 within such year even though the period of limitation pre-  
18 scribed in section 277 has expired.

19 (c) If the taxpayer does not file an appeal with the  
20 Board within the time prescribed in subdivision (a) of this  
21 section, the deficiency of which the taxpayer has been noti-  
22 fied shall be assessed, and shall be paid upon notice and  
23 demand from the collector.

24 (d) If the Commissioner believes that the assessment  
25 or collection of a deficiency will be jeopardized by delay



1 of section 3224 of the Revised Statutes, may enjoin by a  
2 proceeding in the proper court the making of such assess-  
3 ment or the beginning of such proceeding or distraint during  
4 the time such prohibition is in force.

5 (b) If the taxpayer files a petition with the Board, the  
6 entire amount redetermined as the deficiency by the decision  
7 of the Board which has become final shall be assessed and  
8 shall be paid upon notice and demand from the collector.  
9 No part of the amount determined as a deficiency by the  
10 Commissioner but disallowed as such by the decision of the  
11 Board which has become final shall be assessed or be  
12 collected by distraint or by proceeding in court with or  
13 without assessment.

19 (c) If the taxpayer does not file a petition with  
20 the Board within the time prescribed in subdivision (a)  
21 of this section, the deficiency of which the taxpayer has  
22 been notified shall be assessed, and shall be paid upon notice  
23 and demand from the collector.

24 (d) If the Commissioner believes that the assessment  
25 or collection of a deficiency will be jeopardized by delay

1 such deficiency shall be assessed immediately and notice and  
2 demand shall be made by the collector for the payment  
3 thereof. In such case the assessment may be made (1)  
4 without giving the notice provided in subdivision (a) of  
5 this section, or (2) before the expiration of the 60-day  
6 period provided in subdivision (a) of this section even  
7 though such notice has been given, or (3) at any time  
8 prior to the final decision by the Board upon such deficiency  
9 even though the taxpayer has filed an appeal. If the  
10 taxpayer does not file a claim in abatement as provided in  
11 section 279 the deficiency so assessed (or, if the claim so  
12 filed covers only a part of the deficiency, then the amount  
13 not covered by the claim) shall be paid upon notice and  
14 demand from the collector.

1 such deficiency shall be assessed immediately and notice and  
2 demand shall be made by the collector for the payment  
3 thereof. In such case the jeopardy assessment may be made  
4 ~~(1) without giving the notice provided in subdivision (a) of~~  
5 ~~this section, or (2) before the expiration of the 60-day~~  
6 ~~period provided in subdivision (a) of this section even~~  
7 ~~though such notice has been given, or (3) at any time~~  
8 ~~prior to the decision of the Board upon such deficiency even~~  
9 ~~though the taxpayer has filed a petition with the Board, or~~  
10 ~~(4) in the case of any part of the deficiency allowed by~~  
11 ~~the Board, at any time before the expiration of 90 days~~  
12 ~~after the decision of the Board was rendered, but not after~~  
13 ~~the taxpayer has filed a review bond under section 912 of~~  
14 ~~the Revenue Act of 1924, as amended. Upon the making of~~  
15 ~~the jeopardy assessment the jurisdiction of the Board and the~~  
16 ~~right of the taxpayer to appeal from the Board shall cease.~~  
17 ~~If the taxpayer does not file a claim in abatement with bond~~  
18 ~~as provided in section 270 the deficiency so assessed (or, if~~  
19 ~~the claim so filed covers only a part of the deficiency, then~~  
20 ~~the amount not covered by the claim) shall be paid upon~~  
21 ~~notice and demand from the collector.~~

22 ~~(e) The Board shall have jurisdiction to redetermine~~  
23 ~~the correct amount of the deficiency even if the amount so~~  
24 ~~redetermined is greater than the amount of the deficiency of~~  
25 ~~which the taxpayer was notified, whether or not claim there-~~



1 for is asserted by the Commissioner at or before the hearing;  
2 but the Board shall by rules prescribe under what conditions  
3 and at what times the Commissioner may assert before the  
4 Board that the deficiency is greater than the amount of  
5 which the taxpayer was notified.

6 (f) If after the enactment of this Act the Commis-  
7 sioner has notified the taxpayer of a deficiency as provided  
8 in subdivision (a), he shall have no right to determine any  
9 additional deficiency in respect of the same taxable year, ex-  
10 cept in the case of fraud, and except as provided in sub-  
11 division (c). If the taxpayer is notified that, on account of  
12 a mathematical error appearing upon the face of the return,  
13 an amount of tax in excess of that shown upon the return is  
14 due, and that an assessment of the tax has been or will be  
15 made on the basis of what would have been the correct  
16 amount of tax but for the mathematical error, such notifica-  
17 tion shall not be considered, for the purposes of this subdi-  
18 vision or of subdivision (a) of this section, or of subdivision  
19 (d) of section 281, as a notification of a deficiency, and  
20 the taxpayer shall have no right to file a petition with the  
21 Board of Tax Appeals based on such notification, nor shall  
22 such assessment be prohibited by the provisions of subdivision  
23 (a) of this section.

24 (g) The Board in redetermining a deficiency in re-  
25 spect of any taxable year shall consider such facts with rela-



1 tion to the taxes for other taxable years as may be necessary  
2 correctly to redetermine the amount of such deficiency, but  
3 in so doing shall have no jurisdiction to determine whether  
4 or not the tax for any other taxable year has been overpaid  
5 or underpaid.

6 ~~(h)~~ For the purpose of this title the time at which  
7 a decision of the Board becomes final shall be determined  
8 according to the provisions of section 916 of the Revenue  
9 Act of 1924, as amended.

10 *SEC. 274. (a) If in the case of any taxpayer, the*  
11 *Commissioner determines that there is a deficiency in respect*  
12 *of the tax imposed by this title, the Commissioner is author-*  
13 *ized to send notice of such deficiency to the taxpayer by*  
14 *registered mail. Within 60 days after such notice is mailed*  
15 *(excluding Sundays and legal holidays of the District of*  
16 *Columbia), the taxpayer may file a petition with the Board*  
17 *of Tax Appeals for a redetermination of the deficiency.*  
18 *Except as otherwise provided in subdivision (d) or (f) of*  
19 *this section or in section 279, 282, or 1001, no assessment*  
20 *of a deficiency in respect of the tax imposed by this title and*  
21 *no distraint or proceeding in court for its collection shall be*  
22 *made, begun, or prosecuted until such notice has been mailed*  
23 *to the taxpayer, nor until the expiration of such 60-day*  
24 *period, nor, if a petition has been filed with the Board, until*  
25 *the decision of the Board has become final. Notwithstanding*

[For corresponding provision in the Revenue Act of 1924, see p. 250.]

[For corresponding provision in the Revenue Act of 1924, see p. 250.]



1 *the provisions of section 3224 of the Revised Statutes the mak-*  
2 *ing of such assessment or the beginning of such proceeding or*  
3 *distrainment during the time such prohibition is in force may be*  
4 *enjoined by a proceeding in the proper court.*

5 (b) *If the taxpayer files a petition with the Board, the*  
6 *entire amount redetermined as the deficiency by the decision*  
7 *of the Board which has become final shall be assessed and*  
8 *shall be paid upon notice and demand from the collector.*  
9 *No part of the amount determined as a deficiency by the*  
10 *Commissioner but disallowed as such by the decision of the*  
11 *Board which has become final shall be assessed or be collected*  
12 *by distrainment or by proceeding in court with or without assess-*  
13 *ment.*

14 (c) *If the taxpayer does not file a petition with the*  
15 *Board within the time prescribed in subdivision (a) of this*  
16 *section, the deficiency, notice of which has been mailed to the*  
17 *taxpayer, shall be assessed, and shall be paid upon notice*  
18 *and demand from the collector.*

19 (d) *The taxpayer shall at any time have the right,*  
20 *by a signed notice in writing filed with the Commissioner,*  
21 *to waive the restrictions provided in subdivision (a) of*  
22 *this section on the assessment and collection of the whole or*  
23 *any part of the deficiency. Such waiver shall not bar the*  
24 *taxpayer from receiving a credit or refund under subdivision*  
25 (e) *of section 284 if the decision of the Board which has*



1 become final determines an overpayment of tax in respect of  
2 the year to which the waiver relates.

3 (e) The Board shall have jurisdiction to redetermine  
4 the correct amount of the deficiency even if the amount so  
5 redetermined is greater than the amount of the deficiency,  
6 notice of which has been mailed to the taxpayer, and to deter-  
7 mine whether any penalty, additional amount or addition  
8 to the tax should be assessed, whether or not claim therefor  
9 is asserted by the Commissioner at or before the hearing.  
10 The Commissioner, under such conditions and at such  
11 times as the Board shall by rules prescribe, may assert before  
12 the Board that the deficiency is greater than the amount,  
13 notice of which was mailed to the taxpayer, or that any  
14 penalty, additional amount or addition to the tax should be  
15 assessed.

16 (f) If after the enactment of this Act the Commis-  
17 sioner has mailed to the taxpayer notice of a deficiency as  
18 provided in subdivision (a), and the taxpayer files a peti-  
19 tion with the Board, the Commissioner shall have no right  
20 to determine any additional deficiency in respect of the same  
21 taxable year, except in the case of fraud, and except as pro-  
22 vided in subdivision (e) of this section or in subdivision (c)  
23 of section 279. If the taxpayer is notified that, on account  
24 of a mathematical error appearing upon the face of the  
25 return, an amount of tax in excess of that shown upon the

20 (e) If the taxpayer has elected to pay the tax in  
 21 installments and a deficiency has been assessed, the def  
 22 ficiency shall be prorated to the four installments. Except  
 23 as provided in subdivision (d) of this section, that part of  
 24 the deficiency so prorated to any installment the date for  
 25 payment of which has not arrived, shall be collected at the

1 return is due, and that an assessment of the tax has been  
2 or will be made on the basis of what would have been the  
3 correct amount of tax but for the mathematical error, such  
4 notice shall not be considered, for the purposes of this subdivi-  
5 sion or of subdivision (a) of this section, or of subdivision  
6 (d) of section 284, as a notice of a deficiency, and the tax-  
7 payer shall have no right to file a petition with the Board  
8 based on such notice, nor shall such assessment or collection  
9 be prohibited by the provisions of subdivision (a) of this  
10 section.

11 (g) The Board in redetermining a deficiency in respect  
12 of any taxable year shall consider such facts with relation to  
13 the taxes for other taxable years as may be necessary correctly  
14 to redetermine the amount of such deficiency, but in so doing  
15 shall have no jurisdiction to determine whether or not the tax  
16 for any other taxable year has been overpaid or underpaid.

17 (h) For the purposes of this title the date on which a  
18 decision of the Board becomes final shall be determined accord-  
19 ing to the provisions of section 1005.

20 (i) If the taxpayer has elected to pay the tax in  
21 installments and a deficiency has been assessed, the de-  
22 ficiency shall be prorated to the four installments. Except  
23 as provided in ~~subdivision (d) of this section~~ section 279, that  
24 part of the deficiency so prorated to any installment the date  
25 for payment of which has not arrived, shall be collected at the

1 same time as and as part of such installment. That part of  
2 the deficiency so prorated to any installment the date for  
3 payment of which has arrived, shall be paid upon notice  
4 and demand from the collector.

5 (f) Interest upon the amount determined as a de-  
6 ficiency, or, if the tax is paid in installments, upon the part  
7 of the deficiency prorated to each installment, shall be  
8 assessed at the same time as the deficiency, shall be paid  
9 upon notice and demand from the collector, and shall be  
10 collected as a part of the tax, at the rate of 6 per centum.  
11 per annum from the date prescribed for the payment of the  
12 tax, or the payment of such installment, to the date the  
13 deficiency is assessed.

16 (g) Where it is shown to the satisfaction of the Com-  
17 missioner that the payment of a deficiency upon the date,  
18 prescribed for the payment thereof will result in undue  
19 hardship to the taxpayer the Commissioner, with the ap-  
20 proval of the Secretary (except where the deficiency is due  
21 to negligence, to intentional disregard of rules and regula-  
22 tions, or to fraud with intent to evade tax), may grant an  
23 extension for the payment of such deficiency or any part  
24 thereof for a period not in excess of eighteen months. If an  
25 extension is granted, the Commissioner may require the

1. same time as and as part of such installment. That part of  
2. the deficiency so prorated to any installment the date for  
3. payment of which has arrived, shall be paid upon notice  
4. and demand from the collector.

5. (j) Interest upon the amount determined as a defi-  
6. ciency shall be assessed at the same time as the deficiency,  
7. shall be paid upon notice and demand from the collector, and  
8. shall be collected as a part of the tax, at the rate of 6 per  
9. centum per annum from the date prescribed for the pay-  
10. ment of the tax (or, if the tax is paid in installments, from  
11. the date prescribed for the payment of the first installment)  
12. to the date the deficiency is assessed *assessed*, or, in the case  
13. of a waiver under subdivision (d) of this section, to the  
14. thirtieth day after the filing of such waiver or to the date the  
15. deficiency is assessed whichever is the earlier.

16. (k) Where it is shown to the satisfaction of the Com-  
17. missioner that the payment of a deficiency upon the date  
18. prescribed for the payment thereof will result in undue  
19. hardship to the taxpayer the Commissioner, with the ap-  
20. proval of the Secretary (except where the deficiency is due  
21. to negligence, to intentional disregard of rules and regula-  
22. tions, or to fraud with intent to evade tax), may grant an  
23. extension for the payment of such deficiency or any part  
24. thereof for a period not in excess of eighteen months. If an  
25. extension is granted, the Commissioner may require the

1 taxpayer to furnish a bond in such amount, not exceeding  
2 double the amount of the deficiency, and with such sureties,  
3 as the Commissioner deems necessary, conditioned upon the  
4 payment of the deficiency in accordance with the terms of  
5 the extension. In such case there shall be collected, as a  
6 part of the tax, interest on the part of the deficiency the  
7 time for payment of which is so extended, at the rate of 6  
8 per centum per annum for the period of the extension, and  
9 no other interest shall be collected on such part of the de-  
10 ficiency for such period. If the part of the deficiency the  
11 time for payment of which is so extended is not paid in  
12 accordance with the terms of the extension, there shall  
13 be collected, as a part of the tax, interest on such un-  
14 paid amount at the rate of 1 per centum a month for the  
15 period from the time fixed by the terms of the extension  
16 for its payment until it is paid, and no other interest shall  
17 be collected on such unpaid amount for such period.

18 ADDITIONS TO THE TAX IN CASE OF DEFICIENCY

19 SEC. 275. (a) If any part of any deficiency is due to  
20 negligence, or intentional disregard of rules and regulations  
21 but without intent to defraud, 5 per centum of the total  
22 amount of the deficiency (in addition to such deficiency)  
23 shall be assessed, collected, and paid in the same manner  
24 as if it were a deficiency, except that the provisions of sub-  
25 divisions (e) and (f) of section 274 shall not be applicable.



1 taxpayer to furnish a bond in such amount, not exceeding  
2 double the amount of the deficiency, and with such sureties,  
3 as the Commissioner deems necessary, conditioned upon the  
4 payment of the deficiency in accordance with the terms of  
5 the extension. In such case there shall be collected, as a  
6 part of the tax, interest on the part of the deficiency the  
7 time for payment of which is so extended, at the rate of 6  
8 per centum per annum for the period of the extension, and  
9 no other interest shall be collected on such part of the de-  
10 ficiency for such period. If the part of the deficiency the  
11 time for payment of which is so extended is not paid in  
12 accordance with the terms of the extension, there shall  
13 be collected, as a part of the tax, interest on such un-  
14 paid amount at the rate of 1 per centum a month for the  
15 period from the time fixed by the terms of the extension  
16 for its payment until it is paid, and no other interest shall  
17 be collected on such unpaid amount for such period.

18 ADDITIONS TO THE TAX IN CASE OF DEFICIENCY

19 SEC. 275. (a) If any part of any deficiency is due to  
20 negligence, or intentional disregard of rules and regulations  
21 but without intent to defraud, 5 per centum of the total  
22 amount of the deficiency (in addition to such deficiency)  
23 shall be assessed, collected, and paid in the same manner  
24 as if it were a deficiency, except that the provisions of sub-  
25 divisions (i) and (j) of section 274 shall not be applicable.

1 (b) If any part of any deficiency is due to fraud with  
2 intent to evade tax, then 50 per centum of the total amount  
3 of the deficiency (in addition to such deficiency) shall be  
4 so assessed, collected, and paid, in lieu of the 50 per centum  
5 addition to the tax provided in section 3176 of the Revised  
6 Statutes, as amended.

7 ADDITIONS TO THE TAX IN CASE OF DELINQUENCY

8 SEC. 276. (a) (1) Where the amount determined by  
9 the taxpayer as the tax imposed by this title, or any install-  
10 ment thereof, or any part of such amount or installment, is  
11 not paid at the time prescribed for its payment, there shall  
12 be collected as a part of the tax, interest upon such unpaid  
13 amount at the rate of 1 per centum a month from the date  
14 prescribed for its payment until it is paid.

16 (2) Where an extension of time for payment of the  
17 amount so determined as the tax by the taxpayer, or any  
18 installment thereof, has been granted, and the amount the  
19 time for payment of which has been extended, and the  
20 interest thereon determined under paragraph (2) of sub-  
21 division (c) of section 270, is not paid in full prior to the  
22 expiration of the period of the extension, then, in lieu of the  
23 interest provided for in paragraph (1) of this subdivision,  
24 interest at the rate of 1 per centum a month shall be collected:

1 (b) If any part of any deficiency is due to fraud with  
2 intent to evade tax, then 50 per centum of the total amount  
3 of the deficiency (in addition to such deficiency) shall be  
4 so assessed, collected, and paid, in lieu of the 50 per centum  
5 addition to the tax provided in section 3176 of the Revised  
6 Statutes, as amended.

7 ADDITIONS TO THE TAX IN CASE OF DELINQUENCY

8 SEC. 276. (a) (1) Where the amount determined by  
9 the taxpayer as the tax imposed by this title, or any install-  
10 ment thereof, or any part of such amount or installment, is  
11 not paid at the time *on or before the date* prescribed for its  
12 payment, there shall be collected as a part of the tax, interest  
13 upon such unpaid amount at the rate of 1 per centum a  
14 month from the date prescribed for its payment until it is  
15 paid.

16 (2) Where an extension of time for payment of the  
17 amount so determined as the tax by the taxpayer, or any  
18 installment thereof, has been granted, and the amount the  
19 time for payment of which has been extended, and the  
20 interest thereon determined under paragraph (2) of sub-  
21 division (c) of section 270, is not paid in full prior to the  
22 expiration of the period of the extension, then, in lieu of the  
23 interest provided for in paragraph (1) of this subdivision,  
24 interest at the rate of 1 per centum a month shall be collected

1 on such unpaid amount from the date of the expiration of  
2 the period of the extension until it is paid.

3 (b) Where a deficiency, or any interest or additional  
4 amounts assessed in connection therewith under subdivision  
5 (f) of section 274, or under section 275, or any addition  
6 to the tax in case of delinquency provided for in section 3176  
7 of the Revised Statutes, as amended, is not paid in full within  
8 ten days from the date of notice and demand from the col-  
9 lector, there shall be collected as part of the tax, interest  
10 upon the unpaid amount at the rate of 1 per centum a month  
11 from the date of such notice and demand until it is paid. If  
12 any part of a deficiency prorated to any unpaid installment  
13 under subdivision (e) of section 274 is not paid in full  
14 on the date prescribed for the payment of such installment,  
15 there shall be collected as part of the tax interest upon the  
16 unpaid amount at the rate of 1 per centum a month from  
17 such date until it is paid.

18 (c) In the case of estates of incompetent, deceased, or  
19 insolvent persons, there shall be collected interest at the rate  
20 of 6 per centum per annum in lieu of the interest provided in  
21 subdivisions (a) and (b) of this section.

22 (d) If a claim in abatement is filed, as provided in sec-  
23 tion 279, the provisions of subdivisions (b) and (c) of this  
24 section shall not apply to the amount covered by the claim  
25 in abatement.

1 on such unpaid amount from the date of the expiration of  
2 the period of the extension until it is paid.

3 (b) Where a deficiency, or any interest or additional  
4 amounts assessed in connection therewith under subdivision  
5 (j) of section 274, or under section 275, or any addition  
6 to the tax in case of delinquency provided for in section 3176  
7 of the Revised Statutes, as amended, is not paid in full within  
8 ten days from the date of notice and demand from the col-  
9 lector, there shall be collected as part of the tax, interest  
10 upon the unpaid amount at the rate of 1 per centum a month  
11 from the date of such notice and demand until it is paid. If  
12 any part of a deficiency prorated to any unpaid installment  
13 under subdivision (i) of section 274 is not paid in full  
14 on or before the date prescribed for the payment of such  
15 installment, there shall be collected as part of the tax interest  
16 upon the unpaid amount at the rate of 1 per centum a month  
17 from such date until it is paid.

18 (c) In the case of estates of incompetent, deceased, or  
19 insolvent persons, there shall be collected interest at the rate  
20 of 6 per centum per annum in lieu of the interest provided in  
21 subdivisions (a) and (b) of this section.

22 (d) If a claim in abatement bond is filed, as provided in  
23 section 279, the provisions of subdivisions (b) and (c) of this  
24 section shall not apply to the amount covered by the claim  
25 in abatement bond.

1 PERIOD OF LIMITATION UPON ASSESSMENT AND COLLEC-  
2 TION OF TAX

3 SEC. 277. (a) Except as provided in section 278 and  
4 in subdivision (b) of section 274 and in subdivision (b) of  
5 section 279—

6 (1) The amount of income, excess-profits, and war-  
7 profits taxes imposed by the Revenue Act of 1921, and by  
8 such Act as amended, for the taxable year 1921 and suc-  
9 ceeding taxable years, and the amount of income taxes  
10 imposed by this Act, shall be assessed within four years  
11 after the return was filed, and no proceeding in court for  
12 the collection of such taxes shall be begun after the expira-  
13 tion of such period.

14 (2) The amount of income, excess-profits, and war-  
15 profits taxes imposed by the Act entitled "An Act to pro-  
16 vide revenue, equalize duties, and encourage the indus-  
17 tries of the United States, and for other purposes," approved  
18 August 5, 1909, the Act entitled "An Act to reduce tariff  
19 duties and to provide revenue for the Government, and for  
20 other purposes," approved October 3, 1913, the Revenue  
21 Act of 1916, the Revenue Act of 1917, the Revenue Act  
22 of 1918, and by any such Act as amended, shall be assessed  
23 within five years after the return was filed, and no pro-  
24 ceeding in court for the collection of such taxes shall be  
25 begun after the expiration of such period.

1 PERIOD OF LIMITATION UPON ASSESSMENT AND COLLEC-  
2 TION OF TAX

3 SEC. 277. (a) Except as provided in section 278—

6 (1) The amount of income, excess-profits, and war-  
7 profits taxes imposed by the Revenue Act of 1921, and by  
8 such Act as amended, for the taxable year 1921 and suc-  
9 ceeding taxable years, and the amount of income taxes  
10 imposed by the Revenue Act of 1924, and by this Act,  
11 shall be assessed within four years after the return was filed,  
12 and no proceeding in court *without assessment* for the collec-  
13 tion of such taxes shall be begun after the expiration of such  
14 period.

15 (2) The amount of income, excess-profits, and war-  
16 profits taxes imposed by the Act entitled "An Act to pro-  
17 vide revenue, equalize duties, and encourage the indus-  
18 tries of the United States, and for other purposes," approved  
19 August 5, 1909, the Act entitled "An Act to reduce tariff  
20 duties and to provide revenue for the Government, and for  
21 other purposes," approved October 3, 1913, the Revenue  
22 Act of 1916, the Revenue Act of 1917, the Revenue Act  
23 of 1918, and by any such Act as amended, shall be assessed  
24 within five years after the return was filed, and no pro-  
25 ceeding in court *without assessment* for the collection of such  
26 taxes shall be begun after the expiration of such period.

1           (3) In the case of income received during the life-  
2 time of a decedent, the tax shall be assessed, and any pro-  
3 ceeding in court for the collection of such tax shall be  
4 begun, within one year after written request therefor (filed  
5 after the return is made) by the executor, administrator, or  
6 other fiduciary representing the estate of such decedent, but  
7 not after the expiration of the period prescribed for the  
8 assessment of the tax in paragraph (1) or (2) of this  
9 subdivision.



1 (3) In the case of income received during the life-  
2 time of a decedent, the tax shall be assessed, and any pro-  
3 ceeding in court *without assessment* for the collection of such  
4 tax shall be begun, within one year after written request  
5 therefor (filed after the return is made) by the executor,  
6 administrator, or other fiduciary representing the estate of  
7 such decedent, but not after the expiration of the period  
8 prescribed for the assessment of the tax in paragraph (1) or  
9 (2) of this subdivision.

10 (4) If a corporation makes no return of the tax imposed  
11 by this title, but each of the shareholders includes in his return  
12 his distributive share of the net income of the corporation,  
13 then the tax of the corporation shall be assessed within four  
14 years after the last date on which any such shareholder's  
15 return was filed. Nothing in section 280 283 shall be con-  
16 strued as making the provisions of this paragraph applicable  
17 to any tax imposed by a prior Act of Congress.

18 ~~(b) The running of the statute of limitations on the~~  
19 ~~making of assessments and the beginning of distraint or a~~  
20 ~~proceeding in court for collection, in respect of any defi-~~  
21 ~~ciency, shall be suspended for the period during which,~~  
22 ~~under the provisions of this title, the Commissioner is pro-~~  
23 ~~hibited from making the assessment or beginning distraint,~~  
24 ~~or a proceeding in court.~~

1 (b) The period within which an assessment is re-  
2 quired to be made by subdivision (a) of this section in  
3 respect of any deficiency shall be extended (1) by 60 days  
4 if a notice of such deficiency has been mailed to the  
5 taxpayer under subdivision (a) of section 274 and no  
6 appeal has been filed with the Board of Tax Appeals, or,  
7 (2) if an appeal has been filed, then by the number of  
8 days between the date of the mailing of such notice and  
9 the date of final decision by the Board.

15 SEC. 278. (a) In the case of a false or fraudulent re-  
16 turn with intent to evade tax or of a failure to file a return  
17 the tax may be assessed, or a proceeding in court for the  
18 collection of such tax may be begun without assessment, at  
19 any time.

20 (b) Any deficiency attributable to a change in a deduc-  
21 tion tentatively allowed under paragraph (9) of subdivision  
22 (a) of section 214, or paragraph (8) of subdivision (a) of  
23 section 234, of the Revenue Act of 1918 or the Revenue  
24 Act of 1921, may be assessed, or a proceeding in court for  
25 the collection of such tax may be begun without assessment,  
26 at any time.

1       **(b)** *The running of the statute of limitations provided*  
2 *in this section or in section 278 on the making of assessments*  
3 *and the beginning of distraint or a proceeding in court for*  
4 *collection, in respect of any deficiency, shall (after the mail-*  
5 *ing of a notice under subdivision (a) of section 274) be sus-*  
6 *pended for the period during which the Commissioner is pro-*  
7 *hibited from making the assessment or beginning distraint or*  
8 *a proceeding in court. In no event shall the Commissioner*  
9 *have less than 60 days after the decision of the Board of*  
10 *Tax Appeals has become final in which to make the assess-*  
11 *ment; nor, in cases where no petition is filed with the Board,*  
12 *shall he have less than 90 days after the mailing of the notice*  
13 *under subdivision (a) of section 274 in which to make the*  
14 *assessment.*

15       **SEC. 278. (a)** *In the case of a false or fraudulent return*  
16 *with intent to evade tax or of a failure to file a return the*  
17 *tax may be assessed, or a proceeding in court for the collection*  
18 *of such tax may be begun without assessment, at any time.*

20       **(b)** *Any deficiency attributable to a change in a deduc-*  
21 *tion tentatively allowed under paragraph (9) of subdivision*  
22 *(a) of section 214, or paragraph (8) of subdivision (a) of*  
23 *section 234, of the Revenue Act of 1918 or the Revenue*  
24 *Act of 1921, may be assessed, or a proceeding in court for*  
25 *the collection of such tax may be begun without assessment,*  
26 *at any time.*

1 (c) Where both the Commissioner and the taxpayer  
2 have consented in writing to the assessment of the tax after  
3 the time prescribed in section 277 for its assessment the tax  
4 may be assessed at any time prior to the expiration of the  
5 period agreed upon.

6 (d) Where the assessment of the tax is made within  
7 the period prescribed in section 277 or in this section, such  
8 tax may be collected by distraint or by a proceeding in court,  
9 begun within six years after the assessment of the tax.  
10 Nothing in this Act shall be construed as preventing the  
11 beginning, without assessment, of a proceeding in court for  
12 the collection of the tax at any time before the expiration of  
13 the period within which an assessment may be made.

14 (e) This section shall not (1) authorize the assessment  
15 of a tax or the collection thereof by distraint or by a proceed-  
16 ing in court if at the time of the enactment of this Act such  
17 assessment, distraint, or proceeding was barred by the period  
18 of limitation then in existence, or (2) affect any assessment  
19 made, or distraint or proceeding in court begun, before the  
20 enactment of this Act.

1 (c) Where both the Commissioner and the taxpayer  
2 have consented in writing to the assessment of the tax after  
3 the time prescribed in section 277 for its assessment the tax  
4 may be assessed at any time prior to the expiration of the  
5 period agreed upon.

6 ~~(d) Where the assessment of the tax is made within the~~  
7 ~~period prescribed in section 277 or in this section, such tax~~  
8 ~~may be collected by distraint or by a proceeding in court,~~  
9 ~~begun (1) within six years after the assessment of the~~  
10 ~~tax, or (2) at any time prior to the expiration of any period~~  
11 ~~for collection agreed upon in writing by the Commissioner~~  
12 ~~and the taxpayer.~~

14 ~~(e) This section shall not affect any assessment made,~~  
15 ~~or distraint or proceeding in court begun, before the enact-~~  
16 ~~ment of this Act, nor shall it authorize the assessment of a~~  
17 ~~tax or the collection thereof by distraint or by a proceeding~~  
18 ~~in court (1) if at the time of the enactment of this Act such~~  
19 ~~assessment, distraint, or proceeding was barred by the period~~  
20 ~~of limitation then in existence, or (2) contrary to the provi-~~  
21 ~~sions of subdivision (a) of section 274.~~

22 ~~(d) Where the assessment of any income, excess-profits,~~  
23 ~~or war-profits tax imposed by this title or by prior Act of~~  
24 ~~Congress has been made (whether before or after the enact-~~  
25 ~~ment of this Act) within the statutory period of limitation~~

17

## CLAIMS IN ABATEMENT

18       SEC. 279. (a) If a deficiency has been assessed under  
19 subdivision (d) of section 274, the taxpayer, within 10 days  
20 after notice and demand from the collector for the payment  
21 thereof, may file with the collector a claim for the abatement  
22 of such deficiency, or any part thereof, or of any interest or  
23 additional amounts assessed in connection therewith, or of  
24 any part of any such interest or additional amounts. Such  
25 claim shall be accompanied by a bond, in such amount, not

1 *properly applicable thereto, such tax may be collected by*  
2 *distrainment or by a proceeding in court (begun before or after*  
3 *the enactment of this Act), but only if begun (1) within six*  
4 *years after the assessment of the tax, or (2) prior to the*  
5 *expiration of any period for collection agreed upon in writing*  
6 *by the Commissioner and the taxpayer.*

7 *(c) This section shall not bar a distrainment or proceeding*  
8 *in court begun before the enactment of the Revenue Act of*  
9 *1924; nor shall it authorize the assessment of a tax or the*  
10 *collection thereof by distrainment or by proceeding in court (1)*  
11 *if at the time of the enactment of this Act such assessment,*  
12 *distrainment or proceeding was barred by the statutory period*  
13 *of limitation properly applicable thereto, unless prior to the*  
14 *enactment of this Act the Commissioner and the taxpayer*  
15 *agreed in writing thereto, or (2) contrary to the provisions*  
16 *of subdivision (a) of section 274 of this Act.*

17 **CLAIMS IN ABATEMENT**

18 **SEC. 279. (a)** *If a deficiency has been assessed under*  
19 *subdivision (d) of section 274, the taxpayer, within 10 days*  
20 *after notice and demand from the collector for the payment*  
21 *thereof, may file with the collector a claim for the abatement*  
22 *of such deficiency, or any part thereof, or of any interest or*  
23 *additional amounts assessed in connection therewith, or of*  
24 *any part of any such interest or additional amounts. If such*  
25 *claim is accompanied by a bond, in such amount, not*

1 exceeding double the amount of the claim, and with such  
2 sureties, as the collector deems necessary, conditioned upon  
3 the payment of so much of the amount of the claim as is not  
4 abated, together with interest thereon as provided in subdivi-  
5 sion (c) of this section. Upon the filing of such claim and  
6 bond, the collection of so much of the amount assessed as is  
7 covered by such claim and bond shall be stayed pending the  
8 final disposition of the claim.

9 (b) If a claim is filed as provided in subdivision (a)  
10 of this section the collector shall transmit the claim imme-  
11 diately to the Commissioner who shall by registered mail  
12 notify the taxpayer of his decision on the claim. The tax-  
13 payer may within 60 days after such notice is mailed file  
14 an appeal with the Board of Tax Appeals. If the claim  
15 is denied in whole or in part by the Commissioner (or by  
16 the Board in case an appeal has been filed) the amount,  
17 the claim for which is denied, shall be collected as part of  
18 the tax upon notice and demand from the collector, and the  
19 amount, the claim for which is allowed, shall be abated. A  
20 proceeding in court may be begun for any part of the amount.  
21 claim for which is allowed by the Board. Such proceed-  
22 ing shall be begun within one year after the final decision  
23 of the Board, and may be begun within such year even  
24 though the period of limitation prescribed in section 277  
25 has expired.



1 exceeding double the amount of the claim, and with such  
2 surties, as the collector deems necessary, conditioned upon  
3 the payment of so much of the amount of the claim as is not  
4 abated, together with interest thereon as provided in subdivi-  
5 sion (c) of this section, then upon the filing of such claim and  
6 bond, the collection of so much of the amount assessed as is  
7 covered by such claim and bond shall be stayed pending the  
8 final disposition of the claim.

9 (b) When a claim is filed and accepted by the collector  
10 he shall transmit the claim immediately to the Commissioner,  
11 who shall by registered mail notify the taxpayer of his decision  
12 on the claim. The taxpayer may within 60 days after such  
13 notice is mailed file a petition with the Board of Tax Appeals.  
14 In cases where collection has been stayed by the filing of a  
15 bond, then if the claim is denied in whole or in part by the  
16 Commissioner (or, if a petition has been filed with the Board,  
17 if such claim is denied in whole or in part by a decision of the  
18 Board which has become final), the amount, the claim for  
19 which is denied, shall be collected as part of the tax upon  
20 notice and demand from the collector, and the amount the  
21 claim for which is allowed, shall be abated. In cases where  
22 collection has not been stayed by the filing of a bond, then  
23 if the claim is allowed in whole or in part by the Commis-  
24 sioner (or, if a petition has been filed with the Board, if  
25 such claim is allowed in whole or in part by a decision of

5           (e) If the claim in abatement is denied in whole or in  
6 part, there shall be collected, at the same time as the part  
7 of the claim denied, and as a part of the tax, interest at  
8 the rate of 6 per centum per annum upon the amount of the  
9 claim denied, from the date of notice and demand from the  
10 collector under subdivision (b) of this section is not paid in  
11 the notice and demand under subdivision (b) of this section.  
12 If the amount included in the notice and demand from the  
13 collector under subdivision (b) of this section is not paid in  
14 full within 10 days after such notice and demand, then there  
15 shall be collected, as part of the tax, interest upon the un-  
16 paid amount at the rate of 1 per centum a month (or, in  
17 the case of estates of incompetent, deceased, or insolvent  
18 persons, at the rate of 6 per centum per annum) from the  
19 date of such notice and demand until it is paid.

21           (d) Except as provided in this section, no claim in  
22 abatement shall be filed in respect of any assessment made  
23 after the enactment of this Act in respect of any income,  
24 war profits, or excess-profits tax.

1 the Board which has become final) the amount so allowed  
2 shall be credited or refunded to the taxpayer as provided in  
3 section 281, or, if collection has not been made, shall be  
4 abated.

5 (c) In cases where collection has been stayed by the  
6 filing of a bond, then if the claim in abatement is denied in  
7 whole or in part, there shall be collected, at the same time as  
8 the part of the claim denied, and as a part of the tax, interest  
9 at the rate of 6 per centum per annum upon the amount of the  
10 claim denied, from the date of notice and demand from the  
11 collector under subdivision (d) of section 274 to the date of  
12 the notice and demand under subdivision (b) of this section.  
13 If the amount included in the notice and demand from the  
14 collector under subdivision (b) of this section is not paid in  
15 full within ten days after such notice and demand, then there  
16 shall be collected, as part of the tax, interest upon the un-  
17 paid amount at the rate of 1 per centum a month (or, in  
18 the case of estates of incompetent, deceased, or insolvent  
19 persons, at the rate of 6 per centum per annum) from the  
20 date of such notice and demand until it is paid.

21 (d) Except as provided in this section, no claim in  
22 abatement shall be filed in respect of any assessment made  
23 after the enactment of this Act in respect of any income,  
24 war profits, or excess-profits tax.

[For provisions of Revenue Act of 1924 relating to jeopardy assessments, see pp. 250 and 252 (sec. 274 (d) and pp. 280, 282, and 284 (sec. 279)).]

## JEOPARDY ASSESSMENTS

2           *SEC. 279. (a) If the Commissioner believes that the*  
3 *assessment or collection of a deficiency will be jeopardized*  
4 *by delay, he shall so certify in the records of his office and shall*  
5 *immediately assess such deficiency (together with all interest,*  
6 *additional amounts, or additions to the tax provided for by*  
7 *law) and notice and demand shall be made by the collector*  
8 *for the payment thereof.*

9           *(b) If the jeopardy assessment is made before any*  
10 *notice in respect of the tax to which the jeopardy assessment*  
11 *relates has been mailed under subdivision (a) of section 274,*  
12 *then the Commissioner shall mail a notice under such sub-*  
13 *division within 60 days after the making of the assessment.*

14           *(c) The jeopardy assessment may be made in respect of*  
15 *a deficiency greater or less than that notice of which has been*  
16 *mailed to the taxpayer, despite the provisions of subdivision*  
17 *(f) of section 274 and whether or not the taxpayer has there-*  
18 *fore filed a petition with the Board of Tax Appeals. The*  
19 *Commissioner shall notify the Board of the amount of such*  
20 *assessment, if the petition is filed with the Board before the*  
21 *making of the assessment or is subsequently filed, and the*  
22 *Board shall have jurisdiction to redetermine the entire amount*  
23 *of the assessment.*

24           *(d) If the jeopardy assessment is made after the decision*  
25 *of the Board is rendered such assessment may be made only*



1 in respect of the deficiency determined by the Board in its  
2 decision.

3 (e) A jeopardy assessment may not be made after the  
4 decision of the Board has become final or after the taxpayer  
5 has filed a petition for review of the decision of the Board.

6 (f) When a jeopardy assessment has been made the  
7 taxpayer, within 10 days after notice and demand from the  
8 collector for the payment of the amount of the assessment,  
9 may obtain a stay of collection of the whole or any part  
10 of the amount of the assessment by filing with the collector  
11 a bond in such amount, not exceeding double the amount as  
12 to which the stay is desired, and with such sureties, as the  
13 collector deems necessary, conditioned upon the payment of  
14 so much of the amount, the collection of which is stayed  
15 by the bond, as is not abated by a decision of the Board  
16 which has become final, together with interest thereon as  
17 provided in subdivision (j) of this section.

18 (g) If the bond is given before the taxpayer has filed  
19 his petition with the Board under subdivision (a) of section  
20 274, the bond shall contain a further condition that if a  
21 petition is not filed within the period provided in such sub-  
22 division, then the amount the collection of which is stayed  
23 by the bond will be paid on notice and demand at any time  
24 after the expiration of such period, together with interest  
25 thereon at the rate of 6 per centum per annum from the





1 date of the jeopardy notice and demand to the date of notice  
2 and demand under this subdivision.

3 (h) Upon the filing of the bond the collection of so much  
4 of the amount assessed as is covered by the bond shall be  
5 stayed. The taxpayer shall have the right to waive such stay  
6 at any time in respect of the whole or any part of the amount  
7 covered by the bond, and if as a result of such waiver any  
8 part of the amount covered by the bond is paid, then the  
9 bond shall, at the request of the taxpayer, be proportionately  
10 reduced. If the Board determines that the amount assessed  
11 is greater than the amount which should have been assessed,  
12 then when the decision of the Board is rendered the bond  
13 shall, at the request of the taxpayer, be proportionately  
14 reduced.

15 (i) When the petition has been filed with the Board and  
16 when the amount which should have been assessed has been  
17 determined by a decision of the Board which has become  
18 final, then any unpaid portion, the collection of which has  
19 been stayed by the bond, shall be collected as part of the tax  
20 upon notice and demand from the collector, and any remain-  
21 ing portion of the assessment shall be abated. If the amount  
22 already collected exceeds the amount determined as the amount  
23 which should have been assessed, such excess shall be credited  
24 or refunded to the taxpayer as provided in section 284.

25 (j) In the case of the amount collected under subdivi-  
26 sion (i) there shall be collected at the same time as such



1 amount, and as a part of the tax, interest at the rate of 6  
2 per centum per annum upon such amount from the date of  
3 the jeopardy notice and demand to the date of notice and  
4 demand under subdivision (i) of this section. If the amount  
5 included in the notice and demand from the collector under  
6 subdivision (i) of this section is not paid in full within 10  
7 days after such notice and demand, then there shall be col-  
8 lected, as part of the tax, interest upon the unpaid amount  
9 at the rate of 1 per centum a month (or, in the case of  
10 estates of incompetent, deceased, or insolvent persons, at the  
11 rate of 6 per centum per annum) from the date of such notice  
12 and demand until it is paid.

13 (k) No claim in abatement shall be filed in respect of  
14 any assessment made after the enactment of this Act in respect  
15 of any income, war-profits, or excess-profits tax.

16 **CLAIMS AGAINST TRANSFERRED ASSETS**

17 **SEC. 280.** (a) The term "transferee" as used in this  
18 section includes, among others, the distributee of an estate,  
19 the shareholder of a dissolved corporation, the assignee or  
20 donee of an insolvent person, and the successor of a corpora-  
21 tion a party to a reorganization as defined in section 203.

22 (b) If, in the case of the transfer of any property of  
23 the taxpayer (whether such transfer is by operation of law,  
24 distribution, sale, or other disposition, and whether such trans-  
25 fer occurs upon death, dissolution, or a reorganization as

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1 *defined in section 203, or in any other manner), the trans-*  
2 *feree is, by reason of such transfer, subject to liability (includ-*  
3 *ing any liability under section 3467 of the Revised Statutes)*  
4 *in his own person and estate in respect of the tax (including*  
5 *interest, additional amounts, and additions to the tax pro-*  
6 *vided by law), imposed upon the taxpayer by this title, then*  
7 *the Commissioner is authorized to send by registered mail*  
8 *notice of such liability to the transferee.*

9 *(c) The powers, duties, rights, and privileges of the*  
10 *Commissioner and of the transferee in respect of such lia-*  
11 *bility shall be the same as those of the Commissioner and*  
12 *a taxpayer in respect of a deficiency in a tax imposed by*  
13 *this title; and the amount of such liability of the transferee*  
14 *shall be assessed, collected, and paid in the same manner and*  
15 *subject to the same provisions and limitations (including the*  
16 *provisions authorizing distraint and proceedings in court for*  
17 *collection and prohibiting claims and suits for refund) as in*  
18 *the case of a deficiency in a tax imposed by this title; but no*  
19 *interest, additional amounts, or additions to tax (other than*  
20 *those to which the taxpayer was liable and other than the*  
21 *interest specified hereinafter in subdivision (e) of this sec-*  
22 *tion) shall be included in or imposed in respect of the liability*  
23 *of the transferee.*

24 *(d) The amount of any liability of a transferee as*  
25 *determined under this section shall be assessed prior to the*

Section 101. Tax on the production of oil and gas ..... 1

Section 102. Tax on the production of coal ..... 1

Section 103. Tax on the production of iron ore ..... 1

Section 104. Tax on the production of copper ..... 1

Section 105. Tax on the production of lead ..... 1

Section 106. Tax on the production of zinc ..... 1

Section 107. Tax on the production of silver ..... 1

Section 108. Tax on the production of gold ..... 1

Section 109. Tax on the production of platinum ..... 1

Section 110. Tax on the production of nickel ..... 1

Section 111. Tax on the production of manganese ..... 1

Section 112. Tax on the production of uranium ..... 1

Section 113. Tax on the production of thorium ..... 1

Section 114. Tax on the production of radium ..... 1

Section 115. Tax on the production of polonium ..... 1

Section 116. Tax on the production of actinium ..... 1

Section 117. Tax on the production of francium ..... 1

Section 118. Tax on the production of protactinium ..... 1

Section 119. Tax on the production of neptunium ..... 1

Section 120. Tax on the production of plutonium ..... 1

Section 121. Tax on the production of americium ..... 1

Section 122. Tax on the production of curium ..... 1

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Section 124. Tax on the production of californium ..... 1

Section 125. Tax on the production of einsteinium ..... 1

Section 126. Tax on the production of fermium ..... 1

Section 127. Tax on the production of mendelevium ..... 1

Section 128. Tax on the production of nobelium ..... 1

Section 129. Tax on the production of lawrencium ..... 1

Section 130. Tax on the production of rutherfordium ..... 1

Section 131. Tax on the production of dubnium ..... 1

Section 132. Tax on the production of seaborgium ..... 1

Section 133. Tax on the production of bohrium ..... 1

Section 134. Tax on the production of hassium ..... 1

Section 135. Tax on the production of meitnerium ..... 1

Section 136. Tax on the production of darmstadtium ..... 1

Section 137. Tax on the production of roentgenium ..... 1

Section 138. Tax on the production of copernicium ..... 1

Section 139. Tax on the production of nihonium ..... 1

Section 140. Tax on the production of flerovium ..... 1

Section 141. Tax on the production of tennessine ..... 1

Section 142. Tax on the production of oganesson ..... 1

Section 143. Tax on the production of ununennium ..... 1

Section 144. Tax on the production of unbinilium ..... 1

Section 145. Tax on the production of untrium ..... 1

Section 146. Tax on the production of unquadrium ..... 1

Section 147. Tax on the production of unquadium ..... 1

Section 148. Tax on the production of unsexium ..... 1

Section 149. Tax on the production of unseptium ..... 1

Section 150. Tax on the production of unoctium ..... 1

Section 151. Tax on the production of unnonium ..... 1

Section 152. Tax on the production of undecium ..... 1

Section 153. Tax on the production of undecium ..... 1

Section 154. Tax on the production of unduodecium ..... 1

Section 155. Tax on the production of untridecium ..... 1

Section 156. Tax on the production of unquadradeium ..... 1

Section 157. Tax on the production of unquintadeium ..... 1

Section 158. Tax on the production of unsexadeium ..... 1

Section 159. Tax on the production of unseptadeium ..... 1

Section 160. Tax on the production of unoctadeium ..... 1

Section 161. Tax on the production of unnonadeium ..... 1

Section 162. Tax on the production of untriacontium ..... 1

Section 163. Tax on the production of unquadragintium ..... 1

Section 164. Tax on the production of unquingentium ..... 1

Section 165. Tax on the production of unsexcentium ..... 1

Section 166. Tax on the production of unseptcentium ..... 1

Section 167. Tax on the production of unoctcentium ..... 1

Section 168. Tax on the production of unnoncentium ..... 1

Section 169. Tax on the production of unmillenium ..... 1

Section 170. Tax on the production of unmillenium ..... 1

1 the expiration of the period prescribed in sections 277 and  
2 278 for assessment against the taxpayer, or if the tax has  
3 been assessed against the taxpayer, then prior to the expira-  
4 tion of one year after such assessment, whichever is later.  
5 The running of such period of limitation shall, after the mail-  
6 ing of the notice under subdivision (b) of this section, be sus-  
7 pended for the period during which the Commissioner is pro-  
8 hibited from making the assessment or beginning distraint  
9 or a proceeding in court in respect of either the tax of the  
10 taxpayer or the liability of the transferee. In no event  
11 shall the Commissioner have less than 60 days after the  
12 decision of the Board of Tax Appeals has become final in  
13 which to make the assessment; nor in cases where no petition  
14 for the redetermination of the liability is filed with the Board  
15 shall he have less than 90 days after the mailing of the notice  
16 under subdivision (b) in which to make the assessment.

17 (e) If the amount of such liability of the transferee as  
18 determined under this section is not paid in full within 10  
19 days from the date of notice and demand from the collector,  
20 then there shall be collected as a part of such amount interest  
21 upon the unpaid portion thereof at the rate of 1 per centum  
22 a month from the date of such notice and demand until pay-  
23 ment. Extensions of time for such payment may be had  
24 in the same manner and subject to the same provisions and  
25 limitations as are provided in subdivision (k) of section  
26 274 in the case of a deficiency in a tax imposed by this title.





1 **FIDUCIARIES**

2 **SEC. 281.** (a) Upon notice to the Commissioner (at  
3 the time the return of the taxpayer is made or subsequent  
4 thereto) that any person is acting in a fiduciary capacity  
5 such fiduciary shall assume the powers, rights, duties, and  
6 privileges of the taxpayer under this Act (except as  
7 otherwise specifically provided and except that the tax shall  
8 be collected from the estate of the taxpayer), until notice is  
9 given that the fiduciary capacity has terminated.

10 (b) Upon notice to the Commissioner that any person is  
11 acting in a fiduciary capacity for a person subject to the  
12 liability specified in section 280, the fiduciary shall assume,  
13 on behalf of such person, the powers, rights, duties, and  
14 privileges of such person under such section (except that the  
15 liability shall be collected from the estate of such person), until  
16 notice is given that the fiduciary capacity has terminated.

17 (c) Notice under subdivision (a) or (b) shall be given  
18 in accordance with regulations prescribed by the Commis-  
19 sioner with the approval of the Secretary.

20 (d) In the absence of any notice to the Commissioner  
21 under subdivision (a) or (b), notice under this title of a  
22 deficiency or other liability, if mailed to the taxpayer or  
23 other person subject to liability at his last known address,  
24 shall be sufficient for the purposes of this title even if such  
25 taxpayer or other person is deceased, or is under a legal

1	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	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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1 disability, or, in the case of a corporation, has terminated  
2 its existence.

3 **BANKRUPTCY AND RECEIVERSHIPS**

4 **SEC. 282. (a)** Upon the adjudication of bankruptcy  
5 of any taxpayer in any bankruptcy proceeding or the  
6 appointment of a receiver for any taxpayer in any receiver-  
7 ship proceeding before any court of the United States or of any  
8 State or Territory or of the District of Columbia, any defi-  
9 ciency determined by the Commissioner in respect of a  
10 tax imposed by this title upon such taxpayer shall, despite  
11 the provisions of subdivision (a) of section 274, be imme-  
12 diately assessed if such deficiency has not theretofore been  
13 assessed in accordance with law; but after such adjudication  
14 of bankruptcy or appointment of receiver no distraint or  
15 proceeding in court for collection of the deficiency shall be  
16 begun or prosecuted except as hereinafter provided. Claim  
17 for the deficiency may be presented to the court before which  
18 the bankruptcy or receivership proceeding is pending, for  
19 adjudication in accordance with law. If any proceeding  
20 for redetermination of such deficiency under the provisions  
21 of this Act is pending before the Board at the time of such  
22 adjudication of bankruptcy or appointment of a receiver  
23 and no decision of the Board, final or otherwise, has been  
24 rendered therein, then such proceeding shall be dismissed  
25 by the Board.

22

TAXES UNDER PRIOR ACTS

22

23

SEC. 280. If after the enactment of this Act the Commis-

24

missioner determines that any assessment should be made

25

in respect of any income, war-profits, or ~~excess-profits~~ tax

1       **(b)** *After the adjudication of bankruptcy in a bank-*  
2 *ruptcy proceeding or the appointment of a receiver in a*  
3 *receivership proceeding interest upon the amount of the*  
4 *claim for the deficiency shall be paid at the rate of 6 per*  
5 *centum per annum during the pendency of such proceeding.*

6       **(c)** *Any portion of the claim allowed in such bank-*  
7 *ruptcy or receivership proceeding which is unpaid shall be*  
8 *paid upon notice and demand from the collector after the*  
9 *termination of such proceeding, and may be collected by*  
10 *distrainment or proceeding in court within six years after termi-*  
11 *nation of such proceeding.*

12       **(d)** *If the amount of such portion of the claim is not*  
13 *paid in full within 10 days of the date of notice and demand*  
14 *from the collector, then there shall be collected as a part of*  
15 *such amount interest upon the unpaid portion thereof at the*  
16 *rate of 1 per centum a month from the date of such notice*  
17 *and demand until payment. Extensions of time for such*  
18 *payment may be had in the same manner and subject to the*  
19 *same provisions and limitations as are provided in subdivi-*  
20 *sion (k) of section 274 in the case of a deficiency in a tax*  
21 *imposed by this title.*

22                                   **TAXES UNDER PRIOR ACTS**

23       **SEC. 280. (a)** *If after the enactment of this Act the*  
24 *Commissioner determines that any assessment should be*  
25 *made in respect of any income, war-profits, or excess-profits*

1 imposed by the Revenue Act of 1916, the Revenue Act of  
2 1917, the Revenue Act of 1918, or the Revenue Act of  
3 1921, or by any such Act as amended, the amount which  
4 should be assessed (whether as deficiency or as interest,  
5 penalty, or other addition to the tax) shall be computed  
6 as if this Act had not been enacted, but the amount so  
7 computed shall be assessed, collected, and paid in the same  
8 manner and subject to the same provisions and limitations  
9 (including the provisions in case of delinquency in payment  
10 after notice and demand) as in the case of the taxes imposed  
11 by this title, except as otherwise provided in section 277.

1 tax imposed by the Revenue Act of 1916, the Revenue Act  
2 of 1917, the Revenue Act of 1918, the Revenue Act of 1921,  
3 or the Revenue Act of 1924, or by any such Act as amended,  
4 the Commissioner shall notify the person liable for such tax  
5 by registered mail of the amount proposed to be assessed,  
6 which notification shall, for the purposes of this Act, be con-  
7 sidered a notification under subdivision (a) of section 274  
8 of this Act. In such cases the amount which should be  
9 assessed (whether as deficiency or as interest, penalty, or  
10 other addition to the tax) shall, except as provided in sub-  
11 division (d) of this section, be computed as if this Act had  
12 not been enacted, but the amount so computed shall be as-  
13 sessed, collected, and paid in the same manner and subject  
14 to the same provisions and limitations (including the pro-  
15 visions in case of delinquency in payment after notice and  
16 demand and the provisions prohibiting claims and suits for  
17 refund) as in the case of the taxes imposed by this title,  
18 except as otherwise provided in section 277 of this Act.

19 (b) If before the enactment of this Act any person has  
20 appealed to the Board of Tax Appeals under subdivision  
21 (a) of section 274 of the Revenue Act of 1924 (if such  
22 appeal relates to a tax imposed by Title II of such Act or  
23 to so much of an income, war profits, or excess profits tax  
24 imposed by prior Act as was not assessed before June 3,  
25 1924), and the decision of the Board was not made before





1 the enactment of this Act, the Board shall have jurisdiction  
2 of the appeal. In all such cases the powers, duties, rights,  
3 and privileges of the Commissioner and of the person who  
4 has brought the appeal, and the jurisdiction of the Board  
5 and of the courts, shall be determined, and the computation  
6 of the tax shall be made, in the same manner as provided in  
7 subdivision (a) of this section, except that the person liable  
8 for the tax shall not be subject to the provisions of subdivi-  
9 sion (d) of section 281.

10 (e) If before the enactment of this Act the Commis-  
11 sioner has mailed to any person a notice under subdivision  
12 (a) of section 274 of the Revenue Act of 1924 (whether in  
13 respect of a tax imposed by Title II of such Act or in respect  
14 of so much of an income, war-profits, or excess-profits tax  
15 imposed by prior Act as was not assessed before June 2,  
16 1924), and if the 60-day period referred to in such sub-  
17 division has not expired before the enactment of this Act,  
18 such person may file a petition with the Board in the same  
19 manner as if a notice of deficiency had been mailed after the  
20 enactment of this Act in respect of a deficiency in a tax  
21 imposed by this title. In such cases the 60-day period  
22 referred to in subdivision (a) of section 274 of this Act  
23 shall begin on the date of the enactment of this Act, and the  
24 powers, duties, rights, and privileges of the Commissioner and  
25 of the person who has filed the petition, and the jurisdiction



1 of the Board and of the courts, shall, whether or not the peti-  
2 tion is filed, be determined, and the computation of the tax  
3 shall be made, in the same manner as provided in subdivision  
4 ~~(a)~~ of this section.

5 ~~(d)~~ In the case of any assessment made after the enact-  
6 ment of this Act in respect of a tax imposed by any Act of  
7 Congress prior to November 23, 1921, interest upon the tax  
8 proposed to be assessed shall be assessed at the same time as  
9 such tax, shall be paid upon notice and demand from the  
10 collector, and shall be collected as part of such tax, at the  
11 rate of 6 per centum per annum, from the date of the enact-  
12 ment of this Act to the date such tax is assessed.

13 ~~(e)~~ If any income, war profits, or excess-profits tax  
14 imposed by the Revenue Act of 1916, the Revenue Act of  
15 1917, the Revenue Act of 1918, or the Revenue Act of  
16 1921, or by any such Act as amended, was assessed before  
17 June 3, 1924, but was not paid in full before the date of  
18 the enactment of this Act, and if the Commissioner, after the  
19 enactment of this Act, finally determines the amount of the  
20 deficiency, he shall notify the person liable for such tax by  
21 registered mail of the amount proposed to be collected, which  
22 notification shall, for the purposes of this Act, be considered  
23 a notification under subdivision ~~(a)~~ of section 274 of this  
24 Act. In such case the amount to be collected ~~(whether~~ as  
25 deficiency or as interest, penalty, or other additions to the



1 tax) shall, except as provided in subdivision (h) of this  
2 section, be computed as if this Act had not been enacted, but  
3 the amount so computed shall be assessed, collected, and paid  
4 in the same manner and subject to the same provisions and  
5 limitations (including the provisions in cases of delinquency  
6 in payment after notice and demand, and the provisions  
7 relating to claims and suits for refund) as in the case of  
8 taxes imposed by this title, except as otherwise provided in  
9 section 277 of this Act and in subdivision (i) of this section.

10 (f) If any income, war-profits, or excess-profits tax im-  
11 posed by the Revenue Act of 1916, the Revenue Act of 1917,  
12 the Revenue Act of 1918, or the Revenue Act of  
13 1921, or by any such Act as amended, was assessed before  
14 June 2, 1924, but was not paid in full before that date, and  
15 if the Commissioner after June 2, 1924, but before the en-  
16 actment of this Act finally determined the amount of the de-  
17 ficiency, and if the person liable for such tax appealed before  
18 the enactment of this Act to the Board of Tax Appeals and  
19 the decision of the Board was not made before the enactment  
20 of this Act, the Board shall have jurisdiction of the appeal.  
21 In all such cases the powers, duties, rights, and privileges of  
22 the Commissioner and of the person who has brought the ap-  
23 peal, and the jurisdiction of the Board and of the courts, shall  
24 be determined, and the computation of the tax shall be made, in  
25 the same manner as provided in subdivision (e) of this sec-



1 tion, except that the person liable for the tax shall not be  
2 subject to the provisions of subdivision ~~(d)~~ of section 281.

