

REVENUE BILL.

FEBRUARY 6, 1919.—Ordered to be printed.

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

CONFERENCE REPORT.

[To accompany H. R. 12863.]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 12863) to provide revenue, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 1, 5, 10, 35, 37, 38, 50, 54, 55, 58, 59, 112, 120, 121, 122, 123, 127, 131, 140, 186, 187, 189, 208, 211, 218, 222, 223, 235, 272, 273, 274, 275, 276, 329, 330, 332, 333, 352, 362, 377, 378, 379, 381, 394, 405, 407, 410, 444, 445, 488, 490, 491, 493, 498, 499, 500, 509, 516, 518, 519, 539, 540, 541, 553, 559, 587, 588, and 594.

That the House recede from its disagreement to the amendments of the Senate numbered 4, 7, 8, 9, 12, 15, 16, 17, 18, 19, 20, 22, 23, 24, 25, 29, 30, 31, 32, 33, 34, 39, 41, 42, 43, 44, 45, 46, 47, 48, 49, 51, 52, 53, 56, 57, 60, 61, 62, 64, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 78, 79, 82, 83, 84, 85, 87, 88, 89, 90, 91, 93, 97, 98, 99, 100, 101, 102, 103, 104, 106, 107, 108, 109, 110, 111, 113, 114, 115, 116, 117, 119, 124, 126, 128, 130, 132, 133, 134, 136, 137, 138, 139, 141, 142, 143, 145, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 162, 163, 164, 165, 166, 167, 168, 170, 172, 173, 174, 175, 176, 177, 178, 179, 181, 182, 183, 184, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 209, 210, 212, 213, 217, 219, 224, 225, 226, 227, 228, 229, 230, 237, 238, 239, 240, 241, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 255, 256, 258, 260, 262, 264, 265, 266, 267, 268, 269, 271, 278, 279, 280, 281, 283, 284, 286, 287, 288, 290, 291, 293, 294, 295, 296, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 326, 327, 328, 331, 334, 335, 336, 337, 338, 339, 340, 342, 343, 344, 346, 347, 348, 349, 350, 351, 353, 354, 355, 356, 358, 359, 360, 361, 363, 364, 365, 366, 370, 371, 372, 373, 374, 380, 382, 383, 384, 385, 386, 388, 389, 390, 392, 396, 398, 400, 401, 402, 403, 406, 408, 409, 411, 412, 413, 415, 416, 419, 422, 423, 427, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443.

447, 448, 449, 450, 451, 452, 453, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 468, 470, 471, 472, 473, 475, 476, 477, 478, 479, 481, 482, 483, 486, 487, 489, 494, 496, 497, 501, 502, 503, 504, 505, 506, 507, 508, 510, 511, 512, 513, 514, 515, 517, 520, 521, 522, 524, 525, 527, 528, 529, 530, 531, 532, 533, 534, 536, 537, 538, 543, 545, 546, 547, 549, 551, 552, 554, 555, 556, 557, 558, 560, 562, 563, 564, 565, 566, 567, 568, 570, 571, 572, 573, 574, 575, 576, 577, 579, 580, 582, 583, 584, 585, 586, 589, 590, 591, 592, and 593; and agree to the same.

Amendment numbered 2:

That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with an amendment as follows:

On page 1, line 5 of the bill strike out the comma after the word "partnerships"; and the Senate agree to the same.

Amendment numbered 3:

That the House recede from its disagreement to the amendment of the Senate numbered 3, and agree to the same with an amendment as follows:

In lieu of the matter stricken out by said amendment insert a comma and the following: *as well as individuals*; and the Senate agree to the same.

Amendment numbered 6:

That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree to the same with an amendment as follows:

In lieu of the matter stricken out by said amendment insert the following: *The term "Government contract" means (a) a contract made with the United States, or with any department, bureau, officer, commission, board, or agency, under the United States and acting in its behalf, or with any agency controlled by any of the above if the contract is for the benefit of the United States, or (b) a subcontract made with a contractor performing such a contract if the products or services to be furnished under the subcontract are for the benefit of the United States. The term "Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive" when applied to a contract of the kind referred to in clause (a) of this paragraph, includes all such contracts which, although entered into during such period, were originally not enforceable, but which have been or may become enforceable by reason of subsequent validation in pursuance of law and a semicolon*; and the Senate agree to the same.

Amendment numbered 11:

That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *The term "personal service corporation" means a corporation whose income is to be ascribed primarily to the activities of the principal owners or stockholders who are themselves regularly engaged in the active conduct of the affairs of the corporation and in which capital (whether invested or borrowed) is not a material income-producing factor; but does not include any foreign corporation, nor any corporation 50 per*

centum or more of whose gross income consists either (1) of gains, profits or income derived from trading as a principal, or (2) of gains, profits, commissions, or other income, derived from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive and a semicolon; and the Senate agree to the same.

Amendment numbered 13:

That the House recede from its disagreement to the amendment of the Senate numbered 13, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

The term "paid," for the purposes of the deductions and credits under this title, means "paid or accrued" or "paid or incurred," and the terms "paid or incurred" and "paid or accrued" shall be construed according to the method of accounting upon the basis of which the net income is computed under section 212.

And the Senate agree to the same.

Amendment numbered 14:

That the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

DIVIDENDS.

Sec. 201. (a) That the term "dividend" when used in this title (except in paragraph (10) of subdivision (a) of section 234) means (1) any distribution made by a corporation, other than a personal service corporation, to its shareholders or members, whether in cash or in other property or in stock of the corporation, out of its earnings or profits accumulated since February 28, 1913, or (2) any such distribution made by a personal service corporation out of its earnings or profits accumulated since February 28, 1913, and prior to January 1, 1918.

(b) Any distribution shall be deemed to have been made from earnings or profits unless all earnings and profits have first been distributed. Any distribution made in the year 1918 or any year thereafter shall be deemed to have been made from earnings or profits accumulated since February 28, 1913, or, in the case of a personal service corporation, from the most recently accumulated earnings or profits; but any earnings or profits accumulated prior to March 1, 1913, may be distributed in stock dividends or otherwise, exempt from the tax, after the earnings and profits accumulated since February 28, 1913, have been distributed.

(c) A dividend paid in stock of the corporation shall be considered income to the amount of the earnings or profits distributed. Amounts distributed in the liquidation of a corporation shall be treated as payments in exchange for stock or shares, and any gain or profit realized thereby shall be taxed to the distributee as other gains or profits.

(d) If any stock dividend (1) is received by a taxpayer between January 1 and November 1, 1918, both dates inclusive, or (2) is during such period bona fide authorized or declared, and entered on the books of the corporation, and is received by a taxpayer after November 1, 1918, and before the expiration of thirty days after the passage of this Act, then such dividend shall, in the manner provided in section 206, be

taxed to the recipient at the rates prescribed by law for the years in which the corporation accumulated the earnings or profits from which such dividend was paid, but the dividend shall be deemed to have been paid from the most recently accumulated earnings or profits.

(e) Any distribution made during the first sixty days of any taxable year shall be deemed to have been made from earnings or profits accumulated during preceding taxable years; but any distribution made during the remainder of the taxable year shall be deemed to have been made from earnings or profits accumulated between the close of the preceding taxable year and the date of distribution, to the extent of such earnings or profits, and if the books of the corporation do not show the amount of such earnings or profits, the earnings or profits for the accounting period within which the distribution was made shall be deemed to have been accumulated ratably during such period.

And the Senate agree to the same.

Amendment numbered 21:

That the House recede from its disagreement to the amendment of the Senate numbered 21, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

(b) When property is exchanged for other property, the property received in exchange shall for the purpose of determining gain or loss be treated as the equivalent of cash to the amount of its fair market value, if any; but when in connection with the reorganization, merger, or consolidation of a corporation a person receives in place of stock or securities owned by him new stock or securities of no greater aggregate par or face value, no gain or loss shall be deemed to occur from the exchange, and the new stock or securities received shall be treated as taking the place of the stock, securities, or property exchanged.

When in the case of any such reorganization, merger or consolidation the aggregate par or face value of the new stock or securities received is in excess of the aggregate par or face value of the stock or securities exchanged, a like amount in par or face value of the new stock or securities received shall be treated as taking the place of the stock or securities exchanged, and the amount of the excess in par or face value shall be treated as a gain to the extent that the fair market value of the new stock or securities is greater than the cost (or if acquired prior to March 1, 1913, the fair market value as of that date) of the stock or securities exchanged.

And the Senate agree to the same.

Amendment numbered 26:

That the House recede from its disagreement to the amendment of the Senate numbered 26, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

NET LOSSES.

Sec. 204. (a) That as used in this section the term "net loss" refers only to net losses resulting from either (1) the operation of any business regularly carried on by the taxpayer, or (2) the bona fide sale by the taxpayer of plant, buildings, machinery, equipment or other facilities, con-

structed, installed or acquired by the taxpayer on or after April 6, 1917, for the production of articles contributing to the prosecution of the present war; and when so resulting means the excess of the deductions allowed by law (excluding in the case of corporations amounts allowed as a deduction under paragraph (8) of subdivision (a) of section 234) over the sum of the gross income plus any interest received free from taxation both under this title and under Title III.

(b) If for any taxable year beginning after October 31, 1918, and ending prior to January 1, 1920, it appears upon the production of evidence satisfactory to the Commissioner that any taxpayer has sustained a net loss, the amount of such net loss shall under regulations prescribed by the Commissioner with the approval of the Secretary be deducted from the net income of the taxpayer for the preceding taxable year; and the taxes imposed by this title and by Title III for such preceding taxable year shall be redetermined accordingly. Any amount found to be due to the taxpayer upon the basis of such redetermination shall be credited or refunded to the taxpayer in accordance with the provisions of section 252. If such net loss is in excess of the net income for such preceding taxable year, the amount of such excess shall under regulations prescribed by the Commissioner with the approval of the Secretary be allowed as a deduction in computing the net income for the succeeding taxable year.

(c) The benefit of this section shall be allowed to the members of a partnership and the beneficiaries of an estate or trust under regulations prescribed by the Commissioner with the approval of the Secretary.

And the Senate agree to the same.

Amendment numbered 27:

That the House recede from its disagreement to the amendment of the Senate numbered 27, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

FISCAL YEAR WITH DIFFERENT RATES.

Sec. 205. (a) That if a taxpayer makes return for a fiscal year beginning in 1917 and ending in 1918, his tax under this title for the first taxable year shall be the sum of: (1) the same proportion of a tax for the entire period computed under Title I of the Revenue Act of 1916 as amended by the Revenue Act of 1917 and under Title I of the Revenue Act of 1917, which the portion of such period falling within the calendar year 1917 is of the entire period, and (2) the same proportion of a tax for the entire period computed under this title at the rates for the calendar year 1918 which the portion of such period falling within the calendar year 1918 is of the entire period: Provided, That in the case of a personal service corporation the amount to be paid shall be only that specified in clause (1).

Any amount heretofore or hereafter paid on account of the tax imposed for such fiscal year by Title I of the Revenue Act of 1916 as amended by the Revenue Act of 1917, and by Title I of the Revenue Act of 1917, shall be credited towards the payment of the tax imposed for such fiscal year by this act, and if the amount so paid exceeds the amount of such tax imposed by this act, or, in the case of a personal service corporation, the amount specified in clause (1), the excess shall be credited or refunded in accordance with the provisions of section 252.

(b) If a taxpayer makes a return for a fiscal year beginning in 1918 and ending in 1919, the tax under this title for such fiscal year shall be the sum of: (1) the same proportion of a tax for the entire period computed under this title at the rates specified for the calendar year 1918 which the portion of such period falling within the calendar year 1918 is of the entire period, and (2) the same proportion of a tax for the entire period computed under this title at the rates specified for the calendar year 1919 which the portion of such period falling within the calendar year 1919 is of the entire period.

(c) If a fiscal year of a partnership begins in 1917 and ends in 1918 or begins in 1918 and ends in 1919, then notwithstanding the provisions of subdivision (b) of section 218, (1) the rates for the calendar year during which such fiscal year begins shall apply to an amount of each partner's share of such partnership net income (determined under the law applicable to such year) equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year, and (2) the rates for the calendar year during which such fiscal year ends shall apply to an amount of each partner's share of such partnership net income (determined under the law applicable to such calendar year) equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year: Provided, That in the case of a personal service corporation with respect to a fiscal year beginning in 1917 and ending in 1918, the amount specified in clause (1) shall not be subject to normal tax.

And the Senate agree to the same.

Amendment numbered 28:

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

In lieu of the matter inserted by said amendment insert the following:

PARTS OF INCOME SUBJECT TO RATES FOR DIFFERENT YEARS.

Sec. 206. That whenever parts of a taxpayer's income are subject to rates for different calendar years, the part subject to the rates for the most recent calendar year shall be placed in the lower brackets of the rate schedule provided in this title, the part subject to the rates for the next preceding calendar year shall be placed in the next higher brackets of the rate schedule applicable to that year, and so on until the entire net income has been accounted for. In determining the income, any deductions, exemptions or credits of a kind not plainly and properly chargeable against the income taxable at rates for a preceding year shall first be applied against the income subject to rates for the most recent calendar year; but any balance thereof shall be applied against the income subject to the rates of the next preceding year or years until fully allowed.

And the Senate agree to the same.

Amendment numbered 36:

That the House recede from its disagreement to the amendment of the Senate numbered 36, and agree to the same with an amendment as follows:

In lieu of the matter stricken out by said amendment insert the following inclosed in parentheses: *including in the case of the Presi-*

dent of the United States, the judges of the Supreme and inferior courts of the United States, and all other officers and employees, whether elected or appointed, of the United States, Alaska, Hawaii, or any political subdivision thereof, or the District of Columbia, the compensation received as such; and the Senate agree to the same.

Amendment numbered 40:

That the House recede from its disagreement to the amendment of the Senate numbered 40, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *possessions; or (d) bonds issued by the War Finance Corporation: Provided, That every person owning any of the obligations, securities or bonds enumerated in clauses (a), (b), (c) and (d) shall, in the return required by this title, submit a statement showing the number and amount of such obligations, securities and bonds owned by him and the income received therefrom, in such form and with such information as the Commissioner may require.*

And the Senate agree to the same.

Amendment numbered 63:

That the House recede from its disagreement to the amendment of the Senate numbered 63, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *or (e) in the case of a nonresident alien individual, by the authority of any foreign country (except income, war-profits and excess-profits taxes, and taxes assessed against local benefits of a kind tending to increase the value of the property assessed), upon property or business and a semicolon;*

And on page 17, line 5 of the bill, after the matter inserted by Senate amendment numbered 81, insert a comma and the following: *and clause (e) of paragraph (3) and a comma;* and the Senate agree to the same.

Amendment numbered 65:

That the House recede from its disagreement to the amendment of the Senate numbered 65, and agree to the same, with an amendment, as follows:

Omit the matter inserted by said amendment, and restore the matter stricken out by said amendment, and on page 14, line 19, of the bill, after "business" insert a comma and the following: *including a reasonable allowance for obsolescence;* and the Senate agree to the same.

Amendment numbered 77:

That the House recede from its disagreement to the amendment of the Senate numbered 77, and agree to the same with an amendment, as follows:

On page 20, line 3, of the Senate engrossed amendments, strike out "12 months" and insert *thirty days;* and the Senate agree to the same.

Amendment numbered 80:

That the House recede from its disagreement to the amendment of the Senate numbered 80, and agree to the same with an amendment as follows:

(12) (a) *At the time of filing return for the taxable year 1918 a taxpayer may file a claim in abatement based on the fact that he has sustained a substantial loss (whether or not actually realized by sale or other disposition) resulting from any material reduction (not due to temporary fluctuation) of the value of the inventory for such taxable year, or from the actual payment after the close of such taxable year of rebates in pursuance of contracts entered into during such year upon sales made during such year. In such case payment of the amount of the tax covered by such claim shall not be required until the claim is decided, but the taxpayer shall accompany his claim with a bond in double the amount of the tax covered by the claim, with sureties satisfactory to the Commissioner, conditioned for the payment of any part of such tax found to be due, with interest. If any part of such claim is disallowed then the remainder of the tax due shall on notice and demand by the collector be paid by the taxpayer with interest at the rate of 1 per centum per month from the time the tax would have been due had no such claim been filed. If it is shown to the satisfaction of the Commissioner that such substantial loss has been sustained, then in computing the tax imposed by this title the amount of such loss shall be deducted from the net income. (b) If no such claim is filed, but it is shown to the satisfaction of the Commissioner that during the taxable year 1919 the taxpayer has sustained a substantial loss of the character above described then the amount of such loss shall be deducted from the net income for the taxable year 1918 and the tax imposed by this title for such year shall be redetermined accordingly. Any amount found to be due to the taxpayer upon the basis of such redetermination shall be credited or refunded to the taxpayer in accordance with the provisions of section 252.*

And the Senate agree to the same.

Amendment numbered 81:

That the House recede from its disagreement to the amendment of the Senate numbered 81, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: (10), (12); and the Senate agree to the same.

Amendment numbered 86:

That the House recede from its disagreement to the amendment of the Senate numbered 86, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert a comma and the following: *and amounts received as dividends from a personal service corporation out of earnings or profits upon which income tax has been imposed by Act of Congress;* and the Senate agree to the same.

Amendment numbered 92:

That the House recede from its disagreement to the amendment of the Senate numbered 92, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

(e) Personal service corporations shall not be subject to taxation under this title, but the individual stockholders thereof shall be taxed in the same manner as the members of partnerships. All the provisions of this title relating to partnerships and the members thereof shall so far as practicable apply to personal service corporations and the stockholders thereof: Provided, That for the purpose of this subdivision amounts distributed by a personal service corporation during its taxable year shall be accounted for by the distributees; and any portion of the net income remaining undistributed at the close of its taxable year shall be accounted for by the stockholders of such corporation at the close of its taxable year in proportion to their respective shares.

And the Senate agree to the same.

Amendment numbered 94:

That the House recede from its disagreement to the amendment of the Senate numbered 94, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *212, except that there shall also be allowed as a deduction (in lieu of the deduction authorized by paragraph (11) of subdivision (a) of section 214) any part of the gross income which, pursuant to the terms of the will or deed creating the trust, is during the taxable year paid to or permanently set aside for the United States, any State, Territory, or any political subdivision thereof, or the District of Columbia, or any corporation organized and operated exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual; and the Senate agree to the same.*

Amendment numbered 95:

That the House recede from its disagreement to the amendment of the Senate numbered 95, and agree to the same with an amendment as follows:

On page 23, line 10, of the Senate engrossed amendments after "administration" insert *or settlement*; and the Senate agree to the same.

Amendment numbered 96:

That the House recede from its disagreement to the amendment of the Senate numbered 96, and agree to the same with an amendment as follows:

On page 23, line 14, of the Senate engrossed amendments strike out "or" and insert *of*; and the Senate agree to the same.

Amendment numbered 105.

That the House recede from its disagreement to the amendment of the Senate numbered 105, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *distributed, such corporation shall not be subject to the tax imposed by section 230, but the stockholders or members thereof shall be subject to taxation under this title in the same manner as provided in subdivision (e) of section 218 in the case of stockholders of a personal service corporation, except that the tax imposed by Title III shall be deducted from the net income of the corporation before the computation of the proportionate share of each stockholder or member.*

And the Senate agree to the same.

Amendment numbered 118:

That the House recede from its disagreement to the amendment of the Senate numbered 118, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

CREDIT FOR TAXES.

Sec. 222. (a) That the tax computed under Part II of this title shall be credited with:

(1) In the case of a citizen of the United States, the amount of any income, war-profits and excess-profits taxes paid during the taxable year to any foreign country, upon income derived from sources therein, or to any possession of the United States; and

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

(3) In the case of an alien resident of the United States who is a citizen or subject of a foreign country, the amount of any such taxes paid during the taxable year to such country, upon income derived from sources therein, if such country, in imposing such taxes, allows a similar credit to citizens of the United States residing in such country; and

(4) In the case of any such individual who is a member of a partnership or a beneficiary of an estate or trust, his proportionate share of such taxes of the partnership or the estate or trust paid during the taxable year to a foreign country or to any possession of the United States, as the case may be.

(b) If accrued taxes when paid differ from the amounts claimed as credits by the taxpayer, or if any tax paid is refunded in whole or in part, the taxpayer shall notify the Commissioner who shall redetermine the amount of the tax due under Part II of this title for the year or years affected, and the amount of tax due upon such redetermination, if any, shall be paid by the taxpayer upon notice and demand by the collector, or the amount of tax overpaid, if any, shall be credited or refunded to the taxpayer in accordance with the provisions of section 252. In the case of such a tax accrued but not paid, the Commissioner as a condition 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 penal sum as the Commissioner may require, conditioned for 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) These credits shall be allowed only if the taxpayer furnishes evidence satisfactory to the Commissioner showing the amount of income derived from sources within such foreign country or such possession of the United States, and all other information necessary for the computation of such credits.

And the Senate agree to the same.

Amendment numbered 125:

That the House recede from its disagreement to the amendment of the Senate numbered 125, and agree to the same with an amendment as follows:

In lieu of the matter stricken out by said amendment insert the following: *Except in the case of taxpayers who are abroad, no such extension shall be for more than six months.*

And the Senate agree to the same.

Amendment numbered 129:

That the House recede from its disagreement to the amendment of the Senate numbered 129, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

(1) *For the calendar year 1918, 12 per centum of the amount of the net income in excess of the credits provided in section 236; and*

(2) *For each calendar year thereafter, 10 per centum of such excess amount.*

(b) *For the purposes of the Act approved March 21, 1918, entitled "An Act to provide for the operation of transportation systems while under Federal control, for the just compensation of their owners, and for other purposes," five-sixths of the tax imposed by paragraph (1) of subdivision (a) and four-fifths of the tax imposed by paragraph (2) of subdivision (a) shall be treated as levied by an Act in amendment of Title I of the Revenue Act of 1917.*

And the Senate agree to the same.

Amendment numbered 135:

That the House recede from its disagreement to the amendment of the Senate numbered 135, and agree to the same with an amendment as follows:

In lieu of the matter stricken out by said amendment insert a comma and the following: *except that:*

(1) *In the case of life insurance companies there shall not be included in gross income such portion of any actual premium received from any individual policyholder as is paid back or credited to or treated as an abatement of premium of such policyholder within the taxable year.*

(2) *Mutual marine insurance companies shall include in gross income the gross premiums collected and received by them less amounts paid for reinsurance; and the Senate agree to the same.*

Amendment numbered 144:

That the House recede from its disagreement to the amendment of the Senate numbered 144, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: 238; or (e) in the case of a foreign corporation, by the authority of any foreign country (except income, war-profits and excess-profits taxes, and taxes assessed against local benefits of a kind tending to increase the value of the property assessed), upon the property or business

And on page 40 of the bill, lines 22 and 23 strike out "paragraphs (2) and (3)" and insert *paragraph (2) and in clauses (a), (b), and (c) of paragraph (3)*; and the Senate agree to the same.

Amendment numbered 146:

That the House recede from its disagreement to the amendment of the Senate numbered 146, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert a comma and the following: *and amounts received as dividends from a personal service corporation out of earnings or profits upon which income tax has been imposed by Act of Congress*; and the Senate agree to the same.

Amendment numbered 147:

That the House recede from its disagreement to the amendment of the Senate numbered 147, and agree to the same with an amendment as follows:

Omit the matter inserted by said amendment and restore the matter stricken out by said amendment, and on page 37, line 24, of the bill, after "business" insert a comma and the following: *including a reasonable allowance for obsolescence*; and the Senate agree to the same.

Amendment numbered 159:

That the House recede from its disagreement to the amendment of the Senate numbered 159, and agree to the same with an amendment as follows:

On page 33, line 9, of the Senate engrossed amendments, strike out "12 months" and insert *thirty days*; and the Senate agree to the same.

Amendment numbered 160:

That the House recede from its disagreement to the amendment of the Senate numbered 160, and agree to the same with an amendment as follows:

In lieu of the matter stricken out by said amendment insert the following:

(10) *In the case of insurance companies, in addition to the above: (a) The net addition required by law to be made within the taxable year to reserve funds (including in the case of assessment insurance companies the actual deposit of sums with State or Territorial officers pursuant to law as additions to guarantee or reserve funds); and (b) the sums other than dividends paid within the taxable year on policy and annuity contracts;*

(11) *In the case of corporations issuing policies covering life health, and accident insurance combined in one policy issued on the weekly*

premium payment plan continuing for life and not subject to cancellation, in addition to the above, such portion of the net addition (not required by law) made within the taxable year to reserve funds as the Commissioner finds to be required for the protection of the holders of such policies only;

(12) In the case of mutual marine insurance companies, there shall be allowed, in addition to the deductions allowed in paragraphs (1) to (10), inclusive, amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment and the payment thereof;

(13) In the case of mutual insurance companies (other than mutual life or mutual marine insurance companies) requiring their members to make premium deposits to provide for losses and expenses, there shall be allowed, in addition to the deductions allowed in paragraphs (1) to (10), inclusive, (unless otherwise allowed under such paragraphs) the amount of premium deposits returned to their policyholders and the amount of premium deposits retained for the payment of losses, expenses, and reinsurance reserves and a semicolon; and the Senate agree to the same.

Amendment numbered 161:

That the House recede from its disagreement to the amendment of the Senate numbered 161, and agree to the same with an amendment as follows:

(14) (a) At the time of filing return for the taxable year 1918 a taxpayer may file a claim in abatement based on the fact that he has sustained a substantial loss (whether or not actually realized by sale or other disposition) resulting from any material reduction (not due to temporary fluctuation) of the value of the inventory for such taxable year, or from the actual payment after the close of such taxable year of rebates in pursuance of contracts entered into during such year upon sales made during such year. In such case payment of the amount of the tax covered by such claim shall not be required until the claim is decided, but the taxpayer shall accompany his claim with a bond in double the amount of the tax covered by the claim, with sureties satisfactory to the Commissioner, conditioned for the payment of any part of such tax found to be due, with interest. If any part of such claim is disallowed then the remainder of the tax due shall on notice and demand by the collector be paid by the taxpayer with interest at the rate of 1 per centum per month from the time the tax would have been due had no such claim been filed. If it is shown to the satisfaction of the Commissioner that such substantial loss has been sustained, then in computing the taxes imposed by this title and by Title III the amount of such loss shall be deducted from the net income.

