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SENATE

{ REPORT
No. 919

AMENDING SECTION 2803 (C) OF THE INTERNAL REVENUE CODE

JULY 25, 1939.—Ordered to be printed

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

REPORT

[To accompany S. 2712]

The Committee on Finance, to whom was referred the bill (S. 2712) to amend section 2803 (c) of the Internal Revenue Code, having considered the same report it to the Senate with amendments and recommend that the bill do pass.

The purpose of the bill and the effect of its provisions are explained in a letter from the Acting Secretary of the Treasury to the chairman of the committee, which is attached hereto and made a part of this report. This letter recommends certain amendments. The committee recommends that these amendments together with additional amendments be agreed to.

The first amendment is of a clerical nature.

The second amendment permits refunds in certain cases where stamps have been destroyed and therefore cannot be exchanged.

The third amendment makes the provisions of the bill applicable to stamps issued under the Liquor Taxing Act of 1934 before the Internal Revenue Code was enacted into law, as well as to stamps issued under this section of the Internal Revenue Code since the date of its enactment.

The fourth and fifth amendments are clarifying in nature. Their purpose is to make it clear that stamps issued at any time prior to the enactment of this bill may be redeemed at any time within 1 year after the date of its enactment.

AMEND THE INTERNAL REVENUE CODE

TREASURY DEPARTMENT,
Washington, July 22, 1939.

HON. PAT HARRISON,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: Further reference is made to your letter of June 29, 1939, requesting a report from the Treasury Department on a bill (S. 2712, 76th Cong., 1st sess.) to amend section 2803 (c) of the Internal Revenue Code.

The present section 2803 (c) of the Internal Revenue Code provides that whenever any person (who lawfully purchased red strip stamps to be affixed to retail containers of distilled spirits) has in his possession any unused stamps that have been spoiled by fire or water or rendered useless by erroneous overprinting or cutting, the Commissioner, under regulations approved by the Secretary, may issue to such person new stamps in exchange for such spoiled stamps. The section further provides that the Commissioner, likewise under regulations, may refund the value of any unused stamps for which the lawful owner has no use due to the discontinuance or transfer of his business. It will be noted that exchanges and refunds may be made in a very limited class of cases. Under the present statute many applications for exchange and claims for refund which were meritorious in fact have been disapproved because the applicants and claimants could not make allegations in their applications and claims which would bring them within the scope of the section.

The bill would authorize the Commissioner of Internal Revenue, under regulations approved by the Secretary of the Treasury, to redeem red strip stamps either by exchanging them for other stamps of the same kind or by refunding the moneys received therefor. The bill contains but two limitations upon such redemptions: (1) That stamps may be redeemed only in quantities of the value of \$5 or more, and (2) that claims for exchange or refund shall not be allowed unless presented (a) within 1 year after the date of purchase, or (b) if lawfully purchased prior to the date of enactment of the bill, within 1 year after such date of enactment. Similar limitations appear in the present law.

The Treasury Department approves the purpose of the bill and offers no objection to its passage. However, we offer the following suggestions in respect of the structure of the bill, in order that it may fully accomplish its purpose.

The sale of red strip stamps to be attached to retail containers of distilled spirits was authorized by section 203, title II, of the Liquor Taxing Act of 1934, approved January 11, 1934. Section 203 is now codified as section 2803 (b), Internal Revenue Code. Since the apparent purpose of the bill is to authorize exchanges and refunds in respect of stamps issued at any time since passage of the Liquor Taxing Act, it is suggested that the words "this Act" appearing on line 7 on page 1 of the bill be eliminated and that the words "section 203, title II, of the Liquor Taxing Act of 1934, or section 2803 (b), Internal Revenue Code," be inserted in lieu thereof.

There has been brought to the attention of this Department a case of total destruction of stamps by fire, under such conditions that the lawful purchaser of the stamps contends that he can prove the total loss of the stamps to the satisfaction of the Department. Assuming the production of such satisfactory proof, it would appear that a claim for refund in respect of such stamps should be approved. The authorization to exchange or refund appears in lines 7, 8, and 9 on page 1, reading, in part, as follows:

"* * * redeem any stamps * * * by exchanging them for other stamps of the same kind or by refunding moneys received therefor: * * *."

The word "redeem" may be too narrow to cover the loss by fire to which I have referred. It is suggested, therefore, that after the word "redeem" on line 7, page 1, there be inserted the words "or make allowance for" so that lines 7, 8, and 9, page 1, will read, in part, as follows:

"* * * redeem or make allowance for any stamps * * * by exchanging them for other stamps of the same kind or by refunding moneys received therefor: * * *."

If these suggestions are adopted the bill will amend section 2803 (c) of the Internal Revenue Code to read as follows:

"The Commissioner of Internal Revenue, under regulations approved by the Secretary of the Treasury, may redeem or make allowance for any stamps issued under Section 203, Title II, of the Liquor Taxing Act of 1934, or Section 2803 (b), Internal Revenue Code, by exchanging them for other stamps of the same kind or by refunding moneys received therefor: *Provided*, That stamps may be exchanged or the value thereof refunded only in quantities of the value of \$5 or more: *And provided further*, That no claim for the exchange of strip stamps or refund therefor shall be allowed unless presented within one year after the date on which such stamps were lawfully purchased, or if lawfully purchased prior to the date of the enactment of this Act, within one year after such date. There are hereby authorized to be appropriated annually, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out this provision."

Because of your urgent request for expedition, this report has not been cleared with the Bureau of the Budget.

Very truly yours,

STEPHEN B. GIBBONS,
Acting Secretary of the Treasury.

