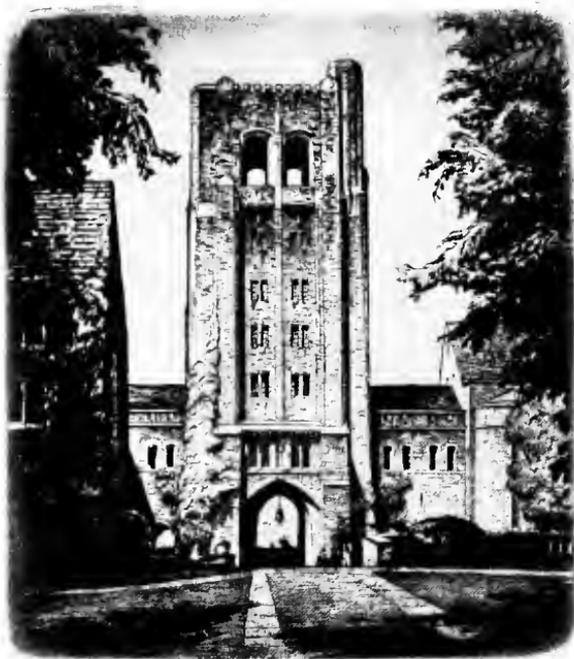


KF
627
.53
N27



Cornell Law School Library

Cornell University Library
KF 6276.53N27

Federal revenue act of 1918; complete tex



3 1924 018 724 116

law



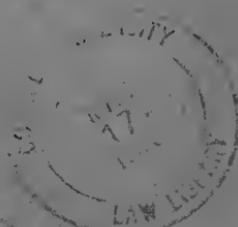
Cornell University Library

The original of this book is in
the Cornell University Library.

There are no known copyright restrictions in
the United States on the use of the text.

Federal Revenue Act

Complete Text
with
Reference Notes, Tables and Index



**National Bank of Commerce
in New York**

February, 1919

CORNELL UNIVERSITY LAW LIBRARY.

THE GIFT OF

Dean E. H. Woodruff.
Ithaca.

Date Mar. 17, 1919.

Federal Revenue Act

of 1918

Complete Text
with
Reference Notes, Tables and Index

National Bank of Commerce
 **in New York**

February, 1919



Foreword

Federal taxes for both 1918 and 1919 are levied in the new Federal Revenue Act, thus making it possible for business men to know in advance what share of earnings the Government will require in taxes for the coming year.

The new law contains distinct improvements over the Acts of 1916 and 1917, which it replaces. It consolidates scattered provisions relating to taxes on individual income and relieves individuals and partnerships from the excess-profits tax. It also permits deduction of losses in transactions not directly connected with trade or business and removes the limitation upon the deduction of interest upon indebtedness.

In this book the National Bank of Commerce in New York presents the full text of the greatest revenue bill in history. A complete index, side-notes and tables are added to aid in the interpretation of the statute and the computation of taxes.

The service of our Income Tax Department is available to our friends in the explanation and application of the law.

JAMES S. ALEXANDER,
President.

CONTENTS

	PAGE
REVENUE ACT.....	5
I. General Definitions.. ..	5
II. Income Tax.....	8
III. War-Profits and Excess-Profits Tax.	69
IV. Estate Tax.....	87
V. Tax on Transportation and other Facilities, and on Insurance.....	99
VI. Tax on Beverages	107
VII. Tax on Cigars, Tobacco, and Manufactures Thereof.....	133
VIII. Tax on Admissions and Dues.....	141
IX. Excise Taxes.....	145
X. Special Taxes.....	154
XI. Stamp Taxes.....	170
XII. Tax on Employment of Child Labor.	182
XIII. General Administrative Provisions...	187
XIV. General Provisions.....	207
APPENDIX	213
Computation Tables for Individual Income Taxes.....	214
Computation Tables for Corporation Taxes	217
Comparison of Taxes on Corporations and on Partnerships.....	225
INDEX	227

REVENUE ACT

Approved February 24, 1919

In effect February 25, 1919, except where otherwise
herein specially provided

[Public—No. 254—65th Congress]

[H. R. 12863]

An Act to provide revenue, and for other purposes.

*Be it enacted by the Senate and House of Representatives
of the United States of America in Congress assembled,*

TITLE I.

General Definitions

SEC. 1. That when used in this Act—

The term “person” includes partnerships and cor- Persons
porations as well as individuals;

The term “corporation” includes associations, Corporations
joint-stock companies, and insurance companies;

The term “domestic” when applied to a corpora- Domestic
tion or partnership means created or organized in
the United States;

The term “foreign” when applied to a corporation Foreign
or partnership means created or organized outside
the United States;

- United States** The term "United States" when used in a geographical sense includes only the States, the Territories of Alaska and Hawaii, and the District of Columbia;
- Secretary** The term "Secretary" means the Secretary of the Treasury;
- Commissioner** The term "Commissioner" means the Commissioner of Internal Revenue;
- Collector** The term "collector" means collector of internal revenue;
- Revenue Act of 1916** The term "Revenue Act of 1916" means the Act entitled "An Act to increase the revenue, and for other purposes," approved September 8, 1916;
- Revenue Act of 1917** The term "Revenue Act of 1917" means the Act entitled "An Act to provide revenue to defray war expenses, and for other purposes," approved October 3, 1917;
- Taxpayer** The term "taxpayer" includes any person, trust or estate subject to a tax imposed by this Act;
- Government contract** 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;
- Informal contracts included**

The term "military or naval forces of the United States" includes the Marine Corps, the Coast Guard, the Army Nurse Corps, Female, and the Navy Nurse Corps, Female, but this shall not be deemed to exclude other units otherwise included within such term; Military or naval forces of U. S.

The term "present war" means the war in which the United States is now engaged against the German Government. Present war

For the purposes of this Act the date of the termination of the present war shall be fixed by proclamation of the President. Termination of war

TITLE II. Income Tax

PART I.—GENERAL PROVISIONS.

Definitions.

Definitions	SEC. 200. That when used in this title—
Taxable year	The term “taxable year” means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the net income is computed
Fiscal year	under section 212 or section 232. The term “fiscal year” means an accounting period of twelve months ending on the last day of any month other than December. The first taxable year, to be called the taxable year 1918, shall be the calendar year 1918 or any fiscal year ending during the calendar year 1918;
First taxable year	
Fiduciary	The term “fiduciary” means a guardian, trustee, executor, administrator, receiver, conservator, or any person acting in any fiduciary capacity for any person, trust or estate;
Withholding agent	The term “withholding agent” means any person required to deduct and withhold any tax under the provisions of section 221 or section 237;
Personal service corporation	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 cor-

poration 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;

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.

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

Paid

Paid or accrued

Dividends:

(1) of corporations

(2) of personal service corporations

Deemed to be from taxable earnings

From earnings prior to March 1, 1913, exempt

the earnings and profits accumulated since February 28, 1913, have been distributed.

Stock dividends

(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.

Liquidation dividends,
taxability of

Rates applicable to
stock dividends

(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.

Earnings from which
distribution is made

(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.

Basis For Determining Gain or Loss.

SEC. 202 (a). That for the purpose of ascertaining the gain derived or loss sustained from the sale or other disposition of property, real, personal, or mixed, the basis shall be— Sale of property:

(1) In the case of property acquired before March 1, 1913, the fair market price or value of such property as of that date; and Acquired prior to March 1, 1913

(2) In the case of property acquired on or after that date, the cost thereof; or the inventory value, if the inventory is made in accordance with section 203. Acquired after March 1, 1913

(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. Exchange of property

Reorganizations, mergers and consolidations

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 Exchange of stocks in reorganizations

March 1, 1913, the fair market value as of that date) of the stock or securities exchanged.

Inventories.

Inventories, basis of

SEC. 203. That whenever in the opinion of the Commissioner the use of inventories is necessary in order clearly to determine the income of any taxpayer, inventories shall be taken by such taxpayer upon such basis as the Commissioner, with the approval of the Secretary, may prescribe as conforming as nearly as may be to the best accounting practice in the trade or business and as most clearly reflecting the income.

Net Losses.

Net losses:

(1) from business operations

(2) from sale of war-production plant and equipment

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, constructed, 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 (6) 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.

Net loss defined

Deduction of net losses

(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 Commis-

sioner 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.

Redetermination of tax

(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.

Net losses of partnerships and estates

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).

Tax for fiscal year beginning in 1917 and ending in 1918

Credit for tax paid
under Revenue Acts
of 1916 and 1917

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.

Tax for fiscal year
beginning in 1918
and ending in 1919

(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.

Fiscal year of
partnership

(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 (de-

terminated 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.

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.

Method of applying
tax rates to allocated
income

Method of applying
deductions

PART II.—INDIVIDUALS.

Normal Tax.

SEC. 210. That, in lieu of the taxes imposed by subdivision (a) of section 1 of the Revenue Act of 1916 and by section 1 of the Revenue Act of 1917, there shall be levied, collected, and paid for each

Normal tax on
individuals

taxable year upon the net income of every individual a normal tax, at the following rates:*

Rates for 1918

(a) For the calendar year 1918, 12 per centum of the amount of the net income in excess of the credits provided in section 216; Provided, That in the case of a citizen or resident of the United States the rate upon the first \$4,000 of such excess amount shall be 6 per centum;

Rates for succeeding years

(b) For each calendar year thereafter, 8 per centum of the amount of the net income in excess of the credits provided in section 216; Provided, That in the case of a citizen or resident of the United States the rate upon the first \$4,000 of such excess amount shall be 4 per centum.

Surtax.

Surtax rates

SEC. 211. (a) That, in lieu of the taxes imposed by subdivision (b) of section 1 of the Revenue Act of 1916 and by section 2 of the Revenue Act of 1917, but in addition to the normal tax imposed by section 210 of this Act, there shall be levied, collected, and paid for each taxable year upon the net income of every individual, a surtax equal to the sum of the following:*

1 per centum of the amount by which the net income exceeds \$5,000 and does not exceed \$6,000;

2 per centum of the amount by which the net income exceeds \$6,000 and does not exceed \$8,000;

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

4 per centum of the amount by which the net income exceeds \$10,000 and does not exceed \$12,000;

5 per centum of the amount by which the net income exceeds \$12,000 and does not exceed \$14,000;

*See table, page 215.

- 6 per centum of the amount by which the net income exceeds \$14,000 and does not exceed \$16,000;
- 7 per centum of the amount by which the net income exceeds \$16,000 and does not exceed \$18,000;
- 8 per centum of the amount by which the net income exceeds \$18,000 and does not exceed \$20,000;
- 9 per centum of the amount by which the net income exceeds \$20,000 and does not exceed \$22,000;
- 10 per centum of the amount by which the net income exceeds \$22,000 and does not exceed \$24,000;
- 11 per centum of the amount by which the net income exceeds \$24,000 and does not exceed \$26,000;
- 12 per centum of the amount by which the net income exceeds \$26,000 and does not exceed \$28,000;
- 13 per centum of the amount by which the net income exceeds \$28,000 and does not exceed \$30,000;
- 14 per centum of the amount by which the net income exceeds \$30,000 and does not exceed \$32,000;
- 15 per centum of the amount by which the net income exceeds \$32,000 and does not exceed \$34,000;
- 16 per centum of the amount by which the net income exceeds \$34,000 and does not exceed \$36,000;
- 17 per centum of the amount by which the net income exceeds \$36,000 and does not exceed \$38,000;
- 18 per centum of the amount by which the net income exceeds \$38,000 and does not exceed \$40,000;
- 19 per centum of the amount by which the net income exceeds \$40,000 and does not exceed \$42,000;
- 20 per centum of the amount by which the net income exceeds \$42,000 and does not exceed \$44,000;
- 21 per centum of the amount by which the net income exceeds \$44,000 and does not exceed \$46,000;
- 22 per centum of the amount by which the net income exceeds \$46,000 and does not exceed \$48,000;
- 23 per centum of the amount by which the net income exceeds \$48,000 and does not exceed \$50,000;

Surtax rates
continued

Surtax rates
continued

24 per centum of the amount by which the net income exceeds \$50,000 and does not exceed \$52,000;

25 per centum of the amount by which the net income exceeds \$52,000 and does not exceed \$54,000;

26 per centum of the amount by which the net income exceeds \$54,000 and does not exceed \$56,000;

27 per centum of the amount by which the net income exceeds \$56,000 and does not exceed \$58,000;

28 per centum of the amount by which the net income exceeds \$58,000 and does not exceed \$60,000;

29 per centum of the amount by which the net income exceeds \$60,000 and does not exceed \$62,000;

30 per centum of the amount by which the net income exceeds \$62,000 and does not exceed \$64,000;

31 per centum of the amount by which the net income exceeds \$64,000 and does not exceed \$66,000;

32 per centum of the amount by which the net income exceeds \$66,000 and does not exceed \$68,000;

33 per centum of the amount by which the net income exceeds \$68,000 and does not exceed \$70,000;

34 per centum of the amount by which the net income exceeds \$70,000 and does not exceed \$72,000;

35 per centum of the amount by which the net income exceeds \$72,000 and does not exceed \$74,000;

36 per centum of the amount by which the net income exceeds \$74,000 and does not exceed \$76,000;

37 per centum of the amount by which the net income exceeds \$76,000 and does not exceed \$78,000;

38 per centum of the amount by which the net income exceeds \$78,000 and does not exceed \$80,000;

39 per centum of the amount by which the net income exceeds \$80,000 and does not exceed \$82,000;

40 per centum of the amount by which the net income exceeds \$82,000 and does not exceed \$84,000;

41 per centum of the amount by which the net income exceeds \$84,000 and does not exceed \$86,000;

42 per centum of the amount by which the net income exceeds \$86,000 and does not exceed \$88,000;

Surtax rates
continued

43 per centum of the amount by which the net income exceeds \$88,000 and does not exceed \$90,000;

44 per centum of the amount by which the net income exceeds \$90,000 and does not exceed \$92,000;

45 per centum of the amount by which the net income exceeds \$92,000 and does not exceed \$94,000;

46 per centum of the amount by which the net income exceeds \$94,000 and does not exceed \$96,000;

47 per centum of the amount by which the net income exceeds \$96,000 and does not exceed \$98,000;

48 per centum of the amount by which the net income exceeds \$98,000 and does not exceed \$100,000;

52 per centum of the amount by which the net income exceeds \$100,000 and does not exceed \$150,000;

56 per centum of the amount by which the net income exceeds \$150,000 and does not exceed \$200,000;

60 per centum of the amount by which the net income exceeds \$200,000 and does not exceed \$300,000;

63 per centum of the amount by which the net income exceeds \$300,000 and does not exceed \$500,000;

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

65 per centum of the amount by which the net income exceeds \$1,000,000.

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

Mines and wells,
limitation of tax on
income from sale of

by this section attributable to such sale shall not exceed 20 per centum of the selling price of such property or interest.

Net Income Defined.

Net income defined

SEC. 212. (a) That in the case of an individual the term "net income" means the gross income as defined in section 213, less the deductions allowed by section 214.

Accounting period

(b) The net income shall be computed upon the basis of the taxpayer's annual accounting period (fiscal year or calendar year, as the case may be) in accordance with the method of accounting regularly employed in keeping the books of such taxpayer; but if no such method of accounting has been so employed, or if the method employed does not clearly reflect the income, the computation shall be made upon such basis and in such manner as in the opinion of the Commissioner does clearly reflect the income. If the taxpayer's annual accounting period is other than a fiscal year as defined in section 200 or if the taxpayer has no annual accounting period or does not keep books, the net income shall be computed on the basis of the calendar year.

Accounting methods

Changes in accounting period

If a taxpayer changes his accounting period from fiscal year to calendar year, from calendar year to fiscal year, or from one fiscal year to another, the net income shall, with the approval of the Commissioner, be computed on the basis of such new accounting period, subject to the provisions of section 226.

Gross Income Defined.

SEC. 213. That for the purposes of this title (except as otherwise provided in section 233) the term "gross income"—

Income subject to tax

(a) Includes gains, profits, and income derived from salaries, wages, or compensation for personal

service (including in the case 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, Alaska, Hawaii, or any political subdivision thereof, or the District of Columbia, the compensation received as such), of whatever kind and in whatever form paid, or from professions, vocations, trades, businesses, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in such property; also from interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, or gains or profits and income derived from any source whatever. The amount of all such items shall be included in the gross income for the taxable year in which received by the taxpayer, unless, under methods of accounting permitted under subdivision (b) of section 212, any such amounts are to be properly accounted for as of a different period; but

(b) Does not include the following items, which shall be exempt from taxation under this title:

Income exempt from tax:

(1) The proceeds of life insurance policies paid upon the death of the insured to individual beneficiaries or to the estate of the insured;

Proceeds of life insurance policies

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

Return of life insurance premiums

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

Gifts and bequests

(4) Interest upon (a) the obligations of a State, Territory, or any political subdivision thereof, or

Interest on State,
Municipal, Federal
Farm Loan, U. S. and
War Finance Corpor-
ation bonds

the District of Columbia; or (b) securities issued under the provisions of the Federal Farm Loan Act of July 17, 1916; or (c) the obligations of the United States or its 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. In the case of obligations of the United States issued after September 1, 1917, and in the case of bonds issued by the War Finance Corporation, the interest shall be exempt only if and to the extent provided in the respective Acts authorizing the issue thereof as amended and supplemented, and shall be excluded from gross income only if and to the extent it is wholly exempt from taxation to the taxpayer both under this title and under Title III;

Exemption limited

Income of foreign
governments

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

Compensation
under workmen's com-
pensation acts

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

Income of political
subdivisions of the
U. S.