(b) If no such claim is filed, but it is shown to the satisfaction of the Commissioner that during the taxable year 1919 the taxpayer has sustained a substantial loss of the character above described then the amount of such loss shall be deducted from the net income for the taxable year 1918 and the taxes imposed by this title and by Title III for such year shall be redetermined accordingly. Any amount found to be due to the taxpayer upon the basis of such redetermination shall be credited or refunded to the taxpayer in accordance with the provisions of section 252.

And the Senate agree to the same.

Amendment numbered 169:

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

In lieu of the matter inserted by said amendment insert the following: *in computing the tax as provided in subdivision (a) of section 205, the tax computed for the entire period under Title II of the Revenue Act of 1917 shall be credited against the net income computed for the entire period under Title I of the Revenue Act of 1916 as amended by the Revenue Act of 1917 and under Title I of the Revenue Act of 1917, and the tax computed for the entire period under Title III of this Act at the rates prescribed for the calendar year 1918 shall be credited against the net income computed for the entire period under this title; and; and the Senate agree to the same.*

Amendment numbered 171:

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

In lieu of the figure "8" inserted by said amendment insert the figures 10; and the Senate agree to the same.

Amendment numbered 180:

That the House recede from its disagreement to the amendment of the Senate numbered 180, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

(c) If a domestic corporation makes a return for a fiscal year beginning in 1917 and ending in 1918, only that proportion of this credit shall be allowed which the part of such period within the calendar year 1918 bears to the entire period.

And on page 42 of the bill, after line 20, insert the following new paragraph:

If accrued taxes when paid differ from the amounts claimed as credits by the corporation, or if any tax paid is refunded in whole or in part, the corporation shall at once notify the Commissioner who shall redetermine the amount of the taxes due under this title and under Title III for the year or years affected, and the amount of taxes due upon such redetermination, if any, shall be paid by the corporation upon notice and demand by the collector, or the amount of taxes overpaid, if any, shall be credited or refunded to the corporation in accordance with the provisions of section 252. In the case of such a tax accrued but not paid, the Commissioner as a condition precedent to the allowance of this credit may require the corporation to give a bond with sureties satisfactory to and to be approved by him in such penal sum as he may require, conditioned for the payment by the taxpayer of any amount of taxes found due upon any such redetermination; and the bond herein prescribed shall contain such further conditions as the Commissioner may require.

And on page 42 of the bill, line 21, at the beginning of the line insert the letter *b* in parentheses.

And the Senate agree to the same.

Amendment numbered 185:

That the House recede from its disagreement to the amendment of the Senate numbered 185, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

CONSOLIDATED RETURNS.

Sec. 240. (a) That corporations which are affiliated within the meaning of this section shall, under regulations to be prescribed by the Commissioner with the approval of the Secretary, make a consolidated return of net income and invested capital for the purposes of this title and Title III, and the taxes thereunder shall be computed and determined upon the basis of such return; Provided, That there shall be taken out of such consolidated net income and invested capital, the net income and invested capital of any such affiliated corporation organized after August 1, 1914, and not successor to a then existing business, 50 per centum or more of whose gross income consists of gains, profits, commissions, or other income, derived from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive. In such case the corporation so taken out shall be separately assessed on the basis of its own invested capital and net income and the remainder of such affiliated group shall be assessed on the basis of the remaining consolidated invested capital and net income.

In any case in which a tax is assessed upon the basis of a consolidated return, the total tax shall be computed in the first instance as a unit and shall then be assessed upon the respective affiliated corporations in such proportions as may be agreed upon among them, or, in the absence of any such agreement, then on the basis of the net income properly assignable to each. There shall be allowed in computing the income tax only one specific credit of \$2,000 (as provided in section 236); in computing the war-profits credit (as provided in section 311) only one specific exemption of \$3,000; and in computing the excess-profits credit (as provided in section 312) only one specific exemption of \$3,000.

(b) For the purpose of this section two or more domestic corporations shall be deemed to be affiliated (1) if one corporation owns directly or controls through closely affiliated interests or by a nominee or nominees substantially all the stock of the other or others, or (2) if substantially all the stock of two or more corporations is owned or controlled by the same interests.

(c) For the purposes of section 238 a domestic corporation which owns a majority of the voting stock of a foreign corporation shall be deemed to have paid the same proportion of any income, war-profits and excess-profits taxes paid (but not including taxes accrued) by such foreign corporation during the taxable year to any foreign country or to any possession of the United States upon income derived from sources without the United States, which the amount of any dividends (not deductible under section 234) received by such domestic corporation from such foreign corporation during the taxable year bears to the total taxable income of such foreign corporation upon or with respect to which such taxes were paid: Provided, That in no such case shall the amount of the credit for such taxes exceed the amount of such dividends (not deductible under section 234) received by such domestic corporation during the taxable year.

And the Senate agree to the same.

Amendment numbered 188:

That the House recede from its disagreement to the amendment of the Senate numbered 188, and agree to the same, with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

Sec. 250. (a) That except as otherwise provided in this section and sections 221 and 237 the tax shall be paid in four installments, each consisting of one-fourth of the total amount of the tax. The first installment shall be paid at the time fixed by law for filing the return, and the second installment shall be paid on the fifteenth day of the third month, the third installment on the fifteenth day of the sixth month, and the fourth installment on the fifteenth day of the ninth month, after the time fixed by law for filing the return. Where an extension of time for filing a return is granted the time for payment of the first installment shall be postponed until the date of the expiration of the period of the extension, but the time for payment of the other installments shall not be postponed unless the Commissioner so provides in granting the extension. In any case in which the time for the payment of any installment is at the request of the taxpayer thus postponed, there shall be added as part of such installment interest thereon at the rate of $\frac{1}{2}$ of 1 per centum per month from the time it would have been due if no extension had been granted, until paid. If any installment is not paid when due, the whole amount of the tax unpaid shall become due and payable upon notice and demand by the collector.

And the Senate agree to the same.

Amendment numbered 214:

That the House recede from its disagreement to the amendment of the Senate numbered 214, and agree to the same with an amendment as follows:

In lieu of the matter stricken out by said amendment insert the following: *imposing an income tax*; and the Senate agree to the same.

Amendment numbered 215:

That the House recede from its disagreement to the amendment of the Senate numbered 215, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert a colon and the following:

Provided further, That all bona fide stockholders of record owning 1 per centum or more of the outstanding stock of any corporation shall, upon making request of the Commissioner, be allowed to examine the annual income returns of such corporation and of its subsidiaries. Any stockholder who pursuant to the provisions of this section is allowed to examine the return of any corporation, and who makes known in any manner whatever not provided by law the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any such return, shall be guilty of a misdemeanor and be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both; and the Senate agree to the same.

Amendment numbered 216:

That the House recede from its disagreement to the amendment of the Senate numbered 216, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *in such manner as he may determine, in the office of the collector in each internal revenue district and in such other places as he may determine, lists; and the Senate agree to the same.*

Amendment numbered 220:

That the House recede from its disagreement to the amendment of the Senate numbered 220, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

CITIZENS OF UNITED STATES POSSESSIONS.

Sec. 260. That any individual who is a citizen of any possession of the United States (but not otherwise a citizen of the United States) and who is not a resident of the United States, shall be subject to taxation under this title only as to income derived from sources within the United States, and in such case the tax shall be computed and paid in the same manner and subject to the same conditions as in the case of other persons who are taxable only as to income derived from such sources.

And the Senate agree to the same.

Amendment numbered 221:

That the House recede from its disagreement to the amendment of the Senate numbered 221, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

PORTO RICO AND PHILIPPINE ISLANDS.

Sec. 261. That in Porto Rico and the Philippine Islands the income tax shall be levied, assessed, collected, and paid in accordance with the provisions of the Revenue Act of 1916 as amended.

Returns shall be made and taxes shall be paid under Title I of such Act in Porto Rico or the Philippine Islands, as the case may be, by (1) every individual who is a citizen or resident of Porto Rico or the Philippine Islands or derives income from sources therein, and (2) every corporation created or organized in Porto Rico or the Philippine Islands or deriving income from sources therein. An individual who is neither a citizen nor a resident of Porto Rico or the Philippine Islands but derives income from sources therein, shall be taxed in Porto Rico or the Philippine Islands as a nonresident alien individual, and a corporation created or organized outside Porto Rico or the Philippine Islands and deriving income from sources therein shall be taxed in Porto Rico or the Philippine Islands as a foreign corporation. For the purposes of section 216 and of paragraph (6) of subdivision (a) of section 234 a tax imposed in Porto Rico or the Philippine Islands upon the net income of a corporation shall not be deemed to be a tax under this title.

The Porto Rican or Philippine Legislature shall have power by due enactment to amend, alter, modify, or repeal the income tax laws in force in Porto Rico or the Philippine Islands, respectively.

And the Senate agree to the same.

Amendment numbered 231:

That the House recede from its disagreement to the amendment of the Senate numbered 231, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *equal to the sum of the following:*

FIRST BRACKET.

30 per centum of the amount of the net income in excess of the excess-profits credit (determined under section 312) and not in excess of 20 per centum of the invested capital;

SECOND BRACKET.

65 per centum of the amount of the net income in excess of 20 per centum of the invested capital;

THIRD BRACKET.

The sum, if any, by which 80 per centum of the amount of the net income in excess of the war-profits credit (determined under section 311) exceeds the amount of the tax computed under the first and second brackets.

(b) For the taxable year 1919 and each taxable year thereafter there shall be levied, collected, and paid upon the net income of every corporation (except corporations taxable under subdivision (c) of this section) a tax equal to the sum of the following:

FIRST BRACKET.

20 per centum of the amount of the net income in excess of the excess-profits credit (determined under section 312) and not in excess of 20 per centum of the invested capital;

SECOND BRACKET.

40 per centum of the amount of the net income in excess of 20 per centum of the invested capital.

(c) For the taxable year 1919 and each taxable year thereafter there shall be levied, collected, and paid upon the net income of every corporation which derives in such year a net income of more than \$10,000 from any Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive, a tax equal to the sum of the following:

(1) Such a portion of a tax computed at the rates specified in subdivision (a) as the part of the net income attributable to such Government contract or contracts bears to the entire net income. In computing such tax the excess-profits credit and the war-profits credit applicable to the taxable year shall be used;

(2) Such a portion of a tax computed at the rates specified in subdivision (b) as the part of the net income not attributable to such Government contract or contracts bears to the entire net income.

For the purpose of determining the part of the net income attributable to such Government contract or contracts, the proper apportionment and allocation of the deductions with respect to gross income derived from such Government contract or contracts and from other sources, respectively, shall be determined under rules and regulations prescribed by the Commissioner with the approval of the Secretary.

(d) In any case where the full amount of the excess-profits credit is not allowed under the first bracket of subdivision (a) or (b), by reason of the fact that such credit is in excess of 20 per centum of the invested capital, the part not so allowed shall be deducted from the amount in the second bracket.

(e) For the purposes of the Act approved March 21, 1918, entitled "An Act to provide for the operation of transportation systems while under Federal control, for the just compensation of their owners, and for other purposes," the tax imposed by this title shall be treated as levied by an Act in amendment of Title II of the Revenue Act of 1917.

And the Senate agree to the same.

Amendment numbered 232:

That the House recede from its disagreement to the amendment of the Senate numbered 232, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: the tax imposed by subdivision (a) of section 301 shall in no case be more than 30 per centum of the amount of the net income in excess of \$3,000 and not in excess of \$20,000, plus 80 per centum of the amount of the net income in excess of \$20,000; the tax imposed by subdivision (b) of section 301 shall in no case be more than 20 per centum of the amount of the net income in excess of \$3,000 and not in excess of \$20,000, plus 40 per centum of the amount of the net income in excess of \$20,000; and the above limitations shall apply to the taxes computed under subdivisions (a) and (b) of section 301, respectively, when used in subdivision (c) of that section. Nothing in this section shall be construed in such manner as to increase the tax imposed by section 301; and the Senate agree to the same.

Amendment numbered 233:

That the House recede from its disagreement to the amendment of the Senate numbered 233, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

Sec. 303. That if part of the net income of a corporation is derived (1) from a trade or business (or a branch of a trade or business) in which the employment of capital is necessary, and (2) a part (constituting not less than 30 per centum of its total net income) is derived from a separate trade or business (or a distinctly separate branch of the trade or business) which if constituting the sole trade or business would bring it within the class of "personal service corporations," then (under regulations prescribed by the Commissioner with the approval of the Secretary) the tax upon the first part of such net income shall be separately computed (allowing in such computation only the same proportionate part of the credits authorized in sections 311 and 312), and the tax upon the second part shall be the same percentage thereof as the tax so computed upon the first part is of such first part: Provided, That the tax upon such second part shall in no case be less than 20 per centum thereof, unless the tax upon the entire net income, if computed without benefit of this section, would constitute less than 20 per centum of such entire net income, in which event the tax shall be determined upon the entire net income, without reference to this section, as other taxes are

determined under this title. The total tax computed under this section shall be subject to the limitations provided in section 302.

And the Senate agree to the same.

Amendment numbered 234:

That the House recede from its disagreement to the amendment of the Senate numbered 234, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *Any corporation whose net income for the taxable year is less than \$3,000 shall be exempt from taxation under this title.*

And the Senate agree to the same.

Amendment numbered 236:

That the House recede from its disagreement to the amendment of the Senate numbered 236, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

(c) *In the case of any corporation engaged in the mining of gold, the portion of the net income derived from the mining of gold shall be exempt from the tax imposed by this title, and the tax on the remaining portion of the net income shall be the proportion of a tax computed without the benefit of this subdivision which such remaining portion of the net income bears to the entire net income.*

And the Senate agree to the same.

Amendment numbered 242:

That the House recede from its disagreement to the amendment of the Senate numbered 242, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

(c) *If the corporation was not in existence during the whole of at least one calendar year during the prewar period, then, except as provided in subdivision (d), the war-profits credit shall be the sum of:*

(1) *A specific exemption of \$3,000; and*

(2) *An amount equal to the same percentage of the invested capital of the taxpayer for the taxable year as the average percentage of net income to invested capital, for the prewar period, of corporations engaged in a trade or business of the same general class as that conducted by the taxpayer; but such amount shall in no case be less than 10 per centum of the invested capital of the taxpayer for the taxable year. Such average percentage shall be determined by the Commissioner on the basis of data contained in returns made under Title II of the Revenue Act of 1917, and the average known as the median shall be used. If such average percentage has not been determined and published at least 30 days prior to the time when the return of the taxpayer is due, then for purposes of such return 10 per centum shall be used in lieu thereof; but such average percentage when determined shall be used for the purposes of section 250 in determining the correct amount of the tax.*

(d) *The war-profits credit shall be determined in the manner provided in subdivision (b) instead of in the manner provided in subdivision (c), in the case of any corporation which was not in existence during the whole of at least one calendar year during the prewar period,*

if (1) a majority of its stock at any time during the taxable year is owned or controlled, directly or indirectly, by a corporation which was in existence during the whole of at least one calendar year during the prewar period, or if (2) 50 per centum or more of its gross income (as computed under section 233 for income tax purposes) consists of gains, profits, commissions, or other income, derived from a government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive.

And the Senate agree to the same.

Amendment numbered 243:

That the House recede from its disagreement to the amendment of the Senate numbered 243, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert: *e* in parentheses; and the Senate agree to the same.

Amendment numbered 254:

That the House recede from its disagreement to the amendment of the Senate numbered 254, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *therefor, unless the actual cash value of such tangible property at the time paid in is shown to the satisfaction of the Commissioner to have been clearly and substantially in excess of such par value, in which case such excess shall be treated as paid-in surplus: Provided, That the Commissioner shall keep a record of all cases in which tangible property is included in invested capital at a value in excess of the stock or shares issued therefor, containing the name and address of each taxpayer, the business in which engaged, the amount of invested capital and net income shown by the return, the value of the tangible property at the time paid in, the par value of the stock or shares specifically issued therefor, and the amount included under this paragraph as paid-in surplus. The Commissioner shall furnish a copy of such record and other detailed information with respect to such cases when required by resolution of either House of Congress, without regard to the restrictions contained in section 257; and the Senate agree to the same.*

Amendment numbered 257:

That the House recede from its disagreement to the amendment of the Senate numbered 257, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert *25*; and the Senate agree to the same.

Amendment numbered 259:

That the House recede from its disagreement to the amendment of the Senate numbered 259, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert *25*

And on page 62, line 14 of the bill after the word "lowest" insert a colon and the following: *Provided, That in no case shall the total amount included under paragraphs (4) and (5) exceed in the aggregate 25 per centum of the par value of the total stock or shares of the corporation outstanding at the beginning of the taxable year; and the Senate agree to the same.*

Amendment numbered 261:

That the House recede from its disagreement to the amendment of the Senate numbered 261, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *a percentage thereof equal to the percentage which the amount of inadmissible assets is of the amount of admissible and inadmissible assets held during the taxable year; and the Senate agree to the same.*

Amendment numbered 263:

That the House recede from its disagreement to the amendment of the Senate numbered 263, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

That in the following cases the tax shall be determined as provided in section 328:

(a) *Where the Commissioner is unable to determine the invested capital as provided in section 326;*

(b) *In the case of a foreign corporation;*

(c) *Where a mixed aggregate of tangible property and intangible property has been paid in for stock or for stock and bonds and the Commissioner is unable satisfactorily to determine the respective values of the several classes of property at the time of payment, or to distinguish the classes of property paid in for stock and for bonds, respectively;*

(d) *Where upon application by the corporation the Commissioner finds and so declares of record that the tax if determined without benefit of this section would, owing to abnormal conditions affecting the capital or income of the corporation, work upon the corporation an exceptional hardship evidenced by gross disproportion between the tax computed without benefit of this section and the tax computed by reference to the representative corporations specified in section 328. This subdivision shall not apply to any case (1) in which the tax (computed without benefit of this section) is high merely because the corporation earned within the taxable year a high rate of profit upon a normal invested capital, nor (2) in which 50 per centum or more of the gross income of the corporation for the taxable year (computed under section 233 of Title II) consists of gains, profits, commissions, or other income, derived on a cost-plus basis from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive.*

Sec. 328. (a) *In the cases specified in section 327 the tax shall be the amount which bears the same ratio to the net income of the taxpayer (in excess of the specific exemption of \$3,000) for the taxable year, as the average tax of representative corporations engaged in a like or similar trade or business, bears to their average net income (in excess of the specific exemption of \$3,000) for such year. In the case of a foreign corporation the tax shall be computed without deducting the specific exemption of \$3,000 either for the taxpayer or the representative corporations.*

In computing the tax under this section

And on page 65 of the bill, after line 16, insert the following:

In cases in which the tax is to be computed under this section, if the tax as computed without the benefit of this section is less than 50 per centum of the net income of the taxpayer, the installments shall in the

first instance be computed upon the basis of such tax; but if the tax so computed is 50 per centum or more of the net income, the installments shall in the first instance be computed upon the basis of a tax equal to 50 per centum of the net income. In any case, the actual ratio when ascertained shall be used in determining the correct amount of the tax. If the correct amount of the tax when determined exceeds 50 per centum of the net income, any excess of the correct installments over the amounts actually paid shall on notice and demand be paid together with interest at the rate of $\frac{1}{2}$ of 1 per centum per month on such excess from the time the installment was due.

And the Senate agree to the same.

Amendment numbered 270:

That the House recede from its disagreement to the amendment of the Senate numbered 270 and agree to the same with an amendment as follows:

On page 65 of the bill, lines 22 and 23, strike out "section" and insert *subdivision*; and the Senate agree to the same.

Amendment numbered 277:

That the House recede from its disagreement to the amendment of the Senate numbered 277, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

If such predecessor trade or business was carried on by a partnership or individual the net income for the prewar period shall, under regulations prescribed by the Commissioner with the approval of the Secretary, be ascertained and returned as nearly as may be upon the same basis and in the same manner as provided for corporations in Title II, including a reasonable deduction for salary or compensation to each partner or the individual for personal services actually rendered.

In the case of the organization as a corporation before July 1, 1919, of any trade or business in which capital is a material income-producing factor and which was previously owned by a partnership or individual, the net income of such trade or business from January 1, 1918, to the date of such reorganization may at the option of the individual or partnership be taxed as the net income of a corporation is taxed under Titles II and III; in which event the net income and invested capital of such trade or business shall be computed as if such corporation had been in existence on and after January 1, 1918, and the undistributed profits or earnings of such trade or business shall not be subject to the surtax imposed in section 211, but amounts distributed on or after January 1, 1918, from the earnings of such trade or business shall be taxed to the recipients as dividends, and all the provisions of Titles II and III relating to corporations shall so far as practicable apply to such trade or business: Provided, That this paragraph shall not apply to any trade or business the net income of which for the taxable year 1918 was less than 20 per centum of its invested capital for such year: Provided further, That any taxpayer who takes advantage of this paragraph shall pay the tax imposed by section 1000 of this Act and by the first subdivision of section 407 of the Revenue Act of 1916, as if such taxpayer had been a corporation on and after January 1, 1918, with a capital stock having no par value.

If any asset of the trade or business in existence both during the taxable year and any prewar year is included in the invested capital for the taxable year but is not included in the invested capital for such prewar year, or is valued on a different basis in computing the invested capital for the taxable year and such prewar year, respectively, then under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary such readjustments shall be made as are necessary to place the computation of the invested capital for such prewar year on the basis employed in determining the invested capital for the taxable year.

And the Senate agree to the same.

Amendment numbered 282:

That the House recede from its disagreement to the amendment of the Senate numbered 282, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment, insert a colon and the following:

Provided, That if such previous owner was not a corporation, then the value of any asset so transferred or received shall be taken at its cost of acquisition (at the date when acquired by such previous owner) with proper allowance for depreciation, impairment, betterment or development, but no addition to the original cost shall be made for any charge or expenditure deducted as expense or otherwise on or after March 1, 1913, in computing the net income of such previous owner for purposes of taxation.

And the Senate agree to the same.

Amendment numbered 285:

That the House recede from its disagreement to the amendment of the Senate numbered 285, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

(1) the same proportion of a tax for the entire period computed under Title II of the Revenue Act of 1917 which the portion of such period falling within the calendar year 1917 is of the entire period, and (2) the same proportion of a tax for the entire period computed under this title at the rates specified in subdivision (a) of section 301 which the portion of such period falling within the calendar year 1918 is of the entire period. Any amount heretofore or hereafter paid on account of the tax imposed for such fiscal year by Title II of the Revenue Act of 1917 shall be credited toward the payment of the tax imposed for such fiscal year by this title, and if the amount so paid exceeds the amount of the tax imposed by this title, the excess shall be credited or refunded to the corporation in accordance with the provisions of section 252.

(b) If a corporation makes return for a fiscal year beginning in 1918 and ending in 1919, the tax for such fiscal year under this title shall be the sum of: (1) the same proportion of a tax for the entire period computed under subdivision (a) of section 301 which the portion of such period falling within the calendar year 1918 is of the entire period, and (2) the same proportion of a tax for the entire period computed under subdivision (b) or (c) of section 301 which the portion of such period falling within the calendar year 1919 is of the entire period.

(c) If a partnership or a personal service corporation makes return for a fiscal year beginning in 1917 and ending in 1918, it shall pay the same proportion of a tax for the entire period computed under Title II of the Revenue Act of 1917 which the portion of such period falling within the calendar year 1917 is of the entire period.

Any tax paid by a partnership or personal service corporation for any period beginning on or after January 1, 1918, shall be immediately refunded to the partnership or corporation as a tax erroneously or illegally collected.

And on page 67, line 5 of the bill, after "corporation" insert the following inclosed in parentheses: *other than a personal service corporation*; and the Senate agree to the same.

Amendment numbered 289:

That the House recede from its disagreement to the amendment of the Senate numbered 289, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

TITLE IV.—ESTATE TAX.

SEC. 400. That when used in this title—

The term "executor" means the executor or administrator of the decedent, or, if there is no executor or administrator, any person who takes possession of any property of the decedent; and

The term "collector" means the collector of internal revenue of the district in which was the domicile of the decedent at the time of his death, or, if there was no such domicile in the United States, then the collector of the district in which is situated the part of the gross estate of the decedent in the United States, or, if such part of the gross estate is situated in more than one district, then the collector of internal revenue of such district as may be designated by the Commissioner.

SEC. 401. That (in lieu of the tax imposed by Title II of the Revenue Act of 1916, as amended, and in lieu of the tax imposed by Title IX of the Revenue Act of 1917) a tax equal to the sum of the following percentages of the value of the net estate (determined as provided in section 403) is hereby imposed upon the transfer of the net estate of every decedent dying after the passage of this Act, whether a resident or non-resident of the United States:

1 per centum of the amount of the net estate not in excess of \$50,000;

2 per centum of the amount by which the net estate exceeds \$50,000 and does not exceed \$150,000;

3 per centum of the amount by which the net estate exceeds \$150,000 and does not exceed \$250,000;

4 per centum of the amount by which the net estate exceeds \$250,000 and does not exceed \$450,000;

6 per centum of the amount by which the net estate exceeds \$450,000 and does not exceed \$750,000;

8 per centum of the amount by which the net estate exceeds \$750,000 and does not exceed \$1,000,000;

10 per centum of the amount by which the net estate exceeds \$1,000,000 and does not exceed \$1,500,000;

12 per centum of the amount by which the net estate exceeds \$1,500,000 and does not exceed \$2,000,000;

14 per centum of the amount by which the net estate exceeds \$2,000,000 and does not exceed \$3,000,000;

16 per centum of the amount by which the net estate exceeds \$3,000,000 and does not exceed \$4,000,000;

18 per centum of the amount by which the net estate exceeds \$4,000,000 and does not exceed \$5,000,000;

20 per centum of the amount by which the net estate exceeds \$5,000,000 and does not exceed \$8,000,000;

22 per centum of the amount by which the net estate exceeds \$8,000,000 and does not exceed \$10,000,000; and

25 per centum of the amount by which the net estate exceeds \$10,000,000.