3 ~~(g)~~ If any income, war-profits, or excess-profits tax  
4 imposed by the Revenue Act of 1916, the Revenue Act of  
5 1917, the Revenue Act of 1918, or the Revenue Act of  
6 1921, or by any such Act as amended, was assessed be-  
7 fore June 3, 1924, but was not paid in full before the  
8 date of the enactment of this Act, and if the Commissioner  
9 after June 2, 1924, finally determined the amount of the  
10 deficiency, and notified the person liable for such tax to  
11 that effect less than 60 days prior to the enactment of this  
12 Act, the person so notified may file a petition with the  
13 Board in the same manner as if a notice of deficiency  
14 had been mailed after the enactment of this Act in respect  
15 of a deficiency in a tax imposed by this title. In such  
16 cases the 60-day period referred to in subdivision ~~(a)~~ of  
17 section 274 of this Act shall begin on the date of the en-  
18 actment of this Act, and, whether or not the petition is  
19 filed, the powers, duties, rights, and privileges of the Com-  
20 missioner and of the person who is so notified, and the  
21 jurisdiction of the Board and of the courts, shall be deter-  
22 mined, and the computation of the tax be made, in the same  
23 manner as provided in subdivision ~~(e)~~ of this section.

24 ~~(h)~~ In cases within the scope of subdivision ~~(e)~~, ~~(f)~~,  
25 or ~~(g)~~ in computing the amount which should be collected,





1 interest upon the amount determined by the Commissioner,  
2 or by the decision of the Board which has become final, to be  
3 the amount of the deficiency, shall be included at the rate of  
4 6 per centum per annum from the date of the enactment of  
5 this Act up to the date of notice and demand from the col-  
6 lector. The interest provided in this subdivision shall be  
7 included only in cases where no other interest for the same  
8 period is provided by law.

9 (i) In cases within the scope of subdivision (e), (f),  
10 or (g), if the Commissioner believes that the collection of the  
11 deficiency will be jeopardized by delay, he may, despite the  
12 provisions of subdivision (a) of section 274 of this Act,  
13 instruct the collector to proceed to enforce the payment of the  
14 deficiency. Such action by the collector and the Commis-  
15 sioner may be taken at any time prior to the decision of the  
16 Board upon such deficiency even though the person liable for  
17 the tax has filed a petition with the Board, or, in the case of  
18 any part of the deficiency allowed by the Board, at any time  
19 before the expiration of 90 days after the decision of the  
20 Board was rendered, but not after the person liable for the  
21 tax has filed a review bond under section 912 of the  
22 Revenue Act of 1924 as amended, and thereupon the juris-  
23 diction of the Board and the right of the taxpayer to appeal  
24 from the Board shall cease. Upon payment of the deficiency  
25 in such case the person liable for the tax shall not be subject  
26 to the provisions of subdivision (d) of section 281.



1        *SEC. 283. (a) If after the enactment of this Act the*  
2        *Commissioner determines that any assessment should be made*  
3        *in respect of any income, war-profits, or excess-profits tax*  
4        *imposed by the Revenue Act of 1916, the Revenue Act of*  
5        *1917, the Revenue Act of 1918, the Revenue Act of 1921, or*  
6        *the Revenue Act of 1924, or by any such Act as amended,*  
7        *the Commissioner is authorized to send by registered mail to*  
8        *the person liable for such tax notice of the amount proposed*  
9        *to be assessed, which notice shall, for the purposes of this Act,*  
10       *be considered a notice under subdivision (a) of section 274*  
11       *of this Act. In the case of any such tax the amount which*  
12       *should be assessed (whether as deficiency or as interest, pen-*  
13       *alty, or other addition to the tax) shall, except as provided*  
14       *in subdivision (d) of this section, be computed as if this Act*  
15       *had not been enacted, but the amount so computed shall be*  
16       *assessed, collected, and paid in the same manner and subject*  
17       *to the same provisions and limitations (including the pro-*  
18       *visions in case of delinquency in payment after notice and*  
19       *demand and the provisions prohibiting claims and suits for*  
20       *refund) as in the case of a deficiency in the tax imposed by*  
21       *this title, except as otherwise provided in section 277 of this*  
22       *Act.*

23       *(b) If before the enactment of this Act any person has*  
24       *appealed to the Board of Tax Appeals under subdivision (a)*  
25       *of section 274 or subdivision (b) of section 279 of the Reve-*



1 *nue Act of 1924 (if such appeal relates to a tax imposed by*  
2 *Title II of such Act or to so much of an income, war-profits,*  
3 *or excess-profits tax imposed by any of the prior Acts enu-*  
4 *merated in subdivision (a) of this section as was not assessed*  
5 *before June 3, 1924), and the appeal is pending before the*  
6 *Board at the time of the enactment of this Act, the Board shall*  
7 *have jurisdiction of the appeal. In all such cases the powers,*  
8 *duties, rights, and privileges of the Commissioner and of the*  
9 *person who has brought the appeal, and the jurisdiction of the*  
10 *Board and of the courts, shall be determined, and the compu-*  
11 *tation of the tax shall be made, in the same manner as pro-*  
12 *vided in subdivision (a) of this section, except that the per-*  
13 *son liable for the tax shall not be subject to the provisions of*  
14 *subdivision (d) of section 284,*

15 (c) *If before the enactment of this Act the Commis-*  
16 *sioner has mailed to any person a notice under subdivision*  
17 *(a) of section 274 or subdivision (b) of section 279 of*  
18 *the Revenue Act of 1924 (whether in respect of a tax*  
19 *imposed by Title II of such Act or in respect of so much*  
20 *of an income, war-profits, or excess-profits tax imposed by*  
21 *any of the prior Acts enumerated in subdivision (a) of*  
22 *this section as was not assessed before June 3, 1924), and*  
23 *if the 60-day period referred to in such subdivision has not*  
24 *expired before the enactment of this Act, such person may*  
25 *file a petition with the Board in the same manner as if a*



1 notice of deficiency had been mailed after the enactment  
2 of this Act in respect of a deficiency in a tax imposed by this  
3 title. In such cases the 60-day period referred to in sub-  
4 division (a) of section 274 of this Act shall begin on the  
5 date of the enactment of this Act, and the powers, duties,  
6 rights, and privileges of the Commissioner and of the person  
7 entitled to file the petition, and the jurisdiction of the Board  
8 and of the courts, shall, whether or not the petition is filed,  
9 be determined, and the computation of the tax shall be made  
10 in the same manner as provided in subdivision (a) of this  
11 section.

12 (d) In the case of any assessment made after the  
13 enactment of this Act in respect of a tax imposed by any  
14 Act of Congress prior to November 23, 1921, interest upon  
15 the tax proposed to be assessed shall be assessed at the same  
16 time as such tax, shall be paid upon notice and demand from  
17 the collector, and shall be collected as part of such tax, at  
18 the rate of 6 per centum per annum, from the date of the  
19 enactment of this Act to the date such tax is assessed, or, in  
20 the case of a waiver under subdivision (d) of section 274,  
21 to the thirtieth day after the filing of such waiver or to the date  
22 the deficiency is assessed whichever is the earlier.

23 (e) If any deficiency in any income, war-profits, or  
24 excess-profits tax imposed by the Revenue Act of 1916, the  
25 Revenue Act of 1917, the Revenue Act of 1918, or the

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1 *Revenue Act of 1921, or by any such Act as amended, was*  
2 *assessed before June 3, 1924, but was not paid in full*  
3 *before the date of the enactment of this Act, and if the Com-*  
4 *missioner, after the enactment of this Act, finally determines*  
5 *the amount of the deficiency, he is authorized to send by*  
6 *registered mail to the person liable for such tax notice of*  
7 *such deficiency, which notice shall, for the purposes of this*  
8 *Act, be considered a notice under subdivision (a) of section*  
9 *274 of this Act. In such case the amount of the tax*  
10 *(whether deficiency or interest, penalty, or other addition to*  
11 *the tax) shall, except as provided in subdivision (h) of this*  
12 *section, be computed as if this Act had not been enacted, but*  
13 *the amount so computed shall be collected and paid in the*  
14 *same manner and subject to the same provisions and limita-*  
15 *tions (including the provisions in case of delinquency in pay-*  
16 *ment after notice and demand, and the provisions relating to*  
17 *claims and suits for refund) as in the case of a deficiency*  
18 *in the tax imposed by this title, except as otherwise provided in*  
19 *section 277 of this Act and in subdivision (i) of this section.*

20 (f) *If any deficiency in any income, war-profits, or*  
21 *excess-profits tax imposed by the Revenue Act of 1916, the*  
22 *Revenue Act of 1917, the Revenue Act of 1918, or the Rev-*  
23 *enue Act of 1921, or by any such Act as amended, was*  
24 *assessed before June 3, 1924, but was not paid in full before*  
25 *that date, and if the Commissioner after June 2, 1924, but*

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1 before the enactment of this Act finally determined the amount  
2 of the deficiency, and if the person liable for such tax  
3 appealed before the enactment of this Act to the Board and  
4 the appeal is pending before the Board at the time of the  
5 enactment of this Act, the Board shall have jurisdiction of  
6 the appeal. In all such cases the powers, duties, rights, and  
7 privileges of the Commissioner and of the person who has  
8 brought the appeal, and the jurisdiction of the Board and of  
9 the courts, shall be determined, and the computation of the  
10 tax shall be made, in the same manner as provided in subdivi-  
11 sion (e) of this section, except that the person liable for the  
12 tax shall not be subject to the provisions of subdivision (d)  
13 of section 284.

14 (g) If any deficiency in any income, war-profits, or  
15 excess-profits tax imposed by the Revenue Act of 1916, the  
16 Revenue Act of 1917, the Revenue Act of 1918, or the  
17 Revenue Act of 1921, or by any such Act as amended, was  
18 assessed before June 3, 1924, but was not paid in full before  
19 the date of the enactment of this Act, and if the Commissioner  
20 after June 2, 1924, finally determined the amount of the  
21 deficiency, and notified the person liable for such tax to that  
22 effect less than 60 days prior to the enactment of this Act, the  
23 person so notified may file a petition with the Board in the  
24 same manner as if a notice of deficiency had been mailed  
25 after the enactment of this Act in respect of a deficiency in a  
26 tax imposed by this title. In such cases the 60-day period

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any amount for this title for such year the 60-day period

1 referred to in subdivision (a) of section 274 of this Act  
2 shall begin on the date of the enactment of this Act, and,  
3 whether or not the petition is filed, the powers, duties, rights,  
4 and privileges of the Commissioner and of the person who  
5 is so notified, and the jurisdiction of the Board and of the  
6 courts, shall be determined, and the computation of the tax  
7 be made, in the same manner as provided in subdivision (e)  
8 of this section.

9 (h) In cases within the scope of subdivision (e), (f)  
10 or (g) in computing the amount which should be collected,  
11 interest upon the amount determined by the Commissioner,  
12 or by the decision of the Board which has become final, to be  
13 the amount of the deficiency, shall be included at the rate  
14 of 6 per centum per annum from the date of the enactment  
15 of this Act up to the date of notice and demand from the  
16 collector, or, in the case of a waiver under subdivision (d)  
17 of section 274, to the thirtieth day after the filing of such  
18 waiver or to the date of notice and demand whichever is the  
19 earlier. The interest provided in this subdivision shall be  
20 included only in cases where no other interest for the same  
21 period is provided by law.

22 (i) In cases within the scope of subdivision (e), (f)  
23 or (g), if the Commissioner believes that the collection of the  
24 deficiency will be jeopardized by delay, he may, despite the  
25 provisions of subdivision (a) of section 274 of this Act,

11

## CREDITS AND REFUNDS

12       SEC. 281. (a) Where there has been an overpayment  
13 of any income, war-profits, or excess-profits tax imposed by  
14 this Act, the Act entitled "An Act to provide revenue,  
15 equalize duties, and encourage the industries of the United  
16 States, and for other purposes," approved August 5, 1909,  
17 the Act entitled "An Act to reduce tariff duties and to pro-  
18 vide revenue for the Government, and for other purposes,"  
19 approved October 3, 1913, the Revenue Act of 1916,  
20 the Revenue Act of 1917, the Revenue Act of 1918, or  
21 the Revenue Act of 1921, or any such Act as amended,  
22 the amount of such overpayment shall be credited against  
23 any income, war-profits, or excess-profits tax or installment

1 *instruct the collector to proceed to enforce the payment of*  
2 *the unpaid portion of the deficiency, and notice and demand*  
3 *shall be made by the collector for the payment thereof.*  
4 *Within 10 days after such jeopardy notice and demand the*  
5 *person liable for the tax may obtain a stay of collection of*  
6 *the whole or any part of the amount included in the notice*  
7 *and demand by filing with the collector a bond in like manner,*  
8 *under the same conditions, and with the same effect, as in*  
9 *the case of a bond to stay the collection of a jeopardy assess-*  
10 *ment under section 279 of this Act.*

11

## CREDITS AND REFUNDS

12 SEC. 284. (a) Where there has been an overpay-  
13 ment of any income, war-profits, or excess-profits tax im-  
14 posed by this Act, the Act entitled "An Act to provide  
15 revenue, equalize duties, and encourage the industries of the  
16 United States, and for other purposes," approved August 5,  
17 1909, the Act entitled "An Act to reduce tariff duties and  
18 to provide revenue for the Government, and for other pur-  
19 poses," approved October 3, 1913, the Revenue Act of  
20 1916, the Revenue Act of 1917, the Revenue Act of 1918,  
21 the Revenue Act of 1921; or the Revenue Act of 1924,  
22 or any such Act as amended, the amount of such overpay-  
23 ment shall, except as provided in subdivision (d), be credited  
24 against any income, war-profits, or excess-profits tax or  
25 installment thereof then due, from the taxpayer, and any

1 thereof then due from the taxpayer, and any balance of such  
2 excess shall be refunded immediately to the taxpayer.

3 (b) Except as provided in subdivisions (c) and (e) of  
4 this section, (1) no such credit or refund shall be allowed  
5 or made after four years from the time the tax was paid,  
6 unless before the expiration of such four years a claim there-  
7 for is filed by the taxpayer, nor (2) shall the amount of the  
8 credit or refund exceed the portion of the tax paid during the  
9 four years immediately preceding the filing of the claim or,  
10 if no claim was filed, then during the four years immediately  
11 preceding the allowance of the credit or refund.

13 (c) If the invested capital of a taxpayer is decreased  
14 by the Commissioner, and such decrease is due to the fact  
15 that the taxpayer failed to take adequate deductions in pre-  
16 vious years, with the result that there has been an over-  
17 payment of income, war-profits, or excess-profits taxes in any  
18 previous year or years, then the amount of such overpayment  
19 shall be credited or refunded, without the filing of a claim  
20 therefor, notwithstanding the period of limitation provided  
21 for in subdivision (b) has expired.



1 balance of such excess shall be refunded immediately to the  
2 taxpayer.

3 (b) Except as provided in subdivisions (c), (d),  
4 (e), and (g) of this section, (1) no such credit or  
5 refund shall be allowed or made after four years from the  
6 time the tax was paid, unless before the expiration of such  
7 four years a claim therefor is filed by the taxpayer, nor  
8 (2) shall the amount of the credit or refund exceed the por-  
9 tion of the tax paid during the four years immediately pre-  
10 ceding the filing of the claim or, if no claim was filed, then  
11 during the four years immediately preceding the allowance  
12 of the credit or refund.

13 (c) If the invested capital of a taxpayer is decreased  
14 by the Commissioner, and such decrease is due to the fact that  
15 the taxpayer failed to take adequate deductions in previous  
16 years, with the result that there has been an overpayment  
17 of income, war-profits, or excess-profits taxes in any previous  
18 year or years, then the amount of such overpayment shall be  
19 credited or refunded, without the filing of a claim therefor,  
20 notwithstanding the period of limitation provided for in sub-  
21 division (b) or (g) has expired.

22 ~~(d) If the Commissioner has notified the taxpayer of a~~  
23 ~~deficiency, or has made an assessment under subdivision (d)~~  
24 ~~of section 274, the right of the taxpayer to file a petition~~  
25 ~~with the Board of Tax Appeals and to appeal from the deci-~~

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1 sion of the Board to the courts shall constitute his sole right  
2 to contest the amount of the tax for the taxable year in  
3 respect of which the Commissioner has determined the de-  
4 ficiency, and, whether or not he files a petition with the Board,  
5 no credit or refund in respect of such tax shall be made and  
6 no suit for the recovery of any part of such tax shall be main-  
7 tained in any court, except as provided in subdivision (c)  
8 of this section or in subdivision (b) of section 270 or in  
9 subdivision (b), (f), or (i) of section 280 of this Act or  
10 in section 912 of the Revenue Act of 1924 as amended.  
11 This subdivision shall not apply in any case where the tax-  
12 payer proves to the satisfaction of the Commissioner or the  
13 court, as the case may be, that the notice under the sub-  
14 division (a) of section 274 or subdivision (b) of section  
15 270 was not received by him before the expiration of 45  
16 days from the time such notice was mailed.

17 (d) *If the Commissioner has mailed to the taxpayer a*  
18 *notice of deficiency under subdivision (a) of section 274 and*  
19 *if the taxpayer after the enactment of this Act files a petition*  
20 *with the Board of Tax Appeals, no credit or refund in respect*  
21 *of the tax for the taxable year in respect of which the Com-*  
22 *missioner has determined the deficiency shall be allowed or*  
23 *made and no suit for the recovery for any part of such tax*  
24 *shall be instituted in any court, except—*

25 (1) *As provided in subdivision (e) of this section or*  
26 *in subdivision (i) of section 279 or in subdivision (b), (f),*

18 (d) Where there has been an overpayment of tax under  
19 section 221 or 237 any refund or credit made under  
20 the provisions of this section shall be made to the withhold-  
21 ing agent unless the amount of such tax was actually with-  
22 held by the withholding agent.

23 (e) If the taxpayer has, within five years from the  
24 time the return for the taxable year 1917 was due, filed a  
25 waiver of his right to have the taxes due for such taxable

1 or (i) of section 283 or in subdivision (d) of section 1001;

2 and

3 (2) As to any amount collected in excess of an amount  
4 computed in accordance with the decision of the Board which  
5 has become final.

6 (e) If the Board of Tax Appeals finds that there is no  
7 deficiency and further finds that the taxpayer has made an  
8 overpayment of tax in respect of the taxable year in respect  
9 of which the Commissioner determined the deficiency, the  
10 Board shall have jurisdiction to determine the amount of  
11 such overpayment, and such amount shall, when the deci-  
12 sion of the Board has become final, be credited or refunded to  
13 the taxpayer as provided in subdivision (a). Such refund  
14 or credit shall be made either (1) if claim therefor was filed  
15 within the period of limitation provided for in subdivision  
16 (b) or (g), or (2) if the petition was filed with the Board  
17 within four years after the tax was paid.

18 (f) Where there has been an overpayment of tax  
19 under section 221 or 237 any refund or credit made under  
20 the provisions of this section shall be made to the withhold-  
21 ing agent unless the amount of such tax was actually with-  
22 held by the withholding agent.

23 (g) If the taxpayer has, within five years from the  
24 time the return for the taxable year 1917 was due, filed a  
25 waiver of his right to have the taxes due for such taxable

1 year determined and assessed within five years after the  
2 return was filed, or if he has, on or before June 15, 1924,  
3 filed such a waiver in respect of the taxes due for the tax-  
4 able year 1918, then such credit or refund relating to the  
5 taxes for the year in respect of which the waiver was filed  
6 shall be allowed or made if claim therefor is filed either on or  
7 before April 1, 1925, or within four years from the time the  
8 tax was paid. If the taxpayer has, on or before June 15,  
9 1925, filed such a waiver in respect of the taxes due for  
10 the taxable year 1919, then such credit or refund relating to  
11 the taxes for the taxable year 1919 shall be allowed or made  
12 if claim therefor is filed either on or before April 1, 1926, or  
13 within four years from the time the tax was paid.

19 If any  
20 such waiver so filed has, before the expiration of the period  
21 thereof, been extended either by the filing of a new waiver  
22 or by the extension of the original waiver, then such credit  
23 or refund relating to the taxes for the year in respect of which  
24 the waiver was filed shall be allowed or made if claim there-  
25 for is filed either (1) within four years from the time the

1 year determined and assessed within five years after the  
2 return was filed, or if he has, on or before June 15, 1924,  
3 filed such a waiver in respect of the taxes due for the tax-  
4 able year 1918, then such credit or refund relating to the  
5 taxes for the year in respect of which the waiver was filed  
6 shall be allowed or made if claim therefor is filed either on or  
7 before April 1, 1925, or within four years from the time the  
8 tax was paid. If the taxpayer has, on or before June 15,  
9 1925, filed such a waiver in respect of the taxes due for  
10 the taxable year 1919, then such credit or refund relating to  
11 the taxes for the taxable year 1919 shall be allowed or made  
12 if claim therefor is filed either on or before April 1, 1926, or  
13 within four years from the time the tax was paid. *If the*  
14 *taxpayer has, on or before June 15, 1926, filed such a*  
15 *waiver in respect of the taxes due for the taxable year 1920*  
16 *or 1921, then such credit or refund relating to the taxes for*  
17 *the taxable year 1920 or 1921 shall be allowed or made*  
18 *if claim therefor is filed either on or before April 1, 1927,*  
19 *or within four years from the time the tax was paid. If any*  
20 *such waiver so filed has, before the expiration of the period*  
21 *thereof, been extended either by the filing of a new waiver*  
22 *or by the extension of the original waiver, then such credit*  
23 *or refund relating to the taxes for the year in respect of which*  
24 *the waiver was filed shall be allowed or made if claim there-*  
25 *for is filed either (1) within four years from the time the*

1 tax was paid, or (2) on or before April 1, 1926, in the  
2 case of credits or refunds relating to the taxes for the taxable  
3 years 1917 and 1918, or on or before April 1, 1927, in  
4 the case of credits or refunds relating to the taxes for the  
5 taxable year 1919.

9 (f) This section shall not (1) bar from allowance a  
10 claim for credit or refund filed prior to the enactment of this  
11 Act which but for such enactment would have been allow-  
12 able, or (2) bar from allowance a claim in respect of a tax  
13 for the taxable year 1919 or 1920 if such claim is filed  
14 before the expiration of five years after the date the return  
15 was due.

16 CLOSING BY COMMISSIONER OF TAXABLE YEAR

17 SEC. 282. (a) If the Commissioner finds that a tax-  
18 payer designs quickly to depart from the United States or  
19 to remove his property therefrom, or to conceal himself or  
20 his property therein, or to do any other act tending to  
21 prejudice or to render wholly or partly ineffectual proceed-  
22 ings to collect the tax for the taxable year then last past or  
23 the taxable year then current unless such proceedings be  
24 brought without delay, the Commissioner shall declare the  
25 taxable period for such taxpayer immediately terminated



1 tax was paid, or (2) on or before April 1, 1926, in the  
2 case of credits or refunds relating to the taxes for the taxable  
3 years 1917 and 1918, or on or before April 1, 1927, in the  
4 case of credits or refunds relating to the taxes for the taxable  
5 year ~~1919~~ 1919, or on or before April 1, 1928, in the case  
6 of credits or refunds relating to the taxes for the taxable years  
7 1920 and 1921. This subdivision shall not authorize a credit  
8 or refund prohibited by the provisions of subdivision (d).

9 (h) Except as provided in subdivision (d) this  
10 section shall not (1) bar from allowance a claim for  
11 credit or refund filed prior to the enactment of this Act  
12 which but for such enactment would have been allowable,  
13 or (2) bar from allowance a claim in respect of a tax for  
14 the taxable year 1919 or 1920 if such claim is filed before  
15 the expiration of five years after the date the return was due.

16 CLOSING BY COMMISSIONER OF TAXABLE YEAR

17 SEC. ~~282~~ 285. (a) If the Commissioner finds that a  
18 taxpayer designs quickly to depart from the United States or  
19 to remove his property therefrom, or to conceal himself or  
20 his property therein, or to do any other act tending to  
21 prejudice or to render wholly or partly ineffectual proceed-  
22 ings to collect the tax for the taxable year then last past or  
23 the taxable year then current unless such proceedings be  
24 brought without delay, the Commissioner shall declare the  
25 taxable period for such taxpayer immediately terminated.

1 and shall cause notice of such finding and declaration to be  
2 given the taxpayer, together with a demand for immediate  
3 payment of the tax for the taxable period so declared termi-  
4 nated and of the tax for the preceding taxable year or so-  
5 much of such tax as is unpaid, whether or not the time other-  
6 wise allowed by law for filing return and paying the tax has  
7 expired; and such taxes shall thereupon become immediately  
8 due and payable. In any proceeding in court brought to  
9 enforce payment of taxes made due and payable by virtue  
10 of the provisions of this section the finding of the Commis-  
11 sioner, made as herein provided, whether made after notice  
12 to the taxpayer or not, shall be for all purposes presumptive  
13 evidence of the taxpayer's design.

14 (b) A taxpayer who is not in default in making any  
15 return or paying income, war-profits, or excess-profits tax,  
16 under any Act of Congress may furnish to the United  
17 States, under regulations to be prescribed by the Commis-  
18 sioner, with the approval of the Secretary, security ap-  
19 proved by the Commissioner that he will duly make the  
20 return next thereafter required to be filed and pay the tax  
21 next thereafter required to be paid. The Commissioner  
22 may approve and accept in like manner security for return  
23 and payment of taxes made due and payable by virtue of  
24 the provisions of this section, provided the taxpayer has paid  
25 in full all other income, war-profits, or excess-profits taxes  
26 due from him under any Act of Congress.

1 and shall cause notice of such finding and declaration to be  
2 given the taxpayer, together with a demand for immediate  
3 payment of the tax for the taxable period so declared termi-  
4 nated and of the tax for the preceding taxable year or so  
5 much of such tax as is unpaid, whether or not the time other-  
6 wise allowed by law for filing return and paying the tax has  
7 expired; and such taxes shall thereupon become immediately  
8 due and payable. In any proceeding in court brought to  
9 enforce payment of taxes made due and payable by virtue  
10 of the provisions of this section the finding of the Commis-  
11 sioner, made as herein provided, whether made after notice  
12 to the taxpayer or not, shall be for all purposes presumptive  
13 evidence of the taxpayer's design.

14 (b) A taxpayer who is not in default in making any  
15 return or paying income, war-profits, or excess-profits tax  
16 under any Act of Congress may furnish to the United  
17 States, under regulations to be prescribed by the Commis-  
18 sioner, with the approval of the Secretary, security ap-  
19 proved by the Commissioner that he will duly make the  
20 return next thereafter required to be filed and pay the tax  
21 next thereafter required to be paid. The Commissioner  
22 may approve and accept in like manner security for return  
23 and payment of taxes made due and payable by virtue of  
24 the provisions of this section, provided the taxpayer has paid  
25 in full all other income, war-profits, or excess-profits taxes  
26 due from him under any Act of Congress.

1 (c) If security is approved and accepted pursuant to  
2 the provisions of this section and such further or other  
3 security with respect to the tax or taxes covered thereby  
4 is given as the Commissioner shall from time to time find  
5 necessary and require, payment of such taxes shall not be  
6 enforced by any proceedings under the provisions of this  
7 section prior to the expiration of the time otherwise allowed  
8 for paying such respective taxes.

9 (d) In the case of a citizen of the United States about  
10 to depart from the United States the Commissioner may,  
11 at his discretion, waive any or all of the requirements placed  
12 on the taxpayer by this section.

14 (e) No alien shall depart from the United States un-  
15 less he first procures from the collector or agent in charge  
16 a certificate that he has complied with all the obligations  
17 imposed upon him by the income, war-profits, and excess-  
18 profits tax laws.

19 (f) If a taxpayer violates or attempts to violate this  
20 section there shall, in addition to all other penalties, be  
21 added as part of the tax 25 per centum of the total amount  
22 of the tax or deficiency in the tax, together with interest at  
23 the rate of 1 per centum a month from the time the tax  
24 became due.

1 (c) If security is approved and accepted pursuant to  
2 the provisions of this section and such further or other  
3 security with respect to the tax or taxes covered thereby  
4 is given as the Commissioner shall from time to time find  
5 necessary and require, payment of such taxes shall not be  
6 enforced by any proceedings under the provisions of this  
7 section prior to the expiration of the time otherwise allowed  
8 for paying such respective taxes.

9 (d) In the case of a citizen of the United States or of a  
10 possession of the United States about to depart from the  
11 United States the Commissioner may, at his discretion,  
12 waive any or all of the requirements placed on the tax-  
13 payer by this section.

14 (e) No alien shall depart from the United States un-  
15 less he first procures from the collector or agent in charge  
16 a certificate that he has complied with all the obligations  
17 imposed upon him by the income, war-profits, and excess-  
18 profits tax laws.

19 (f) If a taxpayer violates or attempts to violate this  
20 section there shall, in addition to all other penalties, be  
21 added as part of the tax 25 per centum of the total amount  
22 of the tax or deficiency in the tax, together with interest at  
23 the rate of 1 per centum a month from the time the tax  
24 became due.

1

## EFFECTIVE DATE OF TITLE

2

SEC. 283. This title shall take effect as of January 1,

3 1924.

8

## TITLE III

9

## PART I.—ESTATE TAX

10

SEC. 300. When used in Part I of this title—

11

12 The term "executor" means the executor or admin-  
13 istrator of the decedent, or, if there is no executor or ad-  
14 ministrator appointed, qualified, and acting within the United  
15 States, then any person in actual or constructive possession  
16 of any property of the decedent;

16

17 The term "net estate" means the net estate as de-  
18 termined under the provisions of section 303;

18

The term "month" means calendar month; and

19

20 The term "collector" means the collector of internal  
21 revenue of the district in which was the domicile of the de-  
22 cedent at the time of his death, or, if there was no such domi-  
23 cile in the United States, then the collector of the district in  
24 which is situated the part of the gross estate of the decedent  
25 in the United States, or, if such part of the gross estate is  
situated in more than one district, then the collector of in-

## 1 EFFECTIVE DATE OF TITLE

2 SEC. 283. This title shall take effect as of January 1,  
3 1925.

4 SEC. 286. This title shall take effect as of January 1,  
5 1925, except that section 257 and sections 271 to 285,  
6 inclusive, and this section, shall take effect on the enactment  
7 of this Act.

## 8 TITLE III.—ESTATE TAX

10 SEC. 300. When used in this title—

11 The term "~~executor~~" means the executor or admin-  
12 ~~istrator~~ of the decedent, or, if there is no executor or ad-  
13 ministrator appointed, qualified, and acting within the United  
14 States, then any person in actual or constructive possession  
15 of any property of the decedent;

16 The term "~~net estate~~" means the net estate as de-  
17 termined under the provisions of section 303;

18 The term "~~month~~" means calendar month; and

19 The term "~~collector~~" means the collector of internal  
20 revenue of the district in which was the domicile of the de-  
21 cedent at the time of his death, or, if there was no such domi-  
22 cile in the United States, then the collector of the district in  
23 which is situated the part of the gross estate of the decedent  
24 in the United States, or, if such part of the gross estate is  
25 situated in more than one district, then the collector of in-

1 ternal revenue of such district as may be designated by the  
2 Commissioner.

3 SEC. 301. (a) In lieu of the tax imposed by Title IV  
4 of the Revenue Act of 1921, a tax equal to the sum of the  
5 following percentages of the value of the net estate (de-  
6 termined as provided in section 303) is hereby imposed  
7 upon the transfer of the net estate of every decedent dying  
8 after the enactment of this Act, whether a resident or non-  
9 resident of the United States;

10 1 per centum of the amount of the net estate not in  
11 excess of \$50,000;

12 2 per centum of the amount by which the net estate  
13 exceeds \$50,000 and does not exceed \$100,000;

14 3 per centum of the amount by which the net estate  
15 exceeds \$100,000 and does not exceed \$150,000;

16 4 per centum of the amount by which the net estate  
17 exceeds \$150,000 and does not exceed \$250,000;

18 6 per centum of the amount by which the net estate  
19 exceeds \$250,000 and does not exceed \$450,000;

20 9 per centum of the amount by which the net estate  
21 exceeds \$450,000 and does not exceed \$750,000;

22 12 per centum of the amount by which the net estate  
23 exceeds \$750,000 and does not exceed \$1,000,000;

24 15 per centum of the amount by which the net estate  
25 exceeds \$1,000,000 and does not exceed \$1,500,000;



1 ternal revenue of such district as may be designated by the  
2 Commissioner.

3 ~~SEC. 301. (a)~~ In lieu of the tax imposed by Title  
4 III of the Revenue Act of 1924, a tax equal to the  
5 sum of the following percentages of the value of the net  
6 estate (determined as provided in section 303) is hereby  
7 imposed upon the transfer of the net estate of every decedent  
8 dying after the enactment of this Act, whether a resident or  
9 nonresident of the United States;

10 1 per centum of the amount of the net estate not in  
11 excess of \$50,000;

12 2 per centum of the amount by which the net estate  
13 exceeds \$50,000 and does not exceed \$100,000;

14 3 per centum of the amount by which the net estate  
15 exceeds \$100,000 and does not exceed \$200,000;

16 4 per centum of the amount by which the net estate  
17 exceeds \$200,000 and does not exceed \$400,000;

18 5 per centum of the amount by which the net estate  
19 exceeds \$400,000 and does not exceed \$600,000;

20 6 per centum of the amount by which the net estate  
21 exceeds \$600,000 and does not exceed \$800,000;

22 7 per centum of the amount by which the net estate  
23 exceeds \$800,000 and does not exceed \$1,000,000;

24 8 per centum of the amount by which the net estate  
25 exceeds \$1,000,000 and does not exceed \$1,500,000;

- 1        18 per centum of the amount by which the net estate  
2 exceeds \$1,500,000 and does not exceed \$2,000,000;
- 3        21 per centum of the amount by which the net estate  
4 exceeds \$2,000,000 and does not exceed \$3,000,000;
- 5        24 per centum of the amount by which the net estate  
6 exceeds \$3,000,000 and does not exceed \$4,000,000;
- 7        27 per centum of the amount by which the net estate  
8 exceeds \$4,000,000 and does not exceed \$5,000,000;
- 9        30 per centum of the amount by which the net estate  
10 exceeds \$5,000,000 and does not exceed \$8,000,000;
- 11       35 per centum of the amount by which the net estate  
12 exceeds \$8,000,000 and does not exceed \$10,000,000;

- 23       40 per centum of the amount by which the net estate  
24 exceeds \$10,000,000.

- 1 9 per centum of the amount by which the net estate
- 2 exceeds \$1,500,000 and does not exceed \$2,000,000;
- 3 10 per centum of the amount by which the net estate
- 4 exceeds \$2,000,000 and does not exceed \$2,500,000;
- 5 11 per centum of the amount by which the net estate
- 6 exceeds \$2,500,000 and does not exceed \$3,000,000;
- 7 12 per centum of the amount by which the net estate
- 8 exceeds \$3,000,000 and does not exceed \$3,500,000;
- 9 13 per centum of the amount by which the net estate
- 10 exceeds \$3,500,000 and does not exceed \$4,000,000;
- 11 14 per centum of the amount by which the net estate
- 12 exceeds \$4,000,000 and does not exceed \$5,000,000;
- 13 15 per centum of the amount by which the net estate
- 14 exceeds \$5,000,000 and does not exceed \$6,000,000;
- 15 16 per centum of the amount by which the net estate
- 16 exceeds \$6,000,000 and does not exceed \$7,000,000;
- 17 17 per centum of the amount by which the net estate
- 18 exceeds \$7,000,000 and does not exceed \$8,000,000;
- 19 18 per centum of the amount by which the net estate
- 20 exceeds \$8,000,000 and does not exceed \$9,000,000;
- 21 19 per centum of the amount by which the net estate
- 22 exceeds \$9,000,000 and does not exceed \$10,000,000;
- 23 20 per centum of the amount by which the net estate
- 24 exceeds \$10,000,000.

1 (b) The tax imposed by this section shall be credited  
2 with the amount of any estate, inheritance, legacy, or suc-  
3 cession taxes actually paid to any State or Territory or the  
4 District of Columbia, in respect of any property included in  
5 the gross estate. The credit allowed by this subdivision  
6 shall not exceed 25 per centum of the tax imposed by this  
7 section.

10 SEC. 302. The value of the gross estate of the decedent  
11 shall be determined by including the value at the time of his  
12 death of all property, real or personal, tangible or intangible,  
13 wherever situated—

14 (a) To the extent of the interest therein of the dece-  
15 dent at the time of his death which after his death is subject  
16 to the payment of the charges against his estate and the  
17 expenses of its administration and is subject to distribution  
18 as part of his estate;

19 (b) To the extent of any interest therein of the surviv-  
20 ing spouse, existing at the time of the decedent's death as  
21 dower, curtesy, or by virtue of a statute creating an estate  
22 in lieu of dower or curtesy;

23 (c) To the extent of any interest therein of which the  
24 decedent has at any time made a transfer, or with respect to  
25 which he has at any time created a trust, in contemplation  
26 of or intended to take effect in possession or enjoyment at or

1       (b) The tax imposed by this section shall be credited  
2 with the amount of any estate, inheritance, legacy, or suc-  
3 cession taxes actually paid to any State or Territory or the  
4 District of Columbia, in respect of any property included in  
5 the gross estate. The credit allowed by this subdivision shall  
6 not exceed 80 per centum of the tax imposed by this sec-  
7 tion, and shall include only such taxes as were actually paid  
8 and credit therefor claimed within four years after the filing  
9 of the return required by section 304.

10       SEC. 302. The value of the gross estate of the decedent  
11 shall be determined by including the value at the time of his  
12 death of all property, real or personal, tangible or intangible,  
13 wherever situated—

14       (a) To the extent of the interest therein of the dece-  
15 dent at the time of his death;

19       (b) To the extent of any interest therein of the surviv-  
20 ing spouse, existing at the time of the decedent's death as  
21 dower, curtesy, or by virtue of a statute creating an estate  
22 in lieu of dower or curtesy;

23       (c) To the extent of any interest therein of which the  
24 decedent has at any time made a transfer, by trust or other-  
25 wise, in contemplation of or intended to take effect in posses-  
26 sion or enjoyment at or after his death, except in case of a bona

1 after his death, except in case of a bona fide sale for a fair  
2 consideration in money or money's worth. Any transfer of  
3 a material part of his property in the nature of a final dis-  
4 position or distribution thereof, made by the decedent within  
5 two years prior to his death without such a consideration,  
6 shall, unless shown to the contrary, be deemed to have been  
7 made in contemplation of death within the meaning of Part  
8 I of this title;

13 (d) To the extent of any interest therein of which the  
14 decedent has at any time made a transfer, or with respect  
15 to which he has at any time created a trust, where the enjoy-  
16 ment thereof was subject at the date of his death to any  
17 change through the exercise of a power, either by the de-  
18 cedent alone or in conjunction with any person, to alter,  
19 amend, or revoke, or where the decedent relinquished any  
20 such power in contemplation of his death, except in case of a  
21 bona fide sale for a fair consideration in money or money's  
22 worth;

1 fide sale for a fair consideration in money or money's worth.  
2 Where within two years prior to his death and without such  
3 a consideration the decedent has made a transfer or trans-  
4 fers, by trust or otherwise, of any of his property, or an  
5 interest therein, not admitted or shown to have been made  
6 in contemplation of or intended to take effect in possession or  
7 enjoyment at or after his death, and the value or aggregate  
8 value, at the time of such death, of the property or interest  
9 so transferred to any one person is in excess of \$5,000, then  
10 to the extent of such excess, such transfer or transfers shall  
11 be deemed and held to have been made in contemplation of  
12 death within the meaning of this title;

13 (d) To the extent of any interest therein of which the  
14 decedent has at any time made a transfer, by trust or other-  
15 wise, where the enjoyment thereof was subject at the date  
16 of his death to any change through the exercise of a power,  
17 either by the decedent alone or in conjunction with any  
18 person, to alter, amend, or revoke, or where the decedent  
19 relinquished any such power in contemplation of his death,  
20 except in case of a bona fide sale for a fair consideration  
21 in money or money's worth. The relinquishment of any such  
22 power, not admitted or shown to have been in contemplation  
23 of the decedent's death, made within two years prior to his  
24 death without such a consideration and affecting the interest  
25 or interests (whether arising from one or more transfers or

7 (c) To the extent of the interest therein held as joint  
8 tenants by the decedent and any other person, or as tenants  
9 by the entirety by the decedent and spouse, or deposited,  
10 with any person carrying on the banking business, in their  
11 joint names and payable to either or the survivor, except  
12 such part thereof as may be shown to have originally be-  
13 longed to such other person and never to have been re-  
14 ceived or acquired by the latter from the decedent for less  
15 than a fair consideration in money or money's worth: *Pro-*  
16 *vided*, That where such property or any part thereof, or  
17 part of the consideration with which such property was ac-  
18 quired, is shown to have been at any time acquired by such  
19 other person from the decedent for less than a fair considera-  
20 tion in money or money's worth, there shall be excepted only  
21 such part of the value of such property as is proportionate  
22 to the consideration furnished by such other person: *Pro-*  
23 *vided further*, That where any property has been acquired  
24 by gift, bequest, devise, or inheritance, as a tenancy by the  
25 entirety by the decedent and spouse, then to the extent of  
26 one-half of the value thereof, or, where so acquired by the



1 the creation of one or more trusts) of any one beneficiary  
2 of a value or aggregate value, at the time of such death, in  
3 excess of \$5,000, then, to the extent of such excess, such  
4 relinquishment or relinquishments shall be deemed and held  
5 to have been made in contemplation of death within the  
6 meaning of this title;

7 (e) To the extent of the interest therein held as joint  
8 tenants by the decedent and any other person, or as tenants  
9 by the entirety by the decedent and spouse, or deposited,  
10 with any person carrying on the banking business, in their  
11 joint names and payable to either or the survivor, except  
12 such part thereof as may be shown to have originally be-  
13 longed to such other person and never to have been re-  
14 ceived or acquired by the latter from the decedent for less  
15 than a fair consideration in money or money's worth: *Pro-*  
16 *vided*, That where such property or any part thereof, or  
17 part of the consideration with which such property was re-  
18 quired, is shown to have been at any time acquired by such  
19 other person from the decedent for less than a fair considera-  
20 tion in money or money's worth, there shall be excepted  
21 only such part of the value of such property as is proportion-  
22 ate to the consideration furnished by such other person: *Pro-*  
23 *vided further*, That where any property has been acquired  
24 by gift, bequest, devise, or inheritance, as a tenancy by the  
25 entirety by the decedent and spouse, then to the extent of  
26 one-half of the value thereof, or, where so acquired by the

1 decedent and any other person as joint tenants and their in-  
2 terests are not otherwise specified or fixed by law, then to  
3 the extent of the value of a fractional part to be determined  
4 by dividing the value of the property by the number of  
5 joint tenants;

6 (f) To the extent of any property passing under a  
7 general power of appointment exercised by the decedent  
8 (1) by will, or (2) by deed executed in contemplation of,  
9 or intended to take effect in possession or enjoyment at or  
10 after, his death, except in case of a bona fide sale for a fair  
11 consideration in money or money's worth; and

12 (g) To the extent of the amount receivable by the  
13 executor as insurance under policies taken out by the  
14 decedent upon his own life; and to the extent of the excess  
15 over \$40,000 of the amount receivable by all other benefi-  
16 ciaries as insurance under policies taken out by the decedent  
17 upon his own life.

18 (h) Subdivisions (b), (c), (d), (e), (f), and (g)  
19 of this section shall apply to the transfers, trusts, estates,  
20 interests, rights, powers, and relinquishment of powers, as  
21 severally enumerated and described therein, whether made,  
22 created, arising, existing, exercised, or relinquished before  
23 or after the enactment of this Act.

1 decedent and any other person as joint tenants and their in-  
2 terests are not otherwise specified or fixed by law, then to  
3 the extent of the value of a fractional part to be determined  
4 by dividing the value of the property by the number of  
5 joint tenants;

6 (f) To the extent of any property passing under a  
7 general power of appointment exercised by the decedent  
8 (1) by will, or (2) by deed executed in contemplation of,  
9 or intended to take effect in possession or enjoyment at or  
10 after, his death, except in case of a bona fide sale for a fair  
11 consideration in money or money's worth; and

12 (g) To the extent of the amount receivable by the  
13 executor as insurance under policies taken out by the  
14 decedent upon his own life; and to the extent of the excess  
15 over \$40,000 of the amount receivable by all other benefi-  
16 ciaries as insurance under policies taken out by the decedent  
17 upon his own life.

18 (h) Subdivisions (b), (c), (d), (e), (f), and (g)  
19 of this section shall apply to the transfers, trusts, estates,  
20 interests, rights, powers, and relinquishment of powers, as  
21 severally enumerated and described therein, whether made,  
22 created, arising, existing, exercised, or relinquished before  
23 or after the enactment of this Act, except that the second sen-  
24 tence of subdivision (e) and the second sentence of subdivi-  
25 sion (d) shall apply only to transfers and relinquishments  
26 made after the enactment of this Act.

1           SEC. 303. For the purpose of the tax the value of the  
2 net estate shall be determined—

3           (a) In the case of a resident, by deducting from the  
4 value of the gross estate—

5           (1) Such amounts for funeral expenses, administration  
6 expenses, claims against the estate, unpaid mortgages upon  
7 or any indebtedness in respect to, property (except, in the  
8 case of a resident decedent, where such property is not  
9 situated in the United States), to the extent that such claims,  
10 mortgages, or indebtedness were incurred or contracted  
11 bona fide and for a fair consideration in money or money's  
12 worth, losses incurred during the settlement of the estate  
13 arising from fires, storms, shipwreck, or other casualty, or  
14 from theft, when such losses are not compensated for by  
15 insurance or otherwise, and such amounts reasonably required  
16 and actually expended for the support during the settlement  
17 of the estate of those dependent upon the decedent, as are  
18 allowed by the laws of the jurisdiction, whether within or  
19 without the United States, under which the estate is being  
20 administered, but not including any income taxes upon  
21 income received after the death of the decedent, or any  
22 estate, succession, legacy, or inheritance taxes;

23           (2) An amount equal to the value of any property  
24 (A) forming a part of the gross estate situated in the  
25 United States of any person who died within five years

1        ~~SEC. 202.~~ For the purpose of the tax the value of the  
2 net estate shall be determined—

3        ~~(a)~~ In the case of a resident, by deducting from the  
4 value of the gross estate—

5        ~~(1)~~ Such amounts for funeral expenses, administration  
6 expenses, claims against the estate, unpaid mortgages upon,  
7 or any indebtedness in respect to, property (except, in the  
8 case of a resident decedent, where such property is not  
9 situated in the United States); to the extent that such claims,  
10 mortgages, or indebtedness were incurred or contracted  
11 bona fide and for a fair consideration in money or money's  
12 worth, losses incurred during the settlement of the estate  
13 arising from fires, storms, shipwreck, or other casualty, or  
14 from theft, when such losses are not compensated for by  
15 insurance or otherwise; and such amounts reasonably required  
16 and actually expended for the support during the settlement  
17 of the estate of those dependent upon the decedent, as are  
18 allowed by the laws of the jurisdiction, whether within or  
19 without the United States, under which the estate is being  
20 administered; but not including any income taxes upon  
21 income received after the death of the decedent, or any  
22 estate, succession, legacy, or inheritance taxes;

23        ~~(2)~~ An amount equal to the value of any property  
24 ~~(A)~~ forming a part of the gross estate situated in the  
25 United States of any person who died within five years

1 prior to the death of the decedent, or (B) transferred to  
2 the decedent by gift within five years prior to his death,  
3 where such property can be identified as having been received  
4 by the decedent from such donor by gift or from such prior  
5 decedent by gift, bequest, devise, or inheritance, or which  
6 can be identified as having been acquired in exchange for  
7 property so received. This deduction shall be allowed only  
8 where a gift tax or an estate tax under this or any prior Act  
9 of Congress was paid by or on behalf of the donor or the  
10 estate of such prior decedent as the case may be, and only  
11 in the amount of the value placed by the Commissioner on  
12 such property in determining the value of the gift or the  
13 gross estate of such prior decedent, and only to the extent  
14 that the value of such property is included in the decedent's  
15 gross estate and not deducted under paragraph (1) or (3)  
16 of this subdivision;

18 (3) The amount of all bequests, legacies, devises, or  
19 transfers, except bona fide sales for a fair consideration in  
20 money or money's worth, in contemplation of or intended to  
21 take effect in possession or enjoyment at or after the de-  
22 cedent's death, to or for the use of the United States, any  
23 State, Territory, any political subdivision thereof, or the  
24 District of Columbia, for exclusively public purposes, or to  
25 or for the use of any corporation organized and operated

1 prior to the death of the decedent, or ~~(B)~~ transferred to  
2 the decedent by gift within five years prior to his death,  
3 where such property can be identified as having been received  
4 by the decedent from such donor by gift or from such prior  
5 decedent by gift, bequest, devise, or inheritance, or which  
6 can be identified as having been acquired in exchange for  
7 property so received. This deduction shall be allowed only  
8 where a gift tax imposed under the Revenue Act of 1924,  
9 or an estate tax imposed under this or any prior Act  
10 of Congress was paid by or on behalf of the donor or the  
11 estate of such prior decedent as the case may be, and only  
12 in the amount of the value placed by the Commissioner on  
13 such property in determining the value of the gift or the  
14 gross estate of such prior decedent, and only to the extent  
15 that the value of such property is included in the decedent's  
16 gross estate and not deducted under paragraph ~~(1)~~ or ~~(2)~~  
17 of this subdivision;

18 ~~(2)~~ The amount of all bequests, legacies, devises, or  
19 transfers, except bona fide sales for a fair consideration in  
20 money or money's worth, in contemplation of or intended to  
21 take effect in possession or enjoyment ~~at~~ after the de-  
22 cedent's death, to or for the use of the United States, any  
23 State, Territory, any political subdivision thereof, or the  
24 District of Columbia, for exclusively public purposes, or to  
25 or for the use of any corporation organized and operated

1 exclusively for religious, charitable, scientific, literary, or  
2 educational purposes, including the encouragement of art  
3 and the prevention of cruelty to children or animals, no part  
4 of the net earnings of which inures to the benefit of any  
5 private stockholder or individual, or to a trustee or trustees,  
6 or a fraternal society, order, or association operating under  
7 the lodge system, but only if such contributions or gifts are  
8 to be used by such trustee or trustees, or by such fraternal  
9 society, order, or association, exclusively for religious, chari-  
10 table, scientific, literary, or educational purposes, or for the  
11 prevention of cruelty to children or animals. If the tax im-  
12 posed by section 301, or any estate, succession, legacy, or  
13 inheritance taxes, are, either by the terms of the will, by the  
14 law of the jurisdiction under which the estate is administered,  
15 or by the law of the jurisdiction imposing the particular tax,  
16 payable in whole or in part out of the bequests, legacies, or  
17 devises otherwise deductible under this paragraph, then  
18 the amount deductible under this paragraph shall be the  
19 amount of such bequests, legacies, or devises reduced by the  
20 amount of such taxes; and

21 (4) An exemption of \$50,000.

22 (b) In the case of a nonresident, by deducting from  
23 the value of that part of his gross estate which at the time  
24 of his death is situated in the United States—

25 (1) That proportion of the deductions specified in  
26 paragraph (1) of subdivision (a) of this section which the



1 exclusively for religious, charitable, scientific, literary, or  
2 educational purposes, including the encouragement of art  
3 and the prevention of cruelty to children or animals, no part  
4 of the net earnings of which inures to the benefit of any  
5 private stockholder or individual, or to a trustee or trustees,  
6 or a fraternal society, order, or association operating under  
7 the lodge system, but only if such contributions or gifts are  
8 to be used by such trustee or trustees, or by such fraternal  
9 society, order, or association, exclusively for religious, chari-  
10 table, scientific, literary, or educational purposes, or for the  
11 prevention of cruelty to children or animals. If the tax im-  
12 posed by section 301, or any estate, succession, legacy, or  
13 inheritance taxes, are, either by the terms of the will, by the  
14 law of the jurisdiction under which the estate is administered,  
15 or by the law of the jurisdiction imposing the particular tax,  
16 payable in whole or in part out of the bequests, legacies, or  
17 devises otherwise deductible under this paragraph, then  
18 the amount deductible under this paragraph shall be the  
19 amount of such bequests, legacies, or devises reduced by the  
20 amount of such taxes; and

21 (4) An exemption of \$50,000.

22 (b) In the case of a nonresident alien, by deducting from  
23 the value of that part of his gross estate which at the time  
24 of his death is situated in the United States—

25 (1) That proportion of the deductions specified in  
26 paragraph (1) of subdivision (a) of this section which the

1 value of such part bears to the value of his entire gross estate,  
2 wherever situated, but in no case shall the amount so deducted  
3 exceed 10 per centum of the value of that part of his gross  
4 estate which at the time of his death is situated in the United  
5 States;

6 (2) An amount equal to the value of any property (A)  
7 forming a part of the gross estate situated in the United States  
8 of any person who died within five years prior to the death  
9 of the decedent, or (B) transferred to the decedent by gift  
10 within five years prior to his death, where such property  
11 can be identified as having been received by the decedent  
12 from such donor by gift or from such prior decedent by gift,  
13 bequest, devise, or inheritance, or which can be identified as  
14 having been acquired in exchange for property so received.  
15 This deduction shall be allowed only where a gift tax or an  
16 estate tax under this or any prior act of Congress was paid  
17 by or on behalf of the donor or the estate of such prior de-  
18 cedent as the case may be, and only in the amount of the  
19 value placed by the Commissioner on such property in de-  
20 termining the value of the gift or the gross estate of such prior  
21 decedent, and only to the extent that the value of such  
22 property is included in that part of the decedent's gross estate  
23 which at the time of his death is situated in the United States  
24 and not deducted under paragraph (1) or (3) of this sub-  
25 division; and

1 value of such part bears to the value of his entire gross estate,  
2 wherever situated, but in no case shall the amount so deducted  
3 exceed 10 per centum of the value of that part of his gross  
4 estate which at the time of his death is situated in the United  
5 States;

6 ~~(2)~~ An amount equal to the value of any property ~~(A)~~  
7 forming a part of the gross estate situated in the United States  
8 of any person who died within five years prior to the death  
9 of the decedent, or ~~(B)~~ transferred to the decedent by gift  
10 within five years prior to his death, where such property  
11 can be identified as having been received by the decedent  
12 from such donor by gift or from such prior decedent by gift,  
13 bequest, devise, or inheritance, or which can be identified as  
14 having been acquired in exchange for property so received.  
15 This deduction shall be allowed only where a gift tax im-  
16 posed under the Revenue Act of 1924, or an estate tax  
17 imposed under this or any prior Act of Congress was paid  
18 by or on behalf of the donor or the estate of such prior de-  
19 cedent as the case may be, and only in the amount of the  
20 value placed by the Commissioner on such property in de-  
21 termining the value of the gift or the gross estate of such prior  
22 decedent, and only to the extent that the value of such  
23 property is included in that part of the decedent's gross estate  
24 which at the time of his death is situated in the United States  
25 and not deducted under paragraph ~~(1)~~ or ~~(3)~~ of this sub-  
26 division; and

1           (3) The amount of all bequests, legacies, devises, or  
2 transfers, except bona fide sales for a fair consideration, in  
3 money or money's worth, in contemplation of or intended  
4 to take effect in possession or enjoyment at or after the  
5 decedent's death, to or for the use of the United States,  
6 any State, Territory, any political subdivision thereof, or  
7 the District of Columbia, for exclusively public purposes,  
8 or to or for the use of any domestic corporation organized  
9 and operated exclusively for religious, charitable, scientific,  
10 literary, or educational purposes, including the encourage-  
11 ment of art and the prevention of cruelty to children or  
12 animals, no part of the net earnings of which inures to the  
13 benefit of any private stockholder or individual, or to a  
14 trustee or trustees, or a fraternal society, order, or associa-  
15 tion operating under the lodge system, but only if such  
16 contributions or gifts are to be used within the United States  
17 by such trustee or trustees, or by such fraternal society,  
18 order, or association, exclusively for religious, charitable,  
19 scientific, literary, or educational purposes, or for the pre-  
20 vention of cruelty to children or animals. If the tax im-  
21 posed by section 301, or any estate, succession, legacy or  
22 inheritance taxes, are, either by the terms of the will, by  
23 the law of the jurisdiction under which the estate is ad-  
24 ministered, or by the law of the jurisdiction imposing the  
25 particular tax, payable in whole or in part out of the be-

1       ~~(2)~~ The amount of all bequests, legacies, devises, or  
2 transfers, except bona fide sales for a fair consideration, in  
3 money or money's worth, in contemplation of or intended  
4 to take effect in possession or enjoyment at or after the  
5 decedent's death, to or for the use of the United States,  
6 any State, Territory, any political subdivision thereof, or  
7 the District of Columbia, for exclusively public purposes,  
8 or to or for the use of any domestic corporation organized  
9 and operated exclusively for religious, charitable, scientific,  
10 literary, or educational purposes, including the encourage-  
11 ment of art and the prevention of cruelty to children or  
12 animals, no part of the net earnings of which inures to the  
13 benefit of any private stockholder or individual, or to a  
14 trustee or trustees, or a fraternal society, order, or associa-  
15 tion operating under the lodge system, but only if such  
16 contributions or gifts are to be used within the United States  
17 by such trustee or trustees, or by such fraternal society,  
18 order, or association, exclusively for religious, charitable,  
19 scientific, literary, or educational purposes, or for the pre-  
20 vention of cruelty to children or animals. If the tax im-  
21 posed by section 301, or any estate, succession, legacy or  
22 inheritance taxes, are, either by the terms of the will, by  
23 the law of the jurisdiction under which the estate is ad-  
24 ministered, or by the law of the jurisdiction imposing the  
25 particular tax, payable in whole or in part out of the be-

1   quests, legacies, or devises otherwise deductible under this  
2   paragraph, then the amount deductible under this para-  
3   graph shall be the amount of such bequests, legacies, or de-  
4   vises reduced by the amount of such taxes.

5       (c) No deduction shall be allowed in the case of a  
6   nonresident unless the executor includes in the return re-  
7   quired to be filed under section 304 the value at the time  
8   of his death of that part of the gross estate of the nonresi-  
9   dent not situated in the United States.

10       (d) For the purpose of Part I of this title, stock in a  
11   domestic corporation owned and held by a nonresident  
12   decedent shall be deemed property within the United States,  
13   and any property of which the decedent has made a trans-  
14   fer or with respect to which he has created a trust, within  
15   the meaning of subdivision (c) or (d) of section 302, shall  
16   be deemed to be situated in the United States, if so situated  
17   either at the time of the transfer or the creation of the trust,  
18   or at the time of the decedent's death.

19       (e) The amount receivable as insurance upon the life  
20   of a nonresident decedent, and any moneys deposited with  
21   any person carrying on the banking business, by or for a  
22   nonresident decedent who was not engaged in business in the  
23   United States at the time of his death, shall not, for the  
24   purpose of Part I of this title, be deemed property within  
25   the United States.

1 bequests, legacies, or devises otherwise deductible under this  
2 paragraph, then the amount deductible under this para-  
3 graph shall be the amount of such bequests, legacies, or de-  
4 vises reduced by the amount of such taxes:

5 (c) No deduction shall be allowed in the case of a  
6 nonresident unless the executor includes in the return re-  
7 quired to be filed under section 2004 the value at the time  
8 of his death of that part of the gross estate of the nonresi-  
9 dent not situated in the United States:

10 (d) For the purpose of this title, stock in a domestic  
11 corporation owned and held by a nonresident decedent shall  
12 be deemed property within the United States, and any  
13 property of which the decedent has made a transfer, by  
14 trust or otherwise, within the meaning of subdivision (c)  
15 or (d) of section 2002, shall be deemed to be situated in the  
16 United States, if so situated either at the time of the transfer,  
17 or at the time of the decedent's death:

18 (e) The amount receivable as insurance upon the life  
19 of a nonresident decedent, and any moneys deposited with  
20 any person carrying on the banking business, by or for a  
21 nonresident decedent who was not engaged in business in the  
22 United States at the time of his death, shall not, for the  
23 purpose of this title, be deemed property within the United  
24 States:  
25

1 (f) Missionaries duly commissioned and serving under  
2 boards of foreign missions of the various religious denomi-  
3 nations in the United States, dying while in the foreign  
4 missionary service of such boards, shall not, by reason  
5 merely of their intention to permanently remain in such  
6 foreign service, be deemed nonresidents of the United States,  
7 but shall be presumed to be residents of the State, the Dis-  
8 trict of Columbia, or the Territories of Alaska or Hawaii  
9 wherein they respectively resided at the time of their com-  
10 mission and their departure for such foreign service.