(7) Income derived from any public utility or the exercise of any essential governmental function

and accruing to any State, Territory, or the District of Columbia, or any political subdivision of a State or Territory, or income accruing to the government of any possession of the United States, or any political subdivision thereof.

Whenever any State, Territory, or the District of Columbia, or any political subdivision of a State or Territory, prior to September 8, 1916, entered in good faith into a contract with any person, the object and purpose of which is to acquire, construct, operate, or maintain a public utility, no tax shall be levied under the provisions of this title upon the income derived from the operation of such public utility, so far as the payment thereof will impose a loss or burden upon such State, Territory, District of Columbia, or political subdivision; but this provision is not intended to confer upon such person any financial gain or exemption or to relieve such person from the payment of a tax as provided for in this title upon the part or portion of such income to which such person is entitled under such contract;

Income from public utilities if tax would burden political subdivisions

(8) So much of the amount received during the present war by a person in the military or naval forces of the United States as salary or compensation in any form from the United States for active services in such forces as does not exceed \$3,500.

Compensation of persons in active service during present war

(c) In the case of nonresident alien individuals, gross income includes only the gross income from sources within the United States, including interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, dividends from resident corporations, and including 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.

Nonresident aliens, gross income of

Deductions Allowed.

- Deductions:** **SEC. 214. (a)** That in computing net income there shall be allowed as deductions:
- Business expenses** (1) All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including a reasonable allowance for salaries or other compensation for personal services actually rendered, and including rentals or other payments required to be made as a condition to the continued use or possession, for purposes 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;
- Interest** (2) All interest paid or accrued within the taxable year on indebtedness, except on indebtedness incurred or continued to purchase or carry obligations or securities (other than obligations of the United States issued after September 24, 1917), the interest upon which is wholly exempt from taxation under this title as income to the taxpayer, or, in the case of a nonresident alien individual, the proportion of such interest which the amount of his gross income from sources within the United States bears to the amount of his gross income from all sources within and without the United States;
- Taxes paid or accrued in taxable year** (3) Taxes paid or accrued within the taxable year imposed (a) by the authority of the United States, except income, war profits and excess-profits taxes; or (b) by the authority of any of its possessions, except the amount of income, war profits and excess-profits taxes allowed as a credit under section 222; or (c) by the authority of any State or Territory, or any county, school district, municipality, or other taxing subdivision of any State or Territory, not including those assessed against local benefits of a kind tending to increase the value of the property assessed; or (d) in the case of a citizen or

resident of the United States, by the authority of any foreign country, except the amount of income, war-profits and excess-profits taxes allowed as a credit under section 222; 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;

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

(5) Losses sustained during the taxable year and not compensated for by insurance or otherwise, if incurred in any transaction entered into for profit, though not connected with the trade or business; but in the case of a nonresident alien individual only as to such transactions within the United States; Losses not connected with trade

(6) Losses sustained during the taxable year of property not connected with the trade or business (but in the case of a nonresident alien individual only property within the United States) if arising from fires, storms, shipwreck, or other casualty, or from theft, and if not compensated for by insurance or otherwise; Losses from fire, casualty, theft, etc.

(7) Debts ascertained to be worthless and charged off within the taxable year; Worthless debts

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

(9) In the case of buildings, machinery, equipment, or other facilities, constructed, erected, installed, or acquired, on or after April 6, 1917, for the production of articles contributing to the prosecution of the present war, and in the case of vessels Amortization of facilities for war production

constructed or acquired on or after such date for the transportation of articles or men contributing to the prosecution of the present war, there shall be allowed a reasonable deduction for the amortization of such part of the cost of such facilities or vessels as has been borne by the taxpayer, but not again including any amount otherwise allowed under this title or previous Acts of Congress as a deduction in computing net income. At any time within three years after the termination of the present war, the Commissioner may, and at the request of the taxpayer shall, reexamine the return, and if he then finds as a result of an appraisal or from other evidence that the deduction originally allowed was incorrect, the taxes imposed by this title and by Title III for the year or years affected shall be redetermined; and the amount of tax due upon such redetermination, if any, shall be paid 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;

Depletion of
mineral resources or
timber

(10) In the case of mines, oil and gas wells, other natural deposits, and timber, a reasonable allowance for depletion and for depreciation of improvements, according to the peculiar conditions in each case, based upon cost including cost of development not otherwise deducted; Provided, That in the case of such properties acquired prior to March 1, 1913, the fair market value of the property (or the taxpayer's interest therein) on that date shall be taken in lieu of cost up to that date; Provided further, 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 thirty days thereafter; such reasonable allowance in all the above cases to be made under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary. In the case of leases the deductions allowed by this paragraph shall be equitably apportioned between the lessor and lessee;

(11) Contributions or gifts made within the taxable year to 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, or to the special fund for vocational rehabilitation authorized by section 7 of the Vocational Rehabilitation Act, to an amount not in excess of 15 per centum of the taxpayer's net income as computed without the benefit of this paragraph. Such contributions or gifts shall be allowable as deductions only if verified under rules and regulations prescribed by the Commissioner, with the approval of the Secretary. In the case of a nonresident alien individual this deduction shall be allowed only as to contributions or gifts made to domestic corporations, or to such vocational rehabilitation fund;

Contributions and gifts

(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

Claim in abatement:

Loss from shrinkage of inventory values

Loss from payment of rebate

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.

Security

Deduction of net loss

Redetermination of tax in case no claim has been filed

Nonresident aliens: deductions allowed only to extent connected with income from U. S.

(b) In the case of a nonresident alien individual the deductions allowed in paragraphs (1), (4), (7), (8), (9), (10), (12), and clause (e) of paragraph (3), of subdivision (a) shall be allowed only if and to the extent that they are connected with income arising from a source within the United States; and the proper apportionment and allocation of the deductions with respect to sources of in-

come within and without the United States shall be determined under rules and regulations prescribed by the Commissioner with the approval of the Secretary.

Items Not Deductible.

SEC. 215. That in computing net income no deduction shall in any case be allowed in respect of—

(a) Personal, living, or family expenses; Living expenses

(b) Any amount paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate; Capital investments

(c) Any amount expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made; or Cost of restoring property

(d) Premiums paid on any life insurance policy covering the life of any officer or employee, or of any person financially interested in any trade or business carried on by the taxpayer, when the taxpayer is directly or indirectly a beneficiary under such policy. Insurance carried for officers or employees

Credits Allowed.

SEC. 216. That for the purpose of the normal tax only there shall be allowed the following credits: Credits allowed for normal tax:

(a) The amount received as dividends from a corporation which is taxable under this title upon its net income, 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; Dividends

(b) The amount received as interest upon obligations of the United States and bonds issued by the War Finance Corporation, which is included in gross income under section 213; Interest on bonds of U. S. and War Finance Corporation

(c) In the case of a single person, a personal exemption of \$1,000, or in the case of the head of a family or a married person living with husband or Personal exemption

wife, a personal exemption of \$2,000. A husband and wife living together shall receive but one personal exemption of \$2,000 against their aggregate net income; and in case they make separate returns, the personal exemption of \$2,000 may be taken by either or divided between them;

Exemption for dependent

(d) \$200 for each person (other than husband or wife) dependent upon and receiving his chief support from the taxpayer, if such dependent person is under eighteen years of age or is incapable of self-support because mentally or physically defective.

Conditional exemption to non-resident aliens

(e) In the case of a nonresident alien individual who is a citizen or subject of a country which imposes an income tax, the credits allowed in subdivisions (c) and (d) shall be allowed only if such country allows a similar credit to citizens of the United States not residing in such country.

Nonresident Aliens—Allowance of Deductions and Credits.

Deductions and credits allowed only if returns are filed

SEC. 217. That a nonresident alien individual shall receive the benefit of the deductions and credits allowed in this title only by filing or causing to be filed with the collector a true and accurate return of his total income received from all sources corporate or otherwise in the United States, in the manner prescribed by this title, including therein all the information which the Commissioner may deem necessary for the calculation of such deductions and credits; Provided, That the benefit of the credits allowed in subdivisions (c) and (d) of section 216 may, in the discretion of the Commissioner, and except as otherwise provided in subdivision (e) of that section be received by filing a claim therefor with the withholding agent. In case of failure to file a return, the collector shall collect the tax on such income, and all property belonging to such

nonresident alien individual shall be liable to dis-
traint for the tax.

Partnerships and Personal Service Corporations.

SEC. 218. (a) That individuals carrying on busi-
ness in partnership shall be liable for income tax
only in their individual capacity. There shall be in-
cluded in computing the net income of each partner
his distributive share, whether distributed or not, of
the net income of the partnership for the taxable
year, or, if his net income for such taxable year is
computed upon the basis of a period different from
that upon the basis of which the net income of the
partnership is computed, then his distributive share
of the net income of the partnership for any ac-
counting period of the partnership ending within
the fiscal or calendar year upon the basis of which
the partner's net income is computed.

Members taxed as
individuals

Net income includes
earnings whether
distributed or not

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

Credits allowed
members

(b) If a fiscal year of a partnership ends during a
calendar year for which the rates of tax differ from
those for the preceding calendar year, then (1) the
rates for such preceding calendar year shall apply
to an amount of each partner's share of such part-
nership net income equal to the proportion which
the part of such fiscal year falling within such cal-
endar year bears to the full fiscal year, and (2) the
rates for the calendar year during which such fiscal
year ends shall apply to the remainder.

Partnership
fiscal year

(c) In the case of an individual member of a
partnership which makes return for a fiscal year
beginning in 1917 and ending in 1918, his propor-

Deduction of excess
profits tax paid under
Revenue Act of 1917

tionate share of any excess profits tax imposed upon the partnership under the Revenue Act of 1917 with respect to that part of such fiscal year falling in 1917, shall, for the purpose of determining the tax imposed by this title, be credited against that portion of the net income embraced in his personal return for the taxable year 1918 to which the rates for 1917 apply.

Net income of partnership

(d) The net income of the partnership shall be computed in the same manner and on the same basis as provided in section 212, except that the deduction provided in paragraph (11) of subdivision (a) of section 214 shall not be allowed.

Personal service corporations

(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.

Stockholders taxed as members of partnerships

Taxable on both distributed and undistributed earnings

Estates and Trusts.

Taxable income:

SEC. 219. (a) That the tax imposed by sections 210 and 211 shall apply to the income of estates or of any kind of property held in trust, including—

Received during administration

(1) Income received by estates of deceased persons during the period of administration or settlement of the estate;

(2) Income accumulated in trust for the benefit of unborn or unascertained persons or persons with contingent interests; accumulated in trust

(3) Income held for future distribution under the terms of the will or trust; and Held for future distribution

(4) Income which is to be distributed to the beneficiaries periodically, whether or not at regular intervals, and the income collected by a guardian of an infant to be held or distributed as the court may direct. Distributed periodically

(b) The fiduciary shall be responsible for making the return of income for the estate or trust for which he acts. The net income of the estate or trust shall be computed in the same manner and on the same basis as provided in section 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 in cases under paragraph (4) of subdivision (a) of this section the fiduciary shall include in the return a statement of each beneficiary's distributive share of such net income, whether or not distributed before the close of the taxable year for which the return is made. Fiduciary must make return

Deduction for public, charitable, religious, scientific or educational bequests

(c) In cases under paragraph (1), (2), or (3) of subdivision (a) the tax shall be imposed upon the net income of the estate or trust and shall be Fiduciary must pay tax, when

Credits

paid by the fiduciary, except that in determining the net income of the estate of any deceased person during the period of administration or settlement there may be deducted the amount of any income properly paid or credited to any legatee, heir or other beneficiary. In such cases the estate or trust shall, for the purpose of the normal tax, be allowed the same credits as are allowed to single persons under section 216.

Beneficiary must pay
the tax, when

(d) In cases under paragraph (4) of subdivision (a) and in the case of any income of an estate during the period of administration or settlement permitted by subdivision (c) to be deducted from the net income upon which tax is to be paid by the fiduciary, the tax shall not be paid by the fiduciary but there shall be included in computing the net income of each beneficiary his distributive share, whether distributed or not, of the net income of the estate or trust for the taxable year, or, if his net income for such taxable year is computed upon the basis of a period different from that upon the basis of which the net income of the estate or trust is computed, then his distributive share of the net income of the estate or trust for any accounting period of such estate or trust ending within the fiscal or calendar year upon the basis of which such beneficiary's net income is computed. In such cases the beneficiary shall, for the purpose of the normal tax, be allowed as credits in addition to the credits allowed to him under section 216, his proportionate share of such amounts specified in subdivisions (a) and (b) of section 216 as are received by the estate or trust.

Credits

Profits of Corporations Taxable to Stockholders.

Sec. 220. That if any corporation, however created or organized, is formed or availed of for the purpose of preventing the imposition of the surtax upon its stockholders or members through the medium of permitting its gains and profits to accumulate instead of being divided or 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. The fact that any corporation is a mere holding company, or that the gains and profits are permitted to accumulate beyond the reasonable needs of the business, shall be prima facie evidence of a purpose to escape the surtax; but the fact that the gains and profits are in any case permitted to accumulate and become surplus shall not be construed as evidence of a purpose to escape the tax in such case unless the Commissioner certifies that in his opinion such accumulation is unreasonable for the purposes of the business. When requested by the Commissioner, or any collector, every corporation shall forward to him a correct statement of such gains and profits and the names and addresses of the individuals or shareholders who would be entitled to the same if divided or distributed, and of the amounts that would be payable to each.

Use of corporate form to evade surtax

Stockholders taxed on both distributed and undistributed profits

Evidence of intent to evade the surtax

Information from corporation

Payment of Tax at Source.**Withholding at source**

Sec. 221. (a) That all individuals, corporations and partnerships, in whatever capacity acting, including lessees or mortgagors of real or personal property, fiduciaries, employers, and all officers and employees of the United States, having the control, receipt, custody, disposal, or payment, of interest, rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income, of any nonresident alien individual (other than income received as dividends from a corporation which is taxable under this title upon its net income) shall (except in the cases provided for in subdivision (b) and except as otherwise provided in regulations prescribed by the Commissioner under section 217) deduct and withhold from such annual or periodical gains, profits, and income a tax equal to 8 per centum thereof; Provided, That the Commissioner may authorize such tax to be deducted and withheld from the interest upon any securities the owners of which are not known to the withholding agent.

Applies to income of nonresident aliens except dividends

Interest on obligations whose owners are unknown

"Tax-free covenant" bond interest payable to an individual or partnership

Rate 2 per cent

(b) In any case where bonds, mortgages, or deeds of trust, or other similar obligations of a corporation contain a contract or provision by which the obligor agrees to pay any portion of the tax imposed by this title upon the obligee, or to reimburse the obligee for any portion of the tax, or to pay the interest without deduction for any tax which the obligor may be required or permitted to pay thereon or to retain therefrom under any law of the United States, the obligor shall deduct and withhold a tax equal to 2 per centum of the interest upon such bonds, mortgages, deeds of trust, or other obligations, whether such interest is payable annually or at shorter or longer periods and whether payable to a nonresident

alien individual or to an individual citizen or resident of the United States or to a partnership; Provided, That the Commissioner may authorize such tax to be deducted and withheld in the case of interest upon any such bonds, mortgages, deeds of trust or other obligations, the owners of which are not known to the withholding agent. Such deduction and withholding shall not be required in the case of a citizen or resident entitled to receive such interest, if he files with the withholding agent on or before February 1, a signed notice in writing claiming the benefit of the credits provided in subdivisions (c) and (d) of section 216; nor in the case of a non-resident alien individual if so provided for in regulations prescribed by the Commissioner under section 217.

Owners unknown

Claim for exemption from withholding

(c) Every individual, corporation, or partnership required to deduct and withhold any tax under this section shall make return thereof on or before March first of each year and shall on or before June fifteenth pay the tax to the official of the United States Government authorized to receive it. Every such individual, corporation, or partnership is hereby made liable for such tax and is hereby indemnified against the claims and demands of any individual, corporation, or partnership for the amount of any payments made in accordance with the provisions of this section.

Returns by withholding agents

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

Credit for tax withheld at source

(e) If any tax required under this section to be deducted and withheld is paid by the recipient of the income, it shall not be re-collected from the with-

Tax not to be re-collected from a withholding agent, where already paid

holding agent; nor in cases in which the tax is so paid shall any penalty be imposed upon or collected from the recipient of the income or the withholding agent for failure to return or pay the same, unless such failure was fraudulent and for the purpose of evading payment.