The taxes imposed by this title or by Title II of the Revenue Act of 1916 (as amended by the Act entitled "An Act to provide increased revenue to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortifications, and for other purposes," approved March 3, 1917) or by Title IX of the Revenue Act of 1917, shall not apply to the transfer of the net estate of any decedent who has died or may die while serving in the military or naval forces of the United States in the present war or from injuries received or disease contracted while in such service, and any such tax collected upon such transfer shall be refunded to the executor.

SEC. 402. That the value of the gross estate of the decedent shall be determined by including the value at the time of his death of all property, real or personal, tangible or intangible, wherever situated—

(a) To the extent of the interest therein of the decedent at the time of his death which after his death is subject to the payment of the charges against his estate and the expenses of its administration and is subject to distribution as part of his estate;

(b) To the extent of any interest therein of the surviving spouse, existing at the time of the decedent's death as dower, courtesy, or by virtue of a statute creating an estate in lieu of dower or courtesy;

(c) To the extent of any interest therein of which the decedent has at any time made a transfer, or with respect to which he has at any time created a trust, in contemplation of or intended to take effect in possession or enjoyment at or after his death (whether such transfer or trust is made or created before or after the passage of this Act), except in case of a bona fide sale for a fair consideration in money or money's worth. Any transfer of a material part of his property in the nature of a final disposition or distribution thereof, made by the decedent within two years prior to his death without such a consideration, shall, unless shown to the contrary, be deemed to have been made in contemplation of death within the meaning of this title;

(d) To the extent of the interest therein held jointly or as tenants in the entirety by the decedent and any other person, or deposited in banks or other institutions in their joint names and payable to either or the survivor, except such part thereof as may be shown to have originally belonged to such other person and never to have belonged to the decedent;

(e) To the extent of any property passing under a general power of appointment exercised by the decedent (1) by will, or (2) by deed executed in contemplation of, or intended to take effect in possession or enjoyment at or after, his death, except in case of a bona fide sale for a fair consideration in money or money's worth; and

(f) To the extent of the amount receivable by the executor as insurance under policies taken out by the decedent upon his own life; and to the

extent of the excess over \$40,000 of the amount receivable by all other beneficiaries as insurance under policies taken out by the decedent upon his own life.

SEC. 408. That for the purpose of the tax the value of the net estate shall be determined—

(a) In the case of a resident, by deducting from the value of the gross estate—

(1) Such amounts for funeral expenses, administration expenses, claims against the estate, unpaid mortgages, losses incurred during the settlement of the estate arising from fires, storms, shipwreck, or other casualty, or from theft, when such losses are not compensated for by insurance or otherwise, and such amounts reasonably required and actually expended for the support during the settlement of the estate of those dependent upon the decedent, as are allowed by the laws of the jurisdiction, whether within or without the United States, under which the estate is being administered, but not including any income taxes upon income received after the death of the decedent, or any estate, succession, legacy, or inheritance taxes;

(2) An amount equal to the value at the time of the decedent's death of any property, real, personal, or mixed, which can be identified as having been received by the decedent as a share in the estate of any person who died within five years prior to the death of the decedent, or which can be identified as having been acquired by the decedent in exchange for property so received, if an estate tax under the Revenue Act of 1917 or under this Act was collected from such estate, and if such property is included in the decedent's gross estate;

(3) The amount of all bequests, legacies, devises, or gifts, to or for the use of the United States, any State, Territory, any political subdivision thereof, or the District of Columbia, for exclusively public purposes, or to or for the use of any corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to a trustee or trustees exclusively for such religious, charitable, scientific, literary, or educational purposes. This deduction shall be made in case of the estates of all decedents who have died since December 31, 1917; and

(4) An exemption of \$50,000;

(b) In the case of a nonresident, by deducting from the value of that part of his gross estate which at the time of his death is situated in the United States—

(1) That proportion of the deductions specified in paragraph (1) of subdivision (a) of this section which the value of such part bears to the value of his entire gross estate, wherever situated, but in no case shall the amount so deducted exceed 10 per centum of the value of that part of his gross estate which at the time of his death is situated in the United States;

(2) An amount equal to the value at the time of the decedent's death of any property, real, personal, or mixed, which can be identified as having been received by the decedent as a share in the estate of any person who died within five years prior to the death of the decedent, or which can be identified as having been acquired by the decedent in exchange for property so received, if an estate tax under the Revenue Act of 1917 or under this Act was collected from such estate, and if such property is included

in that part of the decedent's gross estate which at the time of his death is situated in the United States; and

(3) The amount of all bequests, legacies, devises, or gifts, to or for the use of the United States, any State, Territory, any political subdivision thereof, or the District of Columbia, for exclusively public purposes, or to or for the use of any domestic corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to a trustee or trustees exclusively for such religious, charitable, scientific, literary, or educational purposes within the United States. This deduction shall be made in case of the estates of all decedents who have died since December 31, 1917; and

No deduction shall be allowed in the case of a nonresident unless the executor includes in the return required to be filed under section 404 the value at the time of his death of that part of the gross estate of the nonresident not situated in the United States.

For the purpose of this title stock in a domestic corporation owned and held by a nonresident decedent, and the amount receivable as insurance upon the life of a nonresident decedent where the insurer is a domestic corporation, shall be deemed property within the United States, and any property of which the decedent has made a transfer or with respect to which he has created a trust, within the meaning of subdivision (c) of section 402, shall be deemed to be situated in the United States, if so situated either at the time of the transfer or the creation of the trust, or at the time of the decedent's death.

In the case of any estate in respect to which the tax under existing law has been paid, if necessary to allow the benefit of the deduction under paragraph (3) of subdivision (a) or (b) the tax shall be redetermined and any excess of tax paid shall be refunded to the executor.

SEC. 404. That the executor, within sixty days after qualifying as such, or after coming into possession of any property of the decedent, whichever event first occurs, shall give written notice thereof to the collector. The executor shall also, at such times and in such manner as may be required by regulations made pursuant to law, file with the collector a return under oath in duplicate, setting forth (a) the value of the gross estate of the decedent at the time of his death, or, in case of a nonresident, of that part of his gross estate situated in the United States; (b) the deductions allowed under section 403; (c) the value of the net estate of the decedent as defined in section 403; and (d) the tax paid or payable thereon; or such part of such information as may at the time be ascertainable and such supplemental data as may be necessary to establish the correct tax.

Return shall be made in all cases where the gross estate at the death of the decedent exceeds \$50,000, and in the case of the estate of every nonresident any part of whose gross estate is situated in the United States. If the executor is unable to make a complete return as to any part of the gross estate of the decedent, he shall include in his return a description of such part and the name of every person holding a legal or beneficial interest therein, and upon notice from the collector such person shall in like manner make a return as to such part of the gross estate. The Commissioner shall make all assessments of the tax under the authority of existing administrative special and general provisions of law relating to the assessment and collection of taxes.

SEC. 405. That if no administration is granted upon the estate of a decedent, or if no return is filed as provided in section 404, or if a return contains a false or incorrect statement of a material fact, the collector or deputy collector shall make a return and the Commissioner shall assess the tax thereon.

SEC. 406. That the tax shall be due one year after the decedent's death; but in any case where the Commissioner finds that payment of the tax within one year after the decedent's death would impose undue hardship upon the estate, he may grant an extension of time for the payment of the tax for a period not to exceed three years from the due date. If the tax is not paid within one year and 180 days after the decedent's death, interest at the rate of 6 per centum per annum from the expiration of one year after the decedent's death shall be added as part of the tax.

SEC. 407. That the executor shall pay the tax to the collector or deputy collector. If the amount of the tax can not be determined, the payment of a sum of money sufficient, in the opinion of the collector, to discharge the tax shall be deemed payment in full of the tax, except as in this section otherwise provided. If the amount so paid exceeds the amount of the tax as finally determined, the Commissioner shall refund such excess to the executor. If the amount of the tax as finally determined exceeds the amount so paid, the collector shall notify the executor of the amount of such excess and demand payment thereof. If such excess part of the tax is not paid within thirty days after such notification, interest shall be added thereto at the rate of 10 per centum per annum from the expiration of such thirty days' period until paid, and the amount of such excess shall be a lien upon the entire gross estate, except such part thereof as may have been sold to a bona fide purchaser for a fair consideration in money or money's worth.

The collector shall grant to the person paying the tax duplicate receipts, either of which shall be sufficient evidence of such payment, and shall entitle the executor to be credited and allowed the amount thereof by any court having jurisdiction to audit or settle his accounts.

SEC. 408. That if the tax herein imposed is not paid within 180 days after it is due, the collector shall, unless there is reasonable cause for further delay, proceed to collect the tax under the provisions of general law, or commence appropriate proceedings in any court of the United States, in the name of the United States, to subject the property of the decedent to be sold under the judgment or decree of the court. From the proceeds of such sale the amount of the tax, together with the costs and expenses of every description to be allowed by the court, shall be first paid, and the balance shall be deposited according to the order of the court, to be paid under its direction to the person entitled thereto.

If the tax or any part thereof is paid by, or collected out of that part of the estate passing to or in the possession of, any person other than the executor in his capacity as such, such person shall be entitled to reimbursement out of any part of the estate still undistributed or by a just and equitable contribution by the persons whose interest in the estate of the decedent would have been reduced if the tax had been paid before the distribution of the estate or whose interest is subject to equal or prior liability for the payment of taxes, debts, or other charges against the estate, it being the purpose and intent of this title that so far as is practicable and unless otherwise directed by the will of the decedent the tax shall be paid out of the estate before its distribution. If any part of the gross estate consists of proceeds of policies of insurance upon the life of the

decedent receivable by a beneficiary other than the executor, the executor shall be entitled to recover from such beneficiary such portion of the total tax paid as the proceeds, in excess of \$40,000, of such policies bear to the net estate. If there is more than one such beneficiary the executor shall be entitled to recover from such beneficiaries in the same ratio.

SEC. 409. That unless the tax is sooner paid in full, it shall be a lien for ten years upon the gross estate of the decedent, except that such part of the gross estate as is used for the payment of charges against the estate and expenses of its administration, allowed by any court having jurisdiction thereof, shall be divested of such lien. If the Commissioner is satisfied that the tax liability of an estate has been fully discharged or provided for, he may, under regulations prescribed by him with the approval of the Secretary, issue his certificate releasing any or all property of such estate from the lien herein imposed.

If (a) the decedent makes a transfer of, or creates a trust with respect to, any property in contemplation of or intended to take effect in possession or enjoyment at or after his death (except in the case of a bona fide sale for a fair consideration in money or money's worth) or (b) if insurance passes under a contract executed by the decedent in favor of a specific beneficiary, and if in either case the tax in respect thereto is not paid when due, then the transferee, trustee, or beneficiary shall be personally liable for such tax, and such property, to the extent of the decedent's interest therein at the time of such transfer, or to the extent of such beneficiary's interest under such contract of insurance, shall be subject to a like lien equal to the amount of such tax. Any part of such property sold by such transferee or trustee to a bona fide purchaser for a fair consideration in money or money's worth shall be divested of the lien and a like lien shall then attach to all the property of such transferee or trustee, except any part sold to a bona fide purchaser for a fair consideration in money or money's worth.

SEC. 410. That whoever knowingly makes any false statement in any notice or return required to be filed under this title shall be liable to a penalty of not exceeding \$5,000, or imprisonment not exceeding one year, or both.

Whoever fails to comply with any duty imposed upon him by section 404, or, having in his possession or control any record, file, or paper, containing or supposed to contain any information concerning the estate of the decedent, or, having in his possession or control any property comprised in the gross estate of the decedent, fails to exhibit the same upon request to the Commissioner or any collector or law officer of the United States, or his duly authorized deputy or agent, who desires to examine the same in the performance of his duties under this title, shall be liable to a penalty of not exceeding \$500, to be recovered, with costs of suit, in a civil action in the name of the United States.

And the Senate agree to the same.

Amendment numbered 292:

That the House recede from its disagreement to the amendment of the Senate numbered 292, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert a colon and the following:

Provided, That where such water transportation lines are in competition between American ports with foreign water transportation

lines from adjacent foreign ports, the tax imposed under this subdivision on amounts paid for water transportation between American ports shall not exceed the amount of the transportation tax to which such foreign water transportation lines are subjected by their government corresponding to this tax; and the Senate agree to the same.

Amendment numbered 297:

That the House recede from its disagreement to the amendment of the Senate numbered 297, and agree to the same with an amendment as follows:

Omit the matter inserted by said amendment and restore the matter stricken out by said amendment and at the end thereof insert the following new paragraph:

The tax shall, without assessment by the commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax a penalty of 5 per centum, together with interest at the rate of 1 per centum for each full month, from the time when the tax became due.

And on page 85, line 19 of the bill, strike out "November 1, 1918" and insert *April 1, 1919*.

And on page 86, line 16 of the bill, insert after "policy" a colon and the following:

And provided further, That on all policies covering life, health, and accident insurance combined in one policy by which a life is insured not in excess of \$500, issued on the industrial, or weekly or monthly payment plan of insurance, the tax shall be 40 per centum of the amount of the first weekly premium or 20 per centum of the amount of the first monthly premium, as the case may be; and the Senate agree to the same.

Amendment numbered 312:

That the House recede from its disagreement to the amendment of the Senate numbered 312, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *of \$3.20 (if intended for sale for beverage purposes or for use in the manufacture or production of any article used or intended for use as a beverage) on each proof gallon, and a proportionate tax at a like rate on all fractional parts of such proof gallon; and the Senate agree to the same.*

Amendment numbered 325:

That the House recede from its disagreement to the amendment of the Senate numbered 325, and agree to the same with an amendment as follows:

On page 92, line 9 of the Senate engrossed amendments strike out "of fermentation" and the Senate agree to the same.

Amendment numbered 341:

That the House recede from its disagreement to the amendment of the Senate numbered 341, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert \$6; and the Senate agree to the same.

Amendment numbered 345:

That the House recede from its disagreement to the amendment of the Senate numbered 345, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert **§3**; and the Senate agree to the same.

Amendment numbered 357:

That the House recede from its disagreement to the amendment of the Senate numbered 357, and agree to the same with an amendment as follows:

On page 95, line 14, of the Senate engrossed amendments strike out "of" and insert *entitled "An Act to provide revenue, equalize duties and encourage the industries of the United States, and for other purposes," approved*; and the Senate agree to the same.

Amendment numbered 367:

That the House recede from its disagreement to the amendment of the Senate numbered 367, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert *1½ cents*; and the Senate agree to the same.

Amendment numbered 368:

That the House recede from its disagreement to the amendment of the Senate numbered 368, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert a comma and the following: *societies for the prevention of cruelty to children or animals, or exclusively to the benefit of organizations conducted for the sole purpose of maintaining symphony orchestras and receiving substantial support from voluntary contributions, none of the profits of which are distributed to members of such organizations*; and the Senate agree to the same.

Amendment numbered 369:

That the House recede from its disagreement to the amendment of the Senate numbered 369, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert *April 1, 1919* and a comma; and the Senate agree to the same.

Amendment numbered 375:

That the House recede from its disagreement to the amendment of the Senate numbered 375 and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *Automobile trucks and automobile wagons, (including tires inner tubes, parts, and accessories therefor, sold on or in connection therewith or with the sale thereof)* and a comma, and on page 127, line 7, of the bill, strike out the figure "5" and insert the figure 3; and the Senate agree to the same.

Amendment numbered 376:

That the House recede from its disagreement to the amendment of the Senate numbered 376, and agree to the same with an amendment as follows:

In lieu of the matter stricken out by said amendment insert the following: *Other automobiles and motorcycles, (including tires, inner tubes, parts, and accessories therefor, sold on or in connection therewith or with the sale thereof), except tractors, 5 per centum and a semi-colon; and the Senate agree to the same.*

Amendment numbered 387:

That the House recede from its disagreement to the amendment of the Senate numbered 387, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the figure 5 in parentheses; and the Senate agree to the same.

Amendment numbered 391:

That the House recede from its disagreement to the amendment of the Senate numbered 391, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the figure 6 in parentheses; and the Senate agree to the same.

Amendment numbered 393:

That the House recede from its disagreement to the amendment of the Senate numbered 393, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the figure 7 in parentheses; and the Senate agree to the same.

Amendment numbered 395:

That the House recede from its disagreement to the amendment of the Senate numbered 395, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the figure 8 in parentheses; and the Senate agree to the same.

Amendment numbered 397:

That the House recede from its disagreement to the amendment of the Senate numbered 397, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the figure 9 in parentheses; and the Senate agree to the same.

Amendment numbered 399:

That the House recede from its disagreement to the amendment of the Senate numbered 399, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the figures 10 in parentheses; and the Senate agree to the same.

Amendment numbered 404:

That the House recede from its disagreement to the amendment of the Senate numbered 404, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: (11) *Hunting and bowie knives, 10 per centum* and a semicolon; and the Senate agree to the same.

Amendment numbered 414:

That the House recede from its disagreement to the amendment of the Senate numbered 414, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert *15* in parentheses; and the Senate agree to the same.

Amendment numbered 417:

That the House recede from its disagreement to the amendment of the Senate numbered 417, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert *16* in parentheses; and the Senate agree to the same.

Amendment numbered 418:

That the House recede from its disagreement to the amendment of of the Senate numbered 418, and agree to the same with an amendment as follows:

On page 129, line 13, of the bill strike out the words "weighing or" and on page 129, line 14 of the bill after the word "centum" insert a comma and the following: *and automatic slot-device weighing machines, 10 per centum*; and the Senate agree to the same.

Amendment numbered 420:

That the House recede from its disagreement to the amendment of the Senate numbered 420, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert *17* in parentheses; and the Senate agree to the same.

Amendment numbered 421:

That the House recede from its disagreement to the amendment of the Senate numbered 421, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert *18* in parentheses; and the Senate agree to the same.

Amendment numbered 424:

That the House recede from its disagreement to the amendment of the Senate numbered 424, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert (19) *Articles made of fur on the hide or pelt, or of which any such fur is the component material of chief value, 10 per centum* and a semicolon; and the Senate agree to the same.

Amendment numbered 425:

That the House recede from its disagreement to the amendment of the Senate numbered 425, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert 20 in parentheses; and the Senate agree to the same.

Amendment numbered 426:

That the House recede from its disagreement to the amendment of the Senate numbered 426, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *not designed for trade, fishing, or national defense*; and the Senate agree to the same.

Amendment numbered 428:

That the House recede from its disagreement to the amendment of the Senate numbered 428, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert 21 in parentheses; and the Senate agree to the same.

Amendment numbered 446:

That the House recede from its disagreement to the amendment of the Senate numbered 446, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *This section shall not apply to the sale of any such article to an educational institution or public art museum.*

And the Senate agree to the same.

Amendment numbered 454:

That the House recede from its disagreement to the amendment of the Senate numbered 454, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *by or for a dealer or his estate*; and the Senate agree to the same.

Amendment numbered 467:

That the House recede from its disagreement to the amendment of the Senate numbered 467, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *or (2) to any article made of fur on the hide or pelt, or of which any such fur is the component material of chief value* and a comma; and the Senate agree to the same.

Amendment numbered 469:

That the House recede from its disagreement to the amendment of the Senate numbered 469, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert (17) or (18); and the Senate agree to the same.

Amendment numbered 474:

That the House recede from its disagreement to the amendment of the Senate numbered 474, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *by or for a dealer or his estate*; and the Senate agree to the same.

Amendment numbered 480:

That the House recede from its disagreement to the amendment of the Senate numbered 480, and agree to the same with an amendment as follows:

On page 180 of the bill, after line 2, insert the following: (6) *This section shall not apply to any tax imposed by section 906.*

And the Senate agree to the same.

Amendment numbered 484:

That the House recede from its disagreement to the amendment of the Senate numbered 484, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *by or for a dealer or his estate*; and the Senate agree to the same.

Amendment numbered 485:

That the House recede from its disagreement to the amendment of the Senate numbered 485, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert a colon and the following:

Provided, That the provisions of this section shall not apply to the sale of vaccines and bacterines which are not advertised to the general lay public, nor to the sale by a physician in personal attendance upon a patient of medicinal preparations not so advertised; and the Senate agree to the same.

Amendment numbered 492:

That the House recede from its disagreement to the amendment of the Senate numbered 492, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert a period and the following: *The taxes imposed by this section shall apply to mutual insurance companies, and in the case of every such domestic company the tax shall be equivalent to \$1 for each \$1,000 of the excess over \$5,000 of the sum of its surplus or contingent reserves maintained for the general use of the business and any reserves the net additions to which are included in net income under the provisions of Title II, as of the close of the preceding accounting period used by such company for purposes of making its income tax return: Provided, That in the case of a foreign mutual insurance company the tax shall be equivalent to \$1 for each \$1,000 of the same proportion of the sum of such surplus and reserves, which the reserve fund upon business transacted within the United States is of the total reserve upon all business transacted, as of the close of the preceding accounting period used by such company for purposes of making its income tax return; and the Senate agree to the same.*

Amendment numbered 495:

That the House recede from its disagreement to the amendment of the Senate numbered 495, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the figures \$50; and the Senate agree to the same.

Amendment No. 523:

That the House recede from its disagreement to the amendment of the Senate numbered 523, and agree to the same with an amendment, as follows:

On page 129 of the bill, at the end of line 14 and before the semicolon inserted by Senate amendment numbered 419, insert the following: *in the case of a vending machine, and 10 per centum of its fair market value in the case of a weighing machine;* and the Senate agree to the same.

Amendment numbered 526:

That the House recede from its disagreement to the amendment of the Senate numbered 526, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert *or before July 1 of each year;* and the Senate agree to the same.

Amendment numbered 535:

That the House recede from its disagreement to the amendment of the Senate numbered 535, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

Sec. 1007. That section 6 of such Act of December 17, 1914, is hereby amended to read as follows:

"Sec. 6. That the provisions of this Act shall not be construed to apply to the manufacture, sale, distribution, giving away, dispensing, or possession of preparations and remedies which do not contain more than two grains of opium, or more than one-fourth of a grain of morphine, or more than one-eighth of a grain of heroin, or more than one grain of codeine, or any salt or derivative of any of them in one fluid ounce, or, if a solid or semisolid preparation, in one avoirdupois ounce; or to liniments, ointments, or other preparations which are prepared for external use only, except liniments, ointments, and other preparations which contain cocaine or any of its salts or alpha or beta eucaine or any of their salts or any synthetic substitute for them: Provided, That such remedies and preparations are manufactured, sold, distributed, given away, dispensed, or possessed as medicines and not for the purpose of evading the intentions and provisions of this Act: Provided further, That any manufacturer, producer, compounder, or vendor (including dispensing physicians) of the preparations and remedies mentioned in this section shall keep a record of all sales, exchanges, or gifts of such preparations and remedies in such manner as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall direct. Such record shall be preserved for a period of two years in such a way as to be readily accessible to inspection by any officer, agent or employee of the Treasury

Department duly authorized for that purpose, and the State, Territorial, District, municipal, and insular officers named in section 5 of this Act, and every such person so possessing or disposing of such preparations and remedies shall register as required in section 1 of this Act and, if he is not paying a tax under this Act, he shall pay a special tax of \$1 for each year, or fractional part thereof, in which he is engaged in such occupation, to the collector of internal revenue of the district in which he carries on such occupation as provided in this Act. The provisions of this Act as amended shall not apply to decocainized coca leaves or preparations made therefrom, or to other preparations of coca leaves which do not contain cocaine."

And the Senate agree to the same.

Amendment numbered 542:

That the House recede from its disagreement to the amendment of the Senate numbered 542, and agree to the same with an amendment as follows:

In lieu of the matter stricken out by said amendment insert a colon and the following:

Provided, That where a premium is charged for the issuance, execution, renewal or continuance of such bond the tax shall be 1 cent on each dollar or fractional part thereof of the premium charged: Provided further, That policies of reinsurance shall be exempt from the tax imposed by this subdivision; and the Senate agree to the same.

Amendment numbered 544:

That the House recede from its disagreement to the amendment of the Senate numbered 544, and agree to the same with an amendment as follows:

On page 118, line 1, of the Senate engrossed amendments strike out "5" and insert 3; and on page 85, line 24, of the bill, before the comma insert the following inclosed in parentheses: *except those taxable under subdivision 15 of Schedule A of Title XI*; and the Senate agree to the same.

Amendment numbered 548:

That the House recede from its disagreement to the amendment of the Senate numbered 548, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert *furniture* and a comma; and the Senate agree to the same.

Amendment numbered 550:

That the House recede from its disagreement to the amendment of the Senate numbered 550, and agree to the same with an amendment as follows:

Omit the matter inserted by said amendment and on page 173, after line 9 of the bill, insert the following:

(d) (1) There is hereby created a board to be known as the "Advisory Tax Board," hereinafter called the Board, and to be composed of not to exceed six members to be appointed by the Commissioner with the approval of the Secretary. The Board shall cease to exist at the expiration of two years after the passage of this Act, or at such earlier time as the Commissioner with the approval of the Secretary may designate.

Vacancies in the membership of the Board shall be filled in the same manner as an original appointment. Any member shall be subject to removal by the Commissioner with the approval of the Secretary. The Commissioner with the approval of the Secretary shall designate the chairman of the Board. Each member shall receive an annual salary of \$9,000, payable monthly, together with actual necessary expenses when absent from the District of Columbia on official business.

(2) The Commissioner may, and on the request of any taxpayer directly interested shall, submit to the Board any question relating to the interpretation or administration of the income, war-profits or excess-profits tax laws, and the Board shall report its findings and recommendations to the Commissioner.

(3) The Board shall have its office in the Bureau of Internal Revenue in the District of Columbia. The expenses and salaries of members of the Board shall be audited, allowed, and paid out of appropriations for collecting internal revenue, in the same manner as expenses and salaries of employees of the Bureau of Internal Revenue are audited, allowed, and paid.