11 SEC. 304. (a) The executor, within two months after  
12 the decedent's death, or within a like period after qualifying  
13 as such, shall give written notice thereof to the collector.  
14 The executor shall also, at such times and in such manner as  
15 may be required by regulations made pursuant to law, file  
16 with the collector a return under oath in duplicate, setting  
17 forth (1) the value of the gross estate of the decedent at the  
18 time of his death, or, in case of a nonresident, of that part of  
19 his gross estate situated in the United States; (2) the deduc-  
20 tions allowed under section 303; (3) the value of the net  
21 estate of the decedent as defined in section 303; and (4) the  
22 tax paid or payable thereon; or such part of such information  
23 as may at the time be ascertainable and such supplemental  
24 data as may be necessary to establish the correct tax.

25 (b) Return shall be made in all cases where the gross  
26 estate at the death of the decedent exceeds \$50,000, and in



1       ~~(f)~~ Missionaries duly commissioned and serving under  
2 boards of foreign missions of the various religious denomi-  
3 nations in the United States, dying while in the foreign  
4 missionary service of such boards, shall not, by reason  
5 merely of their intention to permanently remain in such  
6 foreign service, be deemed nonresidents of the United States,  
7 but shall be presumed to be residents of the State, the Dis-  
8 trict of Columbia, or the Territories of Alaska or Hawaii  
9 wherein they respectively resided at the time of their com-  
10 mission and their departure for such foreign service.

11       SEC. 304. ~~(a)~~ The executor, within two months after  
12 the decedent's death, or within a like period after qualifying  
13 as such, shall give written notice thereof to the collector.  
14 The executor shall also, at such times and in such manner as  
15 may be required by regulations made pursuant to law, file  
16 with the collector a return under oath in duplicate, setting  
17 forth ~~(1)~~ the value of the gross estate of the decedent at the  
18 time of his death; or, in case of a nonresident, of that part of  
19 his gross estate situated in the United States; ~~(2)~~ the deduc-  
20 tions allowed under section 303; ~~(3)~~ the value of the net  
21 estate of the decedent as defined in section 303; and ~~(4)~~ the  
22 tax paid or payable thereon; or such part of such information  
23 as may at the time be ascertainable and such supplemental  
24 data as may be necessary to establish the correct tax.

25       ~~(b)~~ Return shall be made in all cases where the gross  
26 estate at the death of the decedent exceeds \$50,000, and in

1 the case of the estate of every nonresident any part of whose  
2 gross estate is situated in the United States. If the executor  
3 is unable to make a complete return as to any part of the  
4 gross estate of the decedent, he shall include in his return a  
5 description of such part and the name of every person hold-  
6 ing a legal or beneficial interest therein, and upon notice  
7 from the collector such person shall in like manner make a  
8 return as to such part of the gross estate.

9       Sec. 305. (a) The tax imposed by Part I of this title  
10 shall be due and payable one year after the decedent's death,  
11 and shall be paid by the executor to the collector.

12       (b) Where the Commissioner finds that the payment  
13 on the due date of any part of the amount determined by the  
14 executor as the tax would impose undue hardship upon the  
15 estate, the Commissioner may extend the time for payment  
16 of any such part not to exceed five years from the due date.  
17 In such case the amount in respect of which the extension  
18 is granted shall be paid on or before the date of the expira-  
19 tion of the period of the extension.

20       (c) If the time for the payment is thus extended there  
21 shall be collected, as a part of such amount, interest thereon  
22 at the rate of 6 per centum per annum from the expiration  
23 of six months after the due date of the tax to the expiration  
24 of the period of the extension.

25       (d) The time for which the Commissioner may extend  
26 the time for payment of the estate tax imposed by Title IV

1 the case of the estate of every nonresident any part of whose  
2 gross estate is situated in the United States. If the executor  
3 is unable to make a complete return as to any part of the  
4 gross estate of the decedent, he shall include in his return a  
5 description of such part and the name of every person hold-  
6 ing a legal or beneficial interest therein, and upon notice from  
7 the collector such person shall in like manner make a return  
8 as to such part of the gross estate.

9       Sec. 305. (a) The tax imposed by this title shall  
10 be due and payable one year after the decedent's death,  
11 and shall be paid by the executor to the collector.

12       (b) Where the Commissioner finds that the payment  
13 on the due date of any part of the amount determined by the  
14 executor as the tax would impose undue hardship upon the  
15 estate, the Commissioner may extend the time for payment  
16 of any such part not to exceed five years from the due date.  
17 In such case the amount in respect of which the extension  
18 is granted shall be paid on or before the date of the expira-  
19 tion of the period of the extension.

20       (c) If the time for the payment is thus extended there  
21 shall be collected, as a part of such amount, interest thereon  
22 at the rate of 6 per centum per annum from the expiration  
23 of six months after the due date of the tax to the expiration  
24 of the period of the extension.

25       (d) The time for which the Commissioner may extend  
26 the time for payment of the estate tax imposed by Title IV

1 of the Revenue Act of 1921 is hereby increased from three  
2 years to five years.

3 SEC. 306. As soon as practicable after the return is  
4 filed the Commissioner shall examine it and shall determine  
5 the correct amount of the tax.

6 SEC. 307. As used in Part I of this title the term  
7 "deficiency" means—

8 (1) The amount by which the tax imposed by Part I  
9 of this title exceeds the amount shown as the tax by the  
10 executor upon his return; but the amount so shown on the  
11 return shall first be increased by the amounts previously  
12 assessed (or collected without assessment) as a deficiency,  
13 and decreased by the amounts previously abated, refunded,  
14 or otherwise repaid in respect of such tax; or

15 (2) If no amount is shown as the tax by the executor  
16 upon his return, or if no return is made by the executor, then  
17 the amount by which the tax exceeds the amounts previ-  
18 ously assessed (or collected without assessment) as a de-  
19 ficiency; but such amounts previously assessed, or collected  
20 without assessment, shall first be decreased by the amounts  
21 previously abated, refunded, or otherwise repaid in respect  
22 of such tax.

23 SEC. 308. (a) If the Commissioner determines that  
24 there is a deficiency in respect of the tax imposed by Part I  
25 of this title, the executor, except as provided in subdivision

1 of the Revenue Act of 1921 is hereby increased from three  
2 years to five years.

3       Sec. 806. As soon as practicable after the return is  
4 filed the Commissioner shall examine it and shall determine  
5 the correct amount of the tax.

6       Sec. 807. As used in this title in respect of a tax  
7 imposed by this title the term "deficiency" means—

8       (1) The amount by which the tax imposed by  
9 this title exceeds the amount shown as the tax by the  
10 executor upon his return; but the amount so shown on the  
11 return shall first be increased by the amounts previously  
12 assessed (or collected without assessment) as a deficiency;  
13 and decreased by the amounts previously abated, refunded,  
14 or otherwise repaid in respect of such tax; or

15       (2) If no amount is shown as the tax by the executor  
16 upon his return, or if no return is made by the executor, then  
17 the amount by which the tax exceeds the amounts previ-  
18 ously assessed (or collected without assessment) as a de-  
19 ficiency; but such amounts previously assessed, or collected  
20 without assessment, shall first be decreased by the amounts  
21 previously abated, refunded, or otherwise repaid in respect  
22 of such tax.

23       Sec. 808. (a) If the Commissioner determines that  
24 there is a deficiency in respect of the tax imposed by this  
25 title, the executor, except as provided in subdivision (d) or

1. ~~(d)~~, shall be notified of such deficiency by registered mail,  
2 but such deficiency shall be assessed only as hereinafter pro-  
3 vided. Within 60 days after such notice is mailed the execu-  
4 tor may file an appeal with the Board of Tax Appeals estab-  
5 lished by section 900.

18 (b) If the Board determines that there is a deficiency,  
19 the amount so determined shall be assessed and shall be  
20 paid upon notice and demand from the collector. No part  
21 of the amount determined as a deficiency by the Commis-  
22 sioner but disallowed as such by the Board shall be assessed,  
23 but a proceeding in court may be begun, without assess-  
24 ment, for the collection of any part of the amount so dis-  
25 allowed. The court shall include in its judgment interest  
26 upon the amount thereof at the rate of 6 per centum per

1 ~~(f)~~ shall be notified of such deficiency by registered mail.  
 2 Within 60 days after such notice is mailed, the executor may  
 3 file a petition with the Board of Tax Appeals for a redeter-  
 4 mination of the deficiency. Except as provided in subdivi-  
 5 sion ~~(d)~~ or ~~(f)~~ of this section or in section 270 or in section  
 6 912 of the Revenue Act of 1924 as amended, no assessment  
 7 of a deficiency in respect of the tax imposed by this title and  
 8 no distraint or proceeding in court for its collection shall be  
 9 made, begun, or prosecuted until the taxpayer has been  
 10 notified of such deficiency as above provided, nor until the  
 11 expiration of such 60-day period, nor, if a petition has  
 12 been filed with the Board, until the decision of the Board  
 13 has become final. The executor, notwithstanding the pro-  
 14 visions of section 2224 of the Revised Statutes, may enjoin  
 15 by a proceeding in the proper court the making of such  
 16 assessment or the beginning of such proceeding or distraint  
 17 during the time such prohibition is in force.

18 ~~(b)~~ If the executor files a petition with the Board, the  
 19 entire amount redetermined as the deficiency by the decision  
 20 of the Board which has become final shall be assessed and  
 21 shall be paid upon notice and demand from the collector.  
 22 No part of the amount determined as a deficiency by the  
 23 Commissioner but disallowed as such by the decision of the  
 24 Board which has become final shall be assessed or be col-  
 25 lected by distraint or by proceeding in court with or without  
 26 assessment.

1 annum from the date prescribed for the payment of the tax  
2 to the date of the judgment. Such proceeding shall be  
3 begun within one year after the final decision of the Board,  
4 and may be begun within such year even though the period  
5 of limitation prescribed in section 310 has expired.

6 (c) If the executor does not file an appeal with the Board  
7 within the time prescribed in subdivision (a) of this sec-  
8 tion, the deficiency of which the executor has been notified  
9 shall be assessed, and shall be paid upon notice and demand  
10 from the collector.

11 (d) If the Commissioner believes that the assessment  
12 or collection of a deficiency will be jeopardized by delay,  
13 such deficiency shall be assessed immediately and notice  
14 and demand shall be made by the collector for the payment  
15 thereof. In such case the assessment may be made (1)  
16 without giving the notice provided in subdivision (a) of  
17 this section, or (2) before the expiration of the 60-day  
18 period provided in subdivision (a) of this section even  
19 though such notice has been given, or (3) at any time prior  
20 to the final decision by the Board upon such deficiency  
21 even though the executor has filed an appeal. If the exeo-  
22 ator does not file a claim in abatement as provided in sec-  
23 tion 312, the deficiency so assessed (or, if the claim so  
24 filed covers only a part of the deficiency, then the amount  
25 not covered by the claim) shall be paid upon notice and  
26 demand from the collector.



6       ~~(c)~~ If the executor does not file a petition with  
7 the Board within the time prescribed in subdivision ~~(a)~~  
8 of this section, the deficiency of which the executor has  
9 been notified shall be assessed, and shall be paid upon notice  
10 and demand from the collector.

11       ~~(d)~~ If the Commissioner believes that the assessment  
12 or collection of a deficiency will be jeopardized by delay,  
13 such deficiency shall be assessed immediately and notice  
14 and demand shall be made by the collector for the payment  
15 thereof. In such case the jeopardy assessment may be made  
16 ~~(1)~~ without giving the notice provided in subdivision ~~(a)~~ of  
17 this section; or ~~(2)~~ before the expiration of the 60-day  
18 period provided in subdivision ~~(a)~~ of this section even  
19 though such notice has been given; or ~~(3)~~ at any time prior  
20 to the decision of the Board upon such deficiency even  
21 though the executor has filed a petition with the Board; or  
22 ~~(4)~~ in the case of any part of the deficiency allowed by the  
23 Board, at any time before the expiration of 90 days after  
24 the decision of the Board was rendered; but not after the  
25 executor has filed a review bond under section 912 of the



1 Revenue Act of 1924 as amended. Upon the making of  
2 the jeopardy assessment the jurisdiction of the Board and  
3 the right of the executor to appeal from the Board shall  
4 cease. If the executor does not file a claim in abatement  
5 with bond as provided in section 312, the deficiency so  
6 assessed ~~(or, if the claim so filed covers only a part of~~  
7 ~~the deficiency, then the amount not covered by the claim)~~  
8 shall be paid upon notice and demand from the collector.

9       (e) The Board shall have jurisdiction to redetermine  
10 the correct amount of the deficiency even if the amount so  
11 redetermined is greater than the amount of the deficiency of  
12 which the executor was notified, whether or not claim there-  
13 for is asserted by the Commissioner at or before the hearing;  
14 but the Board shall by rules prescribe under what conditions  
15 and at what times the Commissioner may assert before the  
16 Board that the deficiency is greater than the amount of which  
17 the executor was notified.

18       (f) If after the enactment of this Act the Commissioner  
19 has notified the executor of a deficiency as provided in sub-  
20 division (a), he shall have no right to determine any addi-  
21 tional deficiency, except in the case of fraud, and except as  
22 provided in subdivision (e). If the executor is notified that,  
23 on account of a mathematical error appearing upon the face  
24 of the return, an amount of tax in excess of that shown upon  
25 the return is due, and that an assessment of the tax has been

14 (e) Interest upon the amount determined as a de-  
15 ficiency shall be assessed at the same time as the deficiency,  
16 shall be paid upon notice and demand from the collector,  
17 and shall be collected as a part of the tax, at the rate of 6  
18 per centum per annum from the due date of the tax to the  
19 date the deficiency is assessed.

20 (f) Where it is shown to the satisfaction of the Com-  
21 missioner that the payment of a deficiency upon the date  
22 prescribed for the payment thereof will result in undue hard-  
23 ship to the estate, the Commissioner with the approval of  
24 the Secretary (except where the deficiency is due to negli-  
25 gence, to intentional disregard of rules and regulations, or

1 or will be made on the basis of what would have been the  
2 correct amount of tax but for the mathematical error, such  
3 notification shall not be considered, for the purposes of this  
4 subdivision or of subdivision (a) of this section, or of sec-  
5 tion 817, as a notification of a deficiency, and the executor  
6 shall have no right to file a petition with the Board of Tax  
7 Appeals based on such notification, nor shall such assessment  
8 be prohibited by the provisions of subdivision (a) of this  
9 section.

10 (g) For the purposes of this title the time at which a  
11 decision of the Board becomes final shall be determined ac-  
12 cording to the provisions of section 916 of the Revenue Act  
13 of 1924, as amended.

14 (h) Interest upon the amount determined as a de-  
15 ficiency shall be assessed at the same time as the deficiency,  
16 shall be paid upon notice and demand from the collector,  
17 and shall be collected as a part of the tax, at the rate of 6  
18 per centum per annum from the due date of the tax to the  
19 date the deficiency is assessed.

20 (i) Where it is shown to the satisfaction of the Com-  
21 missioner that the payment of a deficiency upon the date  
22 prescribed for the payment thereof will result in undue hard-  
23 ship to the estate, the Commissioner with the approval of  
24 the Secretary (except where the deficiency is due to negli-  
25 gence, to intentional disregard of rules and regulations, or

1 to fraud with intent to evade tax) may grant an extension  
2 for the payment of such deficiency or any part thereof for  
3 a period not in excess of two years. If an extension is  
4 granted, the Commissioner may require the executor to  
5 furnish a bond in such amount, not exceeding double the  
6 amount of the deficiency, and with such sureties, as the  
7 Commissioner deems necessary, conditioned upon the pay-  
8 ment of the deficiency in accordance with the terms of the  
9 extension. In such case there shall be collected, as a part  
10 of the tax, interest on the part of the deficiency the time for  
11 payment of which is so extended, at the rate of 6 per  
12 centum per annum for the period of the extension, and no  
13 other interest shall be collected on such part of the deficiency  
14 for such period. If the part of the deficiency the time for  
15 payment of which is so extended is not paid in accordance  
16 with the terms of the extension, there shall be collected, as  
17 a part of the tax, interest on such unpaid amount at the  
18 rate of 1 per centum a month for the period from the time  
19 fixed by the terms of the extension for its payment until  
20 it is paid, and no other interest shall be collected on such  
21 unpaid amount-for such period.

22 (g) The 50 per centum addition to the tax provided  
23 by section 3176 of the Revised Statutes, as amended, shall,  
24 when assessed after the enactment of this Act in connection  
25 with an estate tax, be assessed, collected, and paid in the

1. to fraud with intent to evade tax) may grant an extension  
2. for the payment of such deficiency or any part thereof for  
3. a period not in excess of two years. If an extension is  
4. granted, the Commissioner may require the executor to  
5. furnish a bond in such amount, not exceeding double the  
6. amount of the deficiency, and with such sureties, as the  
7. Commissioner deems necessary, conditioned upon the pay-  
8. ment of the deficiency in accordance with the terms of the  
9. extension. In such case there shall be collected, as a part  
10. of the tax, interest on the part of the deficiency the time for  
11. payment of which is so extended, at the rate of 6 per  
12. centum per annum for the period of the extension, and no  
13. other interest shall be collected on such part of the deficiency  
14. for such period. If the part of the deficiency the time for  
15. payment of which is so extended is not paid in accordance  
16. with the terms of the extension, there shall be collected, as  
17. a part of the tax, interest on such unpaid amount at the  
18. rate of 1 per centum a month for the period from the time  
19. fixed by the terms of the extension for its payment until  
20. it is paid, and no other interest shall be collected on such  
21. unpaid amount for such period.

22. (j) The 50 per centum addition to the tax provided  
23. by section 2176 of the Revised Statutes, as amended, shall,  
24. when assessed after the enactment of this Act in connection  
25. with an estate tax, be assessed, collected, and paid in the

1 same manner as if it were a deficiency, except that the pro-  
2 visions of subdivision (e) of this section shall not be ap-  
3 plicable.

4 SEC. 309. (a) (1) Where the amount determined by  
5 the executor as the tax imposed by Part I of this title, or  
6 any part of such amount, is not paid on the due date of the  
7 tax, there shall be collected as a part of the tax, interest upon  
8 such unpaid amount at the rate of 1 per centum a month  
9 from the due date until it is paid.

10 (2) Where an extension of time for payment of the  
11 amount so determined as the tax by the executor has been  
12 granted, and the amount the time for payment of which has  
13 been extended, and the interest thereon determined under  
14 subdivision (c) of section 305, is not paid in full prior to the  
15 expiration of the period of the extension, then, in lieu of  
16 the interest provided for in paragraph (1) of this subdivi-  
17 sion, interest at the rate of 1 per centum a month shall be  
18 collected on such unpaid amount from the date of the expira-  
19 tion of the period of the extension until it is paid.

20 (b) Where a deficiency, or any interest assessed in  
21 connection therewith under subdivision (e) of section 308,  
22 or any addition to the tax provided for in section 3176 of  
23 the Revised Statutes, as amended, is not paid in full within  
24 30 days from the date of notice and demand from the col-  
25 lector, there shall be collected as part of the tax, interest



1 same manner as if it were a deficiency, except that the  
2 provisions of subdivision (h) of this section shall not be  
3 applicable.

4       Sec. 300. (a) (1) Where the amount determined by  
5 the executor as the tax imposed by this title, or any  
6 part of such amount, is not paid on the due date of the  
7 tax, there shall be collected as a part of the tax, interest upon  
8 such unpaid amount at the rate of 1 per centum a month  
9 from the due date until it is paid.

10       (2) Where an extension of time for payment of the  
11 amount so determined as the tax by the executor has been  
12 granted, and the amount the time for payment of which has  
13 been extended, and the interest thereon determined under  
14 subdivision (c) of section 305, is not paid in full prior to the  
15 expiration of the period of the extension, then, in lieu of  
16 the interest provided for in paragraph (1) of this subdi-  
17 vision, interest at the rate of 1 per centum a month shall be  
18 collected on such unpaid amount from the date of the expira-  
19 tion of the period of the extension until it is paid.

20       (b) Where a deficiency, or any interest assessed in  
21 connection therewith under subdivision (h) of section  
22 308, or any addition to the tax provided for in section 3176  
23 of the Revised Statutes, as amended, is not paid in full within  
24 30 days from the date of notice and demand from the col-  
25 lector, there shall be collected as part of the tax, interest

1 upon the unpaid amount at the rate of 1 per centum a month  
2 from the date of such notice and demand until it is paid.

3 (c) If a claim in abatement is filed, as provided in  
4 section 312, the provisions of subdivision (b) of this sec-  
5 tion shall not apply to the amount covered by the claim in  
6 abatement.

7 SEC. 310. (a) Except as provided in section 311 and  
8 in subdivision (b) of section 308 and in subdivision (b)  
9 of section 312, the amount of the estate taxes imposed by  
10 Part I of this title shall be assessed within four years after  
11 the return was filed, and no proceeding in court for the col-  
12 lection of such taxes shall be begun after the expiration of  
13 five years after the return was filed.

14 (b) The period within which an assessment is re-  
15 quired to be made by subdivision (a) of this section in re-  
16 spect of any deficiency shall be extended (1) by 60 days  
17 if a notice of such deficiency has been mailed to the ex-  
18 ecutor under subdivision (a) of section 308 and no appeal  
19 has been filed with the Board of Tax Appeals, or (2) if  
20 an appeal has been filed, then by the number of days be-  
21 tween the date of the mailing of such notice and the date  
22 of the final decision by the Board.

23 SEC. 311. (a) In the case of a false or fraudulent re-  
24 turn with intent to evade tax or of a failure to file a return  
25 the tax may be assessed, or a proceeding in court for the col-

1 upon the unpaid amount at the rate of 1 per centum a month  
2 from the date of such notice and demand until it is paid.

3 ~~(c)~~ If a claim or abatement is filed, as provided in  
4 section 310, the provisions of subdivision ~~(b)~~ of this sec-  
5 tion shall not apply to the amount covered by the claim or  
6 abatement.

7 SEC. 310. ~~(a)~~ Except as provided in section 311, the  
8 amount of the estate taxes imposed by this title shall be  
9 assessed within four years after the return was filed, and no  
10 proceeding in court for the collection of such taxes shall be  
11 begun after the expiration of five years after the return was  
12 filed.

14 ~~(b)~~ The running of the statute of limitations on the  
15 making of assessments and the beginning of distraint or a  
16 proceeding in court for collection, in respect of any defi-  
17 ciency, shall be suspended for the period during which, under  
18 the provisions of this title, the Commissioner is prohibited  
19 from making the assessment or beginning distraint or a  
20 proceeding in court.

23 SEC. 311. ~~(a)~~ In the case of a false or fraudulent re-  
24 turn with intent to evade tax or of a failure to file a return  
25 the tax may be assessed, or a proceeding in court for the col-

1 lection of such tax may be begun without assessment, at any  
2 time.

3 (b) Where the assessment of the tax is made within  
4 the period prescribed in section 310 or in this section, such  
5 tax may be collected by distraint or by a proceeding in  
6 court, begun within six years after the assessment of the  
7 tax. Nothing in this Act shall be construed as preventing  
8 the beginning, without assessment, of a proceeding in court  
9 for the collection of the tax at any time before the expiration  
10 of the period within which an assessment may be made.

11 (c) This section shall not (1) authorize the assess-  
12 ment of a tax or the collection thereof by distraint or by a  
13 proceeding in court if at the time of the enactment of this  
14 Act such assessment, distraint, or proceeding was barred by  
15 the period of limitation then in existence, or (2) affect any  
16 assessment made, or distraint or proceeding in court begun,  
17 before the enactment of this Act.

19 SEC. 312. (a) If a deficiency has been assessed under  
20 subdivision (d) of section 308, the executor, within 30 days  
21 after notice and demand from the collector for the payment  
22 thereof, may file with the collector a claim for the abate-  
23 ment of such deficiency, or any part thereof, or of any interest  
24 or additional amounts assessed in connection therewith, or  
25 of any part of any such interest or additional amounts.

1 collection of such tax may be begun without assessment, at any  
2 time.

3 (b) Where the assessment of the tax is made within  
4 the period prescribed in section 310 or in this section, such  
5 tax may be collected by distraint or by a proceeding in  
6 court, begun within ~~(1)~~ six years after the assessment of the  
7 tax, or ~~(2)~~ at any time prior to the expiration of any period  
8 for collection agreed upon in writing by the Commissioner  
9 and the executor.

11 (c) This section shall not affect any assessment made,  
12 or distraint or proceeding in court begun, before the enact-  
13 ment of this Act, nor shall it authorize the assessment of a  
14 tax or the collection thereof by distraint or by a proceeding  
15 in court ~~(1)~~ if at the time of the enactment of this Act such  
16 assessment, distraint, or proceeding was barred by the  
17 period of limitation then in existence, or ~~(2)~~ contrary to  
18 the provisions of subdivision ~~(a)~~ of section 308.

19 Sec. 312. ~~(a)~~ If a deficiency has been assessed under  
20 subdivision ~~(d)~~ of section 308, the executor, within 30 days  
21 after notice and demand from the collector for the payment  
22 thereof, may file with the collector a claim for the abatement  
23 of such deficiency, or any part thereof, or of any interest  
24 or additional amounts assessed in connection therewith, or  
25 of any part of any such interest or additional amounts.

1 Such claim shall be accompanied by a bond, in such amount,  
2 not exceeding double the amount of the claim, and with such  
3 sureties, as the collector deems necessary, conditioned  
4 upon the payment of so much of the amount of the claim  
5 as is not abated, together with interest thereon as provided  
6 in subdivision (c) of this section. Upon the filing of such  
7 claim and bond, the collection of so much of the amount  
8 assessed as is covered by such claim and bond shall be stayed  
9 pending the final disposition of the claim.

10 (b) If a claim is filed as provided in subdivision (a)  
11 of this section the collector shall transmit the claim imme-  
12 diately to the Commissioner, who shall by registered mail  
13 notify the executor of his decision on the claim. The ex-  
14 ecutor may within 60 days after such notice is mailed file  
15 an appeal with the Board of Tax Appeals. If the claim is  
16 denied in whole or in part by the Commissioner (or by the  
17 Board in case an appeal has been filed) the amount, the  
18 claim for which is denied, shall be collected as part of the  
19 tax upon notice and demand from the collector, and the  
20 amount, the claim for which is allowed, shall be abated.  
21 A proceeding in court may be begun for any part of the  
22 amount, claim for which is allowed by the Board. Such  
23 proceeding shall be begun within one year after the final  
24 decision of the Board, and may be begun within such year  
25 even though the period of limitation prescribed in section  
26 310 has expired.

1 If such claim is accompanied by a bond, in such amount,  
2 not exceeding double the amount of the claim, and with  
3 such sureties, as the collector deems necessary, conditioned  
4 upon the payment of so much of the amount of the claim  
5 as is not abated, together with interest thereon as provided  
6 in subdivision (c) of this section, then upon the filing of such  
7 claim and bond, the collection of so much of the amount  
8 assessed as is covered by such claim and bond shall be stayed  
9 pending the final disposition of the claim.

10 (b) When a claim is filed and accepted by the collector  
11 he shall transmit the claim immediately to the Commissioner,  
12 who shall by registered mail notify the executor of his  
13 decision on the claim. The executor may within 60 days  
14 after such notice is mailed file a petition with the Board of  
15 Tax Appeals. In cases where collection has been stayed by  
16 the filing of a bond, then if the claim is denied in whole or in  
17 part by the Commissioner (or, if a petition has been filed with  
18 the Board, if such claim is denied in whole or in part by a  
19 decision of the Board which has become final), the amount,  
20 the claim for which is denied, shall be collected as part of  
21 the tax upon notice and demand from the collector, and the  
22 amount, the claim for which is allowed, shall be abated. In  
23 cases where collection has not been stayed by the filing of  
24 a bond, then if the claim is allowed in whole or in part by  
25 the Commissioner (or, if a petition has been filed with the  
26 Board, if such claim is allowed in whole or in part by a

5           (c) If the claim in abatement is denied in whole  
6 or in part, there shall be collected, at the same time as the  
7 part of the claim denied, and as a part of the tax, interest  
8 at the rate of 6 per centum per annum upon the amount of  
9 the claim denied, from the date of notice and demand from  
10 the collector under subdivision (d) of section 308 to the date  
11 of the notice and demand under subdivision (b) of this  
12 section. If the amount included in the notice and demand  
13 from the collector under subdivision (b) of this section is  
14 not paid in full within 30 days after such notice and demand,  
15 then there shall be collected, as part of the tax, interest upon  
16 the unpaid amount at the rate of 1 per centum a month  
17 from the date of such notice and demand until it is paid.

19           (d) Except as provided in this section, no claim in  
20 abatement shall be filed in respect of any assessment made  
21 after the enactment of this Act in respect of any estate tax.

23           SEC. 313. (a) The collector shall grant to the person  
24 paying the tax duplicate receipts, either of which shall be  
25 sufficient evidence of such payment, and shall entitle the



1 decision of the Board which has become final) the amount  
2 so allowed shall be credited or refunded as provided in  
3 section 281, or, if collection has not been made, shall be  
4 abated.

5 (c) In cases where collection has been stayed by the  
6 filing of a bond, then if the claim in abatement is denied in  
7 whole or in part, there shall be collected, at the same time as  
8 the part of the claim denied, and as a part of the tax, interest  
9 at the rate of 6 per centum per annum upon the amount of  
10 the claim denied, from the date of notice and demand from  
11 the collector under subdivision (d) of section 308 to the date  
12 of the notice and demand under subdivision (b) of this  
13 section. If the amount included in the notice and demand  
14 from the collector under subdivision (b) of this section is  
15 not paid in full within 30 days after such notice and demand,  
16 then there shall be collected, as part of the tax, interest upon  
17 the unpaid amount at the rate of 1 per centum a month  
18 from the date of such notice and demand until it is paid.

19 (d) Except as provided in this section, no claim in  
20 abatement shall be filed in respect of any assessment made  
21 after the enactment of this Act in respect of any estate  
22 tax.

23 SEC. 313. (a) The collector shall grant to the person  
24 paying the tax duplicate receipts, either of which shall be  
25 sufficient evidence of such payment, and shall entitle the

1 executor to be credited and allowed the amount thereof by  
2 any court having jurisdiction to audit or settle his accounts.

3 (b) If the executor makes written application to the  
4 Commissioner for determination of the amount of the tax  
5 and discharge from personal liability therefor, the Commis-  
6 sioner (as soon as possible, and in any event within one year  
7 after the making of such application, or, if the application is  
8 made before the return is filed, then within one year after  
9 the return is filed, but not after the expiration of the period  
10 prescribed for the assessment of the tax in section 310) shall  
11 notify the executor of the amount of the tax. The executor,  
12 upon payment of the amount of which he is notified, shall  
13 be discharged from personal liability for any deficiency in  
14 tax thereafter found to be due and shall be entitled to a  
15 receipt or writing showing such discharge.

16 (c) The provisions of subdivision (b) shall not operate  
17 as a release of any part of the gross estate from the lien for  
18 any deficiency that may thereafter be determined to be due,  
19 unless the title to such part of the gross estate has passed to  
20 a bona fide purchaser for value, in which case such part shall  
21 not be subject to a lien or to any claim or demand for any  
22 such deficiency, but the lien shall attach to the consideration  
23 received from such purchaser by the heirs, legatees, devisees,  
24 or distributees.

25 SEC. 314. (a) If the tax herein imposed is not paid  
26 on or before the due date thereof the collector shall, upon

1 executor to be credited and allowed the amount thereof by  
2 any court having jurisdiction to audit or settle his accounts.

3 ~~(b)~~ If the executor makes written application to the  
4 Commissioner for determination of the amount of the tax  
5 and discharge from personal liability therefor, the Commis-  
6 sioner ~~(as soon as possible, and in any event within one year~~  
7 ~~after the making of such application; or, if the application is~~  
8 ~~made before the return is filed, then within one year after~~  
9 ~~the return is filed, but not after the expiration of the period~~  
10 ~~prescribed for the assessment of the tax in section 310)~~ shall  
11 notify the executor of the amount of the tax. The executor,  
12 upon payment of the amount of which he is notified, shall  
13 be discharged from personal liability for any deficiency in  
14 tax thereafter found to be due and shall be entitled to a  
15 receipt or writing showing such discharge.

16 ~~(c)~~ The provisions of subdivision ~~(b)~~ shall not operate  
17 as a release of any part of the gross estate from the lien for  
18 any deficiency ~~that~~ may thereafter be determined to be due,  
19 unless the title to such part of the gross estate has passed to  
20 a bona fide purchaser for value, in which case such part shall  
21 not be subject to a lien or to any claim or demand for any  
22 such deficiency, but the lien shall attach to the consideration  
23 received from such purchaser by the heirs, legatees, devisees,  
24 or distributees.

25 ~~Sec. 314. (a)~~ If the tax herein imposed is not paid  
26 on or before the due date thereof the collector shall, upon

1 instruction from the Commissioner, proceed to collect the  
2 tax under the provisions of general law, or commence appro-  
3 priate proceedings in any court of the United States having  
4 jurisdiction, in the name of the United States, to subject the  
5 property of the decedent to be sold under the judgment or  
6 decree of the court. From the proceeds of such sale the  
7 amount of the tax, together with the costs and expenses of  
8 every description to be allowed by the court, shall be first  
9 paid, and the balance shall be deposited according to the  
10 order of the court, to be paid under its direction to the per-  
11 son entitled thereto.

14 (b) If the tax or any part thereof is paid by, or col-  
15 lected out of that part of the estate passing to or in the pos-  
16 session of, any person other than the executor in his capacity  
17 as such, such person shall be entitled to reimbursement out  
18 of any part of the estate still undistributed or by a just and  
19 equitable contribution by the persons whose interest in the  
20 estate of the decedent would have been reduced if the tax had  
21 been paid before the distribution of the estate or whose  
22 interest is subject to equal or prior liability for the payment  
23 of taxes, debts, or other charges against the estate, it being  
24 the purpose and intent of this title that so far as is practi-  
25 cable and unless otherwise directed by the will of the de-  
26 cedent the tax shall be paid out of the estate before its

1 instruction from the Commissioner, proceed to collect the  
2 tax under the provisions of general law, or commence appro-  
3 priate proceedings in any court of the United States having  
4 jurisdiction, in the name of the United States, to subject the  
5 property of the decedent to be sold under the judgment or  
6 decree of the court. From the proceeds of such sale the  
7 amount of the tax, together with the costs and expenses of  
8 every description to be allowed by the court, shall be first  
9 paid, and the balance shall be deposited according to the  
10 order of the court, to be paid under its direction to the per-  
11 son entitled thereto. This subdivision in so far as it applies  
12 to the collection of a deficiency shall be subject to the provi-  
13 sions of section 308.

14 (b) If the tax or any part thereof is paid by, or col-  
15 lected out of that part of the estate passing to or in the pos-  
16 session of, any person other than the executor in his capacity  
17 as such, such person shall be entitled to reimbursement out  
18 of any part of the estate still undistributed or by a just and  
19 equitable contribution by the persons whose interest in the  
20 estate of the decedent would have been reduced if the tax had  
21 been paid before the distribution of the estate or whose  
22 interest is subject to equal or prior liability for the payment  
23 of taxes, debts, or other charges against the estate, it being  
24 the purpose and intent of this title that so far as is practi-  
25 cable and unless otherwise directed by the will of the de-  
26 cedent the tax shall be paid out of the estate before its

1 distribution. If any part of the gross estate consists of  
2 proceeds of policies of insurance upon the life of the de-  
3 cedent receivable by a beneficiary other than the executor,  
4 the executor shall be entitled to recover from such bene-  
5 ficiary such portion of the total tax paid as the proceeds,  
6 in excess of \$40,000, of such policies bear to the net estate.  
7 If there is more than one such beneficiary the executor shall  
8 be entitled to recover from such beneficiaries in the same  
9 ratio.

10       Sec. 315. (a) Unless the tax is sooner paid in full,  
11 it shall be a lien for ten years upon the gross estate of the  
12 decedent, except that such part of the gross estate as is  
13 used for the payment of charges against the estate and ex-  
14 penses of its administration, allowed by any court having  
15 jurisdiction thereof, shall be divested of such lien. If the  
16 Commissioner is satisfied that the tax liability of an estate  
17 has been fully discharged or provided for, he may, under  
18 regulations prescribed by him with the approval of the  
19 Secretary, issue his certificate, releasing any or all property  
20 of such estate from the lien herein imposed.

21       (b) If (1) the decedent makes a transfer of, or  
22 creates a trust with respect to, any property in contempla-  
23 tion of or intended to take effect in possession or enjoyment  
24 at or after his death (except in the case of a bona fide sale  
25 for a fair consideration in money or money's worth) or (2)

1 distribution. If any part of the gross estate consists of  
2 proceeds of policies of insurance upon the life of the de-  
3 cedent receivable by a beneficiary other than the executor,  
4 the executor shall be entitled to recover from such bene-  
5 ficiary such portion of the total tax paid as the proceeds,  
6 in excess of \$40,000, of such policies bear to the net estate.  
7 If there is more than one such beneficiary the executor shall  
8 be entitled to recover from such beneficiaries in the same  
9 ratio.

10 ~~Sec. 315. (a)~~ Unless the tax is sooner paid in full,  
11 it shall be a lien for ten years upon the gross estate of the  
12 decedent, except that such part of the gross estate as is  
13 used for the payment of charges against the estate and ex-  
14 penses of its administration, allowed by any court having  
15 jurisdiction thereof, shall be divested of such lien. If the  
16 Commissioner is satisfied that the tax liability of an estate  
17 has been fully discharged or provided for, he may, under  
18 regulations prescribed by him with the approval of the  
19 Secretary, issue his certificate, releasing any or all property  
20 of such estate from the lien herein imposed.

21 ~~(b)~~ If ~~(1)~~ the decedent makes a transfer, by trust or  
22 otherwise, of any property in contemplation of or intended to  
23 take effect in possession or enjoyment at or after his death  
24 ~~(except in the case of a bona fide sale for a fair consideration~~  
25 ~~in money or money's worth)~~ or ~~(2)~~ if insurance passes

1 if insurance passes under a contract executed by the decedent  
2 in favor of a specific beneficiary, and if in either case the  
3 tax in respect thereto is not paid when due, then the trans-  
4 feree, trustee, or beneficiary shall be personally liable for  
5 such tax, and such property, to the extent of the decedent's  
6 interest therein at the time of such transfer, or to the extent  
7 of such beneficiary's interest under such contract of insurance,  
8 shall be subject to a like lien equal to the amount of such  
9 tax. Any part of such property sold by such transferee or  
10 trustee to a bona fide purchaser for a fair consideration in  
11 money or money's worth shall be divested of the lien, and a  
12 like lien shall then attach to all the property of such  
13 transferee or trustee, except any part sold to a bona fide  
14 purchaser for a fair consideration in money or money's  
15 worth.

16 SEC. 316. If after the enactment of this Act the Com-  
17 missioner determines that any assessment should be made  
18 in respect of any estate tax imposed by the Revenue Act of  
19 1917, the Revenue Act of 1918, or the Revenue Act of  
20 1921, or by any such Act as amended, the amount which  
21 should be assessed (whether as deficiency or additional tax  
22 or as interest, penalty, or other addition to the tax) shall  
23 be computed as if this Act had not been enacted, but the  
24 amount so computed shall be assessed, collected, and paid  
25 in the same manner and subject to the same provisions and



1 under a contract executed by the decedent in favor of a spe-  
2 cific beneficiary, and if in either case the tax in respect thereto  
3 is not paid when due, then the transferee, trustee, or bene-  
4 ficiary shall be personally liable for such tax, and such prop-  
5 erty, to the extent of the decedent's interest therein at the  
6 time of such transfer, or to the extent of such beneficiary's  
7 interest under such contract of insurance, shall be subject to a  
8 like lien equal to the amount of such tax. Any part of such  
9 property sold by such transferee or trustee to a bona fide  
10 purchaser for a fair consideration in money or money's worth  
11 shall be divested of the lien and a like lien shall then attach to  
12 all the property of such transferee or trustee, except any part  
13 sold to a bona fide purchaser for a fair consideration in money  
14 or money's worth.

15 **SEC. 316.** (a) If after the enactment of this Act the  
16 Commissioner determines that any assessment should be  
17 made in respect of any estate tax imposed by the Revenue  
18 Act of 1917, the Revenue Act of 1918, the Revenue Act of  
19 1921, or the Revenue Act of 1924, or by any such Act as  
20 amended, the Commissioner shall notify the person liable for  
21 such tax by registered mail of the amount proposed to be  
22 assessed, which notification shall, for the purposes of this Act,  
23 be considered a notification under subdivision (a) of section  
24 308 of this Act. In such cases the amount which should be  
25 assessed (whether as deficiency or additional tax or as in-

1 limitations (including the provisions in case of delinquency  
2 in payment after notice and demand) as in the case of the  
3 taxes imposed by Part I of this title, except that the period  
4 of limitation prescribed in section 1009 shall be applied in  
5 lieu of the period prescribed in subdivision (a) of section  
6 310.

1 ~~terest, penalty, or other addition to the tax)~~ shall be com-  
2 ~~puted as if this Act had not been enacted, but the amount~~  
3 ~~so computed shall be assessed, collected, and paid in the same~~  
4 ~~manner and subject to the same provisions and limitations~~  
5 ~~(including the provisions in case of delinquency in payment~~  
6 ~~after notice and demand and the provisions prohibiting~~  
7 ~~claims and suits for refund) as in the case of the tax im-~~  
8 ~~posed by this title, except that the period of limitation pre-~~  
9 ~~scribed in section 1100 of this Act shall be applied in lieu of~~  
10 ~~the period prescribed in subdivision (a) of section 310.~~

11 ~~(b) If before the enactment of this Act any person has~~  
12 ~~appealed to the Board of Tax Appeals under subdivision~~  
13 ~~(a) of section 308 of the Revenue Act of 1924 (if such~~  
14 ~~appeal relates to a tax imposed by Title III of such Act or~~  
15 ~~to so much of an estate tax imposed by prior Act as was not~~  
16 ~~assessed before June 3, 1924), and the decision of the Board~~  
17 ~~was not made before the enactment of this Act, the Board~~  
18 ~~shall have jurisdiction of the appeal. In all such cases the~~  
19 ~~powers, duties, rights, and privileges of the Commissioner~~  
20 ~~and of the person who has brought the appeal, and the juris-~~  
21 ~~isdiction of the Board and of the courts, shall be determined,~~  
22 ~~and the computation of the tax shall be made, in the same~~  
23 ~~manner as provided in subdivision (a) of this section, except~~  
24 ~~that the person liable for the tax shall not be subject to the~~  
25 ~~provisions of subdivision (a) of section 317.~~



1       (c) If before the enactment of this Act the Commis-  
2 sioner has mailed to any person a notice under subdivision  
3 (a) of section 308 of the Revenue Act of 1924 (whether in  
4 respect of a tax imposed by Title III of such Act or in re-  
5 spect of so much of an estate tax imposed by prior Act as was  
6 not assessed before June 3, 1924), and if the 60-day period  
7 referred to in such subdivision has not expired before the  
8 enactment of this Act, such person may file a petition with  
9 the Board in the same manner as if a notice of deficiency had  
10 been mailed after the enactment of this Act in respect of a  
11 deficiency in a tax imposed by this title. In such cases the  
12 60-day period referred to in subdivision (a) of section 308  
13 of this Act shall begin on the date of the enactment of this  
14 Act, and the powers, duties, rights, and privileges of the  
15 Commissioner and of the person who has filed the petition,  
16 and the jurisdiction of the Board and of the courts, shall,  
17 whether or not the petition is filed, be determined, and the  
18 computation of the tax shall be made, in the same manner as  
19 provided in subdivision (a) of this section.

20       (d) If any estate tax imposed by the Revenue Act of  
21 1917, the Revenue Act of 1918, or the Revenue Act of  
22 1921, or by any such Act as amended, was assessed before  
23 June 3, 1924, but was not paid in full before the date of  
24 the enactment of this Act, and if the Commissioner, after  
25 the enactment of this Act, finally determines the amount



1 of the deficiency, he shall notify the person liable for such  
2 tax by registered mail of the amount proposed to be col-  
3 lected, which notification shall, for the purposes of this Act,  
4 be considered a notification under subdivision (a) of section  
5 308 of this Act. In such case the amount to be collected  
6 (whether as deficiency or additional tax or as interest,  
7 penalty, or other additions to the tax) shall be computed  
8 as if this Act had not been enacted, but the amount so com-  
9 puted shall be assessed, collected, and paid in the same  
10 manner and subject to the same provisions and limitations  
11 (including the provisions in cases of delinquency in pay-  
12 ment after notice and demand, and the provisions relating  
13 to claims and suits for refund) as in the case of the tax  
14 imposed by this title, except as otherwise provided in sub-  
15 division (g) of this section, and except that the period  
16 of limitation prescribed in section 1100 of this Act shall  
17 be applied in lieu of the period prescribed in subdivision  
18 (a) of section 310.

19 (e) If any estate tax imposed by the Revenue Act of  
20 1917, the Revenue Act of 1918, or the Revenue Act of  
21 1921, or by any such Act as amended, was assessed before  
22 June 3, 1924, but was not paid in full before that date,  
23 and if the Commissioner after June 2, 1924, but before  
24 the enactment of this Act, finally determined the amount of  
25 the deficiency, and if the person liable for such tax appealed

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1 before the enactment of this Act to the Board of Tax Appeals  
2 and the decision of the Board was not made before the enact-  
3 ment of this Act, the Board shall have jurisdiction of the  
4 appeal. In all such cases the powers, duties, rights, and  
5 privileges of the Commissioner and of the person who has  
6 brought the appeal, and the jurisdiction of the Board and  
7 of the courts, shall be determined, and the computation of  
8 the tax shall be made, in the same manner as provided in  
9 subdivision (d) of this section, except that the person liable  
10 for the tax shall not be subject to the provisions of subdivision  
11 (a) of section 317.

12 (f) If any estate tax imposed by the Revenue Act of  
13 1917, the Revenue Act of 1918, or the Revenue Act of 1921,  
14 or by any such Act as amended, was assessed before June 2,  
15 1924, but was not paid in full before the date of the enact-  
16 ment of this Act, and if the Commissioner after June 2,  
17 1924, finally determined the amount of the deficiency, and  
18 notified the person liable for such tax to that effect less than  
19 60 days prior to the enactment of this Act, the person so  
20 notified may file a petition with the Board in the same man-  
21 ner as if a notice of deficiency had been mailed after the  
22 enactment of this Act in respect of a deficiency in a tax im-  
23 posed by this title. In such cases the 60-day period referred  
24 to in subdivision (a) of section 308 of this Act shall begin  
25 on the date of the enactment of this Act, and, whether or not

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1 the petition is filed; the powers, duties, rights, and privileges  
2 of the Commissioner and of the person who is so notified,  
3 and the jurisdiction of the Board and of the courts, shall be  
4 determined; and the computation of the tax be made, in the  
5 same manner as provided in subdivision (d) of this section.

6 ~~(g)~~ In cases within the scope of subdivision (d), ~~(e)~~,  
7 or ~~(f)~~, if the Commissioner believes that the collection of  
8 the deficiency will be jeopardized by delay, he may, despite  
9 the provisions of subdivision (a) of section 308 of this Act,  
10 instruct the collector to proceed to enforce the payment of the  
11 deficiency. Such action by the collector and the Commis-  
12 sioner may be taken at any time prior to the decision of the  
13 Board upon such deficiency even though the person liable  
14 for the tax has filed a petition with the Board, or, in the  
15 case of any part of the deficiency allowed by the Board, at  
16 any time before the expiration of 90 days after the decision  
17 of the Board was rendered, but not after the person liable  
18 for the tax has filed a review bond under section 912 of the  
19 Revenue Act of 1924 as amended, and thereupon the  
20 jurisdiction of the Board and the right of the taxpayer to  
21 appeal from the Board shall cease. Upon payment of the  
22 deficiency in such case the person liable for the tax shall  
23 not be subject to the provisions of subdivision (a) of  
24 section 317.

25 ~~Sec. 317. (a)~~ If the Commissioner has notified the  
26 executor of a deficiency, or has made an assessment under



1 subdivision ~~(d)~~ of section 308, the right of the executor to  
2 file a petition with the Board of Tax Appeals and to appeal  
3 from the decision of the Board to the courts shall constitute  
4 his sole right to contest the amount of the tax, and, whether  
5 or not he files a petition with the Board, no credit or refund  
6 in respect of such tax shall be made and no suit for the re-  
7 covery of any part of such tax shall be maintained in any  
8 court, except as provided in subdivision ~~(b)~~ of this section  
9 or in subdivision ~~(b)~~ of section 312 or in subdivision ~~(b)~~  
10 ~~(c)~~, or ~~(g)~~ of section 316 of this Act or in section 912 of  
11 the Revenue Act of 1924 as amended. This subdivision  
12 shall not apply in any case where the executor proves to the  
13 satisfaction of the Commissioner or the court, as the case  
14 may be, that the notice under subdivision ~~(a)~~ of section 308  
15 or subdivision ~~(b)~~ of section 312 was not received by him  
16 before the expiration of 45 days from the time such notice  
17 was mailed.

18 ~~(b)~~ If the Board of Tax Appeals finds that there is no  
19 deficiency and further finds that the executor has made an  
20 overpayment of tax, the Board shall have jurisdiction to  
21 determine the amount of such overpayment, and such amount  
22 shall, when the decision of the Board has become final, be  
23 credited or refunded to the executor as provided in section  
24 3220 of the Revised Statutes, as amended. Such refund  
25 or credit shall be made either ~~(1)~~ if claim therefor was filed

5           SEC. 317. (a) Whoever knowingly makes any false  
6 statement in any notice or return required to be filed under  
7 Part I of this title shall be liable to a penalty of not exceeding  
8 \$5,000, or imprisonment not exceeding one year, or both.

9           (b) Whoever fails to comply with any duty imposed  
10 upon him by section 304, or, having in his possession or con-  
11 trol any record, file, or paper, containing or supposed to con-  
12 tain any information concerning the estate of the decedent,  
13 or, having in his possession or control any property com-  
14 prised in the gross estate of the decedent, fails to exhibit the  
15 same upon request to the Commissioner or any collector or  
16 law officer of the United States or his duly authorized deputy  
17 or agent, who desires to examine the same in the perform-  
18 ance of his duties under Part I of this title, shall be liable to  
19 a penalty of not exceeding \$500, to be recovered, with costs  
20 of suit, in a civil action in the name of the United States.

21           SEC. 318. (a) The term "resident" as used in this title  
22 includes a citizen of the United States with respect to whose  
23 property any probate or administration proceedings are had  
24 in the United States Court for China. Where no part of the  
25 gross estate of such decedent is situated in the United States

1 within the period of limitation provided for in section 3228  
2 of the Revised Statutes, as amended, or (2) if the petition  
3 was filed with the Board within four years after the tax was  
4 paid.

5       SEC. 318. (a) Whoever knowingly makes any false  
6 statement in any notice or return required to be filed under  
7 this title shall be liable to a penalty of not exceeding \$5,000,  
8 or imprisonment not exceeding one year, or both.

9       (b) Whoever fails to comply with any duty imposed  
10 upon him by section 304, or, having in his possession or con-  
11 trol any record, file, or paper, containing or supposed to con-  
12 tain any information concerning the estate of the decedent,  
13 or, having in his possession or control any property com-  
14 prised in the gross estate of the decedent, fails to exhibit the  
15 same upon request to the Commissioner or any collector or  
16 law officer of the United States or his duly authorized deputy  
17 or agent, who desires to examine the same in the perform-  
18 ance of his duties under this title, shall be liable to a penalty  
19 of not exceeding \$500, to be recovered, with costs of suit, in  
20 a civil action in the name of the United States.

21       SEC. 319. (a) The term "resident" as used in this  
22 title includes a citizen of the United States with respect to  
23 whose property any probate or administration proceedings  
24 are had in the United States Court for China. Where no  
25 part of the gross estate of such decedent is situated in the

1 at the time of his death, the total amount of tax due under  
2 Part I of this title shall be paid to or collected by the clerk of  
3 such court, but where any part of the gross estate of such  
4 decedent is situated in the United States at the time of his  
5 death, the tax due under Part I of this title shall be paid to  
6 or collected by the collector of the district in which is situated  
7 the part of the gross estate in the United States, or, if such  
8 part is situated in more than one district, then the collector of  
9 such district as may be designated by the Commissioner.

11 (b) For the purpose of this section the clerk of the  
12 United States Court for China shall be a collector for the  
13 territorial jurisdiction of such court, and taxes shall be col-  
14 lected by and paid to him in the same manner and subject  
15 to the same provisions of law, including penalties, as the  
16 taxes collected by and paid to a collector in the United  
17 States.

[For corresponding section of the Revenue Act of 1924, see pp. 346-348]



1 United States at the time of his death, the total amount of  
2 tax due under this title shall be paid to or collected by  
3 the clerk of such court, but where any part of the gross  
4 estate of such decedent is situated in the United States at  
5 the time of his death, the tax due under this title shall  
6 be paid to or collected by the collector of the district in  
7 which is situated the part of the gross estate in the United  
8 States, or, if such part is situated in more than one district,  
9 then the collector of such district as may be designated by  
10 the Commissioner.

11 ~~(b)~~ For the purpose of this section the clerk of the  
12 United States Court for China shall be a collector for the  
13 territorial jurisdiction of such court, and taxes shall be col-  
14 lected by and paid to him in the same manner and subject  
15 to the same provisions of law, including penalties, as the  
16 taxes collected by and paid to a collector in the United  
17 States.

18 *SEC. 300. (a) Section 301 of the Revenue Act of 1924*  
19 *is amended to read as follows:*

20 *"SEC. 301. (a) In lieu of the tax imposed by Title*  
21 *IV of the Revenue Act of 1921, a tax equal to the sum of*  
22 *the following percentages of the value of the net' estate*  
23 *(determined as provided in section 303) is hereby imposed*  
24 *upon the transfer of the net estate of every decedent dying*  
25 *after the enactment of this Act, whether a resident or non-*  
26 *resident of the United States:*

[For corresponding section of the Revenue Act of 1924, see pp. 346-348]

1 "1 per centum of the amount of the net estate not in  
2 excess of \$50,000;

3 "2 per centum of the amount by which the net estate  
4 exceeds \$50,000 and does not exceed \$150,000;

5 "3 per centum of the amount by which the net estate  
6 exceeds \$150,000 and does not exceed \$250,000;

7 "4 per centum of the amount by which the net estate  
8 exceeds \$250,000 and does not exceed \$450,000;

9 "6 per centum of the amount by which the net estate  
10 exceeds \$450,000 and does not exceed \$750,000;

11 "8 per centum of the amount by which the net estate  
12 exceeds \$750,000 and does not exceed \$1,000,000;

13 "10 per centum of the amount by which the net estate  
14 exceeds \$1,000,000 and does not exceed \$1,500,000;

15 "12 per centum of the amount by which the net estate  
16 exceeds \$1,500,000 and does not exceed \$2,000,000;

17 "14 per centum of the amount by which the net estate  
18 exceeds \$2,000,000 and does not exceed \$3,000,000;

19 "16 per centum of the amount by which the net estate  
20 exceeds \$3,000,000 and does not exceed \$4,000,000;

21 "18 per centum of the amount by which the net estate  
22 exceeds \$4,000,000 and does not exceed \$5,000,000;

23 "20 per centum of the amount by which the net estate  
24 exceeds \$5,000,000 and does not exceed \$8,000,000;

25 "22 per centum of the amount by which the net estate  
26 exceeds \$8,000,000 and does not exceed \$10,000,000; and

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PART II.—GIFT TAX

21 SEC. 319. For the calendar year 1924 and each  
22 calendar year thereafter, a tax equal to the sum of the fol-  
23 lowing is hereby imposed upon the transfer by a resident by  
24 gift during such calendar year of any property wherever  
25 situated, whether made directly or indirectly, and upon the

1       *"25 per centum of the amount by which the net estate*  
2 *exceeds \$10,000,000."*

3       *(b) Subdivision (a) of this section shall take effect as*  
4 *of June 2, 1924.*

5       *SEC. 301. (a) So much of paragraph (3) of subdivi-*  
6 *vision (a) and of paragraph (3) of subdivision (b) of*  
7 *section 303 of the Revenue Act of 1924 as reads as follows:*

8 *"If the tax imposed by section 301, or any estate, succession,*  
9 *legacy, or inheritance taxes, are, either by the terms of the*  
10 *will, by the law of the jurisdiction under which the estate*  
11 *is administered, or by the law of the jurisdiction imposing*  
12 *the particular tax, payable in whole or in part out of the*  
13 *bequests, legacies, or devises otherwise deductible under this*  
14 *paragraph, then the amount deductible under this paragraph*  
15 *shall be the amount of such bequests, legacies, or devises re-*  
16 *duced by the amount of such taxes" is repealed.*

17       *(b) Subdivision (a) of this section shall take effect as*  
18 *of June 2, 1924.*

19       *SEC. 302. (a) Section 319 of the Revenue Act of*  
20 *1924 is amended to read as follows:*

21       *"SEC. 319. For the calendar year 1924 and each*  
22 *calendar year thereafter, a tax equal to the sum of the fol-*  
23 *lowing is hereby imposed upon the transfer by a resident*  
24 *by gift during such calendar year of any property wherever*  
25 *situated, whether made directly or indirectly, and upon the*

1 transfer by a nonresident by gift during such calendar year  
2 of any property situated within the United States, whether  
3 made directly or indirectly.

4 1 per centum of the amount of taxable gifts not in  
5 excess of \$50,000;

6 2 per centum of the amount by which the taxable gifts  
7 exceed \$50,000 and do not exceed \$100,000;

8 3 per centum of the amount by which the taxable gifts  
9 exceed \$100,000 and do not exceed \$150,000;

10 4 per centum of the amount by which the taxable gifts  
11 exceed \$150,000 and do not exceed \$250,000;

12 6 per centum of the amount by which the taxable gifts  
13 exceed \$250,000 and do not exceed \$450,000;

14 9 per centum of the amount by which the taxable gifts  
15 exceed \$450,000 and do not exceed \$750,000;

16 12 per centum of the amount by which the taxable gifts  
17 exceed \$750,000 and do not exceed \$1,000,000;

18 15 per centum of the amount by which the taxable gifts  
19 exceed \$1,000,000 and do not exceed \$1,500,000;

20 18 per centum of the amount by which the taxable gifts  
21 exceed \$1,500,000 and do not exceed \$2,000,000;

22 21 per centum of the amount by which the taxable gifts  
23 exceed \$2,000,000 and do not exceed \$3,000,000;

24 24 per centum of the amount by which the taxable gifts  
25 exceed \$3,000,000 and do not exceed \$4,000,000;

1 transfer by a nonresident by gift during such calendar  
2 year of any property situated within the United States,  
3 whether made directly or indirectly;

4 "1 per centum of the amount of the taxable gifts not  
5 in excess of \$50,000;

6 "2 per centum of the amount by which the taxable  
7 gifts exceed \$50,000 and do not exceed \$150,000;

8 "3 per centum of the amount by which the taxable  
9 gifts exceed \$150,000 and do not exceed \$250,000;

10 "4 per centum of the amount by which the taxable  
11 gifts exceed \$250,000 and do not exceed \$450,000;

12 "6 per centum of the amount by which the taxable  
13 gifts exceed \$450,000 and do not exceed \$750,000;

14 "8 per centum of the amount by which the taxable  
15 gifts exceed \$750,000 and do not exceed \$1,000,000;

16 "10 per centum of the amount by which the taxable  
17 gifts exceed \$1,000,000 and do not exceed \$1,500,000;

18 "12 per centum of the amount by which the taxable  
19 gifts exceed \$1,500,000 and do not exceed \$2,000,000;

20 "14 per centum of the amount by which the taxable  
21 gifts exceed \$2,000,000 and do not exceed \$3,000,000;

22 "16 per centum of the amount by which the taxable  
23 gifts exceed \$3,000,000 and do not exceed \$4,000,000;

1           27 per centum of the amount by which the taxable gifts  
2 exceed \$4,000,000 and do not exceed \$5,000,000;

3           30 per centum of the amount by which the taxable gifts  
4 exceed \$5,000,000 and do not exceed \$8,000,000;

5           35 per centum of the amount by which the taxable gifts  
6 exceed \$8,000,000 and do not exceed \$10,000,000;

7           40 per centum of the amount by which the taxable gifts  
8 exceed \$10,000,000.