Credit for Taxes.

- Credit for foreign taxes allowed to:**
- Citizens**
- 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
- Residents**
- (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
- Resident aliens**
- (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
- Partners and beneficiaries of estates or trusts**
- (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.
- Redetermination of tax.**
- (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.

Bond for payment

(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.

Evidence required to obtain credit

Individual Returns.

SEC. 223. That every individual 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, shall make under oath a return stating specifically the items of his gross income and the deductions and credits allowed by this title. If a husband and wife living together have an aggregate net income of \$2,000 or over, each shall make such a return unless the income of each is included in a single joint return.

Single person

Married person

Joint return

If the taxpayer is unable to make his own return, the return shall be made by a duly authorized agent

Return by agent

or by the guardian or other person charged with the care of the person or property of each taxpayer.

Partnership Returns.

Partnerships must
make returns

SEC. 224. That every partnership shall make a return for each taxable year, stating specifically the items of its gross income and the deductions allowed by this title and shall include in the return the names and addresses of the individuals who would be entitled to share in the net income if distributed and the amount of the distributive share of each individual. The return shall be sworn to by any one of the partners.

Fiduciary Returns.

When fiduciary
return is required

SEC. 225. That every fiduciary (except receivers appointed by authority of law in possession of part only of the property of an individual) shall make under oath a return for the individual, estate or trust for which he acts (1) if the net income of such individual is \$1,000 or over if single or if married and not living with husband or wife, or \$2,000 or over if married and living with husband or wife, or (2) if the net income of such estate or trust is \$1,000 or over or if any beneficiary of such estate or trust is a nonresident alien, stating specifically the items of the gross income and the deductions and credits allowed by this title. Under such regulations as the Commissioner with the approval of the Secretary may prescribe, a return made by one of two or more joint fiduciaries and filed in the office of the collector of the district where such fiduciary resides shall be a sufficient compliance with the above requirement. The fiduciary shall make oath that he has sufficient knowledge of the affairs of such individual, estate or trust to enable him to make the return, and that the same is, to the best of his knowledge and belief, true and correct.

Joint fiduciaries

Fiduciaries required to make returns under this Act shall be subject to all the provisions of this Act which apply to individuals.

Returns when Accounting Period Changed.

SEC. 226. That if a taxpayer, with the approval of the Commissioner, changes the basis of computing net income from fiscal year to calendar year a separate return shall be made for the period between the close of the last fiscal year for which return was made and the following December 31. If the change is from calendar year to fiscal year, a separate return shall be made for the period between the close of the last calendar year for which return was made and the date designated as the close of the fiscal year. If the change is from one fiscal year to another fiscal year a separate return shall be made for the period between the close of the former fiscal year and the date designated as the close of the new fiscal year. If a taxpayer making his first return for income tax keeps his accounts on the basis of a fiscal year he shall make a separate return for the period between the beginning of the calendar year in which such fiscal year ends and the end of such fiscal year.

Change from fiscal
to calendar year

Change from calendar
to fiscal year

In all of the above cases the net income shall be computed on the basis of such period for which separate return is made, and the tax shall be paid thereon at the rate for the calendar year in which such period is included; and the credits provided in subdivisions (c) and (d) of section 216 shall be reduced respectively to amounts which bear the same ratio to the full credits provided in such subdivisions as the number of months in such period bears to twelve months.

Computation of net
income

Time and Place for Filing Returns.

**When returns must
be filed**

SEC. 227. (a) That returns shall be made on or before the fifteenth day of the third month following the close of the fiscal year, or, if the return is made on the basis of the calendar year, then the return shall be made on or before the fifteenth day of March. The Commissioner may grant a reasonable extension of time for filing returns whenever in his judgment good cause exists and shall keep a record of every such extension and the reason therefor. Except in the case of taxpayers who are abroad, no such extension shall be for more than six months.

**Extension of time
for filing**

**Where returns must
be filed**

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

Understatement in Returns.

Correction

SEC. 228. That if the collector or deputy collector has reason to believe that the amount of any income returned is understated, he shall give due notice to the taxpayer making the return to show cause why the amount of the return should not be increased, and upon proof of the amount understated, may increase the same accordingly. Such taxpayer may furnish sworn testimony to prove any relevant facts and if dissatisfied with the decision of the collector may appeal to the Commissioner for his decision, under such rules of procedure as may be prescribed by the Commissioner with the approval of the Secretary.

PART III.—CORPORATIONS.

Tax on Corporations.

SEC. 230. (a) That, in lieu of the taxes imposed by section 10 of the Revenue Act of 1916, as amended by the Revenue Act of 1917, and by section 4 of the Revenue Act of 1917, there shall be levied, collected, and paid for each taxable year upon the net income of every corporation a tax at the following rates:

(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.

*Section 1 of the Act approved March 21, 1918, contains the following provision respecting the division of taxes between the Government and the railways:

Every such agreement [between Government and carrier] shall provide that any Federal taxes under the Act of October third, nineteen hundred and seventeen, or Acts in addition thereto or in amendment thereof, commonly called war taxes, assessed for the period of Federal control beginning January first, nineteen hundred and eighteen, or any part of such period, shall be paid by the carrier out of his own funds, or shall be charged against or deducted from the just compensation; that other taxes assessed under Federal or any other governmental authority for the period of Federal control or any part thereof * * * shall be paid out of revenues derived from railway operations while under Federal control * * *.

Conditional and Other Exemptions.

- Exempt corporations:** SEC. 231. That the following organizations shall be exempt from taxation under this title—
- Labor organizations** (1) Labor, agricultural, or horticultural organizations;
- Mutual savings banks** (2) Mutual savings banks not having a capital stock represented by shares;
- Fraternal societies** (3) Fraternal beneficiary societies, orders, or associations, (a) operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and (b) providing for the payment of life, sick, accident or other benefits to the members of such society, order, or association or their dependents;
- Building and loan associations** (4) Domestic building and loan associations and cooperative banks without capital stock organized and operated for mutual purposes and without profit;
- Cemetery companies** (5) Cemetery companies owned and operated exclusively for the benefit of their members;
- Educational or charitable corporations** (6) 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;
- Chambers of commerce** (7) Business leagues, chambers of commerce, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private stockholder or individual;
- Civic leagues** (8) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare;
- Recreation clubs** (9) Clubs organized and operated exclusively for pleasure, recreation and other nonprofitable purposes, no part of the net earnings of which in-

ures to the benefit of any private stockholder or member;

(10) Farmers' or other mutual hail, cyclone or fire insurance companies, mutual ditch or irrigation companies, mutual or cooperative telephone companies or like organizations of a purely local character, the income of which consists solely of assessments, dues, and fees collected from members for the sole purpose of meeting expenses;

Local mutual
organizations

(11) Farmers', fruit growers', or like associations, organized and operated as sales agents for the purpose of marketing the products of members and turning back to them the proceeds of sales, less the necessary selling expenses, on the basis of the quantity of produce furnished by them;

Cooperative selling
agencies

(12) Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt from the tax imposed by this title;

Holding
corporations for
exempt
organizations

(13) Federal land banks and national farm-loan associations as provided in section 26 of the Act approved July 17, 1916, entitled "An Act to provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositories and financial agents for the United States, and for other purposes;"

Federal land banks
and national farm-
loan associations

(14) Personal service corporations.

Personal service
corporations

Net Income Defined.

SEC. 232. That in the case of a corporation subject to the tax imposed by section 230 the term "net income" means the gross income as defined in section 233 less the deductions allowed by section 234,

Basis of
computation

and the net income shall be computed on the same basis as is provided in subdivision (b) of section 212 or in section 226.

Gross Income Defined.

SEC. 233. (a) That in the case of a corporation subject to the tax imposed by section 230 the term "gross income" means the gross income as defined in section 213, except that:

See page 20

Life insurance
companies

(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.

Mutual marine
insurance companies

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

Foreign corporations,
gross income of

(b) In the case of a foreign corporation gross income includes only the gross income from sources within the United States, including interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, dividends from resident corporations, and including 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.

Deductions Allowed.

SEC. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions:

Business expenses

(1) All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including a reasonable

allowance for salaries or other compensation for personal services actually rendered, and including 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;

(2) All interest paid or accrued within the taxable year on its indebtedness, except on indebtedness incurred or continued to purchase or carry obligations or securities (other than obligations of the United States issued after September 24, 1917) the interest upon which is wholly exempt from taxation under this title as income to the taxpayer, or, in the case of a foreign corporation, the proportion of such interest which the amount of its gross income from sources within the United States bears to the amount of its gross income from all sources within and without the United States;

(3) Taxes paid or accrued within the taxable year imposed (a) by the authority of the United States, except income, war-profits and excess-profits taxes; or (b) by the authority of any of its possessions, except the amount of income, war-profits and excess-profits taxes allowed as a credit under section 238; or (c) by the authority of any State or Territory, or any county, school district, municipality, or other taxing subdivision of any State or Territory, not including those assessed against local benefits of a kind tending to increase the value of the property assessed; or (d) in the case of a domestic corporation, by the authority of any foreign country, except the amount of income, war-profits and excess-profits taxes allowed as a credit under section 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 bene-

Interest

Taxes paid or accrued
within taxable year

- fits of a kind tending to increase the value of the property assessed), upon the property or business; Provided, That in the case of obligors specified in subdivision (b) of section 221 no deduction for the payment of the tax imposed by this title or any other tax paid pursuant to the contract or provision referred to in that subdivision, shall be allowed;
- Debtor corporations not permitted to deduct tax assumed under "tax-free covenant" clauses**
- Losses** (4) Losses sustained during the taxable year and not compensated for by insurance or otherwise;
- Debts** (5) Debts ascertained to be worthless and charged off within the taxable year;
- Dividends from taxable corporations** (6) Amounts received as dividends from a corporation which is taxable under this title upon its net income, 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;
- Depreciation and obsolescence** (7) A reasonable allowance for the exhaustion, wear and tear of property used in the trade or business, including a reasonable allowance for obsolescence;
- Amortization of plant and equipment used for war work** (8) In the case of buildings, machinery, equipment, or other facilities, constructed, erected, installed, or acquired, on or after April 6, 1917, for the production of articles contributing to the prosecution of the present war, and in the case of vessels constructed or acquired on or after such date for the transportation of articles or men contributing to the prosecution of the present war, there shall be allowed a reasonable deduction for the amortization of such part of the cost of such facilities or vessels as has been borne by the taxpayer, but not again including any amount otherwise allowed under this title or previous acts of Congress as a deduction in computing net income. At any time within three years after the termination of the present war, the Commissioner may, and at the request of the tax-
- Review of amortization deduction by Commissioner**

payer shall, reexamine the return, and if he then finds as a result of an appraisal or from other evidence that the deduction originally allowed was incorrect, the taxes imposed by this title and by Title III for the year or years affected shall be redetermined; and the amount of tax due upon such redetermination, if any, shall be paid 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;

(9) In the case of mines, oil and gas wells, other natural deposits, and timber, a reasonable allowance for depletion and for depreciation of improvements, according to the peculiar conditions in each case, based upon cost including cost of development not otherwise deducted; Provided, That in the case of such properties acquired prior to March 1, 1913, the fair market value of the property (or the taxpayer's interest therein) on that date shall be taken in lieu of cost up to that date; Provided further, 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 thirty days thereafter; such reasonable allowance in all the above cases to be made under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary. In the case of leases the deductions allowed by this paragraph shall be equitably apportioned between the lessor and lessee;

Depletion of natural
resources

(10) In the case of insurance companies, in addition to the above: (a) the net addition required

Insurance companies

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;

Weekly premium
payment insurance
companies

(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;

Mutual marine
insurance companies

(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;

Other mutual
insurance companies

(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;

Claim in abatement
for:

(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 sub-

stantial 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.

Loss from shrinkage
of inventory values

Payment of rebates

Bond for payment
of tax

Deduction of loss

Redetermination
of tax where no
claim has been filed

Deductions allowed
foreign corporations

(b) In the case of a foreign corporation the deductions allowed in subdivision (a), except those allowed in paragraph (2) and in clauses (a), (b), and (c) of paragraph (3), shall be allowed only if and to the extent that they are connected with income arising from a source within the United States; and the proper apportionment and allocation of the deductions with respect to sources of income within and without the United States shall be determined under rules and regulations prescribed by the Commissioner with the approval of the Secretary.

Items Not Deductible.

Non-deductible items,
see page 29

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

Credits Allowed.

Credits

SEC. 236. That for the purpose only of the tax imposed by section 230 there shall be allowed the following credits:

Interest on obligations of U. S. and the
War Finance
Corporation

(a) The amount received as interest upon obligations of the United States and bonds issued by the War Finance Corporation, which is included in gross income under section 233;

War-profits and excess-
profits tax assessed
for same taxable year

(b) The amount of any taxes imposed by Title III for the same taxable year; Provided, That in the case of a corporation which makes return for a fiscal year beginning in 1917 and ending in 1918, 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
 (c) In the case of a domestic corporation, \$2,000.

Specific credit of
\$2,000

Payment of Tax at Source.

SEC. 237. That in the case of foreign corporations subject to taxation under this title not engaged in trade or business within the United States and not having any office or place of business therein, there shall be deducted and withheld at the source in the same manner and upon the same items of income as is provided in section 221 a tax equal to 10 per centum thereof, and such tax shall be returned and paid in the same manner and subject to the same conditions as provided in that section; Provided, That in the case of interest described in subdivision (b) of that section the deduction and withholding shall be at the rate of 2 per centum.

Withholding at
source, see page 36

Rate of withholding
10 per cent

Withholding on tax-
free covenant bond
interest, 2 per cent

Credit for Taxes.

SEC. 238. (a) That in the case of a domestic corporation the total taxes imposed for the taxable year by this title and by Title III shall be credited with 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.

Credit for taxes paid
foreign countries or
possessions of the
U. S.

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

Redetermination of
tax if credit differs
from amount actually
paid

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.

Security for payment

Evidence required to obtain credit

(b) This credit 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, as the case may be, and all other information necessary for the computation of such credit.

Credit where fiscal year includes parts of 1917 and 1918

(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.

Corporation Returns.

Returns required from taxable corporations and personal service corporations

SEC. 239. That every corporation subject to taxation under this title and every personal service corporation shall make a return, stating specifically the items of its gross income and the deductions and credits allowed by this title. The return shall be sworn to by the president, vice president, or other principal officer and by the treasurer or assistant treasurer. If any foreign corporation has no office

or place of business in the United States but has an agent in the United States, the return shall be made by the agent. In cases where receivers, trustees in bankruptcy, or assignees are operating the property or business of corporations, such receivers, trustees, or assignees shall make returns for such corporations in the same manner and form as corporations are required to make returns. Any tax due on the basis of such returns made by receivers, trustees, or assignees shall be collected in the same manner as if collected from the corporations of whose business or property they have custody and control.

Foreign corporations with agents in the United States

Receivers

Returns made under this section shall be subject to the provisions of sections 226 and 228.

See pages 41 and 42

When return is made under section 226 the credit provided in subdivision (c) of section 236 shall be reduced to an amount which bears the same ratio to the full credit therein provided as the number of months in the period for which such return is made bears to twelve months.

See page 52

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,

Affiliated corporations to make consolidated returns

Affiliated corporation which derives income from government contract

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.

Assessment of tax on affiliated corporations

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.

Only one specific exemption allowed

For sections 311 and 312 see pages 74 and 75

Corporations deemed to be affiliated

(1) Where one controls stock of other

(2) Where stock of both is owned by same interest

(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.

Credit for foreign taxes allowed domestic corporation which controls stock of foreign corporation

(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.

Time and Place for Filing Returns.

SEC. 241. (a) That returns of corporations shall be made at the same time as is provided in subdivision (a) of section 227. Returns, when filed, see page 42

(b) Returns shall be made to the collector of the district in which is located the principal place of business or principal office or agency of the corporation, or, if it has no principal place of business or principal office or agency in the United States, then to the collector at Baltimore, Maryland. Where filed

PART IV.—ADMINISTRATIVE PROVISIONS.

Payment of Taxes.

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 Installment tax payments

Dates of installments:

*For use of uncertified checks and U. S. certificates of indebtedness to pay taxes, see section 1314.

- Postponement of payment** 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 one-half 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.
- Interest charge on postponed installments**
- Non-payment of installments**
- Single payment, time of making** The tax may at the option of the taxpayer be paid in a single payment instead of in installments, in which case the total amount shall be paid on or before the time fixed by law for filing the return, or, where an extension of time for filing the return has been granted, on or before the expiration of the period of such extension.
- Examination of returns** (b) As soon as practicable after the return is filed, the Commissioner shall examine it. If it then appears that the correct amount of the tax is greater or less than that shown in the return, the installments shall be recomputed. If the amount already paid exceeds that which should have been paid on the basis of the installments as recomputed, the excess so paid shall be credited against the subsequent installments; and if the amount already paid exceeds the correct amount of the tax, the excess shall be credited or refunded to the taxpayer in accordance with the provisions of section 252.
- Credit or refund of excess payments**

If the amount already paid is less than that which should have been paid, the difference shall, to the extent not covered by any credits then due to the taxpayer under section 252, be paid upon notice and demand by the collector. In such case if the return is made in good faith and the understatement of the amount in the return is not due to any fault of the taxpayer, there shall be no penalty because of such understatement. If the understatement is due to negligence on the part of the taxpayer, but without intent to defraud, there shall be added as part of the tax 5 per centum of the total amount of the deficiency, plus interest at the rate of 1 per centum per month on the amount of the deficiency of each installment from the time the installment was due.