(4) The Board shall have the power to summon witnesses, take testimony, administer oaths, and to require any person to produce books, papers, documents, or other data relating to any matter under investigation by the Board. Any member of the Board may sign subpoenas and members and employees of the Bureau of Internal Revenue designated to assist the Board, when authorized by the Board, may administer oaths, examine witnesses, take testimony and receive evidence.

And the Senate agree to the same.

Amendment numbered 561:

That the House recede from its disagreement to the amendment of the Senate numbered 561, and agree to the same with an amendment as follows:

On page 128, line 17, and again on page 129, line 7, of the Senate engrossed amendments strike out the word "Titles" and insert the word *Title*; and the Senate agree to the same.

Amendment numbered 569:

That the House recede from its disagreement to the amendment of the Senate numbered 569, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

(c) That the paragraph of section 3689 of the Revised Statutes, as amended, reading as follows: "Refunding taxes illegally collected (internal revenue): To refund and pay back duties erroneously or illegally assessed or collected under the internal-revenue laws," is repealed from and after June 30, 1920; and the Secretary of the Treasury shall submit for the fiscal year 1921, and annually thereafter, an estimate of appropriations to refund and pay back duties or taxes erroneously or illegally assessed or collected under the internal-revenue laws, and to pay judgments, including interest and costs, rendered for taxes or penalties erroneously or illegally assessed or collected under the internal-revenue laws.

And the Senate agree to the same.

Amendment numbered 578:

That the House recede from its disagreement to the amendment of the Senate numbered 578, and agree to the same with an amendment as follows:

On page 132, line 11 of the Senate engrossed amendments after the word "States" insert the following: *at the instance of the United States*; and the Senate agree to the same.

Amendment numbered 581:

That the House recede from its disagreement to the amendment of the Senate numbered 581, and agree to the same with an amendment as follows:

On page 133, line 7 of the Senate engrossed amendments strike out the parenthesis, and also in line 8 of said page strike out the parenthesis; and the Senate agree to the same.

Amendment numbered 595:

That the House recede from its disagreement to the amendment of the Senate numbered 595, and agree to the same with an amendment, as follows:

In lieu of the matter inserted by said amendment insert: *1402*; and the Senate agree to the same.

Amendment numbered 596:

That the House recede from its disagreement to the amendment of the Senate numbered 596, and agree to the same with an amendment, as follows:

In lieu of the matter inserted by said amendment insert: *1403*; and the Senate agree to the same.

Amendment numbered 597:

That the House recede from its disagreement to the amendment of the Senate numbered 597, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert: *1404*; and the Senate agree to the same.

Amendment numbered 598:

That the House recede from its disagreement to the amendment of the Senate numbered 598, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert: *1405*; and the Senate agree to the same.

Amendment numbered 599:

That the House recede from its disagreement to the amendment of the Senate numbered 599, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

Sec. 1406. That all persons serving in the military or naval forces of the United States during the present war who have, since April 6, 1917, resigned or been discharged under honorable conditions (or, in the case of reservists, been placed on inactive duty), or who at any time hereafter (but not later than the termination of the current enlistment or term of service) in the case of the enlisted personnel and female nurses, or within

one year after the termination of the present war in the case of officers, may resign or be discharged under honorable conditions (or, in the case of reservists, be placed on inactive duty), shall be paid, in addition to all other amounts due them in pursuance of law, \$60 each.

This amount shall not be paid (1) to any person who though appointed or inducted into the military or naval forces on or prior to November 11, 1918, had not reported for duty at his station on or prior to such date; or (2) to any person who has already received one month's pay under the provisions of section 9 of the act entitled "An Act to authorize the President to increase temporarily the military establishment of the United States," approved May 18, 1917; or (3) to any person who is entitled to retired pay; or (4) to the heirs or legal representatives of any person entitled to any payment under this section who has died or may die before receiving such payment. In the case of any person who subsequent to separation from the service as above specified has been appointed or inducted into the military or naval forces of the United States and has been or is again separated from the service as above specified, only one payment of \$60 shall be made.

The above amount, in the case of separation from the service on or prior to the passage of this Act, shall be paid as soon as practicable after the passage of this Act, and in the case of separation from the service after the passage of this Act shall be paid at the time of such separation.

The amounts herein provided for shall be paid out of the appropriations for "pay of the Army" and "pay of the Navy," respectively, by such disbursing officers as may be designated by the Secretary of War and the Secretary of the Navy.

The Secretary of War and the Secretary of the Navy respectively shall make all regulations necessary for the enforcement of the provisions of this section.

And the Senate agree to the same.

Amendment numbered 600:

That the House recede from its disagreement to the amendment of the Senate numbered 600, and agree to the same with an amendment as follows:

Strike out the section number "1408" in the matter inserted by said amendment and insert in lieu thereof the number 1407; and the Senate agree to the same.

Amendment numbered 601:

That the House recede from its disagreement to the amendment of the Senate numbered 601, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following:

Sec. 1408. That every person who on or after April 6, 1917, has entered into any contract, undertaking, or agreement, with the United States, or with any department, bureau, officer, commission, board, or agency under the United States or acting in its behalf, or with any other person having contract relations with the United States, for the performance of any work or the supplying of any materials or property for the use of or for the account of the United States, shall, within thirty days after a request of the Commissioner therefor, file with the Commissioner a true and correct copy of every such contract, undertaking, or agreement.

Whoever fails to comply with such request of the Commissioner shall be guilty of a misdemeanor and shall be punished by a fine of not more than \$1,000, or by imprisonment for not more than one year, or both.

The Commissioner shall (when not violative of the technical military or naval secrets of the Government) have access to all information and data relating to any such contract, undertaking, or agreement, in the possession, control or custody of any department, bureau, board, agency, officer or commission of the United States, and may call upon any such department, bureau, board, agency, officer or commission for a full statement and description of any allowance for amortization, obsolescence, depreciation or loss, or of any valuation, appraisal, adjustment or final settlement, made in pursuance of any such contract, undertaking, or agreement.

And the Senate agree to the same.

Amendment numbered 602:

That the House recede from its disagreement to the amendment of the Senate numbered 602, and agree to the same with an amendment as follows:

In lieu of the matter inserted by said amendment insert 1409; and the Senate agree to the same.

CLAUDE KITCHIN,
HENRY T. RAINY,
LINCOLN DIXON,
JOSEPH W. FORDNEY,
J. HAMPTON MOORE,

Managers on the part of the House.

F. M. SIMMONS,
JOHN SHARP WILLIAMS,
HOKE SMITH,
BOIES PENROSE,
H. C. LODGE,

Managers on the part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE.

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 12863) to provide revenue, and for other purposes, submit the following written statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: This amendment is a clerical change; and the Senate recedes.

Amendment No. 2: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

Amendment No. 3: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

Amendment No. 4: This amendment is a clerical change; and the House recedes.

The action of the conferees on amendments Nos. 1 to 4, inclusive, will make the term "person" wherever used in the act include partnerships and corporations, as well as individuals; and the term "corporation" include associations, joint-stock companies, and insurance companies.

Amendment No. 5: This amendment defined the term "life insurance company" as used in the Senate life insurance amendments; and the Senate recedes.

Amendment No. 6: The House bill defined a "Government contract." The Senate struck out this definition. The House recedes with an amendment restoring the House definition and providing that the term "Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive," when applied to certain Government contracts "includes all such contracts which, although entered into during such period, were originally not enforceable, but which have been or may become enforceable by reason of subsequent validation in pursuance of law."

Amendment No. 7: This amendment defines the term "military or naval forces of the United States"; and the House recedes.

Amendment No. 8: This amendment provides that wherever in the act the term "present war" is used it shall mean the war in which the United States is now engaged against the German Government; and the House recedes.

Amendment No. 9: This amendment provides that for the purposes of this act the date of the termination of the present war shall be fixed by proclamation of the President; and the House recedes.

Amendment No. 10: This amendment is a clerical change; and the Senate recedes.

Amendment No. 11: This amendment defines the term "personal service corporation" to mean a corporation whose income is to be ascribed primarily to the activities of the principal owners or stockholders, who are themselves regularly engaged in the active conduct

of the affairs of the corporation and in which capital (whether invested or borrowed) is not a material income producing factor. The House recedes with an amendment providing that the term "personal service corporation" shall not include a foreign corporation nor any corporation 50 per centum or more of whose gross income consists either (1) of gains, profits, or income derived from trading as a principal, or (2) gains, profits, commissions, or income, derived from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive.

Amendment No. 12: This amendment struck out the definition of the term "dividend" as it appeared in the House bill; and the House recedes.

Amendment No. 13: This amendment provides that the terms "paid or incurred" and "paid or accrued" when used in the income-tax title shall be construed according to the method of accounting upon the basis of which the net income is computed under section 212; and the House recedes with an amendment defining the word "paid" when used for the purpose of computing the deductions and credits.

Amendment No. 14: This amendment defines the term "dividends." The House recedes with an amendment effecting clerical changes and providing that if any stock dividend is received by a taxpayer between January 1 and November 1, 1918, or is during such period bona fide authorized or declared, and entered on the books of the corporation, and is received after November 1, 1918, and before the expiration of 30 days after the passage of this act, then such dividend shall be taxed to the recipient at the rates prescribed by law for the years in which the corporation accumulated the earnings or profits from which such dividend was paid; and declaring that any distribution made during the first 60 days of any taxable year shall be deemed to have been made from earnings or profits accumulated during preceding taxable years, but that any distribution made during the remainder of the taxable year shall be deemed to have been made from earnings or profits accumulated between the close of the preceding taxable year and the date of distribution, to the extent of such earnings or profits. With the exception of the aforementioned changes and the modification of the amendment to cover the case of the personal service corporation the dividend definition in practical effect is the same as the definition in the House bill. The House bill taxed all dividends received by the taxpayer at the rates in effect in the year in which the dividend was received.

Amendments Nos. 15, 16, 17, 18, 19, and 20: These amendments are clerical changes; and the House recedes.

Amendment No. 21. The Senate amendment provided that no gain or loss shall be deemed to occur from the exchange when—in connection with the reorganization, merger, or consolidation of a corporation—a person receives in place of securities owned by him new securities of no greater aggregate par or face value; "or when a person or persons owning property receive in exchange for such property stock of a corporation formed to take over such property." This amendment also provides that when property is exchanged for other property, the property received in exchange shall, for the purpose of determining gain or loss, be treated as the equivalent of cash to the amount of its fair market value. The House recedes with an

amendment striking out the clause relating to corporations formed to take over the property of individuals and adding a provision that when—in the case of any reorganization, merger, or consolidation—the aggregate par or face of the securities received is in excess of the aggregate par or face value of the securities exchanged, the amount of such excess shall be treated as a gain to the extent that the fair market value of the new securities is greater than the cost of the securities exchanged (or their value on March 1, 1913, if acquired prior to that date).

Amendment No. 22. This amendment is a change in section number; and the House recedes.

Amendment No. 23. This amendment is a clerical change; and the House recedes.

Amendment No. 24. This amendment provides that inventories for the purpose of determining net income under the income tax title shall be taken upon the basis determined by the Commissioner of Internal Revenue as conforming as nearly as may be to the best accounting practice in the trade or business; and the House recedes.

Amendment No. 25. This amendment is a clerical change; and the House recedes.

Amendment No. 26: This amendment provides for the deduction of net losses sustained during one taxable year from the net income of the taxpayer for the preceding or succeeding taxable years. The House recedes with amendments making clerical changes and confining the application of this section to net losses sustained during taxable years beginning after October 31, 1918, and ending prior to January 1, 1920.

Amendment No. 27: The Senate bill struck out section 239 of the House bill (which dealt with the computation of income taxes for the fiscal year 1917-18) and inserted as section 205 a general provision dealing with the computation of the income tax for any fiscal year ending during a calendar year for which the rates of tax differ from those of the preceding calendar year. The House, as a necessary result of its action under Amendment 285, recedes with an amendment providing that the tax for a fiscal year beginning in 1917 and ending in 1918 shall be the sum of (1) the same proportion of a tax for the entire period computed under Title I of the revenue act of 1916 as amended by the revenue act of 1917, and under Title I of the revenue act of 1917, which the portion of such period falling within the calendar year 1917 is of the entire period, and (2) the same proportion of the tax for the entire period computed under this title at the rates for the calendar year 1918 which the portion of such period falling within the calendar year 1918 is of the entire period. A similar method is also provided for fiscal years beginning in 1918 and ending in 1919.

Amendment No. 28: This amendment provides that whenever parts of a taxpayer's income are subject to rates for different calendar years the part subject to the rates for the most recent calendar year shall be placed in the lower brackets, the part subject to the rates for the next preceding calendar year shall be placed in the next higher brackets, and so on until the entire net income has been accounted for. The House recedes with an amendment striking out the reference to any personal exemption or other specific exemption contained in the Senate bill, and providing that in determining the

income any deductions, exemptions, or credits of a kind not plainly and properly chargeable against the income taxable at rates for a preceding year shall first be applied against the income subject to rates for the most recent calendar year, but that any balance thereof shall be applied against the income subject to the rates of the next preceding year or years until fully allowed.

Amendment No. 29: This amendment is a clerical change; and the House recedes.

Amendment No. 30: The House bill levied a normal income tax of 12 per cent upon the amount of the net income in excess of the credits provided in section 216, but provided that the tax upon the first \$4,000 of such excess amount in the case of a citizen or resident of the United States should be 6 per cent. The Senate bill provided the same rates for the calendar year 1918, but provided that the normal income tax for each calendar year thereafter shall be 8 per cent of the amount of the net income in excess of the credits provided in section 216, except that in the case of a citizen or resident of the United States the tax shall be 4 per cent upon the first \$4,000 of such excess amount; and the House recedes.

Amendment No. 31: This amendment is a clerical change; and the House recedes.

Amendment No. 32: The following table shows the House and Senate surtax rates:

Surtax bracket upon the amount of the net income in excess of —	Rate	
	House.	Senate.
	<i>Per cen.</i>	<i>Per cen!</i>
\$5,000 and not in excess of \$6,000.....	2	1
\$6,000 and not in excess of \$7,500.....	2	2
\$7,500 and not in excess of \$8,000.....	3	2
\$8,000 and not in excess of \$10,000.....	3	3
\$10,000 and not in excess of \$12,000.....	7	4
\$12,000 and not in excess of \$14,000.....	7	5
\$14,000 and not in excess of \$15,000.....	7	6
\$15,000 and not in excess of \$16,000.....	10	6
\$16,000 and not in excess of \$18,000.....	10	7
\$18,000 and not in excess of \$20,000.....	10	8
\$20,000 and not in excess of \$22,000.....	15	9
\$22,000 and not in excess of \$24,000.....	15	10
\$24,000 and not in excess of \$26,000.....	15	11
\$26,000 and not in excess of \$28,000.....	15	12
\$28,000 and not in excess of \$30,000.....	15	13
\$30,000 and not in excess of \$32,000.....	20	14
\$32,000 and not in excess of \$34,000.....	20	15
\$34,000 and not in excess of \$36,000.....	20	16
\$36,000 and not in excess of \$38,000.....	20	17
\$38,000 and not in excess of \$40,000.....	20	18
\$40,000 and not in excess of \$42,000.....	25	19
\$42,000 and not in excess of \$44,000.....	25	20
\$44,000 and not in excess of \$46,000.....	25	21
\$46,000 and not in excess of \$48,000.....	25	22
\$48,000 and not in excess of \$50,000.....	25	23
\$50,000 and not in excess of \$52,000.....	32	24
\$52,000 and not in excess of \$54,000.....	32	25
\$54,000 and not in excess of \$56,000.....	32	26
\$56,000 and not in excess of \$58,000.....	32	27
\$58,000 and not in excess of \$60,000.....	32	28

Surtax bracket upon the amount of the net income in excess of—	Rate.	
	House.	Senate.
	Per cent.	Per cent.
\$60,000 and not in excess of \$62,000.....	38	29
\$62,000 and not in excess of \$64,000.....	38	30
\$64,000 and not in excess of \$66,000.....	38	31
\$66,000 and not in excess of \$68,000.....	38	32
\$68,000 and not in excess of \$70,000.....	38	33
\$70,000 and not in excess of \$72,000.....	42	34
\$72,000 and not in excess of \$74,000.....	42	35
\$74,000 and not in excess of \$76,000.....	42	36
\$76,000 and not in excess of \$78,000.....	42	37
\$78,000 and not in excess of \$80,000.....	42	38
\$80,000 and not in excess of \$82,000.....	46	39
\$82,000 and not in excess of \$84,000.....	46	40
\$84,000 and not in excess of \$86,000.....	46	41
\$86,000 and not in excess of \$88,000.....	46	42
\$88,000 and not in excess of \$90,000.....	46	43
\$90,000 and not in excess of \$92,000.....	48	44
\$92,000 and not in excess of \$94,000.....	48	45
\$94,000 and not in excess of \$96,000.....	48	46
\$96,000 and not in excess of \$98,000.....	48	47
\$98,000 and not in excess of \$100,000.....	48	48
\$100,000 and not in excess of \$150,000.....	50	52
\$150,000 and not in excess of \$200,000.....	50	56
\$200,000 and not in excess of \$300,000.....	52	60
\$300,000 and not in excess of \$500,000.....	54	63
\$500,000 and not in excess of \$1,000,000.....	58	64
\$1,000,000 and not in excess of \$5,000,000.....	60	65
\$5,000,000.....	65	65

The House recedes.

Amendment No. 33: This amendment provides that 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 portion of the surtax attributable to such sales shall not exceed 20 per cent of the selling price of such property or interest; and the House recedes.

Amendment No. 34: This amendment is a clerical change; and the House recedes.

Amendment No. 35: This amendment is a clerical change; and the Senate recedes.

Amendment No. 36: The House bill specifically provided that the term "gross income" should include the salaries of the President of the United States, the judges of the Supreme and inferior courts of the United States, and all other officers and employees, whether elected or appointed, of the United States or of any State, Alaska, Hawaii, or any political subdivision thereof, or the District of Columbia. The Senate bill struck out this provision. The House recedes, with an amendment making the salaries of the President of the United States, the judges of the Supreme and inferior courts of the United States, and all other officers and employees of the United States, Alaska, Hawaii, or any political subdivision thereof, or the District of Columbia, subject to the income tax.

Amendment No. 37: This amendment is a clerical change; and the Senate recedes.

Amendment No. 38: The House bill provided that gross income for the purpose of the income tax should not include the proceeds of life-insurance policies paid upon the death of the insured to individual beneficiaries or to the estate of the insured. The Senate bill broadened this provision by providing that gross income should not include the proceeds of life-insurance policies paid upon the death of the insured; and the Senate recedes.

Amendment No. 39: The House bill proposed to make the interest from certain State and municipal bonds subject to the surtax. The Senate in this amendment struck out the provision, thereby making all the interest from State and municipal bonds exempt from income taxes; and the House recedes.

Amendment No. 40: This amendment made the interest from bonds issued by the War Finance Corporation exempt except as otherwise provided under Amendment No. 41. The House recedes with an amendment providing that every person owning any tax-free securities shall submit in his income tax return a statement showing the number and amount of such obligations owned by him, and the income received therefrom.

Amendment No. 41: This amendment provides that the interest from bonds issued by the War Finance Corporation shall be exempt from income tax only to the extent provided in the War Finance Corporation act; and the House recedes.

Amendments Nos. 42, 43, and 44: These amendments are clerical changes; and the House recedes.

Amendment No. 45: The House bill provided that gross income for the purpose of the income tax does not include income accruing to the Government of the Philippine Islands or Porto Rico, or any political subdivision thereof. The Senate bill extended this exemption to include Porto Rico, the Philippine Islands, and all other possessions of the United States, and any political subdivision thereof; and the House recedes.

Amendments Nos. 46, 47, 48, and 49: These amendments are clerical changes; and the House recedes.

Amendment No. 50: This amendment is a clerical change; and the Senate recedes.

Amendment No. 51: This amendment limits the exemption from income tax of the income from the United States of persons in the military or naval forces, to the period of the present war; and the House recedes.

Amendment No. 52: This amendment limits the exemption from income tax of salaries of persons in the military or naval service to those in active service; and the House recedes.

Amendment No. 53: The House bill limited the exemption of the salaries of those in the military and naval forces from income tax to those serving abroad or at sea. The Senate change in this limitation has been explained in amendment No. 52; and the House recedes.

Amendment No. 54: The House bill limited the exemption from income tax of the income from the United States of persons in the military or naval forces to so much of the income as did not exceed \$3,500. The Senate bill eliminated this limit; and the Senate recedes.

Amendment No. 55: This amendment provides that in the case of a device which a taxpayer has invented and which has been accepted by the War and Navy Departments since April 6, 1917, for use in the present war and which has been put into actual use as a basis for successful major operation by the United States Government in the war, and that if the Secretary of War or the Secretary of the Navy shall so certify to the Secretary of the Treasury, no tax shall be imposed for the year 1918 on the royalties received or any amount received in lieu of royalties by the taxpayer for the use of such devices; and the Senate recedes.

Amendment No. 56. This amendment is a clerical change; and the House recedes.

Amendment No. 57. This amendment provides that in the case of nonresident alien individuals gross income includes all amounts received (although paid under a contract for the sale of goods or otherwise) representing profits on the manufacture and disposition of goods within the United States; and the House recedes.

Amendments Nos. 58 and 59: The House bill provided that one of the deductions in computing net income should be payments required to be made as a condition to the continued use or possession for purpose of the trade or business of property to which the taxpayer has not taken or is not taking title or in which he has no equity. The Senate amendment broadened this provision by providing that the deduction should be of payments required to be made as a condition to the continued use or possession of property for purposes of the trade or business; and the Senate recedes.

Amendment No. 60: This amendment provides that interest paid or accrued on indebtedness incurred or continued to purchase or carry obligations or securities (other than obligations of the United States issued after Sept. 24, 1917), the interest upon which is wholly exempt from taxation under the income tax title as income to the taxpayer, shall not be allowed as a deduction in computing net income; and the House recedes.

Amendment No. 61: In the case of a nonresident alien individual, the House bill limited the interest deduction to interest paid during the taxable year. The Senate amendment extended the deduction to interest accrued during the taxable year; and the House recedes.

Amendment No. 62: This amendment authorizes a deduction in computing net income for taxes assessed against local benefits when such benefits are not "of a kind tending to increase the value of the property assessed;" and the House recedes.

Amendment No. 63: This amendment authorizes, in the case of a nonresident alien individual, a deduction for certain taxes imposed by the authority of any foreign country upon property or business, to the extent that the income from such property or business is subject to taxation under this title; and the House recedes with an amendment making clerical changes.

Amendment No. 64: The House bill required a loss to be sustained and charged off during the taxable year before it could be allowed as a deduction in computing net income. The Senate bill only required the loss to be sustained during the taxable year; and the House recedes.

Amendment No. 65: The House bill provided that in determining net income a reasonable allowance should be made for exhaustion,

wear, and tear of property used in the trade or business. The Senate bill provided that a reasonable allowance should be made in computing net income for the depreciation of property used in the trade or business. The House recedes with an amendment providing that in computing net income a reasonable allowance should be made for the exhaustion, wear, and tear of property used in the trade or business, including a reasonable allowance for obsolescence.

Amendment No. 66: The House bill provided that a nonresident alien individual should be entitled to deduct in computing net income a reasonable allowance for the exhaustion, wear, and tear of property used in the trade or business within the United States. The Senate bill permitted a nonresident alien individual to avail himself of the deduction for exhaustion, wear, tear, and obsolescence to the extent that they are connected with (taxable) income arising from sources within the United States; and the House recedes.

Amendment No. 67: This amendment extended the amortization provision to vessels constructed or acquired on or after April 6, 1917, for the transportation of articles or men contributing to the prosecution of the present war; and the House recedes.

Amendment No. 68: The House bill made the amortization deduction discretionary; the Senate bill makes it compulsory; and the House recedes.

Amendment No. 69: This amendment is a clerical change; and the House recedes.

Amendment No. 70: The House bill provided that the amortization deduction should not include amounts otherwise allowed under the income-tax title for depreciation, exhaustion, or wear and tear. The Senate amendment provides that the amortization deduction shall not include any amount otherwise allowed under the income-tax title or previous acts of Congress as a deduction in computing net income; and the House recedes.

Amendments Nos. 71, 72, 73, 74, and 75: These amendments are clerical changes; and the House recedes.

Amendment No. 76: The House bill limited the deduction for "amortization" by providing that in the case of a nonresident alien individual "this deduction shall be allowed only as to facilities within the United States, and that in no case shall the deduction for "amortization" exceed 25 per centum of the taxpayer's net income as computed without the benefit of such deduction. The Senate amendment strikes out the above limitations; and the House recedes.

Amendment No. 77: This amendment authorizes a reasonable allowance for the depletion of oil and gas wells in place of a similar allowance "for actual reduction in flow and production" as authorized by the House bill and adds a proviso "that in the case of mines, oil and gas wells, discovered by the taxpayer, on or after March 1, 1913, and not acquired as the result of purchase of a proven tract or lease, where the fair market value of the property is materially disproportionate to the cost, the depletion allowance shall be based upon the fair market value of the property at the date of the discovery, or within 12 months thereafter." The House recedes with an amendment changing the valuation period from 12 months to 30 days.

Amendment Nos. 78 and 79. These amendments are clerical changes; and the House recedes.

Amendment No. 80: This amendment provides that if it is shown to the satisfaction of the commissioner that during the taxable years 1919 and 1920 the taxpayer (a) has for the first time ascertained the amount of a loss sustained during the preceding taxable year and not deducted from the gross income therefor, or (b) has sustained a substantial loss (whether or not actually realized by sale or other disposition), resulting from any material reduction (not due to temporary fluctuation) of the value of the inventory for the preceding taxable year, then the amount of such loss shall be deducted from the net income for such preceding taxable year, and the income taxes for such year shall be redetermined accordingly. The House recedes with amendments (1) limiting the allowance for losses sustained during the taxable year to losses resulting from the actual payment of rebates on sales of the previous year in pursuance of contracts made during such year; (2) limiting the deduction for falling inventories to the taxable year 1919; and (3) permitting the taxpayer to take advantage of this deduction at the time of making his return by filing a claim in abatement accompanied with a bond in double the amount of the tax covered by the claim.