9       SEC. 320. If the gift is made in property, the fair  
10 market value thereof at the date of the gift shall be considered  
11 the amount of the gift. Where property is sold or exchanged  
12 for less than a fair consideration in money or money's worth,  
13 then the amount by which the fair market value of the prop-  
14 erty exceeded the consideration received shall, for the pur-  
15 pose of the tax imposed by section 319, be deemed a gift, and  
16 shall be included in computing the amount of gifts made dur-  
17 ing the calendar year.

18       SEC. 321. In computing the amount of the gifts subject  
19 to the tax imposed by section 319, there shall be allowed as  
20 deductions:

21       (a) In the case of a resident—

22       (1) An exemption of \$50,000;

23       (2) The amount of all gifts or contributions made  
24 within the calendar year to or for the use of the United  
25 States, any State, Territory, any political subdivision thereof,



1 "8 per centum of the amount by which the taxable  
2 gifts exceed \$4,000,000 and do not exceed \$5,000,000;  
3 "20 per centum of the amount by which the taxable  
4 gifts exceed \$5,000,000 and do not exceed \$8,000,000;  
5 "22 per centum of the amount by which the taxable  
6 gifts exceed \$8,000,000 and do not exceed \$10,000,000; and  
7 "25 per centum of the amount by which the taxable  
8 gifts exceed \$10,000,000."

24 (b) Subdivision (a) of this section shall take effect  
25 as of June 2, 1924.

1 or the District of Columbia, for exclusively public purposes,  
2 or to or for the use of any corporation organized and oper-  
3 ated exclusively for religious, charitable, scientific, literary,  
4 or educational purposes, including the encouragement of  
5 art and the prevention of cruelty to children or animals, no  
6 part of the net earnings of which inures to the benefit of any  
7 private stockholder or individual, or to a trustee or trustees,  
8 or fraternal society, order, or association, operating under the  
9 lodge system, but only if such gifts or contributions are to  
10 be used by such trustee or trustees or by such fraternal  
11 society, order, or association, exclusively for religious, chari-  
12 table, scientific, literary, or educational purposes, or for the  
13 prevention of cruelty to children or animals, and the amount  
14 of all gifts or contributions made within the calendar year  
15 by such corporation, trustee, or fraternal society, order, or  
16 association for a religious, charitable, scientific, literary, or  
17 educational purpose, or for the prevention of cruelty to chil-  
18 dren or animals, and the amount of all gifts or contributions  
19 made within the calendar year to the special fund for voca-  
20 tional rehabilitation authorized by section 7 of the Voca-  
21 tional Rehabilitation Act;

22 (3) Gifts the aggregate amount of which to any one  
23 person does not exceed \$500;

24 (4) An amount equal to the value of any property  
25 transferred by gift within the calendar year, which can be



1 identified (A) as having been received by the donor within  
2 five years prior to the time of his making such gift, either  
3 from another person by gift or from a decedent by gift,  
4 bequest, devise, or inheritance, or (B) as having been ac-  
5 quired in exchange for property so received. This deduc-  
6 tion shall be allowed only where a gift tax or an estate tax  
7 under this or any prior Act of Congress was paid by or on  
8 behalf of the donor or the estate of such decedent, as the case  
9 may be, and only in the amount of the value placed by the  
10 Commissioner on such property in determining the value of  
11 the gift or the gross estate of such decedent, and only to the  
12 extent that the value of such property is included in the total  
13 amount of gifts made within the calendar year and not  
14 deducted under paragraph (2) or (3) of this subdivision.

15 (b) In the case of a nonresident—

16 (1) The amount of all gifts or contributions made  
17 within the calendar year to or for the use of the United  
18 States, any State, Territory, any political subdivision thereof,  
19 or the District of Columbia, for exclusively public purposes,  
20 or to or for the use of any domestic corporation organized  
21 and operated exclusively for religious, charitable, scientific,  
22 literary, or educational purposes, including the encourage-  
23 ment of art and the prevention of cruelty to children or ani-  
24 mals, no part of the net earnings of which inures to the bene-  
25 fit of any private stockholder or individual, or to a trustee

[The following text is extremely faint and largely illegible due to the quality of the scan. It appears to be a list of items or a table with multiple columns. Some faint words and numbers are visible, but they cannot be accurately transcribed.]

1 or trustees, or fraternal society, order, or association, operat-  
2 ing under the lodge system, but only if such gifts or contri-  
3 butions are to be used within the United States by such  
4 trustee or trustees or by such fraternal society, order, or  
5 association, exclusively for religious, charitable, scientific,  
6 literary, or educational purposes, or for the prevention of  
7 cruelty to children or animals, and the amount of all gifts or  
8 contributions made within the calendar year by such cor-  
9 poration, trustee, or fraternal society, order, or association for  
10 a religious, charitable, scientific, literary, or educational pur-  
11 pose, or for the prevention of cruelty to children or animals,  
12 and the amount of all gifts or contributions made within the  
13 calendar year to the special fund for vocational rehabilitation  
14 authorized by section 7 of the Vocational Rehabilitation Act;

15 (2) Gifts the aggregate amount of which to any one  
16 person does not exceed \$500;

17 (3) An amount equal to the value of any property  
18 situated in the United States transferred by gift within the  
19 calendar year, which can be identified (A) as having been  
20 received by the donor within five years prior to the time of  
21 his making such gift, either from another person by gift  
22 or from a decedent by gift, bequest, devise, or inheritance,  
23 or (B) as having been acquired in exchange for property so  
24 received. This deduction shall be allowed only where a gift



1 tax or an estate tax under this or any prior act of Congress  
2 was paid by or on behalf of the donor or the estate of such  
3 decedent, as the case may be, and only in the amount of the  
4 value placed by the Commissioner on such property in deter-  
5 mining the value of the gift or the gross estate of such dece-  
6 dent, and only to the extent that the value of such property  
7 is included within the total amount of gifts made within the  
8 calendar year of property situated in the United States and  
9 not deducted under paragraph (1) or (2) of this subdivision.

10 SEC. 322. In case a tax has been imposed under sec-  
11 tion 319 upon any gift, and thereafter upon the death of the  
12 donor the amount thereof is required by any provision of  
13 Part I of this title to be included in the gross estate of the  
14 decedent then there shall be credited against and applied  
15 in reduction of the estate tax, which would otherwise be  
16 chargeable against the estate of the decedent under the pro-  
17 visions of section 301, an amount equal to the tax paid with  
18 respect to such gift; and in the event the donor has in any  
19 year paid the tax imposed by section 319 with respect to a  
20 gift or gifts which upon the death of the donor must be  
21 included in his gross estate and a gift or gifts not required  
22 to be so included, then the amount of the tax which shall  
23 be deemed to have been paid with respect to the gift or gifts  
24 required to be so included shall be that proportion of the





1 entire tax paid on account of all such gifts which the amount  
2 of the gift or gifts required to be so included bears to the  
3 total amount of gifts in that year.

4 SEC. 323. Any person who within the year 1924 or  
5 any calendar year thereafter makes any gift or gifts in  
6 excess of the deductions allowed by section 321 shall, on or  
7 before the 15th day of March, file with the collector a return  
8 under oath in duplicate, listing and setting forth therein  
9 all gifts and contributions made by him during such calendar  
10 year (other than the gifts specified in paragraph (3) of  
11 subdivision (a) and in paragraph (2) of subdivision (b)  
12 of section 321), and the fair market value thereof when  
13 made, and also all sales and exchanges of property owned  
14 by him made within such year for less than a fair considera-  
15 tion in money or money's worth, stating therein the fair  
16 market value of the property so sold or exchanged and  
17 that of the consideration received by him, both as of the  
18 date of such sale or exchange.

19 SEC. 324. The tax imposed by section 319 shall be  
20 paid by the donor on or before the 15th day of March,  
21 and shall be assessed, collected, and paid in the same man-  
22 ner and subject, in so far as applicable, to the same provi-  
23 sions of law as the tax imposed by section 301.



6 TITLE IV.—TAX ON CIGARS, TOBACCO AND  
7 MANUFACTURES THEREOF

8 SEC. 400. (a) Upon cigars and cigarettes manufac-  
9 tured in or imported into the United States, and hereafter  
10 sold by the manufacturer or importer, or removed for con-  
11 sumption or sale, there shall be levied, collected, and paid  
12 under the provisions of existing law, in lieu of the internal-  
13 revenue taxes now imposed thereon by section 700 of the  
14 Revenue Act of 1921, the following taxes, to be paid by  
15 the manufacturer or importer thereof—

17 On cigars of all descriptions made of tobacco, or any  
18 substitute therefor, and weighing not more than three pounds  
19 per thousand, \$1.50 per thousand;

20 On cigars made of tobacco, or any substitute therefor,  
21 and weighing more than three pounds per thousand, if manu-  
22 factured or imported to retail at not more than 5 cents each,  
23 \$4 per thousand;

24 If manufactured or imported to retail at more than  
25 5 cents each and not more than 8 cents each, \$6 per  
26 thousand;

1        *SEC. 303. Any tax that has been paid under the pro-*  
2        *visions of Title III of the Revenue Act of 1924 prior to the*  
3        *enactment of this Act in excess of the tax imposed by such*  
4        *title as amended by this Act shall be regarded as an internal-*  
5        *revenue tax illegally assessed or collected.*

6        TITLE IV.—TAX ON CIGARS, TOBACCO, AND  
7        MANUFACTURES THEREOF

8        SEC. 400. (a) Upon cigars and cigarettes manufac-  
9        tured in or imported into the United States, which on or  
10       after the expiration of 30 days after the enactment of this  
11       Act are sold by the manufacturer or importer, or removed  
12       for consumption or sale, there shall be levied, collected, and  
13       paid under the provisions of existing law, in lieu of the  
14       internal-revenue taxes now imposed thereon by section 400  
15       of the Revenue Act of 1924, the following taxes, to be  
16       paid by the manufacturer or importer thereof—

17       On cigars of all descriptions made of tobacco, or any  
18       substitute therefor, and weighing not more than three pounds  
19       per thousand, 75 cents per thousand;

20       On cigars made of tobacco, or any substitute therefor,  
21       and weighing more than three pounds per thousand, if manu-  
22       factured or imported to retail at not more than 5 cents each,  
23       ~~\$2.50~~ \$2 per thousand;

24       If manufactured or imported to retail at more than  
25       5 cents each and not more than 8 cents each, ~~\$4.50~~ \$3 per  
26       thousand;

1 If manufactured or imported to retail at more than  
2 8 cents each and not more than 15 cents each, \$9 per  
3 thousand;

4 If manufactured or imported to retail at more than  
5 15 cents each and not more than 20 cents each, \$12  
6 per thousand;

7 If manufactured or imported to retail at more than  
8 20 cents each, \$15 per thousand;

9 On cigarettes made of tobacco, or any substitute there-  
10 for; and weighing not more than three pounds per thousand,  
11 \$3 per thousand;

12 Weighing more than three pounds per thousand, \$7.20  
13 per thousand.

14 (b) Whenever in this section reference is made to  
15 cigars manufactured or imported to retail at not over a  
16 certain price each, then in determining the tax to be paid  
17 regard shall be had to the ordinary retail price of a single  
18 cigar.

19 (c) The Commissioner may, by regulation, require the  
20 manufacturer or importer to affix to each box, package, or  
21 container a conspicuous label indicating the clause of this sec-  
22 tion under which the cigars therein contained have been  
23 tax-paid, which must correspond with the tax-paid stamp on  
24 such box or container.

25 (d) Every manufacturer of cigarettes (including small  
26 cigars weighing not more than three pounds per thousand)

1 If manufactured or imported to retail at more than  
2 8 cents each and not more than 15 cents each, \$7.50 per  
3 thousand;

4 If manufactured or imported to retail at more than  
5 15 cents each and not more than 20 cents each, \$10.50  
6 per thousand;

7 If manufactured or imported to retail at more than  
8 20 cents each, \$13.50 per thousand;

9 On cigarettes made of tobacco, or any substitute there-  
10 for, and weighing not more than three pounds per thousand,  
11 \$3 per thousand;

12 Weighing more than three pounds per thousand, \$7.20  
13 per thousand.

14 (b) Whenever in this section reference is made to  
15 cigars manufactured or imported to retail at not over a  
16 certain price each, then in determining the tax to be paid  
17 regard shall be had to the ordinary retail price of a single  
18 cigar in its principal market.

19 (c) The Commissioner may, by regulation, require the  
20 manufacturer or importer to affix to each box, package, or  
21 container a conspicuous label indicating the clause of this sec-  
22 tion under which the cigars therein contained have been  
23 tax-paid, which must correspond with the tax-paid stamp on  
24 such box or container.

25 (d) Every manufacturer of cigarettes (including small  
26 cigars weighing not more than three pounds per thousand)

1 shall put up all the cigarettes and such small cigars that he  
2 manufactures or has manufactured for him, and sells or  
3 removes for consumption or sale, in packages or parcels con-  
4 taining five, eight, ten, twelve, fifteen, sixteen, twenty,  
5 twenty-four, forty, fifty, eighty, or one hundred cigarettes  
6 each, and shall securely affix to each of such packages or  
7 parcels a suitable stamp denoting the tax thereon and shall  
8 properly cancel the same prior to such sale or removal for  
9 consumption or sale under such regulations as the Commis-  
10 sioner, with the approval of the Secretary, shall prescribe;  
11 and all cigarettes imported from a foreign country shall be  
12 packed, stamped, and the stamps canceled in a like manner,  
13 in addition to the import stamp indicating inspection of the  
14 customhouse before they are withdrawn therefrom.

15 (e) Section 3392 of the Revised Statutes, as amended,  
16 is amended to read as follows:  
17 "SEC. 3392. All cigars weighing more than three  
18 pounds per thousand shall be packed in boxes not before used  
19 for that purpose containing, respectively, three, five, seven,  
20 ten, twelve, thirteen, twenty-five, fifty, one hundred, two  
21 hundred, two hundred and fifty, or five hundred cigars each;  
22 and every person who sells, or offers for sale, or delivers,  
23 or offers to deliver, any cigars in any other form than in  
24 new boxes as above described, or who packs in any box any  
25 cigars in excess of or less than the number provided by law



1 shall put up all the cigarettes and such small cigars that he  
2 manufactures or has manufactured for him, and sells or  
3 removes for consumption or sale, in packages or parcels con-  
4 taining five, eight, ten, twelve, fifteen, sixteen, twenty,  
5 twenty-four, forty, fifty, eighty, or one hundred cigarettes  
6 each, and shall securely affix to each of such packages or  
7 parcels a suitable stamp denoting the tax thereon and shall  
8 properly cancel the same prior to such sale or removal for  
9 consumption or sale under such regulations as the Commis-  
10 sioner, with the approval of the Secretary, shall prescribe:  
11 and all cigarettes imported from a foreign country shall be  
12 packed, stamped, and the stamps canceled in a like manner,  
13 in addition to the import stamp indicating inspection of the  
14 customhouse before they are withdrawn therefrom.

15 (e) Section 3392 of the Revised Statutes, as amended,  
16 is re-enacted without change, as follows:

17 "SEC. 3392. All cigars weighing more than three  
18 pounds per thousand shall be packed in boxes not before used  
19 for that purpose containing, respectively, three, five, seven,  
20 ten, twelve, thirteen, twenty-five, fifty, one hundred, two  
21 hundred, two hundred and fifty, or five hundred cigars each;  
22 and every person who sells, or offers for sale, or delivers,  
23 or offers to deliver, any cigars in any other form than in  
24 new boxes as above described, or who packs in any box any  
25 cigars in excess of or less than the number provided by law

1 to be put in each box, respectively, or who falsely brands  
2 any box, or affixes a stamp on any box denoting a less  
3 amount of tax than that required by law, shall be fined for  
4 each offense not more than \$1,000 and be imprisoned not  
5 more than two years: *Provided*, That nothing in this sec-  
6 tion shall be construed as preventing the sale of cigars at  
7 retail by retail dealers from boxes packed, stamped, and  
8 branded in the manner prescribed by law: *Provided further*,  
9 That each employee of a manufacturer of cigars shall be  
10 permitted to use, for personal consumption and for experi-  
11 mental purposes, not to exceed twenty-one cigars per week  
12 without the manufacturer of cigars being required to pack  
13 the same in boxes or to stamp or pay any internal-revenue  
14 tax thereon, such exemption to be allowed under such rules  
15 and regulations as the Secretary of the Treasury may pre-  
16 scribe."

19 SEC. 401. (a) Upon all tobacco and snuff manufac-  
20 tured in or imported into the United States, and hereafter  
21 sold by the manufacturer or importer, or removed for con-  
22 sumption or sale, there shall be levied, collected, and paid,  
23 in lieu of the internal-revenue taxes now imposed thereon  
24 by section 701 of the Revenue Act of 1921, a tax of  
25 18 cents per pound, to be paid by the manufacture or im-  
26 porter thereof.

1 to be put in each box, respectively, or who falsely brands  
2 any box, or affixes a stamp on any box denoting a less  
3 amount of tax than that required by law, shall be fined for  
4 each offense not more than \$1,000 and be imprisoned not  
5 more than two years: *Provided*, That nothing in this sec-  
6 tion shall be construed as preventing the sale of cigars at  
7 retail by retail dealers from boxes packed, stamped, and  
8 branded in the manner prescribed by law: *Provided further*,  
9 That each employee of a manufacturer of cigars shall be  
10 permitted to use, for personal consumption and for experi-  
11 mental purposes, not to exceed twenty-one cigars per week  
12 without the manufacturer of cigars being required to pack  
13 the same in boxes or to stamp or pay any internal-revenue  
14 tax thereon, such exemption to be allowed under such rules  
15 and regulations as the Secretary of the Treasury may pre-  
16 scribe."

17 (f) This section shall take effect on the expiration of  
18 30 days after the enactment of this Act.

19 ~~SEC. 401.~~ (a) Upon all tobacco and snuff manufac-  
20 tured in or imported into the United States, and hereafter  
21 sold by the manufacturer or importer, or removed for con-  
22 sumption or sale, there shall be levied, collected, and paid,  
23 in lieu of the internal-revenue taxes now imposed thereon  
24 by section 401 of the Revenue Act of 1924, a tax of  
25 18 cents per pound, to be paid by the manufacturer or im-  
26 porter thereof.

11 (b) Section 3362 of the Revised Statutes, as  
12 amended by section 701 of the Revenue Act of 1918, is  
13 reenacted without change, as follows:

14 "SEC. 3362. All manufactured tobacco shall be put up  
15 and prepared by the manufacturer for sale, or removal for  
16 sale or consumption, in packages of the following descrip-  
17 tion and in no other manner:

18 "All smoking tobacco, snuff, fine-cut chewing tobacco,  
19 all cut and granulated tobacco, all shorts, the refuse of fine-  
20 cut chewing, which has passed through a riddle of thirty-six  
21 meshes to the square inch, and all refuse scraps, clippings,  
22 cuttings, and sweepings of tobacco, and all other kinds of  
23 tobacco not otherwise provided for, in packages containing  
24 one-eighth of an ounce, three-eighths of an ounce, and  
25 further packages with a difference between each package

1           (b) Upon all unmanufactured leaf tobacco produced in  
2 the United States and hereafter sold or removed for sale to  
3 the consumer, there shall be levied, collected, and paid, a  
4 tax of 8 cents per pound, to be paid by the person so selling  
5 or removing such leaf tobacco. This subdivision shall not  
6 apply to leaf tobacco sold or removed for sale to the con-  
7 sumer by (1) a farmer or grower of tobacco or (2) a  
8 tobacco growers' cooperative association as defined in sub-  
9 division (f) of section 3360 of the Revised Statutes, as  
10 amended.

11           (e) (b) Section 3362 of the Revised Statutes, as  
12 amended by section 701 of the Revenue Act of 1918, is  
13 amended to read as follows:

14           "SEC. 3362. All manufactured tobacco shall be put up  
15 and prepared by the manufacturer for sale, or removal for  
16 sale or consumption, in packages of the following descrip-  
17 tion and in no other manner:

18           "All smoking tobacco, snuff, fine-cut chewing tobacco,  
19 all cut and granulated tobacco, all shorts, the refuse of fine-  
20 cut chewing, which has passed through a riddle of thirty-six  
21 meshes to the square inch, and all refuse scraps, clippings,  
22 cuttings, and sweepings of tobacco, and all other kinds of  
23 tobacco not otherwise provided for, in packages containing  
24 one-eighth of an ounce, three-eighths of an ounce, and  
25 further packages with a difference between each package

1 and the one next smaller of one-eighth of an ounce up to  
2 and including two ounces, and further packages with a dif-  
3 ference between each package and the one next smaller of  
4 one-fourth of an ounce up to and including four ounces, and  
5 packages of five ounces, six ounces, seven ounces, eight  
6 ounces, ten ounces, twelve ounces, fourteen ounces, and  
7 sixteen ounces:

9 *Provided*, That snuff may, at the option of  
10 the manufacturer, be put up in bladders and in jars con-  
11 taining not exceeding twenty pounds.

20 "All cavendish, plug, and twist tobacco, in wooden  
21 packages not exceeding two hundred pounds net weight.

22 "And every such wooden package shall have printed  
23 or marked thereon the manufacturer's name and place of  
24 manufacture, the registered number of the manufactory, and  
25 the gross weight, the tare, and the net weight of the tobacco

1. and the one next smaller of one-eighth of an ounce up to  
2. and including two ounces, and further packages with a dif-  
3. ference between each package and the one next smaller of  
4. one-fourth of an ounce up to and including four ounces, and  
5. packages of five ounces, six ounces, seven ounces, eight  
6. ounces, ten ounces, twelve ounces, fourteen ounces, and  
7. further packages with a difference between each package and  
8. the one next smaller of one ounce up to and including  
9. sixteen ounces: *Provided*, That snuff may, at the option of  
10. the manufacturer, be put up in bladders and in jars con-  
11. taining not exceeding twenty pounds.

12. *“All unmanufactured leaf tobacco sold or removed for*  
13. *sale or consumption (except by the grower thereof, or a*  
14. *tobacco growers' cooperative association as defined in sub-*  
15. *division (f) of section 3360 of the Revised Statutes, as*  
16. *amended), shall be put up in such packages (not exceeding*  
17. *six in number) as the Commissioner of Internal Revenue*  
18. *with the approval of the Secretary of the Treasury shall*  
19. *prescribe.*

20. *“All cavendish, plug, and twist tobacco, in wooden*  
21. *packages not exceeding two hundred pounds net weight.*

22. *“And every such wooden package shall have printed*  
23. *or marked thereon the manufacturer's name and place of*  
24. *manufacture, the registered number of the manufactory, and*  
25. *the gross weight, the tare, and the net weight of the tobacco*

1 in each package: *Provided*, That these limitations and de-  
2 scriptions of packages shall not apply to tobacco and snuff  
3 transported in bond for exportation and actually exported:

6 *And provided further*, That perique tobacco, snuff flour, fine-  
7 cut shorts, the refuse of fine-cut chewing tobacco, refuse  
8 scraps, clippings, cuttings, and sweepings of tobacco, may  
9 be sold in bulk as material, and without the payment of tax,  
10 by one manufacturer directly to another manufacturer, or for  
11 export, under such restrictions, rules, and regulations as the  
12 Commissioner of Internal Revenue may prescribe: *And pro-*  
13 *vided further*, That wood, metal, paper, or other materials  
14 may be used separately or in combination for packing tobacco,  
15 snuff, and cigars, under such regulations as the Commissioner  
16 of Internal Revenue may establish.”

17 SEC. 402. There shall be levied, collected, and paid,  
18 in lieu of the taxes imposed by section 703 of the Revenue  
19 Act of 1921, upon cigarette paper made up into packages,  
20 books, sets, or tubes, made up in or imported into the United  
21 States and hereafter sold by the manufacturer or importer  
22 to any person (other than to a manufacturer of cigarettes for  
23 use by him in the manufacture of cigarettes), the following  
24 taxes, to be paid by the manufacturer or importer: On each  
25 package, book, or set containing more than twenty-five but



1 in each package: *Provided*, That these limitations and de-  
2 scriptions of packages and the provisions of sections 3364 of  
3 the Revised Statutes requiring a label to be affixed to  
4 each package, shall not apply to tobacco and snuff  
5 transported in bond for exportation and actually exported:  
6 *And provided further*, That perique tobacco, snuff flour, fine-  
7 cut shorts, the refuse of fine-cut chewing tobacco, refuse  
8 scraps, clippings, cuttings, and sweepings of tobacco, may  
9 be sold in bulk as material, and without the payment of tax,  
10 by one manufacturer directly to another manufacturer, or for  
11 export, under such restrictions, rules, and regulations as the  
12 Commissioner of Internal Revenue may prescribe: *And pro-*  
13 *vided further*, That wood, metal, paper, or other materials  
14 may be used separately or in combination for packing tobacco,  
15 snuff, and cigars, under such regulations as the Commissioner  
16 of Internal Revenue may establish.”

17 SEC. 402. There shall be levied, collected, and paid, in  
18 lieu of the taxes imposed by section 402 of the Revenue  
19 Act of 1924, upon cigarette paper made up into pack-  
20 ages, books, sets, or tubes, made up in or imported into the  
21 United States and hereafter sold by the manufacturer or im-  
22 porter to any person (other than to a manufacturer of ciga-  
23 rettes for use by him in the manufacture of cigarettes), the  
24 following taxes, to be paid by the manufacturer or importer:  
25 On each package, book, or set containing more than twenty-

1 not more than fifty papers,  $\frac{1}{2}$  cent; containing more than  
2 fifty but not more than one hundred papers, 1 cent; con-  
3 taining more than one hundred papers,  $\frac{1}{2}$  cent for each fifty  
4 papers or fractional part thereof; and upon tubes, 1 cent  
5 for each fifty tubes or fractional part thereof.

6 Every manufacturer of cigarettes purchasing any ciga-  
7 rette paper made up into tubes (a) shall give bond in an  
8 amount and with sureties satisfactory to the Commissioner that  
9 he will use such tubes in the manufacture of cigarettes or pay  
10 thereon a tax equivalent to the tax imposed by this section,  
11 and (b) shall keep such records and render under oath such  
12 returns as the Commissioner finds necessary to show the  
13 disposition of all tubes purchased or imported by such manu-  
14 facturer of cigarettes.

15 SEC. 403. Section 3360 of the Revised Statutes, as  
16 amended by section 704 of the Revenue Act of 1918, is  
17 amended to read, as follows:

18 "SEC. 3360. (a) Every dealer in leaf tobacco shall  
19 file with the collector of the district in which his business is  
20 carried on a statement in duplicate, subscribed under oath,  
21 setting forth the place, and, if in a city, the street and num-  
22 ber of the street, where his business is to be carried on, and  
23 the exact location of each place where leaf tobacco is held  
24 by him on storage, and, whenever he adds to or discontinues  
25 any of his leaf tobacco storage places, he shall give immedi-

1 five but not more than fifty papers,  $\frac{1}{2}$  cent; containing more  
2 than fifty but not more than one hundred papers, 1 cent; con-  
3 taining more than one hundred papers,  $\frac{1}{2}$  cent for each fifty  
4 papers or fractional part thereof; and upon tubes, 1 cent  
5 for each fifty tubes or fractional part thereof.

6 Every manufacturer of cigarettes purchasing any ciga-  
7 rette paper made up into tubes (a) shall give bond in an  
8 amount and with sureties satisfactory to the Commissioner  
9 that he will use such tubes in the manufacture of cigarettes or  
10 pay thereon a tax equivalent to the tax imposed by this sec-  
11 tion, and (b) shall keep such records and render under oath  
12 such returns as the Commissioner finds necessary to show the  
13 disposition of all tubes purchased or imported by such manu-  
14 facturer of cigarettes.

15 SEC. 403. Section 3360 of the Revised Statutes, as  
16 amended, is re-enacted without change, as follows:

18 "SEC. 3360. (a) Every dealer in leaf tobacco shall  
19 file with the collector of the district in which his business is  
20 carried on a statement in duplicate, subscribed under oath,  
21 setting forth the place, and, if in a city, the street and num-  
22 ber of the street, where his business is to be carried on, and  
23 the exact location of each place where leaf tobacco is held  
24 by him on storage, and, whenever he adds to or discontinues  
25 any of his leaf tobacco storage places, he shall give immedi-

1 ate notice to the collector of the district in which he is  
2 registered.

3 "Every such dealer shall give a bond with surety, satis-  
4 factory to, and to be approved by, the collector of the dis-  
5 trict, in such penal sum as the collector may require, not  
6 less than \$500; and a new bond may be required in the  
7 discretion of the collector, or under instructions of the Com-  
8 missioner.

9 "Every such dealer shall be assigned a number by the  
10 collector of the district, which number shall appear in every  
11 inventory, invoice and report rendered by the dealer, who  
12 shall also obtain certificates from the collector of the district  
13 setting forth the place where his business is carried on and  
14 the places designated by the dealer as the places of storage  
15 of his tobacco, which certificates shall be posted conspicu-  
16 ously within the dealer's registered place of business, and  
17 within each designated place of storage.

18 "(b) Every dealer in leaf tobacco shall make and de-  
19 liver to the collector of the district a true inventory of the  
20 quantity of the different kinds of tobacco held or owned,  
21 and where stored by him, on the 1st day of January of each  
22 year, or at the time of commencing and at the time of con-  
23 cluding business, if before or after the 1st day of January,  
24 such inventory to be made under oath and rendered in such  
25 form as may be prescribed by the Commissioner.

1     ate notice to the collector of the district in which he is  
2     registered.

3     “ Every such dealer shall give a bond with surety, satis-  
4     factory to, and to be approved by, the collector of the dis-  
5     trict, in such penal sum as the collector may require, not  
6     less than \$500; and a new bond may be required in the  
7     discretion of the collector, or under instructions of the Com-  
8     missioner.

9     “ Every such dealer shall be assigned a number by the  
10    collector of the district, which number shall appear in every  
11    inventory, invoice and report rendered by the dealer, who  
12    shall also obtain certificates from the collector of the district  
13    setting forth the place where his business is carried on and  
14    the places designated by the dealer as the places of storage  
15    of his tobacco, which certificates shall be posted conspicu-  
16    ously within the dealer's registered place of business, and  
17    within each designated place of storage.

18    “(b) Every dealer in leaf tobacco shall make and de-  
19    liver to the collector of the district a true inventory of the  
20    quantity of the different kinds of tobacco held or owned,  
21    and where stored by him, on the 1st day of January of each  
22    year, or at the time of commencing and at the time of con-  
23    cluding business, if before or after the 1st day of January,  
24    such inventory to be made under oath and rendered in such  
25    form as may be prescribed by the Commissioner.

1 "Every dealer in leaf tobacco shall render such in-  
2 voices and keep such records as shall be prescribed by the  
3 Commissioner, and shall enter therein, day by day, and  
4 upon the same day on which the circumstance, thing or  
5 act to be recorded is done or occurs, an accurate account  
6 of the number of hogsheads, tierces, cases and bales, and  
7 quantity of leaf tobacco contained therein, purchased or  
8 received by him, on assignment, consignment, for storage,  
9 by transfer or otherwise, and of whom purchased or received,  
10 and the number of hogsheads, tierces, cases and bales, and  
11 the quantity of leaf tobacco contained therein, sold by him,  
12 with the name and residence in each instance of the person  
13 to whom sold, and if shipped, to whom shipped, and to  
14 what district; such records shall be kept at his place of  
15 business at all times and preserved for a period of two years,  
16 and the same shall be open at all hours for the inspection of  
17 any internal-revenue officer or agent.

18 "Every dealer in leaf tobacco on or before the tenth  
19 day of each month shall furnish to the collector of the dis-  
20 trict a true and complete report of all purchases, receipts,  
21 sales and shipments of leaf tobacco made by him during the  
22 month next preceding, which report shall be verified and  
23 rendered in such form as the Commissioner, with the ap-  
24 proval of the Secretary, shall prescribe.

25 "(c) Sales or shipments of leaf tobacco by a dealer in  
26 leaf tobacco shall be in quantities of not less than a hogshead,

11       “(b) Every dealer in leaf tobacco shall render such in-  
12       voices and keep such records as shall be prescribed by the  
13       Commissioner, and shall enter therein, day by day, and  
14       upon the same day on which the circumstance, thing or  
15       act to be recorded is done or occurs, an accurate account  
16       of the number of hogsheads, tierces, cases and bales, and  
17       quantity of leaf tobacco contained therein, purchased or  
18       received by him, on assignment, consignment, for storage,  
19       by transfer or otherwise, and of whom purchased or received,  
20       and the number of hogsheads, tierces, cases and bales, and  
21       the quantity of leaf tobacco contained therein, sold by him,  
22       with the name and residence in each instance of the person  
23       to whom sold, and if shipped, to whom shipped, and to  
24       what district; such records shall be kept at his place of  
25       business at all times and preserved for a period of two years,  
26       and the same shall be open at all hours for the inspection of  
27       any internal-revenue officer or agent.

28       “(c) Every dealer in leaf tobacco on or before the tenth  
29       day of each month shall furnish to the collector of the dis-  
30       trict a true and complete report of all purchases, receipts,  
31       sales and shipments of leaf tobacco made by him during the  
32       month next preceding, which report shall be verified and  
33       rendered in such form as the Commissioner, with the ap-  
34       proval of the Secretary, shall prescribe.

35       “(d) Sales or shipments of leaf tobacco by a dealer in  
36       leaf tobacco shall be in quantities of not less than a hogshead,

1 tierce, case, or bale, except loose leaf tobacco comprising the  
2 breaks on warehouse floors, and except to a duly registered  
3 manufacturer of cigars for use in his own manufactory  
4 exclusively.

5 "Dealers in leaf tobacco shall make shipments of leaf  
6 tobacco only to other dealers in leaf tobacco, to registered  
7 manufacturers of tobacco, snuff, cigars or cigarettes, or for  
8 export.

9 "(d) Upon all leaf tobacco sold, removed or shipped  
10 by any dealer in leaf tobacco in violation of the provisions  
11 of subdivision (c), or in respect to which no report has been  
12 made by such dealer in accordance with the provisions of  
13 subdivision (b), there shall be levied, assessed, collected  
14 and paid a tax equal to the tax then in force upon manufac-  
15 tured tobacco, such tax to be assessed and collected in the  
16 same manner as the tax on manufactured tobacco.

17 "(e) Every dealer in leaf tobacco—

18 "(1) who neglects or refuses to furnish the statement,  
19 to give bond, to keep books, to file inventory or to render  
20 the invoices, returns or reports required by the Commis-  
21 sioner, or to notify the collector of the district of additions to  
22 his places of storage; or

23 "(2) who ships or delivers leaf tobacco, except as  
24 herein provided; or

25 "(3) who fraudulently omits to account for tobacco  
26 purchased, received, sold, or shipped;



1 tierce, case, or bale, except loose leaf tobacco comprising the  
2 breaks on warehouse floors, and except to a duly registered  
3 manufacturer of cigars for use in his own manufactory  
4 exclusively.

5 "Dealers in leaf tobacco shall make shipments of leaf  
6 tobacco only to other dealers in leaf tobacco, to registered  
7 manufacturers of tobacco, snuff, cigars or cigarettes, or for  
8 export.

9 "(d) Upon all leaf tobacco sold, removed or shipped  
10 by any dealer in leaf tobacco in violation of the provisions  
11 of subdivision (c), or in respect to which no report has been  
12 made by such dealer in accordance with the provisions of  
13 subdivision (b), there shall be levied, assessed, collected  
14 and paid a tax equal to the tax then in force upon manufac-  
15 tured tobacco, such tax to be assessed and collected in the  
16 same manner as the tax on manufactured tobacco.

17 "(e) Every dealer in leaf tobacco—

18 "(1) who neglects or refuses to furnish the statement,  
19 to give bond, to keep books, to file inventory or to render  
20 the invoices, returns or reports required by the Commis-  
21 sioner, or to notify the collector of the district of additions to  
22 his places of storage; or

23 "(2) who ships or delivers leaf tobacco, except as  
24 herein provided; or

25 "(3) who fraudulently omits to account for tobacco  
26 purchased, received, sold, or shipped;

1 shall be fined not less than \$100 or more than \$500, or  
2 imprisoned not more than one year, or both.

3 “(f) For the purpose of this section a farmer or grower  
4 of tobacco or a tobacco growers’ cooperative association  
5 shall not be regarded as a dealer in leaf tobacco in respect  
6 to the leaf tobacco produced by him or handled by such  
7 association: *Provided*, That such cooperative associations  
8 shall be required to keep available records of all purchases  
9 and sales of tobacco, such records to be open to inspection  
10 by the agents of the Government. As used in this section  
11 the term ‘tobacco growers’ cooperative association’ means  
12 an association of farmers or growers of tobacco organized  
13 and operated as sales agent for the purpose of marketing  
14 the tobacco produced by its members and turning back to  
15 them the proceeds of sales, less the necessary selling ex-  
16 penses, on the basis of the quantity and quality of tobacco  
17 furnished by them.”

18 TITLE V.—TAX ON ADMISSIONS AND DUES

19 SEC. 500. (a) On and after the date this title takes  
20 effect, there shall be levied, assessed, collected, and paid, in  
21 lieu of the taxes imposed by section 800 of the Revenue  
22 Act of 1921—

23 (1) A tax of 1 cent for each 10 cents or fraction  
24 thereof of the amount paid for admission to any place on  
25 or after such date, including admission by season ticket or

1 shall be fined not less than \$100 or more than \$500, or  
2 imprisoned not more than one year, or both.

3       “(f) For the purpose of this section a farmer or grower  
4 of tobacco or a tobacco growers' cooperative association  
5 shall not be regarded as a dealer in leaf tobacco in respect  
6 to the leaf tobacco produced by him or handled by such  
7 association: *Provided*, That such cooperative associations  
8 shall be required to keep available records of all purchases  
9 and sales of tobacco, such records to be open to inspection  
10 by the agents of the Government. As used in this section  
11 the term 'tobacco growers' cooperative association' means:  
12 an association of farmers or growers of tobacco organized  
13 and operated as sales agent for the purpose of marketing  
14 the tobacco produced by its members and turning back to  
15 them the proceeds of sales, less the necessary selling ex-  
16 penses, on the basis of the quantity and quality of tobacco  
17 furnished by them.”

18       **TITLE V.—TAX ON ADMISSIONS AND DUES**

19       **SEC. 500.** (a) On and after the date this title takes  
20 effect, there shall be levied, assessed, collected, and paid, in  
21 lieu of the taxes imposed by section 500 of the Revenue  
22 Act of 1924—

23       (1) A tax of 1 cent for each 10 cents or fraction  
24 thereof of the amount paid for admission to any place on  
25 or after such date, including admission by season ticket or

1 subscription, to be paid by the person paying for such ad-  
2 mission; but where the amount paid for admission is 50 cents  
3 or less, no tax shall be imposed;

4 (2) Upon tickets or cards of admission to theaters,  
5 operas, and other places of amusement, sold at news stands,  
6 hotels, and places other than the ticket offices of such thea-  
7 ters, operas, or other places of amusement, at not to exceed  
8 50 cents in excess of the sum of the established price there-  
9 for at such ticket offices plus the amount of any tax imposed  
10 under paragraph (1), a tax equivalent to 5 per centum of  
11 the amount of such excess; and if sold for more than 50  
12 cents in excess of the sum of such established price plus  
13 the amount of any tax imposed under paragraph (1), a  
14 tax equivalent to 50 per centum of the whole amount of  
15 such excess, such taxes to be returned and paid, in the  
16 manner and subject to the interest provided in section 603,  
17 by the person selling such tickets;

18 (3) A tax equivalent to 50 per centum of the amount  
19 for which the proprietors, managers, or employees of any  
20 opera house, theater, or other place of amusement sell or  
21 dispose of tickets or cards of admission in excess of the  
22 regular or established price or charge therefor, such tax to be  
23 returned and paid, in the manner and subject to the interest  
24 provided in section 603, by the person selling such tickets;

25 (4) In the case of persons having the permanent use  
26 of boxes or seats in an opera house or any place of amusement.

1 subscription, to be paid by the person paying for such ad-  
2 mission; but where the amount paid for admission is 50 75  
3 cents or less, no tax shall be imposed;

4 (2) Upon tickets or cards of admission to theaters.  
5 operas, and other places of amusement, sold at news stands,  
6 hotels, and places other than the ticket offices of such thea-  
7 ters, operas, or other places of amusement, at not to exceed  
8 50 cents in excess of the sum of the established price there-  
9 for at such ticket offices plus the amount of any tax imposed  
10 under paragraph (1), a tax equivalent to 5 per centum of  
11 the amount of such excess; and if sold for more than 50  
12 cents in excess of the sum of such established price plus  
13 the amount of any tax imposed under paragraph (1), a  
14 tax equivalent to 50 per centum of the whole amount of  
15 such excess, such taxes to be returned and paid, in the  
16 manner and subject to the interest provided in section 602,  
17 by the person selling such tickets;

18 (3) A tax equivalent to 50 per centum of the amount  
19 for which the proprietors, managers, or employes of any  
20 opera house, theater, or other place of amusement sell or  
21 dispose of tickets or cards of admission in excess of the  
22 regular or established price or charge therefor, such tax to be  
23 returned and paid, in the manner and subject to the interest  
24 provided in section 602, by the person selling such tickets;

25 (4) In the case of persons having the permanent use  
26 of boxes or seats in an opera house or any place of amusement

1 or a lease for the use of such box or seat in such opera house  
2 or place of amusement (in lieu of the tax imposed by para-  
3 graph (1)), a tax equivalent to 10 per centum of the amount  
4 for which a similar box or seat is sold for each performance  
5 or exhibition at which the box or seat is used or reserved by  
6 or for the lessee or holder, such tax to be paid by the lessee  
7 or holder; and

8 (5) A tax of  $1\frac{1}{2}$  cents for each 10 cents or fraction  
9 thereof of the amount paid for admission to any public per-  
10 formance for profit at any roof garden, cabaret, or other  
11 similar entertainment, to which the charge for admission is  
12 wholly or in part included in the price paid for refreshment,  
13 service, or merchandise; the amount paid for such admission  
14 to be deemed to be 20 per centum of the amount paid for  
15 refreshment, service, and merchandise; such tax to be paid  
16 by the person paying for such refreshment, service, or mer-  
17 chandise. Where the amount paid for admission is 50 cents  
18 or less, no tax shall be imposed.

19 (b) No tax shall be levied under this title in respect  
20  
21 of (1) any admissions all the proceeds of which inure (A)  
22 exclusively to the benefit of religious, educational, or char-  
23 itable institutions, societies, or organizations, societies for the  
24 prevention of cruelty to children or animals, or societies or  
25 organizations conducted for the sole purpose of maintaining:

1 or a lease for the use of such box or seat in such opera house  
2 or place of amusement (in lieu of the tax imposed by para-  
3 graph (1)), a tax equivalent to 10 per centum of the amount  
4 for which a similar box or seat is sold for each performance  
5 or exhibition at which the box or seat is used or reserved by  
6 or for the lessee or holder, such tax to be paid by the lessee  
7 or holder; and

8 (5) A tax of  $1\frac{1}{2}$  cents for each 10 cents or fraction  
9 thereof of the amount paid for admission to any public per-  
10 formance for profit at any roof garden, cabaret, or other  
11 similar entertainment, to which the charge for admission is  
12 wholly or in part included in the price paid for refreshment,  
13 service, or merchandise; the amount paid for such admission  
14 to be deemed to be 20 per centum of the amount paid for  
15 refreshment, service, and merchandise; such tax to be paid  
16 by the person paying for such refreshment, service, or mer-  
17 chandise. Where the amount paid for admission is 50 cents  
18 or less, no tax shall be imposed.

19 (b) No tax shall be levied under this title in respect  
20 of—

21 (1) Any admissions all the proceeds of which inure (A)  
22 exclusively to the benefit of religious, educational, or char-  
23 itable institutions, societies, or organizations, societies for the  
24 prevention of cruelty to children or animals, or societies or  
25 organizations conducted for the sole purpose of maintaining

1 symphony orchestras and receiving substantial support from  
2 voluntary contributions, or of improving any city; town, vil-  
3 lage, or other municipality, or of maintaining a cooperative  
4 or community center moving-picture theater—if no part of  
5 the net earnings thereof inures to the benefit of any private  
6 stockholder or individual; or (B) exclusively to the benefit  
7 of persons in the military or naval forces of the United  
8 States; or (C) exclusively to the benefit of persons who have  
9 served in such forces and are in need; or (D) exclusively to  
10 the benefit of National Guard organizations, Reserve Officers'  
11 associations or organizations, posts or organizations of war  
12 veterans, or auxiliary units or societies of any such posts or  
13 organizations, if such posts, organizations, units, or societies  
14 are organized in the United States or any of its possessions,  
15 and if no part of their net earnings inures to the benefit of  
16 any private stockholder or individual; or (E) exclusively to  
17 the benefit of members of the police or fire department of any  
18 city, town, village, or other municipality, or the dependents  
19 or heirs of such members; or  
20 (2) any admissions to agricul-  
21 tural fairs if no part of the net earnings thereof inures to the  
22 benefit of any stockholders or members of the association  
23 conducting the same, or admissions to any exhibit, entertain-  
24 ment, or other pay feature conducted by such association as  
25 part of any such fair,—if the proceeds therefrom are used



1 symphony orchestras and receiving substantial support from  
2 voluntary contributions, or of improving any city, town, vil-  
3 lage, or other municipality, or of maintaining a cooperative  
4 or community center moving-picture theater—if no part of  
5 the net earnings thereof inures to the benefit of any private  
6 stockholder or individual; or (B) exclusively to the benefit  
7 of persons in the military or naval forces of the United  
8 States; or (C) exclusively to the benefit of persons who have  
9 served in such forces and are in need; or (D) exclusively to  
10 the benefit of National Guard organizations, Reserve Officers'  
11 associations or organizations, posts or organizations of war  
12 veterans, or auxiliary units or societies of any such posts or  
13 organizations, if such posts, organizations, units, or societies  
14 are organized in the United States or any of its possessions,  
15 and if no part of their net earnings inures to the benefit of  
16 any private stockholder or individual; or (E) exclusively to  
17 the benefit of members of the police or fire department of any  
18 city, town, village, or other municipality, or the dependents  
19 or heirs of such members; or

20 (2) Any admissions to agricultural fairs if no part of  
21 the net earnings thereof inures to the benefit of any stock-  
22 holders or members of the association conducting the same,  
23 or admissions to any exhibit, entertainment, or other pay  
24 feature conducted by such association as part of any such  
25 fair—if the proceeds therefrom are used exclusively for

1 exclusively for the improvement, maintenance and operation  
2 of such agricultural fairs.

15 (c) The term "admission" as used in this title in-  
16 cludes seats and tables, reserved or otherwise, and other  
17 similar accommodations, and the charges made therefor.

18 (d) The price (exclusive of the tax to be paid by the  
19 person paying for admission) at which every admission  
20 ticket or card is sold shall be conspicuously and indelibly  
21 printed, stamped, or written on the face or back of that part  
22 of the ticket which is to be taken up by the management  
23 of the theater, opera, or other place of amusement, to-  
24 gether with the name of the vendor if sold other than at  
25 the ticket office of the theater, opera, or other place of

1 the improvement, maintenance, and operation of such agri-  
2 tural fairs; or fairs.

3 ~~(2)~~ Admissions to any place of amusement, if, during  
4 the time for which the charge for admission entitles the  
5 person admitted to remain in such place, there is produced  
6 in such place exclusively a legitimate spoken drama. As  
7 used in this subdivision the term "legitimate spoken drama"  
8 means a spoken play, whether or not set to music or with  
9 musical parts or accompaniments, which is a consecutive  
10 narrative interpreted by a single set of characters all neces-  
11 sary to the development of the plot, in two or more acts,  
12 the performance consuming more than one hour and forty-  
13 five minutes of time; but such term does not include a  
14 revue, burlesque, or extravaganza.

15 (c) The term "admission" as used in this title in-  
16 cludes seats and tables, reserved or otherwise, and other  
17 similar accommodations, and the charges made therefor.

18 (d) The price (exclusive of the tax to be paid by the  
19 person paying for admission) at which every admission  
20 ticket or card is sold shall be conspicuously and indelibly  
21 printed, stamped, or written on the face or back of that part  
22 of the ticket which is to be taken up by the management  
23 of the theater, opera, or other place of amusement, to-  
24 gether with the name of the vendor if sold other than at  
25 the ticket office of the theater, opera, or other place of

1 amusement. Whoever sells an admission ticket or card on  
2 which the name of the vendor and price is not so printed,  
3 stamped, or written, or at a price in excess of the price so  
4 printed, stamped, or written thereon, is guilty of a misde-  
5 meanor, and upon conviction thereof shall be fined not more  
6 than \$100.

7       SEC. 501. On and after the date this title takes effect  
8 there shall be levied, assessed, collected, and paid, in lieu of  
9 the taxes imposed by section 801 of the Revenue Act of  
10 1921, a tax equivalent to 10 per centum of any amount  
11 paid on or after such date, for any period after such date, (a)  
12 as dues or membership fees (where the dues or fees of an  
13 active resident annual member are in excess of \$10 per  
14 year) to any social, athletic, or sporting club or organiza-  
15 tion; or (b) as initiation fees to such a club or organization,  
16 if such fees amount to more than \$10, or if the dues or  
17 membership fees (not including initiation fees) of an active  
18 resident annual member are in excess of \$10 per year; such  
19 taxes to be paid by the person paying such dues or fees:  
20 *Provided*, That there shall be exempted from the provisions  
21 of this section all amounts paid as dues or fees to a fraternal  
22 society, order, or association, operating under the lodge  
23 system, or to any local fraternal organization among the  
24 students of a college or university. In the case of life  
25 memberships a life member shall pay annually, at the time

1 amusement. Whoever sells an admission ticket or card on  
2 which the name of the vendor and price is not so printed,  
3 stamped, or written, or at a price in excess of the price so  
4 printed, stamped, or written thereon, is guilty of a misde-  
5 meanor, and upon conviction thereof shall be fined not more  
6 than \$100.

7 SEC. 501. On and after the date this title takes effect  
8 there shall be levied, assessed, collected, and paid, in lieu of  
9 the taxes imposed by section 501 of the Revenue Act of  
10 1924, a tax equivalent to 10 per centum of any amount  
11 paid on or after such date, for any period after such date, (a)  
12 as dues or membership fees (where the dues or fees of an  
13 active resident annual member are in excess of \$10 per  
14 year) to any social, athletic, or sporting club or organiza-  
15 tion; or (b) as initiation fees to such a club or organization,  
16 if such fees amount to more than \$10, or if the dues or  
17 membership fees (not including initiation fees) of an active  
18 resident annual member are in excess of \$10 per year; such  
19 taxes to be paid by the person paying such dues or fees:  
20 *Provided*, That there shall be exempted from the provisions  
21 of this section all amounts paid as dues or fees to a fraternal  
22 society, order, or association, operating under the lodge  
23 system, or to any local fraternal organization among the  
24 students of a college or university. In the case of life  
25 memberships a life member shall pay annually, at the time

1 for the payment of dues by active resident annual members,  
2 a tax equivalent to the tax upon the amount paid by such  
3 a member, but shall pay no tax upon the amount paid for  
4 life membership.

5 SEC. 502. (a) Every person receiving any payments  
6 for such admission, dues or fees shall collect the amount of  
7 the tax imposed by section 500 or 501 from the person mak-  
8 ing such payments. Every club or organization having life  
9 members shall collect from such members the amount of the  
10 tax imposed by section 501. Such persons shall make  
11 monthly returns under oath, in duplicate, and pay the taxes  
12 so collected to the collector of the district in which the prin-  
13 cipal office or place of business is located.

14 (b) Any person making a refund of any payment upon  
15 which tax is collected under this section may repay therewith  
16 the amount of the tax collected on such payment; and the  
17 amount so repaid may be credited against amounts included  
18 in any subsequent monthly return.

19 (c) The returns required under this section shall con-  
20 tain such information, and be made at such times and in such  
21 manner, as the Commissioner, with the approval of the Sec-  
22 retary, may by regulation prescribe.

23 (d) The tax shall, without assessment by the Com-  
24 missioner or notice from the collector, be due and payable  
25 to the collector at the time so fixed for filing the return. If

1 for the payment of dues by active resident annual members,  
2 a tax equivalent to the tax upon the amount paid by such  
3 a member, but shall pay no tax upon the amount paid for  
4 life membership.

5 SEC. 502. (a) Every person receiving any payments  
6 for such admission, dues or fees shall collect the amount of  
7 the tax imposed by section 500 or 501 from the person making  
8 such payments. Every club or organization having five  
9 members shall collect from such members the amount of the  
10 tax imposed by section 501. Such persons shall make  
11 monthly returns under oath, in duplicate, and pay the taxes  
12 so collected to the collector of the district in which the prin-  
13 cipal office or place of business is located.

14 (b) Any person making a refund of any payment upon  
15 which tax is collected under this section may repay therewith  
16 the amount of the tax collected on such payment; and the  
17 amount so repaid may be credited against amounts included  
18 in any subsequent monthly return.

19 (c) The returns required under this section shall con-  
20 tain such information, and be made at such times and in such  
21 manner, as the Commissioner, with the approval of the Sec-  
22 retary, may by regulation prescribe.

23 (d) The tax shall, without assessment by the Com-  
24 missioner or notice from the collector, be due and payable  
25 to the collector at the time so fixed for filing the return. If

1 the tax is not paid when due, there shall be added as part  
2 of the tax interest at the rate of 1 per centum a month from  
3 the time when the tax became due until paid.

4 SEC. 503. This title shall take effect on the expiration  
5 of thirty days after the enactment of this Act. .

#### 6 TITLE VI.—EXCISE TAXES

7 SEC. 600. On and after the expiration of thirty days  
8 after the enactment of this Act there shall be levied,  
9 assessed, collected, and paid upon the following articles sold  
10 or leased by the manufacturer, producer, or importer, a tax  
11 equivalent to the following percentage of the price for which  
12 so sold or leased—

13 (1) Automobile truck chassis and automobile wagon  
14 chassis sold or leased for an amount in excess of \$1,000, and  
15 automobile truck bodies and automobile wagon bodies sold  
16 or leased for an amount in excess of \$200 (including in both  
17 cases tires, inner tubes, parts, and accessories therefor sold  
18 on or in connection therewith or with the sale thereof), 3  
19 per centum. A sale or lease of an automobile truck or of an  
20 automobile wagon shall, for the purposes of this subdivision,  
21 be considered to be a sale of the chassis and the body;

23 (2) Other automobile chassis and bodies and motor  
24 cycles (including tires, inner tubes, parts, and accessories  
25 therefor sold on or in connection therewith or with the sale



1 the tax is not paid when due, there shall be added as part  
2 of the tax interest at the rate of 1 per centum a month from  
3 the time when the tax became due until paid.

4 SEC. 503. This title shall take effect on the expiration  
5 of thirty days after the enactment of this Act.

6 TITLE VI.—EXCISE TAXES

7 SEC. 600. There shall be levied, assessed, collected,  
8 and paid upon the following articles sold or leased by the  
9 manufacturer, producer, or importer, a tax equivalent to  
10 the following percentage of the price for which so sold or  
11 leased—

13 (1) *Automobile truck chassis and automobile wagon*  
14 *chassis sold or leased for an amount in excess of \$1,000,*  
15 *and automobile truck bodies and automobile wagon bodies*  
16 *sold or leased for an amount in excess of \$200 (including in*  
17 *both cases tires, inner tubes, parts, and accessories therefor*  
18 *sold on or in connection therewith or with the sale thereof),*  
19 *2 per centum. A sale or lease of an automobile truck or*  
20 *of an automobile wagon shall, for the purposes of this sub-*  
21 *division, be considered to be a sale of the chassis and of*  
22 *the body;*

23 ~~(1) Automobile~~ (2) *Other automobile chassis and*  
24 *bodies and motor cycles (including tires, inner tubes,*  
25 *parts, and accessories therefor sold on or in connec-*  
26 *tion therewith or with the sale thereof), ex-*

1 thereof), except tractors, 5 per centum. A sale or lease of  
2 an automobile shall, for the purposes of this subdivision, be  
3 considered to be a sale of the chassis and of the body:

4 (3) Tires, inner tubes, parts, or accessories for any of  
5 the articles enumerated in subdivision (1) or (2); sold to  
6 any person other than a manufacturer or producer of any of  
7 the articles enumerated in subdivision (1) or (2), 2½ per  
8 centum. This subdivision shall not apply to chassis or  
9 bodies for automobile trucks, automobile wagons, or other  
10 automobiles:

11 (4) Cameras, weighing not more than 100 pounds,  
12 and lenses for such cameras, 10 per centum;

13 (5) Photographic films and plates (other than mov-  
14 ing-picture films and other than X-ray films or plates), 5  
15 per centum;

16 (6) Firearms, shells, and cartridges, except those  
17 sold for the use of the United States, any State, Territory,  
18 or possession of the United States, any political subdivision  
19 thereof, or the District of Columbia, 10 per centum;

20 (7) Cigar or cigarette holders and pipes, composed  
21 wholly or in part of meerschaum or amber, and humidors,  
22 10 per centum:

23 (8) Coin-operated devices, coin-operated machines, and  
24 devices and machines operated by any substitute for a coin,  
25 5 per centum; if the manufacturer, producer, or importer  
26 of any such device or machine operates it for profit, he shall

1 cept automobile truck chassis and bodies, automobile  
2 wagon chassis and bodies, and tractors, 3 per centum. A  
3 sale or lease of an automobile shall, for the purposes of this  
4 subdivision, be considered to be a sale of the chassis and of  
5 the body. This subdivision shall take effect on the expira-  
6 tion of 30 days after the enactment of this Act;

16 ~~(2)~~ (3) Pistols and revolvers, except those sold for the  
17 use of the United States, any State, Territory, or possession  
18 of the United States, any political subdivision thereof, or the  
19 District of Columbia, 10 per centum.

1 pay a tax in respect of each such device or machine put into  
2 operation equivalent to 5 per centum of its fair market value;

3 (9) Mah-jongg, pung chow, and similar tile sets, and  
4 the component parts thereof, 10 per centum.

5 If any manufacturer, producer, or importer of any of  
6 the articles enumerated in this section customarily sells such  
7 articles both at wholesale and at retail, the tax in the case  
8 of any article sold by him at retail shall be computed on the  
9 price for which like articles are sold by him at wholesale.