Understatements

No penalty for understated returns made in good faith

If the understatement is false or fraudulent with intent to evade the tax, then, in lieu of the penalty provided by section 3176 of the Revised Statutes, as amended, for false or fraudulent returns willfully made, but in addition to other penalties provided by law for false or fraudulent returns, there shall be added as part of the tax 50 per centum of the amount of the deficiency.

Fraudulent understatement

(c) If the return is made pursuant to section 3176 of the Revised Statutes as amended, the amount of tax determined to be due under such return shall be paid upon notice and demand by the collector.

See section 1317 of this Act

(d) Except in the case of false or fraudulent returns with intent to evade the tax, the amount of tax due under any return shall be determined and assessed by the Commissioner within five years after the return was due or was made, and no suit or proceeding for the collection of any tax shall be begun after the expiration of five years after the date when the return was due or was made. In the case of such false or fraudulent returns, the amount of

5-year limit on power of Commissioner to review return

tax due may be determined at any time after the return is filed, and the tax may be collected at any time after it becomes due.

Penalty for failure to
pay tax when due

(e) If any tax remains unpaid after the date when it is due, and for ten days after notice and demand by the collector, then, except in the case of estates of insane, deceased, or insolvent persons, there shall be added as part of the tax the sum of 5 per centum on the amount due but unpaid, plus interest at the rate of 1 per centum per month upon such amount from the time it became due; Provided, That as to any such amount which is the subject of a bona fide claim for abatement such sum of 5 per centum shall not be added and the interest from the time the amount was due until the claim is decided shall be at the rate of one-half of 1 per centum per month.

No penalty when
claim for abatement
is made

Notice of date tax
is due

In the case of the first installment provided for in subdivision (a) the instructions printed on the return shall be deemed 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.

(f) 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.

Evasion of tax

(g) If the Commissioner finds that a taxpayer designs quickly to depart from the United States or to remove his property therefrom, or to conceal himself or his property therein, or to do any other act tending to prejudice or to render wholly or partly ineffectual proceedings to collect the tax for the taxable year then last past or the taxable year then current unless such proceedings be brought without delay, the Commissioner shall declare the taxable period for such taxpayer terminated at the

end of the calendar month then last past and shall cause notice of such finding and declaration to be given the taxpayer, together with a demand for immediate payment of the tax for the taxable period so declared terminated and of the tax for the preceding taxable year or so much of said tax as is unpaid, whether or not the time otherwise allowed by law for filing return and paying the tax has expired; and such taxes shall thereupon become immediately due and payable. In any action or suit brought to enforce payment of taxes made due and payable by virtue of the provisions of this subdivision the finding of the Commissioner, made as herein provided, whether made after notice to the taxpayer or not, shall be for all purposes presumptive evidence of the taxpayer's design. A taxpayer who is not in default in making any return or paying income, war-profits, or excess-profits tax under any Act of Congress may furnish to the United States, under regulations to be prescribed by the Commissioner with the approval of the Secretary, security approved by the Commissioner that he will duly make the return next thereafter required to be filed and pay the tax next thereafter required to be paid. The Commissioner may approve and accept in like manner security for return and payment of taxes made due and payable by virtue of the provisions of this subdivision, provided the taxpayer has paid in full all other income, war-profits, or excess-profits taxes due from him under any Act of Congress. If security is approved and accepted pursuant to the provisions of this subdivision and such further or other security with respect to the tax or taxes covered thereby is given as the Commissioner shall from time to time find necessary and require, payment of such taxes shall not be enforced by any proceedings under the provisions of this subdivision

Demand for
immediate payment

Evidence of intent to
evade tax

Security for payment

prior to the expiration of the time otherwise allowed for paying such respective taxes.

Receipts for Taxes.

Receipts to be given
on request

SEC. 251. That every collector to whom any payment of any tax is made under the provisions of this title shall upon request give to the person making such payment a full written or printed receipt, stating the amount paid and the particular account for which such payment was made; and whenever any debtor pays taxes on account of payments made or to be made by him to separate creditors the collector shall, if requested by such debtor, give a separate receipt for the tax paid on account of each creditor in such form that the debtor can conveniently produce such receipts separately to his several creditors in satisfaction of their respective demands up to the amounts stated in the receipts; and such receipt shall be sufficient evidence in favor of such debtor to justify him in withholding from his next payment to his creditor the amount therein stated; but the creditor may, upon giving to his debtor a full written receipt acknowledging the payment to him of any sum actually paid and accepting the amount of tax paid as aforesaid (specifying the same) as a further satisfaction of the debt to that amount, require the surrender to him of such collector's receipt.

Refunds.

Overpayments
credited against
taxes due

SEC. 252. That if, upon examination of any return of income made pursuant to this Act, the Act of August 5, 1909, entitled "An Act to provide revenue, equalize duties, and encourage the industries of the United States, and for other purposes," the Act of October 3, 1913, entitled "An Act to reduce tariff duties and to provide revenue for the

Government, and for other purposes," the Revenue Act of 1916, as amended, or the Revenue Act of 1917, it appears that an amount of income, war-profits or excess-profits tax has been paid in excess of that properly due, then, notwithstanding the provisions of section 3228 of the Revised Statutes, the amount of the excess shall be credited against any income, war-profits or excess-profits taxes, or installment thereof, then due from the taxpayer under any other return, and any balance of such excess shall be immediately refunded to the taxpayer; Provided, That no such credit or refund shall be allowed or made after five years from the date when the return was due, unless before the expiration of such five years a claim therefor is filed by the taxpayer.

Balance refunded

No refunds after
5 years from date
of return

Penalties.

SEC. 253. That any individual, corporation, or partnership required under this title to pay or collect any tax, to make a return or to supply information, who fails to pay or collect such tax, to make such return, or to supply such information at the time or times required under this title, shall be liable to a penalty of not more than \$1,000. Any individual, corporation, or partnership, or any officer or employee of any corporation or member or employee of a partnership, who willfully refuses to pay or collect such tax, to make such return, or to supply such information at the time or times required under this title, or who willfully attempts in any manner to defeat or evade the tax imposed by this title, shall be guilty of a misdemeanor and shall be fined not more than \$10,000 or imprisoned for not more than one year, or both, together with the costs of prosecution.

Failure to make
return, pay tax, or
furnish information

Willful attempt to
defeat or evade the
tax

Returns of Payments of Dividends.

Corporations to report dividends paid, when required

SEC. 254. That every corporation subject to the tax imposed by this title and every personal service corporation shall, when required by the Commissioner, render a correct return duly verified under oath, of its payments of dividends, stating the name and address of each stockholder, the number of shares owned by him, and the amount of dividends paid to him.

Returns of Brokers.

Brokers to report customers' profits and losses, when required

SEC. 255. That every individual, corporation, or partnership doing business as a broker shall, when required by the Commissioner, render a correct return duly verified under oath, under such rules and regulations as the Commissioner, with the approval of the Secretary, may prescribe, 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.

Information at Source.

Payments of income of \$1,000 or over to be reported by payor

SEC. 256. That all individuals, corporations, and partnerships, in whatever capacity acting, including lessees or mortgagors of real or personal property, fiduciaries, and employers, making payment to another individual, corporation, or partnership, of interest, rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed, or determinable gains, profits, and income (other than payments described in sections 254 and 255), of \$1,000 or more in any taxable year, or, in the case of such payments made by the United

States, the officers or employees of the United States having information as to such payments and required to make returns in regard thereto by the regulations hereinafter provided for, shall render a true and accurate return to the Commissioner, under such regulations and in such form and manner and to such extent as may be prescribed by him with the approval of the Secretary, setting forth the amount of such gains, profits, and income, and the name and address of the recipient of such payment.

Such returns may be required, regardless of amounts, (1) in the case of payments of interest upon bonds, mortgages, deeds of trust, or other similar obligations of corporations, and (2) in the case of collections of items (not payable in the United States) of interest upon the bonds of foreign countries and interest upon the bonds of and dividends from foreign corporations by individuals, corporations, or partnerships, undertaking as a matter of business or for profit the collection of foreign payments of such interest or dividends by means of coupons, checks, or bills of exchange.

When necessary to make effective the provisions of this section the name and address of the recipient of income shall be furnished upon demand of the individual, corporation, or partnership paying the income.

The provisions of this section shall apply to the calendar year 1918 and each calendar year thereafter, but shall not apply to the payment of interest on obligations of the United States.

Returns to be Public Records.

SEC. 257. That returns upon which the tax has been determined by the Commissioner shall constitute public records; but they shall be open to inspection only upon order of the President and under

Returns of bond
interest payments

Returns of interest
and dividends of
foreign countries and
corporations

No return required
of interest on
U. S. obligations

Inspection of returns

State authorities to have access to corporation returns

Stockholders may examine return of corporation

Penalty for divulging information

Publication of names of persons making returns

rules and regulations prescribed by the Secretary and approved by the President; Provided, 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, or to an abstract thereof showing the name and income of the corporation, at such times and in such manner as the Secretary may prescribe; 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.

The Commissioner shall as soon as practicable in each year cause to be prepared and made available to public inspection 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 containing the names and the post-office addresses of all individuals making income-tax returns in such district.

Publication of Statistics.

Publication of statistics

SEC. 258. That the Commissioner, with the approval of the Secretary, shall prepare and publish annually statistics reasonably available with respect to the operation of the income, war-profits and excess-profits tax laws, including classifications of tax-

payers and of income, the amounts allowed as deductions, exemptions, and credits, and any other facts deemed pertinent and valuable.

Collection of Foreign Items.

SEC. 259. That all individuals, corporations, or partnerships undertaking as a matter of business or for profit the collection of foreign payments of interest or dividends by means of coupons, checks, or bills of exchange shall obtain a license from the Commissioner and shall be subject to such regulations enabling the Government to obtain the information required under this title as the Commissioner, with the approval of the Secretary, shall prescribe; and whoever knowingly undertakes to collect such payments without having obtained a license therefor, or without complying with such regulations, shall be guilty of a misdemeanor and shall be fined not more than \$5,000, or imprisoned for not more than one year, or both.

License required for collection of foreign items

Penalty for collection by unlicensed agency

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.

Citizens of possessions of U. S. taxed only on income from the U. S.

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.

Income tax in Porto Rico and Philippine Islands

Returns by:**Individuals****Corporations****Nonresident aliens****Foreign corporations**

See pages 29, 48

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.

TITLE III.

War-Profits and Excess-Profits Tax

PART I.—GENERAL DEFINITIONS.

SEC. 300. That when used in this title the terms "taxable year," "fiscal year," "personal service corporation," "paid or accrued," and "dividends" shall have the same meaning as provided for the purposes of income tax in sections 200 and 201. The first taxable year for the purposes of this title shall be the same as the first taxable year for the purposes of the income tax under Title II.

Definitions

See pages 8, 9

PART II.—IMPOSITION OF TAX.

Tax Rates for 1918

SEC. 301. (a) That in lieu of the tax imposed by Title II of the Revenue Act of 1917, but in addition to the other taxes imposed by this Act, there shall be levied, collected, and paid for the taxable year 1918 upon the net income of every corporation* a tax equal to the sum of the following:

Tax applies only to corporations

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;

First bracket,
30 per cent

*For corporations which are exempt (including personal service corporations), see pages 44-45.

SECOND BRACKET

Second bracket,
65 per cent

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

THIRD BRACKET

Third bracket,
80 per cent

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.

Tax Rates for Subsequent Years.

Tax rates for 1919
and subsequent years

(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

First bracket,
20 per cent

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

Second bracket,
40 per cent

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

Tax on income from
government contracts

(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:

Application of 1918
rates

(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.

Application of Excess-Profits Credit.

(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.

Deduction from
second bracket

Carriers under Government Control.

(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.*

Tax to be paid by
carrier, and not by
government

*See footnote, page 48.

Limitations and Exemptions.

Maximum ratio of
tax to income

SEC. 302. That 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.

Where part of income
is from business re-
quiring invested
capital and part from
"personal service"

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

Tax on income from
invested capital

Tax on income from
"personal service"

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.

SEC. 304. (a) That the corporations enumerated in section 231 shall, to the extent that they are exempt from income tax under Title II, be exempt from taxation under this title.

Corporations exempt
see pages 44-45

(b) Any corporation whose net income for the taxable year is less than \$3,000 shall be exempt from taxation under this title.

(d) [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.

Income from gold
mining

SEC. 305. That if a tax is computed under this title for a period of less than twelve months, the specific exemption of \$3,000, wherever referred to in this title, shall be reduced to an amount which is the same proportion of \$3,000 as the number of months in the period is of twelve months.

Exemption when tax
period is less than
12 months

PART III.—CREDITS.

SEC. 310. That as used in this title the term "prewar period" means the calendar years 1911, 1912, and 1913, or, if a corporation was not in existence during the whole of such period, then as many of such years during the whole of which the corporation was in existence.

Prewar period
defined

War-profits credit

SEC. 311. (a) That the war-profits credit shall consist of the sum of:

(1) \$3,000

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

(2) Average prewar income as adjusted

(2) An amount equal to the average net income of the corporation for the prewar period, plus or minus, as the case may be, 10 per centum of the difference between the average invested capital for the prewar period and the invested capital for the taxable year. If the tax is computed for a period of less than twelve months such amount shall be reduced to the same proportion thereof as the number of months in the period is of twelve months.

(b) If the corporation had no net income for the prewar period, or if the amount computed under paragraph (2) of subdivision (a) is less than 10 per centum of its invested capital for the taxable year, then the war-profits credit shall be the sum of:

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

(2) An amount equal to 10 per centum of the invested capital for the taxable year.

(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.

Determination of average percentage of earnings

See page 57

(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.

Application of minimum credit

See page 46

(e) A foreign corporation shall not be entitled to a specific exemption of \$3,000.

Foreign corporations

SEC. 312. That the excess-profits credit shall consist of a specific exemption of \$3,000 plus an amount equal to 8 per centum of the invested capital for the taxable year.

Excess-profits credit

A foreign corporation shall not be entitled to the specific exemption of \$3,000.

PART IV.—NET INCOME.

How to determine
net income

SEC. 320. (a) That for the purpose of this title the net income of a corporation shall be ascertained and returned—

For 1911 and 1912

(1) For the calendar years 1911 and 1912 upon the same basis and in the same manner as provided in section 38 of the Act entitled “An Act to provide revenue, equalize duties, and encourage the industries of the United States, and for other purposes,” approved August 5, 1909, except that taxes imposed by such section and paid by the corporation within the year shall be included;

For 1913

(2) For the calendar year 1913 upon the same basis and in the same manner as provided in Section II of the Act entitled “An Act to reduce tariff duties and to provide revenue for the Government, and for other purposes,” approved October 3, 1913, except that taxes imposed by section 38 of such Act of August 5, 1909, and paid by the corporation within the year shall be included, and except that the amounts received by it as dividends upon the stock or from the net earnings of other corporations subject to the tax imposed by Section II of such Act of October 3, 1913, shall be deducted; and

For taxable year
See pages 45-46

(3) For the taxable year upon the same basis and in the same manner as provided for income tax purposes in Title II of this Act.

How to determine
average prewar
net income

(b) The average net income for the prewar period shall be determined by dividing the number of years within that period during the whole of which the corporation was in existence into the sum of the net income for such years, even though there may have been no net income for one or more of such years.

PART V.—INVESTED CAPITAL.

SEC. 325. (a) That as used in this title—

The term “intangible property” means patents, copyrights, secret processes and formulæ, good will, trade-marks, trade-brands, franchises, and other like property;

Definitions
Intangible
property

The term “tangible property” means stocks, bonds, notes, and other evidences of indebtedness, bills and accounts receivable, leaseholds, and other property other than intangible property;

Tangible
property

The term “borrowed capital” means money or other property borrowed, whether represented by bonds, notes, open accounts, or otherwise;

Borrowed
capital

The term “inadmissible assets” means stocks, bonds, and other obligations (other than obligations of the United States), the dividends or interest from which is not included in computing net income, but where the income derived from such assets consists in part of gain or profit derived from the sale or other disposition thereof, or 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 interest under paragraph (2) of subdivision (a) of section 234, a corresponding part of the capital invested in such assets shall not be deemed to be inadmissible assets; the term “admissible assets” means all assets other than inadmissible assets, valued in accordance with the provisions of subdivision (a) of section 326, section 330, and section 331.