Amendment No. 81: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

Amendment No. 82: Nonresident alien individuals, by the House bill, were authorized to deduct certain expenses "only if and to the extent that they are connected with a trade or business carried on within the United States." This amendment authorizes such deductions to be made if and to the extent that they are connected with "income arising from a source within the United States"; and the House recedes.

Amendment No. 83: This amendment is a clerical change made necessary by amendment No. 82; and the House recedes.

Amendments Nos. 84 and 85: Under the House bill a taxpayer would not be permitted to deduct in computing net income premiums paid on group insurance policies for the benefit of employees. Under the Senate bill such premium will be an allowable deduction. The House bill provided that premiums paid on any life insurance policy covering the life of any officer or employee, of any person financially interested in any trade or business carried on by the taxpayer shall not be allowed as a deduction when the taxpayer or anyone financially interested in such trade or business is a beneficiary under such policy. The Senate amendment provides that in the case of such policies the premiums shall not be allowed as a deduction when the taxpayer is directly or indirectly a beneficiary under such policy; and the House recedes.

Amendment No. 86: This amendment provides that for the purpose of computing the normal tax, the amount received as dividends from insurance companies taxable under section 504, and amounts received as dividends from personal service corporations out of earnings or profits upon which income tax has been imposed by act of Congress shall be allowed as credits; and the House recedes with an amendment striking out the reference to insurance companies taxable under section 504 of the Senate bill.

Amendment No. 87: This amendment complies with the terms of the War Finance Corporation act by providing that the interest from

the bonds issued by the War Finance Corporation shall not be subject to the normal income tax; and the House recedes.

Amendment No. 88: This amendment is a clerical change to carry out the policy of exempting the interest from State and municipal bonds from income tax; and the House recedes.

Amendments No. 89, 90, and 91: These amendments are clerical changes; and the House recedes.

Amendment No. 92: This amendment provides that personal service corporations shall not be subject to taxation under the income tax title, but that the individual stockholders thereof shall be taxed in the same manner as the members of partnerships. The House recedes with an amendment making minor clerical changes.

Amendment No. 93: This amendment provides for the taxation of "income collected by a guardian of an infant to be held or distributed as the court may direct"—a class of income whose status under the House bill was uncertain; and the House recedes.

Amendment No. 94: This amendment allows, in the case of estates and trusts, a deduction for amounts which, pursuant to the terms of the will or deed creating the trust, are paid to or permanently set aside for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals; and the House recedes with amendments making clerical changes and confining the deductions to amounts contributed to or permanently set aside for governmental purposes or corporations organized and operated exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual.

Amendment No. 95: This amendment provides that in determining the net income of the estate of any deceased person during the period of administration there may be deducted the amount of any income properly paid or credited to any legatee, heir, or other beneficiary; and the House recedes with a clerical change.

Amendment No. 96: This amendment provides that any income of an estate during the period of administration or settlement permitted to be deducted from the net income upon which tax is to be paid by the fiduciary, shall be accounted for by the beneficiary; and the House recedes with a clerical amendment.

Amendments Nos. 97, 98, 99, 100, and 101: These amendments are clerical changes; and the House recedes.

Amendment No. 102: This amendment eliminates the necessity of proving fraud when earnings of a corporation are allowed to accumulate for the purpose of preventing the imposition of the surtax upon the stockholders or members; and the House recedes.

Amendments Nos. 103 and 104: These amendments are clerical changes; and the House recedes.

Amendment No. 105: This amendment provides that, when the Commissioner of Internal Revenue certifies that an accumulation of profits is, in his opinion, to enable the stockholders of a corporation to avoid payment of the surtaxes, such corporation shall not be subject to the corporation income tax or the excess or war profits taxes, but that the stockholders shall be subject to taxation in the same manner as in the case of stockholders of a personal service corporation. The House recedes from its disagreement to this amend-

ment with an amendment adopting the Senate amendment, but providing that in case a corporation is taxed on the basis of this amendment in the manner provided for personal service corporations, it shall also be subject to the excess or war profits taxes.

Amendments Nos. 106, 107, 108, 109, and 110: These amendments are clerical changes; and the House recedes.

Amendment No. 111: This amendment provides that the Commissioner of Internal Revenue instead of the Secretary of the Treasury shall certify the cases in which, in his opinion, the accumulation of earnings is unreasonable for the purpose of the business; and the House recedes.

Amendment No. 112: This amendment is a clerical change due to the method of taxing insurance under section 504 of the Senate bill; and the Senate recedes.

Amendment No. 113: In the case of income tax withheld at the source the tax in the House bill was at the rate of 12 per cent. The Senate reduced the rate to 8 per cent to comply with the normal income-tax rate after 1918 in the case of citizens or residents of the United States; and the House recedes.

Amendment No. 114: In the case of many American securities taken over and held by foreign Governments the owners of the securities are unknown to the withholding agent. This amendment provides that the Commissioner of Internal Revenue may authorize the tax to be deducted and withheld from the interest upon any securities the owners of which are not known to the withholding agent; and the House recedes.

Amendment No. 115: This amendment provides that in the case of tax-free-covenant obligations in which the interest is payable to a partnership the obligor shall withhold a tax equal to 2 per cent the same as in the case of interest from such obligations payable to individuals; and the House recedes.

Amendment No. 116: This amendment is the same as amendment No. 114, except that in this case it applies to tax-free-covenant obligations; and the House recedes.

Amendment No. 117: This amendment is a clerical change; and the House recedes.

Amendment No. 118: The House bill provided that a citizen of the United States might credit against his income tax the amount of any income, war profits, and excess profits taxes paid to any foreign country, Porto Rico, or the Philippine Islands, upon income derived from sources therein, and allowed a similar credit to an alien resident if his country makes reciprocal provisions. The Senate amendment entirely rewrites the section and broadens it to include a credit for taxes paid to any possession of the United States, which is also to be given to an alien resident of the United States. The House recedes with an amendment providing that if any deduction is allowed for taxes accrued in any possession or foreign country, the commissioner may require the taxpayer to give a surety bond providing for the payment of any tax found to be due the Government in case too great a deduction shall be allowed for accrued taxes in our possessions or any foreign country. The amendment as agreed to also provides that if such accrued taxes when paid differ from the amounts claimed as credits by the taxpayer, or if the tax paid is refunded in whole or in part, the tax-

payer shall notify the Commissioner of Internal Revenue, who shall redetermine the amount of the tax due, and the amount of the tax due shall be paid by the taxpayer, or the amount of the tax overpaid shall be credited or refunded to the taxpayer.

Amendment No. 119: This amendment is a clerical change; and the House recedes.

Amendments Nos. 120 and 121: The House bill required every person having a net income for the taxable year of \$1,000 or over if single or if married and not living with husband or wife, or of \$2,000 or over if married and living with husband or wife, to file an income tax return. The Senate bill required income tax returns from individuals having a gross income of \$1,000 or over if single or if married and not living with husband or wife, or of \$2,000 or over if married and living with husband or wife; and the Senate recedes.

Amendments Nos. 122 and 123: The House bill basis for requiring fiduciary return in the case of single and married persons was the same as the basis for requiring individual returns. The Senate changed the basis to gross income as it did in the case of individual returns; and the Senate recedes.

Amendment No. 124: This amendment is a clerical change; and the House recedes.

Amendment No. 125: The House bill provided that except in the case of taxpayers who are abroad, no extension of time for filing returns of income tax shall be for a longer period than two months. The Senate bill struck out the House limitation and left the time of extension to the discretion of the commissioner. The House recedes from its disagreement to this amendment with an amendment providing that except in the case of taxpayers who are abroad, no extension of the time for making the return shall be for a longer period than six months.

Amendment No. 126: This amendment is a clerical change; and the House recedes.

Amendment No. 127: This amendment exempts insurance companies from the income tax provision because the Senate bill proposed a separate and distinct tax on the investment income of insurance companies; and the Senate recedes.

Amendment No. 128: This amendment is a clerical change; and the House recedes.

Amendment No. 129: The House bill levied upon the net income of domestic corporations an income tax of 18 per cent, but provided that the rate should be 12 per cent upon so much of the amount of the net income subject to the tax as does not exceed the sum of (1) the amount of dividends paid during the taxable year, plus (2) the amount paid during the taxable year out of earnings or profits in discharge of bonds and other interest-bearing obligations outstanding prior to the beginning of the taxable year, plus (3) the amount paid during the taxable year in the purchase of obligations of the United States issued after September 1, 1918. The House bill taxed the net income of foreign corporations at the same rate with slight modifications because of the different situation in the case of foreign corporations. The Senate amendment changes the corporation income tax rate for the calendar year 1918 to a flat rate of 12 per cent and for each calendar year thereafter to a flat rate of 8 per cent. It also provides that for the purpose of the Federal railway control act

of March 21, 1918, five-sixths of the corporation income tax for 1918 and three-fourths of the tax for future years shall be treated as levied by an act in amendment of Title I of the revenue act of 1917.

The House recedes with an amendment fixing the corporation income tax for the calendar year 1918 at a flat rate of 12 per cent and for each calendar year thereafter at a flat rate of 10 per cent and providing that for the purposes of the Federal railway control act five-sixths of the corporation income tax for 1918 and four-fifths of the tax for each calendar year thereafter shall be treated as levied by an act in amendment of Title I of the revenue act of 1917.

Amendment No. 130: This amendment adds to the list of corporations exempt from income tax corporations organized and operated exclusively for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual; and the House recedes.

Amendment No. 131: The House bill exempted from income tax certain farmers', fruit growers', and like associations. The Senate amendment extends the exemption to cover cooperative societies but restricts the deductions heretofore allowed to associations or societies of this class which sell for or to nonmembers; and the Senate recedes.

Amendment No. 132: This amendment strikes joint stock land banks out of the list of corporations exempt from income tax. It also includes personal-service corporations among the corporations exempt from the corporation income tax, Senate amendment numbered 92 having made the stockholders of a personal-service corporation individually liable to income taxes in the same manner as members of a partnership; and the House recedes.

Amendments Nos. 133 and 134: These amendments are clerical changes; and the House recedes.

Amendment No. 135: The House bill provided that in computing the gross income of life insurance companies there should not be included such portion of any premium received "within the taxable year" as is paid back or credited to or treated as an abatement of premium within the taxable year; and also provided a rule for computing gross income in the case of mutual marine insurance companies. The Senate amendment strikes out these provisions, in pursuance of the Senate plan to tax insurance companies on the basis of investment income. The House recedes with an amendment restoring the House provisions but omitting the requirement in the case of a life insurance company that premiums to be excluded from gross income must be received "within the taxable year."

Amendment Nos. 136 and 137: These amendments propose to make foreign corporations selling raw materials in the United States to be manufactured here under an agreement that certain profits on the manufacture and disposition of the finished products shall be paid to the foreign corporation include such profits in computing gross income; and the House recedes.

Amendments Nos. 138 and 139: These amendments are clerical changes; and the House recedes.

Amendment No. 140: The House bill provided that in computing net income rentals or other payments required to be made as a condition to the continued use or possession of property to which the corporation has not taken or is not taking title, or in which it has no equity, could be allowed as a deduction. The Senate amendment

broadens this deduction provision by providing that rentals or other payments required to be made as a condition to the continued use or possession of property may be allowed as a deduction in computing net income; and the Senate recedes.

Amendment No. 141: This amendment provides that interest paid or accrued on indebtedness incurred or continued to purchase or carry obligations or securities (other than obligations of the United States issued after Sept. 24, 1917), the interest upon which is wholly exempt from taxation under the income tax title as income to the taxpayer, shall not be allowed as a deduction in computing net income; and the House recedes.

Amendment No. 142: In the case of a foreign corporation, the House bill limited the interest deduction to interest paid during the taxable year. The Senate bill extended the deduction to interest accrued during the taxable year; and the House recedes.

Amendment No. 143: This amendment authorizes a deduction for taxes assessed against local benefits when such benefits are not "of a kind tending to increase the value of the property assessed"; and the House recedes.

Amendment No. 144: This amendment authorizes, in the case of a foreign corporation, a deduction for certain taxes imposed by the authority of any foreign country upon property or business to the extent that the income from such property or business is subject to taxation under this title; and the House recedes, with an amendment making clerical changes.

Amendment No. 145: In the case of corporations the House bill required losses sustained during the taxable year to be charged off before allowing them to be deducted in computing the net income. The Senate amendment allowed losses sustained to be deducted although the taxpayer may not be able to charge them off during the taxable year; and the House recedes.

Amendment No. 146: The House bill provided that in computing the net income of a corporation there should be deducted the dividends received from a corporation subject to income tax. The Senate amendment provides that amounts received by corporations as dividends from insurance companies not subject to income tax, and amounts received as dividends from a personal service corporation out of earnings or profits upon which income tax has been imposed by act of Congress, shall be deducted in computing net income. The House recedes with an amendment striking out the specific reference to insurance companies, since, by reason of the recession of the Senate from its amendment No. 127, such companies are subject to income tax.

Amendment No. 147: The House bill provided that in determining net income a reasonable allowance should be made for exhaustion, wear, and tear of the property used in the trade or business. The Senate amendment provides that a reasonable allowance shall be made in computing net income for the depreciation of property used in the trade or business. The House recedes with an amendment providing that in computing net income a reasonable allowance shall be made for the exhaustion, wear, and tear of the property used in the trade or business, including a reasonable allowance for obsolescence.

Amendment No. 148: This amendment permits a foreign corporation to avail itself of the deduction for exhaustion, wear, tear, and obsolescence of property outside the United States to the extent that they are connected with income arising from sources within the United States; and the House recedes.

Amendment No. 149: This amendment extends the amortization provision to vessels constructed or acquired on or after April 6, 1917, for the transportation of articles or men contributing to the prosecution of the present war; and the House recedes.

Amendment No. 150: The House bill made the amortization deduction discretionary. The Senate bill makes it compulsory; and the House recedes.

Amendment No. 151: This amendment is a clerical change; and the House recedes.

Amendment No. 152: The House bill provided that the amortization deduction should not include amounts otherwise allowed under the income-tax title for depreciation, exhaustion, or wear and tear. The Senate amendment provides that the amortization deduction shall not include any amount otherwise allowed under the income-tax title or previous acts of Congress as a deduction in computing net income; and the House recedes.

Amendments Nos. 153, 154, 155, 156, and 157: These amendments are clerical changes; and the House recedes.

Amendment No. 158: The House bill limited the deduction for amortization by providing that in the case of a foreign corporation "this deduction shall be allowed only as to facilities within the United States," and that in no case shall the deduction for amortization exceed 25 per cent of the taxpayer's net income as computed without the benefit of such deduction. The Senate amendment strikes out the above limitation; and the House recedes.

Amendment No. 159: This amendment authorizes a reasonable allowance for the depletion of oil and gas wells in place of a similar allowance "for actual reduction in flow and production" as authorized by the House, and adds a proviso "that in the case of mines, oil and gas wells, discovered by the taxpayer on or after March 1, 1913, and not acquired as the result of purchase of a proven tract or lease, where the fair market value of the property is materially disproportionate to the cost, the depletion allowance shall be based upon the fair market value of the property at the date of discovery, or within twelve months thereafter." The House recedes with an amendment changing the valuation period from 12 months to 30 days.

Amendment No. 160: The Senate bill carried a new and separate scheme of taxation for insurance companies, and this amendment strikes out as superfluous the special deductions provided in the House bill for computing the net income of such corporation. The House recedes with an amendment restoring the House deductions and making a clerical change.

Amendment No. 161: This amendment provides that if it is shown to the satisfaction of the Commissioner that during the taxable years 1919 and 1920 the taxpayer (a) has for the first time ascertained the amount of a loss sustained during the preceding taxable year and not deducted from the gross income therefor, or (b) has sustained a substantial loss (whether or not actually realized by sale or other

disposition) resulting from any material reduction (not due to temporary fluctuation) of the value of the inventory for the preceding taxable year, then the amount of such loss shall be deducted from the net income for such preceding taxable year, and the income taxes and excess-profits or war-profits taxes for such year shall be redetermined accordingly. The House recedes with amendments (1) limiting the allowance for losses sustained during the taxable year to losses resulting from the actual payment of rebates on sales of the previous year in pursuance of contracts made during such year; (2) limiting the deduction for falling inventories to the taxable year 1919; and (3) permitting the taxpayer to take advantage of this deduction at the time of making his return by filing a claim in abatement accompanied with a bond in double the amount of the tax covered by the claim.

Amendment No. 162: The House bill authorized foreign corporations to deduct certain expenses "only if and to the extent that they are connected with a trade or business carried on within the United States." The Senate amendment authorizes such deductions to be made if and to the extent that they are connected with "income arising from a source within the United States"; and the House recedes.

Amendment No. 163: This amendment is a clerical change made necessary by amendment No. 162; and the House recedes.

Amendment No. 164: This amendment is a clerical change; and the House recedes.

Amendment No. 165: This amendment complies with the terms of the War Finance Corporation act by providing that the interest from bonds issued by the War Finance Corporation shall not be subject to the corporation income tax; and the House recedes.

Amendment No. 166: This amendment is a clerical change to carry out the policy of exempting the interest from State and municipal bonds from income tax; and the House recedes.

Amendments Nos. 167 and 168: These amendments are clerical changes; and the House recedes.

Amendment No. 169: This amendment changes the method of computing income taxes for fiscal years beginning in 1917 and ending in 1918; and the House recedes with an amendment providing that in such cases, the excess profits tax computed under Title II of the revenue act of 1917 shall be credited against the net income computed for the entire period under Title I of the revenue act of 1916 as amended by the revenue act of 1917 and under Title I of the revenue act of 1917, and the tax computed for the entire period under Title III of this act at the rates prescribed for the calendar year 1918 shall be credited against the net income computed for the entire period under this title.

Amendment No. 170: This amendment is a clerical change; and the House recedes.

Amendment No. 171: In the case of foreign corporations not engaged in trade or business within the United States and not having an office or place of business therein, the House bill required the corporation income tax to be withheld at the source at the rate of 18 per cent. The Senate reduced the rate to 8 per cent. The House recedes from its disagreement to the Senate amendment with an

amendment providing that tax shall be withheld at the rate of 10 per cent.

Amendments Nos. 172, 173, 174, and 175: These amendments are clerical changes; and the House recedes.

Amendments Nos. 176 and 177: The effect of the Senate amendments is to extend the benefit of the credit for taxes to taxes paid to all possessions of the United States; and the House recedes.

Amendments Nos. 178 and 179: These amendments are clerical changes; and the House recedes.

Amendment No. 180: This amendment provides that in the case of a corporation which makes return for a fiscal year beginning in 1917 and ending in 1918 any tax paid for such fiscal year under Title I of the revenue act of 1916 or Title I of the revenue act of 1917 shall be credited against the tax imposed by this title. The House recedes with an amendment (1) limiting the allowance to that proportion of the credit for foreign taxes which the part of the fiscal year falling within the calendar year 1918 bears to the entire period; and (2) safeguarding the allowance by a provision inserted in subdivision (a) that if accrued taxes when paid differ from the amounts claimed as credits, or if any tax paid is refunded in whole or in part, the taxes due shall be redetermined, and authorizing the Commissioner to require bond, in the case of claims based upon taxes accrued but not paid, conditioned for the payment by the taxpayer of any amount of tax found due upon any such redetermination. Provision is also made in Amendment 169 that in the case of a corporation which makes return for a fiscal year beginning in 1917 and ending in 1918, the part of the war profits and excess profits taxes attributable to the calendar year 1917 shall be credited against the net income (not against the tax) for such year.

Amendment No. 181: This amendment strikes out section 239 of the House bill (which dealt with the computation of income taxes for the fiscal year 1917-18) as a part of the general change made by section 205 of the Senate bill, which—as explained in connection with amendment No. 27—provides a general method for computing the income tax for any fiscal year ending during a calendar year for which the rates of tax differ from those of the preceding calendar year; and the House recedes.

Amendment No. 182: This amendment is a change in section number; and the House recedes.

Amendment No. 183: This amendment is a clerical change; and the House recedes.

Amendment No. 184: This amendment provides that when the accounting period is changed as provided under section 226, only such portion of the \$2,000 corporation credit allowed under subdivision (c) of section 236 shall be allowed as the number of months in the period for which the return is made bears to 12 months; and the House recedes.

Amendment No. 185: This amendment provides for the computation of the income, excess profits and war profits taxes of affiliated corporations on the basis of a consolidated return of their net income and invested capital. The House recedes with an amendment providing:

(1) That there shall be taken out of such consolidated net income and invested capital, the net income and invested capital of any such

affiliated corporation organized after August 1, 1914, and not successor to a then existing business, 50 per cent or more of whose gross income consists of gains, profits, commissions, or other income derived from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive.

(2) That two or more domestic corporations shall be deemed to be affiliated (1) if one corporation owns directly or controls through closely affiliated interests or by a nominee or nominees substantially all the stock of the other or others, or (2) if substantially all the stock of two or more corporations is owned or controlled by the same interests.

(3) Retaining (out of the part of the Senate amendment which permitted the consolidation of foreign corporations affiliated with a domestic corporation and provided that in such consolidations, the total tax, computed as a unit, shall be reduced by the credit for foreign taxes authorized in section 238) only the features relating to the credit for foreign taxes, which are stated in the following terms:

For the purposes of section 238 a domestic corporation which owns a majority of the voting stock of a foreign corporation shall be deemed to have paid the same proportion of any income, war-profits and excess-profits taxes paid (not including taxes accrued) by such foreign corporation during the taxable year to any foreign country or to any possession of the United States upon income derived from sources within the United States, which the amount of any dividends (not deductible under section 234) received by such domestic corporation from such foreign corporation during the taxable year bears to the total taxable income of such foreign corporation upon or with respect to which such foreign taxes were paid: Provided, that in no such case shall the amount of the credit for such taxes exceed the amount of such dividends (not deductible under section 234) received by such domestic corporation during the taxable year.

Amendment No. 186: This amendment added a new "Part" to the income tax title and provided a separate tax on the investment income of life insurance companies and mutual insurance companies in lieu of all other taxes imposed in the bill upon such companies; and the Senate recedes.

Amendment No. 187: This amendment is a change in section number; and the Senate recedes.

Amendment No. 188: The House bill provided for the payment of income, war-profits and excess-profits taxes in three installments, at intervals of two months. The Senate amendment provides for the payment of these taxes in four quarterly installments, the first to be paid at the time fixed by law for filing the return. The House recedes with amendments making clerical changes and providing that where an extension of time for filing a return is granted, the time for payment of the first installment shall be postponed until the expiration of the extension, but the time for payment of the other installments shall not be postponed unless the commissioner so provides in granting the extension.

Amendment No. 189: The House bill provided that where an extension of time for filing an income-tax return is granted the taxpayer may pay his tax in a single payment on or before the expiration of the period of extension. The Senate amendment struck out the House provision and substituted a provision providing (1) that in the case of any tax of not over \$200 paid at the time of the filing of the return, there should be allowed a discount of 1 per cent, and (2) that where an extension of time for filing the return has

been granted no interest shall be added to the tax if the whole amount of the tax is paid on or before the time the third installment would be due if no extension had been granted; and the Senate recedes.

Amendment Nos. 190, 191 and 192: These amendments are clerical changes; and the House recedes.

Amendments Nos. 193 and 194: The House bill provided that if a false or fraudulent return is made with intent to evade the tax, in addition to other penalties provided by law for false or fraudulent returns, there should be added as part of the tax 100 per cent of the amount of tax understated. The Senate amendment reduces the penalty to 50 per cent of the tax understated and provides that this penalty should be in lieu of the penalty provided by section 3176 of the Revised Statutes, as amended; and the House recedes.

Amendments Nos. 195, 196, 197, 198, and 199: These amendments are clerical changes; and the House recedes.

Amendment No. 200: This amendment provides, as to any amount of income tax remaining unpaid after the date when it is due and for 10 days after notice and demand by the collector, that if such amount is subject to a bona fide claim for abatement the 5 per cent penalty shall not be added to the tax and that interest from the time the amount was due until the claim is decided shall be at the rate of one-half of 1 per cent per month; and the House recedes.

Amendment No. 201: This amendment provides that in the case of the first installment payment of income taxes, the instructions printed on the return shall be deemed to be sufficient notice of the date when the tax is due and sufficient demand, and the taxpayer's computation of the tax on the return shall be deemed sufficient notice of the amount due; and the House recedes.

Amendment No. 202: This amendment provides that in any case in which in order to enforce payment of a tax it is necessary for a collector to cause a warrant of distraint to be served, there shall also be added as part of the tax the sum of \$5; and the House recedes.

Amendment No. 203: The effect of this amendment is to prevent taxpayers departing from the United States or removing their property therefrom before the close of the regular taxable year in order to avoid payment of the income taxes; and the House recedes.

Amendment No. 204: This amendment provides that internal revenue collectors shall only give receipts for income taxes upon request; and the House recedes.

Amendment No. 205. The House bill provided that no credit or refund for income, war profits, or excess-profits taxes shall be allowed or made after two years from the date when the return was due unless before the expiration of the two-year period a claim for such credit or refund is filed by the taxpayer. The Senate struck out this limitation and in amendment No. 207 increased the period in which claims for credit or refunds can be made to five years; and the House recedes.

Amendment No. 206. This amendment is a clerical change; and the House recedes.

Amendment No. 207. This amendment increases the period for which claims for credits or refund of income, excess profits, or war profits can be made from the two-year period provided in the House bill to five years; and the House recedes.

Amendment No. 208: This amendment is a clerical change; and the Senate recedes.

Amendment No. 209: This amendment authorizes the Commissioner of Internal Revenue to require personal service corporations to render returns of dividend payments, stating the name and address of each stockholder, the number of shares owned by him, and the amount of dividends paid to him; and the House recedes.

Amendment No. 210: The House bill authorized the Commissioner of Internal Revenue to require every individual, corporation, or partnership doing business as a broker on any exchange or board of trade or other similar place of business, to render a return showing the names of customers for whom such individual, corporation, or partnership has transacted any business, with such details as to the profits, losses, or other information which the Commissioner may require, as to each of such customers, as will enable the Commissioner to determine whether all income tax due on profits or gains of such customers has been paid. The Senate amendment broadened the House provision to allow the Commissioner to require this information from all brokers; and the House recedes.