10 The taxes imposed by this section shall, in the case of  
11 any article in respect of which a corresponding tax is im-  
12 posed by section 900 of the Revenue Act of 1921, be  
13 in lieu of such tax.

14 SEC. 601. (a) If any person who manufactures, pro-  
15 duces, or imports any article enumerated in section 600,  
16 sells or leases such article to a corporation affiliated with  
17 such person within the meaning of section 240 of this Act.  
18 at less than the fair market price obtainable therefor, the tax  
19 thereon shall be computed on the basis of the price at which  
20 such article is sold or leased by such affiliated corporation.

21 (b) If any such person sells or leases such article  
22 whether through any agreement, arrangement, or under-  
23 standing, or otherwise, at less than the fair market price  
24 obtainable therefor, either (1) in such manner as directly  
25 or indirectly to benefit such person or any person directly

5 If any manufacturer, producer, or importer of any of  
6 the articles enumerated in this section customarily sells such  
7 articles both at wholesale and at retail, the tax in the case  
8 of any article sold by him at retail shall be computed on the  
9 price for which like articles are sold by him at wholesale.

10 The taxes imposed by this section shall, in the case of  
11 any article in respect of which a corresponding tax is im-  
12 posed by section 600 of the Revenue Act of 1924, be in lieu  
13 of such tax.

14 SEC. 601. (a) If any person who manufactures, pro-  
15 duces, or imports any article enumerated in section 600,  
16 sells or leases such article to a corporation affiliated with  
17 such person within the meaning of section 240 of this Act,  
18 at less than the fair market price obtainable therefor, the tax  
19 thereon shall be computed on the basis of the price at which  
20 such article is sold or leased by such affiliated corporation.

21 (b) If any such person sells or leases such article  
22 whether through any agreement, arrangement, or under-  
23 standing, or otherwise, at less than the fair market price  
24 obtainable therefor, either (1) in such manner as directly  
25 or indirectly to benefit such person or any person directly

1 or indirectly interested in the business of such person, or  
2 (2) with intent to cause such benefit, the amount for which  
3 such article is sold or leased shall be taken to be the amount  
4 which would have been received from the sale or lease of  
5 such article if sold or leased at the fair market price.

6 SEC. 602. There shall be levied, assessed, collected,  
7 and paid, in lieu of the tax imposed by section 902 of the  
8 Revenue Act of 1921, upon sculpture, paintings, statuary,  
9 art porcelains, and bronzes, sold by any person other than  
10 the artist, a tax equivalent to 5 per centum of the price for  
11 which so sold. This section shall not apply to the sale of  
12 any such article (1) to an educational or religious institution  
13 or public art museum, or (2) by any dealer in such articles  
14 to another dealer in such articles for resale.

15 SEC. 603. Every person liable for any tax imposed  
16 by section 600 or 602 shall make monthly returns under  
17 oath in duplicate and pay the taxes imposed by such sec-  
18 tions to the collector for the district in which is located the  
19 principal place of business. Such returns shall contain such  
20 information and be made at such times and in such manner  
21 as the Commissioner, with the approval of the Secretary,  
22 may by regulations prescribe.

23 The tax shall, without assessment by the Commissioner  
24 or notice from the collector, be due and payable to the col-  
25 lector at the time so fixed for filing the return. If the tax

1 or indirectly interested in the business of such person, or  
2 (2) with intent to cause such benefit, the amount for which  
3 such article is sold or leased shall be taken to be the amount  
4 which would have been received from the sale or lease of  
5 such article if sold or leased at the fair market price.

15 SEC. 602. Every person liable for any tax imposed  
16 by section 600 shall make monthly returns under  
17 oath in duplicate and pay the taxes imposed by such sec-  
18 tion to the collector for the district in which is located the  
19 principal place of business. Such returns shall contain such  
20 information and be made at such times and in such manner  
21 as the Commissioner, with the approval of the Secretary,  
22 may by regulations prescribe.

23 The tax shall, without assessment by the Commissioner  
24 or notice from the collector, be due and payable to the col-  
25 lector at the time so fixed for filing the return. If the tax

1 is not paid when due, there shall be added as part of the tax  
2 interest at the rate of 1 per centum a month from the time  
3 when the tax became due until paid.

4 SEC. 604. (a) On and after the expiration of thirty  
5 days after the enactment of this Act there shall be levied,  
6 assessed, collected, and paid (in lieu of the tax imposed by  
7 section 905 of the Revenue Act of 1921) upon all articles  
8 commonly or commercially known as jewelry, whether real  
9 or imitation; pearls, precious and semiprecious stones, and  
10 imitations thereof; articles made of, or ornamented, mounted  
11 or fitted with, precious metals or imitations thereof or ivory;  
12 watches; clocks; opera glasses; lorgnettes; marine glasses;  
13 field glasses; and binoculars; upon any of the above when  
14 sold or leased by or for a dealer or his estate for consump-  
15 tion or use, a tax equivalent to 5 per centum of the price  
16 for which so sold or leased.

17 (b) The tax imposed by subdivision (a) shall not  
18 apply to (1) surgical instruments, musical instruments, eye-  
19 glasses, spectacles, or silver-plated flat tableware, or articles  
20 used for religious purposes; (2) articles sold or leased for an  
21 amount not in excess of \$30; or (3) watches sold or leased  
22 for an amount not in excess of \$60.

23 (c) Every person selling any of the articles enumer-  
24 ated in this section shall make returns under oath in dupli-  
25 cate (monthly or quarterly as the Commissioner, with the



- 1 is not paid when due, there shall be added as part of the tax
- 2 interest at the rate of 1 per centum a month from the time
- 3 when the tax became due until paid.

1 approval of the Secretary, may prescribe) and pay the taxes  
2 imposed in respect to such articles by this section to the col-  
3 lector for the district in which is located the principal place  
4 of business. Such returns shall contain such information and  
5 be made at such times and in such manner as the Com-  
6 missioner, with the approval of the Secretary, may by regu-  
7 lations prescribe.

8 (d) The tax shall, without assessment by the Commis-  
9 sioner or notice from the collector, be due and payable to the  
10 collector at the time so fixed for filing the return. If the tax  
11 is not paid when due, there shall be added as part of the  
12 tax interest at the rate of 1 per centum a month from the  
13 time when the tax became due until paid.

14 SEC. 605. (a) If (1) any person has, prior to Janu-  
15 ary 1, 1924, made a bona fide contract with a dealer for  
16 the sale or lease, after the tax takes effect, of any article in  
17 respect of which a tax is imposed by section 600, or by this  
18 subdivision, and in respect of which no corresponding tax  
19 was imposed by section 900 of the Revenue Act of 1921,  
20 and (2) such contract does not permit the adding, to the  
21 amount to be paid thereunder, of the whole of the tax  
22 imposed by section 600 of this Act or by this subdivision;  
23 then the vendee or lessee shall, in lieu of the vendor or  
24 lessor, pay so much of the tax imposed by section 600 of  
25 this Act or by this subdivision as is not so permitted to be

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1 added to the contract price. If a contract of the character  
2 above described was made with any person other than a  
3 dealer, no tax shall be collected under this Act.

4 (b) If (1) any person has, prior to January 1, 1924,  
5 made a bona fide contract with any other person for the  
6 sale or lease, after the tax takes effect, of any article in  
7 respect of which a tax is imposed by section 600 of  
8 this Act, and in respect of which a corresponding but  
9 greater tax was imposed by section 900 of the Revenue  
10 Act of 1921, (2) the contract price includes the amount  
11 of the tax imposed by section 900 of the Revenue Act of  
12 1921, and (3) such contract does not permit the deduc-  
13 tion, from the amount to be paid thereunder, of the whole  
14 of the difference between the corresponding tax imposed  
15 by section 900 of the Revenue Act of 1921 and the tax  
16 imposed by section 600 of this Act, then the vendor or  
17 lessor shall refund to the vendee or lessee so much of the  
18 amount of such difference as is not so permitted to be de-  
19 ducted from the contract price.

20 (c) If (1) any person has, prior to January 1, 1924,  
21 made a bona fide contract with any other person for the  
22 sale or lease, after the date of the enactment of this Act,  
23 of any article in respect of which a tax was imposed by  
24 section 900 or 904 of the Revenue Act of 1921, and in re-  
25 spect of which no corresponding tax is imposed by section  
26 600 of this Act. (2) the contract price includes the amount .

4        SEC. 603. (a) If (1) any person has, prior to  
5 January 1, 1926, made a bona fide contract with any  
6 other person for the sale or lease, after the tax takes effect, of  
7 any article in respect of which a tax is imposed by section  
8 600 of this Act, and in respect of which a corresponding but  
9 greater tax was imposed by section 600 of the Revenue  
10 Act of 1924, (2) the contract price includes the amount  
11 of the tax imposed by section 600 of the Revenue  
12 Act of 1924, and (3) such contract does not permit  
13 the deduction, from the amount to be paid thereunder, of  
14 the whole of the difference between the corresponding tax  
15 imposed by section 600 of the Revenue Act of 1924  
16 and the tax imposed by section 600 of this Act, then the  
17 vendor or lessor shall refund to the vendee or lessee so much  
18 of the amount of such difference as is not so permitted to be  
19 deducted from the contract price.

20        (b) If (1) any person has, prior to January 1,  
21 1926, made a bona fide contract with any other person  
22 for the sale or lease, after the date of the enactment of this  
23 Act, of any article in respect of which a tax was imposed  
24 by section 600 of the Revenue Act of 1924, and  
25 in respect of which no corresponding tax is imposed by  
26 section 600 of this Act, (2) the contract price includes the

1 of the tax imposed by section 900 or 904 of the Revenue  
2 Act of 1921, and (3) such contract does not permit de-  
3 duction, from the amount to be paid thereunder, of the tax  
4 imposed by section 900 or 904 of the Revenue Act of 1921;  
5 then the vendor or lessor shall refund to the vendee or lessee  
6 so much of the amount of such tax as is not so permitted  
7 to be deducted from the contract price.

8 (d) The taxes payable by the vendee or lessee under  
9 subdivision (a), shall be paid to the vendor or lessor at the  
10 time the sale or lease is consummated, and collected, re-  
11 turned, and paid to the United States by such vendor or  
12 lessor in the same manner and subject to the same interest  
13 as provided by section 603.

14 (e) Any refund by the vendor or lessor under sub-  
15 division (b) or (c) shall be made at the time the sale  
16 or lease is consummated. Upon the failure of the  
17 vendor or lessor so to refund, he shall be liable to the vendee  
18 or lessee for damages in the amount of three times the  
19 amount of such refund, and the court shall include in any  
20 judgment in favor of the vendee or lessee in any suit for the  
21 recovery of such damages, costs of the suit and a reasonable  
22 attorney's fee to be fixed by the court.

23 (f) A vendee who purchases any article with intent  
24 to use it in the manufacture or production of another article  
25 intended for sale shall be included in the term "dealer,"  
26 as used in this section.

1 amount of the tax imposed by section 600 of the Revenue  
2 Act of 1924, and (3) such contract does not permit deduc-  
3 tion, from the amount to be paid thereunder, of the tax im-  
4 posed by section 600 of the Revenue Act of 1924, then the  
5 vendor or lessor shall refund to the vendee or lessee so much  
6 of the amount of such tax as is not so permitted to be de-  
7 ducted from the contract price.

14 (c) Any refund by the vendor or lessor under  
15 subdivision (a) or (b) shall be made at the time the  
16 sale or lease is consummated. Upon the failure of the  
17 vendor or lessor so to refund, he shall be liable to the vendee  
18 or lessee for damages in the amount of three times the  
19 amount of such refund, and the court shall include in any  
20 judgment in favor of the vendee or lessee in any suit for the  
21 recovery of such damages, costs of the suit and a reasonable  
22 attorney's fee to be fixed by the court.

1 TITLE VII.—SPECIAL TAXES

2 CAPITAL STOCK TAX

3 SEC. 700. (a) On and after July 1, 1924, in lieu  
4 of the tax imposed by section 1000 of the Revenue Act  
5 of 1921—

6 (1) Every domestic corporation shall pay annually a  
7 special excise tax with respect to carrying on or doing  
8 business, equivalent to \$1 for each \$1,000 of so much of the  
9 fair average value of its capital stock for the preceding year  
10 ending June 30 as is in excess of \$5,000. In estimating  
11 the value of capital stock the surplus and undivided profits  
12 shall be included;

13 (2) Every foreign corporation shall pay annually a  
14 special excise tax with respect to carrying on or doing busi-  
15 ness in the United States, equivalent to \$1 for each \$1,000  
16 of the average amount of capital employed in the transac-  
17 tion of its business in the United States during the preced-  
18 ing year ending June 30.

19 (b) The taxes imposed by this section shall not apply  
20 in any year to any corporation which was not engaged in  
21 business (or, in the case of a foreign corporation, not en-  
22 gaged in business in the United States) during the preced-  
23 ing year ending June 30, nor to any corporation enumerated  
24 in section 231, nor to any insurance company subject to the  
25 tax imposed by section 243 or 246.



## 1 TITLE VII.—SPECIAL TAXES

## 2 CAPITAL STOCK TAX

3 SEC. 700. (a) On and after July 1, 1926, in lieu of  
4 the tax imposed by section 700 of the Revenue Act of  
5 1924—

6 (1) Every domestic corporation shall pay annually a  
7 special excise tax with respect to carrying on or doing  
8 business, equivalent to \$1 for each \$1,000 of so much of the  
9 fair average value of its capital stock for the preceding year  
10 ending June 30 as is in excess of \$5,000. In estimating  
11 the value of capital stock the surplus and undivided profits  
12 shall be included;

13 (2) Every foreign corporation shall pay annually a  
14 special excise tax with respect to carrying on or doing busi-  
15 ness in the United States, equivalent to \$1 for each \$1,000  
16 of the average amount of capital employed in the transac-  
17 tion of its business in the United States during the preced-  
18 ing year ending June 30.

19 (b) The taxes imposed by this section shall not apply  
20 in any year to any corporation which was not engaged in  
21 business (or, in the case of a foreign corporation, not en-  
22 gaged in business in the United States) during the preced-  
23 ing year ending June 30, nor to any corporation enumerated  
24 in section 231, nor to any insurance company subject to the  
25 tax imposed by section 243 or 246.

1 (c) Section 257 shall apply to all returns filed with  
2 the Commissioner for purposes of the tax imposed by this  
3 section.

17 SEC. 701. On and after July 1, 1924, there shall be  
18 levied, collected, and paid annually the following special  
19 taxes—

20 (1) Brokers, except brokers exclusively negotiating  
21 purchases or sales of produce or merchandise, shall pay \$50.  
22 Every person whose business it is to negotiate purchases  
23 or sales of stock, bonds, exchange, bullion, coined money,  
24 bank notes, promissory notes, other securities, produce or  
25 merchandise, for others, shall be regarded as a broker. If

1       ~~(c)~~ Section 257 shall apply to all returns filed with  
2 the Commissioner for purposes of the tax imposed by this  
3 section.

4       ~~(d)~~ In any proceeding in court in respect of any tax  
5 imposed by ~~this section~~ *section 700 of the Revenue Act of*  
6 *1924* or by any prior capital stock tax law—

7       (1) The determination by the Commissioner as to the  
8 fair average value of the capital stock of a domestic corpora-  
9 tion shall be only prima facie evidence of the facts on which  
10 such determination was based; and

11       (2) The determination by the Commissioner as to the  
12 average amount of capital employed in the transaction of  
13 business in the United States by a foreign corporation shall  
14 be only prima facie evidence of the facts on which such  
15 determination was based.

16                   MISCELLANEOUS OCCUPATIONAL TAXES

17       SEC. 701. On and after July 1, 1926, there  
18 shall be levied, collected, and paid annually, in lieu of  
19 the tax imposed by section 701 of the Revenue Act of  
20 1924,

1 any broker is a member of a stock exchange, or if he is a  
2 member of any produce exchange, board of trade, or similar  
3 organization, where produce or merchandise is sold, he shall  
4 (whether or not he is liable to any tax under the first sen-  
5 tence of this paragraph, and in addition to such tax, if any)  
6 pay an amount as follows: If the average value, during the  
7 preceding year ending June 30, of a seat or membership in  
8 such exchange or organization was \$2,000 or more but not  
9 more than \$5,000, \$100; if such value was more than  
10 \$5,000 but not more than \$10,000, \$150; if such value was  
11 more than \$10,000, \$250.

12 (2) Pawnbrokers shall pay \$100. Every person  
13 whose business or occupation it is to take or receive, by way  
14 of pledge, pawn, or exchange, any goods, wares, or mer-  
15 chandise, or any kind of personal property whatever, as se-  
16 curity for the repayment of money loaned thereon, shall be  
17 regarded as a pawnbroker.

18 (3) Ship brokers shall pay \$50. Every person whose  
19 business it is as a broker to negotiate freights and other busi-  
20 ness for the owners of vessels or for the shippers or con-  
21 signors or consignees of freight carried by vessels, shall be  
22 regarded as a ship broker.

23 (4) Customhouse brokers shall pay \$50. Every per-  
24 son whose occupation it is, as the agent of others, to arrange  
25 entries and other customhouse papers, or transact business

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1 at any port of entry relating to the importation or exporta-  
2 tion of goods, wares, or merchandise, shall be regarded as a  
3 customhouse broker.

4 (5) Proprietors of bowlings alleys and billiard rooms  
5 shall pay \$10 for each alley or table. Every building or  
6 place where bowls are thrown or where games of billiards  
7 or pool are played, shall be regarded as a bowling alley or  
8 a billiard room, respectively, unless no charge is made for  
9 the use of the alleys or tables.

10 (6) Proprietors of shooting galleries shall pay \$20.  
11 Every building, space, tent, or area, where a charge is  
12 made for the discharge of firearms at any form of target  
13 shall be regarded as a shooting gallery.

14 (7) Proprietors of riding academies shall pay \$100.  
15 Every building, space, tent, or area, where a charge is  
16 made for instruction in horsemanship or for facilities for the  
17 practice of horsemanship shall be regarded as a riding  
18 academy: *Provided*, That this tax shall not be collected  
19 from associations composed exclusively of members of units  
20 of the Federalized National Guard or the Organized Reserve  
21 and whose receipts are used exclusively for the benefit of  
22 such units.

23 (8) Persons carrying on the business of operating or  
24 renting passenger automobiles for hire shall pay \$10 for  
25 each such automobile having a seating capacity of more than



1 two and not more than seven, and \$20 for each such auto-  
2 mobile having a seating capacity of more than seven. The  
3 tax imposed by this subdivision shall not be collected in  
4 respect of automobiles used exclusively for conveying school  
5 children to and from school.

6 (9) Every person carrying on the business of a brewer,  
7 distiller, wholesale liquor dealer, retail liquor dealer, whole-  
8 sale dealer in malt liquor, retail dealer in malt liquor, or  
9 manufacturer of stills, as defined in section 3244 as amended  
10 and section 3247 of the Revised Statutes, in any State, Ter-  
11 ritory, or District of the United States contrary to the laws  
12 of such State, Territory, or District, or in any place therein  
13 in which carrying on such business is prohibited by local or  
14 municipal law, shall pay, in addition to all other taxes,  
15 special or otherwise, imposed by existing law or by this Act,  
16 \$1,000. The payment of the tax imposed by this subdivision  
17 shall not be held to exempt any person from any penalty or  
18 punishment provided for by the laws of any State, Territory,  
19 or District for carrying on such business in such State, Terri-  
20 tory, or District, or in any manner to authorize the com-  
21 mencement or continuance of such business contrary to the  
22 laws of such State, Territory, or District, or in places prohib-  
23 ited by local or municipal law.

24 The taxes imposed by this section shall, in the case of  
25 persons upon whom a corresponding tax is imposed by sec-  
26 tion 1001 of the Revenue Act of 1921, be in lieu of such tax.



7 a special excise tax of \$1,000, in the case of every  
8 person carrying on the business of a brewer, distiller, whole-  
9 sale liquor dealer, retail liquor dealer, wholesale dealer in  
10 malt liquor, retail dealer in malt liquor, or manufacturer  
11 of stills, as defined in section 3244 as amended and section  
12 3247 of the Revised Statutes, in any State, Territory, or  
13 District of the United States contrary to the laws of such  
14 State, Territory, or District, or in any place therein in which  
15 carrying on such business is prohibited by local or municipal  
16 law. The payment of the tax imposed by this section  
17 shall not be held to exempt any person from any penalty or  
18 punishment provided for by the laws of any State, Territory,  
19 or District for carrying on such business in such State, Terri-  
20 tory, or District, or in any manner to authorize the com-  
21 mencement or continuance of such business contrary to the  
22 laws of such State, Territory, or District, or in places prohib-  
23 ited by local or municipal law.

## 7 SPECIAL TOBACCO MANUFACTURERS' TAX

8 SEC. 702. On and after July 1, 1924, there shall be  
9 levied, collected, and paid annually, in lieu of the taxes im-  
10 posed by section 1002 of the Revenue Act of 1921, the fol-  
11 lowing special taxes, the amount of such taxes to be com-  
12 puted on the basis of the sales for the preceding year ending  
13 June 30—

14 Manufacturers of tobacco whose annual sales do not  
15 exceed fifty thousand pounds shall each pay \$6;

16 Manufacturers of tobacco whose annual sales exceed  
17 fifty thousand and do not exceed one hundred thousand  
18 pounds shall each pay \$12;

19 Manufacturers of tobacco whose annual sales exceed one  
20 hundred thousand and do not exceed two hundred thousand  
21 pounds shall each pay \$24;

22 Manufacturers of tobacco whose annual sales exceed  
23 two hundred thousand pounds shall each pay \$24, and at the  
24 rate of 16 cents per thousand pounds, or fraction thereof, in  
25 respect to the excess over two hundred thousand pounds;

21        *Any person who carries on any business or occupa-*  
22 *tion for which a special tax is imposed by this section, with-*  
23 *out having paid such special tax, shall, besides being liable*  
24 *for the payment of such special tax, be subject to a penalty*  
25 *of not more than \$1,000 or to imprisonment for not more*  
26 *than one year, or both.*

1           Manufacturers of cigars whose annual sales do not ex-  
2   ceed fifty thousand cigars shall each pay \$4;

3           Manufacturers of cigars whose annual sales exceed fifty  
4   thousand and do not exceed one hundred thousand cigars  
5   shall each pay \$6;

6           Manufacturers of cigars whose annual sales exceed one  
7   hundred thousand and do not exceed two hundred thousand  
8   cigars shall each pay \$12;

9           Manufacturers of cigars whose annual sales exceed two  
10   hundred thousand and do not exceed four hundred thousand  
11   cigars shall each pay \$24;

12          Manufacturers of cigars whose annual sales exceed four  
13   hundred thousand cigars shall each pay \$24, and at the  
14   rate of 10 cents per thousand cigars, or fraction thereof,  
15   in respect to the excess over four hundred thousand cigars;

16          Manufacturers of cigarettes, including small cigars  
17   weighing not more than three pounds per thousand, shall  
18   each pay at the rate of 6 cents for every ten thousand  
19   cigarettes, or fraction thereof.

20          In arriving at the amount of special tax to be paid  
21   under this section, and in the levy and collection of such  
22   tax, each person engaged in the manufacture of more than  
23   one of the classes of articles specified in this section shall  
24   be considered and deemed a manufacturer of each class  
25   separately.

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1 In computing under this section the amount of annual  
2 sales no account shall be taken of tobacco, cigars, or ciga-  
3 rettes sold for export and in due course so exported.

4 SPECIAL TAX ON USE OF BOATS

5 SEC. 703. On and after July 1, 1924, and thereafter  
6 on July 1 in each year, and also at the time of the original  
7 purchase of a new boat by a user, if on any other date than  
8 July 1, there shall be levied, assessed, collected, and paid,  
9 in lieu of the tax imposed by section 1003 of the Revenue  
10 Act of 1921, upon the use of yachts, pleasure boats, power  
11 boats, sailing boats, and motor boats with fixed engines,  
12 of over five net tons and over thirty-two feet in length, not  
13 used exclusively for trade, fishing, or national defense, or  
14 not built according to plans and specifications approved by  
15 the Navy Department, a special excise tax to be based on  
16 each yacht or boat, at rates as follows: Yachts, pleasure  
17 boats, power boats, motor boats with fixed engines, and  
18 sailing boats, of over five net tons, length over thirty-two  
19 feet and not over fifty feet, \$1 for each foot; length over  
20 fifty feet, and not over one hundred feet, \$2 for each foot;  
21 length over one hundred feet, \$4 for each foot.

22 In determining the length of such yachts, pleasure  
23 boats, power boats, motor boats with fixed engines, and  
24 sailing boats, the measurement of over-all length shall  
25 govern.

## 4 SPECIAL TAX ON USE OF FOREIGN BUILT BOATS

5 SEC. 702. On and after July 1, 1926, and there-  
6 after on July 1 in each year, and also at the time of the  
7 original purchase of a new yacht or other boat by a user,  
8 if on any other date than July 1, there shall be levied,  
9 assessed, collected, and paid, in lieu of the tax imposed by  
10 section 703 of the Revenue Act of 1924, upon the use of  
11 yachts, pleasure boats, power boats, sailing boats, and motor  
12 boats with fixed engines, if foreign built and if of over five net  
13 tons and over thirty-two feet in length, not used exclusively  
14 for trade, fishing, or national defense, a special excise tax to  
15 be based on each such yacht or other boat, at rates as follows:  
16 Yachts, pleasure boats, power boats, motor boats with fixed  
17 engines, and sailing boats, of over five net tons, length over  
18 thirty-two feet and not over fifty feet, ~~\$1~~ \$2 for each foot;  
19 length over fifty feet, and not over one hundred feet, ~~\$2~~ \$4  
20 for each foot; length over one hundred feet, ~~\$4~~ \$8 for each  
21 foot.

22 In determining the length of such yachts, pleasure  
23 boats, power boats, motor boats with fixed engines, and  
24 sailing boats, the measurement of over-all length shall  
25 govern.

1 In the case of a tax imposed at the time of the original  
2 purchase of a new boat on any other date than July 1, the  
3 amount to be paid shall be the same number of twelfths of  
4 the amount of the tax as the number of calendar months  
5 (including the month of sale) remaining prior to the fol-  
6 lowing July 1.

7 This section shall not apply to vessels or boats used  
8 without profit by any benevolent, charitable, or religious  
9 organizations, exclusively for furnishing aid, comfort, or  
10 relief to seamen.

## 17 PENALTY FOR NONPAYMENT OF SPECIAL TAXES

18 SEC. 704. Any person who carries on any business or  
19 occupation for which a special tax is imposed by section 700,  
20 701, or 702, without having paid the special tax therein pro-  
21 vided, shall, besides being liable for the payment of such  
22 special tax, be subject to a penalty of not more than \$1,000  
23 or to imprisonment for not more than one year, or both.



1 In the case of a tax imposed at the time of the original  
2 purchase of a new yacht or boat on any other date than  
3 July 1, the amount to be paid shall be the same number of  
4 twelfths of the amount of the tax as the number of calendar  
5 months (including the month of sale) remaining prior to the  
6 following July 1.

7 ~~This section shall not apply to yachts or other boats~~  
8 ~~used without profit by any benevolent, charitable, or~~  
9 ~~religious organizations, exclusively for furnishing aid, com-~~  
10 ~~fort, or relief to seamen.~~

11 *This section shall not apply to any yacht or other boat*  
12 *(1) which is used without profit by any benevolent, charit-*  
13 *able, or religious organization, exclusively for furnishing aid,*  
14 *comfort, or relief to seamen, or (2) which was owned on*  
15 *January 1, 1926, by a citizen of the United States or by a*  
16 *domestic partnership or corporation.*

17 **PENALTY FOR NONPAYMENT OF SPECIAL TAXES**

18 **SEC. 703.** Any person who carries on any busi-  
19 ness or occupation for which a special tax is imposed by  
20 section 700 or 701, without having paid the special tax  
21 therein provided, shall, besides being liable for the pay-  
22 ment of such special tax, be subject to a penalty of not  
23 more than \$1,000 or to imprisonment for not more than  
24 one year, or both.

1

## TAX ON NARCOTICS

2       SEC. 705. Section 1 of the Act entitled "An Act to  
3 provide for the registration of, with collectors of internal  
4 revenue, and to impose a special tax upon all persons who  
5 produce, import, manufacture, compound, deal in, dispense,  
6 sell, distribute, or give away opium or coca leaves, their salts,  
7 derivatives, or preparations, and for other purposes," ap-  
8 proved December 17, 1914, as amended by section 1006 of  
9 the revenue Act of 1918, is reenacted without change, as  
10 follows:

11       "SECTION 1. That on or before July 1 of each year  
12 every person who imports, manufactures, produces, com-  
13 pounds, sells, deals in, dispenses, or gives away opium or  
14 coca leaves, or any compound, manufacture, salt, deriva-  
15 tive, or preparation thereof, shall register with the collector  
16 of internal revenue of the district his name or style, place  
17 of business and place or places where such business is to be  
18 carried on, and pay the special taxes hereinafter provided;

19       "Every person who on January 1, 1919, is engaged  
20 in any of the activities above enumerated, or who between  
21 such date and the passage of this Act first engaged in any  
22 of such activities, shall within thirty days after the passage  
23 of this Act make like registration; and shall pay the pro-  
24 portionate part of the tax for the period ending June 30,  
25 1919; and

## 1. TAX ON NARCOTICS

2 SEC. 704 703. Section 1 of the Act entitled "An Act  
3 to provide for the registration of, with collectors of internal  
4 revenue, and to impose a special tax upon all persons who  
5 produce, import, manufacture, compound, deal in, dispense,  
6 sell, distribute, or give away opium or coca leaves, their salts,  
7 derivatives, or preparations, and for other purposes," ap-  
8 proved December 17, 1914, as amended by section 1006 of  
9 the Revenue Act of 1918, is amended to read as follows:

11 "SECTION 1. That on or before July 1 of each year  
12 every person who imports, manufactures, produces, com-  
13 pounds, sells, deals in, dispenses, or gives away opium or  
14 coca leaves, or any compound, manufacture, salt, deriva-  
15 tive, or preparation thereof, shall register with the collector  
16 of internal revenue of the district his name or style, place  
17 of business and place or places where such business is to be  
18 carried on, and pay the special taxes hereinafter provided:

19 "Every person who on January 1, 1919, is engaged  
20 in any of the activities above enumerated, or who between  
21 such date and the passage of this Act first engaged in any  
22 of such activities, shall within thirty days after the passage  
23 of this Act make like registration; and shall pay the pro-  
24 portionate part of the tax for the period ending June 30,  
25 1919; and

1 "Every person who first engages in any of such activi-  
2 ties after the passage of this Act shall immediately make  
3 like registration and pay the proportionate part of the tax  
4 for the period ending on the following June 30th;

5 "Importers, manufacturers, producers, or compounders,  
6 \$24 per annum; wholesale dealers, \$12 per annum; retail  
7 dealers, \$6 per annum; physicians, dentists, veterinary sur-  
8 geons, and other practitioners lawfully entitled to distribute,  
9 dispense, give away, or administer any of the aforesaid  
10 drugs to patients upon whom they in the course of their  
11 professional practice are in attendance, shall pay \$3 per  
12 annum.

13 "Every person who imports, manufactures, com-  
14 pounds, or otherwise produces for sale or distribution any  
15 of the aforesaid drugs shall be deemed to be an importer,  
16 manufacturer, or producer.

17 "Every person who sells or offers for sale any of said  
18 drugs in the original stamped packages, as hereinafter pro-  
19 vided, shall be deemed a wholesale dealer.

20 "Every person who sells or dispenses from original  
21 stamped packages, as hereinafter provided, shall be deemed  
22 a retail dealer: *Provided*, That the office, or if none, the  
23 residence, of any person shall be considered for the purpose  
24 of this Act his place of business; but no employee of any  
25 person who has registered and paid special tax as herein

1 . " Every person who first engages in any of such activ-  
2 ities after the passage of this Act shall immediately make  
3 like registration and pay the proportionate part of the tax  
4 for the period ending on the following June 30th;

5 " Importers, manufacturers, producers, or compounders,  
6 \$24 per annum; wholesale dealers, \$12 per annum; retail  
7 dealers, \$6 per annum; physicians, dentists, veterinary sur-  
8 geons, and other practitioners lawfully entitled to distribute,  
9 dispense, give away, or administer any of the aforesaid  
10 drugs to patients upon whom they in the course of their  
11 professional practice are in attendance, shall pay \$1 per  
12 annum.

13 " Every person who imports, manufactures, com-  
14 pounds, or otherwise produces for sale or distribution any  
15 of the aforesaid drugs shall be deemed to be an importer,  
16 manufacturer, or producer.

17 " Every person who sells or offers for sale any of said  
18 drugs in the original stamped packages, as hereinafter pro-  
19 vided, shall be deemed a wholesale dealer.

20 " Every person who sells or dispenses from original  
21 stamped packages, as hereinafter provided, shall be deemed  
22 a retail dealer: *Provided*, That the office, or if none, the  
23 residence, of any person shall be considered for the purpose  
24 of this Act his place of business; but no employee of any  
25 person who has registered and paid special tax as herein

1 required, acting within the scope of his employment, shall  
2 be required to register and pay special tax provided by this  
3 section: *Provided further*, That officials of the United States,  
4 Territorial, District of Columbia, or insular possessions, State  
5 or municipal governments, who in the exercise of their  
6 official duties engage in any of the business herein described,  
7 shall not be required to register, nor pay special tax, nor  
8 stamp the aforesaid drugs as hereinafter prescribed, but their  
9 right to this exemption shall be evidenced in such manner as  
10 the Commissioner of Internal Revenue, with the approval  
11 of the Secretary of the Treasury, may by regulations  
12 prescribe.

13 "It shall be unlawful for any person required to regis-  
14 ter under the provisions of this Act to import, manufacture,  
15 produce, compound, sell, deal in, dispense, distribute, admin-  
16 ister, or give away any of the aforesaid drugs without having  
17 registered and paid the special tax as imposed by this  
18 section.

19 "That the word 'person' as used in this Act shall be  
20 construed to mean and include a partnership, association,  
21 company, or corporation, as well as a natural person; and  
22 all provisions of existing law relating to special taxes, as far  
23 as necessary, are hereby extended and made applicable to  
24 this section.

1 required, acting within the scope of his employment, shall  
2 be required to register and pay special tax provided by this  
3 section: *Provided further*, That officials of the United States,  
4 Territorial, District of Columbia, or insular possessions, State  
5 or municipal governments, who in the exercise of their  
6 official duties engage in any of the business herein described,  
7 shall not be required to register, nor pay special tax, nor  
8 stamp the aforesaid drugs as hereinafter prescribed, but their  
9 right to this exemption shall be evidenced in such manner as  
10 the Commissioner of Internal Revenue, with the approval  
11 of the Secretary of the Treasury, may by regulations  
12 prescribe.

13 “ It shall be unlawful for any person required to regis-  
14 ter under the provisions of this Act to import, manufacture,  
15 produce, compound, sell, deal in, dispense, distribute, admin-  
16 ister, or give away any of the aforesaid drugs without having  
17 registered and paid the special tax as imposed by this  
18 section.

19 “ That the word ‘ person ’ as used in this Act shall be  
20 construed to mean and include a partnership, association,  
21 company, or corporation, as well as a natural person; and  
22 all provisions of existing law relating to special taxes, as far  
23 as necessary, are hereby extended and made applicable to  
24 this section.

1 "That there shall be levied, assessed, collected, and  
2 paid upon opium, coca leaves, any compound, salt, deriva-  
3 tive, or preparation thereof, produced in or imported into the  
4 United States, and sold, or removed for consumption or sale,  
5 an internal-revenue tax at the rate of 1 cent per ounce, and  
6 any fraction of an ounce in a package shall be taxed as an  
7 ounce, such tax to be paid by the importer, manufacturer,  
8 producer, or compounder thereof, and to be represented by  
9 appropriate stamps, to be provided by the Commissioner of  
10 Internal Revenue, with the approval of the Secretary of the  
11 Treasury; and the stamps herein provided shall be so affixed  
12 to the bottle or other container as to securely seal the  
13 stopper, covering, or wrapper thereof.

14 "The tax imposed by this section shall be in addition  
15 to any import duty imposed on the aforesaid drugs.

16 "It shall be unlawful for any person to purchase, sell,  
17 dispense, or distribute any of the aforesaid drugs except in  
18 the original stamped package or from the original stamped  
19 package; and the absence of appropriate tax-paid stamps  
20 from any of the aforesaid drugs shall be prima facie evidence  
21 of a violation of this section by the person in whose posses-  
22 sion same may be found; and the possession of any original  
23 stamped package containing any of the aforesaid drugs by  
24 any person who has not registered and paid special taxes  
25 as required by this section shall be prima facie evidence of



1        "That there shall be levied, assessed, collected, and  
2 paid upon opium, coca leaves, any compound, salt, deriva-  
3 tive, or preparation thereof, produced in or imported into the  
4 United States, and sold, or removed for consumption or sale,  
5 an internal-revenue tax at the rate of 1 cent per ounce, and  
6 any fraction of an ounce in a package shall be taxed as an  
7 ounce, such tax to be paid by the importer, manufacturer,  
8 producer, or compounder thereof, and to be represented by  
9 appropriate stamps, to be provided by the Commissioner of  
10 Internal Revenue, with the approval of the Secretary of the  
11 Treasury; and the stamps herein provided shall be so affixed  
12 to the bottle or other container as to securely seal the  
13 stopper, covering, or wrapper thereof.

14        "The tax imposed by this section shall be in addition  
15 to any import duty imposed on the aforesaid drugs.

16        "It shall be unlawful for any person to purchase, sell,  
17 dispense, or distribute any of the aforesaid drugs except in  
18 the original stamped package or from the original stamped  
19 package; and the absence of appropriate tax-paid stamps  
20 from any of the aforesaid drugs shall be prima facie evidence  
21 of a violation of this section by the person in whose posses-  
22 sion same may be found; and the possession of any original  
23 stamped package containing any of the aforesaid drugs by  
24 any person who has not registered and paid special taxes  
25 as required by this section shall be prima facie evidence of

1 liability to such special tax: *Provided*, That the provisions  
2 of this paragraph shall not apply to any person having in  
3 his or her possession any of the aforesaid drugs which have  
4 been obtained from a registered dealer in pursuance of a pre-  
5 scription, written for legitimate medical uses, issued by a  
6 physician, dentist, veterinary surgeon, or other practitioner  
7 registered under this Act; and where the bottle or other  
8 container in which such drug may be put up by the dealer  
9 upon said prescription bears the name and registry number  
10 of the druggist, serial number of prescription, name and  
11 address of the patient, and name, address, and registry  
12 number of the person writing said prescription; or to the dis-  
13 pensing, or administration, or giving away of any of the  
14 aforesaid drugs to a patient by a registered physician, dentist,  
15 veterinary surgeon, or other practitioner in the course of his  
16 professional practice, and where said drugs are dispensed or  
17 administered to the patient for legitimate medical purposes,  
18 and the record kept as required by this Act of the drugs so  
19 dispensed, administered, distributed, or given away.

20 "And all the provisions of existing laws relating to the  
21 engraving, issuance, sale, accountability, cancellation, and  
22 destruction of tax-paid stamps provided for in the internal-  
23 revenue laws are, in so far as necessary, hereby extended  
24 and made to apply to stamps provided by this section.

1 liability to such special tax: *Provided*, That the provisions  
2 of this paragraph shall not apply to any person having in  
3 his or her possession any of the aforesaid drugs which have  
4 been obtained from a registered dealer in pursuance of a pre-  
5 scription, written for legitimate medical uses, issued by a  
6 physician, dentist, veterinary surgeon, or other practitioner  
7 registered under this Act; and where the bottle or other  
8 container in which such drug may be put up by the dealer  
9 upon said prescription bears the name and registry number  
10 of the druggist, serial number of prescription, name and  
11 address of the patient, and name, address, and registry  
12 number of the person writing said prescription; or to the dis-  
13 pensing, or administration, or giving away of any of the  
14 aforesaid drugs to a patient by a registered physician, dentist,  
15 veterinary surgeon, or other practitioner in the course of his  
16 professional practice, and where said drugs are dispensed or  
17 administered to the patient for legitimate medical purposes,  
18 and the record kept as required by this Act of the drugs so  
19 dispensed, administered, distributed, or given away.

20 "And all the provisions of existing laws relating to the  
21 engraving, issuance, sale, accountability, cancellation, and  
22 destruction of tax-paid stamps provided for in the internal-  
23 revenue laws are, in so far as necessary, hereby extended  
24 and made to apply to stamps provided by this section.

1       “That all unstamped packages of the aforesaid drugs  
2 found in the possession of any person, except as herein pro-  
3 vided, shall be subject to seizure and forfeiture, and all the  
4 provisions of existing internal-revenue laws relating to  
5 searches, seizures, and forfeiture of unstamped articles are  
6 hereby extended to and made to apply to the articles taxed  
7 under this Act and the persons upon whom these taxes are  
8 imposed.

9       “Importers, manufacturers, and wholesale dealers shall  
10 keep such books and records and render such monthly returns  
11 in relation to the transactions in the aforesaid drugs as the  
12 Commissioner of Internal Revenue, with the approval of  
13 the Secretary of the Treasury, may by regulations require.

14       “The Commissioner of Internal Revenue, with the  
15 approval of the Secretary of the Treasury, shall make all  
16 needful rules and regulations for carrying the provisions of  
17 this Act into effect.”

18       SEC. 706. Section 6 of such Act of December 17, 1914,  
19 as amended by section 1007 of the Revenue Act of 1918,  
20 is reenacted without change, as follows:

21       “SEC. 6. That the provisions of this Act shall not be  
22 construed to apply to the manufacture, sale, distribution,  
23 giving away, dispensing, or possession of preparations and  
24 remedies which do not contain more than two grains of  
25 opium, or more than one-fourth of a grain of morphine, or

1 "That all unstamped packages of the aforesaid drugs  
2 found in the possession of any person, except as herein pro-  
3 vided, shall be subject to seizure and forfeiture, and all the  
4 provisions of existing internal-revenue laws relating to  
5 searches, seizures, and forfeiture of unstamped articles are  
6 hereby extended to and made to apply to the articles taxed  
7 under this Act and the persons upon whom these taxes are  
8 imposed.

9 "Importers, manufacturers, and wholesale dealers shall  
10 keep such books and records and render such monthly returns  
11 in relation to the transactions in the aforesaid drugs as the  
12 Commissioner of Internal Revenue, with the approval of  
13 the Secretary of the Treasury, may by regulations require.

14 "The Commissioner of Internal Revenue, with the  
15 approval of the Secretary of the Treasury, shall make all  
16 needful rules and regulations for carrying the provisions of  
17 this Act into effect."

18 ~~SEC. 705~~ 704. Section 6 of such Act of December 17,  
19 1914, as amended by section 1007 of the Revenue Act of  
20 1918, is reenacted without change, as follows:

21 "SEC. 6. That the provisions of this Act shall not be  
22 construed to apply to the manufacture, sale, distribution,  
23 giving away, dispensing, or possession of preparations and  
24 remedies which do not contain more than two grains of  
25 opium, or more than one-fourth of a grain of morphine, or

1 more than one-eighth of a grain of heroin, or more than one  
2 grain of codeine, or any salt or derivative of any of them in  
3 one fluid ounce, or, if a solid or semisolid preparation, in one  
4 avoirdupois ounce; or to liniments, ointments, or other prep-  
5 arations which are prepared for external use, only, except  
6 liniments, ointments, and other preparations which contain  
7 cocaine or any of its salts or alpha or beta eucaine or any of  
8 their salts or any synthetic substitute for them: *Provided,*  
9 That such remedies and preparations are manufactured, sold,  
10 distributed, given away, dispensed, or possessed as medicines  
11 and not for the purpose of evading the intentions and provi-  
12 sions of this Act: *Provided further,* That any manufacturer,  
13 producer, compounder, or vendor (including dispensing  
14 physicians) of the preparations and remedies mentioned in  
15 this section shall keep a record of all sales, exchanges, or gifts  
16 of such preparations and remedies in such manner as the  
17 Commissioner of Internal Revenue, with the approval of the  
18 Secretary of the Treasury, shall direct. Such record shall be  
19 preserved for a period of two years in such a way as to be  
20 readily accessible to inspection by any officer, agent or em-  
21 ployee of the Treasury Department duly authorized for that  
22 purpose, and the State, Territorial, District, municipal, and  
23 insular officers named in section 5 of this Act, and every such  
24 person so possessing or disposing of such preparations and  
25 remedies shall register as required in section 1 of this Act

1 more than one eighth of a grain of heroin, or more than one  
2 grain of codeine, or any salt or derivative of any of them in  
3 one fluid ounce, or, if a solid or semisolid preparation, in one  
4 avoirdupois ounce; or to liniments, ointments, or other prep-  
5 arations which are prepared for external use, only, except  
6 liniments, ointments, and other preparations which contain  
7 cocaine or any of its salts or alpha or beta eucaine or any of  
8 their salts or any synthetic substitute for them: *Provided,*  
9 That such remedies and preparations are manufactured, sold,  
10 distributed, given away, dispensed, or possessed as medicines  
11 and not for the purpose of evading the intentions and provi-  
12 sions of this Act: *Provided further,* That any manufacturer,  
13 producer, compounder, or vendor (including dispensing  
14 physicians) of the preparations and remedies mentioned in  
15 this section shall keep a record of all sales, exchanges, or gifts  
16 of such preparations and remedies in such manner as the  
17 Commissioner of Internal Revenue, with the approval of the  
18 Secretary of the Treasury, shall direct. Such record shall be  
19 preserved for a period of two years in such a way as to be  
20 readily accessible to inspection by any officer, agent or em-  
21 ployee of the Treasury Department duly authorized for that  
22 purpose, and the State, Territorial, District, municipal, and  
23 insular officers named in section 5 of this Act, and every such  
24 person so possessing or disposing of such preparations and  
25 remedies shall register as required in section 1 of this Act

1 and, if he is not paying a tax under this Act, he shall pay a  
2 special tax of \$1 for each year, or fractional part thereof, in  
3 which he is engaged in such occupation, to the collector of  
4 internal revenue of the district in which he carries on such  
5 occupation as provided in this Act. The provisions of this  
6 Act as amended shall not apply to decocainized coca leaves  
7 or preparations made therefrom, or to other preparations of  
8 coca leaves which do not contain cocaine.”

9       SEC. 707. All opium, its salts, derivatives, and  
10 compounds, and coca leaves, salts, derivatives, and com-  
11 pounds thereof, which may now be under seizure or which  
12 may hereafter be seized by the United States Government  
13 from any person or persons charged with any violation of the  
14 Act of October 1, 1890, as amended by the Acts of March  
15 3, 1897, February 9, 1909, and January 17, 1914, or the  
16 Act of December 17, 1914, as amended, shall upon con-  
17 viction of the person or persons from whom seized be con-  
18 fiscated by and forfeited to the United States; and the Sec-  
19 retary is hereby authorized to deliver for medical or scien-  
20 tific purposes to any department, bureau, or other agency  
21 of the United States Government, upon proper application  
22 therefor under such regulation as may be prescribed by the  
23 Commissioner, with the approval of the Secretary, any of  
24 the drugs so seized, confiscated, and forfeited to the United  
25 States.



1 and, if he is not paying a tax under this Act, he shall pay a  
2 special tax of \$1 for each year, or fractional part thereof, in  
3 which he is engaged in such occupation, to the collector of  
4 internal revenue of the district in which he carries on such  
5 occupation as provided in this Act. The provisions of this  
6 Act as amended shall not apply to decocainized coca leaves  
7 or preparations made therefrom, or to other preparations of  
8 coca leaves which do not contain cocaine."

9       SEC. 706 705. All opium, its salts, derivatives, and  
10 compounds, and coca leaves, salts, derivatives, and com-  
11 pounds thereof, which may now be under seizure or which  
12 may hereafter be seized by the United States Government  
13 from any person or persons charged with any violation of the  
14 Act of October 1, 1890, as amended by the Acts of March  
15 3, 1897, February 9, 1909, and January 17, 1914, or the  
16 Act of December 17, 1914, as amended, shall upon con-  
17 viction of the person or persons from whom seized be con-  
18 fiscated by and forfeited to the United States; and the Sec-  
19 retary is hereby authorized to deliver for medical or scien-  
20 tific purposes to any department, bureau, or other agency  
21 of the United States Government, upon proper application  
22 therefor under such regulation as may be prescribed by the  
23 Commissioner, with the approval of the Secretary, any  
24 of the drugs so seized, confiscated, and forfeited to the  
25 United States.

1 The provisions of this section shall also apply to any  
2 of the aforesaid drugs seized or coming into the possession  
3 of the United States in the enforcement of any of the above-  
4 mentioned Acts where the owner or owners thereof are  
5 unknown. None of the aforesaid drugs coming into posses-  
6 sion of the United States under the operation of said Acts,  
7 or the provisions of this section, shall be destroyed without  
8 certification by a committee appointed by the Commis-  
9 sioner, with the approval of the Secretary, that they are of  
10 no value for medical or scientific purposes.

#### 11 TITLE VIII.—STAMP TAXES

12 SEC. 800. On and after the expiration of thirty days  
13 after the enactment of this Act there shall be levied, col-  
14 lected, and paid, for and in respect of the several bonds,  
15 debentures, or certificates of stock and of indebtedness, and  
16 other documents, instruments, matters, and things mentioned  
17 and described in Schedule A of this title, or for or in respect  
18 of the vellum, parchment, or paper upon which such instru-  
19 ments, matters, or things, or any of them, are written or  
20 printed, by any person who makes, signs, issues, sells, re-  
21 moves, consigns, or ships the same, or for whose use or  
22 benefit the same are made, signed, issued, sold, removed,  
23 consigned, or shipped, the several taxes specified in such  
24 schedule. The taxes imposed by this section shall, in the  
25 case of any article upon which a corresponding stamp tax is  
26 now imposed by law, be in lieu of such tax.

1 The provisions of this section shall also apply to any  
2 of the aforesaid drugs seized or coming into the possession  
3 of the United States in the enforcement of any of the above-  
4 mentioned Acts where the owner or owners thereof are  
5 unknown. None of the aforesaid drugs coming into posses-  
6 sion of the United States under the operation of said Acts,  
7 or the provisions of this section, shall be destroyed without  
8 certification by a committee appointed by the Commis-  
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10 no value for medical or scientific purposes.

11 TITLE VIII.—STAMP TAXES

12 SEC. 800. On and after the expiration of thirty days  
13 after the enactment of this Act there shall be levied, col-  
14 lected, and paid, for and in respect of the several bonds,  
15 debentures, or certificates of stock and of indebtedness, and  
16 other documents, instruments, matters, and things mentioned  
17 and described in Schedule A of this title, or for or in respect  
18 of the vellum, parchment, or paper upon which such instru-  
19 ments, matters, or things, or any of them, are written or  
20 printed, by any person who makes, signs, issues, sells, re-  
21 moves, consigns, or ships the same, or for whose use or  
22 benefit the same are made, signed, issued, sold, removed,  
23 consigned, or shipped, the several taxes specified in such  
24 schedule. The taxes imposed by this section shall, in the  
25 case of any article upon which a corresponding stamp tax is  
26 now imposed by law, be in lieu of such tax.

1        SEC. 801. There shall not be taxed under this title any  
2 bond, note, or other instrument, issued by the United States,  
3 or by any foreign Government, or by any State, Territory,  
4 or the District of Columbia, or local subdivision thereof, or  
5 municipal or other corporation exercising the taxing power;  
6 or any bond of indemnity required to be filed by any person  
7 to secure payment of any pension, allowance, allotment,  
8 relief, or insurance by the United States, or to secure a  
9 duplicate for, or the payment of, any bond, note, certificate  
10 of indebtedness, war-savings certificate, warrant or check,  
11 issued by the United States; or stocks and bonds issued by  
12 domestic building and loan associations substantially all the  
13 business of which is confined to making loans to members,  
14 or by mutual ditch or irrigation companies.

15        SEC. 802. Whoever—

16        (a) Makes, signs, issues, or accepts, or causes to be  
17 made, signed, issued, or accepted, any instrument, document,  
18 or paper of any kind or description whatsoever without  
19 the full amount of tax thereon being duly paid;

20        (b) Manufactures or imports and sells, or offers for  
21 sale, or causes to be manufactured or imported and sold, or  
22 offered for sale, any playing cards, package, or other article  
23 without the full amount of tax being duly paid;

24        (c) Makes use of any adhesive stamp to denote any  
25 tax imposed by this title without canceling or obliterating  
26 such stamp as prescribed in section 804;

1        SEC. 801. There shall not be taxed under this title any  
2 bond, note, or other instrument, issued by the United States,  
3 or by any foreign Government, or by any State, Territory,  
4 or the District of Columbia, or local subdivision thereof, or  
5 municipal or other corporation exercising the taxing power;  
6 or any bond of indemnity required to be filed by any person  
7 to secure payment of any pension, allowance, allotment,  
8 relief, or insurance by the United States, or to secure a  
9 duplicate for, or the payment of, any bond, note, certificate  
10 of indebtedness, war-savings certificate, warrant or check,  
11 issued by the United States; or stocks and bonds issued by  
12 domestic building and loan associations substantially all the  
13 business of which is confined to making loans to members.  
14 or by mutual ditch or irrigation companies.

15        SEC. 802. Whoever—

16        (a) Makes, signs, issues, or accepts, or causes to be  
17 made, signed, issued, or accepted, any instrument, document,  
18 or paper of any kind or description whatsoever without  
19 the full amount of tax thereon being duly paid;

20        (b) Manufactures or imports and sells, or offers for  
21 sale, or causes to be manufactured or imported and sold, or  
22 offered for sale, any playing cards, package, or other article  
23 without the full amount of tax being duly paid;

24        (c) Makes use of any adhesive stamp to denote any  
25 tax imposed by this title without canceling or obliterating  
26 such stamp as prescribed in section 804;

1 Is guilty of a misdemeanor and upon conviction thereof  
2 shall pay a fine of not more than \$100 for each offense.

3 SEC. 803. Whoever—

4 (a) Fraudulently cuts, tears, or removes from any  
5 vellum, parchment, paper, instrument, writing, package, or  
6 article, upon which any tax is imposed by this title, any  
7 adhesive stamp or the impression of any stamp, die, plate,  
8 or other article provided, made, or used in pursuance of  
9 this title;

10 (b) Fraudulently uses, joins, fixes, or places to, with,  
11 or upon any vellum, parchment, paper, instrument, writing,  
12 package, or article, upon which any tax is imposed by this  
13 title, (1) any adhesive stamp, or the impression of any  
14 stamp, die, plate, or other article, which has been cut, torn,  
15 or removed from any other vellum, parchment, paper, in-  
16 strument, writing, package, or article, upon which any tax  
17 is imposed by this title; or (2) any adhesive stamp or the  
18 impression of any stamp, die, plate, or other article of  
19 insufficient value; or (3) any forged or counterfeited stamp,  
20 or the impression of any forged or counterfeited stamp, die,  
21 plate, or other article;

22 (c) Willfully removes, or alters the cancellation, or  
23 defacing marks of, or otherwise prepares, any adhesive  
24 stamp, with intent to use, or cause the same to be used,  
25 after it has been already used, or knowingly or willfully

1 Is guilty of a misdemeanor and upon conviction thereof  
2 shall pay a fine of not more than \$100 for each offense.

3 SEC. 803. Whoever—

4 (a) Fraudulently cuts, tears, or removes from any  
5 vellum, parchment, paper, instrument, writing, package, or  
6 article, upon which any tax is imposed by this title, any  
7 adhesive stamp or the impression of any stamp, die, plate,  
8 or other article provided, made, or used in pursuance of  
9 this title;

10 (b) Fraudulently uses, joins, fixes, or places to, with,  
11 or upon any vellum, parchment, paper, instrument, writing,  
12 package, or article, upon which any tax is imposed by this  
13 title, (1) any adhesive stamp, or the impression of any  
14 stamp, die, plate, or other article, which has been cut, torn,  
15 or removed from any other vellum, parchment, paper, in-  
16 strument, writing, package, or article, upon which any tax  
17 is imposed by this title; or (2) any adhesive stamp or the  
18 impression of any stamp, die, plate, or other article of  
19 insufficient value; or (3) any forged or counterfeited stamp,  
20 or the impression of any forged or counterfeited stamp, die,  
21 plate, or other article;

22 (c) Willfully removes, or alters the cancellation or  
23 defacing marks of, or otherwise prepares, any adhesive  
24 stamp, with intent to use, or cause the same to be used,  
25 after it has been already used, or knowingly or willfully

1 buys, sells, offers for sale, or gives away, any such washed  
2 or restored stamp to any person for use, or knowingly uses  
3 the same;

4 (d) Knowingly and without lawful excuse (the bur-  
5 den of proof of such excuse being on the accused) has in  
6 possession any washed, restored, or altered stamp, which  
7 has been removed from any vellum, parchment, paper, in-  
8 strument, writing, package, or article;

9 Is guilty of a misdemeanor, and upon conviction shall  
10 be punished by a fine of not more than \$1,000, or by impris-  
11 onment for not more than five years, or both, and any such  
12 reused, canceled, or counterfeit stamp and the vellum, parch-  
13 ment, document, paper, package, or article upon which  
14 it is placed or impressed shall be forfeited to the United  
15 States.

16 SEC. 804. Whenever an adhesive stamp is used for de-  
17 noting any tax imposed by this title, except as hereinafter  
18 provided, the person using or affixing the same shall write  
19 or stamp or cause to be written or stamped thereupon the  
20 initials of his or its name and the date upon which the same  
21 is attached or used, so that the same may not again be used:  
22 *Provided*, That the Commissioner may prescribe such other  
23 method for the cancellation of such stamps as he may deem  
24 expedient.



1 buys, sells, offers for sale, or gives away, any such washed  
2 or restored stamp to any person for use, or knowingly uses  
3 the same;

4 (d) Knowingly and without lawful excuse (the bur-  
5 den of proof of such excuse being on the accused) has in  
6 possession any washed, restored, or altered stamp, which  
7 has been removed from any vellum, parchment, paper, in-  
8 strument, writing, package, or article;

9 Is guilty of a misdemeanor, and upon conviction shall  
10 be punished by a fine of not more than \$1,000, or by impris-  
11 onment for not more than five years, or both, and any such  
12 reused, canceled, or counterfeit stamp and the vellum, parch-  
13 ment, document, paper, package, or article upon which  
14 it is placed or impressed shall be forfeited to the United  
15 States.

16 SEC. 804. Whenever an adhesive stamp is used for de-  
17 noting any tax imposed by this title, except as hereinafter  
18 provided, the person using or affixing the same shall write  
19 or stamp or cause to be written or stamped thereupon the  
20 initials of his or its name and the date upon which the same  
21 is attached or used, so that the same may not again be used:  
22 *Provided*, That the Commissioner may prescribe such other  
23 method for the cancellation of such stamps as he may deem  
24 expedient.

1           SEC. 805. (a) The Commissioner shall cause to be  
2 prepared and distributed for the payment of the taxes pre-  
3 scribed in this title suitable stamps denoting the tax on the  
4 document, articles, or thing to which the same may be  
5 affixed, and shall prescribe such method for the affixing of  
6 said stamps in substitution for or in addition to the method  
7 provided in this title, as he may deem expedient.

8           (b) All internal revenue laws relating to the assess-  
9 ment and collection of taxes are hereby extended to and  
10 made a part of this title, so far as applicable, for the pur-  
11 pose of collecting stamp taxes omitted through mistake or  
12 fraud from any instrument, document, paper, writing, parcel,  
13 package, or article named herein.