Inadmissible
assets

Admissible
assets

(b) For the purposes of this title, the par value of stock or shares shall, in the case of stock or shares issued at a nominal value or having no par value, be deemed to be the fair market value as of the date or dates of issue of such stock or shares.

Valuation of
non-par stock

Invested capital
includes:

SEC. 326. (a) That as used in this title the term "invested capital" for any year means (except as provided in subdivisions (b) and (c) of this section):

Cash

(1) Actual cash bona fide paid in for stock or shares;

Cash value of
tangible property
paid for in stock

(2) Actual cash value of tangible property, other than cash, bona fide paid in for stock or shares, at the time of such payment, but in no case to exceed the par value of the original stock or shares specifically issued 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;

See page 65

Surplus and undivided
profits

(3) Paid-in or earned surplus and undivided profits; not including surplus and undivided profits earned during the year;

Intangible property
acquired before
March 3, 1917

(4) Intangible property bona fide paid in for stock or shares prior to March 3, 1917, in an amount not exceeding (a) the actual cash value of such property at the time paid in, (b) the par value of

the stock or shares issued therefor, or (c) in the aggregate 25 per centum of the par value of the total stock or shares of the corporation outstanding on March 3, 1917, whichever is lowest;

(5) Intangible property bona fide paid in for stock or shares on or after March 3, 1917, in an amount not exceeding (a) the actual cash value of such property at the time paid in, (b) the par value of the stock or shares issued therefor, or (c) 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, whichever is lowest; 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; but

Intangible property
acquired after
March 3, 1917

(b) As used in this title the term "invested capital" does not include borrowed capital.

Borrowed capital
not included

(c) There shall be deducted from invested capital as above defined 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.

Deduction for in-
admissible assets

(d) The invested capital for any period shall be the average invested capital for such period, but in the case of a corporation making a return for a fractional part of a year, it shall (except for the purpose of paragraph (2) of subdivision (a) of section 311) be the same fractional part of such average invested capital.

Average invested
capital

The average invested capital for the prewar period shall be determined by dividing the number of years within that period during the whole of which the corporation was in existence into the sum of the average invested capital for such years.

Average prewar
invested capital

Exceptional cases

SEC. 327. 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 profits 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

See page 46

In above cases tax rate to equal average rate on representative concerns

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 the Commissioner shall compare the taxpayer only with representative corporations whose invested capital can be satisfactorily determined under section 326 and which are, as nearly as may be, similarly circumstanced with respect to gross income, net income, profits per unit of business transacted and capital employed, the amount and rate of war-profits or excess-profits, and all other relevant facts and circumstances.

(b) For the purposes of subdivision (a) the ratios between the average tax and the average net income of representative corporations shall be determined by the Commissioner in accordance with regulations prescribed by him with the approval of the Secretary.

Determination of
average tax rate

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

Adjustment of in-
stallment payments

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 one-half of 1 per centum per month on such excess from the time the installment was due.

Record of exceptional cases

(c) The Commissioner shall keep a record of all cases in which the tax is determined in the manner prescribed in subdivision (a), 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, and the amount of invested capital as determined under such subdivision. 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.

See page 65

PART VI.—REORGANIZATIONS.

Reorganizations and consolidations after January 1, 1911

SEC. 330. That in the case of the reorganization, consolidation, or change of ownership after January 1, 1911, of a trade or business now carried on by a corporation, the corporation shall for the purposes of this title be deemed to have been in existence prior to that date, and the net income and invested capital of such predecessor trade or business for all or any part of the prewar period prior to the organization of the corporation now carrying on such trade or business shall be deemed to have been the net income and invested capital of such corporation. If such predecessor trade or business was carried on by a partnership or individual the net income for the prewar period shall, under regu-

Prewar income and invested capital

Where predecessor was a partnership or individual

lations 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 tax-

Option of partnership or individual to be taxed as corporation

See page 16

Limitation

Capital stock tax
See page 154

*This subdivision imposed a tax of 50 cents on each \$1,000 of the fair value of the capital stock in excess of \$99,000.

payer had been a corporation on and after January 1, 1918, with a capital stock having no par value.

Readjustment of
value of assets

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.

Reorganizations and
consolidations after
March 3, 1917

Where control
remains with same
persons, no increase
in value of assets
permitted.

SEC. 331. In the case of the reorganization, consolidation, or change of ownership of a trade or business, or change of ownership of property, after March 3, 1917, if an interest or control in such trade or business or property of 50 per centum or more remains in the same persons, or any of them, then no asset transferred or received from the previous owner shall, for the purpose of determining invested capital, be allowed a greater value than would have been allowed under this title in computing the invested capital of such previous owner if such asset had not been so transferred or received; 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.

Where previous owner
was not a corporation,
value of transferred
assets is cost of
acquisition

PART VII.—MISCELLANEOUS.

SEC. 335. (a) That if a corporation (other than a personal service corporation) makes return for a fiscal year beginning in 1917 and ending in 1918, the tax for the first taxable year under this title shall be the sum of: (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.

How to compute tax for fiscal year beginning in 1917 and ending in 1918

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.

Credit for tax paid under Revenue Act of 1917

See page 62

(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.

Tax for fiscal year beginning in 1918 and ending in 1919

*This title imposed a war excess-profits tax at rates of 20%, 25%, 35%, 45%, and 60%.

Tax on partnerships and personal service corporations limited to calendar year 1917

(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.

Returns and payment of tax

SEC. 336. That every corporation, not exempt under section 304, shall make a return for the purposes of this title. Such returns shall be made, and the taxes imposed by this title shall be paid, at the same times and places, in the same manner,† and subject to the same conditions, as is provided in the case of returns and payment of income tax by corporations for the purposes of Title II, and all the provisions of that title not inapplicable, including penalties, are hereby made applicable to the taxes imposed by this title.

See pages 42, 57, 62

Limit on tax on profits resulting from prospecting

SEC. 337. 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 tax imposed by this title attributable to such sale shall not exceed 20 per centum of the selling price of such property or interest.

*This title imposed a war excess-profits tax at rates of 20%, 25%, 35%, 45%, and 60%.

†For use of uncertified checks and U. S. certificates of indebtedness to pay taxes, see section 1314.

TITLE IV.

Estate Tax

SEC. 400. That when used in this title—

Definitions

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

Executor

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.

Collector

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 nonresident of the United States:

Tax on transfer of net estate

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

Tax rates

Tax rates
continued

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.

Exemption of estates of persons dying in military or naval service during present war

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—

Value of gross estate includes:

(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;

Property in charge of executor

(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;

Interest of surviving spouse

(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

Transfers in contemplation of death

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;

Interests held jointly or in entirety

(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;

Property passing by will or deed

(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

Insurance

(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.

Net estate of resident

SEC. 403. That for the purpose of the tax the value of the net estate shall be determined—

Deductions:

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

Expenses and losses

(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;

Property on which
Federal estate tax
has been paid within
five years

(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

Bequests for public,
charitable and
educational purposes

estates of all decedents who have died since December 31, 1917; and

Exemption (4) An exemption of \$50,000;
Net estate of non-resident (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—

Deductions:
Proportion of expenses and losses (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;

Property on which Federal estate tax has been paid within five years (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

Bequests for public, charitable or educational purposes (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.

Return must be filed to obtain deductions

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.

Property within U. S. construed

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.

Redetermination of tax

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

Executor's notice

- Return** 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.
- Where return must be made** 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.
- Assessment**
- Return by collector** 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.
- When tax is due** 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.

Payment

Refund of over-payments

Underpayments

Receipts

Default in payment
of tax

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.

Reimbursement where
tax is paid by other
than executor

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

Tax to be paid before
distribution

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. Tax lien for 10 years

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 Transfers or trusts made in contemplation of death

Insurance

Transferee liable

bona fide purchaser for a fair consideration in money or money's worth.

Penalty for false statements

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.

Penalty for failure to file notice or return, or to furnish information

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.

TITLE V.

Tax on Transportation and Other Facilities, and on Insurance

Transportation and Other Facilities.

SEC. 500. That from and after April 1, 1919, there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 500 of the Revenue Act of 1917—

(a) A tax equivalent to 3 per centum of the amount paid for the transportation on or after such date, by rail or water or by any form of mechanical motor power when in competition with carriers by rail or water, of property by freight transported from one point in the United States to another; and a like tax on the amount paid for such transportation within the United States of property transported from a point without the United States to a point within the United States;

(b) A tax of 1 cent for each 20 cents or fraction thereof of the amount paid to any person for the transportation on or after such date, by rail or water or by any form of mechanical motor power when in competition with express by rail or water, of any package, parcel, or shipment, by express, transported from one point in the United States to another; and a like tax on the amount paid for such transportation within the United States of property transported from a point without the United States to a point within the United States;

(c) A tax equivalent to 8 per centum of the amount paid for the transportation on or after

Tax on transportation
Date effective

Tax on freight,
3 per cent

Tax on express,
1c for each 20c
charged

Tax on passenger
service, 8 per cent

- such date of persons by rail or water, or by any form of mechanical motor power on a regular established line when in competition with carriers by rail or water, from one point in the United States to another or to any point in Canada or Mexico, where the ticket or order therefor is sold or issued in the United States, not including the amount paid for commutation or season tickets for trips less than thirty miles, or for transportation the fare for which does not exceed 42 cents; 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;
- Exceptions**
- Limitation of tax on carriers by water competing with foreign lines**
- (d) A tax equivalent to 8 per centum of the amount paid for seats, berths, and staterooms in parlor cars, sleeping cars, or on vessels, used on or after such date in connection with transportation upon which tax is imposed by subdivision (c);
- Tax on Pullman accommodations, 8 per cent**
- (e) A tax equivalent to 8 per centum of the amount paid for the transportation on or after such date of oil by pipe line;
- Tax on pipe line transportation, 8 per cent**
- (f) In the case of each telegraph, telephone, cable, or radio, dispatch, message, or conversation, which originates on or after such date within the United States, and for the transmission of which the charge is more than 14 cents and not more than 50 cents, a tax of 5 cents; and if the charge is more than 50 cents, a tax of 10 cents; Provided, That only one payment of such tax shall be required, notwithstanding the lines or stations of one or more
- Tax on telegraph, telephone, cable and radio aervice**

persons are used for the transmission of such dispatch, message, or conversation; and

(g) A tax equivalent to 10 per centum of the amount paid after such date to any telegraph or telephone company for any leased wire or talking circuit special service furnished after such date. This subdivision shall not apply to the amount paid for so much of such service as is utilized (1) in the collection and dissemination of news through the public press, or (2) in the conduct, by a common carrier or telegraph or telephone company, of its business as such.

Tax on leased wires,
10 per cent.

Exceptions:

(1) News wires

(2) Carrier's own
business

(h) No tax shall be imposed under this section upon any payment received for services rendered to the United States or to any State or Territory or the District of Columbia. The right to exemption under this subdivision shall be evidenced in such manner as the Commissioner, with the approval of the Secretary, may by regulation prescribe.

No tax on services
to Federal or state
governments

SEC. 501. (a) That the taxes imposed by section 500 shall be paid by the person paying for the services or facilities rendered.

Tax to be paid by
persons served

(b) If a mileage book used for transportation or accommodation was purchased before November 1, 1917, or if cash fare is paid, the tax imposed by section 500 shall be collected from the person presenting the mileage book, or paying the cash fare, by the conductor or other agent, when presented for such transportation or accommodation, and the amount so collected shall be paid to the United States in such manner and at such times as the Commissioner, with the approval of the Secretary, may prescribe; if a ticket (other than a mileage book) was bought and partially used before November 1, 1917, it shall not be taxed, but if bought but not so used before section 500 takes effect, it shall not be valid for passage until the tax has been paid and

Transportation
purchased prior to
November 1, 1917

Cash fare

such payment evidenced on the ticket in such manner as the Commissioner, with the approval of the Secretary, may by regulation prescribe.

Taxes apply to specified services, whether or not agent is a common carrier

Tax where carrier receives less than usual charge

No tax on transportation of company material

All pipe line transportation of oil taxed

(c) The taxes imposed by section 500 shall apply to all services of facilities specified in such section when rendered for hire, whether or not the agency rendering them is a common carrier. In case a carrier (other than a pipe line) principally engaged in rendering transportation services or facilities for hire does not, because of its ownership of the goods transported, or for any other reason, receive the amount which as a carrier it would otherwise charge, such carrier shall pay a tax equivalent to the tax which would be imposed upon the transportation of such goods if the carrier received payment for such transportation, such tax, if it can not be computed from actual rates or tariffs of the carrier, to be computed on the basis of the rates or tariffs of other carriers for like services as determined by the Commissioner. In the case of any carrier (other than a pipe line) the principal business of which is to transport goods belonging to it on its own account and which only incidentally renders services for hire, the tax shall apply to such services or facilities only as are actually rendered by it for hire. Nothing in this or the preceding section shall be construed as imposing a tax (1) upon the transportation of any commodity which is necessary for the use of the carrier in the conduct of its business as such and is intended to be so used or has been so used; or (2) upon the transportation of company material transported by one carrier, which constitutes a part of a railroad system, for another carrier which is also a part of the same system.

(d) The tax imposed by subdivision (e) of section 500 shall apply to all transportation of oil by pipe line. In case no charge for transportation is

made, by reason of ownership of the commodity transported, or for any other reason, the person transporting by pipe line shall pay a tax equivalent to the tax which would be imposed if such person received payment for such transportation, and if the tax can not be computed from actual bona fide rates or tariffs, it shall be computed (1) on the basis of the rates or tariffs of other pipe lines for like services, as determined by the Commissioner, or (2) if no such rates or tariffs exist, on the basis of a reasonable charge for such transportation, as determined by the Commissioner.

SEC. 502. That each person receiving any payments referred to in section 500 shall collect the amount of the tax, if any, imposed by such section from the person making such payments, and shall make monthly returns under oath, in duplicate, and pay the taxes so collected and the taxes imposed upon it under subdivision (c) or (d) of section 501 to the collector of the district in which the principal office or place of business is located.

Returns and payment
of tax collected

No carrier collecting the taxes imposed by subdivision (a) or (b) of section 500 shall be required to list the amount of such tax separately in any bill of lading, freight or express receipt, or other similar document, if the total amount of the transportation charge and the tax is stated therein.

Separate listing in
bill of lading not
required

Any person making a refund of any payment upon which tax is collected under this section may repay therewith the amount of the tax collected on such payment; and the amount so repaid may be credited against amounts included in any subsequent monthly return.

Refunds of tax
collected

The returns required under this section shall contain such information, and be made at such times and in such manner, as the Commissioner, with the

Returns, when and
how made

approval of the Secretary, may by regulation prescribe.

Payment of tax
to collector

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.

Penalty

Insurance.

Tax on insurance
policies
Date effective

SEC. 503. That from and after April 1, 1919, there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 504 of the Revenue Act of 1917, the following taxes on the issuance of insurance policies, including, in the case of policies issued outside the United States (except those taxable under subdivision 15 of Schedule A of Title XI), their delivery within the United States by any agent or broker, whether acting for the insurer or the insured; such taxes to be paid by the insurer, or by such agent or broker:

Life insurance

(a) Life insurance: A tax equivalent to 8 cents on each \$100 or fractional part thereof of the amount for which any life is insured under any policy of insurance, or other instrument, by whatever name the same is called; Provided, That on all policies for life insurance only 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; Provided further, That on policies of group life insurance, covering groups of not less than 25 lives in the employ of the same person, for

Industrial insurance

Group life insurance

the benefit of persons other than the employer, the tax shall be 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 the insurance under such policy; 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;

Combined life, health
and accident
insurance

(b) Marine, inland, and fire insurance: A tax equivalent to 1 cent on each dollar or fractional part thereof of the premium charged under each policy of insurance or other instrument by whatever name the same is called whereby insurance is made or renewed upon property of any description (including rents or profits), whether against peril by sea or inland waters, or by fire or lightning, or other peril;

Marine, inland and
fire insurance

(c) Casualty insurance: A tax equivalent to 1 cent on each dollar or fractional part thereof of the premium charged under each policy of insurance or obligation of the nature of indemnity for loss, damage, or liability (except bonds and policies taxable under subdivision 2 of schedule A of Title XI) issued or executed or renewed by any person transacting the business of employer's liability, workmen's compensation, accident, health, tornado, plate glass, steam boiler, elevator, burglary, automatic sprinkler, automobile, or other branch of insurance (except life insurance, and insurance described and taxed in the preceding subdivision); Provided, That in case of policies of insurance issued on the industrial or weekly or monthly payment plan the tax shall be 40 per centum of the amount of the

Casualty insurance

Casualty policies
on industrial plan

first weekly premium or 20 per centum of the amount of the first monthly premium, as the case may be;

Exempt policies
See page 44

(d) Policies issued by any corporation enumerated in section 231, and policies of reinsurance, shall be exempt from the taxes imposed by this section.

Returns

SEC. 504. That every person issuing policies of insurance upon the issuance of which a tax is imposed by section 503 shall make monthly returns under oath, in duplicate, and pay such tax to the collector of the district in which the principal office or place of business of such person is located. Such returns shall contain such information and be made at such times and in such manner as the Commissioner, with the approval of the Secretary, may by regulation prescribe.