Amendment No. 211: The House bill required all individuals, corporations, and partnerships making payment to another individual, corporation, or partnership of interest, rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, profits, and income of \$1,000 or more in any taxable year, to render an information return to the commissioner setting forth the amount of such gains, profits, and income, and the name and address of the recipient of such payment. The Senate amendment broadens this provision to require the aforementioned information with reference to all such payments made "at the rate of" \$1,000 or more in any taxable year; and the Senate recedes.

Amendment No. 212: The House bill provided that the foregoing information returns should be in such manner and form as the commissioner, with the approval of the Secretary may prescribe, setting forth the amount of gains, profits, and income, and the name and address of the recipient of such payments. The Senate amendment provides that this information shall be given "to such extent" as may be prescribed by the commissioner, with the approval of the Secretary; and the House recedes.

Amendment No. 213: The House bill required all income-tax returns to be filed in the office of the commissioner. The Senate amendment struck out this requirement; and the House recedes.

Amendment No. 214: The House bill authorized the proper officers of any State "imposing an income tax to which corporations are subject," upon the request of the governor thereof, to have access to the return of any corporation. The Senate bill gave this authority whether or not the State imposed an income tax. The House recedes with an amendment providing that the proper officers of any State imposing an income tax may, upon the request of the governor thereof, have access to the returns of any corporation.

Amendment No. 215: This amendment provides that all bona fide stockholders of record owning 1 per cent or more of the outstanding stock of any corporation shall, upon making request of the commissioner, be allowed to examine the annual income returns of such corporation and of its subsidiaries; and the House recedes, with

an amendment providing a penalty for disclosing any information so obtained.

Amendment No. 216: The House bill required the commissioner to have prepared each year and made available to public inspection in the office of each collector a list containing the names in alphabetical order and the post-office addresses of all individuals making income-tax returns in such district. The Senate amendment authorizes the commissioner to prepare and make public these lists in such manner as he may determine. The House recedes with an amendment providing that the lists of income tax payers of each respective collection district must be available to public inspection in the office of the collector and at such other place and in such manner as the commissioner may determine.

Amendment No. 217: The House bill required the foregoing lists to be in alphabetical order. The Senate amendment strikes out this requirement; and the House recedes.

Amendment No. 218: The House bill required that there should be made available to public inspection in the office of the collector of each district the names and post-office addresses of all individuals making income-tax returns in "such district". The Senate amendment strikes out the words quoted; and the Senate recedes.

Amendment No. 219: The House bill provided that in Porto Rico and the Philippine Islands the income tax shall be levied, assessed, collected and paid in accordance with the provisions of the revenue act of 1916, as amended by the revenue act of 1917, and gave the Porto Rican or Philippine Legislature power by due enactment to amend, alter, modify, or repeal the income-tax laws in force in Porto Rico or the Philippine Islands, respectively. The Senate amendment strikes out this provision and incorporated it in amendment No. 221 which is the new section 261; and the House recedes.

Amendment No. 220: This amendment provides that any individual who is a citizen of any possession of the United States and who is not a resident of the United States shall be subject to income taxes under this act only as to income derived from sources within the United States; and the House recedes with a clerical amendment.

Amendment No. 221: This amendment provides that the income tax in Porto Rico and the Philippine Islands shall be imposed in accordance with the provisions of the revenue act of 1916, as amended; defines the classes of taxpayers who shall make returns in such possessions; defines the classes of persons who are to be taxed in such possessions as nonresident aliens and as foreign corporations; and empowers the Porto Rican and the Philippine Legislatures to amend or repeal the income-tax laws in force in such possessions; and the House recedes with an amendment providing that a tax imposed in such possessions upon the net income of a corporation shall not be considered to be a tax under this title.

Amendment No. 222: This amendment levies a tax of 100 per cent upon the excess over \$500 of campaign contributions contributed in the aggregate during any taxable year for the purpose of influencing the results of elections to which candidates for Members of the House of Representatives or for United States Senator or for presidential electors are to be nominated or elected; and the Senate recedes.

Amendment No. 223: Title III in the House bill bore the title "War profits and excess-profits taxes." The Senate amendment makes this read "War excess-profits tax"; and the Senate recedes.

Amendments Nos. 224, 225, and 226: These amendments are clerical changes; and the House recedes.

Amendment No. 227: This amendment is a clerical change made necessary by amendment 233; and the House recedes.

Amendments Nos. 228, 229, and 230: These amendments are clerical changes made necessary by and explained in connection with amendment 231; and the House recedes.

Amendment No. 231: The House bill provided an alternative war profits and excess profits tax computed according to whichever of the two methods yielded the higher amount of tax. The tax under the excess profits method was computed at the following rates: 35 per cent of the amount of the net income in excess of the excess profits credit and not in excess of 15 per cent of the invested capital for the taxable year; 50 per cent of the amount of the net income in excess of 15 per cent and not in excess of 20 per cent of such capital; and 70 per cent of the amount of the net income in excess of 20 per cent of the capital. The tax as computed by the war profits method was 80 per cent of the amount of the net income in excess of the war profits credit. The above rates applied to the taxable year 1918 and each taxable year thereafter.

The Senate amendment combines the war profits and excess profits methods in a single schedule, inserting the 80 per cent war profits tax as the third bracket; changes the excess profits rates from 35 per cent, 50 per cent, and 70 per cent to 30 per cent and 60 per cent; makes the above rates and the war profits tax applicable only to the year 1918 and adopts the following excess profits tax rates for the taxable year 1919 and each taxable year thereafter: 20 per cent of the amount of the net income in excess of the excess profits credit and not in excess of the invested capital; 40 per cent of the amount of the net income in excess of the invested capital. The Senate amendment also contains a provision that for the purposes of the Federal Railroad Control Act approved March 21, 1918, the tax imposed by this title shall be treated as levied by an act in amendment of Title II of the revenue act of 1917, thus making it certain that the war profits and excess profits tax so far as applicable to transportation systems now under Federal control, shall be borne by the owners of such systems.

The House recedes with amendments: (1) Fixing the excess profits tax rates for the taxable year 1918 at 30 per cent of the amount of the net income in excess of the excess profits credit and not in excess of 20 per cent of the invested capital; and 65 per cent of the amount of the net income in excess of 20 per cent of the invested capital; and (2) continuing these rates for the taxable year 1918 into the taxable year 1919 and succeeding years with respect to the net income of each corporation which derives in any such year a net income of more than \$10,000 from any Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive—the tax upon corporations of this class being equal to the sum of the following: (a) Such a portion of a tax computed at the 1918 rates as the part of the net income attributable to such Government contract or contracts bears to the entire net income; plus

(b) such a portion of a tax computed at the rates for 1918 and thereafter as the part of a net income not attributed to such Government contract or contracts bears to the entire net income.

Amendment No. 232: The House bill limited the tax in the case of corporations whose invested capital or net income for the taxable year did not exceed \$50,000. The Senate amendment strikes out this limitation and substitutes a general provision limiting the tax upon the amount of the net income in excess of \$3,000 and not in excess of \$20,000; and the House recedes with amendments making clerical changes.

Amendment No. 233: The House bill (in section 303) provided a special rate of 20 per cent of the net income in excess of \$3,000 in the case of a corporation, the earnings of which are to be ascribed primarily to the activities of the principal owners or stockholders who are themselves regularly engaged in the active conduct of the affairs of the corporation. The Senate amendment strikes out this provision, having defined (by amendment 11), the above class of corporations as "personal-service corporations" and having provided (by amendments 92 and 132) that they should be exempt from income, war-profits, and excess-profits taxes, and be treated as partnerships. The Senate amendment also inserted, as section 303, an amendment providing for the taxation of a corporation, the net income of which is derived in part (1) from a trade or business in which the employment of capital is necessary, and in part (2) from a separate trade or business, which if constituting the sole trade or business, would bring it within the class of "personal-service corporations." The House recedes with amendments making clerical changes.

Amendments Nos. 234 and 235: Amendment 234 provided—as part of the Senate plan of insurance taxation—that certain insurance companies should be exempted from war tax and excess profits taxes. The House recedes with an amendment striking out the Senate amendment and inserting here the language of Amendment No. 235, from which the Senate recedes. The restored matter provides that any corporation whose net income for the taxable year is less than \$3,000 shall be exempt from taxation under this title.

Amendment No. 236: This amendment provides that in the case of any corporation engaged in the mining of gold the portion of the net income derived from the mining of gold shall be exempt from the war profits and excess profits tax; and the House recedes with an amendment providing that the tax on the remaining portion of the net income shall be the proportion of a tax computed without the benefit of this exemption which such remaining portion of the net income bears to the entire net income.

Amendments Nos. 237, 238, and 239: These amendments are clerical changes necessitated by the amalgamation of the war-profits and excess-profits methods explained in connection with amendment 231); and the House recedes.

Amendment No. 240: In computing the war-profits credit, the House bill provided that the average net income for the prewar period should be increased or diminished by 10 per cent of the "invested capital added or withdrawn since the close of the prewar period." The Senate amendment bases this allowance on the "dif-

ference between the average invested capital for the prewar period and the invested capital for the taxable year"; and the House recedes.

Amendment No. 241: This amendment is a clerical change necessitated by amendment 242; and the House recedes.

Amendment No. 242: This amendment provides that if a corporation was not in existence during the whole of at least one calendar year during the prewar period, its war-profits credit shall be the sum of \$3,000 and an amount equal to the same percentage of the invested capital, for the prewar period, of corporations engaged in a trade or business of the same general class as that conducted by the taxpayer; but such amount shall in no case be less than 10 per cent of the invested capital of the taxpayer for the taxable year.

The House recedes with an amendment providing that the ordinary war profits credit (i. e., \$3,000 plus 10 per cent of the invested capital for the taxable year) shall apply in the case of any "new" corporation if (1) a majority of its stock at any time during the taxable year is owned or controlled, directly or indirectly, by a corporation which was in existence during the whole of at least one calendar year during the prewar period, or if (2) 50 per cent or more of its gross income consists of gains, profits, commissions, or other income derived from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive.

Amendment No. 243: This amendment is a clerical change; and the House recedes with a further clerical change.

Amendment No. 244: This amendment is a clerical change necessitated by the amalgamation of the war profits and excess profits methods (explained in connection with amendment 231); and the House recedes.

Amendments Nos. 245 and 246: These amendments are clerical changes; and the House recedes.

Amendment No. 247: The Senate amendment as a consequence of the adoption of amendment 159 struck out the allowance for hazard provided for producers or prospectors of oil in the House bill at this point; and the House recedes.

Amendment No. 248: This amendment is a clerical change; and the House recedes.

Amendment No. 249: This amendment provides that a corresponding part of the capital invested in "inadmissible assets" shall not be deemed to be inadmissible assets "where all or part of the interest derived from such assets is in effect included in the net income because of the limitation on the deduction of the interest under paragraph (2) of subdivision (a) of section 234"; and the House recedes.

Amendment No. 250: This amendment is a clerical change; and the House recedes.

Amendment No. 251: The term "admissible assets" is by this amendment defined to mean "all assets other than inadmissible assets, valued in accordance with the provisions of subdivision (a) of section 326, section 330 and section 331"; and the House recedes.

Amendment No. 252: This amendment provides that the par value of stock or shares shall, in the case of stock or shares issued at a nominal value, be deemed to be the fair market value as of the date or dates of issue of such stock or shares; and the House recedes.

Amendment No. 253: This amendment is a clerical change; and the House recedes.

Amendment No. 254: The House bill provided that tangible property should be included in invested capital in an amount not to exceed the par value of the original stock or shares specifically issued therefor. The Senate amendment adds the following qualification: "Unless the actual cash value of such tangible property at the time paid in is shown to the satisfaction of the commissioner to have been clearly and substantially in excess of such par value, in which case such excess shall be treated as paid-in surplus." The House recedes with an amendment providing that the commissioner shall keep a detailed record of all cases in which tangible property is included in invested capital at a value in excess of the stock or shares issued therefor, which record shall be furnished when required by resolution of either House of Congress, without regard to the restrictions contained in section 257.

Amendment No. 255: This amendment is a clerical change, and the House recedes.

Amendment No. 256: The House bill specifically provided that "paid-in or earned surplus and undivided profits" should not include the increase in the value of any asset above the original cost until such increase is actually realized by sale. This was stricken out by the Senate amendment as surplusage and merely declaratory of an accepted general principle controlling the whole computation of invested capital; and the House recedes.

Amendment No. 257: The House bill limited to 20 per cent of the par value of the total stock or shares of the corporations outstanding on March 3, 1917, the aggregate allowance which may be made for intangible property paid in for stock or shares prior to March 3, 1917. The Senate amendment increased this limit to 30 per cent; and the House recedes with an amendment changing the 30 per cent to 25 per cent.

Amendment No. 258: The House bill excluded from "invested capital" intangible property (other than patents and copyrights) paid in for stock or shares on or after March 3, 1917. The Senate amendment permits all intangible property bona fide paid in for stock on or after March 3, 1917 (subject to the limitation noted in amendment 259), to be included in invested capital; and the House recedes.

Amendment No. 259: The House bill limited to 20 per cent of the par value of the total stock or shares outstanding at the beginning of the taxable year the aggregate allowance which may be made (in computing invested capital) for patents and copyrights paid in for stock or shares on or after March 3, 1917. The Senate amendment increased this limit to 30 per cent (having by amendment 258 also allowed other intangible property to be included); and the House recedes with amendments changing the 30 per cent to 25 per cent, and providing that in no case shall the total allowance for intangible property paid in for stock or shares before, on, or after March 3, 1917, exceed in the aggregate 25 per cent of the par value of the total stock or shares outstanding at the beginning of the taxable year.

Amendment No. 260: This amendment strikes out the House provision excluding from "invested capital" intangible property (other

than patents and copyrights) paid in for stock or shares on or after March 3, 1917; and the House recedes.

Amendment No. 261: This amendment provides that there shall be deducted from invested capital as defined in section 326 a percentage equal thereof to the percentage which the amount of inadmissible assets is of the amount of the admissible and inadmissible assets held during the taxable year, except in the case of certain dealers in securities, insurance companies, banks, banking associations, loan or trust companies; and the House recedes with an amendment striking out the exception.

Amendment No. 262: This amendment strikes out the definition provided in the House bill of the invested capital of a foreign corporation (see amendment No. 263), makes clerical changes in the method of computing the invested capital for a fractional part of a year, and defines the average invested capital for the prewar period; and the House recedes.

Amendment No. 263: The House bill in the so-called "relief provisions" provided that in certain specified cases the invested capital of a corporation shall be the amount which bears the same ratio to the net income of the corporation for the taxable year as the average invested capital for the taxable year of representative corporations engaged in a like or similar trade or business bears to their average net income for such year.

The Senate amendment increases the classes of cases in which the tax is to be fixed by reference to the experience of representative corporations; includes therein all foreign corporations (see amendment 262), and provides that in such cases the tax shall be the amount which bears the same ratio to the net income of the taxpayer (in excess of the specific exemption of \$3,000) for the taxable year as the average tax of representative corporations engaged in a like or similar trade or business bears to their average net income (in excess of the specific exemption of \$3,000) for such year.

The House recedes with amendments:

(1) Making clerical changes;

(2) Consolidating a number of separate classes or cases differentiated in the Senate amendment into a single class of cases in which "upon application by the corporation the commissioner finds and so declares of record that the tax if determined without benefit of this section would, owing to abnormal conditions affecting the capital or income of the corporation, work upon the corporation an exceptional hardship evidenced by gross disproportion between the tax computed without benefit of this section and the tax computed by reference to the representative corporations specified in section 328. This subdivision shall not apply to any case in which the tax (computed without benefit of this section) is high merely because the corporation earned within the taxable year a high rate of profits upon a normal invested capital, nor in which 50 per centum or more of the gross income of the corporation for the taxable year (computed under sec. 233 of Title II) consists of gains, profits, commissions, or other income, derived on a cost-plus basis from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive;" and

(3) Providing (since the taxpayer, in cases falling under this section, does not know the basis on which the final assessment will

be made) that the return shall be made and the first installments of the tax computed on the basis of a tax equal to 50 per centum of the net income, in any case in which the tax as computed without benefit of this section is 50 per centum or more of the net income, and that where the tax, as computed without benefit of this section is less than 50 per centum of the net income, then the installments shall in the first instance be computed upon the basis of such tax.

Amendments Nos. 264, 265, 266, and 267: These amendments are clerical changes; and the House recedes.

Amendment No. 268: The Senate amendment strikes out the House provision that in the case of a corporation making a return on the basis of a fiscal year, the ratio (between the average invested capital and the average net income of representative corporations) for the calendar year ending during such fiscal year shall be used; and the House recedes.

Amendment No. 269: This amendment is a clerical change necessitated by Amendment 263; and the House recedes.

Amendment No. 270: This amendment is a clerical change; and the House recedes with an amendment making another clerical change.

Amendment No. 271: This is a clerical change; and the House recedes.

Amendments Nos. 272, 273, 274, and 275: These amendments are clerical changes; and the Senate recedes.

Amendment No. 276: This amendment provided that nothing contained in section 330 relating to the reorganization, consolidation, or change of ownership after January 1, 1911, of a trade or business now carried on by a corporation should be so construed as to conflict with the provisions of section 326; and the Senate recedes.

Amendment No. 277: The House bill provided that in the case of reorganizations, etc., if the predecessor trade or business was carried on by a partnership or individual the net income for the prewar period should be ascertained and returned upon the same basis as provided for partnerships and individuals in Title II. The Senate amendment provides that in such cases the net income for the prewar period shall be ascertained and returned upon the basis provided for corporations in Title II, including a reasonable deduction for salary or compensation to each partner or the individual.

The House recedes with an amendment providing that in the case of the reorganization as a corporation before July 1, 1919, of certain trades or businesses previously owned by a partnership or individual, the net income of such trade or business from January 1, 1918, to the date of such reorganization may, at the option of the individual or partnership, be taxed as the net income of a corporation is taxed under Titles II and III; in which event the undistributed profits of such trade or business shall not be subject to surtaxes, but amounts distributed on or after January 1, 1918, from the earnings of such trade or business shall be taxed to the recipients as dividends, and any taxpayer availing himself of this option is required to pay the capital stock tax as if such taxpayer had been a corporation on and after January 1, 1918, with a capital stock having no par value.

Amendment No. 278: This amendment extends certain House provisions relating to the reorganization, consolidation, or change of

ownership of a trade or business, to include "change of ownership of property"; and the House recedes.

Amendments Nos. 279, 280, and 281: These amendments are clerical changes dependent upon amendment 278; and the House recedes.

Amendment No. 282: This amendment provides that in cases of reorganization, etc., if the previous owner was not a corporation then the value of any asset transferred or received shall be taken at its cost of acquisition at the date when acquired by such previous owner; and the House recedes with an amendment making a clerical change.

Amendments Nos. 283 and 284: These amendments are clerical changes; and the House recedes.

Amendment No. 285: In the case of corporations making return for a fiscal year beginning in 1917 and ending in 1918 the House bill provided that the entire net income (for purposes of computing the war-profits and excess-profits tax) should be determined under Title II of this act. The Senate amendment alters the methods of computing both the net income and the tax, in such cases, by providing that the tax for the first taxable year under this title shall be (1) the same proportion of a tax for the entire period computed under Title II of the revenue act of 1917 which the portion of such period falling within the calendar year 1917 is of the entire period, and (2) the same proportion of a tax for the entire period computed under this title which the portion of such period falling within the calendar year 1918 is of the entire period. The Senate amendment also contains certain necessary provisions required by the exemption of personal service corporations from war-profits and excess-profits tax. The House recedes with amendments making clerical changes.

Amendment No. 286: This amendment is a clerical change; and the House recedes.

Amendment No. 287: This amendment strikes out the House provision prohibiting the use of the so-called consolidated return; and the House recedes.

Amendment No. 288: This amendment provides that in the case of a bona fide sale of mines, oil or gas wells, or any interest therein, where the par value of the property has been demonstrated by prospecting or exploration and discovery work done by the taxpayer, the portion of the tax imposed by the excess-profits title attributable to such sale shall not exceed 20 per centum of the selling price of such property or interest; and the House recedes.

Amendment No. 289: The House bill imposed a tax upon the transfer of the net estate of every decedent dying after the passage of this act based upon the total value of the net estate regardless of the number of shares into which it was divided among the various beneficiaries (substantially the same as the present law at increased rates). The Senate amendment strikes out this tax and in lieu thereof imposes an inheritance tax based upon the value of the beneficial interests passing to each individual beneficiary, with much lower rates than the House bill and much smaller revenue return. The House recedes with an amendment restoring the provisions of the House bill, with the following changes:

1. Exempting from the tax under this act and the existing law the transfer of the net estate of any decedent who has died or may die

while serving in the military or naval forces of the United States in the present war or from injuries received or disease contracted while in such service.

2. Changing from three years to two years the period of time within which a transfer of a material part of his property by a decedent before his death shall be deemed to have been made in contemplation of death.

3. Allowing as a deduction in computing the net estate the amount of all bequests, legacies, and devises to the United States or a State or a political subdivision thereof for public purposes, or to a corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or to a trustee exclusively for such purposes.

4. Extending from two years to three years the maximum time to which the commissioner may extend the time for the payment of the tax.

5. Making other minor administrative changes.

6. The following table shows the rates of the House bill and as agreed to in conference:

Amount of net estate (an exemption of \$50,000 is allowed estates of residents of the United States in computing the value of net estate).	Rates on net estates under—	
	Conference agreement.	House bill.
	<i>Per cent.</i>	<i>Per cent.</i>
Not exceeding \$50,000.....	1	3
Exceeding \$50,000 and not exceeding \$150,000.....	2	6
Exceeding \$150,000 and not exceeding \$250,000.....	3	9
Exceeding \$250,000 and not exceeding \$450,000.....	4	12
Exceeding \$450,000 and not exceeding \$750,000.....	6	15
Exceeding \$750,000 and not exceeding \$1,000,000.....	8	15
Exceeding \$1,000,000 and not exceeding \$1,500,000.....	10	18
Exceeding \$1,500,000 and not exceeding \$2,000,000.....	12	18
Exceeding \$2,000,000 and not exceeding \$3,000,000.....	14	21
Exceeding \$3,000,000 and not exceeding \$4,000,000.....	16	24
Exceeding \$4,000,000 and not exceeding \$5,000,000.....	18	27
Exceeding \$5,000,000 and not exceeding \$8,000,000.....	20	30
Exceeding \$8,000,000 and not exceeding \$10,000,000.....	22	35
Exceeding \$10,000,000.....	25	40

Amendment No. 290: The House bill made the transportation taxes effective November 1, 1918. The Senate bill made them effective April 1, 1919; and the House recedes.

Amendment No. 291: The House bill exempted from the passenger tax the amounts paid for transportation the fare for which does not exceed 35 cents. The Senate amendment increased this exemption to 42 cents; and the House recedes.

Amendment No. 292: This amendment limits the 8 per cent tax on passenger fares over transportation lines which are in competition with foreign lines so that such tax shall not exceed the amount of transportation tax to which foreign transportation companies are subjected by their Governments. The House recedes with an amendment confining the limitation or exemption to passenger traffic between American ports on water lines which are in competition between American ports with foreign water transportation lines from adjacent foreign ports.

Amendment No. 293: This amendment confines the tax on the amount paid for seats, berths, or staterooms in parlor cars or on vessels to such facilities when used in connection with transportation upon which the passenger tax is imposed; and the House recedes.

Amendment No. 294: The House bill imposed a tax of 6½ per cent on the amount paid for the transportation of oil by pipe line. The Senate amendment increases this tax to 8 per cent; and the House recedes.

Amendment No. 295: This amendment provides that the taxes upon transportation and other facilities shall not be imposed upon any payment received for services rendered to the United States or to any State or Territory or the District of Columbia; and the House recedes.

Amendment No. 296: This amendment provides that the taxes upon transportation and other facilities shall without assessment by the commissioners or notice from the collectors be due and payable to the collectors at the time of filing each monthly return and provides a penalty for nonpayment; and the House recedes.

Amendment No. 297: The House bill imposed a tax equivalent to 8 cents on each \$100 or fractional part thereof of the amount for which any life is insured. In the case of group life insurance, covering groups of not less than 25 lives in the employ of the same person for the benefit of persons other than the employer, the House bill imposed a tax equivalent to 4 cents on each \$100 of the aggregate amount for which the group policy is issued and of any net increase in the amount of insurance under such policies. It also reenacted the tax under existing law of 1 cent on each dollar or fractional part thereof of the premium charged under each policy of marine, inland, and fire insurance without change. The House bill also substantially reenacted the tax levied under existing law of 1 cent on each dollar or fractional part thereof of the premium charged under each casualty insurance policy.

The Senate bill presented an entirely new scheme of insurance taxation by which the income, excess profits, war profits, capital stock, and premium taxes upon insurance companies other than life and mutual insurance companies were replaced by premium taxes at higher rates than have been heretofore imposed. As part of this plan the premium taxes upon issuance of insurance policies (including life insurance policies) provided in the House bill was stricken out by the Senate in this amendment.

The House recedes with amendments making clerical changes; restoring the House tax provision on the issuance of insurance policies; and providing that such taxes shall be due and payable, without assessment or notice, at the time fixed for filing return and that if not paid when due there shall be added as part of the tax a penalty of 5 per cent, together with interest at the rate of 1 per cent for each full month, from the time when the tax became due.

Amendment No. 298: This amendment is a clerical change, and the House recedes.

Amendment No. 299: The House bill imposed a tax on nonbeverage alcohol of \$4.40 per proof gallon or wine gallon when below proof. The Senate bill reduced this rate to \$2.20, and the House recedes.

Amendment No. 800: The House bill levied a tax upon beverage alcohol of \$8 per proof gallon or wine gallon when below proof. The Senate reduced this rate to \$6.40, and the House recedes.