14           SEC. 806. The Commissioner shall furnish to the Post-  
15 master General without prepayment a suitable quantity of  
16 adhesive stamps to be distributed to and kept on sale by the  
17 various postmasters in the United States. The Postmaster  
18 General may require each such postmaster to give additional  
19 or increased bond as postmaster for the value of the stamps  
20 so furnished, and each such postmaster shall deposit the re-  
21 ceipts from the sale of such stamps to the credit of and render  
22 accounts to the Postmaster General at such times and in  
23 such form as he may by regulations prescribe. The Post-  
24 master General shall at least once monthly transfer all col-  
25 lections from this source to the Treasury as internal-revenue  
26 collections.

1        SEC. 805. (a) The Commissioner shall cause to be  
2 prepared and distributed for the payment of the taxes pre-  
3 scribed in this title suitable stamps denoting the tax on the  
4 document, articles, or thing to which the same may be  
5 affixed, and shall prescribe such method for the affixing of  
6 said stamps in substitution for or in addition to the method  
7 provided in this title, as he may deem expedient.

8        (b) All internal revenue laws relating to the assess-  
9 ment and collection of taxes are hereby extended to and  
10 made a part of this title, so far as applicable, for the pur-  
11 pose of collecting stamp taxes omitted through mistake or  
12 fraud from any instrument, document, paper, writing, parcel,  
13 package, or article named herein.

14        SEC. 806. The Commissioner shall furnish to the Post-  
15 master General without prepayment a suitable quantity of  
16 adhesive stamps to be distributed to and kept on sale by the  
17 various postmasters in the United States. The Postmaster  
18 General may require each such postmaster to give additional  
19 or increased bond as postmaster for the value of the stamps  
20 so furnished, and each such postmaster shall deposit the re-  
21 cepts from the sale of such stamps to the credit of and render  
22 accounts to the Postmaster General at such times and in  
23 such form as he may by regulations prescribe. The Post-  
24 master General shall at least once monthly transfer all col-  
25 lections from this source to the Treasury as internal-revenue  
26 collections.

1           SEC. 807. (a) Each collector shall furnish, without  
2 prepayment, to any assistant treasurer or designated deposi-  
3 tary of the United States, located in the district of such col-  
4 lector, a suitable quantity of adhesive stamps to be kept on  
5 sale by such assistant treasurer or designated depository.

6           (b) Each collector shall furnish, without prepayment,  
7 to any person who is (1) located in the district of such col-  
8 lector, (2) duly appointed and acting as agent of any State  
9 for the sale of stock transfer stamps of such State, and (3)  
10 designated by the Commissioner for the purpose, a suitable  
11 quantity of such adhesive stamps as are required by subdivi-  
12 sions 2, 3, and 4 of Schedule A of this title, to be kept on  
13 sale by such person.

14           (c) In such cases the collector may require a bond,  
15 with sufficient sureties, in a sum to be fixed by the Commis-  
16 sioner, conditioned for the faithful return, whenever so  
17 required, of all quantities or amounts undisposed of, and for  
18 the payment monthly of all quantities or amounts sold or  
19 not remaining on hand. The Secretary may from time to  
20 time make such regulations as he may find necessary to  
21 insure the safe-keeping or prevent the illegal use of all such  
22 adhesive stamps.

23

#### SCHEDULE A.—STAMP TAXES

24           1. Bonds of indebtedness: On all bonds, debentures,  
25 or certificates of indebtedness issued by any person, and all

1           SEC. 807. (a) Each collector shall furnish, without  
2 prepayment, to any designated depository of the United  
3 States, located in the district of such collector, a suitable  
4 quantity of adhesive stamps to be kept on sale by such  
5 designated depository.

6           (b) Each collector shall furnish, without prepayment,  
7 to any person who is (1) located in the district of such col-  
8 lector, (2) duly appointed and acting as agent of any State  
9 for the sale of stock transfer stamps of such State, and (3)  
10 designated by the Commissioner for the purpose, a suitable  
11 quantity of such adhesive stamps as are required by subdivi-  
12 sions 2, 3, and 4 of Schedule A of this title, to be kept on  
13 sale by such person.

14           (c) In such cases the collector may require a bond,  
15 with sufficient sureties, in a sum to be fixed by the Commis-  
16 sioner, conditioned for the faithful return, whenever so  
17 required, of all quantities or amounts undisposed of, and for  
18 the payment monthly of all quantities or amounts sold or  
19 not remaining on hand. The Secretary may from time to  
20 time make such regulations as he may find necessary to  
21 insure the safe-keeping or prevent the illegal use of all such  
22 adhesive stamps.

23                           SCHEDULE A.—STAMP TAXES

24           1. Bonds of indebtedness: On all bonds, debentures,  
25 or certificates of indebtedness issued by any person corpora-

1 instruments, however termed, issued by any corporation  
2 with interest coupons or in registered form, known generally  
3 as corporate securities, on each \$100 of face value or fraction  
4 thereof, 5 cents: *Provided*, That every renewal of the fore-  
5 going shall be taxed as a new issue: *Provided further*, that  
6 when a bond is conditioned for the repayment or payment of  
7 money is given in a penal sum greater than the debt secured,  
8 the tax shall be based upon the amount secured.

10 2. Capital stock, issue: On each original issue,  
11 whether on organization or reorganization, of certificates of  
12 stock, or of profits, or of interest in property or accumula-  
13 tions, by any corporation, on each \$100 of face value or  
14 fraction thereof, 5 cents: *Provided*, That where a certificate  
15 is issued without face value, the tax shall be 5 cents per  
16 share, unless the actual value is in excess of \$100 per share,  
17 in which case the tax shall be 5 cents on each \$100 of actual  
18 value or fraction thereof, or unless the actual value is less  
19 than \$100 per share, in which case the tax shall be 1 cent  
20 on each \$20 of actual value, or fraction thereof.

21 The stamps representing the tax imposed by this sub-  
22 division shall be attached to the stock books and not to the  
23 certificates issued.

24 3. Capital stock, sales or transfers: On all sales, or  
25 agreements to sell, or memoranda of sales or deliveries of,  
26 or transfers of legal title to shares or certificates of stock

1 tion, and all instruments, however termed, issued by any  
2 corporation with interest coupons or in registered form,  
3 known generally as corporate securities, on each \$100 of face  
4 value or fraction thereof, 5 cents: *Provided*, That every re-  
5 newal of the foregoing shall be taxed as a new issue: *Pro*  
6 *vided further*, That when a bond conditioned for the repay-  
7 ment or payment of money is given in a penal sum greater  
8 than the debt secured, the tax shall be based upon the  
9 amount secured.

10 2. Capital stock, issue: On each original issue,  
11 whether on organization or reorganization, of certificates of  
12 stock, or of profits, or of interest in property or accumula-  
13 tions, by any corporation, on each \$100 of face value or  
14 fraction thereof, 5 cents: *Provided*, That where a certificate  
15 is issued without face value, the tax shall be 5 cents per  
16 share, unless the actual value is in excess of \$100 per share,  
17 in which case the tax shall be 5 cents on each \$100 of actual  
18 value or fraction thereof, or unless the actual value is less  
19 than \$100 per share, in which case the tax shall be 1 cent  
20 on each \$20 of actual value, or fraction thereof.

21 The stamps representing the tax imposed by this sub-  
22 division shall be attached to the stock books and not to the  
23 certificates issued.

24 3. Capital stock, sales or transfers: On all sales, or  
25 agreements to sell, or memoranda of sales or deliveries of,  
26 or transfers of legal title to shares or certificates of stock

1 or of profits or of interest in property or accumulations in  
2 any corporation, or to rights to subscribe for or to receive  
3 such shares or certificates, whether made upon or shown  
4 by the books of the corporation, or by any assignment in  
5 blank, or by any delivery, or by any paper or agreement  
6 or memorandum or other evidence of transfer or sale,  
7 whether entitling the holder in any manner to the benefit  
8 of such stock, interest, or rights, or not, on each \$100 of  
9 face value or fraction thereof, 2 cents, and where such  
10 shares are without par or face value, the tax shall be 2 cents  
11 on the transfer or sale or agreement to sell on each share:  
12 *Provided*, That it is not intended by this title to impose a  
13 tax upon an agreement evidencing a deposit of certificates  
14 as collateral security for money loaned thereon, which cer-  
15 tificates are not actually sold, nor upon the delivery or  
16 transfer for such purpose of certificates so deposited, nor  
17 upon mere loans of stock nor upon the return of stock so  
18 loaned: *Provided further*, That the tax shall not be imposed  
19 upon deliveries or transfers to a broker for sale, nor upon  
20 deliveries or transfers by a broker to a customer for whom  
21 and upon whose order he has purchased same, but such  
22 deliveries or transfers shall be accompanied by a certificate  
23 setting forth the facts: *Provided further*, That in case of  
24 sale where the evidence of transfer is shown only by the  
25 books of the corporation the stamp shall be placed upon such



1 or of profits or of interest in property or accumulations in  
2 any corporation, or to rights to subscribe for or to receive  
3 such shares or certificates, whether made upon or shown  
4 by the books of the corporation, or by any assignment in  
5 blank, or by any delivery, or by any paper or agreement  
6 or memorandum or other evidence of transfer or sale,  
7 whether entitling the holder in any manner to the benefit  
8 of such stock, interest, or rights, or not, on each \$100 of  
9 face value or fraction thereof, 2 cents, and where such  
10 shares are without par or face value, the tax shall be 2 cents  
11 on the transfer or sale or agreement to sell on each share:  
12 *Provided*, That it is not intended by this title to impose a  
13 tax upon an agreement evidencing a deposit of certificates  
14 as collateral security for money loaned thereon, which cer-  
15 tificates are not actually sold, nor upon the delivery or  
16 transfer for such purpose of certificates so deposited, nor  
17 upon mere loans of stock nor upon the return of stock so  
18 loaned: *Provided further*, That the tax shall not be imposed  
19 upon deliveries or transfers to a broker for sale, nor upon  
20 deliveries or transfers by a broker to a customer for whom  
21 and upon whose order he has purchased same, but such  
22 deliveries or transfers shall be accompanied by a certificate  
23 setting forth the facts: *Provided further*, That in case of  
24 sale where the evidence of transfer is shown only by the  
25 books of the corporation the stamp shall be placed upon such

1 books; and where the change of ownership is by transfer  
2 of the certificate the stamp shall be placed upon the cer-  
3 tificate; and in cases of an agreement to sell or where the  
4 transfer is by delivery of the certificate assigned in blank  
5 there shall be made and delivered by the seller to the buyer  
6 a bill or memorandum of such sale, to which the stamp  
7 shall be affixed; and every bill or memorandum of sale or  
8 agreement to sell before mentioned shall show the date  
9 thereof, the name of the seller, the amount of the sale, and  
10 the matter or thing to which it refers. Any person liable  
11 to pay the tax as herein provided, or anyone who acts in  
12 the matter as agent or broker for such person, who makes  
13 any such sale, or who in pursuance of any such sale delivers  
14 any certificate or evidence of the sale of any stock, interest or  
15 right, or bill or memorandum thereof, as herein required,  
16 without having the proper stamps affixed thereto, with intent  
17 to evade the foregoing provisions, shall be deemed guilty  
18 of a misdemeanor, and upon conviction thereof shall pay a  
19 fine of not exceeding \$1,000, or be imprisoned not more  
20 than six months, or both.

21 4. Produce, sales of, on exchange: Upon each sale,  
22 agreement of sale, or agreement to sell (not including so-  
23 called transferred or scratch sales), any products or mer-  
24 chandise at, or under the rules or usages of, any exchange,  
25 or board of trade, or other similar place, for future delivery,

1 books; and where the change of ownership is by transfer  
2 of the certificate the stamp shall be placed upon the cer-  
3 tificate; and in cases of an agreement to sell or where the  
4 transfer is by delivery of the certificate assigned in blank  
5 there shall be made and delivered by the seller to the buyer  
6 a bill or memorandum of such sale, to which the stamp  
7 shall be affixed; and every bill or memorandum of sale or  
8 agreement to sell before mentioned shall show the date  
9 thereof, the name of the seller, the amount of the sale, and  
10 the matter or thing to which it refers. Any person liable  
11 to pay the tax as herein provided, or anyone who acts in  
12 the matter as agent or broker for such person, who makes  
13 any such sale, or who in pursuance of any such sale delivers  
14 any certificate or evidence of the sale of any stock, interest or  
15 right, or bill or memorandum thereof, as herein required,  
16 without having the proper stamps affixed thereto, with intent  
17 to evade the foregoing provisions, shall be deemed guilty  
18 of a misdemeanor, and upon conviction thereof shall pay  
19 a fine of not exceeding \$1,000, or be imprisoned not more  
20 than six months, or both.

21 4. Produce, sales of, on exchange: Upon each sale,  
22 agreement of sale, or agreement to sell (not including so-  
23 called transferred or scratch sales), any products or mer-  
24 chandise at, or under the rules or usages of, any exchange,  
25 or board of trade, or other similar place, for future delivery,

1 for each \$100 in value of the merchandise covered by said  
2 sale or agreement of sale or agreement to sell, 1 cent, and for  
3 each additional \$100 or fractional part thereof in excess  
4 of \$100, 1 cent: *Provided*, That on every sale or agreement  
5 of sale or agreement to sell as aforesaid there shall be made  
6 and delivered by the seller to the buyer a bill, memorandum,  
7 agreement, or other evidence of such sale, agreement of sale,  
8 or agreement to sell, to which there shall be affixed a lawful  
9 stamp or stamps in value equal to the amount of the tax on  
10 such sale: *Provided further*. That sellers of commodities  
11 described herein, having paid the tax provided by this sub-  
12 division, may transfer such contracts to a clearing-house  
13 corporation or association, and such transfer shall not be  
14 deemed to be a sale, or agreement of sale, or an agreement  
15 to sell within the provisions of this Act, provided that such  
16 transfer shall not vest any beneficial interest in such clearing-  
17 house association but shall be made for the sole purpose of  
18 enabling such clearing-house association to adjust and balance  
19 the accounts of the members of such clearing-house associa-  
20 tion on their several contracts. Every such bill, memo-  
21 randum, or other evidence of sale or agreement to sell shall  
22 show the date thereof, the name of the seller, the amount  
23 of the sale, and the matter or thing to which it refers; and  
24 any person liable to pay the tax as herein provided, or  
25 anyone who acts in the matter as agent or broker for such

1 for each \$100 in value of the merchandise covered by said  
2 sale or agreement of sale or agreement to sell, 1 cent, and for  
3 each additional \$100 or fractional part thereof in excess  
4 of \$100, 1 cent: *Provided*, That on every sale or agreement  
5 of sale or agreement to sell as aforesaid there shall be made  
6 and delivered by the seller to the buyer a bill, memorandum,  
7 agreement, or other evidence of such sale, agreement of sale,  
8 or agreement to sell, to which there shall be affixed a lawful  
9 stamp or stamps in value equal to the amount of the tax on  
10 such sale: *Provided further*, That sellers of commodities  
11 described herein, having paid the tax provided by this sub-  
12 division, may transfer such contracts to a clearing-house  
13 corporation or association, and such transfer shall not be  
14 deemed to be a sale, or agreement of sale, or an agreement  
15 to sell within the provisions of this Act, provided that such  
16 transfer shall not vest any beneficial interest in such clearing-  
17 house association but shall be made for the sole purpose of  
18 enabling such clearing-house association to adjust and balance  
19 the accounts of the members of such clearing-house associa-  
20 tion on their several contracts. Every such bill, memo-  
21 randum, or other evidence of sale or agreement to sell shall  
22 show the date thereof, the name of the seller, the amount  
23 of the sale, and the matter or thing to which it refers; and  
24 any person liable to pay the tax as herein provided, or  
25 anyone who acts in the matter as agent or broker for such

1 person, who makes any such sale or agreement of sale, or  
2 agreement to sell, or who, in pursuance of any such sale,  
3 agreement of sale, or agreement to sell, delivers any such  
4 products or merchandise without a bill, memorandum, or  
5 other evidence thereof as herein required, or who delivers  
6 such bill, memorandum, or other evidence of sale, or agree-  
7 ment to sell, without having the proper stamps affixed  
8 thereto, with intent to evade the foregoing provisions, shall  
9 be deemed guilty of a misdemeanor, and upon conviction  
10 thereof shall pay a fine of not exceeding \$1,000 or be  
11 imprisoned not more than six months, or both.

12 No bill, memorandum, agreement, or other evidence of  
13 such sale, or agreement of sale, or agreement to sell, in case  
14 of cash sales of products of or merchandise for immediate or  
15 prompt delivery which in good faith are actually intended to  
16 be delivered shall be subject to this tax.

17 This subdivision shall not affect but shall be in addition  
18 to the provisions of the "United States cotton futures Act,"  
19 approved August 11, 1916, as amended, and "The Future  
20 Trading Act," approved August 24, 1921.

21 5. Conveyances: Deed, instrument, or writing, whereby  
22 any lands, tenements, or other realty sold shall be granted,  
23 assigned, transferred, or otherwise conveyed to, or vested in,  
24 the purchaser or purchasers, or any other person or persons,  
25 by his, her, or their direction, when the consideration or value

1 person, who makes any such sale or agreement of sale, or  
2 agreement to sell, or who, in pursuance of any such sale,  
3 agreement of sale, or agreement to sell, delivers any such  
4 products or merchandise without a bill, memorandum, or  
5 other evidence thereof as herein required, or who delivers  
6 such bill, memorandum, or other evidence of sale, or agree-  
7 ment to sell, without having the proper stamps affixed  
8 thereto, with intent to evade the foregoing provisions, shall  
9 be deemed guilty of a misdemeanor, and upon conviction  
10 thereof shall pay a fine of not exceeding \$1,000 or be  
11 imprisoned not more than six months, or both.

12 No bill, memorandum, agreement, or other evidence of  
13 such sale, or agreement of sale, or agreement to sell, in case  
14 of cash sales of products or merchandise for immediate or  
15 prompt delivery which in good faith are actually intended to  
16 be delivered shall be subject to this tax.

17 This subdivision shall not affect but shall be in addition  
18 to the provisions of the "United States cotton futures Act,"  
19 approved August 11, 1916, as amended, and "The Future  
20 Trading Act," approved August 24, 1921.

1. of the interest or property conveyed, exclusive of the value of  
2. any lien or encumbrance remaining thereon at the time of  
3. sale, exceeds \$100 and does not exceed \$500, 50 cents; and  
4. for each additional \$500 or fractional part thereof, 50 cents.

5. This subdivision shall not apply to any instrument or writing  
6. given to secure a debt.

7. 6. Entry of any goods, wares, or merchandise at any  
8. customhouse, either for consumption or warehousing, not ex-  
9. ceeding \$100 in value, 25 cents; exceeding \$100 and not  
10. exceeding \$500 in value, 50 cents; exceeding \$500 in  
11. value, \$1.

12. 7. Entry for the withdrawal of any goods or merchan-  
13. dise from customs bonded warehouse, 50 cents.

14. 8. Passage ticket, one way or round trip, for each  
15. passenger, sold or issued in the United States for passage  
16. by any vessel to a port or place not in the United States,  
17. Canada, or Mexico, if costing not exceeding \$30, \$1; costing  
18. more than \$30 and not exceeding \$60, \$3; costing more  
19. than \$60, \$5. This subdivision shall not apply to passage  
20. tickets costing \$10 or less.

21. 9. Proxy for voting at any election for officers, or meet-  
22. ing for the transaction of business, of any corporation, except  
23. religious, educational, charitable, fraternal, or literary  
24. societies, or public cemeteries, 10 cents.

25. 10. Power of attorney granting authority to do or  
26. perform some act for or in behalf of the grantor, which



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7 5. Entry of any goods, wares, or merchandise at any  
8 customhouse either for consumption or warehousing, not ex-  
9 ceeding \$100 in value, 25 cents; exceeding \$100 and not  
10 exceeding \$500 in value, 50 cents; exceeding \$500 in  
11 value, \$1.

12 6. Entry for the withdrawal of any goods or merchan-  
13 dise from customs bonded warehouse, 50 cents.

14 7. Passage ticket, one way or round trip, for each  
15 passenger, sold or issued in the United States for passage  
16 by any vessel to a port or place not in the United States,  
17 Canada, or Mexico, if costing not exceeding \$20, \$1; costing  
18 more than \$20 and not exceeding \$60, \$2; costing more  
19 than \$60, \$5. This subdivision shall not apply to passage  
20 tickets costing \$10 or less.

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1 authority is not otherwise vested in the grantee, 25 cents.  
2 This subdivision shall not apply to any papers necessary to  
3 be used for the collection of claims from the United States  
4 or from any State for pensions, back pay, bounty, or for  
5 property lost in the military or naval service, nor to powers  
6 of attorney required in bankruptcy cases nor to powers  
7 of attorney contained in the application of those who become  
8 members of or policyholders in mutual insurance companies  
9 doing business on the interinsurance or reciprocal indemnity  
10 plan through an attorney in fact.

11 11. Playing cards: Upon every pack of playing cards  
12 containing not more than fifty-four cards, manufactured or  
13 imported, and sold, or removed for consumption or sale, a  
14 tax of 10 cents per pack.

15 12. On each policy of insurance, or certificate, binder,  
16 covering note, memorandum, cablegram, letter, or other  
17 instrument by whatever name called whereby insurance is  
18 made or renewed upon property within the United States  
19 (including rents and profits) against peril by sea or on  
20 inland waters or in transit on land (including transship-  
21 ments and storage at termini or way points) or by fire,  
22 lightning, tornado, windstorm, bombardment, invasion, in-  
23 surrection or riot. issued to or for or in the name of a  
24 domestic corporation or partnership or an individual resident  
25 of the United States by any foreign corporation or part-

11 § 5. Playing cards: Upon every pack of playing cards  
12 containing not more than fifty-four cards, manufactured or  
18 imported, and sold, or removed for consumption or sale, a  
14 tax of 10 cents per pack.

15 § 6. On each policy of insurance, or certificate, binder,  
16 covering note, memorandum, cablegram, letter, or other  
17 instrument by whatever name called whereby insurance is  
18 made or renewed upon property within the United States  
19 (including rents and profits) against peril by sea or on  
20 inland waters or in transit on land (including transship-  
21 ments and storage at termini or way points) or by fire,  
22 lightning, tornado, windstorm, bombardment, invasion, in-  
23 surrection or riot, issued to or for or in the name of a  
24 domestic corporation or partnership or an individual resident  
25 of the United States by any foreign corporation or part-

1 nership or any individual not a resident of the United States,  
2 when such policy or other instrument is not signed or coun-  
3 tersigned by an officer or agent of the insurer in a State,  
4 Territory, or District of the United States within which such  
5 insurer is authorized to do business, a tax of 3 cents on each  
6 dollar, or fractional part thereof of the premium charged:  
7 *Provided*, That policies of reinsurance shall be exempt from  
8 the tax imposed by this subdivision.

9 Any person to or for whom or in whose name any such  
10 policy or other instrument is issued, or any solicitor or  
11 broker acting for or on behalf of such person in the procure-  
12 ment of any such policy or other instrument, shall affix the  
13 proper stamps to such policy or other instrument, and for  
14 failure to affix such stamps with intent to evade the tax shall,  
15 in addition to other penalties provided therefor, pay a fine  
16 of double the amount of the tax.

1 nership or any individual not a resident of the United States,  
2 when such policy or other instrument is not signed or coun-  
3 tersigned by an officer or agent of the insurer in a State,  
4 Territory, or District of the United States within which such  
5 insurer is authorized to do business, a tax of 3 cents on each  
6 dollar, or fractional part thereof of the premium charged:  
7 *Provided*, That policies of reinsurance shall be exempt from  
8 the tax imposed by this subdivision.

9 Any person to or for whom or in whose name any such  
10 policy or other instrument is issued, or any solicitor or  
11 broker acting for or on behalf of such person in the procure-  
12 ment of any such policy or other instrument, shall affix the  
13 proper stamps to such policy or other instrument, and for  
14 failure to affix such stamps with intent to evade the tax shall,  
15 in addition to other penalties provided therefor, pay a fine  
16 of double the amount of the tax.

17 TITLE IX.—TAX ON DISTILLED SPIRITS AND  
18 CEREAL BEVERAGES

19 TAX ON DISTILLED SPIRITS

20 SEC. 900. Subdivision (a) of section 600 of the Reve-  
21 nue Act of 1918, as amended, is amended to read as follows:

22 ~~“SEC. 600. (a)~~ There shall be levied and collected on  
23 all distilled spirits now in bond or that have been or that may  
24 be hereafter produced in or imported into the United States,  
25 in lieu of the internal-revenue taxes now imposed thereon by

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1 law, an internal-revenue tax at the following rates, to be  
2 paid by the distiller or importer when withdrawn, and col-  
3 lected under the provisions of existing law.

4 ~~“(1) Until January 1, 1927, \$2.20 on each proof~~  
5 ~~gallon or wine gallon when below proof and a proportionate~~  
6 ~~tax at a like rate on all fractional parts of such proof or~~  
7 ~~wine gallon;~~

8 ~~“(2) On and after January 1, 1927, and until Jan-~~  
9 ~~uary 1, 1928, \$1.65 on each proof gallon or wine gallon~~  
10 ~~when below proof and a proportionate tax at a like rate on~~  
11 ~~all fractional parts of such proof or wine gallon; and~~

12 ~~“(3) On and after January 1, 1928, \$1.10 on each~~  
13 ~~proof gallon or wine gallon when below proof and a propor-~~  
14 ~~tionate tax at a like rate on all fractional parts of such proof~~  
15 ~~or wine gallon.~~

16 *“SEC. 600. (a) (1) There shall be levied and collected*  
17 *on all distilled spirits now in bond or that have been or that*  
18 *may be hereafter produced in or imported into the United*  
19 *States, in lieu of the internal-revenue taxes now imposed*  
20 *thereon by law, an internal-revenue tax of \$2.20 on each*  
21 *proof gallon or wine gallon when below proof and a propor-*  
22 *tionate tax at a like rate on all fractional parts of such proof*  
23 *or wine gallon, to be paid by the distiller or importer when*  
24 *withdrawn, and collected under the provisions of existing law.*

25 ~~“(4) (2) On and after the enactment of the Revenue~~  
26 ~~Act of 1926, on all distilled spirits which are diverted to~~

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1 beverage purposes or for use in the manufacture or produc-  
2 tion of any article used or intended for use as a beverage  
3 there shall be levied and collected a tax of \$6.40 on each  
4 proof gallon or wine gallon when below proof, and a propor-  
5 tionate tax at a like rate on all fractional parts of such proof  
6 or wine gallon, to be paid by the person responsible for such  
7 diversion. If a tax at the rate of ~~\$2.20, \$1.65, or \$1.10~~  
8 \$2.20 per proof or wine gallon has been paid upon such dis-  
9 tilled spirits a credit of the tax so paid shall be allowed in  
10 computing the tax imposed by this paragraph.

11 ~~"(5)~~ (3) The internal revenue tax imposed by this  
12 subdivision upon distilled spirits heretofore or hereafter  
13 imported into the United States shall, under regulations  
14 prescribed by the Commissioner, with the approval of the  
15 Secretary, be collected and deposited in the same manner as  
16 other internal revenue taxes, except that such collection and  
17 depositing shall be by the collector of customs instead of by  
18 the collector of internal revenue. Such tax shall be in addi-  
19 tion to any customs duty imposed under the Tariff Act of  
20 1922 or any subsequent Act.

21 ~~"(6)~~ (4) Distilled spirits smuggled or brought into the  
22 United States unlawfully shall, for the purpose of this sub-  
23 division; be held to be imported into the United States, and  
24 section 3334 of the Revised Statutes, as amended, shall be  
25 applicable to any sale thereof," thereof.

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1       “(5) Upon the withdrawal from any internal revenue  
2 bonded warehouse after the enactment of the Revenue Act of  
3 1926 of distilled spirits of domestic production which have  
4 been reimported, an allowance for loss shall be made in the  
5 amount provided by section 50 of the Act of August 27,  
6 1894, entitled ‘An Act to reduce taxation, to provide revenue  
7 for the Government, and for other purposes,’ as amended,  
8 as if such spirits had remained continuously in an internal  
9 revenue bonded warehouse within the United States from  
10 date of manufacture until date of withdrawal.”

11       SEC. 901. Notwithstanding the provisions of section  
12 3334 of the Revised Statutes, as amended, or section 492  
13 of the Tariff Act of 1922, any distilled spirits forfeited or  
14 abandoned to the United States may be sold, in such cases  
15 as the Commissioner of Internal Revenue may by regulation  
16 provide, to the proprietor of any industrial alcohol plant for  
17 denaturation, or redistillation and denaturation, without the  
18 payment of the internal-revenue tax thereon.

19                                   LIENS ON DISTILLERIES

20       SEC. 902. (a) Any lien, under section 3251 of the  
21 Revised Statutes, as amended, on any land or any building  
22 thereon shall be held to be extinguished, if (1) such land and  
23 building are no longer used for distillery purposes, and (2)  
24 there is no outstanding liability for taxes or penalties imposed  
25 by law on the distilled spirits produced therein, and (3) no  
26 litigation is pending in respect of any such tax or penalty.

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1 (b) Any person claiming any interest in any such land  
2 or building may apply to the collector for a duly acknowl-  
3 edged certificate to the effect that such lien is discharged and,  
4 if the Commissioner determines that any such lien is ex-  
5 tinguished, the collector shall issue such certificate, and any  
6 such certificate may be recorded.

7

## TAX ON CEREAL BEVERAGES

8 SEC. 903. There shall be levied, assessed, collected, and  
9 paid upon all beverages derived wholly or in part from cere-  
10 als or substitutes therefor, and containing less than one-half  
11 of 1 per centum of alcohol *by volume*, sold by the manufac-  
12 turer, producer, or importer, in bottles or other closed con-  
13 tainers, a tax of one-tenth of 1 cent per gallon or fraction  
14 thereof.

15 SEC. 904. (a) Each manufacturer, producer, bottler,  
16 or importer of any of the beverages enumerated in section  
17 903 shall make monthly returns under oath in duplicate and  
18 pay the taxes imposed in respect of such beverages by such  
19 section to the collector for the district in which is located the  
20 principal place of ~~business, containing business.~~ *Such return,*  
21 *shall contain* such information necessary for the assessment  
22 of the tax, and *shall be made* at such times and in such  
23 manner as the Commissioner, with the approval of the Sec-  
24 retary, may by regulation prescribe.

25 (b) The tax shall, without assessment by the Commis-  
26 sioner or notice from the collector, be due and payable to the

## 8 TITLE IX.—BOARD OF TAX APPEALS 8

9 SEC. 900. (a) There is hereby established a board to  
10 be known as the Board of Tax Appeals (hereinafter referred  
11 to as the "Board"). 11

13 The Board shall be composed of seven  
14 members, except that for a period of two years after the  
15 enactment of this Act the Board shall be composed of such  
16 number of members, not more than twenty-eight, as the  
17 President determines to be necessary.

18 (b) Each member of the Board shall be appointed by  
19 the President, by and with the advice and consent of the  
20 Senate, solely on the grounds of fitness to perform the duties  
21 of the office. The term of office of all members who are to  
22 compose the Board during the period of two years after the  
23 enactment of this Act, shall expire at the end of such period.  
24 The terms of office of the first seven members who are there-  
25 after to compose the Board shall expire, two at the end of the  
26 fourth year, two at the end of the sixth year, two at the end

1 collector at the time so fixed for filing the return. If the tax  
2 is not paid when due, there shall be added as part of the tax  
3 interest at the rate of 1 per centum a month, from the time  
4 when the tax became due until paid.

5 TITLE X.—BOARD OF TAX APPEALS

6 SEC. 1000. Title IX of the Revenue Act of 1924 is  
7 amended to read as follows:

8 “TITLE IX.—BOARD OF TAX APPEALS

9 “MEMBERSHIP OF BOARD

10 “SEC. 900. The Board of Tax Appeals (hereinafter  
11 referred to as the ‘Board’) is hereby continued as an inde-  
12 pendent agency in the Executive Branch of the Government.  
13 The Board shall be composed of 16 members; *except as*  
14 *provided in subdivision (c) of section 901 and except that*  
15 *such limitation shall not be held applicable to any member*  
16 *holding office under an appointment made before the enact-*  
17 *ment of the Revenue Act of 1926, in accordance with the*  
18 *law in force prior to the enactment of such Act.*

19 “SEC. 901. (a) Members of the Board shall be  
20 appointed by the President, by and with the advice and  
21 consent of the Senate, solely on the grounds of fitness to  
22 perform the duties of the office. Members of the Board may  
23 be removed by the President, after notice and opportunity  
24 for public hearing, for inefficiency, neglect of duty, or mal-  
25 feasance in office, but for no other cause. Each member  
26 shall receive salary at the rate of \$10,000 per annum.

1 of the eighth year, and one at the end of the tenth year, after  
2 the expiration of such two-year period. The term of office  
3 of each such member shall be designated by the President,  
4 and the terms of office of their successors shall expire ten  
5 years after the expiration of their predecessors' terms, except  
6 that any individual appointed to fill a vacancy occurring  
7 prior to the expiration of the term for which his predecessor  
8 was appointed shall be appointed only for the unexpired  
9 term of his predecessor, and a member in office at the expira-  
10 tion of the term for which he was appointed may continue in  
11 office until his successor is qualified. Any member of the  
12 Board may be removed by the President for inefficiency,  
13 neglect of duty, or malfeasance in office, but for no other  
14 reason. Each member shall receive a salary at the rate of  
15 \$7,500 per annum.



1       “(b) The terms of office of all members who are to  
2       compose the Board prior to June 2, 1926, shall expire on  
3       June 1, 1926. The terms of office of the 16 members first  
4       taking office after such date shall expire, as designated by  
5       the President, four at the end of the eighth year, four at  
6       the end of the tenth year, four at the end of the twelfth  
7       year, and four at the end of the fourteenth year, after June  
8       2, 1926. The terms of office of all successors shall expire  
9       fourteen years after the expiration of the terms for which  
10       their predecessors were appointed; but any member  
11       appointed to fill a vacancy occurring prior to the expiration  
12       of the term for which his predecessor was appointed shall  
13       be appointed only for the unexpired term of his predecessor.

14       “(b) The terms of office of all members who are to  
15       compose the Board prior to June 2, 1926, shall expire on  
16       June 1, 1926. The terms of office of the sixteen members  
17       first taking office after such date shall expire, as designated  
18       by the President at the time of nomination, four at the end  
19       of the fourth year, four at the end of the sixth year, four  
20       at the end of the eighth year, and four at the end of the tenth  
21       year, after June 2, 1926. The terms of office of all suc-  
22       cessors shall expire ten years after the expiration of the  
23       terms for which their predecessors were appointed; but any  
24       member appointed to fill a vacancy occurring prior to the  
25       expiration of the term for which his predecessor was

12       (c) No member of the Board appointed for a term  
13 beginning after the expiration of two years after the enact-  
14 ment of this Act shall be permitted to practice before the  
15 Board or any official of the Bureau of Internal Revenue for  
16 a period of two years after leaving office.

17       (d) The Board shall at least biennially designate a  
18 member to act as chairman. The Board shall have a seal  
19 which shall be judicially noticed.

20       (e) The Board and its divisions shall hear and deter-  
21 mine appeals filed under sections 274, 279, 308, and 312.

1 *appointed shall be appointed only for the unexpired term of*  
2 *his predecessor.*

3       “(c) *If at any time after the expiration of two years*  
4 *after the enactment of this Act the President determines*  
5 *that the functions of the Board can be performed efficiently*  
6 *by less than the number of members then in office, the*  
7 *President may by Executive order specify the number of*  
8 *members he determines to be necessary. After the issuance*  
9 *of such Executive order, no appointments to fill vacancies*  
10 *shall be made until the number of members is reduced to*  
11 *the number so specified.*

12       “SEC. 902. A member of the Board removed from  
13 office in accordance with subdivision (a) of section 901 shall  
14 not be permitted at any time to practice before the Board.

15               “ORGANIZATION AND PROCEDURE

16       “SEC. 903. The Board shall at least biennially desig-  
17 nate a member to act as chairman. The Board shall have a  
18 seal which shall be judicially noticed.

19       “SEC. 904. The Board and its divisions shall have  
20 such jurisdiction as is conferred on them by Title II and  
21 Title III of the Revenue Act of 1926 or by subsequent laws.  
22 The Board is authorized to impose a fee in an amount not  
23 in excess of \$10 to be fixed by the Board for the filing of  
24 any petition for the redetermination of a deficiency after the  
25 enactment of the Revenue Act of 1926 and for the hearing  
26 of any proceeding pending at the time of such enactment.

1 A majority of the members of the Board or of any division  
2 thereof shall constitute a quorum for the transaction of the  
3 business of the Board or of the division, respectively. A  
4 vacancy in the Board or in any division thereof shall not  
5 impair the powers nor affect the duties of the Board or  
6 division, nor of the remaining members of the Board or  
7 division, respectively.

8 (f) The chairman may from time to time divide the  
9 Board into divisions and assign the members thereto, and  
10 designate a chief thereof. If a division, as a result of a  
11 vacancy or the absence or inability of a member assigned  
12 thereto to serve thereon, is composed of less than three  
13 members, the chairman may assign other members thereto,  
14 or he may direct the division to proceed with the transaction  
15 of business. A division shall hear and determine appeals  
16 filed with the Board and assigned to such division by the  
17 chairman. Upon the expiration of thirty days after a de-  
18 cision by a division, such decision, and the findings of fact  
19 made in connection therewith, shall become the final de-  
20 cision and findings of the Board, unless within such period  
21 the chairman has directed that such decision shall be  
22 reviewed by the Board.

1       “SEC. 905. A majority of the members of the Board  
2 or of any division thereof shall constitute a quorum for the  
3 transaction of the business of the Board or of the division,  
4 respectively. A vacancy in the Board or in any division  
5 thereof shall not impair the powers nor affect the duties of  
6 the Board or division nor of the remaining members of the  
7 Board or division, respectively.

8       “SEC. 906. (a) The chairman may from time to time  
9 divide the Board into divisions of one or more members,  
10 assign the members of the Board thereto, and in case of a di-  
11 vision of more than one member, designate the chief thereof.  
12 If a division, as a result of a vacancy or the absence or ina-  
13 bility of a member assigned thereto to serve thereon, is com-  
14 posed of less than the number of members designated for the  
15 division, the chairman may assign other members to the  
16 division or direct the division to proceed with the transaction  
17 of business without awaiting any additional assignment of  
18 members thereto. A division shall hear and decide any  
19 proceeding instituted before the Board and any motion there-  
20 on assigned to such division by the chairman.

21       “(b) In case of a decision by a division of two or more  
22 members, the decision and the findings of fact made in con-  
23 nection therewith shall ~~(except as provided in subdivision~~  
24 ~~(d))~~ become the decision and the findings of the Board  
25 within 30 days after such decision by the division, unless



1 within such period the chairman has directed that such de-  
2 cision shall be reviewed by the Board.

3 “(c) In case of a decision by a division of one member,  
4 the decision and the findings of fact made in connection  
5 therewith shall not become the decision or findings of the  
6 Board until reviewed by the Board.

7 “(d) In case of a decision by a division (regardless of  
8 the number of members thereof) dismissing any proceeding  
9 on the ground that the proof is clearly insufficient to sustain  
10 the allegations of the petition or to entitle the petitioner to  
11 any relief, the decision shall not become the decision of the  
12 Board until reviewed by the Board.

13 “(e) No rehearing shall be granted the taxpayer in  
14 any proceeding either pending any review by the Board of  
15 the decision of a division in such proceeding or after the  
16 decision of the Board in such proceeding; except in case  
17 a proceeding on review before the courts, as hereinafter in  
18 this title provided, is remanded for rehearing before the  
19 Board.

20 “(f) A decision of the Board shall be held to be ren-  
21 dered upon the date that, the amount of the deficiency having  
22 been determined by the Board, an order specifying such  
23 amount has been entered in the records of the Board.

24 “(g) If the Board dismisses a petition its decision  
25 shall, for the purpose of Titles II and III of the Revenue Act

18           (g) In any proceeding in court under sections 274,  
19 279, 308, or 312, and in any suit or proceeding by a tax-  
20 payer to recover any amounts paid in pursuance of a de-  
21 cision of the Board the findings of the Board shall be prima  
22 facie evidence of the facts therein stated.

23           (h) Notice and an opportunity to be heard shall be  
24 given to the taxpayer and the Commissioner and a decision  
25 shall be made as quickly as practicable. Hearings before the  
26 Board and its divisions shall be open to the public. The



1 of 1926, be considered as its decision that the deficiency is  
2 the amount determined by the Commissioner.

3       “(d) A decision of the Board shall be held to be rendered  
4 upon the date that, the amount of the deficiency having been  
5 determined by the Board, an order specifying such amount is  
6 entered in the records of the Board.

7       “(e) If the Board or a division dismisses a petition its  
8 decision shall, for the purposes of this title and of the Revenue  
9 Act of 1926, be considered as its decision that the deficiency  
10 is the amount determined by the Commissioner, and an order  
11 specifying such amount shall be entered in the records of the  
12 Board.

13       “(f) If the Board or a division finds that the assess-  
14 ment or collection of any tax is barred by any statute of limi-  
15 tations its decision to that effect shall, for the purposes of this  
16 title and of the Revenue Act of 1926, be considered as its de-  
17 cision that there is no deficiency in respect of such tax.

18       “(h) (g) The findings of the Board made in any  
19 decision prior to the enactment of the Revenue Act of 1926  
20 shall, notwithstanding the enactment of such Act, continue  
21 to be prima facie evidence of the facts therein stated.

23       “SEC. 907. (a) Notice and an opportunity to be heard  
24 shall be given to the taxpayer and the Commissioner and a  
25 decision shall be made as quickly as practicable. Hearings  
26 before the Board and its divisions shall be open to the public

1 proceedings of the Board and its divisions shall be conducted  
2 in accordance with such rules of evidence and procedure  
3 as the Board may prescribe.

1 and shall be stenographically reported. The Board is  
2 authorized to contract for the reporting of such hearings,  
3 and in such contract to fix the terms and conditions under  
4 which transcripts will be supplied by the contractor to the  
5 Board and to other persons and agencies. The proceedings  
6 of the Board and its divisions shall be conducted in accord-  
7 ance with such rules of practice and procedure (other than  
8 rules of evidence) as the Board may prescribe and in ac-  
9 cordance with the rules of evidence applicable in courts of  
10 equity of the District of Columbia. ~~Any taxpayer may~~  
11 ~~appoint a person as his agent in the District of Columbia~~  
12 ~~to receive notices of deficiency under Title II or Title III~~  
13 ~~of the Revenue Act of 1926, and to receive all pleadings,~~  
14 ~~orders, notices, and process in respect of proceedings before~~  
15 ~~the Board. Such taxpayer shall file with the Board a certi-~~  
16 ~~fied copy of the power of attorney appointing any such~~  
17 ~~agent and a certified copy of the written consent of such~~  
18 ~~person to act as such agent. During the period during~~  
19 ~~which any such power of attorney is in effect, the mailing~~  
20 ~~of notice under Title II or Title III of the Revenue Act of~~  
21 ~~1926 to such agent shall, for the purposes of the Revenue~~  
22 ~~Act of 1926, be considered as mailing to the taxpayer, and~~  
23 ~~service upon such agent, in accordance with rules prescribed~~  
24 ~~by the Board, of pleadings, orders, notices, and process in~~  
25 ~~respect of proceedings before the Board shall be considered~~



1 as service upon the taxpayer. Any such power of attorney  
2 shall be held to be in effect until a certified copy of the  
3 revocation thereof, or a notice of the death or inability to  
4 serve or the resignation of such agent, has been filed with  
5 the Board. Any taxpayer may appoint a person as his agent  
6 in the District of Columbia to receive notices of deficiency  
7 under Title II or Title III of the Revenue Act of 1926,  
8 or to receive all pleadings, orders, notices, and process in  
9 respect of proceedings before the Board. Such taxpayer  
10 shall file with the Commissioner or the Board, as the case  
11 may be, the power of attorney appointing such agent and  
12 the written consent of such person to act as such agent, or  
13 a duplicate original of such power of attorney and written  
14 consent. During the period during which any such power  
15 of attorney is in effect, the mailing of notice under Title  
16 II or Title III of the Revenue Act of 1926 to such agent  
17 shall, for the purposes of the Revenue Act of 1926, be con-  
18 sidered as mailing to the taxpayer, and service upon such  
19 agent, in accordance with rules prescribed by the Board,  
20 of pleadings, orders, notices, and process in respect of pro-  
21 ceedings before the Board shall be considered as service  
22 upon the taxpayer. Any such power of attorney shall be  
23 held to be in effect until the revocation thereof, or a notice  
24 of the death or inability to serve or the resignation of such  
25 agent, or a duplicate original of such revocation or notice,

3 It shall be the duty of the  
4 Board and of each division to make a report in writing of its  
5 findings of fact and decision in each case, and a copy of its  
6 report shall be entered of record and a copy furnished the tax-  
7 payer. If the amount of tax in controversy is more than  
8 \$10,000 the oral testimony taken at the hearing shall be re-  
9 duced to writing and the report shall contain an opinion in  
10 writing in addition to the findings of fact and decision. All  
11 reports of the Board and its divisions and all evidence re-  
12 ceived by the Board and its divisions (including, in cases  
13 where the oral testimony is reduced to writing, the transcript  
14 thereof) shall be public records open to the inspection of the  
15 public. The Board shall provide for the publication of its  
16 reports at the Government Printing Office in such form and  
17 manner as may be best adapted for public information and  
18 use, and such authorized publication shall be competent evi-  
19 dence of the reports of the Board therein contained in all  
20 courts of the United States and of the several States without  
21 any further proof or authentication thereof. Such reports  
22 shall be subject to sale in the same manner and upon the  
23 same terms as other public documents.

1 *has been filed with the Commissioner or the Board, as the*  
2 *case may be.*

3 “(b) It shall be the duty of the Board and of each di-  
4 vision to make findings of fact and a decision in each case  
5 before it, and report thereon in writing; except that the  
6 findings of fact and report thereon may be omitted in case  
7 of a decision dismissing any proceeding upon motion either  
8 of the taxpayer, the Commissioner, or the Board. Whenever  
9 the Board deems it advisable, the report shall contain an  
10 opinion in writing in addition to the findings of fact and  
11 decision.

12 “(c) All reports of the Board and all evidence received  
13 by the Board and its divisions, including a transcript of the  
14 stenographic report of the hearings, shall be public records  
15 open to the inspection of the public; except that after the de-  
16 cision of the Board in any proceeding has become final the  
17 Board may, upon motion of the taxpayer or the Commis-  
18 sioner, permit the withdrawal by the party entitled thereto  
19 of originals of books, documents, and records, and of models,  
20 diagrams, and other exhibits, introduced in evidence before  
21 the Board or any division; or the Board may, on its own mo-  
22 tion, make such other disposition thereof as it deems advisable.

23 “(d) The Board shall provide for the publication of  
24 its reports at the Government Printing Office in such form  
25 and manner as may be best adapted for public information





1 and use, and such authorized publication shall be competent  
2 evidence of the reports of the Board therein contained in all  
3 courts of the United States and of the several States without  
4 any further proof or authentication thereof. Such reports  
5 shall be subject to sale in the same manner and upon the  
6 same terms as other public documents.

7 “(e) The principal office of the Board shall be in the  
8 District of Columbia, but the Board or any of its divisions  
9 may sit at any place within the United States. The times  
10 and places of the meetings of the Board and of its divisions  
11 shall be prescribed by the chairman with a view to securing  
12 reasonable opportunity to taxpayers to appear before the  
13 Board or any of its divisions, with as little inconvenience and  
14 expense to taxpayers as is practicable.

16 “(f) The Secretary of the Treasury shall provide the  
17 Board with suitable rooms in courthouses or other buildings  
18 when necessary for hearings by the Board, or any division  
19 thereof, outside the District of Columbia.

20 “WITNESSES

21 “SEC. 908. For the efficient administration of the func-  
22 tions vested in the Board or any division thereof, any  
23 member of the Board, or any employce of the Board desig-  
24 nated in writing for the purpose by the chairman, may  
25 administer oaths, and any member of the Board may examine  
26 witnesses and require, by subpoena ordered by the Board

1 returns, books, papers, documents, correspondence, and other  
2 evidence, from any place in the United States at any  
3 designated place of hearing, (2) the taking of a deposition  
4 before any designated individual competent to administer  
5 oaths under this Act, and (3) the answer in writing under  
6 oath to any question of fact submitted. In the case of a  
7 deposition the testimony shall be reduced to writing by the  
8 individual taking the deposition or under his direction and  
9 shall then be subscribed by the deponent. Any witnesses  
10 summoned or whose deposition is taken under this sub-  
11 division shall be paid the same fees and mileage as are paid  
12 witnesses in the courts of the United States.

1 or any division thereof and signed by the member, (1) the  
2 attendance and testimony of witnesses, and the production of  
3 all necessary returns, books, papers, documents, correspond-  
4 ence, and other evidence, from any place in the United  
5 States at any designated place of hearing, or (2) the taking  
6 of a deposition before any designated individual competent  
7 to administer oaths under this Act. In the case of a deposi-  
8 tion the testimony shall be reduced to writing by the indi-  
9 vidual taking the deposition or under his direction and shall  
10 then be subscribed by the deponent.

11 "SEC. 909. (a) Any witness summoned or whose  
12 deposition is taken under section 908 shall receive the same  
13 fees and mileage as witnesses in courts of the United States.  
14 Such fees and mileage and the expenses of taking any such  
15 deposition shall be paid as follows:

16 "(1) In the case of witnesses for the Commissioner,  
17 such payments shall be made by the Secretary out of any  
18 moneys appropriated for the collection of internal-revenue  
19 ~~taxes~~ taxes, and may be made in advance.

20 "(2) In the case of any other witnesses, such pay-  
21 ments shall be made, subject to rules prescribed by the Board,  
22 by the party at whose instance the witness appears or the  
23 deposition is taken.

24 "(b) This section shall take effect as of June 2, 1924,  
25 in the case of fees, mileage, or expenses accrued prior to,

4 (k) The members and employees of the Board and  
5 employees assigned thereto shall receive their necessary  
6 traveling expenses, and their actual expenses incurred for  
7 subsistence while traveling on duty and away from their des-  
8 ignated stations in an amount not to exceed \$7 per day in the  
9 case of members, and \$4 per day in the case of employees.  
10 The Board is authorized in accordance with the civil service  
11 laws to appoint, and in accordance with the Classification  
12 Act of 1923 to fix the compensation of, such employees,  
13 and to make such expenditures, including expenditures for  
14 personal services and rent at the seat of the government and  
15 elsewhere, and for law books, books of reference, and peri-  
16 odicals, as may be necessary efficiently to execute the func-  
17 tions vested in the Board, in case such assistants and such  
18 expenditures are not suitably provided for by the Secretary  
19 under subdivision (j). All expenditures of the Board  
20 shall be allowed and paid upon the presentation of itemized  
21 vouchers therefor, signed by the chairman, out of any  
22 moneys appropriated for the collection of internal-revenue  
23 taxes and allotted to the Board, or out of any moneys specifi-  
24 cally appropriated for the purposes of the Board. The  
25 Board shall be an independent agency in the executive  
26 branch of the Government.

1 but remaining unpaid at the time of, the enactment of the  
2 Revenue Act of 1926.

3 "EXPENDITURES AND PERSONNEL

4 "SEC. 910. The members of the Board shall receive  
5 necessary traveling expenses, and expenses actually incurred  
6 for subsistence while traveling on duty and away from their  
7 designated stations, subject to the same limitations in amount  
8 as are now or may hereafter be applicable to the Board of  
9 General Appraisers. The employees of the Board shall  
10 receive their necessary traveling expenses, and expenses  
11 actually incurred for subsistence while traveling on duty and  
12 away from their designated stations, in an amount not to  
13 exceed \$5 per day. The Board is authorized in accordance  
14 with the civil service laws to appoint, and in accordance  
15 with the Classification Act of 1923 to fix the compensation  
16 of, such employees, and to make such expenditures (includ-  
17 ing expenditures for personal services and rent at the seat of  
18 Government and elsewhere, and for law books, books of ref-  
19 erence, and periodicals), as may be necessary, efficiently to  
20 execute the functions vested in the Board. All expenditures  
21 of the Board shall be allowed and paid, out of any moneys  
22 appropriated for the purposes of the Board, upon presenta-  
23 tion of itemized vouchers therefor signed by the chairman.  
24 All fees received by the Board shall be covered into the  
25 Treasury as miscellaneous receipts. Section 3709 of the



1 Revised Statutes of the United States shall not be construed  
2 to apply to any purchase or service rendered for the Board  
3 when the aggregate amount involved does not exceed the  
4 sum of \$25.

5 "FRIVOLOUS APPEALS TO BOARD

6 "SEC. 911. Whenever it appears to the Board that  
7 proceedings before it have been instituted by the taxpayer  
8 merely for delay, damages in an amount not in excess of  
9 \$500 shall be awarded to the United States by the Board in  
10 its decision. Damages so awarded shall be assessed at the  
11 same time as the deficiency and shall be paid upon notice and  
12 demand from the collector, and shall be collected as a part  
13 of the ~~tax.~~ tax."

14 "COURT REVIEW OF BOARD'S DECISION

15 "SEC. 912. (a) The decision of the Board may be re-  
16 viewed by a Circuit Court of Appeals, or the Court of Ap-  
17 peals of the District of Columbia, as hereinafter provided; if  
18 a petition for such review is filed by either the Commissioner  
19 or the taxpayer within 90 days after the decision is rendered.

20 "(b) Such courts are authorized to adopt rules for the  
21 filing of such petition and the conduct of proceedings upon  
22 such review and, until the adoption of such rules, the rules  
23 of such courts relating to appellate proceedings upon a writ  
24 of error, so far as applicable, shall govern.

25 "(c) Despite the provisions of sections 274 and 308  
26 such review shall not operate as a stay of assessment or





1 collection of the amount of the deficiency determined by the  
2 Board unless prior to the expiration of 90 days after the  
3 decision of the Board is rendered, the taxpayer has filed  
4 with the Board a bond in a sum fixed by the Board not  
5 exceeding double the amount of such deficiency and with  
6 surety approved by the Board, conditioned upon the pay-  
7 ment of the deficiency as finally determined, together with  
8 any interest or additional amounts assessed in connection  
9 therewith and any addition to the tax in case of delinquency  
10 provided for in section 3176 of the Revised Statutes, as  
11 amended.

12       “(d) In cases where assessment or collection has not  
13 been stayed by the filing of a bond, then if the amount of  
14 the deficiency determined by the Board is disallowed in  
15 whole or in part by the court, the amount so disallowed shall  
16 be credited or refunded to the taxpayer as provided in sec-  
17 tion 281 of the Revenue Act of 1926, or, if collection has  
18 not been made, shall be abated.

19       “(e) Nothing in subdivision (c) shall be construed  
20 as relieving the petitioner from making or filing such under-  
21 takings as the court may require as a condition of or in  
22 connection with the review.

23                   COURT REVIEW OF BOARD'S DECISION

24       SEC. 1001. (a) The decision of the Board rendered  
25 after the enactment of this Act may be reviewed by a Circuit  
26 Court of Appeals, or the Court of Appeals of the District



1 of Columbia, as hereinafter provided, if a petition for such  
2 review is filed by either the Commissioner or the taxpayer  
3 within six months after the decision is rendered.

4 (b) Such courts are authorized to adopt rules for the  
5 filing of such petition and the conduct of proceedings upon  
6 such review and, until the adoption of such rules, the rules  
7 of such courts relating to appellate proceedings upon a  
8 writ of error, so far as applicable, shall govern.

9 (c) Despite the provisions of section 274, such review  
10 shall not operate as a stay of assessment or collection of any  
11 portion of the amount of the deficiency determined by the  
12 Board unless a petition for review in respect of such portion  
13 is filed by the taxpayer, and then only if the taxpayer (1) on  
14 or before the time his petition for review is filed (and in any  
15 event before the expiration of six months after the decision  
16 of the Board is rendered) has filed with the Board a bond  
17 in a sum fixed by the Board not exceeding double the amount  
18 of the portion of the deficiency in respect of which the peti-  
19 tion for review is filed, and with surety approved by the  
20 Board, conditioned upon the payment of the deficiency as  
21 finally determined, together with any interest, additional  
22 amounts, or additions to the tax provided for by law, or (2)  
23 has filed a jeopardy bond under Title II or Title III of the  
24 Revenue Act of 1924 or Title II of this Act. If as a  
25 result of a waiver under subdivision (d) of section 274



1 any part of the amount determined by the Board is paid  
2 after the filing of the review bond such bond shall, at the  
3 request of the taxpayer, be proportionately reduced.

4 (d) In cases where assessment or collection has not  
5 been stayed by the filing of a bond, then if the amount of the  
6 deficiency determined by the Board is disallowed in whole  
7 or in part by the court, the amount so disallowed shall be  
8 credited or refunded to the taxpayer, or, if collection has  
9 not been made, shall be abated.

10 (e) Nothing in subdivision (c) shall be construed as  
11 relieving the petitioner from making or filing such under-  
12 takings as the court may require as a condition of or in  
13 connection with the review.

14 ~~“SEC. 013. (a) Such decision may be reviewed—~~

15 ~~“(1) In the case of an individual, by the Circuit Court~~  
16 ~~of Appeals for the circuit whereof he is an inhabitant, or~~  
17 ~~if not an inhabitant of any circuit, then by the Court of~~  
18 ~~Appeals of the District of Columbia.~~

19 ~~“(2) In the case of a person (other than an indi-~~  
20 ~~vidual), except as provided in paragraph (3), by the Circuit~~  
21 ~~Court of Appeals for the circuit in which is located the office~~  
22 ~~of the collector of internal revenue to whom such person~~  
23 ~~made the return, and in case such person made no return,~~  
24 ~~then for any circuit in which is located the office of a collector~~



1 of internal revenue to whom such person should have made  
2 the return.

3       “(3) In the case of a corporation which had no princi-  
4 pal place of business or principal office or agency in the  
5 United States, then by the Court of Appeals of the District  
6 of Columbia.

7

## VENUE

8       SEC. 1002. Such decision may be reviewed—

9       (a) In the case of an individual, by the Circuit Court  
10 of Appeals for the circuit whereof he is an inhabitant, or if  
11 not an inhabitant of any circuit, then by the Court of  
12 Appeals of the District of Columbia.

13       (b) In the case of a person (other than an individual),  
14 except as provided in subdivision (c), by the Circuit Court  
15 of Appeals for the circuit in which is located the office of  
16 the collector to whom such person made the return, or in  
17 case such person made no return, then by the Court of  
18 Appeals of the District of Columbia.

19       (c) In the case of a corporation which had no principal  
20 place of business or principal office or agency in the United  
21 States, then by the Court of Appeals of the District of  
22 Columbia.

23       (d) In the case of an agreement between the Commis-  
24 sioner and the taxpayer, then by the Circuit Court of





1 *Appeals for the circuit, or the Court of Appeals of the*  
2 *District of Columbia, as stipulated in such agreement.*

3 **JURISDICTION**

4 ~~“SEC. 914~~ *SEC. 1003.* (a) The Circuit Courts of  
5 Appeals and the Court of Appeals of the District of Colum-  
6 bia shall have exclusive jurisdiction to review the decisions of  
7 the Board (except as provided in section 239 of the Judicial  
8 Code, as amended) ; and the judgment of any such court shall  
9 be final, except that it shall be subject to review by the  
10 Supreme Court of the United States upon certiorari, in the  
11 manner provided in section 240 of the Judicial Code, as  
12 amended.

13 ~~“(b)~~ (b) Upon such review, such courts shall have  
14 power to affirm or, if the decision of the Board is not in ac-  
15 cordance with law, to modify or to reverse the decision of the  
16 Board, or if there has been prejudicial error by the Board in  
17 ruling upon the admissibility of evidence, to remand the  
18 case to the Board for rehearing; but on no other ground  
19 shall a case be remanded for the taking of further evidence.