Payment

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.

Penalty

TITLE VI.

Tax on Beverages

SEC. 600. (a) That there shall be levied and collected on all distilled spirits now in bond or that have been or that may be hereafter produced in or imported into the United States, except such distilled spirits as are subject to the tax provided in section 604, in lieu of the internal-revenue taxes now imposed thereon by law, a tax of \$2.20 (or, if withdrawn for beverage purposes or for use in the manufacture or production of any article used or intended for use as a beverage, a tax of \$6.40) on each proof gallon, or wine gallon when below proof, and a proportionate tax at a like rate on all fractional parts of such proof or wine gallon, to be paid by the distiller or importer when withdrawn, and collected under the provisions of existing law.

Distilled spirits

Rate of tax

(b) That the tax imposed by subdivision (a) on distilled spirits intended for beverage purposes shall not be due or 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, cannot be lawfully sold or removed from any such warehouse during the period of prohibition fixed by such Act or proclamation; 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 cancelled and discharged, pro-

Spirits held in bond
as result of prohibition

vided 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 keep or 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 warehouse, contrary to law, any such spirits during the period of such prohibition; and the bond herein prescribed shall be in such further sum and shall contain such further conditions as the Commissioner, with the approval of the Secretary, may by regulations require. The distiller may, subject to the provisions of this section, 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; Provided, That 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 remain 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; and all provisions of existing law relating to such bonded warehouses, or the storage of spirits therein, or to the execution of new or additional bonds, so far as applicable, shall continue in force as to all distilled spirits rebonded under the provisions of this section.

Allowance for leakage
while in bonded
warehouse

Upon the withdrawal of distilled spirits from bonded warehouse, after the period of prohibition has ended, and under the conditions imposed by section 50 of an Act entitled "An Act to reduce taxation, to provide revenue for the support of the Government, and for other purposes," approved

August 28, 1894, an allowance for loss by leakage or other unavoidable cause, not exceeding one proof gallon as to packages of a capacity of not less than 40 wine gallons, may be made in addition to that provided in said section 50, as amended; and a like additional allowance of one proof gallon as to each package withdrawn may be made for each period of four months, or 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 that section.

Under regulations prescribed by the Secretary, any imported distilled spirits, wines or other 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.

Imported spirits,
wines and liquors may
remain in bond

(c) In lieu of the internal-revenue tax now imposed thereon by law there shall be levied and collected upon all perfumes hereafter imported into the United States containing distilled spirits, a tax of \$1.10 per wine gallon, and a proportionate tax at a like rate on all fractional parts of such wine gallon. Such tax shall be collected by the collector of customs and deposited as internal-revenue collections, under such rules and regulations as the Commissioner, with the approval of the Secretary, may prescribe.

Imported perfumes,
containing distilled
spirits

Importation of spirits prohibited

SEC. 601. That no distilled spirits produced after October 3, 1917, shall be imported into the United States from any foreign country, or from the Virgin Islands (unless produced from products the growth of such islands, and not then into any State or Territory or District of the United States in which the manufacture or sale of intoxicating liquor is prohibited), or from Porto Rico, or the Philippine Islands. Under such rules, regulations, and bonds as the Secretary may prescribe, the provisions of this section shall not apply to distilled spirits imported for other than (1) beverage purposes or (2) use in the manufacture or production of any article used or intended for use as a beverage.

Exceptions

Transfer of spirits to warehouse

SEC. 602. That at registered distilleries producing alcohol, or other high-proof spirits, packages may be filled with such spirits reduced to not less than one hundred proof from the receiving cisterns and tax paid without being entered into bonded warehouse. Such spirits may be also transferred from the receiving cisterns at such distilleries, by means of pipe lines, direct to storage tanks in the bonded warehouse and may be warehoused in such storage tanks. Such spirits may be also transferred in tanks or tank cars to general bonded warehouses for storage therein, either in storage tanks in such warehouses or in the tanks in which they were transferred. Such spirits may also be transferred from receiving cisterns or warehouse storage tanks to barrels, drums, tanks, tank cars, or other approved containers, and may be transported in such containers for exportation or other lawful purposes. The Commissioner, with the approval of the Secretary, is hereby empowered to prescribe all necessary regulations relating to the drawing off, transferring, gauging, storing, and transporting of such

Regulations governing transfer

spirits; the records to be kept and returns to be made; the size and kind of packages and tanks to be used; the marking, branding, numbering, and stamping of such packages and tanks; the kinds of stamps, if any, to be used; and the time and manner of paying the tax; the kind of bond and the penal sum of same. The tax prescribed by law must be paid before such spirits are removed from the distillery premises, or from general bonded warehouse in the case of spirits transferred thereto, except as otherwise provided by law.

Under such regulations as the Commissioner, with the approval of the Secretary, may prescribe, distilled spirits may hereafter be drawn from receiving cisterns and deposited in distillery warehouses without having affixed to the packages containing the same, distillery warehouse stamps, and such packages, when so deposited in warehouse, may be withdrawn therefrom on the original gauge where the same have remained in such warehouse for a period not exceeding thirty days from the date of deposit.

Under such regulations as the Commissioner, with the approval of the Secretary, may prescribe, the manufacture, warehousing, withdrawal, and shipment, under the provisions of existing law, of ethyl alcohol for other than (1) beverage purposes or (2) use in the manufacture or production of any article used or intended for use as a beverage, and denatured alcohol, may be exempted from the provisions of section 3283 of the Revised Statutes.

The Commissioner, with the approval of the Secretary, may by regulations exempt distillers of ethyl alcohol, for use in the production of munitions of war, or for other non-beverage purposes, from so much of the provisions of sections 3264, 3285, or 3309 of the Revised Statutes, and Acts amenda-

Ethyl alcohol used
for non-beverage
purposes

Denatured alcohol

Regulations for
manufacture of ethyl
alcohol

tory thereof, respecting the survey of distilleries the period of fermentation, the filling and emptying of fermenting tubs, and assessments, as, in his judgment, may be expedient; Provided, That the bond prescribed in section 3260 of the Revised Statutes shall, in the cases herein provided, be in such sum and contain such further conditions as the Commissioner may require.

Regulations for
transfer for de-
naturation

SEC. 603. That under such regulations as the Commissioner, with the approval of the Secretary, may prescribe, ethyl alcohol of not less than 180 degrees proof, produced at any central distilling and denaturing plant established under the provisions of subsection 2, paragraph N, of section IV of the Act entitled "An Act to reduce tariff duties and to provide revenue for the Government, and for other purposes," approved October 3, 1913, may be removed from such plant to any central denaturing bonded warehouse for denaturation, or may, before or after denaturation, be removed from such plant or from such denaturing bonded warehouse, free of tax, for use of the United States or for shipment to any nation while engaged against the German Government in the present war, and the removal herein authorized may be made in such tank vessels, tank cars, drums, casks, or other containers as may be approved by the Commissioner. It shall be lawful, under regulations prescribed by the Commissioner, with the approval of the Secretary, for an allowance to be made for leakage or loss by unavoidable accident and without fault or negligence of the distiller, owner, carrier, or his agents or employees, which may occur during the transportation of such spirits or while the same are lawfully stored on either of the premises herein described.

Allowances for
leakage and loss

Floor tax on spirits
in retailers' hands

SEC. 604. That upon all distilled spirits produced in or imported into the United States upon which

the internal-revenue tax now imposed by law has been paid, and which, on the day after the passage of this Act, are held by any person and intended for sale or for use in the manufacture or production of any article intended for sale, there shall be levied, assessed, collected, and paid a floor tax 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.

SEC. 605. That in addition to the tax imposed by this Act on distilled spirits and wines, there shall be levied, assessed, collected, and paid, in lieu of the tax imposed by section 304 of the Revenue Act of 1917, a tax of 30 cents on each proof gallon and a proportionate tax at a like rate on all fractional parts of such proof gallon on all distilled spirits or wines hereafter rectified, purified, or refined in such manner, and on all mixtures hereafter produced in such manner, that the person so rectifying, purifying, refining, or mixing the same is a rectifier within the meaning of section 3244 of the Revised Statutes, as amended; Provided, That this tax shall not apply to gin produced by the redistillation of a pure spirit over juniper berries and other aromatics.

Upon all such articles heretofore produced, and which on the day after the passage of this Act are held by any person and intended for sale, there shall be levied, assessed, collected, and paid a floor tax of 15 cents on each proof gallon, and a proportionate tax at a like rate on all fractional parts of each proof gallon; and all such distilled spirits so held and not contained in the distillers' original stamped packages, or in bottles or other containers bearing the distillers' original labels, shall for the purpose of this section be regarded as rectified spirits.

Reduction in proof prohibited

When the process of rectification is completed and the taxes prescribed by this section have been paid, it shall be unlawful for the rectifier or other dealer to reduce in proof or increase in volume such spirits or wine by the addition of water or other substance; nothing herein contained shall, however, prevent a rectifier from using again in the process of rectification spirits already rectified and upon which the taxes have theretofore been paid.

Exemptions

The taxes imposed by this section shall not attach to cordials or liqueurs on which a tax is imposed and paid under section 611 or 613, nor to the mixing and blending of wines, where such blending is for the sole purpose of perfecting such wines according to commercial standards, nor to blends made exclusively of two or more pure straight whiskies aged in wood for a period not less than four years and without the addition of coloring or flavoring matter or any other substance than pure water and if not reduced below ninety proof; Provided, That such blended whiskies shall be exempt from tax under this section only when compounded under the immediate supervision of a revenue officer, in such tanks and under such conditions and supervision as the Commissioner, with the approval of the Secretary, may prescribe.

Regulations to be uniform

All distilled spirits or wines taxable under this section shall be subject to uniform regulations concerning the use thereof in the manufacture, blending, compounding, mixing, marking, branding, and sale of whisky and rectified spirits, and no discrimination whatsoever shall be made by reason of a difference in the character of the material from which same may have been produced.

The business of a rectifier of spirits shall be carried on, and the tax on rectified spirits shall be paid, under such rules, regulations, and bonds as may be

prescribed by the Commissioner, with the approval of the Secretary.

Whoever violates any of the provisions of this section shall be deemed to be guilty of a misdemeanor and, upon conviction, shall be fined not more than \$1,000 or imprisoned not more than two years, and shall, in addition, be liable to double the tax evaded, together with the tax, to be collected by assessment or on any bond given. Penalties

SEC. 606. That hereafter collectors shall not furnish wholesale liquor dealer's stamps in lieu of and in exchange for stamps for rectified spirits unless the package covered by stamp for rectified spirits is to be broken into smaller packages. Use of stamps

The Commissioner, with the approval of the Secretary, is authorized to discontinue the use of the following stamps whenever in his judgment the interests of the Government will be subserved thereby:

Distillery warehouse, special bonded warehouse, special bonded rewarehouse, general bonded warehouse, general bonded retransfer, transfer brandy, export tobacco, export cigars, export oleomargarine, and export fermented-liquor stamps.

SEC. 607. That the Commissioner, with the approval of the Secretary, is hereby authorized to require at distilleries, breweries, rectifying houses, and wherever else in his judgment such action may be deemed advisable, the installation of meters, tanks, pipes, or any other apparatus for the purpose of protecting the revenue, and such meters, tanks, and pipes and all necessary labor incident thereto shall be at the expense of the person on whose premises the installation is required. Any such person refusing or neglecting to install such apparatus when so required by the Commissioner shall not be permitted to conduct business on such premises. Installation of apparatus for protection of the revenue

Beer and fermented
liquor

SEC. 608. That there shall be levied and collected on all beer, lager beer, ale, porter, and other similar fermented liquor, containing one-half of one per centum, or more, of alcohol, brewed or manufactured and hereafter sold, or removed for consumption or sale, within the United States, by whatever name such liquors may be called, in lieu of the internal-revenue taxes now imposed thereon by law, a tax of \$6.00 for every barrel containing not more than thirty-one gallons, and at a like rate for any other quantity or for the fractional parts of a barrel authorized and defined by law, to be collected under the provisions of existing law.

Fermented liquor
used in distilling

SEC. 609. That from and after the passage of this Act taxable fermented liquors may be conveyed without payment of tax from the brewery premises where produced to a contiguous industrial distillery of either class established under the Act entitled "An Act to reduce tariff duties and to provide revenue for the Government, and for other purposes," approved October 3, 1913, to be used as distilling material, and the residue from such distillation, containing less than one-half of 1 per centum of alcohol by volume, which is to be used in making beverages, may be manipulated by cooling, flavoring, carbonating, settling, and filtering on the distillery premises or elsewhere.

Transfers from
brewery to distillery

The removal of the taxable fermented liquor from the brewery to the distillery and the operation of the distillery and removal of the residue therefrom shall be under the supervision of such officer or officers as the Commissioner shall deem proper, and the Commissioner, with the approval of the Secretary, is hereby authorized to make such regulations from time to time as may be necessary to give force and effect to this section and to safeguard the revenue.

SEC. 610. That natural wine within the meaning of this Act shall be deemed to be the product made from the normal alcoholic fermentation of the juice of sound, ripe grapes, without addition or abstraction, except such as may occur in the usual cellar treatment or clarifying and aging; Provided, however, That the product made from the juice of sound, ripe grapes by complete fermentation of the must under proper cellar treatment and corrected by the addition (under the supervision of a gauger or storekeeper-gauger in the capacity of gauger) of a solution of water and pure cane, beet, or dextrose sugar (containing, respectively, not less than 95 per centum of actual sugar, calculated on a dry basis) to the must or to the wine, to correct natural deficiencies, when such addition shall not increase the volume of the resultant product more than 35 per centum, and the resultant product does not contain less than five parts per thousand of acid before fermentation and not more than 13 per centum of alcohol after complete fermentation, shall be deemed to be wine within the meaning of this Act, and may be labeled, transported, and sold as "wine," qualified by the name of the locality where produced, and may be further qualified by the name of its own particular type or variety: And provided further, That wine as defined in this section may be sweetened with cane sugar or beet sugar or pure condensed grape must and fortified under the provisions of this Act, and wines so sweetened or fortified shall be considered sweet wine within the meaning of this Act. Wines defined

SEC. 611. That upon all still wines, including vermouth, and all artificial or imitation wines or compounds sold as still wine, which are hereafter produced in or imported into the United States, or which on the day after the passage of this Act are Wines, tax on

on any winery premises or other bonded premises or in transit thereto or at any customhouse, there shall be levied, collected, and paid, in lieu of the internal-revenue taxes now imposed thereon by law, taxes at rates as follows, when sold, or removed for consumption or sale:

Rates

On wines containing not more than 14 per centum of absolute alcohol, 16 cents per wine gallon, the per centum of alcohol taxable under this section to be reckoned by volume and not by weight;

On wines containing more than 14 per centum and not exceeding 21 per centum of absolute alcohol, 40 cents per wine gallon;

On wines containing more than 21 per centum and not exceeding 24 per centum of absolute alcohol, \$1 per wine gallon;

All such wines containing more than 24 per centum of absolute alcohol by volume shall be classed as distilled spirits and shall pay tax accordingly.

Grape brandy

SEC. 612. That under such regulations and official supervision and upon the giving of such notices, entries, bonds, and other security as the Commissioner, with the approval of the Secretary, may prescribe, any producer of wines defined under the provisions of this title, may withdraw from any fruit distillery or special bonded warehouse grape brandy, or wine spirits, for the fortification of such wines on the premises where actually made; Provided, That there shall be levied and assessed against the producer of such wines a tax (in lieu of the internal-revenue tax now imposed thereon by law) of 60 cents per proof gallon of grape brandy or wine spirits whenever withdrawn and hereafter so used by him in the fortification of such wines during the preceding month, which assessment shall be paid by him within ten months from the date of notice thereof; Provided further, That nothing con-

tained in this section shall be construed as exempting any wines, cordials, liqueurs, or similar compounds from the payment of any tax provided for in this title.

SEC. 613. That upon the following articles which are hereafter produced in or imported into the United States, or which on the day after the passage of this Act are on any winery premises or other bonded premises or in transit thereto or at any customhouse, there shall be levied, collected, and paid taxes at rates as follows, when sold, or removed for consumption or sale:

On each bottle or other container of champagne or sparkling wine, 12 cents on each one-half pint or fraction thereof; **Champagne**

On each bottle or other container of artificially carbonated wine, 6 cents on each one-half pint or fraction thereof; **Carbonated wines**

On each bottle or other container of liqueurs, cordials, or similar compounds, by whatever name sold or offered for sale, containing sweet wine fortified with grape brandy, 6 cents on each one-half pint or fraction thereof. **Sweet wine**

The tax imposed by this section shall, in the case of any article upon which a corresponding internal-revenue tax is now imposed by law, be in lieu of such tax.