Amendment No. 801: Distilled spirits stored under bonds in accordance with the law are subject after eight years to tax whether withdrawn or not. The approaching period of prohibition provided by the food-stimulation act would therefore force the payment either by owners or sureties of large sum of taxes upon spirits which could not be lawfully sold or removed from the warehouse. To meet this situation the Senate bill provides, in this amendment, that the tax on distilled spirits intended for beverage purposes shall not be payable on such spirits while stored in any distillery, bonded warehouse, or special or general bonded warehouse, and which, pursuant to any act of Congress, or proclamation of the President of the United States, can not be lawfully sold or removed from such warehouse during the period of prohibition; and all warehousing bonds or transportation and warehousing bonds conditioned for the payment of tax on any such spirits so stored on the date such prohibition takes effect shall as to all such spirits actually so stored be canceled and discharged, provided the distiller of such spirits shall in lieu of such bonds and prior to their cancellation execute a bond in a penal sum of not less than \$10,000, with sureties satisfactory to the collector of the district conditioned that the principal shall, during the period of such prohibition, safely cause to be kept in good condition all such spirits and the warehouse in which the same are stored, and shall not remove or suffer to be removed from the warehouse, contrary to law, any such spirits during the period of such prohibition. The distiller may also be permitted to retain in any such bonded warehouse distilled spirits on which, under the terms of any existing bond, the tax imposed thereon becomes due and payable prior to the date such prohibition takes effect, but on the removal of such prohibition the distiller shall as to all spirits as to which the bonded period fixed by law has not expired and which remains stored in warehouse, execute new and satisfactory bond in the form required by existing law conditioned for the payment of the tax on all such spirits.

The amendment also authorizes upon the withdrawal of the distilled spirits from bonded warehouses, after the period of prohibition has ended, an allowance (in addition to that allowed by existing law) for loss by leakage or other unavoidable cause, not exceeding 1 proof gallon as to packages of a capacity of not less than 40 wine gallons; and a like additional allowance of 1 proof gallon as to each package withdrawn may be made for each period of four months, or a fraction thereof, for such spirits as shall have remained in warehouse during the period of prohibition and after the expiration of the maximum leakage period fixed by existing law.

The amendment also provides that liquors which may be in any customs bonded warehouse under the customs laws on the date such prohibition takes effect shall be permitted to remain therein without payment of any taxes or duties thereon, beyond the three-year period provided in section 2971 of the Revised Statutes, during such period of prohibition; and may be exported at any time during such extended period. Any imported spirits, wines, or other liquors as to which the three-year bonded period may expire after the passage

of this act and prior to the date such prohibition takes effect may, at the option of the owner, remain in bond during such period of prohibition; and the House recedes.

Amendment No. 302: This amendment is a clerical change; and the House recedes.

Amendment No. 303: The House bill imposed a tax upon perfume containing distilled spirits of \$3.30 per wine gallon. The Senate bill reduced this tax to \$1.10; and the House recedes.

Amendments Nos. 304, 305, 306, 307, 308, 309, 310, and 311: These amendments are clerical changes; and the House recedes.

Amendment No. 312: The House bill imposed a floor tax upon distilled spirits for beverage purposes of \$4.80 per proof gallon, and upon spirits for nonbeverage purposes of \$2.20. The Senate imposed a floor tax upon such spirits equal to the difference between the tax imposed by this act and existing law. The House recedes with an amendment imposing a floor tax of \$3.20 per proof gallon upon beverage spirits.

Amendments Nos. 313, 314, 315, 316, 317, 318, and 319: These amendments are clerical changes; and the House recedes.

Amendment No. 320: This amendment exempts from the tax on liqueurs, cordials, or similar compounds those not containing sweet wine fortified with grape brandy; and the House recedes.

Amendment No. 321: This amendment is a clerical change; and the House recedes.

Amendment No. 322: The House bill levied upon sweet wines held for sale on the day after the passage of the act a floor tax equivalent to 20 cents per proof gallon upon the grape brandy or wine spirits used in the fortification of the wine. The Senate amendment increased this tax to 30 cents; and the House recedes.

Amendment No. 323. This amendment is a clerical change due to the action upon Senate amendment 318; and the House recedes.

Amendment No. 324. This amendment is a clerical change; and the House recedes.

Amendment No. 325. This amendment makes it lawful to produce grape wines on bonded winery premises and to transport and use the same and like wines heretofore produced as distilling material for the production of nonbeverage spirits; and the House recedes; with an amendment striking out the words "of fermentation."

Amendment No. 326. This amendment imposes a penalty upon anyone who evades or attempts to evade the taxes imposed upon wines and grape brandy similar to the penalty imposed upon distilled spirits in section 3256 of the Revised Statutes; and the House recedes.

Amendment No. 327. This amendment is a clerical change; and the House recedes.

Amendment No. 328. The House bill imposed a tax upon non-alcoholic cereal beverages of 30 per cent of the price for which sold; the Senate amendment reduced this rate to 15 per cent; and the House recedes.

Amendments Nos. 329 and 330. The House bill taxed unfermented grape juice and all fruit or berry juices at the same rates as other soft drinks except cereal beverages. The Senate bill exempted such drinks from tax; and the Senate recedes.

Amendment No. 331. The House bill imposed a tax of 20 per cent upon the manufacturer's selling price of soft drinks other than cereal beverages. The Senate bill reduced this tax with the exception of the action heretofore mentioned in amendments 329 and 330 to 10 per cent. This recession taken in connection with the action upon amendments 329 and 330 makes the tax upon all soft drinks other than cereal beverages 10 per cent of the prices for which sold by the manufacturer, producer, or importer.

Amendments Nos. 332 and 333: The House bill imposed a tax of 2 cents per gallon upon all natural mineral waters or table waters sold at over 10 cents per gallon. The Senate bill in these two amendments imposed a tax of 5 per cent upon the price for which sold, whether or not at over 10 cents per gallon; and the Senate recedes.

Amendment No. 334: This amendment is a clerical change; and the House recedes.

Amendment No. 335: This amendment provides that the tax upon soft drinks shall without assessment by the commissioner or notice by the collectors be due and payable to the collectors at the time of the filing of each monthly return, and provides a penalty for nonpayment; and the House recedes.

Amendment No. 336: The House bill made the tax upon sales at soda fountains and similar places effective November 1, 1918. The Senate bill changed the date to May 1, 1919; and the House recedes.

Amendments Nos. 337 and 338: The House bill imposed a tax of 2 cents for each 10 cents or fraction thereof of the amount paid for soft drinks, ice cream, or other similar articles of food or drink sold at soda fountains, ice-cream parlors, or other similar places of business with a proviso that where the charge for any such article is 7 cents or less the tax shall be 1 cent. The Senate amendments reduced this tax to 1 cent for each 10 cents or fraction thereof; and the House recedes.

Amendments Nos. 339, 340, 341, 342, 343, and 344: The following table shows the taxes proposed upon cigars in the bill as it passed the House and Senate and as agreed to in conference:

Item.	House bill.	Senate bill.	As agreed to in conference.
Cigars weighing not more than 3 pounds per 1,000, per thousand.....	\$2.00	\$1.50	\$1.50
Cigars weighing more than 3 pounds per 1,000, if manufactured or imported to retail at—			
Less than 5 cents each, per thousand.....	5.00	4.00	4.00
More than 5 cents each and not more than 8 cents each, per thousand..	8.00	5.40	6.00
More than 8 cents each and not more than 15 cents each, per thousand..	12.00	9.00	9.00
More than 15 cents each and not more than 20 cents each, per thousand..	16.00	12.00	12.00
More than 20 cents each, per thousand.....	20.00	15.00	15.00

Amendments Nos. 345 and 346: The House bill imposed a tax upon cigarettes weighing not more than 3 pounds per thousand if manufactured or imported to retail at less than 2 cents each of \$4.10 per thousand and of \$5.10 per thousand upon those manufactured or imported to retail at 2 cents or more each. The Senate bill by amendment 346 strikes out the tax on cigarettes to retail at 2 cents or more each; and the House recedes; and by amendment 345 makes the rate upon all cigarettes weighing not more than 3 pounds per

thousand, \$2.90 per thousand; and the House recedes with an amendment making the tax upon all such cigarettes \$3 per thousand.

Amendment No. 347: The House bill imposed a tax upon cigarettes weighing more than 3 pounds per thousand of \$9.60 per thousand. The Senate bill made this tax \$7.20; and the House recedes.

Amendments Nos. 348, 349, and 350: These amendments are clerical changes; and the House recedes.

Amendment No. 351: The House bill imposed a tax upon manufactured tobacco and snuff of 26 cents per pound. The Senate bill reduced this tax to 18 cents; and the House recedes.

Amendment No. 352: This amendment exempted from floor tax the following amount of tobacco stock: Not over 50 pounds of manufactured tobacco and snuff or 1,000 cigars and not over 3,000 cigarettes held by any person. The House bill gave no similar exemption; and the Senate recedes.

Amendments Nos. 353, 354, 355, and 356: The House bill imposed the following tax upon each package, book, or sheet of cigarette papers: Each containing more than 25 but not more than 50 papers, 1 cent; each containing more than 50 but not more than 100 papers, 2 cents; and each containing over 100 papers, for each 100 or fraction thereof, 2 cents. The Senate bill reduced the rates to one-half of the House rate; and the House recedes.

Amendment No. 357: Section 35 of the act of August 5, 1909, provides that—

Unstemmed leaf tobacco in the natural leaf, in the hand, and not manufactured or altered in any manner, raised and grown in the United States, shall not be subject to any internal revenue tax or charge of any kind whatsoever, and it shall be lawful for any person to buy and sell such unstemmed tobacco in the leaf, in the hand, without payment of tax of any kind.

This amendment repeals the above section, and provides that sales or shipments of leaf tobacco by a dealer in leaf tobacco shall be in quantities of not less than a hogshead, tierce, case, or bale, except loose leaf tobacco comprising the breaks on warehouse floors, and except to a duly registered manufacturer of cigars for use in his own manufactory exclusively, and that dealers in leaf tobacco shall make shipments of leaf tobacco only to other dealers in leaf tobacco, to registered manufacturers of tobacco, snuff, cigars, or cigarettes, or for export. The amendment also provides that upon all leaf tobacco sold, removed, or shipped by any dealer in leaf tobacco in violation of the aforementioned provision, or in respect to which no report has been made by such dealer in accordance with the provisions of subdivision (b), there shall be levied, assessed, collected, and paid a tax equal to the tax then in force upon manufactured tobacco, such tax to be assessed and collected in the same manner as the tax on manufactured tobacco.

The amendment also provides a penalty for the enforcement of the same. It is also provided that for the purposes of this section a farmer or grower of tobacco shall not be regarded as a dealer in leaf tobacco in respect to the leaf tobacco produced by him.

The House recedes with an amendment making a clerical change.

Amendment No. 358: The House bill provided that admission taxes should go into effect November 1, 1918. The Senate amendment fixed the date as April 1, 1919; and the House recedes.

Amendments Nos. 359 and 360: The House bill imposed a tax of 2 cents for each 10 cents or fraction thereof on the amount paid for admission to any place with a proviso that where the charge for admission is 7 cents or less, and in the case of children under 12 years of age where an admission charge for such children is made, the tax shall be 1 cent. The Senate amendment reduces this tax to 1 cent for each 10 cents or fraction thereof of the amount paid for such admission; and the House recedes.

Amendment No. 361: The House bill imposed upon free admissions, with exceptions, a tax of 2 cents for each 10 cents or fraction thereof of the price charged to other persons for the same accommodations. The Senate amendment reduces this tax to 1 cent for each 10 cents or fraction thereof of the price so charged to other persons; and the House recedes.

Amendment No. 362: The House bill imposed upon theater tickets sold at places other than the box office at not to exceed 50 cents in excess of the sum of the regular price plus the amount of the ordinary tax of 1 cent for each 10 cents or fraction thereof a tax equivalent to 5 per cent of the amount of such excess. The Senate amendment increased this to 10 per cent of the amount of such excess; and the Senate recedes.

Amendment No. 363: The House bill imposed upon tickets sold at places other than the box office for more than 50 cents in excess of the sum of the regular price plus the amount of the ordinary tax of 1 cent for each 10 cents or fraction thereof, a tax equivalent to 30 per cent of the amount of such excess. The Senate amendment increases this to 50 per cent of the amount of such excess; and the House recedes.

Amendments Nos. 364 and 365: These amendments are clerical changes; and the House recedes.

Amendment No. 366: The House bill imposed upon persons having permanent boxes or seats or a lease for the use of such boxes or seats a tax equivalent to 25 per cent of the amount for which a similar box or seat is sold for each performance at which such box or seat is used or reserved. The Senate amendment reduces this to 10 per cent; and the House recedes.

Amendment No. 367: The House bill imposed a tax of 2 cents for each 10 cents or fraction thereof of the amount paid for admission to any public performance for profit at any roof garden, cabaret, or similar entertainment to which a charge for admission is wholly or in part included in the price paid for refreshment, service, or merchandise. The Senate amendment reduces this to 1 cent for each 10 cents or fraction thereof; and the House recedes with an amendment making the rate $1\frac{1}{2}$ cents for each 10 cents or fraction thereof.

Amendment No. 368: This amendment provides that the admission tax shall not be levied in respect to admissions all the proceeds of which inure exclusively to the benefit of societies for the prevention of cruelty to children and animals, or organizations conducted for the sole purpose of maintaining symphony orchestras and receiving substantial support from voluntary contributions. The House recedes with an amendment making clerical changes and providing that if any of the profits of organizations maintaining symphony orchestras are distributed to members, the exemption shall be allowed.

Amendment No. 369: The House bill provided that the tax on club dues should go into effect on November 1, 1918. The Senate amendment fixed the date as April 1, 1919; and the House recedes with a clerical amendment.

Amendment No. 370: The House bill imposed a tax of 20 per cent upon the amount paid for club dues to social, athletic, or sporting clubs or organizations. The Senate amendment reduces this tax to 10 per cent; and the House recedes.

Amendment No. 371: The House bill made subject to the tax upon club dues the dues paid to any produce exchange, board of trade, or other similar organization, or to any stock exchange. The Senate amendment strikes out this tax; and the House recedes.

Amendment Nos. 372 and 373: These amendments are clerical changes made necessary by the removal of the tax on dues applicable to stock and produce exchanges; and the House recedes.

Amendment No. 374: This amendment is a clerical change striking out language which is reinserted in slightly different form by amendment No. 431; and the House recedes.

Amendment Nos. 375 and 376. The House bill imposed a tax upon automobile trucks, automobile wagons, automobile trailers, or tractors of 5 per cent of the manufacturer's selling price, and upon other automobiles or motorcycles a tax of 10 per cent. The Senate amendments exempts from the tax automobile trucks, automobile wagons, automobile trailers, or tractors, and imposes a tax of 5 per cent of the manufacturer's selling price of automobiles and motorcycles. The House recedes with amendments imposing a tax upon automobile trucks and automobile wagons of 3 per cent of the manufacturer's selling price, and in the case of other automobiles and motorcycles, except tractors, of 5 per cent upon such price.

Amendments Nos. 377, 378, 379: These amendments are clerical changes; and the Senate recedes.

Amendment No. 380: The House bill imposed a tax upon automobile tires, inner tubes, parts or accessories of 10 per cent of the manufacturer's selling price when such tires are sold to any person other than an automobile manufacturer or producer. The Senate amendment reduces this tax to 5 per cent; and the House recedes.

Amendment No. 381: This amendment is a clerical change; and the Senate recedes.

Amendments Nos. 382 and 383: The House bill imposed a tax upon pipe organs of 10 per cent of the manufacturer's selling price. The Senate amendment strikes out this tax; and the House recedes.

Amendment No. 384: This amendment makes music boxes subject to the musical-instrument tax; and the House recedes.

Amendment No. 385: The House bill imposed a tax upon musical instruments and records thereof of 10 per cent upon the manufacturer's selling price. The Senate amendment reduces this tax to 5 per cent; and the House recedes.

Amendment No. 386: The House bill imposed a tax upon positive moving-picture films, containing a picture ready for projection, of 10 per cent of the manufacturer's selling or leasing price. The Senate amendment strikes out this tax; and the House recedes.

Amendment No. 387: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

Amendments Nos. 388, 389, and 390: These amendments are clerical changes; and the House recedes.

Amendment No. 391: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

Amendment No. 392: The House bill imposed a tax upon chewing gum of 6 per cent of the manufacturer's selling price. The Senate amendment reduces this to 3 per cent; and the House recedes.

Amendment No. 393: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

Amendment No. 394: The House bill exempted from the tax upon cameras those weighing more than 100 pounds each. The Senate amendment strikes out this exemption; and the Senate recedes.

Amendment No. 395: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

Amendment No. 396: The House bill imposed a tax upon photographic films and plates equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment reduces this tax to 5 per cent; and the House recedes.

Amendment No. 397: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

Amendment No. 398: The House bill imposed a tax upon candy of 10 per cent of the manufacturer's selling price. The Senate amendment reduces this tax to 5 per cent; and the House recedes.

Amendment No. 399: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

Amendments Nos. 400 and 401: These amendments are clerical changes; and the House recedes.

Amendments Nos. 402 and 403: The House bill imposed upon pistols and revolvers a tax of 25 per cent of the manufacturer's selling price. The Senate amendments reduce this tax to 10 per cent; and the House recedes.

Amendment No. 404: This amendment imposes a tax upon hunting and bowie knives equivalent to 10 per cent of the manufacturer's selling price. The House recedes with an amendment making a clerical change in the paragraph number.

Amendment No. 405: This amendment is a clerical change; and the Senate recedes.

Amendment No. 406: The House bill imposed a tax upon bowie knives equivalent to 100 per cent upon the manufacturer's selling price. The Senate amendment strikes out this tax and by Senate amendment No. 404 imposes a tax of 10 per cent on such knives. In view of the House having agreed to the rate imposed by amendment No. 404, the House recedes in this amendment.

Amendment No. 407: This amendment is a clerical change; and the Senate recedes.

Amendments Nos. 408 and 409: The House bill levied a tax upon electric fans equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment imposes a tax of 5 per cent on portable electric fans; and the House recedes.

Amendment No. 410: This amendment is a clerical change; and the Senate recedes.

Amendment No. 411: This amendment is a clerical change; and the House recedes.

Amendment No. 412: The House bill imposed a tax upon thermos and thermostatic bottles and similar containers equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment reduces this tax to 5 per cent; and the House recedes.

Amendment No. 413: The House bill imposed a tax upon tapestries and textiles for furniture coverings or hangings as interior decorations, and upon woolen rugs, equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment strikes out this tax; and the House recedes.

Amendment No. 414: This amendment is a clerical change, and the House recedes with an amendment making a further clerical change.

Amendment No. 415: The House bill imposed a tax upon photographs, productions, or reproductions, equivalent to 10 per cent of the producer's selling price. The Senate amendment strikes out this tax; and the House recedes.

Amendment No. 416: The House bill imposed a tax upon cash registers equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment strikes out this tax; and the House recedes.

Amendment No. 417: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

Amendment No. 418: The House bill imposed upon automatic slot weighing and vending machines a tax equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment reduces this tax to 5 per cent; and the House recedes with an amendment making the tax 5 per cent in case of the vending machines and 10 per cent in the case of the weighing machines.

Amendment No. 419: The House bill in a different section (section 1007, amendment No. 523) provided that on and after January 1, 1919, every manufacturer of automatic vending or weighing machines who operates such machines shall pay annually an excise tax equivalent to 5 per cent of the gross amount received by him from such operation during the preceding year ending June 30. The Senate by amendment No. 523 struck out this provision and by amendment No. 419 provided that if the manufacturer, producer, or importer of any such machine operates it for profit he shall pay a tax in respect of each such machine put into operation equivalent to 5 per cent of its fair market value. The House recedes from amendment No. 419, but recedes from amendment No. 523 with an amendment adding to Senate amendment 419 a clause providing that a manufacturer, producer, or importer operating such a weighing machine for profit shall pay a tax in respect of each such machine put into operation equivalent to 10 per cent of its fair market value.

Amendments Nos. 420 and 421: These amendments are clerical changes; and the House recedes with amendments making further clerical changes.

Amendment No. 422: The House bill imposed upon hunting garments and riding habits a tax equivalent to 10 per cent of the manu-

facturer's selling price. The Senate amendment adds shooting garments to the articles covered by this tax; and the House recedes.

Amendment No. 423: The House imposed a tax on bathing suits equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment strikes out this tax; and the House recedes.

Amendment No. 424: The House imposed upon certain specified furs a tax equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment extends the tax so as to include all articles made out of fur or articles of which fur is a component material of chief value. The House recedes with a clerical amendment and with an amendment confining the tax to articles made of fur on the hide or pelt, or articles of which any such fur is the component material of chief value.

Amendment No. 425: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

Amendment No. 426: The House bill imposed upon yachts and motor boats a tax equivalent to 10 per cent of the builder's selling price. The Senate amendment exempts from this tax those "used exclusively" for trade, fishing, and national defense. The House recedes with an amendment confining the exemption to those "designed" for trade, fishing, or national defense.

Amendment No. 427: This amendment is a clerical change; and the House recedes.

Amendment No. 428: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

Amendment No. 429: This amendment is a clerical change; and the House recedes.

Amendment No. 430: The House bill imposed upon toilet soaps and soap powder a tax equivalent to 10 per cent of the manufacturer's selling price; the Senate amendment reduces this tax to 3 per cent; and the House recedes.

Amendment No. 431: This amendment inserts in slightly different form matter already stricken out by amendment No. 374; and the House recedes.

Amendments Nos. 432, 433, 434, 435, 436, 437, 438, 439, and 440. The House bill contained a provision to prevent evasion of the tax on articles sold by a manufacturer by selling them at less than the fair market price. The Senate amendments extend this provision to cover the leasing or licensing for exhibition of motion-picture films at less than the fair market price; and the House recedes.

Amendment No. 441: The House bill imposed upon gasoline suitable for motor power, sold by the manufacturer, refiner, or importer, a tax of 2 cents a gallon. The Senate amendment strikes out this tax; and the House recedes.

Amendment No. 442: This amendment is a change in section number; and the House recedes.

Amendments Nos. 443, 444, 445, and 446: The House bill imposed upon sculpture, paintings, and statuary sold by any person other than the artist a tax equivalent to 10 per cent of the price for which so sold. Senate amendment No. 443 adds to this list art porcelains and bronzes; and the House recedes. Amendment No. 444 adds to this

list antique furniture sold by any person; and the Senate recedes. Amendment No. 445 reduces the rate from 10 per cent to 5 per cent; and the Senate recedes. Amendment No. 446 provides that the tax shall not apply to the sale of any such article to an educational institution or art museum. The House recedes with an amendment confining the exemption to sales to educational institutions or public art museums.

Amendment No. 447: This amendment is a change in section number; and the House recedes.

Amendments Nos. 448 and 449: These amendments are clerical changes; and the House recedes.

Amendment No. 450: This amendment provides that the excise taxes imposed in Title IX shall without assessment by the commissioner or notice from the collector be due and payable to the collectors at the time of filing each monthly return, and provides a penalty for nonpayment; and the House recedes.

Amendment No. 451: This amendment is a change in section number; and the House recedes.

Amendment No. 452: The House bill provided that the tax on the excess amount paid for certain articles should go into effect on November 1, 1918. The Senate amendment changes this date to May 1, 1919; and the House recedes.

Amendment No. 453: The House bill imposed a tax equivalent to 20 per cent of so much of the amount paid for certain articles (specified in section 905 of such bill) as is in excess of the price specified in such section as to each such article when sold for consumption or use. The Senate amendment reduces this to 10 per cent; and the House recedes.

Amendment No. 454: This amendment limits the application of the tax referred to in the preceding amendment to articles sold by a dealer. The House recedes with an amendment making the limitation apply to articles sold by or for a dealer or his estate.

Amendment No. 455: This amendment strikes from the articles subject to tax referred to under amendment No. 453, men's and boys' suits or overcoats and women's and misses' suits, cloaks, coats, and dresses; and the House recedes.

Amendments Nos. 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, and 466: These amendments are all clerical changes; and the House recedes.

Amendment No. 467: This amendment exempts from the tax referred to under amendment No. 453 articles made out of fur or of which fur is the component material of chief value. The House recedes with an amendment confining the exemption to articles made of fur on the hide or pelt or of which any such fur is the component material of chief value.

Amendment No. 468: This amendment is a clerical change; and the House recedes.

Amendment No. 469: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

Amendment No. 470: This amendment is a clerical change made necessary by the adoption of amendment No. 455; and the House recedes.

Amendment No. 471: This amendment is a change in section number; and the House recedes.

Amendment No. 472: The House bill provided that the jewelry tax should go into effect on November 1, 1918. The Senate amendment changes this date to April 1, 1919; and the House recedes.

Amendment No. 473: The House bill imposed a tax upon articles made of, or ornamented, mounted, or fitted with, precious metals or imitations thereof or ivory. The Senate amendment excludes surgical instruments falling within this class; and the House recedes.

Amendment No. 474: This amendment confines the jewelry tax imposed by the House to articles sold by a dealer. The House recedes, with an amendment making the tax applicable when the article is sold by or for a dealer or his estate.

Amendment No. 475: The House bill imposed upon jewelry and similar articles when sold for consumption or use a tax equivalent to 10 per cent of the price for which sold. The Senate amendment reduces this to 5 per cent; and the House recedes.

Amendment No. 476: The House bill provided that the jewelry tax should not apply to articles sold by any person whose principal business is not the sale of such articles for consumption or use and whose gross receipts from the sale of such articles during the preceding year does not exceed \$200. The Senate amendment strikes out this exception; and the House recedes.

Amendment No. 477: This amendment is a clerical change; and the House recedes.

Amendment No. 478: This amendment provides that the tax upon jewelry shall without assessment by the commissioner or notice from the collectors be due and payable to the collectors at the time of filing each monthly return, and provides a penalty for nonpayment; and the House recedes.

Amendment No. 479: The House bill imposed a tax equivalent to 10 per cent of the amount paid for any jewelry composed in whole or in part of platinum when sold for consumption or use. The Senate amendment strikes out this tax; and the House recedes.