20 ~~“SEC. 914~~ *SEC. 1004.* (a) The Circuit Courts of Ap-  
21 peals, the Court of Appeals of the District of Columbia, and  
22 the Supreme Court shall have power to impose damages in  
23 any case where the decision of the Board is affirmed and it  
24 appears that the petition was filed merely for delay.



1       ~~“(b)~~ (b) The Board is authorized to fix a fee, not in ex-  
2 cess of the fee fixed by law to be charged and collected there-  
3 for by the clerks of the district courts, for comparing, or for  
4 preparing and comparing, a transcript of the record.

5       DATE ON WHICH BOARD'S DECISION BECOMES FINAL

6       ~~“SEC. 916~~ SEC. 1005. (a) The decision of the Board  
7 shall become final—

8       ~~“(1)~~ (1) Upon the expiration of the time allowed for  
9 filing a petition for review, if no such petition has been duly  
10 filed within such time; or

11       ~~“(2)~~ (2) Upon the expiration of the time allowed for  
12 filing a petition for certiorari, if the decision of the Board has  
13 been affirmed or the petition for review dismissed by the Cir-  
14 cuit Court of Appeals and no petition for certiorari has been  
15 duly filed; or

16       ~~“(3)~~ (3) Upon the denial of a petition for certiorari, if  
17 the decision of the Board has been affirmed or the petition for  
18 review dismissed by the Circuit Court of Appeals; or

19       ~~“(4)~~ (4) Upon the expiration of 30 days from the date  
20 of issuance of the mandate of the Supreme Court, if such  
21 Court directs that the decision of the Board be affirmed or  
22 the petition for review dismissed.

23       ~~“(b)~~ (b) If the Supreme Court directs that the decision  
24 of the Board be modified or reversed, the decision of the Board  
25 rendered in accordance with the mandate of the Supreme

Faint, illegible text, likely a table or list of items, possibly related to tax regulations or revenue details. The text is too light to transcribe accurately.

1 Court shall become final upon the expiration of 30 days from  
2 the time it was rendered, unless within such 30 days either  
3 the Commissioner or the taxpayer has instituted proceedings  
4 to have such decision corrected to accord with the mandate, in  
5 which event the decision of the Board shall become final  
6 when so corrected.

7 ~~“(e)~~ (c) If the decision of the Board is modified or re-  
8 versed by the Circuit Court of Appeals, and if (1) the time  
9 allowed for filing a petition for certiorari has expired and no  
10 such petition has been duly filed, or (2) the petition for  
11 certiorari has been denied, or (3) the decision of the Court  
12 has been affirmed by the Supreme Court, then the decision of  
13 the Board rendered in accordance with the mandate of the  
14 Circuit Court of Appeals shall become final on the expira-  
15 tion of 30 days from the time such decision of the Board  
16 was rendered, unless within such 30 days either the Com-  
17 missioner or the taxpayer has instituted proceedings to have  
18 such decision corrected so that it will accord with the man-  
19 date, in which event the decision of the Board shall become  
20 final when so corrected.

21 ~~“(d)~~ (d) If the Supreme Court orders a rehearing; or if  
22 the case is remanded by the Circuit Court of Appeals to the  
23 Board for a rehearing, and if (1) the time allowed for  
24 filing a petition for certiorari has expired, and no such peti-  
25 tion has been duly filed, or (2) the petition for certiorari

## 18 TITLE X.—GENERAL ADMINISTRATIVE PRO-

## 19 VISIONS

## 20 LAWS MADE APPLICABLE

21 SEC. 1000. All administrative, special, or stamp  
22 provisions of law, including the law relating to the assess-  
23 ment of taxes, so far as applicable, are hereby extended to  
24 and made a part of this Act.

1 has been denied, or (3) the decision of the court has been  
2 affirmed by the Supreme Court, then the decision of the  
3 Board rendered upon such rehearing shall become final in  
4 the same manner as though no prior decision of the Board  
5 had been rendered.

6 ~~“(c) As used in this section—~~

7 ~~“(1) The term ‘Circuit Court of Appeals’ includes~~  
8 ~~the Court of Appeals of the District of Columbia;~~

9 ~~“(2) The term ‘mandate,’ in case a mandate has been~~  
10 ~~recalled prior to the expiration of 30 days from the date of~~  
11 ~~issuance thereof, means the final mandate.”~~

12 *(c) As used in this section—*

13 *(1) The term “Circuit Court of Appeals” includes*  
14 *the Court of Appeals of the District of Columbia;*

15 *(2) The term “mandate,” in case a mandate has been*  
16 *recalled prior to the expiration of 30 days from the date of*  
17 *issuance thereof, means the final mandate.*

18 TITLE XI.—GENERAL ADMINISTRATIVE PRO-  
19 VISIONS

20 LAWS MADE APPLICABLE

21 SEC. 1100. All administrative, special, or stamp pro-  
22 visions of law, including the law relating to the assess-  
23 ment of taxes, so far as applicable, are hereby extended to  
24 and made a part of this Act.





1                                   **RULES AND REGULATIONS**

2           **SEC. 1101.** The Commissioner, with the approval of  
3 the Secretary, is authorized to prescribe all needful rules  
4 and regulations for the enforcement of this Act.

5                                   **RECORDS, STATEMENTS, AND SPECIAL RETURNS**

6           **SEC. 1102.** (a) Every person liable to any tax  
7 imposed by this Act, or for the collection thereof, shall keep  
8 such records, render under oath such statements, make such  
9 returns, and comply with such rules and regulations, as the  
10 Commissioner, with the approval of the Secretary, may  
11 from time to time prescribe.

12           (b) Whenever in the judgment of the Commissioner  
13 necessary he may require any person, by notice served upon  
14 him, to make a return, render under oath such statements,  
15 or keep such records as the Commissioner deems sufficient to  
16 show whether or not such person is liable to tax.

17           (c) The Commissioner, with the approval of the Sec-  
18 retary, may by regulation prescribe that any return required  
19 by any internal revenue law (except returns required under  
20 income or estate tax laws) to be under oath may, if the  
21 amount of the tax covered thereby is not in excess of \$10, be  
22 signed or acknowledged before two witnesses instead of  
23 under oath.

24           (d) Any oath or affirmation required by the provisions  
25 of this Act or regulations made under authority thereof may

1 be administered by any officer authorized to administer oaths  
2 for general purposes by the law of the United States or of any  
3 State, Territory, or possession of the United States, wherein  
4 such oath or affirmation is administered, or by any consular  
5 officer of the United States.

6 SEC. 1003. Section 3176 of the Revised Statutes, as  
7 amended, is amended to read as follows:

8 "SEC. 3176. If any person, corporation, company, or  
9 association fails to make and file a return or list at the time  
10 prescribed by law or by regulation made under authority of  
11 law, or makes, willfully or otherwise, a false or fraudulent  
12 return or list, the collector or deputy collector shall make the  
13 return or list from his own knowledge and from such informa-  
14 tion as he can obtain through testimony or otherwise. In  
15 any such case the Commissioner of Internal Revenue may,  
16 from his own knowledge and from such information as he can  
17 obtain through testimony or otherwise, make a return or  
18 amend any return made by a collector or deputy collector.  
19 Any return or list so made and subscribed by the Commis-  
20 sioner, or by a collector or deputy collector and approved by  
21 the Commissioner, shall be prima facie good and sufficient  
22 for all legal purposes.

23 "If the failure to file a return (other than a return  
24 under Title II of the Revenue Act of 1924) or a list is due  
25 to sickness or absence, the collector may allow such further

1 be administered by any officer authorized to administer oaths  
2 for general purposes by the law of the United States or of any  
3 State, Territory, or possession of the United States, wherein  
4 such oath or affirmation is administered, or by any consular  
5 officer of the United States.

6 SEC. 1103. Section 3176 of the Revised Statutes,  
7 as amended, is amended to read as follows:

8 "SEC. 3176. If any person, corporation, company, or  
9 association fails to make and file a return or list at the time  
10 prescribed by law or by regulation made under authority of  
11 law, or makes, willfully or otherwise, a false or fraudulent  
12 return or list, the collector or deputy collector shall make the  
13 return or list from his own knowledge and from such informa-  
14 tion as he can obtain through testimony or otherwise. In  
15 any such case the Commissioner of Internal Revenue may,  
16 from his own knowledge and from such information as he can  
17 obtain through testimony or otherwise, make a return or  
18 amend any return made by a collector or deputy collector.  
19 Any return or list so made and subscribed by the Commis-  
20 sioner, or by a collector or deputy collector and approved by  
21 the Commissioner, shall be prima facie good and sufficient  
22 for all legal purposes.

23 "If the failure to file a return (other than a return  
24 under Title II of the Revenue Act of 1924 or Title II of  
25 the Revenue Act of 1926) or a list is due to sickness or

1 time, not exceeding thirty days, for making and filing the  
2 return or list as he deems proper.

4 "The Commissioner of Internal Revenue shall deter-  
5 mine and assess all taxes, other than stamp taxes, as to which  
6 returns or lists are so made under the provisions of this  
7 section. In case of any failure to make and file a return  
8 or list within the time prescribed by law, or prescribed by  
9 the Commissioner of Internal Revenue or the collector in  
10 pursuance of law, the Commissioner shall add to the tax 25  
11 per centum of its amount, except that when a return is filed  
12 after such time and it is shown that the failure to file it was  
13 due to a reasonable cause and not to willful neglect, no  
14 such addition shall be made to the tax. In case a false or  
15 fraudulent return or list is willfully made, the Commissioner  
16 shall add to the tax 50 per centum of its amount.

17 "The amount so added to any tax shall be collected at  
18 the same time and in the same manner and as a part of the  
19 tax unless the tax has been paid before the discovery of the  
20 neglect, falsity, or fraud, in which case the amount so added  
21 shall be collected in the same manner as the tax."

22 EXAMINATION OF BOOKS AND WITNESSES

23 SEC. 1004. The Commissioner, for the purpose of ascer-  
24 taining the correctness of any return or for the purpose of  
25 making a return where none has been made, is hereby

1 absence, the collector may allow such further time, not  
2 exceeding 30 days, for making and filing the return or  
3 list as he deems proper.

4 "The Commissioner of Internal Revenue shall deter-  
5 mine and assess all taxes, other than stamp taxes, as to which  
6 returns or lists are so made under the provisions of this  
7 section. In case of any failure to make and file a return  
8 or list within the time prescribed by law, or prescribed by  
9 the Commissioner of Internal Revenue or the collector in  
10 pursuance of law, the Commissioner shall add to the tax 25  
11 per centum of its amount, except that when a return is filed  
12 after such time and it is shown that the failure to file it was  
13 due to a reasonable cause and not to willful neglect, no  
14 such addition shall be made to the tax. In case a false or  
15 fraudulent return or list is willfully made, the Commissioner  
16 shall add to the tax 50 per centum of its amount.

17 "The amount so added to any tax shall be collected at  
18 the same time and in the same manner and as a part of the  
19 tax unless the tax has been paid before the discovery of the  
20 neglect, falsity, or fraud, in which case the amount so added  
21 shall be collected in the same manner as the tax."

22 EXAMINATION OF BOOKS AND WITNESSES

23 SEC. 1104. The Commissioner, for the purpose of  
24 ascertaining the correctness of any return or for the purpose  
25 of making a return where none has been made, is hereby

1 authorized, by any revenue agent or inspector designated  
2 by him for that purpose, to examine any books, papers,  
3 records, or memoranda bearing upon the matters required to  
4 be included in the return, and may require the attendance  
5 of the person rendering the return or of any officer or em-  
6 ployee of such person, or the attendance of any other person  
7 having knowledge in the premises, and may take his testimony  
8 with reference to the matter required by law to be included  
9 in such return, with power to administer oaths to such person  
10 or persons.

11

#### UNNECESSARY EXAMINATIONS

12 SEC. 1005. No taxpayer shall be subjected to unneces-  
13 sary examinations or investigations, and only one inspection  
14 of a taxpayer's books of account shall be made for each tax-  
15 able year unless the taxpayer requests otherwise or unless  
16 the Commissioner, after investigation, notifies the taxpayer  
17 in writing that an additional inspection is necessary.

18

#### FINAL DETERMINATIONS AND ASSESSMENTS

19 SEC. 1006. If after a determination and assessment in  
20 any case the taxpayer has paid in whole any tax or penalty,  
21 or accepted any abatement, credit, or refund based on such  
22 determination and assessment, and an agreement is made in  
23 writing between the taxpayer and the Commissioner, with  
24 the approval of the Secretary, that such determination and  
25 assessment shall be final and conclusive, then (except upon

1 authorized, by any revenue agent or inspector designated  
2 by him for that purpose, to examine any books, papers,  
3 records, or memoranda bearing upon the matters required to  
4 be included in the return, and may require the attendance  
5 of the person rendering the return or of any officer or em-  
6 ployee of such person, or the attendance of any other person  
7 having knowledge in the premises, and may take his testimony  
8 with reference to the matter required by law to be included  
9 in such return, with power to administer oaths to such person  
10 or persons. .

11 UNNECESSARY EXAMINATIONS

12 SEC. 1105. No taxpayer shall be subjected to un-  
13 necessary examinations or investigations, and only one in-  
14 spection of a taxpayer's books of account shall be made for  
15 each taxable year unless the taxpayer requests otherwise or  
16 unless the Commissioner, after investigation, notifies the  
17 taxpayer in writing that an additional inspection is necessary.

18 FINAL DETERMINATIONS AND ASSESSMENTS

19 SEC. 1106. If after a determination and assessment  
20 in any case the taxpayer has paid in whole any tax or  
21 penalty, or accepted any abatement, credit, or refund based  
22 on such determination and assessment, and an agreement is  
23 made in writing between the taxpayer and the Commissioner,  
24 with the approval of the Secretary, that such determination  
25 and assessment shall be final and conclusive, then (except

1 a showing of fraud or malfeasance or misrepresentation of  
2 fact materially affecting the determination or assessment  
3 thus made) (1) the case shall not be reopened or the deter-  
4 mination and assessment modified by any officer, employee,  
5 or agent of the United States, and (2) no suit, action, or  
6 proceeding to annul, modify, or set aside such determination  
7 or assessment shall be entertained by any court of the  
8 United States.

9

## ADMINISTRATIVE REVIEW

10 SEC. 1007. In the absence of fraud or mistake in  
11 mathematical calculation, the findings of facts in and the  
12 decision of the Commissioner upon (or in case the Secretary  
13 is authorized to approve the same, then after such approval)  
14 the merits of any claim presented under or authorized by  
15 the internal revenue laws shall not, except as provided in  
16 section 900, be subject to review by any other administra-  
17 tive or accounting officer, employee, or agent of the United  
18 States.

19

## RETROACTIVE REGULATIONS

20 SEC. 1008. (a) In case a regulation or Treasury  
21 decision relating to the internal revenue laws, made by the  
22 Commissioner or the Secretary, or by the Commissioner  
23 with the approval of the Secretary, is reversed by a subse-  
24 quent regulation or Treasury decision, and such reversal is  
25 not immediately occasioned or required by a decision of



1 upon a showing of fraud or malfeasance or misrepresentation  
2 of fact materially affecting the determination or assessment  
3 thus made) (1) the case shall not be reopened or the deter-  
4 mination and assessment modified by any officer, employee,  
5 or agent of the United States, and (2) no suit, action, or  
6 proceeding to annul, modify, or set aside such determination  
7 or assessment shall be entertained by any court of the  
8 United States.

9 ADMINISTRATIVE REVIEW

10 SEC. 1107. In the absence of fraud or mistake in  
11 mathematical calculation, the findings of facts in and the de-  
12 cision of the Commissioner upon (or in case the Secretary  
13 is authorized to approve the same, then after such approval)  
14 the merits of any claim presented under or authorized by  
15 the internal-revenue laws shall not, except as provided in  
16 Title IX of the Revenue Act of 1924, as amended, be  
17 subject to review by any other administrative or accounting  
18 officer, employee, or agent of the United States.

19 RETROACTIVE REGULATIONS

20 SEC. 1108. (a) In case a regulation or Treasury  
21 decision relating to the internal-revenue laws, made by the  
22 Commissioner or the Secretary, or by the Commissioner  
23 with the approval of the Secretary, is reversed by a subse-  
24 quent regulation or Treasury decision, and such reversal is  
25 not immediately occasioned or required by a decision of

1 a court of competent jurisdiction, such subsequent regulation  
2 or Treasury decision may, in the discretion of the Commis-  
3 sioner, with the approval of the Secretary, be applied without  
4 retroactive effect.

5 (b) No tax shall be levied, assessed, or collected under  
6 the provisions of Title VI of this Act on any article sold  
7 or leased by the manufacturer, producer, or importer, if at  
8 the time of the sale or lease there was an existing ruling,  
9 regulation, or Treasury decision holding that the sale or  
10 lease of such article was not taxable, and the manufacturer,  
11 producer, or importer parted with possession or ownership  
12 of such article, relying upon the ruling, regulation, or  
13 Treasury decision.

## 14 LIMITATION ON ASSESSMENTS AND SUITS BY THE UNITED

## 15 STATES

16 SEC. 1009. (a) Except as provided in sections 277,  
17 278, 310, and 311, and subdivisions (b) and (c) of this  
18 section, all internal-revenue taxes shall, notwithstanding the  
19 provisions of section 3182 of the Revised Statutes or any  
20 other provision of law, be assessed within four years after  
21 such taxes became due, and no proceeding in court for the  
22 collection of such taxes shall be begun after the expiration  
23 of five years after such taxes became due.

24 (b) In case of a false or fraudulent return with intent  
25 to evade tax, of a failure to file a required return, or of a

1 a court of competent jurisdiction, such subsequent regulation  
2 or Treasury decision may, in the discretion of the Commis-  
3 sioner, with the approval of the Secretary, be applied without  
4 retroactive effect.

5 (b) No tax shall be levied, assessed, or collected under  
6 the provisions of Title VI of this Act on any article sold  
7 or leased by the manufacturer, producer, or importer, if at  
8 the time of the sale or lease there was an existing ruling,  
9 regulation, or Treasury decision holding that the sale or  
10 lease of such article was not taxable, and the manufacturer,  
11 producer, or importer parted with possession or ownership  
12 of such article, relying upon the ruling, regulation, or  
13 Treasury decision.

14 LIMITATION ON ASSESSMENTS AND SUITS BY THE UNITED  
15 STATES

16 SEC. 1109. (a) Except as provided in sections 277,  
17 278, 310, and 311, and subdivisions (b) and (c) of this  
18 section, all internal-revenue taxes shall, notwithstanding the  
19 provisions of section 3182 of the Revised Statutes or any  
20 other provision of law, be assessed within four years after  
21 such taxes became due, and no proceeding in court for the  
22 collection of such taxes shall be begun after the expiration  
23 of five years after such taxes became due.

24 (b) In case of a false or fraudulent return with intent  
25 to evade tax, of a failure to file a required return, or of a

1 willful attempt in any manner to defeat or evade tax, the  
2 tax may be assessed, or a proceeding in court for the collec-  
3 tion of such tax may be begun without assessment, at any  
4 time.

5 (c) Where the assessment of the tax is made within  
6 the period prescribed in subdivisions (a) and (b) such tax  
7 may be collected by distraint or by a proceeding in court,  
8 begun within six years after the assessment of the tax.  
9 Nothing in this Act shall be construed as preventing the  
10 beginning, without assessment, of a proceeding in court for  
11 the collection of the tax at any time before the expiration  
12 of the period provided in subdivision (a) for the beginning  
13 of such proceeding.

14 (d) This section shall not (1) authorize the assessment  
15 of a tax or the collection thereof by distraint or by a pro-  
16 ceeding in court if at the time of the enactment of this Act  
17 such assessment, distraint, or proceeding was barred by the  
18 period of limitation then in existence, or (2) affect any  
19 assessment made, or distraint or proceeding in court begun,  
20 before the enactment of this Act.

1 willful attempt in any manner to defeat or evade tax, the  
2 tax may be assessed, or a proceeding in court for the col-  
3 lection of such tax may be begun without assessment, at any  
4 time.

5 ~~(c)~~ Where the assessment of the tax is made within  
6 the period prescribed in subdivisions ~~(a)~~ and ~~(b)~~ such tax  
7 may be collected by distraint or by a proceeding in court,  
8 begun within six years after the assessment of the tax.  
9 Nothing in this Act shall be construed as preventing the  
10 beginning, without assessment, of a proceeding in court for  
11 the collection of the tax at any time before the expiration  
12 of the period provided in subdivision ~~(a)~~ for the beginning  
13 of such proceeding.

14 ~~(d)~~ This section shall not ~~(1)~~ authorize the assessment  
15 of a tax or the collection thereof by distraint or by a pro-  
16 ceeding in court if at the time of the enactment of this Act  
17 such assessment, distraint, or proceeding was barred by the  
18 period of limitation then in existence, or ~~(2)~~ affect any  
19 assessment made, or distraint or proceeding in court begun,  
20 before the enactment of this Act.

21 *SEC. 1109. (a) Except as provided in sections 277*  
22 *and 278—*

23 *(1) Notwithstanding the provisions of section 3182 of*  
24 *the Revised Statutes or any other provision of law, all inter-*  
25 *nal-revenue taxes shall (except as provided in paragraph (1)*

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1 or (2) of this subdivision) be assessed within four years  
2 after such taxes became due, and no proceeding in court  
3 without assessment for the collection of such taxes shall be  
4 begun after the expiration of five years after such taxes  
5 became due.

6 (2) In case of a false or fraudulent return with intent  
7 to evade tax, of a failure to file a return within the time  
8 required by law, or of a willful attempt in any manner to  
9 defeat or evade tax, the tax may be assessed, or a proceeding  
10 in court for the collection of such tax may be begun without  
11 assessment, at any time.

12 (3) Where the assessment of any tax imposed by this  
13 Act or by prior Act of Congress has been made (whether  
14 before or after the enactment of this Act) within the statutory  
15 period of limitation properly applicable thereto, such tax may  
16 be collected by distraint or by a proceeding in court (begun  
17 before or after the enactment of this Act), but only if begun  
18 (1) within six years after the assessment of the tax, or (2)  
19 prior to the expiration of any period for collection agreed  
20 upon in writing by the Commissioner and the taxpayer.

21 (b) This section shall not bar a distraint or proceeding  
22 in court begun before the enactment of the Revenue Act of  
23 1924; nor shall it authorize the assessment of a tax or the  
24 collection thereof by distraint or by proceeding in court if at  
25 the time of the enactment of this Act such assessment, distraint,

## 5 LIMITATION ON PROSECUTIONS BY THE UNITED STATES

6 SEC. 1010. (a) The Act entitled "An Act to limit  
7 the time within which prosecutions may be instituted against  
8 persons charged with violating internal revenue laws," ap-  
9 proved July 5, 1884, as amended, is amended to read as  
10 follows:

11 "That no person shall be prosecuted, tried, or punished  
12 for any of the various offenses arising under the internal  
13 revenue laws of the United States unless the indictment is  
14 found or the information instituted within three years next  
15 after the commission of the offense: *Provided*, That for  
16 offenses involving the defrauding or attempting to defraud  
17 the United States or any agency thereof, whether by con-  
18 spiracy or not, and in any manner, the period of limita-  
19 tion shall be six years, but this proviso shall not apply to  
20 acts, offenses, or transactions which were barred by law at  
21 the time of the enactment of the Revenue Act of 1924:  
22 *Provided further*, That the time during which the person  
23 committing the offense is absent from the district wherein  
24 the same is committed shall not be taken as any part of the  
25 time limited by law for the commencement of such pro-



1 *or proceeding was barred by the statutory period of limita-*  
2 *tion properly applicable thereto, unless prior to the enactment*  
3 *of this Act the Commissioner and the taxpayer agreed in*  
4 *writing thereto.*

## 5 LIMITATION ON PROSECUTIONS BY THE UNITED STATES

6 SEC. 1110. (a) The Act entitled "An Act to limit  
7 the time within which prosecutions may be instituted against  
8 persons charged with violating internal-revenue laws,"  
9 approved July 5, 1884, as amended, is reenacted without  
10 change, as follows:

11 "That no person shall be prosecuted, tried, or punished  
12 for any of the various offenses arising under the internal  
13 revenue laws of the United States unless the indictment is  
14 found or the information instituted within three years next  
15 after the commission of the offense: *Provided*, That for  
16 offenses involving the defrauding or attempting to defraud  
17 the United States or any agency thereof, whether by con-  
18 spiracy or not, and in any manner, the period of limita-  
19 tion shall be six years, but this proviso shall not apply to  
20 acts, offenses, or transactions which were barred by law at  
21 the time of the enactment of the Revenue Act of 1924:  
22 *Provided further*, That the time during which the person  
23 committing the offense is absent from the district wherein  
24 the same is committed shall not be taken as any part of the  
25 time limited by law for the commencement of such pro-

1 ceedings: *Provided further*, That the provisions of this Act  
2 shall not apply to offenses committed prior to its passage:  
3 *Provided further*, That where a complaint shall be insti-  
4 tuted before a commissioner of the United States within the  
5 period above limited, the time shall be extended until the  
6 discharge of the grand jury at its next session within the  
7 district: *And provided further*, That this Act shall not apply  
8 to offenses committed by officers of the United States."

9 (b) Any prosecution or proceeding under an indict-  
10 ment found or information instituted prior to the enactment  
11 of the Revenue Act of 1921 shall not be affected in any  
12 manner by this section, nor by the amendment by the Rev-  
13 enue Act of 1921 of such Act of July 5, 1884, but such  
14 prosecution or proceeding shall be subject to the limitations  
15 imposed by law prior to the enactment of the Revenue Act  
16 of 1921.

17

## REFUNDS

18 SEC. 1011. Section 3220 of the Revised Statutes, as  
19 amended, is reenacted without change, as follows:

20 "SEC. 3220. The Commissioner of Internal Revenue,  
21 subject to regulations prescribed by the Secretary of the  
22 Treasury, is authorized to remit, refund, and pay back all  
23 taxes erroneously or illegally assessed or collected, all  
24 penalties collected without authority, and all taxes that  
25 appear to be unjustly assessed or excessive in amount, or in

1 proceedings: *Provided further*, That the provisions of this Act  
2 shall not apply to offenses committed prior to its passage:  
3 *Provided further*, That where a complaint shall be insti-  
4 tuted before a commissioner of the United States within the  
5 period above limited, the time shall be extended until the  
6 discharge of the grand jury at its next session within the  
7 district: *And provided further*, That this Act shall not apply  
8 to offenses committed by officers of the United States.”

9 (b) Any prosecution or proceeding under an indict-  
10 ment found or information instituted prior to the enactment  
11 of the Revenue Act of 1921 shall not be affected in any  
12 manner by this section, nor by the amendment by the Rev-  
13 enue Act of 1921 of such Act of July 5, 1884, but such  
14 prosecution or proceeding shall be subject to the limitations  
15 imposed by law prior to the enactment of the Revenue Act  
16 of 1921.

17 REFUNDS

18 SEC. 1111. Section 3220 of the Revised Statutes, as  
19 amended, is amended to read as follows:

20 “SEC. 3220. Except as otherwise provided in ~~sections~~  
21 ~~281 and 317~~ section 284 of the Revenue Act of 1926 the  
22 Commissioner of Internal Revenue, subject to regulations  
23 prescribed by the Secretary of the Treasury, is authorized to  
24 remit, refund, and pay back all taxes erroneously or illegally  
25 assessed or collected, all penalties collected without authority,

1 any manner wrongfully collected; also to repay to any col-  
2 lector or deputy collector the full amount of such sums of  
3 money as may be recovered against him in any court, for any  
4 internal revenue taxes collected by him, with the cost and  
5 expenses of suit; also all damages and costs recovered against  
6 any assessor, assistant assessor, collector, deputy collector,  
7 agent, or inspector, in any suit brought against him by reason  
8 of anything done in the due performance of his official duty,  
9 and shall make report to Congress at the beginning of each  
10 regular session of Congress of all transactions under this  
11 section."

13 SEC. 1012. Section 3228 of the Revised Statutes, as  
14 amended, is amended to read as follows:

15 "SEC. 3228. (a) All claims for the refunding or credit-  
16 ing of any internal-revenue tax alleged to have been erro-  
17 neously or illegally assessed or collected, or of any penalty  
18 alleged to have been collected without authority, or of any  
19 sum alleged to have been excessive or in any manner wrong-  
20 fully collected must, except as provided in section 281 of the  
21 Revenue Act of 1924, be presented to the Commissioner of  
22 Internal Revenue within four years next after the payment  
23 of such tax, penalty, or sum.

24 "(b) Except as provided in section 281 of the Reve-  
25 nue Act of 1924, claims for credit or refund (other than

1 and all taxes that appear to be unjustly assessed or excessive  
2 in amount, or in any manner wrongfully collected; also to repay  
3 to any collector or deputy collector the full amount of such  
4 sums of money as may be recovered against him in any court,  
5 for any internal-revenue taxes collected by him, with the  
6 cost and expenses of suit; also all damages and costs recov-  
7 ered against any assessor, assistant assessor, collector, deputy  
8 collector, agent, or inspector, in any suit brought against him  
9 by reason of anything done in the due performance of his  
10 official duty, and shall make report to Congress at the begin-  
11 ning of each regular session of Congress of all transactions  
12 under this section."

13 SEC. 1112. Section 3228 of the Revised Statutes,  
14 as amended, is amended to read as follows:

15 "SEC. 3228. (a) All claims for the refunding or credit-  
16 ing of any internal-revenue tax, alleged to have been erro-  
17 neously or illegally assessed or collected, or of any penalty  
18 alleged to have been collected without authority, or of any  
19 sum alleged to have been excessive or in any manner wrong-  
20 fully collected must, except as provided in sections ~~281~~ and  
21 ~~317~~ section 284 of the Revenue Act of 1926, be presented to  
22 the Commissioner of Internal Revenue within four years next  
23 after the payment of such tax, penalty, or sum.

24 "(b) Except as provided in section ~~281~~ 284 of the Rev-  
25 enue Act of 1926, claims for credit or refund (other than

1) ~~claims in respect of taxes imposed by the Revenue Act of~~  
2) ~~1916, the Revenue Act of 1917, or the Revenue Act of~~  
3) 1918) which at the time of the enactment of the Revenue  
4) Act of 1921 were barred from allowance by the period of  
5) limitation then in existence, shall not be allowed."

6) SEC. 1013. (a) The second proviso of the first section  
7) of the Act entitled "An Act Authorizing the Commissioner  
8) of Internal Revenue to redeem or make allowance for  
9) internal-revenue stamps," approved May 12, 1900, as  
10) amended, is amended to read as follows: "*Provided further,*  
11) That no claim for the redemption of or allowance for stamps  
12) shall be allowed unless presented within four years after  
13) the purchase of such stamps from the Government."

14) (b) The exemption provided in paragraph (10) of  
15) subdivision (a) of section 11 of the Revenue Act of 1916,  
16) and in subdivision (10) of section 231 of the Revenue Act  
17) of 1918, and in subdivision (10) of section 231 of the  
18) Revenue Act of 1921, shall be granted to farmers' or other  
19) mutual hail, cyclone, or fire insurance companies (if other-  
20) wise exempt under such paragraphs), whether or not such  
21) organizations were of a purely local character. Any taxes  
22) assessed against such organizations shall, subject to the statu-  
23) tory period of limitations properly applicable thereto, be  
24) abated, credited or refunded.

1 claims in respect of taxes imposed by the Revenue Act of  
2 1916, the Revenue Act of 1917, or the Revenue Act of  
3 1918) which at the time of the enactment of the Revenue  
4 Act of 1921 were barred from allowance by the period of  
5 limitation then in existence, shall not be allowed."

J. 80419—40

1. LIMITATIONS UPON SUITS AND PROCEEDINGS BY THE  
2. TAXPAYER

3. SEC. 1014. (a) Section 3226 of the Revised Statutes,  
4. as amended, is amended to read as follows:

5. "SEC. 3226. No suit or proceeding shall be maintained  
6. in any court for the recovery of any internal-revenue tax  
7. alleged to have been erroneously or illegally assessed or  
8. collected, or of any penalty claimed to have been collected  
9. without authority, or of any sum alleged to have been ex-  
10. cessive or in any manner wrongfully collected until a claim  
11. for refund or credit has been duly filed with the Commis-  
12. sioner of Internal Revenue, according to the provisions  
13. of law in that regard, and the regulations of the Secretary  
14. of the Treasury established in pursuance thereof; but such  
15. suit or proceeding may be maintained, whether or not such  
16. tax, penalty, or sum has been paid under protest or duress.  
17. No such suit or proceeding shall be begun before the ex-  
18. piration of six months from the date of filing such claim  
19. unless the Commissioner renders a decision thereon within  
20. that time, nor after the expiration of five years from the  
21. date of the payment of such tax, penalty, or sum, unless  
22. such suit or proceeding is begun within two years after the  
23. disallowance of the part of such claim to which such suit  
24. or proceeding relates. The Commissioner shall within 90  
25. days after any such disallowance notify the taxpayer thereof  
26. by mail."



1 LIMITATIONS UPON SUITS AND PROCEEDINGS BY THE  
2 TAXPAYER

3 SEC. 1113. (a) Section 3226 of the Revised Statutes,  
4 as amended, is reenacted without change, as follows:

5 "SEC. 3226. No suit or proceeding shall be maintained  
6 in any court for the recovery of any internal-revenue tax  
7 alleged to have been erroneously or illegally assessed or  
8 collected, or of any penalty claimed to have been collected  
9 without authority, or of any sum alleged to have been ex-  
10 cessive or in any manner wrongfully collected until a claim  
11 for refund or credit has been duly filed with the Commis-  
12 sioner of Internal Revenue, according to the provisions  
13 of law in that regard, and the regulations of the Secretary  
14 of the Treasury established in pursuance thereof; but such  
15 suit or proceeding may be maintained, whether or not such  
16 tax, penalty, or sum has been paid under protest or duress.  
17 No such suit or proceeding shall be begun before the ex-  
18 piration of six months from the date of filing such claim,  
19 unless the Commissioner renders a decision thereon within  
20 that time, nor after the expiration of five years from the  
21 date of the payment of such tax, penalty, or sum, unless  
22 such suit or proceeding is begun within two years after the  
23 disallowance of the part of such claim to which such suit  
24 or proceeding relates. The Commissioner shall within 90  
25 days after any such disallowance notify the taxpayer thereof  
26 by mail."

1 (b) This section shall not affect any proceeding in  
2 court instituted prior to the enactment of this Act.

3 SEC. 1015. Section 3225 of the Revised Statutes, as  
4 amended, is repealed and any claim for credit or refund of  
5 taxes imposed by the Revenue Act of 1916, the Revenue  
6 Act of 1917, the Revenue Act of 1918, the Revenue Act  
7 of 1921, or any such Act as amended, heretofore denied  
8 in whole or in part because of the provisions of such section  
9 may be reopened and decided without reference to its pro-  
10 visions.

11 DISTRAINT OF BANK ACCOUNTS

12 SEC. 1016. Section 3187 of the Revised Statutes is  
13 amended by inserting after "securities" the words "bank  
14 accounts" and a comma.

15 PENALTIES

16 SEC. 1017. (a) Any person required under this Act to  
17 pay any tax, or required by law or regulations made under  
18 authority thereof to make a return, keep any records, or  
19 supply any information, for the purposes of the computa-  
20 tion, assessment, or collection of any tax imposed by this Act,  
21 who willfully fails to pay such tax, make such return, keep  
22 such records, or supply such information, at the time or times  
23 required by law or regulations, shall, in addition to other pen-  
24 alties provided by law, be guilty of a misdemeanor and, upon  
25 conviction thereof, be fined not more than \$10,000, or im-

1 (b) This section shall not affect any proceeding in  
2 court instituted prior to the enactment of this Act.

15

**PENALTIES**

16 SEC. 1114. (a) Any person required under this Act  
17 to pay any tax, or required by law or regulations made  
18 under authority thereof to make a return, keep any records,  
19 or supply any information, for the purposes of the computa-  
20 tion, assessment, or collection of any tax imposed by this Act,  
21 who willfully fails to pay such tax, make such return, keep  
22 such records, or supply such information, at the time or times  
23 required by law or regulations, shall, in addition to other pen-  
24 alties provided by law, be guilty of a misdemeanor and, upon  
25 conviction thereof, be fined not more than \$10,000, or in-

1    prisoned for not more than one year, or both, together with  
2    the costs of prosecution.

3           (b) Any person required under this Act to collect, ac-  
4    count for and pay over any tax imposed by this Act, who  
5    willfully fails to collect or truthfully account for and pay  
6    over such tax, and any person who willfully attempts in  
7    any manner to evade or defeat any tax imposed by this  
8    Act or the payment thereof, shall, in addition to other pen-  
9    alties provided by law, be guilty of a felony and, upon con-  
10   viction thereof, be fined not more than \$10,000, or impris-  
11   oned for not more than five years, or both, together with the  
12   costs of prosecution.

13           (c) Any person who willfully (1) aids or assists in  
14   the preparation or presentation of a false or fraudulent re-  
15   turn, affidavit, claim, or document, authorized or required  
16   by the internal-revenue laws, or (2) procures, counsels, or  
17   advises the preparation or presentation of such return, affi-  
18   davit, claim, or document, shall (whether or not such falsity  
19   or fraud is with the knowledge or consent of the person  
20   authorized or required to present such return, affidavit, claim,  
21   or document) be guilty of a felony and, upon conviction  
22   thereof, be fined not more than \$10,000, or imprisoned for  
23   not more than five years, or both, together with the costs of  
24   prosecution.

1    prisoned for not more than one year, or both, together with  
2    the costs of prosecution.

3           (b) Any person required under this Act to collect, ac-  
4    count for and pay over any tax imposed by this Act, who  
5    willfully fails to collect or truthfully account for and pay  
6    over such tax, and any person who willfully attempts in  
7    any manner to evade or defeat any tax imposed by this  
8    Act or the payment thereof, shall, in addition to other pen-  
9    alties provided by law, be guilty of a felony and, upon con-  
10   viction thereof, be fined not more than \$10,000, or impris-  
11   oned for not more than five years, or both, together with the  
12   costs of prosecution.

13           (c) Any person who willfully ~~(1)~~ aids or assists in  
14   the preparation or presentation of a false or fraudulent re-  
15   turn, affidavit, claim, or document, authorized or required  
16   by the internal revenue laws, or ~~(2)~~ procures, counsels, or  
17   advises the preparation or presentation of such return, affi-  
18   davit, claim, or document, shall ~~(whether or not such falsity~~  
19   or fraud is with the knowledge or consent of the person  
20   authorized or required to present such return, affidavit, claim,  
21   or document) be guilty of a felony and, upon conviction  
22   thereof, be fined not more than \$10,000, or imprisoned for  
23   not more than five years, or both, together with the costs of  
24   prosecution.

25           (c) Any person who willfully aids or assists in, or  
26   procures, counsels, or advises, the preparation or presen-

10 (d) Any person who willfully fails to pay, collect, or  
11 truthfully account for and pay over, any tax imposed by  
12 Titles IV, V, VI, VII, and VIII, or willfully attempts in  
13 any manner to evade or defeat any such tax or the payment  
14 thereof, shall, in addition to other penalties provided by law,  
15 be liable to a penalty of the amount of the tax evaded; or  
16 not paid, collected or accounted for and paid over, to be  
17 assessed and collected in the same manner as taxes are  
18 assessed and collected. No penalty shall be assessed under  
19 this subdivision for any offense for which a penalty may be  
20 assessed under authority of section 3176 of the Revised  
21 Statutes, as amended, or for any offense for which a penalty  
22 has been recovered under section 3256 of the Revised  
23 Statutes.

1 *tation under, or in connection with any matter arising under,*  
2 *the internal-revenue laws, of a false or fraudulent return,*  
3 *affidavit, claim, or document, shall (whether or not such*  
4 *falsity or fraud is with the knowledge or consent of the*  
5 *person authorized or required to present such return, affi-*  
6 *davit, claim, or document) be guilty of a felony and, upon*  
7 *conviction thereof, be fined not more than \$10,000, or*  
8 *imprisoned for not more than five years, or both, together*  
9 *with the costs of prosecution.*

10 (d) Any person who willfully fails to pay, collect, or  
11 truthfully account for and pay over, any tax imposed by  
12 Titles IV, V, VI, VII, VIII, and IX, or willfully at-  
13 tempts in any manner to evade or defeat any such tax or the  
14 payment thereof, shall, in addition to other penalties provided  
15 by law, be liable to a penalty of the amount of the tax evaded,  
16 or not paid, collected or accounted for and paid over, to be  
17 assessed and collected in the same manner as taxes are  
18 assessed and collected. No penalty shall be assessed under  
19 this subdivision for any offense for which a penalty may be  
20 assessed under authority of section 3176 of the Revised  
21 Statutes, as amended, or for any offense for which a penalty  
22 has been recovered under section 3256 of the Revised  
23 Statutes.

24 (e) Any person in possession of property, or rights  
25 to property, subject to distraint, upon which a levy has been

13 (e) The term "person" as used in this section includes  
14 an officer or employee of a corporation or a member or  
15 employee of a partnership, who as such officer, employee, or  
16 member is under a duty to perform the act in respect of  
17 which the violation occurs.

18 **REVISED STATUTES**

19 SEC. 1018. Sections 3164, 3165, 3167, 3172, and  
20 3173 of the Revised Statutes, as amended, are reenacted  
21 without change, as follows:

22 "SEC. 3164. It shall be the duty of every collector of  
23 internal revenue having knowledge of any willful violation  
24 of any law of the United States relating to the revenue,  
25 within thirty days after coming into possession of such



1 *made, shall, upon demand by the collector or deputy col-*  
2 *lector making such levy, surrender such property or rights to*  
3 *such collector or deputy, unless such property or right is,*  
4 *at the time of such demand, subject to an attachment or*  
5 *execution under any judicial process. Any person who fails*  
6 *or refuses to so surrender any of such property or rights*  
7 *shall be liable in his own person and estate to the United*  
8 *States in a sum equal to the value of the property or rights*  
9 *not so surrendered, but not exceeding the amount of the taxes*  
10 *(including penalties and interest) for the collection of which*  
11 *such levy has been made, together with costs and interest*  
12 *from the date of such levy.*

13 ~~(e)~~ (f) The term "person" as used in this section in-  
14 cludes an officer or employee of a corporation or a member or  
15 employee of a partnership, who as such officer, employee, or  
16 member is under a duty to perform the act in respect of  
17 which the violation occurs.

18 REVISED STATUTES

19 SEC. 1115. Sections 3164, 3165, 3167, 3172, and  
20 3173 of the Revised Statutes, as amended, are reenacted  
21 without change, as follows:

22 "SEC. 3164. It shall be the duty of every collector of  
23 internal revenue having knowledge of any willful violation  
24 of any law of the United States relating to the revenue,  
25 within thirty days after coming into possession of such

1 knowledge, to file with the district attorney of the district  
2 in which any fine, penalty, or forfeiture may be incurred,  
3 a statement of all the facts and circumstances of the case  
4 within his knowledge, together with the names of the wit-  
5 nesses, setting forth the provisions of law believed to be so  
6 violated on which reliance may be had for condemnation or  
7 conviction.

8 "SEC. 3165. Every collector, deputy collector, in-  
9 ternal-revenue agent, and internal-revenue officer assigned to  
10 duty under an internal-revenue agent, is authorized to ad-  
11 minister oaths and to take evidence touching any part of the  
12 administration of the internal-revenue laws with which he  
13 is charged, or where such oaths and evidence are authorized  
14 by law or regulation authorized by law to be taken.

15 "SEC. 3167. It shall be unlawful for any collector,  
16 deputy collector, agent, clerk, or other officer or employee of  
17 the United States to divulge or to make known in any manner  
18 whatever not provided by law to any person the operations,  
19 style of work, or apparatus of any manufacturer or producer  
20 visited by him in the discharge of his official duties, or the  
21 amount or source of income, profits, losses, expenditures, or  
22 any particular thereof, set forth or disclosed in any income  
23 return, or to permit any income return or copy thereof or  
24 any book containing any abstract or particulars thereof to  
25 be seen or examined by any person except as provided by

1 knowledge, to file with the district attorney of the district  
2 in which any fine, penalty, or forfeiture may be incurred,  
3 a statement of all the facts and circumstances of the case  
4 within his knowledge, together with the names of the wit-  
5 nesses, setting forth the provisions of law believed to be so  
6 violated on which reliance may be had for condemnation or  
7 conviction.

8 "SEC. 3165. Every collector, deputy collector, in-  
9 ternal-revenue agent, and internal-revenue officer assigned to  
10 duty under an internal-revenue agent, is authorized to ad-  
11 minister oaths and to take evidence touching any part of the  
12 administration of the internal-revenue laws with which he  
13 is charged, or where such oaths and evidence are author-  
14 ized by law or regulation authorized by law to be taken.

15 "SEC. 3167. It shall be unlawful for any collector,  
16 deputy collector, agent, clerk, or other officer or employee of  
17 the United States to divulge or to make known in any manner  
18 whatever not provided by law to any person the operations,  
19 style of work, or apparatus of any manufacturer or producer  
20 visited by him in the discharge of his official duties, or the  
21 amount or source of income, profits, losses, expenditures, or  
22 any particular thereof, set forth or disclosed in any income  
23 return, or to permit any income return or copy thereof or  
24 any book containing any abstract or particulars thereof to  
25 be seen or examined by any person except as provided by

1 law; and it shall be unlawful for any person to print or pub-  
2 lish in any manner whatever not provided by law any income  
3 return, or any part thereof or source of income, profits, losses,  
4 or expenditures appearing in any income return; and any  
5 offense against the foregoing provision shall be a misde-  
6 meanor and be punished by a fine not exceeding \$1,000  
7 or by imprisonment not exceeding one year, or both, at the  
8 discretion of the court; and if the offender be an officer or  
9 employee of the United States he shall be dismissed from  
10 office or discharged from employment.

11 "SEC. 3172. Every collector shall, from time to time,  
12 cause his deputies to proceed through every part of his dis-  
13 trict and inquire after and concerning all persons therein who  
14 are liable to pay any internal-revenue tax, and all persons  
15 owning or having the care and management of any objects  
16 liable to pay any tax, and to make a list of such persons  
17 and enumerate said objects.

18 "SEC. 3173. It shall be the duty of any person, part-  
19 nership, firm, association, or corporation, made liable to any  
20 duty, special tax, or other tax imposed by law, when not  
21 otherwise provided for, (1) in case of a special tax, on or  
22 before the thirty-first day of July in each year, and (2) in  
23 other cases before the day on which the taxes accrue, to  
24 make a list or return, verified by oath, to the collector or a  
25 deputy collector of the district where located, of the articles:

1 law; and it shall be unlawful for any person to print or pub-  
2 lish in any manner whatever not provided by law any income  
3 return, or any part thereof or source of income, profits, losses,  
4 or expenditures appearing in any income return; and any  
5 offense against the foregoing provision shall be a misde-  
6 meanor and be punished by a fine not exceeding \$1,000  
7 or by imprisonment not exceeding one year, or both, at the  
8 discretion of the court: and if the offender be an officer or  
9 employee of the United States he shall be dismissed from  
10 office or discharged from employment.

11 "SEC. 3172. Every collector shall, from time to time,  
12 cause his deputies to proceed through every part of his dis-  
13 trict and inquire after and concerning all persons therein who  
14 are liable to pay any internal-revenue tax, and all persons  
15 owning or having the care and management of any objects  
16 liable to pay any tax, and to make a list of such persons  
17 and enumerate said objects.

18 "SEC. 3173. It shall be the duty of any person, part-  
19 nership, firm, association, or corporation, made liable to any  
20 duty, special tax, or other tax imposed by law, when not  
21 otherwise provided for, (1) in case of a special tax, on or  
22 before the thirty-first day of July in each year, and (2) in  
23 other cases before the day on which the taxes accrue, to  
24 make a list or return, verified by oath, to the collector or a  
25 deputy collector of the district where located, of the articles

1 or objects, including the quantity of goods, wares, and mer-  
2 chandise, made or sold and charged with a tax, the several  
3 rates and aggregate amount, according to the forms and  
4 regulations to be prescribed by the Commissioner of Internal  
5 Revenue, with the approval of the Secretary of the Treasury,  
6 for which such person, partnership, firm, association, or cor-  
7 poration is liable: *Provided*, That if any person liable to pay  
8 any duty or tax, or owning, possessing, or having the care  
9 or management of property, goods, wares, and merchandise,  
10 article or objects liable to pay any duty, tax, or license, shall  
11 fail to make and exhibit a list or return required by law, but  
12 shall consent to disclose the particulars of any and all the  
13 property, goods, wares, and merchandise, articles, and ob-  
14 jects liable to pay any duty or tax, or any business or occu-  
15 pation liable to pay any tax as aforesaid, then, and in that  
16 case, it shall be the duty of the collector or deputy collector  
17 to make such list or return, which, being distinctly read, con-  
18 sented to, and signed and verified by oath by the person so  
19 owning, possessing, or having the care and management as  
20 aforesaid, may be received as the list of such person: *Pro-*  
21 *vided further*, That in case no annual list or return has been  
22 rendered by such person to the collector or deputy collector  
23 as required by law, and the person shall be absent from his  
24 or her residence or place of business at the time the collector  
25 or a deputy collector shall call for the annual list or return, it

1 or objects, including the quantity of goods, wares, and mer-  
2 chandise, made or sold and charged with a tax, the several  
3 rates and aggregate amount, according to the forms and  
4 regulations to be prescribed by the Commissioner of Internal  
5 Revenue, with the approval of the Secretary of the Treasury,  
6 for which such person, partnership, firm, association, or cor-  
7 poration is liable: *Provided*, That if any person liable to pay  
8 any duty or tax, or owning, possessing, or having the care  
9 or management of property, goods, wares, and merchandise,  
10 article or objects liable to pay any duty, tax, or license, shall  
11 fail to make and exhibit a list or return required by law, but  
12 shall consent to disclose the particulars of any and all the  
13 property, goods, wares, and merchandise, articles, and ob-  
14 jects liable to pay any duty or tax, or any business or occu-  
15 pation liable to pay any tax as aforesaid, then, and in that  
16 case, it shall be the duty of the collector or deputy collector  
17 to make such list or return, which, being distinctly read, con-  
18 sented to, and signed and verified by oath by the person so  
19 owning, possessing, or having the care and management as  
20 aforesaid, may be received as the list of such person: *Pro-*  
21 *vided further*, That in case no annual list or return has been  
22 rendered by such person to the collector or deputy collector  
23 as required by law, and the person shall be absent from his  
24 or her residence or place of business at the time the collector  
25 or a deputy collector shall call for the annual list or return, it

1 shall be the duty of such collector or deputy collector to leave  
2 at such place of residence or business, with some one of suit-  
3 able age and discretion, if such be present, otherwise to  
4 deposit in the nearest post office, a note or memorandum  
5 addressed to such person, requiring him or her to render to  
6 such collector or deputy collector the list or return required  
7 by law within ten days from the date of such note or memo-  
8 randum, verified by oath. And if any person, on being noti-  
9 fied or required as aforesaid, shall refuse or neglect to render  
10 such list or return within the time required as aforesaid, or  
11 whenever any person who is required to deliver a monthly  
12 or other return of objects subject to tax fails to do so at the  
13 time required, or delivers any return which, in the opinion  
14 of the collector, is erroneous, false, or fraudulent, or contains  
15 any undervaluation or understatement, or refuses to allow  
16 any regularly authorized Government officer to examine the  
17 books of such person, firm, or corporation, it shall be lawful  
18 for the collector to summon such person, or any other person  
19 having possession, custody, or care of books of account con-  
20 taining entries relating to the business of such person or any  
21 other person he may deem proper, to appear before him and  
22 produce such books at a time and place named in the sum-  
23 mons, and to give testimony or answer interrogatories, under  
24 oath, respecting any objects or income liable to tax or the  
25 returns thereof. The collector may summon any person



1 shall be the duty of such collector or deputy collector to leave  
2 at such place of residence or business, with some one of suit-  
3 able age and discretion, if such be present, otherwise to  
4 deposit in the nearest post office, a note or memorandum  
5 addressed to such person, requiring him or her to render to  
6 such collector or deputy collector the list or return required  
7 by law within ten days from the date of such note or memo-  
8 randum, verified by oath. And if any person, on being noti-  
9 fied or required as aforesaid, shall refuse or neglect to render  
10 such list or return within the time required as aforesaid, or  
11 whenever any person who is required to deliver a monthly  
12 or other return of objects subject to tax fails to do so at the  
13 time required, or delivers any return which, in the opinion  
14 of the collector, is erroneous, false, or fraudulent, or contains  
15 any undervaluation or understatement, or refuses to allow  
16 any regularly authorized Government officer to examine the  
17 books of such person, firm, or corporation, it shall be lawful  
18 for the collector to summon such person, or any other person  
19 having possession, custody, or care of books of account con-  
20 taining entries relating to the business of such person or any  
21 other person he may deem proper, to appear before him and  
22 produce such books at a time and place named in the sum-  
23 mons, and to give testimony or answer interrogatories, under  
24 oath, respecting any objects or income liable to tax or the  
25 returns thereof. The collector may summon any person

1 residing or found within the State or Territory in which his  
2 district lies; and when the person intended to be summoned  
3 does not reside and can not be found within such State or  
4 Territory, he may enter any collection district where such  
5 person may be found and there make the examination herein  
6 authorized. And to this end he may there exercise all the  
7 authority which he might lawfully exercise in the district for  
8 which he was commissioned: *Provided*, That 'person,' as  
9 used in this section, shall be construed to include any corpo-  
10 ration, joint-stock company or association, or insurance com-  
11 pany when such construction is necessary to carry out its  
12 provisions."

13

## INTEREST ON REFUNDS AND CREDITS

14

SEC. 1019. Upon the allowance of a credit or refund  
15 of any internal-revenue tax erroneously or illegally assessed  
16 or collected, or of any penalty collected without authority,  
17 or of any sum which was excessive or in any manner wrong-  
18 fully collected, interest shall be allowed and paid on the  
19 amount of such credit or refund at the rate of 6 per centum  
20 per annum from the date such tax, penalty, or sum was paid  
21 to the date of the allowance of the refund, or in case of a  
22 credit, to the due date of the amount against which the credit  
23 is taken, but if the amount against which the credit is taken  
24 is an additional assessment, then to the date of the assess-  
25 ment of that amount. The term "additional assessment",

1 residing or found within the State or Territory in which his  
2 district lies; and when the person intended to be summoned  
3 does not reside and can not be found within such State or  
4 Territory, he may enter any collection district where such  
5 person may be found and there make the examination herein  
6 authorized. And to this end he may there exercise all the  
7 authority which he might lawfully exercise in the district for  
8 which he was commissioned: *Provided*, That 'person,' as  
9 used in this section, shall be construed to include any corpo-  
10 ration, joint-stock company or association, or insurance com-  
11 pany when such construction is necessary to carry out its  
12 provisions."

13 INTEREST ON REFUNDS AND CREDITS

14 SEC. 1116. (a) Upon the allowance of a credit or re-  
15 fund of any internal-revenue tax erroneously or illegally  
16 assessed or collected, or of any penalty collected without  
17 authority, or of any sum which was excessive or in any  
18 manner wrongfully collected, interest shall be allowed and  
19 paid on the amount of such credit or refund at the rate of  
20 6 per centum per annum from the date such tax, penalty, or  
21 sum was paid to the date of the allowance of the refund, or  
22 in the case of a credit, to the due date of the amount against  
23 which the credit is taken, but if the amount against which  
24 the credit is taken is an additional assessment, then to the  
25 date of the assessment of that amount. The term "additional

1 as used in this section means a further assessment for a tax  
2 of the same character previously paid in part.

20

## INTEREST ON JUDGMENTS

21 SEC. 1020. Section 177 of the Judicial Code, as  
22 amended, is reenacted without change, as follows:

24 "SEC. 177. No interest shall be allowed on any claim  
25 up to the time of the rendition of judgment by the Court of

1 assessment" as used in this section means a further assess-  
2 ment for a tax of the same character previously paid in part.  
3 assessment made under the Revenue Act of 1921, the Revenue  
4 Act of 1924, or this Act, then to the date of the assessment  
5 of that amount.

6 (b) As used in this section—

7 (1) The term "additional assessment" means a further  
8 assessment for a tax of the same character previously paid  
9 in part, and includes the assessment of a deficiency under  
10 Title II or Title III of the Revenue Act of 1924 or of this  
11 Act;

12 (2) The term "date of the allowance of the refund"  
13 means, in the case of any income, war-profits, or excess-  
14 profits tax, the first date on which the Commissioner signs the  
15 schedule of overassessments in respect thereof.

16 (c) This section shall be applicable to any refund paid,  
17 and to any credit taken, on or after the date of the enact-  
18 ment of this Act, even though such refund or credit was  
19 allowed prior to such date.

20 INTEREST ON JUDGMENTS

21 SEC. 1117. Section 177 of the Judicial Code, as  
22 amended, is reenacted without change, as amended to read  
23 as follows:

24 "SEC. 177. (a) No interest shall be allowed on any  
25 claim up to the time of the rendition of judgment by the

1 Claims, unless upon a contract expressly stipulating for the  
2 payment of interest, except that interest may be allowed in  
3 any judgment of any court rendered after the passage of the  
4 Revenue Act of 1921 against the United States for any  
5 internal-revenue tax erroneously or illegally assessed or col-  
6 lected, or for any penalty collected without authority or any  
7 sum which was excessive or in any manner wrongfully col-  
8 lected, under the internal-revenue laws.”

1 Court of Claims, unless upon a contract expressly stipulating  
2 for the payment of interest, except that interest may be  
3 allowed in any judgment of any court rendered after the  
4 passage of the Revenue Act of 1924 against the United  
5 States for any internal revenue tax erroneously or illegally  
6 assessed or collected, or for any penalty collected without  
7 authority or any sum which was excessive or in any manner  
8 wrongfully collected, under the internal-revenue laws." as  
9 provided in subdivision (b).

10 *"(b) In any judgment of any court rendered after the*  
11 *enactment of the Revenue Act of 1926 (whether against the*  
12 *United States, a collector or deputy collector of internal*  
13 *revenue, a former collector or deputy collector, or the pers-*  
14 *onal representative in case of death) for any internal*  
15 *revenue tax erroneously or illegally assessed or collected, or*  
16 *for any penalty collected without authority or for any sum*  
17 *which was excessive or in any manner wrongfully collected,*  
18 *under the internal-revenue laws, interest shall be allowed at*  
19 *the rate of 6 per centum per annum upon the amount of*  
20 *such tax, penalty, or sum, from the date of the payment or*  
21 *collection thereof to the date of entry of such judgment or, if*  
22 *such judgment is reviewed by an appellate court, to the date of*  
23 *entry of final judgment."*

24 PAYMENT OF AND RECEIPTS FOR TAXES 43

25 SEC. 1118. (a) Collectors may receive, at par with  
26 an adjustment for accrued interest, notes or certificates

1 indebtedness issued by the United States and uncertified  
2 checks in payment of income, war-profits, and excess-profits  
3 taxes and any other taxes payable other than by stamp,  
4 during such time and under such rules and regulations as  
5 the Commissioner, with the approval of the Secretary, shall  
6 prescribe; but if a check so received is not paid by the bank  
7 on which it is drawn the person by whom such check has  
8 been tendered shall remain liable for the payment of the tax  
9 and for all legal penalties and additions to the same extent  
10 as if such check had not been tendered.

