

Calendar No. 707.

64TH CONGRESS, }
1st Session. }

SENATE.

} REPORT
No. 780.

TO AMEND SECTION 3264, REVISED STATUTES.

August 12, 1916.—Ordered to be printed.

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

REPORT.

[To accompany H. R. 9542.]

The Committee on Finance, to whom was referred the bill (H. R. 9542) to amend the second paragraph of section 3264 of the Revised Statutes of the United States as amended by section 5 of the act of March 1, 1879, and as further amended by the act of Congress approved June 22, 1910, having considered the same, report thereon with a recommendation that it pass.

The House report sets forth the reason for the bill as clearly as it can well be done, and is as follows:

The Committee on Ways and Means, to whom was referred the bill (H. R. 9542) which proposes to remove the water limitation in distilleries using the filtration-aeration process, having had the same under consideration, report it back to the House without amendment and recommend that the bill do pass.

This bill was introduced late in the second session of the Sixty-third Congress, and the amendment suggested by the Treasury Department in the letter hereinafter set forth is identical with the bill H. R. 9542.

The purpose of this bill is to enable distilleries using what is known as the filtration-aeration process to use an unlimited amount of water in extracting from the grain those ingredients which produce yeast and alcohol.

The law now provides that in distilleries where the filtration-aeration process is used 70 gallons of beer brewed or fermented from grain shall represent not less than a bushel of grain.

The meaning and effect of this is that the distiller is prohibited from using more than 70 gallons of water for each bushel of grain of any kind required in the process of manufacturing yeast and alcohol.

Before the passage of the law permitting the distiller to use 70 gallons of water to the bushel, he could only use 45 gallons to the bushel, and this latter quantity of water was found to be sufficient before the use of the filtration-aeration process.

After the adoption of this process it was found that 45 gallons of water were wholly insufficient to accomplish the extraction of a sufficient amount of the ingredients of the grain required for the manufacture of yeast and alcohol to justify its use, and that this limitation resulted in the waste of at least 15 per cent of the whole and also a loss to the Government in revenue.

The change in the law increasing the amount of water used to the bushel of grain from 45 gallons to 70 gallons resulted in the receipt of revenue to the Government from

one company alone of \$500,000 per annum, and it is estimated that the passage of this act will increase the annual revenue from this company more than \$120,000.

When the original act of March 1, 1879, was passed prescribing a limit upon the amount of water which a distiller could use, the filtration-aeration process was not in use in this country, and that method was devised for the purpose of regulating distilleries employing an entirely different method.

It was thought to be necessary to make such a regulation in order to protect the Government revenue in distilleries of that kind, but it seems to be quite clear that there is no necessity for such a regulation in the case of distilleries using the filtration-aeration process, and it can really afford no protection to the Government in distilleries of that sort.

But in any event, in order to make sure that the Government revenue will not suffer as a result of the elimination of the restrictions as to the amount of water to be used, this bill provides that the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury shall be authorized to prescribe by regulation to be made by him such character of surveys as he may find suitable for distilleries using the filtration-aeration process.

The letter of the Secretary of the Treasury with reference to H. R. 21220, introduced during the Sixty-third Congress, is hereto appended and made a part of this report. The proposed amendment suggested in this letter is identical with the bill H. R. 9542.

TREASURY DEPARTMENT,
Washington, February 6, 1915.

THE CHAIRMAN OF THE COMMITTEE ON WAYS AND MEANS,
House of Representatives.

SIR: I have the honor to return herewith the copy of the bill H. R. 21220, with reference to the surveys of distilleries, submitted with your letter of the 2d instant for suggestions with regard to the merits of the same and the propriety of its passage, and to inclose for your consideration a proposed amendment to the law in question drawn up by the Commissioner of Internal Revenue, with recommendation that it be substituted for the amendment proposed in the bill introduced on the 28th ultimo, herein referred to.

If the change suggested is made in the bill, the department will offer no objection to its passage.

Respectfully,

W. G. McADOO, *Secretary.*