SEC. 614. That upon all articles specified in section 611 or 613 upon which the internal-revenue tax now imposed by law has been paid and which are on the day after the passage of this Act held by any person and intended for sale, there shall be levied, collected, and paid a floor tax equal to the difference between the tax imposed by this Act and the tax so paid. **Floor tax on wines**

SEC. 615. That upon all sweet wines held for sale by the producer thereof upon the day after the pas- **Floor tax on sweet wines**

sage of this Act there shall be levied, assessed, collected, and paid a floor tax equivalent to 30 cents per proof gallon upon the grape brandy or wine spirits used in the fortification of such wine.

Method of payment
of tax

SEC. 616. That the taxes imposed by section 611 or 613 shall be paid by stamp on removal of the wines from the customhouse, winery, or other bonded place of storage for consumption or sale, and every person hereafter producing, or having in his possession or under his control when this title takes effect, any wines subject to the tax imposed in section 611 or 613 shall file such notice, describing the premises on which such wines are produced or stored; shall execute a bond in such form; shall make such inventories under oath; and shall, prior to sale or removal for consumption, affix to each cask or vessel containing such wine such marks, labels, or stamps as the Commissioner, with the approval of the Secretary, may from time to time prescribe; and the premises described in such notice shall, for the purpose of this Act, be regarded as bonded premises. But the provisions of this section, except as to payment of tax and the affixing of the required stamps or labels, shall not apply to wines held by retail dealers, as defined in section 3244 of the Revised Statutes, nor, subject to regulations prescribed by the Commissioner, with the approval of the Secretary, shall the tax imposed by section 611 apply to wines produced for the family use of the duly registered producer thereof and not sold or otherwise removed from the place of manufacture and not exceeding in any case two hundred gallons per year.

Act of October 1,
1890, amended

SEC. 617. That sections 42, 43, and 45 of the Act entitled "An Act to reduce the revenue and equalize duties on imports, and for other purposes," approved October 1, 1890, as amended by section 68

of the Act entitled "An Act to reduce taxation, to provide revenue for the Government, and for other purposes," approved August 27, 1894, are further amended to read as follows:

"SEC. 42. That any producer of pure sweet wines may use in the preparation of such sweet wines, under such regulations and after the filing of such notices and bonds, together with the keeping of such records and the rendition of such reports as to materials and products as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, wine spirits produced by any duly authorized distiller, and the Commissioner of Internal Revenue, in determining the liability of any distiller of wine spirits to assessment under section 3309 of the Revised Statutes, is authorized to allow such distiller credit in his computations for the wine spirits withdrawn to be used in fortifying sweet wines under this Act.

Regulations for
production of sweet
wine

"SEC. 43. That the wine spirits mentioned in section 42 is the product resulting from the distillation of fermented grape juice, to which water may have been added prior to, during, or after fermentation, for the sole purpose of facilitating the fermentation and economical distillation thereof, and shall be held to include the product from grapes or their residues commonly known as grape brandy, and shall include commercial grape brandy which may have been colored with burnt sugar or caramel; and the pure sweet wine which may be fortified with wine spirits under the provisions of this Act is fermented or partially fermented grape juice only, with the usual cellar treatment, and shall contain no other substance whatever introduced before, at the time of, or after fermentation, except as herein expressly provided; Provided, That the addition of pure boiled or condensed grape must or pure crystallized

Wine spirits defined

Pure sweet wine
defined

cane or beet sugar, or pure dextrose sugar containing, respectively, not less than 95 per centum of actual sugar, calculated on a dry basis, or water, or any or all of them, to the pure grape juice before fermentation, or to the fermented product of such grape juice, or to both, prior to the fortification herein provided for, either for the purpose of perfecting sweet wines according to commercial standards or for mechanical purposes, shall not be excluded by the definition of pure sweet wine aforesaid; Provided, however, That the cane or beet sugar, or pure dextrose sugar added for sweetening purposes shall not be in excess of 11 per centum of the weight of the wine to be fortified; And provided further, That the addition of water herein authorized shall be under such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may from time to time prescribe; Provided, however, That records kept in accordance with such regulations as to the percentage of saccharine, acid, alcoholic, and added water content of the wine offered for fortification shall be open to inspection by any official of the Department of Agriculture thereto duly authorized by the Secretary of Agriculture; but in no case shall such wines to which water has been added be eligible for fortification under the provisions of this Act, where the same, after fermentation and before fortification, have an alcoholic strength of less than 5 per centum of their volume.

Withdrawal of wine
spirits from bond

“SEC. 45. That under such regulations and official supervision, and upon the execution of such entries and the giving of such bonds, bills of lading, and other security as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, any producer of pure sweet wines as defined by this Act may withdraw

wine spirits from any special bonded warehouse in original packages or from any registered distillery in any quantity not less than eighty wine gallons, and may use so much of the same as may be required by him under such regulations, and after the filing of such notices and bonds and the keeping of such records and the rendition of such reports as to materials and products and the disposition of the same as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe, in fortifying the pure sweet wines made by him, and for no other purpose, in accordance with the foregoing limitations and provisions; and the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is authorized whenever he shall deem it to be necessary for the prevention of violations of this law to prescribe that wine spirits withdrawn under this section shall not be used to fortify wines except at a certain distance prescribed by him from any distillery, rectifying house, winery, or other establishment used for producing or storing distilled spirits, or for making or storing wines other than wines which are so fortified, and that in the building in which such fortification of wines is practiced no wines or spirits other than those permitted by this regulation shall be stored in any room or part of the building in which fortification of wines is practiced. The use of wine spirits for the fortification of sweet wines under this Act shall be under the immediate supervision of an officer of internal revenue, who shall make returns describing the kinds and quantities of wine so fortified, and shall affix such stamps and seals to the packages containing such wines as may be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury; and the Commissioner of Internal Reve-

Use of wine
spirits for
fortification

nue, with the approval of the Secretary of the Treasury, shall provide by regulations the time within which wines so fortified with the wine spirits so withdrawn may be subject to inspection, and for final accounting for the use of such wine spirits and for rewarehousing or for payment of the tax on any portion of such wine spirits which remain not used in fortifying pure sweet wines."

Transfer of wines from one bonded warehouse to another or to a distillery

SEC. 618. (a) That under such regulations and upon the execution of such notices, entries, bonds, and other security as the Commissioner, with the approval of the Secretary, may prescribe, domestic wines subject to the tax imposed by section 611 may be removed from the winery where produced, free of tax, for storage on other bonded premises or from such premises to other bonded premises (but not more than one such additional removal shall be allowed), or for exportation from the United States or for use as distilling material at any regularly registered distillery; Provided, however, That the distiller using any such wine as material shall, subject to the provisions of section 3309 of the Revised Statutes, as amended, be held to pay the tax on the product of such wines as will include both the alcoholic strength therein produced by fermentation and that obtained from the brandy or wine spirits added to such wines at the time of fortification.

Use of wine in production of non-beverage alcohol

(b) Under regulations prescribed by the Commissioner with the approval of the Secretary, it shall be lawful to produce grape wines on bonded winery premises by the usual method, and to transport and use the same, and like wines heretofore produced and now stored on bonded winery premises, as distilling material for the production of nonbeverage spirits in the production of nonalcoholic wines, containing less than one-half of 1 per centum of alco-

hol by volume, in any fruit brandy or industrial distillery; Provided, That all alcoholic spirits so obtained at any industrial distillery shall be denatured, and all spirits so obtained at any fruit distillery shall be removed and used only for nonbeverage purposes or for denaturation.

SEC. 619. That the collection of the tax on imported still wines, including vermouth, and sparkling wines, including champagne, and on imported liqueurs, cordials, and similar compounds, may be made within the discretion of the Commissioner, with the approval of the Secretary, by assessment instead of by stamps.

Imported wines,
collection of tax on

SEC. 620. That whoever evades or attempts to evade any tax imposed by sections 611 to 615, both inclusive, or any requirement of sections 610 to 621, both inclusive, or regulation issued pursuant thereto, or whoever, otherwise than as provided in such sections, recovers or attempts to recover any spirits from domestic or imported wine, or whoever rectifies, mixes, or compounds with distilled spirits any domestic wines, other than in the manufacture of liqueurs, cordials, or similar compounds, shall, on conviction, be punished for each such offense by a fine of not exceeding \$5,000, or imprisonment for not more than five years, or both, and in addition thereto by a penalty of double the tax evaded, or attempted to be evaded, to be assessed and collected in the same manner as taxes are assessed and collected, and all wines, spirits, liqueurs, cordials, or similar compounds as to which such violation occurs shall be forfeited to the United States. But the provisions of this section and the provisions of section 3244 of the Revised Statutes, as amended, relating to rectification, or other internal-revenue laws of the United States, shall not be held to apply to or prohibit the mixing or blending

Penalties for evasion
of tax

of wines subject to tax under the provisions of sections 611 to 615, both inclusive, with each other or with other wines for the sole purpose of perfecting such wines according to commercial standards; Provided, That nothing herein contained shall be construed as prohibiting the use of tax-paid grain or other ethyl alcohol in the fortification of sweet wines as defined in section 610 of this Act and section 43 of the Act entitled "An Act to reduce the revenue and equalize duties on imports, and for other purposes," approved October 1, 1890, as amended by this Act.

Apparatus for
protection of revenue

SEC. 621. That the Commissioner, by regulations to be approved by the Secretary, may require the use at each fruit distillery of such spirit meters, and such locks and seals to be affixed to fermenters, tanks, or other vessels and to such pipe connections as may in his judgment be necessary or expedient, and is hereby authorized to assign to any such distillery and to each winery where wines are to be fortified such number of gaugers or storekeeper-gaugers in the capacity of gaugers as may be necessary for the proper supervision of the manufacture of brandy or the making or fortifying of wines subject to tax imposed by this section; and the compensation of such officers shall not exceed \$5 per diem while so assigned, together with their actual and necessary traveling expenses, and also a reasonable allowance for their board bills, to be fixed by the Commissioner, with the approval of the Secretary, but not to exceed \$2.50 per diem for such board bills.

Allowance for leakage

SEC. 622. That the Commissioner, with the approval of the Secretary, is hereby authorized to make such allowances for unavoidable loss of wines while on storage or during cellar treatment as in his judgment may be just and proper.

SEC. 623. That the second paragraph of section 3264 of the Revised Statutes, as amended by section 5 of the Act of March 1, 1879, and as further amended by the Act of June 22, 1910, be amended so as to read as follows:

Sec. 3264 U. S. R. S.
amended

“In all surveys forty-five gallons of mash or beer brewed or fermented from grain shall represent not less than one bushel of grain, and seven gallons of mash or beer brewed or fermented from molasses shall represent not less than one gallon of molasses, except in distilleries operated on the sour-mash principle, in which distilleries sixty gallons of beer brewed or fermented from grain shall represent not less than one bushel of grain, and except that in distilleries where the filtration-aeration process is used, with the approval of the Commissioner of Internal Revenue; that is, where the mash after it leaves the mash tub is passed through a filtering machine before it is run into the fermenting tub, and only the filtered liquor passes into the fermenting tub, there shall hereafter be no limitation upon the number of gallons of water which may be used in the process of mashing or filtration for fermentation; but the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, in order to protect the revenue, shall be authorized to prescribe by regulation, to be made by him, such character of survey as he may find suitable for distilleries using such filtration-aeration process. The provisions hereof relating to filtration-aeration process shall apply only to sweet-mash distilleries.”

Surveys

SEC. 624. That under such regulations as the Commissioner, with the approval of the Secretary, may prescribe, alcohol or other distilled spirits of a proof strength of not less than one hundred and eighty degrees intended for export free of tax may be drawn from receiving cisterns at any distillery,

Withdrawal of alcohol
and spirits for export

or from storage tanks in any distillery warehouse, for transfer to tanks or tank cars for export from the United States, and all provisions of existing law relating to the exportation of distilled spirits not inconsistent herewith shall apply to spirits removed for export under the provisions of this Act.

Sec. 3255 U. S. R. S.
amended

SEC. 625. That section 3255 of the Revised Statutes as amended by the Act of June 3, 1896, and as further amended by the Act of March 2, 1911, be further amended so as to read as follows:

Brandy, regulations
for manufacture

“SEC. 3255. The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may exempt distillers of brandy made exclusively from apples, peaches, grapes, pears, pineapples, oranges, apricots, berries, plums, pawpaws, persimmons, prunes, figs, or cherries from any provision of this title relating to the manufacture of spirits, except as to the tax thereon, when in his judgment it may seem expedient to do so; Provided, That where, in the manufacture of wine, artificial sweetening has been used the wine or the fruit pomace residuum may be used in the distillation of brandy, and such use shall not prevent the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, from exempting such distiller from any provision of this title relating to the manufacture of spirits, except as to the tax thereon, when in his judgment it may seem expedient to do so; And provided further, That the distillers mentioned in this section may add to not less than five hundred gallons (or ten barrels) of grape cheese not more than five hundred gallons of a sugar solution made from cane, beet, starch, or corn sugar, 95 per centum pure, such solution to have a saccharine strength of not to exceed 10 per centum, and may ferment the resultant mixture on

a winery or distillery premises, and such fermented product shall be regarded as distilling material."

SEC. 626. That distilled spirits known commercially as gin of not less than 80 per centum proof may at any time within eight years after entry in bond at any distillery be bottled in bond at such distillery for export without the payment of tax, under such rules and regulations as the Commissioner, with the approval of the Secretary, may prescribe.

Gin for export

SEC. 627. That section 3354 of the Revised Statutes as amended by the Act approved June 18, 1890, be, and is hereby, amended to read as follows:

Sec. 3354 U. S. R. S.
amended

"SEC. 3354. Every person who withdraws any fermented liquor from any hogshead, barrel, keg, or other vessel upon which the proper stamp has not been affixed for the purpose of bottling the same, or who carries on or attempts to carry on the business of bottling fermented liquor in any brewery or other place in which fermented liquor is made, or upon any premises having communication with such brewery, or any warehouse, shall be liable to a fine of \$500, and the property used in such bottling or business shall be liable to forfeiture; Provided, however, That this section shall not be construed to prevent the withdrawal and transfer of unfermented, partially fermented, or fermented liquors from any of the vats in any brewery by way of a pipe line or other conduit to another building or place for the sole purpose of bottling the same, such pipe line or conduit to be constructed and operated in such manner and with such cisterns, vats, tanks, valves, cocks, faucets, and gauges, or other utensils or apparatus, either on the premises of the brewery or the bottling house, and with such changes of or additions thereto, and such locks,

Penalty for illegal
withdrawals of
fermented liquor

Payment of tax

seals, or other fastenings, and under such rules and regulations as shall be from time to time prescribed by the Commissioner of Internal Revenue, subject to the approval of the Secretary of the Treasury, and all locks and seals prescribed shall be provided by the Commissioner of Internal Revenue at the expense of the United States; Provided further, That the tax imposed in section 3339 of the Revised Statutes shall be paid on all fermented liquor removed from a brewery to a bottling house by means of a pipe or conduit, at the time of such removal, by the cancellation and defacement, by the collector of the district or his deputy, in the presence of the brewer, of the number of stamps denoting the tax on the fermented liquor thus removed. The stamps thus cancelled and defaced shall be disposed of and accounted for in the manner directed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury. And any violation of the rules and regulations hereafter prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, in pursuance of these provisions, shall be subject to the penalties above provided by this section. Every owner, agent, or superintendent of any brewery or bottling house who removes, or connives at the removal of, any fermented liquor through a pipe line or conduit, without payment of the tax thereon, or who attempts in any manner to defraud the revenue as above, shall forfeit all the liquors made by and for him, and all the vessels, utensils, and apparatus used in making the same."

SEC. 628. That there shall be levied, assessed, collected, and paid in lieu of the taxes imposed by sections 313 and 315 of the Revenue Act of 1917—

Tax on near beer,
15 per cent

(a) Upon all beverages derived wholly or in part from cereals or substitutes therefor, and containing

less than one-half of one per centum of alcohol, sold by the manufacturer, producer, or importer, in bottles or other closed containers, a tax equivalent to 15 per centum of the price for which so sold; and upon all unfermented grape juice, ginger ale, root beer, sarsaparilla, pop, artificial mineral waters (carbonated or not carbonated), other carbonated waters or beverages, and other soft drinks, sold by the manufacturer, producer, or importer, in bottles or other closed containers, a tax equivalent to 10 per centum of the price for which so sold; and

Tax on soft drinks,
10 per cent

(b) Upon all natural mineral waters or table waters, sold by the producer, bottler, or importer thereof, in bottles or other closed containers, at over 10 cents per gallon, a tax of 2 cents per gallon.

Tax on natural
mineral water

SEC. 629. That each manufacturer, producer, bottler, or importer of any of the articles enumerated in section 628 shall make monthly returns under oath in duplicate and pay the taxes imposed in respect to such articles by such section to the collector for the district in which is located the principal place of business, containing such information necessary for the assessment of the tax, and at such times and in such manner as the Commissioner, with the approval of the Secretary, may by regulation prescribe.

Returns

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.