Amendment No. 480: This amendment provides that on and after May 1, 1919, any person engaged in the business of leasing or licensing for exhibition positive motion-picture films containing pictures ready for projection shall pay monthly an excise tax of 5 per cent of the total rentals during the preceding month; and the House recedes with an amendment making a clerical change.

Amendment No. 481: This amendment is a change in section number; and the House recedes.

Amendment No. 482: The House bill provided that the tax on cosmetics and proprietary and patent medicines should go into effect on November 1, 1918; the Senate amendment changed this date to May 1, 1919; and the House recedes.

Amendments Nos. 483 and 484: The House bill imposed upon cosmetics and proprietary and patented medicines a tax of 1 cent for each 10 cents or fraction thereof when sold for consumption or use. The Senate amendments reduce this rate to 1 cent for each 25 cents or fraction thereof and confine the tax to cases where the article is sold by a dealer. The House recedes from amendment No. 483, fixing the rate, and recedes from amendment No. 484 with an amendment

limiting the application of the tax to cases where the articles are sold by or for a dealer or his estate.

Amendment No. 485: This amendment provides that the House tax on proprietary and patent medicines should not apply to the sale of medicinal preparations which are not advertised to the general lay public. The House recedes with an amendment limiting the exemption to vaccines and bacterines which are not advertised to the general lay public, and to the sale of medicinal preparations, not so advertised, by a physician in personal attendance upon a patient.

Amendments Nos. 486 and 487: These amendments strike out the floor taxes imposed by the House bill upon the articles subject to the excise taxes held by a dealer and intended for sale on the day after the passage of this act; and the House recedes.

Amendment No. 488: The House bill imposed upon a domestic corporation an annual excise tax equivalent to \$1 for each \$1,000 of so much of the fair average value of its capital stock for the preceding year as is in excess of \$5,000. It also provided that in estimating the value of the capital stock the surplus and undivided profits should be included. This is the basis of the tax under the present law, with the rate increased 100 per cent. The Senate amendment changes the basis of the tax from the fair average value of the capital stock to the amount of the net assets shown on the books as of the close of the preceding income-tax year; and the Senate recedes.

Amendment No. 489: The House bill based the capital stock tax in the case of foreign corporations upon the average amount of "capital actually invested" in the United States. The Senate amendment changes this basis and places this tax upon the average amount of "capital employed" in the United States; and the House recedes.

Amendment No. 490: This amendment, as part of the Senate's general plan of insurance taxation, strikes out the House provisions relating to the computation of the capital stock tax in the case of insurance companies; and the Senate recedes.

Amendment No. 491: This amendment is a clerical change; and the Senate recedes.

Amendment No. 492: This amendment, as part of the Senate's general plan of insurance taxation, specifically exempts insurance companies from the capital stock tax. The House recedes with an amendment making the tax specifically applicable to mutual insurance companies and providing that in the case of every such domestic company the tax shall be based upon the sum of its surplus or contingent reserves maintained for the general use of the business and any reserves the net additions to which are included in the net income under the provisions of Title II, as of the close of its preceding income tax year; and providing that in the case of a foreign mutual insurance company the tax shall be based upon the same proportion of the sum of such surplus and reserve, which the reserve fund upon business transacted within the United States is of the total reserve upon all business transacted.

Amendment No. 493: This amendment is a clerical change; and the Senate recedes.

Amendment No. 494: This amendment is a clerical change striking out certain language which is reinserted in slightly changed form at a different place by amendment No. 511; and the House recedes.

Amendment No. 495: The House bill imposed a special license tax upon brokers at \$100 a year. The Senate amendment reduces this to \$40; and the House recedes with an amendment making the rate \$50.

Amendments Nos. 496 and 497: The House bill provided that brokers who are members of stock or produce exchanges should pay in addition to the license tax imposed upon all brokers additional amounts as follows: If the average value during the preceding year ending June 30 of a seat or membership in such exchange was not more than \$2,000, \$50; if such value was more than \$2,000 and not more than \$5,000, \$100; if such value was more than \$5,000, \$150. The Senate amendments strike out the additional tax of \$50 where the value of the seat was less than \$2,000; and the House recedes.

Amendment No. 498: This amendment provides in addition to the pawnbroker's license tax an additional tax based on the value of the gross receipts for the preceding year; and the Senate recedes.

Amendment No. 499: The House bill provided for a special license tax on ship brokers of \$50 per year. The Senate amendment reduces this to \$40; and the Senate recedes.

Amendment No. 500: The House bill provides for a special license tax on customhouse brokers of \$50 per year. The Senate amendment reduces this tax to \$40; and the Senate recedes.

Amendment No. 501: This amendment exempts from the special license tax on proprietors of theaters, museums, and concert halls, edifices owned by religious, educational, or charitable institutions, societies or organizations where all the proceeds from admissions inure exclusively to the benefit of such institutions, societies, or organizations, or exclusively to the benefit of persons in the military or naval forces of the United States; and the House recedes.

Amendment No. 502: The House bill imposed a special license tax on circus proprietors of \$200 per year. The Senate amendment reduces this to \$100; and the House recedes.

Amendment No. 503: The House bill imposed a special license tax on proprietors or agents of public exhibitions or shows not otherwise enumerated of \$20 per year. The Senate amendment reduces this to \$15; and the House recedes.

Amendment No. 504: The House bill provided that an aggregation of entertainments known as street fairs should not pay a larger tax than \$200 in any State, Territory, or the District of Columbia. The Senate amendment reduces this to \$100; and the House recedes.

Amendments Nos. 505, 506, 507, and 508: The House bill imposed upon persons carrying on the business of operating sight-seeing automobiles an annual tax equivalent to 10 per cent of the gross receipts during the preceding year ending June 30 from the operation of each such automobile having a seating capacity of more than seven. The Senate amendment in lieu of this tax imposes upon persons carrying on the business of operating or renting passenger automobiles for hire an annual tax of \$10 for each such automobile having a seating capacity of more than two and not more than seven, and \$20 for each such automobile having a seating capacity of more than seven; and the House recedes.

Amendment No. 509: The House bill provided that every person carrying on the business of a brewer, distiller, or liquor dealer in any place contrary to State laws shall pay in addition to all other taxes

\$1,000 annually, and provided that the payment of this tax should not be held to exempt any person from the penal provisions of the local laws. The Senate amendment strikes out this provision; and the Senate recedes.

Amendment No. 510: The House bill imposed a special license tax upon persons engaged in any trade, business, or profession, with certain exceptions. The Senate amendment strikes out this tax; and the House recedes.

Amendment No. 511: This amendment is a clerical change inserting in slightly different form matter stricken out by amendment No. 494; and the House recedes.

Amendments Nos. 512 and 513: The House bill provided that manufacturers of tobacco whose annual sales exceed 100,000 and do not exceed 200,000 pounds shall each pay \$24 annually, and that manufacturers of tobacco whose annual sales exceed 200,000 pounds shall pay annually at the rate of 16 cents per thousand pounds or fraction thereof. The Senate amendments do not change the provisions of the House bill as to manufacturers of tobacco whose annual sales are between 100,000 and 200,000 pounds, but provide that where the annual sales exceed 200,000 pounds the manufacturer shall pay annually \$24 and at the rate of 16 cents per thousand pounds or fraction thereof in respect to the excess over 200,000 pounds; and the House recedes.

Amendments Nos. 514 and 515: The House bill provides that manufacturers of cigars whose annual sales exceed 200,000 and do not exceed 400,000 cigars shall each pay \$24 annually, and that manufacturers of cigars whose annual sales exceed 400,000 cigars shall each pay annually at the rate of 10 cents per thousand cigars or fraction thereof. The Senate amendments do not change the provisions of the House bill as to manufacturers of cigars whose annual sales are between 200,000 and 400,000 cigars, but provide that where the annual sales exceed 400,000 cigars the manufacturer shall pay annually \$24 and at the rate of 10 cents per thousand cigars or fraction thereof in respect to the excess over 400,000 cigars; and the House recedes.

Amendment No. 516: This amendment changes the basis of computing the tax on yacht users from net to gross tonnage; and the Senate recedes.

Amendment No. 517: The House bill exempted from the special tax on users of yachts and motor boats those used exclusively for trade or national defense. The Senate amendment extends the exemption to those used exclusively for fishing; and the House recedes.

Amendments Nos. 518 and 519: These amendments are clerical changes; and the Senate recedes.

Amendment No. 520: This amendment provides in case of special license taxes that if the corresponding tax imposed by the revenue act of 1916 was not payable by stamp an amount paid under such act for any period for which the corresponding tax is also imposed by Title X of the bill may be credited against the tax imposed by such title; and the House recedes.

Amendment No. 521: The House bill imposed upon mail-order houses an annual tax equivalent to 1 per cent of the annual gross receipts in excess of \$100,000. The Senate amendment strikes out this tax; and the House recedes.

Amendment No. 522: The House bill imposed a special license tax upon users of automobiles and motorcycles. The Senate amendment strikes out this tax; and the House recedes.

Amendment No. 523: The House bill imposed a tax upon the manufacturer of automatic vending and weighing machines operating such machines equivalent to 5 per cent of the annual gross amount received by the manufacturer from such operation. The Senate amendment strikes out this provision; and, in view of the conference agreement under amendment 419, the House recedes with an amendment which is explained in connection with that amendment.

Amendment No. 524: This section provides a penalty for any person who carries on any business or occupation for which a special license tax is imposed by Title X of the bill without having paid such tax; and the House recedes.

Amendment No. 525: This amendment is a change in section number; and the House recedes.

Amendments Nos. 526, 527, 528, 529, and 530: These amendments are clerical changes; and the House recedes, with a minor clerical change in amendment No. 526.

Amendment No. 531: This amendment provides that the physicians, dentists, veterinary surgeons, and other practitioners who are required to pay a special tax under the Harrison Narcotic Act as amended, in respect to the business of distributing, dispensing, and giving away or administering any of the narcotics specified in that act, shall be only such persons as are in attendance upon patients "in the course of their professional practice"; and the House recedes.

Amendments Nos. 532 and 533: The House bill provided that it shall be unlawful for any person to purchase, sell, dispense, or distribute any of the drugs specified in the Harrison Narcotic Act except in the original stamped package or from the original stamped package, and exempted from this provision the dispensing, administration, or giving away of any such drug to a patient by a registered physician, dentist, veterinary surgeon, or other practitioner in personal attendance upon such patient. The Senate amendments struck out the requirement of personal attendance and confined the exception to cases where the practitioner was acting in the course of his professional practice; and the House recedes.

Amendments Nos. 534 and 535: The House bill repealed all the provisions of section 6 of the Harrison narcotic act, which exempts certain preparations and remedies containing small quantities of narcotics from the provisions of that act, but retained those provisions of section 6 which exempted from the operation of the Harrison Act decocanized coca leaves from which all cocaine has been extracted. Senate amendment No. 534 struck out this provision of the House bill, and Senate amendment No. 535 amended section 6 of the Harrison Act by adding a proviso requiring the keeping of records by the manufacturer, producer, or compounder of the preparations and remedies which under such section are exempted from the operation of the narcotic act. The House recedes from amendment No. 534 and recedes from amendment No. 535 with an amendment (1) retaining section 6 of the Harrison Act with a few verbal amendments, (2) providing more carefully for the keeping of the

records provided for in the Senate amendment, and (3) providing that such records need not be kept by the manufacturer, producer, compounder, or vendor of preparations or remedies made out of decocanized coca leaves or other preparations of coca leaves which do not contain cocaine.

Amendments Nos. 536 and 537: These amendments are changes of section numbers; and the House recedes.

Amendment No. 538: The House bill provided that the stamp taxes should take effect on November 1, 1918; the Senate amendment changes this date to April 1, 1919; and the House recedes.

Amendments Nos. 539, 540, and 541: The House bill imposed a stamp tax of 50 cents upon all policies of guaranty and fidelity insurance. The Senate amendments strike out this tax; and the Senate recedes.

Amendment No. 542: The House bill provided that where a premium is charged for the execution of any fidelity or surety bond the stamp tax shall be 1 cent on each dollar or fractional part thereof of the premium charged, and that policies of reinsurance shall be exempt from the tax. The Senate amendment, as a part of the general plan of the Senate bill in taxing insurance, strikes out this provision; and the House recedes with an amendment providing that where a premium is charged for the execution, renewal, or continuance of such a bond the tax shall be 1 cent on each dollar or fractional part thereof of the premium charged, and that policies of reinsurance shall be exempt.

Amendment No. 543: The House bill imposed a stamp tax upon sales, agreements of sale, or agreements to sell products or merchandise at any exchange or board of trade for future delivery. The Senate amendment makes also taxable such sales or agreements made under the rules or usages of any exchange or board of trade for future delivery; and the House recedes.

Amendment No. 544: This amendment imposes a stamp tax of 5 cents on each dollar or fractional part thereof of the premium charged for policies of insurance against peril on the sea or inland waters or in transit by land, or by fire, lightning, tornado, etc., issued to a domestic corporation or partnership, or resident of the United States by any foreign insurer when such policy is not signed or countersigned by an officer or agent of the insurer in the United States in a locality within which such insurer is authorized to do business; and the House recedes with an amendment reducing the rate to 3 cents on each dollar or fractional part thereof of the premium, and exempting such policies from the policy tax imposed by section 503 of the bill.

Amendment No. 545: This amendment strikes out the provisions of the House bill creating an advisory tax board, but the Senate by amendment No. 550 reinserted this matter in a different form at another place; and the House recedes.

Amendment No. 546: This amendment imposes a tax of 10 per centum on the net profits from the operation of (a) any mine or quarry situated in the United States in which children under the age of 16 years have been employed or permitted to work during any portion of the taxable year; or (b) any mill, cannery, workshop, factory, or manufacturing establishment situated in the United States in which children under the age of 14 years have been employed or

permitted to work, or children between the ages of 14 and 16 have been employed or permitted to work more than eight hours in any day or more than six days in any week, or after the hour of 7 o'clock post meridian, or before the hour of 6 o'clock a. m., during any portion of the taxable year. Such tax is not to apply in the case of an employer relying in good faith upon an employment certificate issued under regulations prescribed by a board composed of the Secretary of the Treasury, the Secretary of Labor, and the Commissioner of Internal Revenue; nor in the case of an employer who satisfies the Secretary of the Treasury that his employment of a child under the prescribed ages was due to an honest mistake of fact as to the age of such child; and the House recedes.

Amendment No. 547: The House bill provided that deputy collectors appointed under the appropriation made by the bill for the expenses of the Internal Revenue Bureau should be appointed under the civil service as well as all other employees under such appropriation. The Senate amendment permits deputy collectors of a class now outside the civil-service law to be appointed without regard to civil-service requirements; and the House recedes.

Amendment No. 548: This amendment authorizes expenditures for furniture out of the appropriation made by the bill for the expenses of collecting internal-revenue taxes for the current fiscal year; and the House recedes with a clerical amendment.

Amendment No. 549: This amendment authorizes the expenditure of not exceeding \$500 for street-car fares in the District of Columbia out of the appropriations made by the bill for collecting internal-revenue taxes for the current fiscal year; and the House recedes.

Amendment No. 550: This amendment provides that not more than \$60,000 of the amount appropriated by the bill for the collection of internal-revenue taxes may be expended for salaries and traveling expenses of members of an advisory tax board, to be appointed by the commissioner, with the approval of the Secretary, and provides that, under rules prescribed by the commissioner and approved by the Secretary, the Secretary or the commissioner may, and on the request of any taxpayer interested shall, submit to the board any question relating to the income and excess profits tax laws. The House recedes with an amendment substantially reinserting the provisions of the House bill stricken out by amendment 545, providing, (1) that the board is to be composed of not to exceed six members, to be appointed by the commissioner, with the approval of the Secretary, at an annual salary of \$9,000; (2) that the board is to remain in existence for two years after the passage of the act unless the commissioner, with the approval of the Secretary, designates an earlier time for the termination of its existence; and (3) that the commissioner may and, at the request of any taxpayer directly interested, shall refer to the board any question relating to the income, war profits, or excess profits tax laws.

Amendments Nos. 551 and 552: These amendments are clerical changes; and the House recedes.

Amendment No. 553: The House bill provided that whenever in the judgment of the commissioner necessary he may require any person by notice served upon him to make a return or such statements as he deems sufficient to show whether or not such person is

liable to tax. The Senate amendment strikes out this provision and inserts a provision authorizing the commissioner, with the approval of the Secretary, to require any person, whether liable to tax or not, to file returns of income or such statements as may be deemed by him to be sufficient to show whether or not such person is so liable; and the Senate recedes.

Amendment No. 554: This amendment consolidates and makes administrative changes in the penalty provisions of the bill; and the House recedes.

Amendment No. 555: By this amendment the commissioner may make regulations, with the approval of the Secretary, providing that any return required to be under oath by the portions of the bill relating to transportation, beverages, tobacco, admissions, excise, or special taxes, may be signed or acknowledged before two witnesses instead of under oath, if the amount of the tax is not in excess of \$10; and the House recedes.

Amendment No. 556: This amendment is a clerical change; and the House recedes.

Amendment No. 557: This amendment provides that where a tax under this act is required to be paid by the purchaser to the vendor at the time of a sale and the sale is made on credit, then under regulations prescribed by the commissioner with the approval of the Secretary the tax may at the option of the vendor be returned and paid by him to the United States as if paid to him by the purchaser at the time of the sale, and gives a right of action in such cases to the vendor against the purchaser for the amount of the tax; and the House recedes.

Amendment No. 558: This amendment provides that under regulations made by the commissioner with the approval of the Secretary the taxes on beverages, cigars and tobacco, and the excise taxes shall not apply in respect to articles sold or leased for export and in due course so exported. It also provides that under proper regulations the amount of any internal-revenue tax erroneously or illegally collected in respect to exported articles may be refunded to the exporter instead of to the manufacturer, if the manufacturer waives his claim to refund; and the House recedes.

Amendment No. 559: This amendment is a clerical change; and the Senate recedes.

Amendments Nos. 560 and 561: These amendments are of a clerical and administrative character designed for the relief of persons who have made a contract for the sale of articles taxable under the act before notice of a tax imposed by it, under circumstances under which they can not pass the tax along to the purchaser; and the House recedes from amendment No. 560 and recedes with minor clerical changes from amendment No. 561.

Amendments No. 562, 563, 564, and 565: These amendments are clerical changes; and the House recedes.

Amendment No. 566: The House bill provided that certificates of indebtedness and uncertified checks may be received in payment of income, war-profits, and excess-profits taxes. The Senate amendment permits them to be received also in payment of any other taxes payable other than by stamp; and the House recedes.

Amendment No. 567: This amendment amends Section 3815 of the Revised Statutes so as to permit the Commissioner with the ap-

proval of the Secretary to issue stamps for restamping packages of wines which have been duly stamped and from which the stamps have been lost by unavoidable accident; and the House recedes.

Amendment No. 568: This amendment is a change of section number; and the House recedes.

Amendment No. 569: This amendment amended section 3689 of the Revised Statutes so that the permanent appropriation provided in that section could be used to pay judgments, including interest and costs, rendered for taxes or penalties erroneously or illegally assessed or collected under the internal-revenue laws, notwithstanding the limitations imposed by the act of June 20, 1874. The House recedes with an amendment repealing that portion of section 3689 of the Revised Statutes relating to the refunding of internal-revenue taxes erroneously or illegally collected, and providing that the Secretary of the Treasury shall submit for the fiscal year 1921 and annually thereafter an estimate of appropriations to refund and pay back duties or taxes erroneously or illegally assessed or collected under the internal-revenue laws, and to pay judgments, including interest and costs, rendered for taxes erroneously or illegally assessed or collected under the internal-revenue laws.

Amendment No. 570: This amendment is a change of section number; and the House recedes.

Amendment No. 571: This amendment is a clerical change; and the House recedes.

Amendment No. 572: This amendment amends sections 3164 and 3165 of the Revised Statutes. Section 3164 of the Revised Statutes provides that if a collector of internal revenue has knowledge of any violation of any revenue law he shall file with the district attorney a statement of the facts of the case within 10 days after coming into possession of such knowledge. The section as rewritten by the Senate makes it the duty of the collector, within 30 days after coming into possession of knowledge of any willful violation of any revenue law, to file a statement thereof with the district attorney, and makes minor clerical changes in that section. The Senate amendment to section 3165 of the Revised Statutes adds internal-revenue agents to the class of officers authorized by that section to administer oaths and take evidence in relation to the administration of the internal-revenue laws; and the House recedes.

Amendment No. 573: The House bill provided a method of making a return or list where any person fails to make such return or list at the time prescribed by law. The Senate amendment extends the provision to cover cases where a return or list is not made at the time prescribed by regulation made under authority of law; and the House recedes.

Amendments Nos. 574 and 575: The House bill provided that in case of failure to make a return at the proper time there shall be added to the tax 50 per cent of its amount, and if a false and fraudulent return is willfully made there shall be added to the tax 100 per cent of its amount. The Senate amendments reduce these penalties to 25 per cent and 50 per cent, respectively; and the House recedes.

Amendment No. 576: This amendment is a change of section number; and the House recedes.

Amendment No. 577: The House bill provided that if any person is summoned under Title XIII to appear to testify or produce books, the district courts should have jurisdiction to enforce obedience. The Senate amendment extended the provision to cover the case of any person summoned under this act; and the House recedes.

Amendment No. 578: This amendment gives jurisdiction to the district courts of the United States to issue in actions at law and suits in equity certain writs and orders, such as are necessary or appropriate for the enforcement of the provisions of this act; and the House recedes with an amendment confining the jurisdiction of the court to cases where the relief is asked for by the United States.

Amendment No. 579: This amendment is a change of section number; and the House recedes.

Amendment No. 580: This amendment is a clerical change; and the House recedes.

Amendment No. 581: The House bill provided for the acceptance of United States bonds in lieu of sureties on bonds required to be furnished by law. The Senate amendment added provisions for the protection of the United States and mechanics and material men; and the House recedes with a clerical amendment.

Amendment No. 582: The House bill provided for the repeal of any act inconsistent with this act. The Senate amendment specifies a number of acts and parts of acts to be repealed, all of which are incorporated in this bill; and the House recedes.

Amendments Nos. 583, 584, 585, 586: These amendments are clerical changes; and the House recedes.

Amendments No. 587 and 588: These amendments are clerical changes; and the Senate recedes.

Amendments Nos. 589, 590, 591, and 592: These amendments are clerical changes; and the House recedes.

Amendment No. 593: This amendment reduces the rate of postage on first-class mail matter, effective July 1, 1919, to the rates in force before the passage of the last revenue act; and the House recedes.

Amendment No. 594: This amendment repeals the zone system for postage for second-class mail matter contained in the last revenue act and substitutes a rate of 1 cent per pound or fraction thereof for delivery within the first and second zones and 1½ cents per pound or fraction thereof for delivery in any other zone, effective July 1, 1919; and the Senate recedes.

Amendments Nos. 595, 596, 597, and 598: These amendments are changes in section numbers; and the House recedes with an amendment making further changes in section numbers.

Amendment No. 599: This amendment provides that all officers and enlisted personnel of the military and naval forces in the war against Germany who have been honorably discharged since November 11, 1918, or who may hereafter be honorably discharged shall be paid one month's salary. The House recedes with an amendment substituting for the Senate provision a section (1) providing that \$60 shall be paid to each person serving in the military or naval forces of the United States in the present war who has since April 6, 1917, resigned or been honorably discharged, or who may hereafter resign or be honorably discharged (within one year after the termination of the war in the case of officers and not later than the

termination of the current enlistment in the case of enlisted personnel); (2) providing for the protection of the Government from unjust claims and double payments; (3) providing that this payment in the case of separation from the service before the passage of the act shall be made as soon as practicable after the passage of the act, and in the case of separation from the service after the passage of the act shall be made at the time of separation from the service; and (4) providing that these amounts shall be paid out of the appropriations for "Pay of the Army" and "Pay of the Navy," respectively.

Amendment No. 600: This amendment provides that the so-called "Reed" or "bone-dry" amendment relating to transportation of liquors in interstate commerce shall be made applicable to the District of Columbia, thus making it unlawful to transport liquors in or out of the District; and the House recedes with an amendment changing the section number.

Amendment No. 601: This amendment provides that every individual, partnership, and corporation which, since the 6th day of April, 1917, has entered into any contract, undertaking, agreement, or transaction with the United States, or with any agency, officer, or commission of the United States, or with any other person, partnership, or corporation having contract relations with the United States, for the performance of any work or for the supplying of any materials or property for the use of or for the account of the United States, shall file with the Commissioner of Internal Revenue and with the Attorney General, within 60 days after the passage of this act, a true and correct copy of every such contract, undertaking, agreement, or transaction, together with a true, accurate, and complete statement of all work and labor performed and materials and property supplied and an account of all moneys or other things of value received, expenses incurred, and profits made and realized from such contract, undertaking, agreement, or transaction.

The House recedes with an amendment providing that (1) every person who on or after April 6, 1917, has entered into any contract, undertaking, or agreement with the United States, or with any department, bureau, officer, commission, board, or agency under the United States or acting in its behalf, or with any other person having contract relations with the United States for the performance of any work or the supplying of any materials or property for the use of or for the account of the United States, shall, within 30 days after a request of the commissioner therefor, file with the commissioner a true and correct copy of every such contract, undertaking, or agreement; and (2) authorizing the commissioner (when not violative of the technical military or naval secrets of the Government) to have access to all information and data relating to any such contract, undertaking, or agreement, in the possession, control, or custody of any department, bureau, board, agency, officer, or commission of the United States, and to call upon any such department, bureau, board, agency, officer, or commission for a full statement and description of any allowance for amortization, obsolescence, depreciation, or loss, or of any valuation, appraisal, ad-

justment, or final settlement, made in pursuance of any such contract, undertaking, or agreement.

Amendment No. 602: This amendment makes a change in section number; and the House recedes with an amendment making a further change in section number.

CLAUDE KITCHIN,
HENRY T. RAINY,
LINCOLN DIXON,
JOSEPH W. FORDNEY,
J. HAMPTON MOORE,

Managers on the part of the House.