11 (b) Every collector to whom any payment of any  
12 income tax is made shall upon request give to the person  
13 making such payment a full written or printed receipt, stat-  
14 ing the amount paid and the particular account for which  
15 such payment was made; and whenever any debtor pays  
16 taxes on account of payments made or to be made by him  
17 to separate creditors the collector shall, if requested by such  
18 debtor, give a separate receipt for the tax paid on account of  
19 each creditor in such form that the debtor can conveniently  
20 produce such receipts separately to his several creditors in  
21 satisfaction of their respective demands up to the amounts  
22 stated in the receipts; and such receipt shall be sufficient  
23 evidence in favor of such debtor to justify him in withhold-  
24 ing from his next payment to his creditor the amount therein  
25 stated; but the creditor may, upon giving to his debtor a full



1 of indebtedness issued by the United States and uncertified  
2 checks in payment of income, war-profits, and excess-profits  
3 taxes and any other taxes payable other than by stamp,  
4 during such time and under such rules and regulations as  
5 the Commissioner, with the approval of the Secretary, shall  
6 prescribe; but if a check so received is not paid by the bank  
7 on which it is drawn the person by whom such check has  
8 been tendered shall remain liable for the payment of the tax  
9 and for all legal penalties and additions to the same extent  
10 as if such check had not been tendered.

11 (b) Every collector to whom any payment of any  
12 income tax is made shall upon request give to the person  
13 making such payment a full written or printed receipt, stat-  
14 ing the amount paid and the particular account for which  
15 such payment was made; and whenever any debtor pays  
16 taxes on account of payments made or to be made by him  
17 to separate creditors the collector shall, if requested by such  
18 debtor, give a separate receipt for the tax paid on account of  
19 each creditor in such form that the debtor can conveniently  
20 produce such receipts separately to his several creditors in  
21 satisfaction of their respective demands up to the amounts  
22 stated in the receipts; and such receipt shall be sufficient  
23 evidence in favor of such debtor to justify him in withhold-  
24 ing from his next payment to his creditor the amount therein  
25 stated; but the creditor may, upon giving to his debtor a full

1 written receipt acknowledging the payment to him of any  
2 sum actually paid and accepting the amount of tax paid as  
3 aforesaid (specifying the same) as a further satisfaction of  
4 the debt to that amount, require the surrender to him of such  
5 collector's receipt.

6 (c) In the payment of any tax under this Act not  
7 payable by stamp a fractional part of a cent shall be dis-  
8 regarded unless it amounts to one-half cent or more, in which  
9 case it shall be increased to 1 cent.

10 (d) Section 37 of the Act of August 27, 1894, en-  
11 titled "An Act to reduce taxation, to provide revenue for  
12 the Government, and for other purposes," is hereby repealed.

13 METHOD OF COLLECTING TAX

14 SEC. 1022. Whether or not the method of collecting  
15 any tax imposed by Titles IV, V, VI, or VII is specifically  
16 provided therein, any such tax may, under regulations pre-  
17 scribed by the Commissioner with the approval of the Sec-  
18 retary, be collected by stamp, coupon, serial-numbered  
19 ticket, or such other reasonable device or method as may  
20 be necessary or helpful in securing a complete and prompt  
21 collection of the tax. All administrative and penalty pro-  
22 visions of Title VIII, in so far as applicable, shall apply to  
23 the collection of any tax which the Commissioner deter-  
24 mines or prescribes shall be collected in such manner.

1 written receipt acknowledging the payment to him of any  
2 sum actually paid and accepting the amount of tax paid as  
3 aforesaid (specifying the same) as a further satisfaction of  
4 the debt to that amount, require the surrender to him of such  
5 collector's receipt.

6 (c) In the payment of any tax under this Act not  
7 payable by stamp a fractional part of a cent shall be dis-  
8 regarded unless it amounts to one-half cent or more, in  
9 which case it shall be increased to 1 cent.

13

METHOD OF COLLECTING TAX

14 SEC. 1119. Whether or not the method of collecting  
15 any tax imposed by Titles IV, V, VI, or VII is specifically  
16 provided therein, any such tax may, under regulations pre-  
17 scribed by the Commissioner with the approval of the Sec-  
18 retary, be collected by stamp, coupon, serial-numbered  
19 ticket, or such other reasonable device or method as may  
20 be necessary or helpful in securing a complete and prompt  
21 collection of the tax. All administrative and penalty pro-  
22 visions of Title VIII, in so far as applicable, shall apply to  
23 the collection of any tax which the Commissioner deter-  
24 mines or prescribes shall be collected in such manner.

**1 OVERPAYMENTS AND OVERCOLLECTIONS**

**2**       **SEC. 1023.** In the case of any overpayment or over-  
**3** collection of any tax imposed by Title V or VI, the person  
**4** making such overpayment or overcollection may take credit  
**5** therefor against taxes due upon any monthly return, and shall  
**6** make refund of any excessive amount collected by him upon  
**7** proper application by the person entitled thereto.

**8 ARTICLES EXPORTED**

**9**       **SEC. 1024.** Under such rules and regulations as the  
**10** Commissioner with the approval of the Secretary may pre-  
**11** scribe, the taxes imposed under the provisions of Title IV  
**12** or VI shall not apply in respect of articles sold or leased for  
**13** export and in due course so exported. Under such rules and  
**14** regulations the amount of any internal-revenue tax errone-  
**15** ously or illegally collected in respect of exported articles  
**16** may be refunded to the exporter of the article, instead of to  
**17** the manufacturer, if the manufacturer waives any claim for  
**18** the amount so to be refunded.

**21 JURISDICTION OF COURTS**

**22**       **SEC. 1025.** (a) If any person is summoned under this  
**23** Act to appear, to testify, or to produce books, papers, or  
**24** other data, the district court of the United States for the  
**25** district in which such person resides shall have jurisdiction

## OVERPAYMENTS AND OVERCOLLECTIONS

1  
2       SEC. 1120. In the case of any overpayment or over-  
3 collection of any tax imposed by Title V or VI, the person  
4 making such overpayment or overcollection may take credit  
5 therefor against taxes due upon any monthly return, and shall  
6 make refund of any excessive amount collected by him upon  
7 proper application by the person entitled thereto.

## ARTICLES EXPORTED

8  
9       SEC. 1121. Under such rules and regulations as the  
10 Commissioner with the approval of the Secretary may pre-  
11 scribe, the taxes imposed under the provisions of Title IV  
12 or VI or of section 903 shall not apply in respect of articles  
13 sold or leased for export or for shipment to a possession of  
14 the United States and in due course so exported or shipped.  
15 Under such rules and regulations the amount of any internal-  
16 revenue tax erroneously or illegally collected in respect of  
17 such articles so exported or shipped may be refunded to the  
18 exporter or shipper of the articles, instead of to the manu-  
19 facturer, if the manufacturer waives any claim for the  
20 amount so to be refunded.

## JURISDICTION OF COURTS

21  
22       SEC. 1122. (a) If any person is summoned under this  
23 Act to appear, to testify, or to produce books, papers, or  
24 other data, the district court of the United States for the  
25 district in which such person resides shall have jurisdiction

1 by appropriate process to compel such attendance, testimony,  
2 or production of books, papers, or other data.

3 (b) The district courts of the United States at the in-  
4 stance of the United States are hereby invested with such  
5 jurisdiction to make and issue, both in actions at law and  
6 suits in equity, writs and orders of injunction, and of ne exeat  
7 republica, orders appointing receivers, and such other orders  
8 and process, and to render such judgments and decrees,  
9 granting in proper cases both legal and equitable relief to-  
10 gether, as may be necessary or appropriate for the enforce-  
11 ment of the provisions of this Act. The remedies hereby  
12 provided are in addition to and not exclusive of any and  
13 all other remedies of the United States in such courts or  
14 otherwise to enforce such provisions.

15 (c) The paragraph added by section 1310 of the Rev-  
16 enue Act of 1921 at the end of paragraph Twentieth of  
17 section 24 of the Judicial Code, relating to the jurisdiction of  
18 district courts, is reenacted without change, as follows:

20 " Concurrent with the Court of Claims, of any suit or  
21 proceeding, commenced after the passage of the Revenue  
22 Act of 1921, for the recovery of any internal-revenue tax  
23 alleged to have been erroneously or illegally assessed or  
24 collected, or of any penalty claimed to have been collected  
25 without authority or any sum alleged to have been excessive

1 by appropriate process to compel such attendance, testimony,  
2 or production of books, papers, or other data.

3 (b) The district courts of the United States at the in-  
4 stance of the United States are hereby invested with such  
5 jurisdiction to make and issue, both in actions at law and  
6 suits in equity, writs and orders of injunction, and of ne exeat  
7 publica, orders appointing receivers, and such other orders  
8 and process, and to render such judgments and decrees,  
9 granting in proper cases both legal and equitable relief to-  
10 gether, as may be necessary or appropriate for the enforce-  
11 ment of the provisions of this Act. The remedies hereby  
12 provided are in addition to and not exclusive of any and  
13 all other remedies of the United States in such courts or  
14 otherwise to enforce such provisions.

15 (c) The paragraph added by section 1310 of the Rev-  
16 enue Act of 1921 at the end of paragraph Twentieth of  
17 section 24 of the Judicial Code, relating to the jurisdiction of  
18 district courts, as amended, is reenacted without change, as  
19 follows:

20 "Concurrent with the Court of Claims, of any suit or  
21 proceeding, commenced after the passage of the Revenue  
22 Act of 1921, for the recovery of any internal-revenue tax  
23 alleged to have been erroneously or illegally assessed or  
24 collected, or of any penalty claimed to have been collected  
25 without authority or any sum alleged to have been excessive

1 or in any manner wrongfully collected, under the internal-  
2 revenue laws, even if the claim exceeds \$10,000, if the col-  
3 lector of internal revenue by whom such tax, penalty, or  
4 sum was collected is dead or is not in office as collector of  
5 internal revenue at the time such suit or proceeding is  
6 commenced.”

7

## FRAUDS ON PURCHASERS

8 SEC. 1026. Whoever in connection with the sale or  
9 lease, or offer for sale or lease, of any article, or for the pur-  
10 pose of making such sale or lease, makes any statement,  
11 written or oral, (1) intended or calculated to lead any  
12 person to believe that any part of the price at which such  
13 article is sold or leased, or offered for sale or lease, consists  
14 of a tax imposed under the authority of the United States,  
15 or (2) ascribing a particular part of such price to a tax  
16 imposed under the authority of the United States, knowing  
17 that such statement is false or that the tax is not so great as  
18 the portion of such price ascribed to such tax, shall be guilty  
19 of a misdemeanor and upon conviction thereof shall be pun-  
20 ished by a fine of not more than \$1,000 or by imprisonment  
21 not exceeding one year, or both.

22 LOST STAMPS FOR TOBACCO, CIGARS, AND SO FORTH

23 SEC. 1027. Section 3315 of the Revised Statutes, as  
24 amended, is reenacted without change, as follows:

25 “SEC. 3315. The Commissioner of Internal Revenue  
26 may, under regulations prescribed by him with the approval



1 or in any manner wrongfully collected, under the internal-  
2 revenue laws, even if the claim exceeds \$10,000, if the col-  
3 lector of internal revenue by whom such tax, penalty, or  
4 sum was collected is dead or is not in office as collector of  
5 internal revenue at the time such suit or proceeding is  
6 commenced."

7

**FRAUDS ON PURCHASERS**

8       **SEC. 1123.** Whoever in connection with the sale or  
9 lease, or offer for sale or lease, of any article, or for the  
10 purpose of making such sale or lease, makes any statement,  
11 written or oral, (1) intended or calculated to lead any  
12 person to believe that any part of the price at which such  
13 article is sold or leased, or offered for sale or lease, consists  
14 of a tax imposed under the authority of the United States,  
15 or (2) ascribing a particular part of such price to a tax  
16 imposed under the authority of the United States, knowing  
17 that such statement is false or that the tax is not so great as  
18 the portion of such price ascribed to such tax, shall be guilty  
19 of a misdemeanor and upon conviction thereof shall be pun-  
20 ished by a fine of not more than \$1,000 or by imprisonment  
21 not exceeding one year, or both.

22

**LOST STAMPS FOR TOBACCO, CIGARS, AND SO FORTH**

23

**SEC. 1124.** Section 3315 of the Revised Statutes, as  
24 amended, is reenacted without change, as follows:

25

"**SEC. 3315.** The Commissioner of Internal Revenue  
26 may, under regulations prescribed by him with the approval

1 of the Secretary of the Treasury, issue stamps for restamp-  
2 ing packages of distilled spirits, tobacco, cigars, snuff, ciga-  
3 rettes, fermented liquors, and wines which have been duly  
4 stamped but from which the stamps have been lost or de-  
5 stroyed by unavoidable accident."

6 CONSOLIDATION OF LIBERTY BOND TAX EXEMPTIONS

7 SEC. 1028. The various Acts authorizing the issues of  
8 Liberty bonds are amended and supplemented as follows:

9 (a) On and after January 1, 1921, 4 per centum and  
10  $4\frac{1}{4}$  per centum Liberty bonds shall be exempt from graduated  
11 additional income taxes, commonly known as surtaxes, and  
12 excess-profits and war-profits taxes, now or hereafter im-  
13 posed by the United States upon the income or profits of  
14 individuals, partnerships, corporations, or associations, in  
15 respect to the interest on aggregate principal amounts  
16 thereof as follows:

17 Until the expiration of two years after the date of the  
18 termination of the war between the United States and the  
19 German Government, as fixed by proclamation of the Presi-  
20 dent, on \$125,000 aggregate principal amount; and for  
21 three years more on \$50,000 aggregate principal amount.

22 (b) The exemptions provided in subdivision (a) shall  
23 be in addition to the exemptions provided in section 7 of  
24 the Second Liberty Bond Act, and in addition to the exemp-  
25 tion provided in subdivision (3) of section 1 of the Supple-

1 of the Secretary of the Treasury, issue stamps for restamp-  
2 ing packages of distilled spirits, tobacco, cigars, snuff, ciga-  
3 rettes, fermented liquors, and wines which have been duly  
4 stamped but from which the stamps have been lost or de-  
5 stroyed by unavoidable accident."

6 CONSOLIDATION OF LIBERTY BOND TAX EXEMPTIONS

7 SEC. 1125. The various Acts authorizing the issues of  
8 Liberty bonds are amended and supplemented as follows:

9 (a) On and after January 1, 1921, 4 per centum and  
10 4½ per centum Liberty bonds shall be exempt from graduated  
11 additional income taxes, commonly known as surtaxes, and  
12 excess-profits and war-profits taxes, now or hereafter im-  
13 posed by the United States upon the income or profits of  
14 individuals, partnerships, corporations, or associations, in  
15 respect to the interest on aggregate principal amounts  
16 thereof as follows:

17 Until the expiration of two years after the date of the  
18 termination of the war between the United States and the  
19 German Government, as fixed by proclamation of the Presi-  
20 dent, on \$125,000 aggregate principal amount; and for  
21 three years more on \$50,000 aggregate principal amount.

22 (b) The exemptions provided in subdivision (a) shall  
23 be in addition to the exemptions provided in section 7 of  
24 the Second Liberty Bond Act, and in addition to the exemp-  
25 tion provided in subdivision (3) of section 1 of the Supple-

1 ment to the Second Liberty Bond Act in respect to bonds  
2 issued upon conversion of 3½ per centum bonds, but shall  
3 be in lieu of the exemptions provided and free from the  
4 conditions and limitations imposed in subdivisions (1) and  
5 (2) of section 1 of the Supplement to the Second Liberty  
6 Bond Act and in section 2 of the Victory Liberty Loan Act.

8

## DEPOSIT OF UNITED STATES BONDS OR NOTES IN LIEU

9

## OF SURETY

10

SEC. 1029. Wherever by the laws of the United States  
11 or regulations made pursuant thereto, any person is required  
12 to furnish any recognizance, stipulation, bond, guaranty, or  
13 undertaking, hereinafter called "penal bond," with surety  
14 or sureties, such person may, in lieu of such surety or sureties,  
15 deposit as security with the official having authority to  
16 approve such penal bond, United States Liberty bonds or,  
17 other bonds or notes of the United States in a sum equal at  
18 their par value to the amount of such penal bond required  
19 to be furnished, together with an agreement authorizing such  
20 official to collect or sell such bonds or notes so deposited in  
21 case of any default in the performance of any of the conditions  
22 or stipulations of such penal bond. The acceptance of such  
23 United States bonds or notes in lieu of surety or sureties  
24 required by law shall have the same force and effect as  
25 individual or corporate sureties, or certified checks, bank

1 ment to the Second Liberty Bond Act in respect to bonds  
2 issued upon conversion of 3½ per centum bonds, but shall  
3 be in lieu of the exemptions provided and free from the  
4 conditions and limitations imposed in subdivisions (1) and  
5 (2) of section 1 of the Supplement to the Second Liberty  
6 Bond Act and in section 2 of the Victory Liberty Loan  
7 Act.

8 DEPOSIT OF UNITED STATES BONDS OR NOTES IN LIEU  
9 OF SURETY

10 SEC. 1126. Wherever by the laws of the United  
11 States or regulations made pursuant thereto, any person is  
12 required to furnish any recognizance, stipulation, bond, guar-  
13 anty, or undertaking, hereinafter called "penal bond," with  
14 surety or sureties, such person may, in lieu of such surety or  
15 sureties, deposit as security with the official having authority  
16 to approve such penal bond, United States Liberty bonds or  
17 other bonds or notes of the United States in a sum equal at  
18 their par value to the amount of such penal bond required  
19 to be furnished, together with an agreement authorizing such  
20 official to collect or sell such bonds or notes so deposited in  
21 case of any default in the performance of any of the conditions  
22 or stipulations of such penal bond. The acceptance of such  
23 United States bonds or notes in lieu of surety or sureties  
24 required by law shall have the same force and effect as  
25 individual or corporate sureties, or certified checks, bank

1 drafts, post-office money orders, or cash, for the penalty or  
2 amount of such penal bond. The bonds or notes deposited  
3 hereunder and such other United States bonds or notes as  
4 may be substituted therefor from time to time as such security,  
5 may be deposited with the Treasurer of the United States, a  
6 Federal reserve bank, or other depository duly designated  
7 for that purpose by the Secretary, which shall issue receipt  
8 therefor, describing such bonds or notes so deposited. As  
9 soon as security for the performance of such penal bond is  
10 no longer necessary, such bonds or notes so deposited shall  
11 be returned to the depositor: *Provided*, That in case a per-  
12 son or persons supplying a contractor with labor or material  
13 as provided by the Act of Congress, approved February 24,  
14 1905 (33 Stat. 811), entitled "An Act to amend an Act  
15 approved August thirteenth, eighteen hundred and ninety-  
16 four, entitled 'An Act for the protection of persons furnishing  
17 materials and labor for the construction of public works,'"   
18 shall file with the obligee, at any time after a default in the  
19 performance of any contract subject to said Acts, the applica-  
20 tion and affidavit therein provided, the obligee shall not  
21 deliver to the obligor the deposited bonds or notes nor any  
22 surplus proceeds thereof until the expiration of the time  
23 limited by said Acts for the institution of suit by such person  
24 or persons, and, in case suit shall be instituted within such  
25 time, shall hold said bonds or notes or proceeds subject to

1 drafts, post-office money orders, or cash, for the penalty or  
2 amount of such penal bond. The bonds or notes deposited  
3 hereunder and such other United States bonds or notes as  
4 may be substituted therefor from time to time as such security,  
5 may be deposited with the Treasurer of the United States, a  
6 Federal reserve bank, or other depository duly designated  
7 for that purpose by the Secretary, which shall issue receipt  
8 therefor, describing such bonds or notes so deposited. As  
9 soon as security for the performance of such penal bond is  
10 no longer necessary, such bonds or notes so deposited shall  
11 be returned to the depositor: *Provided*, That in case a per-  
12 son or persons supplying a contractor with labor or material  
13 as provided by the Act of Congress, approved February 24,  
14 1905 (33 Stat. 811), entitled "An Act to amend an Act  
15 approved August thirteenth, eighteen hundred and ninety-  
16 four, entitled 'An Act for the protection of persons furnishing  
17 materials and labor for the construction of public works,'"   
18 shall file with the obligee, at any time after a default in the  
19 performance of any contract subject to said Acts, the applica-  
20 tion and affidavit therein provided, the obligee shall not  
21 deliver to the obligor the deposited bonds or notes nor any  
22 surplus proceeds thereof until the expiration of the time  
23 limited by said Acts for the institution of suit by such person  
24 or persons, and, in case suit shall be instituted within such  
25 time, shall hold said bonds or notes or proceeds subject to

1 the order of the court having jurisdiction thereof: *Provided*  
2 *further*, That nothing herein contained shall affect or impair  
3 the priority of the claim of the United States against the  
4 bonds or notes deposited or any right or remedy granted by  
5 said Acts or by this section to the United States for default  
6 upon any obligation of said penal bond: *Provided further*,  
7 That all laws inconsistent with this section are hereby so  
8 modified as to conform to the provisions hereof: *And pro-*  
9 *vided further*, That nothing contained herein shall affect the  
10 authority of courts over the security, where such bonds are  
11 taken as security in judicial proceedings, or the authority of  
12 any administrative officer of the United States to receive  
13 United States bonds for security in cases authorized by  
14 existing laws. The Secretary may prescribe rules and regu-  
15 lations necessary and proper for carrying this section into  
16 effect.

17

## ENFORCEMENT OF TAX LIENS

18

SEC. 1030. Section 3207 of the Revised Statutes is  
19 amended to read as follows:

20

“SEC. 3207. (a) In any case where there has been a  
21 refusal or neglect to pay any tax, and it has become neces-  
22 sary to seize and sell real estate to satisfy the same, the  
23 Commissioner of Internal Revenue may direct a bill in  
24 chancery to be filed, in a district court of the United States;  
25 to enforce the lien of the United States for tax upon any



1 the order of the court having jurisdiction thereof: *Provided*  
2 *further*, That nothing herein contained shall affect or impair  
3 the priority of the claim of the United States against the  
4 bonds or notes deposited or any right or remedy granted by  
5 said Acts or by this section to the United States for default  
6 upon any obligation of said penal bond: *Provided further*,  
7 That all laws inconsistent with this section are hereby so  
8 modified as to conform to the provisions hereof: *And pro-*  
9 *vided further*, That nothing contained herein shall affect the  
10 authority of courts over the security, where such bonds are  
11 taken as security in judicial proceedings, or the authority of  
12 any administrative officer of the United States to receive  
13 United States bonds for security in cases authorized by  
14 existing laws. The Secretary may prescribe rules and regu-  
15 lations necessary and proper for carrying this section into  
16 effect.

17 **ENFORCEMENT OF TAX LIENS**

18 SEC. 1127. Section 3207 of the Revised Statutes, as  
19 amended, is reenacted without change, as follows:

20 "SEC. 3207. (a) In any case where there has been a  
21 refusal or neglect to pay any tax, and it has become neces-  
22 sary to seize and sell real estate to satisfy the same, the  
23 Commissioner of Internal Revenue may direct a bill in  
24 chancery to be filed, in a district court of the United States,  
25 to enforce the lien of the United States for tax upon any

1 real estate, or to subject any real estate owned by the  
2 delinquent, or in which he has any right, title, or interest,  
3 to the payment of such tax. All persons having liens upon  
4 or claiming any interest in the real estate sought to be sub-  
5 jected as aforesaid, shall be made parties to such proceedings,  
6 and be brought into court as provided in other suits in  
7 chancery therein. And the said court shall, at the term  
8 next after the parties have been duly notified of the pro-  
9 ceedings, unless otherwise ordered by the court, proceed to  
10 adjudicate all matters involved therein, and finally determine  
11 the merits of all claims to and liens upon the real estate in  
12 question, and, in all cases where a claim or interest of the  
13 United States therein is established, shall decree a sale of  
14 such real estate, by the proper officer of the court, and a  
15 distribution of the proceeds of such sale according to the  
16 findings of the court in respect to the interests of the parties  
17 and of the United States.

18       “(b) Any person having a lien upon or any interest in  
19 such real estate, notice of which has been duly filed of record  
20 in the jurisdiction in which the real estate is located, prior  
21 to the filing of notice of the lien of the United States as  
22 provided by section 3186 of the Revised Statutes as  
23 amended, or any person purchasing the real estate at a sale  
24 to satisfy such prior lien or interest, may make written  
25 request to the Commissioner of Internal Revenue to direct

1 real estate, or to subject any real estate owned by the  
2 delinquent, or in which he has any right, title, or interest,  
3 to the payment of such tax. All persons having liens upon  
4 or claiming any interest in the real estate sought to be sub-  
5 jected as aforesaid, shall be made parties to such proceedings,  
6 and be brought into court as provided in other suits in  
7 chancery therein. And the said court shall, at the term  
8 next after the parties have been duly notified of the pro-  
9 ceedings, unless otherwise ordered by the court, proceed to  
10 adjudicate all matters involved therein, and finally determine  
11 the merits of all claims to and liens upon the real estate in  
12 question, and, in all cases where a claim or interest of the  
13 United States therein is established, shall decree a sale of  
14 such real estate, by the proper officer of the court, and a  
15 distribution of the proceeds of such sale according to the  
16 findings of the court in respect to the interests of the parties  
17 and of the United States.

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19 such real estate, notice of which has been duly filed of record  
20 in the jurisdiction in which the real estate is located, prior  
21 to the filing of notice of the lien of the United States as  
22 provided by section 3186 of the Revised Statutes as  
23 amended, or any person purchasing the real estate at a sale  
24 to satisfy such prior lien or interest, may make written  
25 request to the Commissioner of Internal Revenue to direct

1 the filing of a bill in chancery as provided in subdivision  
2 (a), and if the Commissioner fails to direct the filing of  
3 such bill within six months after receipt of such written  
4 request, such person or purchaser may, after giving notice  
5 to the Commissioner, file a petition in the district court of  
6 the United States for the district in which the real estate  
7 is located, praying leave to file a bill for a final determina-  
8 tion of all claims to or liens upon the real estate in question.  
9 After a full hearing in open court, the district court may  
10 in its discretion enter an order granting leave to file such  
11 bill, in which the United States and all persons having liens  
12 upon or claiming any interest in the real estate shall be made  
13 parties. Service on the United States shall be had in the  
14 manner provided by sections 5 and 6 of the Act of March  
15 3, 1887, entitled 'An Act to provide for the bringing of  
16 suits against the Government of the United States.' Upon  
17 the filing of such bill the district court shall proceed to  
18 adjudicate the matters involved therein, in the same manner  
19 as in the case of bills filed under subdivision (a) of this  
20 section. For the purpose of such adjudication, the assess-  
21 ment of the tax upon which the lien of the United States is  
22 based shall be conclusively presumed to be valid, and all  
23 costs of the proceedings on the petition and the bill shall  
24 be borne by the person filing the bill."

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16 suits against the Government of the United States.' Upon  
17 the filing of such bill the district court shall proceed to  
18 adjudicate the matters involved therein, in the same manner  
19 as in the case of bills filed under subdivision (a) of this  
20 section. For the purpose of such adjudication, the assess-  
21 ment of the tax upon which the lien of the United States is  
22 based shall be conclusively presumed to be valid, and all  
23 costs of the proceedings on the petition and the bill shall  
24 be borne by the person filing the bill."

## SPECIAL DEPOSITS

SEC. 1031. (a) Section 3195 of the Revised Statutes is amended to read as follows:

“SEC. 3195. When any property liable to distraint for taxes is not divisible, so as to enable the collector by sale of a part thereof to raise the whole amount of the tax, with all costs and charges, the whole of such property shall be sold, and the surplus of the proceeds of the sale, after making allowance for the amount of the tax, interest, penalties, and additions thereto, and for the costs and charges of the distraint and sale, shall be deposited with the Treasurer of the United States as provided in subdivision (b) of section 3210.”

(b) Section 3210 of the Revised Statutes is amended to read as follows:

“SEC. 3210. (a) Except as provided in subdivision (b) the gross amount of all taxes and revenues received under the provisions of this Act, and collections of whatever nature received or collected by authority of any internal-revenue law, shall be paid daily into the Treasury of the United States under instructions of the Secretary of the Treasury as internal-revenue collections, by the officer receiving or collecting the same, without any abatement or deduction on account of salary, compensation, fees, costs, charges, expenses, or claims of any description. A certifi-

## 1 SPECIAL DEPOSITS

2 SEC. 1128. (a) Section 3195 of the Revised Statutes,  
3 as amended, is reenacted without change, as follows:

4 "SEC. 3195. When any property liable to distraint  
5 for taxes is not divisible, so as to enable the collector by  
6 sale of a part thereof to raise the whole amount of the tax,  
7 with all costs and charges, the whole of such property  
8 shall be sold, and the surplus of the proceeds of the sale,  
9 after making allowance for the amount of the tax, interest,  
10 penalties, and additions thereto, and for the costs and charges  
11 of the distraint and sale, shall be deposited with the Treas-  
12 urer of the United States as provided in subdivision (b) of  
13 section 3210."

14 (b) Section 3210 of the Revised Statutes, as amended,  
15 is reenacted without change, as follows:

16 "SEC. 3210. (a) Except as provided in subdivision  
17 (b) the gross amount of all taxes and revenues received  
18 under the provisions of this Act, and collections of whatever  
19 nature received or collected by authority of any internal-  
20 revenue law, shall be paid daily into the Treasury of the  
21 United States under instructions of the Secretary of the  
22 Treasury as internal-revenue collections, by the officer re-  
23 ceiving or collecting the same, without any abatement or  
24 deduction on account of salary, compensation, fees, costs,  
25 charges, expenses, or claims of any description. A certifi-

1 cate of such payment, stating the name of the depositor  
2 and the specific account on which the deposit was made,  
3 signed by the treasurer, assistant treasurer, designated de-  
4 pository, or proper officer of a deposit bank, shall be trans-  
5 mitted to the Commissioner of Internal Revenue.

6 “(b) Sums offered in compromise under the provisions  
7 of section 3229 of the Revised Statutes and section 35 of  
8 Title II of the National Prohibition Act, sums offered for the  
9 purchase of real estate under the provisions of section 3208  
10 of the Revised Statutes, and surplus proceeds in any distraint  
11 sale, after making allowance for the amount of the tax, in-  
12 terest, penalties, and additions thereto, and for costs and  
13 charges of the distraint and sale, shall be deposited with the  
14 Treasurer of the United States in a special deposit account  
15 in the name of the collector making the deposit. Upon  
16 acceptance of such offer in compromise or offer for the pur-  
17 chase of such real estate, the amount so accepted shall be  
18 withdrawn by the collector from his special deposit account  
19 with the Treasurer of the United States and deposited in the  
20 Treasury of the United States as internal-revenue collections.  
21 Upon the rejection of any such offer, the Commissioner shall  
22 authorize the collector, through whom the amount of such  
23 offer was submitted, to refund to the maker of such offer the  
24 amount thereof. In the case of surplus proceeds from dis-  
25 traint sales the Commissioner shall, upon application and



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2 and the specific account on which the deposit was made,  
3 signed by the treasurer, assistant treasurer, designated de-  
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7 of section 3229 of the Revised Statutes and section 35 of  
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9 purchase of real estate under the provisions of section 3208  
10 of the Revised Statutes, and surplus proceeds in any distraint  
11 sale, after making allowance for the amount of the tax, in-  
12 terest, penalties, and additions thereto, and for costs and  
13 charges of the distraint and sale, shall be deposited with the  
14 Treasurer of the United States in a special deposit account  
15 in the name of the collector making the deposit. Upon  
16 acceptance of such offer in compromise or offer for the pur-  
17 chase of such real estate, the amount so accepted shall be  
18 withdrawn by the collector from his special deposit account  
19 with the Treasurer of the United States and deposited in the  
20 Treasury of the United States as internal-revenue collections.  
21 Upon the rejection of any such offer, the Commissioner shall  
22 authorize the collector, through whom the amount of such  
23 offer was submitted, to refund to the maker of such offer the  
24 amount thereof. In the case of surplus proceeds from dis-  
25 traint sales the Commissioner shall, upon application and

- 1 satisfactory proof in support thereof, authorize the collector
- 2 through whom the amount was received to refund the same
- 3 to the person or persons legally entitled thereto."

1 satisfactory proof in support thereof, authorize the collector  
2 through whom the amount was received to refund the same  
3 to the person or persons legally entitled thereto."

4 *SEIZURE OUTSIDE COLLECTION DISTRICT*

5 *SEC. 1129. Section 3200 of the Revised Statutes is*  
6 *amended to read as follows:*

7 " *SEC. 3200. Any collector or deputy collector may*  
8 *for the collection of taxes imposed upon any person, and*  
9 *committed to him for collection, seize and sell any of the*  
10 *property, real or personal (except property exempt from dis-*  
11 *traint and sale, under section 3187 of the Revised Statutes),*  
12 *or any right or interest therein, of such person situated in*  
13 *any other collection district within the State in which such*  
14 *officer resides, notwithstanding the provisions of section 3209*  
15 *of the Revised Statutes; and his proceedings in relation*  
16 *thereto shall have the same effect as if the same were had in*  
17 *his proper collection district."*

18 *DATE ON WHICH DISTRAINT IS BEGUN*

19 *SEC. 1130. In determining the running of any period*  
20 *of limitation in respect of distraint, the distraint shall be held*  
21 *to have been begun (a) in the case of personal property, on*  
22 *the date on which the levy upon such property is made, or (b)*  
23 *in the case of real property, on the date on which notice of*  
24 *the time and place of sale is given to the person whose estate*  
25 *it is proposed to sell.*

1 TITLE XI.—GENERAL PROVISIONS

2 REPEALS

3 SEC. 1100. (a) The following parts of the Revenue  
4 Act of 1921 are repealed, to take effect (except as otherwise  
5 provided in this Act) upon the enactment of this Act, sub-  
6 ject to the limitations provided in subdivisions (b) and (c):

7 Title II (called "Income Tax") as of January 1,  
8 1924;

9 Title IV (called "Estate Tax");

10 Title V (called "Tax on Telegraph and Telephone  
11 Messages") except subdivision (d) of section 500, effective  
12 on the expiration of thirty days after the enactment of this  
13 Act;

14 Sections 602 and 603 of Title VI (being the taxes on  
15 certain beverages and constituent parts thereof);

16 Title VII (called "Tax on Cigars, Tobacco, and Manu-  
17 factures Thereof");

18 Title VIII (called "Tax on Admissions and Dues"),  
19 effective on the expiration of thirty days after the enactment  
20 of this Act;

21 Sections 901, 902, 903, and 904 of Title IX (being  
22 certain excise taxes);

23 Section 900 of Title IX (being certain excise taxes)  
24 and section 905 of Title IX (being the tax on jewelry and

1 TITLE XII.—GENERAL PROVISIONS

2 REPEALS

3 SEC. 1200. (a) The following parts of the Revenue  
4 Act of 1924 are repealed, to take effect (except as other-  
5 wise provided in this Act) upon the enactment of this Act,  
6 subject to the limitations provided in subdivision (b) :

7 Title II (called "Income Tax") as of January 1,  
8 1925, *except section 257 and sections 271 to 282,*  
9 *inclusive;*

10 *Section 257 and sections 271 to 282, inclusive (being*  
11 *certain administrative provisions of the income tax);*

12 Part I of Title III (called "Estate Tax") ;

13 Part II of Title III (called "Gift Tax") as of Janu-  
14 ary 1, 1926;

15 Title IV (called "Tax on Cigars, Tobacco, and Manu-  
16 factures Thereof") except section 400;

17 Section 400 (being the tax on cigars and cigarettes)  
18 effective on the expiration of 30 days after the enactment  
19 of this Act;

20 Title V (called "Tax on Admissions and Dues"),  
21 effective on the expiration of thirty days after the enactment  
22 of this Act;

23 Title VI (called "Excise Taxes") except subdivision  
24 (2) of section 600;

1 similar articles), effective on the expiration of thirty days  
2 after the enactment of this Act;

3 Title X (called "Special Taxes") effective on June  
4 30, 1924;

5 Title XI (called "Stamp Taxes") effective on the  
6 expiration of thirty days after the enactment of this Act;

7 Title XII (called "Tax on Employment of Child  
8 Labor");

9 Sections 1307, 1308, 1309, subdivision (c) of section  
10 1310, sections 1311, 1312, 1313, 1314, 1315, 1316, 1318,  
11 1320, 1321, 1322, 1323, 1324, 1325, 1326, 1328, 1329,  
12 and 1330 (being certain administrative provisions).

14 (b) The parts of the Revenue Act of 1921 which are  
15 repealed by this Act shall (except as provided in sections  
16 280 and 316 and except as otherwise specifically provided  
17 in this Act) remain in force for the assessment and collection  
18 of all taxes imposed by such Act, and for the assessment,  
19 imposition, and collection of all interest, penalties, or for-  
20 feitures which have accrued or may accrue in relation to any  
21 such taxes, and for the assessment and collection, to the  
22 extent provided in the Revenue Act of 1921, of all  
23 taxes imposed by prior income, war-profits, or excess-profits  
24 tax acts, and for the assessment, imposition, and collection  
25 of all interest, penalties, or forfeitures which have accrued

1 Subdivision (2) of section 600 (being the tax on  
2 certain automobiles) effective on the expiration of 30 days  
3 after the enactment of this Act;

4 Title VII (called "Special Taxes"), effective on June  
5 30, 1926;

6 Title VIII (called "Stamp Taxes"), effective on the  
7 expiration of thirty days after the enactment of this Act;

8 Sections 1004, 1005, 1006, and 1007, subdivision  
9 (a) of section 1008, sections 1009, 1010, 1011, 1022,  
10 1014, 1018, 1019, and 1020, subdivisions (a) and (b)  
11 of section 1021, subdivision (c) of section 1025, and sec-  
12 tions 1026, 1027, 1028, 1029, 1030, and 1031 (being  
13 certain administrative provisions).

14 (b) The parts of the Revenue Act of 1924 which  
15 are repealed by this Act shall (except as provided in sections  
16 ~~280 and 316~~ section 283 and except as otherwise specifically  
17 provided in this Act) remain in force for the assessment and  
18 collection of all taxes imposed by such Act, and for the assess-  
19 ment, imposition, and collection of all interest, penalties,  
20 or forfeitures which have accrued or may accrue in rela-  
21 tion to any such taxes, and for the assessment and collection,  
22 to the extent provided in the Revenue Act of 1924, of all  
23 taxes imposed by prior income, war-profits, or excess-profits  
24 tax acts, and for the assessment, imposition, and collection  
25 of all interest, penalties, or forfeitures which have accrued

1 or may accrue in relation to any such taxes. In the case of  
2 any tax imposed by any part of the Revenue Act of 1921  
3 repealed by this Act, if there is a tax imposed by this  
4 Act in lieu thereof, the provision imposing such tax shall  
5 remain in force until the corresponding tax under this Act  
6 takes effect under the provisions of this Act.

7 (c) The repeal of Title II and Title IV of the Reve-  
8 nue Act of 1921 shall not be construed to take away the  
9 retroactive benefits allowed by paragraph (12) of sub-  
10 division (a) of section 214 or paragraph (14) of sub-  
11 division (a) of section 234, of the Revenue Act of 1921,  
12 or by section 401 or 403 of such Act.

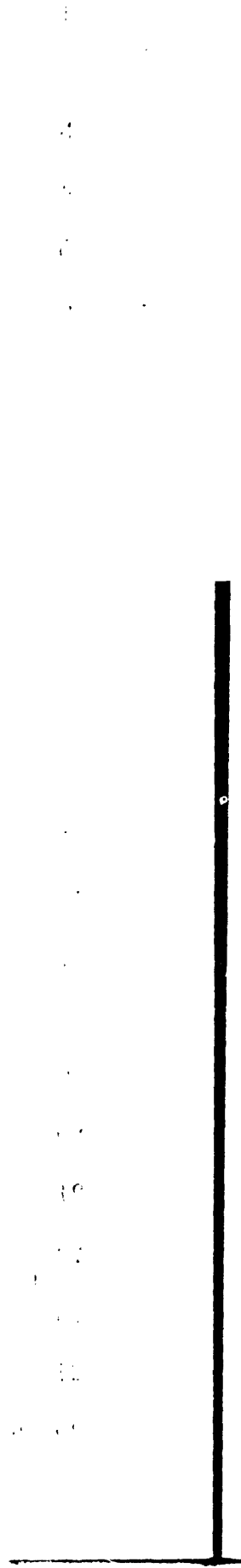


1 or may accrue in relation to any such taxes. In the case  
2 of any tax imposed by any part of the Revenue Act of  
3 1924 repealed by this Act, if there is a tax imposed by this  
4 Act in lieu thereof, the provision imposing such tax shall  
5 remain in force until the corresponding tax under this Act  
6 takes effect under the provisions of this Act.

12

## BUREAU OF INTERNAL REVENUE

13 SEC. 1201. (a) There is hereby created in the Depart-  
14 ment of the Treasury the office of General Counsel for the  
15 Bureau of Internal Revenue. The General Counsel shall be  
16 appointed by the President, by and with the advice and con-  
17 sent of the Senate, and shall receive a salary at the rate of  
18 \$10,000 per annum. He shall perform such duties as are  
19 now required under the internal revenue laws to be per-  
20 formed by the Solicitor of Internal Revenue, or as may be  
21 prescribed by the Secretary or required by law. Commenc-  
22 ing at such time as the General Counsel first appointed under  
23 this section qualifies and takes office, the office of Solicitor of  
24 Internal Revenue in the Department of Justice shall cease  
25 to exist.



1       (b) There is hereby created in the Bureau of Internal  
2 Revenue the office of special deputy commissioner of internal  
3 revenue. Special deputy commissioners shall be appointed  
4 by the President, by and with the advice and consent of the  
5 Senate, for terms of ten years; but not more than six special  
6 deputy commissioners shall hold office at any one time.  
7 Each special deputy commissioner shall receive a salary at  
8 the rate of \$8,000 per annum, and shall perform such duties  
9 as may be prescribed by the Commissioner or required by  
10 law. Any special deputy commissioner may be removed  
11 by the President, after notice and opportunity for public  
12 hearing, for inefficiency, neglect of duty, or malfeasance in  
13 office, but for no other cause.

14       (b) There is hereby created in the Bureau of Internal  
15 Revenue the office of Assistant to the General Counsel. As-  
16 sistants to the General Counsel shall be appointed by the  
17 President, by and with the advice and consent of the Senate,  
18 but not more than six assistants shall hold office at any one  
19 time. Each Assistant to the General Counsel shall receive a  
20 salary at the rate of \$8,000 per annum and shall perform  
21 such duties as may be prescribed by the Commissioner or  
22 required by law.

23       SEC. 1202. Under such regulations as the Commis-  
24 sioner, with the approval of the Secretary, may prescribe all  
25 internal-revenue agents and inspectors may be granted

*[Faint, illegible text, likely bleed-through from the reverse side of the page]*

1 leave of absence with pay on account of sickness, not to  
2 exceed 30 days in any calendar year.

3 JOINT COMMISSION ON TAXATION

4 ~~SEC. 1203, (a)~~ There is hereby established a Commis-  
5 sion to be known as the Joint Commission on Taxation  
6 (hereinafter in this section referred to as the "Commis-  
7 sion,") and to be composed of 15 members as follows:

8 (1) Five members who shall be Members of the Sen-  
9 ate, to be appointed by the President of the Senate;

10 (2) Five members who shall be Members or Members  
11 elect of the House of Representatives, to be appointed by  
12 the Speaker of the House of Representatives; and

13 (3) Five members selected from the general public, to  
14 be appointed by the President.

15 (b) The chairman of the Commission shall be desig-  
16 nated by the President from among the members selected  
17 from the general public. Any vacancy in the Commission  
18 shall be filled in the same manner as the original appoint-  
19 ment. The members selected from the general public shall  
20 serve without compensation, but shall be reimbursed for  
21 travel, subsistence, and other necessary expenses incurred  
22 by such members in the performance of the duties vested in  
23 the Commission by this section. The members who are  
24 Members of the Senate and House of Representatives shall  
25 serve without compensation in addition to that received for  
26 their services as Members of the Congress; but shall be reim-



1 bursed for travel, subsistence, and other necessary expenses  
2 incurred by such Members in the performance of the duties  
3 vested in the Commission by this section, other than ex-  
4 penses in connection with meetings of the Commission held  
5 in the District of Columbia during such times as the Con-  
6 gress is in session.

7 (c) The Commission shall have power to appoint and  
8 fix the compensation of a secretary and two investigators.  
9 The Secretary of the Treasury shall furnish the Commission  
10 with such clerical and expert assistance, quarters, stationery,  
11 furniture, office equipment, and other supplies as may be  
12 necessary for the performance of the duties vested in the  
13 Commission by this section. The Commission may accept  
14 voluntary services.

15 (d) It shall be the duty of the Commission to investi-  
16 gate and report upon the operation, effects, and administra-  
17 tion of the Federal system of income and other internal taxes  
18 and upon any proposals or measures which in the judgment  
19 of the Commission might be employed to simplify or improve  
20 the operation or administration of such system of taxes; and  
21 to make and report upon such other investigations in respect  
22 of such system of taxes as the Commission may deem  
23 necessary.

24 (e) The expenditures of the Commission shall be al-  
25 lowed and paid upon the presentation of itemized vouchers





1 therefor, approved by the Commission and signed by the  
2 chairman thereof. For such expenditures there is hereby  
3 authorized to be appropriated the sum of \$25,000.

4 ~~(f)~~ The Commission shall cease to exist on December  
5 31, 1927.

6 JOINT CONGRESSIONAL COMMITTEE ON INTERNAL-REVENUE  
7 TAXATION

8 SEC. 1203. (a) There is hereby established a joint con-  
9 gressional committee to be known as the Joint Committee on  
10 Internal Revenue Taxation (hereinafter in this section  
11 referred to as the "Joint Committee"), and to be composed  
12 of ten members as follows:

13 (1) Five members who are members of the Committee  
14 on Finance of the Senate, three from the majority and two  
15 from the minority party, to be chosen by such Committee; and

16 (2) Five members who are members of the Committee  
17 on Ways and Means of the House of Representatives, three  
18 from the majority and two from the minority party, to be  
19 chosen by such Committee.

20 (b) No person shall continue to serve as a member  
21 of the Joint Committee after he has ceased to be a member  
22 of the Committee by which he was chosen, except that the  
23 members chosen by the Committee on Ways and Means  
24 who have been re-elected to the House of Representatives  
25 may continue to serve as members of the Joint Committee  
26 notwithstanding the expiration of the Congress. A vacancy

[The following text is extremely faint and largely illegible due to the quality of the scan. It appears to be a list of items or a table with multiple columns, possibly detailing tax rates or regulations under the Revenue Act of 1924. Some faint words like "and", "or", and "the" are visible.]

1 *in the Joint Committee shall not affect the power of the*  
2 *remaining members to execute the functions of the Joint*  
3 *Committee, and shall be filled in the same manner as the*  
4 *original selection, except that (1) in case of a vacancy*  
5 *during an adjournment or recess of Congress for a period*  
6 *of more than two weeks, the members of the Joint Com-*  
7 *mittee who are members of the Committee entitled to fill*  
8 *such vacancy may designate a member of such Committee*  
9 *to serve until his successor is chosen by such Committee,*  
10 *and (2) in the case of a vacancy after the expiration of*  
11 *a Congress which would be filled by the Committee on*  
12 *Ways and Means, the members of such Committee who*  
13 *are continuing to serve as members of the Joint Committee*  
14 *may designate a person who, immediately prior to such*  
15 *expiration, was a member of such Committee and who is*  
16 *re-elected to the House of Representatives, to serve until*  
17 *his successor is chosen by such Committee.*

18       *(c) It shall be the duty of the Joint Committee to investi-*  
19 *gate the operation and effects of the Federal system of internal-*  
20 *revenue taxes; proposals or measures which in its judgment*  
21 *might be employed to simplify or improve the operation or ad-*  
22 *ministration of such taxes; the administration of such taxes*  
23 *by the Bureau of Internal Revenue or any executive depart-*  
24 *ment, establishment, or agency, charged with their administra-*  
25 *tion; to make such other investigations in respect of such sys-*



1 *tem of taxes as the Joint Committee may deem necessary;*  
2 *and to report from time to time to the Committee on Finance*  
3 *and the Committee on Ways and Means, together with such*  
4 *recommendations as it may deem advisable. The Joint Com-*  
5 *mittee may in addition report from time to time to the Senate*  
6 *or the House of Representatives, or both, together with such*  
7 *recommendations as it may deem advisable.*

8 (d) *The Joint Committee shall have the same right to*  
9 *obtain data and to inspect returns as the Committee on Ways*  
10 *and Means or the Committee on Finance, and to submit any*  
11 *relevant or useful information thus obtained to the Senate,*  
12 *the House of Representatives, the Committee on Ways and*  
13 *Means, or the Committee on Finance. The Committee on*  
14 *Ways and Means or the Committee on Finance may submit*  
15 *such information to the House or to the Senate, or to both*  
16 *the House and the Senate, as the case may be.*

17 (e) *The Joint Committee shall meet and organize as*  
18 *soon as practicable after at least a majority of the members*  
19 *have been chosen, and shall elect a chairman and vice*  
20 *chairman from among its members and shall have power to*  
21 *appoint and fix the compensation of a clerk and such experts*  
22 *and clerical, stenographic, and other assistants, as it deems*  
23 *advisable.*

24 (f) *The Joint Committee, or any subcommittee thereof,*  
25 *is authorized to hold hearings and to sit and act at such places*  
26 *and times, to require by subpoena or otherwise the attendance*



1 of such witnesses and the production of such books, papers,  
2 and documents, to administer such oaths, to take such testi-  
3 mony, to have such printing and binding done, and to make  
4 such expenditures, as it deems advisable. The cost of steno-  
5 graphic services shall not be in excess of 25 cents per hundred  
6 words. Subpoenas for witnesses shall be issued under the  
7 signature of the chairman.

8 (g) The expenses of the Joint Committee shall be paid  
9 one-half from the contingent fund of the Senate and one-half  
10 from the contingent fund of the House of Representatives,  
11 upon vouchers signed by the chairman or vice chairman.

#### 12 REFUND OF AUTOMOBILE TAX

13 SEC. 1204. (a) Where prior to the effective date of  
14 the repeal of subdivision (2) of section 600 of the Revenue  
15 Act of 1924 any article subject to the tax imposed by such  
16 subdivision has been sold by the manufacturer, producer, or  
17 importer to a dealer, and is on such date held by a dealer  
18 and intended for sale, there shall be refunded to the manufac-  
19 turer, producer, or importer an amount equal to 2 per centum  
20 of the price for which such article was sold by him, or, if  
21 the tax has not been paid, an amount equal to such 2 per  
22 centum shall be credited against the tax in respect of such  
23 article.

24 (b) As used in this section the term "dealer" in-  
25 cludes a wholesaler, jobber, or distributor. For the pur-  
26 poses of this section, an article shall be considered as "held

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1 by a dealer" if title thereto has passed to such dealer  
2 (whether or not delivery to him has been made), and if  
3 for purposes of consumption title to such article or posses-  
4 sion thereof has not at any time been transferred to any per-  
5 son other than a dealer.

6 (c) Under regulations prescribed by the Commissioner  
7 with the approval of the Secretary, the refund provided  
8 by this section (1) may be applied as a credit against the  
9 tax shown by subsequent returns of the manufacturer, pro-  
10 ducer, or importer, and (2) may be made to the dealer  
11 instead of to the manufacturer, producer or importer, if  
12 the manufacturer, producer or importer waives any claim  
13 for the amount so to be refunded.

14 (d) When the refund or credit provided for in this  
15 section has been allowed to the manufacturer, producer, or  
16 importer, he shall remit to the dealer to whom was sold the  
17 article in respect of which the refund or credit was allowed,  
18 so much of that amount of the tax corresponding to the  
19 refund or credit, as was paid or agreed to be paid by the  
20 dealer. Upon the failure of the manufacturer, producer or  
21 importer to make such remission he shall be liable to the  
22 dealer for damages in the amount of three times the amount  
23 thereof, and the court shall include in any judgment in favor  
24 of the dealer in any suit for the recovery of such damages,  
25 costs of the suit and a reasonable attorney's fee to be fixed by  
26 the court.

22

## LEGISLATIVE DRAFTING SERVICE

23

SEC. 1101. Section 1303 of the Revenue Act of 1918

24

is amended by adding at the end thereof a new subdivision

25

to read as follows:

1 REFUND OF CIGAR TAX

2 SEC. 1205. (a) In the case of all cigars and little  
3 cigars in original and unbroken statutory packages held  
4 and intended for sale by any person on the effective date  
5 of the repeal of section 400 of the Revenue Act of 1924,  
6 including those in customs custody or in transit from the  
7 insular possessions of the United States, which on such date  
8 have affixed thereto stamps purchased at the rates of tax  
9 imposed by section 400 of the Revenue Act of 1924, there  
10 shall be allowed a refund equal to the difference between  
11 the tax imposed by such section and the tax imposed by sec-  
12 tion 400 of this Act.

13 (b) No refund shall be allowed under this section  
14 unless claim therefor is presented within 60 days after the  
15 effective date of the repeal of section 400 of the Revenue Act  
16 of 1924. No refund shall be made to any person if the claim  
17 is for an amount less than \$10.

18 (c) The Commissioner, with the approval of the Sec-  
19 retary, shall adopt such rules and regulations and shall  
20 prescribe and furnish such blank forms as may be necessary  
21 to carry this section into effect.



1  
2  
3  
4

18

**GOVERNMENT ACTUARY**

19

*SEC. 1206. The salary of the Government Actuary,*

20

*so long as the position is held by the present incumbent, shall*

21

*be at the rate of \$10,000 a year.*

**SAVING CLAUSE IN EVENT OF UNCONSTITUTIONALITY**

23

**SEC. ~~1206~~ 1207.** If any provision of this Act, or the

24

application thereof to any person or circumstances, is held

25

invalid, the remainder of the Act, and the application of such

1 sion to other persons or circumstances, shall not be affected  
2 thereby.

3

## EFFECTIVE DATE OF ACT

4 SEC. 1104. Except as otherwise provided, this Act  
5 shall take effect upon its enactment.

## 10 TITLE XII.—REDUCTION OF INCOME TAX

11

## PAYABLE IN 1924

12 SEC. 1200. (a) Any taxpayer making return, for  
13 the calendar year 1923, of the taxes imposed by Parts I  
14 and II of Title II of the Revenue Act of 1921 shall be en-  
15 titled to an allowance by credit or refund of 25 per centum  
16 of the amount shown as the tax upon his return.

17 (b) If the amount shown as the tax upon the return  
18 has been paid in full on or before the time of the enactment  
19 of this Act, the amount of the allowance provided in sub-  
20 division (a) shall be credited or refunded as provided in  
21 section 281 of this Act.

22 (c) If the taxpayer has elected to pay the tax in in-  
23 stallments and, at the time of the enactment of this Act, the  
24 date prescribed for the payment of the last installment has  
25 not yet arrived, the amount of the allowance provided in

1 provision to other persons, or circumstances, shall not be  
2 affected thereby.

3 EFFECTIVE DATE OF ACT

4 SEC. ~~1207~~ 1208. Except as otherwise provided, this  
5 Act shall take effect upon its enactment.

Passed the House of Representatives, December 18,  
1925.

Attest:

WM. TYLER PAGE,

*Clerk.*

J. 80419—45

1 subdivision (a) shall be prorated to the four installments.  
2 The amount so prorated to any installment, the date for  
3 payment of which has not arrived, shall be applied in re-  
4 duction of such installment. The amount so prorated to  
5 any installment, the date for payment of which has arrived,  
6 shall be credited against the installment next falling due  
7 after the enactment of this Act.

8 (d) If the taxpayer has been granted an extension of  
9 time for payment of the tax or any installment thereof to a  
10 date subsequent to the enactment of this Act, the amount  
11 of the allowance provided in subdivision (a) shall be  
12 applied in reduction of the amount of tax shown upon the  
13 return, or, if the tax is to be paid in installments, shall be  
14 prorated to the four installments. The amount so prorated  
15 to any installment, the date for payment of which has not  
16 arrived, shall be applied in reduction thereof. The amount  
17 so prorated to any installment, the date for payment of  
18 which has arrived, shall be credited against the installment  
19 next falling due after the enactment of this Act.

20 (e) Where the taxpayer at the time of the enactment  
21 of this Act has not paid in full that part of the amount shown  
22 as the tax upon the return which should have been paid on  
23 or before the time of the enactment of this Act, then 25 per  
24 centum of any amount already paid shall be applied in reduc-  
25 tion of the amount unpaid (such unpaid amount being first



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1 reduced by 25 per centum thereof) and any excess shall be  
2 credited or refunded as provided in section 281 of this Act.

3 (f) If the correct amount of the tax is determined to be  
4 in excess of the amount shown as the tax upon the return,  
5 and a deficiency has been assessed before the enactment of  
6 this Act, then 25 per centum of any amount of such defi-  
7 ciency which has been paid shall be applied in reduction of  
8 the amount unpaid (such unpaid amount being first reduced  
9 by 25 per centum thereof) and any excess shall be credited  
10 or refunded as provided in section 281 of this Act. Any  
11 deficiency assessed after the enactment of this Act shall be  
12 reduced by 25 per centum of the amount which would have  
13 been assessed as a deficiency if this title had not been  
14 enacted.

15 (g) The allowance provided in subdivision (a) shall  
16 be deducted from the tax or deficiency for the purpose of  
17 determining the amount on which any interest, penalties, or  
18 additions to the tax shall be based.

19 SEC. 1201. (a) Any taxpayer making return, for a  
20 period beginning in 1922 and ending in 1923, of the taxes  
21 imposed by Parts I and II of Title II of the Revenue Act of  
22 1921, shall be entitled to an allowance by credit or refund of  
23 25 per centum of the same proportion of his tax for such  
24 period (determined under the law applicable to the calendar  
25 year 1923 and at the rates for such year) which the portion

**BILL AS REPORTED TO THE SENATE**

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1 of such period falling within the calendar year 1923 is of  
2 the entire period.

3 (b) Any taxpayer making return, for a period begin-  
4 ning in 1923 and ending in 1924, of the taxes imposed by  
5 Parts I and II of Title II of this Act, shall be entitled to an  
6 allowance by credit or refund of 25 per centum of the same  
7 proportion of a tax for such period (determined under the  
8 law applicable to the calendar year 1923 and at the rates for  
9 such year) which the portion of such period falling within  
10 the calendar year 1923 is of the entire period.

11 (c) In the case of a deficiency assessed upon a tax-  
12 payer entitled to the benefits of subdivision (a) or (b) in  
13 respect of the tax for a period beginning in 1922 and end-  
14 ing in 1923 or beginning in 1923 and ending in 1924, the  
15 allowance provided for in subdivisions (a) and (b) shall be  
16 made in respect of such deficiency in a similar manner to  
17 that provided in subdivision (f) of section 1200.

18 SEC. 1202. Any taxpayer who has made return of the  
19 taxes imposed by Parts I and II of Title II of the Revenue  
20 Act of 1921, for a period of less than a year and beginning  
21 and ending within the calendar year 1923, shall be entitled  
22 to an allowance by credit or refund of 25 per centum of the  
23 amount shown as the tax upon his return. If the correct  
24 amount of the tax for such period is determined to be in  
25 excess of the amount shown as the tax upon the return, the

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1 taxpayer shall be entitled to the benefits of subdivision (f)  
2 of section 1200 of this Act.

3 SEC. 1203. The allowance provided in sections 1201  
4 and 1202 shall, under rules and regulations prescribed by  
5 the Commissioner with the approval of the Secretary, be  
6 made in a similar manner to that provided in section 1200.

7 SEC. 1204. The interest provided in section 1019 of  
8 this Act shall not be allowed in respect of the allowance pro-  
9 vided for in this title.

10 SEC. 1205. The benefits of the allowance provided for  
11 in this title shall be granted to the taxpayer under rules and  
12 regulations prescribed by the Commissioner with the ap-  
13 proval of the Secretary.

14 SEC. 1206. Terms defined in the Revenue Act of 1921  
15 shall, when used in this title, have the meaning assigned to  
16 such terms in that Act.

17 Approved, June 2, 1924.

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