Payment

SEC. 630. That on and after May 1, 1919, there shall be levied, assessed, collected, and paid a tax of 1 cent for each 10 cents or fraction thereof of the

Tax on ice cream
and sodas

amount paid to any person conducting a soda fountain, ice-cream parlor, or other similar place of business, for drinks commonly known as soft drinks, compounded or mixed at such place of business, or for ice cream, ice-cream sodas, sundaes, or other similar articles of food or drink, when any of the above are sold on or after such date for consumption in or in proximity to such place of business. Such tax shall be paid by the purchaser to the vendor at the time of the sale and shall be collected, returned, and paid to the United States by such vendor in the same manner as provided in section 502.

TITLE VII.

Tax on Cigars, Tobacco, and Manufactures Thereof

SEC. 700. (a) That upon cigars and cigarettes manufactured in or imported into the United States, and hereafter sold by the manufacturer or importer, or removed for consumption or sale, there shall be levied, collected, and paid under the provisions of existing law, in lieu of the internal-revenue taxes now imposed thereon by law, the following taxes, to be paid by the manufacturer or importer thereof—

Taxes on cigars and cigarettes

On cigars of all descriptions made of tobacco, or any substitute therefor, and weighing not more than three pounds per thousand, \$1.50 per thousand;

Cigars weighing not over 3 lbs. per M

On cigars made of tobacco, or any substitute therefor, and weighing more than three pounds per thousand, if manufactured or imported to retail at not more than 5 cents each, \$4 per thousand;

Cigars weighing over 3 lbs. per M

If manufactured or imported to retail at more than 5 cents each and not more than 8 cents each, \$6 per thousand;

If manufactured or imported to retail at more than 8 cents each and not more than 15 cents each, \$9 per thousand;

If manufactured or imported to retail at more than 15 cents each and not more than 20 cents each, \$12 per thousand;

If manufactured or imported to retail at more than 20 cents each, \$15 per thousand;

- Cigarettes weighing not over 3 lbs. per M** On cigarettes made of tobacco, or any substitute therefor, and weighing not more than three pounds per thousand, \$3 per thousand;
- Over 3 lbs. per M** Weighing more than three pounds per thousand, \$7.20 per thousand.
- Retail price defined** (b) Whenever in this section reference is made to cigars manufactured or imported to retail at not over a certain price each, then in determining the tax to be paid regard shall be had to the ordinary retail price of a single cigar.
- Labels on containers** (c) The Commissioner may, by regulation, require the manufacturer or importer to affix to each box, package, or container a conspicuous label indicating the clause of this section under which the cigars therein contained have been tax-paid, which must correspond with the tax-paid stamp on such box or container.
- Cigarette packages, regulations governing** (d) Every manufacturer of cigarettes (including small cigars weighing not more than three pounds per thousand) shall put up all the cigarettes and such small cigars that he manufactures or has manufactured for him, and sells or removes for consumption or sale, in packages or parcels containing five, eight, ten, twelve, fifteen, sixteen, twenty, twenty-four, forty, fifty, eighty, or one hundred cigarettes each, and shall securely affix to each of such packages or parcels a suitable stamp denoting the tax thereon and shall properly cancel the same prior to such sale or removal for consumption or sale under such regulations as the Commissioner, with the approval of the Secretary, shall prescribe; and all cigarettes imported from a foreign country shall be packed, stamped, and the stamps cancelled in a like manner, in addition to the import stamp indicating inspection of the customhouse before they are withdrawn therefrom.

SEC. 701. (a) That upon all tobacco and snuff manufactured in or imported into the United States, and hereafter sold by the manufacturer or importer, or removed for consumption or sale, there shall be levied, collected, and paid, in lieu of the internal-revenue taxes now imposed thereon by law, a tax of 18 cents per pound, to be paid by the manufacturer or importer thereof.

Tobacco and snuff,
tax on

(b) Section 3362 of the Revised Statutes, as amended, is hereby amended to read as follows:

“SEC. 3362. All manufactured tobacco shall be put up and prepared by the manufacturer for sale, or removal for sale or consumption, in packages of the following description and in no other manner:

Sec. 3362 U. S. R. S.
amended

“All smoking tobacco, snuff, fine-cut chewing tobacco, all cut and granulated tobacco, all shorts, the refuse of fine-cut chewing, which has passed through a riddle of thirty-six meshes to the square inch, and all refuse scraps, clippings, cuttings, and sweepings of tobacco, and all other kinds of tobacco not otherwise provided for, in packages containing one-eighth of an ounce, three-eighths of an ounce, and further packages with a difference between each package and the one next smaller of one-eighth of an ounce up to and including two ounces, and further packages with a difference between each package and the one next smaller of one-fourth of an ounce up to and including four ounces, and packages of five ounces, six ounces, seven ounces, eight ounces, ten ounces, twelve ounces, fourteen ounces, and sixteen ounces; Provided, That snuff may, at the option of the manufacturer, be put up in bladders and in jars containing not exceeding twenty pounds.

Tobacco packages,
regulations governing

“All cavendish, plug, and twist tobacco, in wooden packages not exceeding two hundred pounds net weight.

Information on
packages

Export packages
excepted

Sales in bulk without
tax

Materials used in
making containers

Floor tax on products
held for sale

Cigarette paper,
tax on

“And every such wooden package shall have printed or marked thereon the manufacturer’s name and place of manufacture, the registered number of the manufactory, and the gross weight, the tare, and the net weight of the tobacco in each package; Provided, That these limitations and descriptions of packages shall not apply to tobacco and snuff transported in bond for exportation and actually exported; And provided further, That perique tobacco, snuff flour, fine-cut shorts, the refuse of fine-cut chewing tobacco, refuse scraps, clippings, cuttings, and sweepings of tobacco, may be sold in bulk as material, and without the payment of tax, by one manufacturer directly to another manufacturer, or for export, under such restrictions, rules, and regulations as the Commissioner of Internal Revenue may prescribe; And provided further, That wood, metal, paper, or other materials may be used separately or in combination for packing tobacco, snuff, and cigars, under such regulations as the Commissioner of Internal Revenue may establish.”

SEC. 702. That upon all the articles enumerated in section 700 or 701, which were manufactured or imported, and removed from factory or custom-house on or prior to the date of the passage of this Act, and upon which the tax imposed by existing law has been paid, and which are, on the day after the passage of this Act, held by any person and intended for sale, there shall be levied, assessed, collected, and paid a floor tax equal to the difference between (a) the tax imposed by this Act upon such articles according to the class in which they are placed by this title, and (b) the tax imposed upon such articles by existing law other than section 403 of the Revenue Act of 1917.

SEC. 703. That there shall be levied, collected, and paid, in lieu of the taxes imposed by section 404

of the Revenue Act of 1917, upon cigarette paper made up into packages, books, sets, or tubes, made up in or imported into the United States and hereafter sold by the manufacturer or importer to any person (other than to a manufacturer of cigarettes for use by him in the manufacture of cigarettes) the following taxes, to be paid by the manufacturer or importer: On each package, book, or set, containing more than twenty-five but not more than fifty papers, one-half cent; containing more than fifty but not more than one hundred papers, 1 cent; containing more than one hundred papers, one-half cent for each fifty papers or fractional part thereof; and upon tubes, 1 cent for each fifty tubes or fractional part thereof.

Every manufacturer of cigarettes purchasing any cigarette paper made up into tubes (a) shall give bond in an amount and with sureties satisfactory to the Commissioner that he will use such tubes in the manufacture of cigarettes or pay thereon a tax equivalent to the tax imposed by this section, and (b) shall keep such records and render under oath such returns as the Commissioner finds necessary to show the disposition of all tubes purchased or imported by such manufacturer of cigarettes.

Records and bond
required of cigarette
manufacturer

SEC. 704. That section 35 of the Act entitled "An Act to provide revenue, equalize duties and encourage the industries of the United States, and for other purposes," approved August 5, 1909, be, and is hereby, repealed, to take effect April 1, 1919.

Sec. 35, Act of Aug. 5,
1909, repealed

That section 3360 of the Revised Statutes be, and is hereby, amended to read as follows:

Sec. 3360, U. S. R. S.
amended

"SEC. 3360. (a) Every dealer in leaf tobacco shall file with the collector of the district in which his business is carried on, a statement in duplicate, subscribed under oath, setting forth the place, and, if in a city, the street and number of the street,

Statement of dealers
in leaf tobacco

where his business is to be carried on, and the exact location of each place where leaf tobacco is held by him on storage, and, whenever he adds to or discontinues any of his leaf tobacco storage places, he shall give immediate notice to the collector of the district in which he is registered.

Bond “Every such dealer shall give a bond with surety, satisfactory to, and to be approved by, the collector of the district, in such penal sum as the collector may require, not less than \$500; and a new bond may be required in the discretion of the collector or under instructions of the Commissioner.

Number “Every such dealer shall be assigned a number by the collector of the district, which number shall appear in every inventory, invoice and report rendered by the dealer, who shall also obtain certificates from the collector of the district setting forth the place where his business is carried on and the places designated by the dealer as the places of storage of his tobacco, which certificates shall be posted conspicuously within the dealer’s registered place of business, and within each designated place of storage.

Inventory report “(b) Every dealer in leaf tobacco shall make and deliver to the collector of the district a true inventory of the quantity of the different kinds of tobacco held or owned, and where stored by him, on the first day of January of each year, or at the time of commencing and at the time of concluding business, if before or after the first day of January, such inventory to be made under oath and rendered in such form as may be prescribed by the Commissioner.

Records “Every dealer in leaf tobacco shall render such invoices and keep such records as shall be prescribed by the Commissioner, and shall enter therein, day by day, and upon the same day on which the cir-

cumstance, thing or act to be recorded is done or occurs, an accurate account of the number of hogsheads, tierces, cases and bales, and quantity of leaf tobacco contained therein, purchased or received by him, on assignment, consignment, for storage, by transfer or otherwise, and of whom purchased or received, and the number of hogsheads, tierces, cases and bales, and the quantity of leaf tobacco contained therein, sold by him, with the name and residence in each instance of the person to whom sold, and if shipped, to whom shipped, and to what district; such records shall be kept at his place of business at all times and preserved for a period of two years, and the same shall be open at all hours for the inspection of any internal-revenue officer or agent.

“Every dealer in leaf tobacco on or before the tenth day of each month, shall furnish to the collector of the district a true and complete report of all purchases, receipts, sales and shipments of leaf tobacco made by him during the month next preceding, which report shall be verified and rendered in such form as the Commissioner, with the approval of the Secretary, shall prescribe. Monthly reports

“(c) Sales or shipments of leaf tobacco by a dealer in leaf tobacco shall be in quantities of not less than a hogshhead, 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. Sales or shipments, regulations concerning

“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.

“(d) Upon all leaf tobacco sold, removed or shipped by any dealer in leaf tobacco in violation of Penal tax for violation of above requirements

the provisions of subdivision (c), 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.

Penalties

“(e) Every dealer in leaf tobacco

“(1) who neglects or refuses to furnish the statement, to give bond, to keep books, to file inventory or to render the invoices, returns or reports required by the Commissioner, or to notify the collector of the district of additions to his places of storage; or

“(2) who ships or delivers leaf tobacco, except as herein provided; or

“(3) who fraudulently omits to account for tobacco purchased, received, sold, or shipped; shall be fined not less than \$100 or more than \$500, or imprisoned not more than one year, or both.

**Farmer not a
“dealer”**

“(f) 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.”

TITLE VIII.

Tax On Admissions and Dues

SEC. 800. (a) That from and after April 1, 1919, there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 700 of the Revenue Act of 1917—

(1) A tax of 1 cent for each 10 cents or fraction thereof of the amount paid for admission to any place on or after such date, including admission by season ticket or subscription, to be paid by the person paying for such admission;

(2) In the case of persons (except bona fide employees, municipal officers on official business, persons in the military or naval forces of the United States when in uniform, and children under twelve years of age) admitted free or at reduced rates to any place at a time when and under circumstances under which an admission charge is made to other persons, a tax of 1 cent for each 10 cents or fraction thereof of the price so charged to such other persons for the same or similar accommodations, to be paid by the person so admitted;

(3) Upon tickets or cards of admission to theaters, operas, and other places of amusement, sold at news stands, hotels, and places other than the ticket offices of such theaters, operas, or other places of amusement, at not to exceed 50 cents in excess of the sum of the established price therefor at such ticket offices plus the amount of any tax imposed under paragraph (1), a tax equivalent to 5 per centum of the amount of such excess; and if sold

Admissions tax

Rate

Free or reduced rate admissions

Tickets sold at advanced prices elsewhere than at ticket office

for more than 50 cents in excess of the sum of such established price plus the amount of any tax imposed under paragraph (1), a tax equivalent to 50 per centum of the whole amount of such excess, such taxes to be returned and paid, in the manner provided in section 903, by the person selling such tickets;

Tickets sold at advanced prices by employees

(4) A tax equivalent to 50 per centum of the amount for which the proprietors, managers, or employees of any opera house, theater, or other place of amusement sell or dispose of tickets or cards of admission in excess of the regular or established price or charge therefor, such tax to be returned and paid, in the manner provided in section 903, by the person selling such tickets;

Permanent use of boxes or seats

(5) In the case of persons having the permanent use of boxes or seats in an opera house or any place of amusement or a lease for the use of such box or seat in such opera house or place of amusement (in lieu of the tax imposed by paragraph (1)), a tax equivalent to 10 per centum of the amount for which a similar box or seat is sold for each performance or exhibition at which the box or seat is used or reserved by or for the lessee or holder, such tax to be paid by the lessee or holder; and

Cabarets, roof-gardens, etc.

(6) A tax of $1\frac{1}{2}$ 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 other similar entertainment, to which the charge for admission is wholly or in part included in the price paid for refreshment, service, or merchandise; the amount paid for such admission to be deemed to be 20 per centum of the amount paid for refreshment, service, and merchandise; such tax to be paid by the person paying for such refreshment, service, or merchandise.

(b) No tax shall be levied under this title in respect to any admissions all the proceeds of which inure exclusively to the benefit of religious, educational, or charitable institutions, societies, or organizations, 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, or exclusively to the benefit of persons in the military or naval forces of the United States, or admissions to agricultural fairs none of the profits of which are distributed to stockholders or members of the association conducting the same. **Exemptions**

(c) The term "admission" as used in this title includes seats and tables, reserved or otherwise, and other similar accommodations, and the charges made therefor. **Admission defined**

(d) The price (exclusive of the tax to be paid by the person paying for admission) at which every admission ticket or card is sold shall be conspicuously and indelibly printed, stamped, or written on the face or back thereof, together with the name of the vendor if sold other than at the ticket office of the theater, opera, or other place of amusement. Whoever sells an admission ticket or card on which the name of the vendor and price is not so printed, stamped, or written, or at a price in excess of the price so printed, stamped, or written thereon, is guilty of a misdemeanor, and upon conviction thereof shall be fined not more than \$100. **Information to be printed on ticket**

SEC. 801. That from and after April 1, 1919, there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 701 of the Revenue Act of 1917, a tax equivalent to 10 per centum **Dues and membership fees tax**

of any amount paid on or after such date, for any period after such date, (a) as dues or membership fees (where the dues or fees of an active resident annual member are in excess of \$10 per year) to any social, athletic, or sporting club or organization; or (b) as initiation fees to such a club or organization, if such fees amount to more than \$10, or if the dues or membership fees (not including initiation fees) of an active resident annual member are in excess of \$10 per year; such taxes to be paid by the persons paying such dues or fees; Provided, That there shall be exempted from the provisions of this section all amounts paid as dues or fees to a fraternal society, order, or association, operating under the lodge system. In the case of life memberships a life member shall pay annually, at the time for the payment of dues by active resident annual members, a tax equivalent to the tax upon the amount paid by such a member, but shall pay no tax upon the amount paid for life membership.

Initiation fees

Exemptions

Life memberships

Collection and payment of taxes

SEC. 802. That every person (a) receiving any payments for such admission, dues, or fees shall collect the amount of the tax imposed by section 800 or 801 from the person making such payments, or (b) admitting any person free to any place for admission to which a charge is made, shall collect the amount of the tax imposed by section 800 from the person so admitted. Every club or organization having life members, shall collect from such members the amount of the tax imposed by section 801. In all the above cases returns and payments of the amount so collected shall be made at the same time and in the same manner as provided in section 502.

TITLE IX.

Excise Taxes

- SEC. 900.** That there shall be levied, assessed, collected, and paid upon the following articles sold or leased by the manufacturer, producer, or importer, a tax equivalent to the following percentages of the price for which so sold or leased—
- | | |
|---|---|
| <p>(1) Automobile trucks and automobile wagons, (including tires, inner tubes, parts, and accessories therefor, sold on or in connection therewith or with the sale thereof), 3 per centum;</p> | <p>Excise taxes

On sales by manufacturer or importer</p> |
| <p>(2) 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;</p> | <p>Auto trucks and accessories

Autos and motorcycles and accessories</p> |
| <p>(3) Tires, inner tubes, parts, or accessories, for any of the articles enumerated in subdivision (1), or (2), sold to any person other than a manufacturer or producer of any of the articles enumerated in subdivision (1), or (2), 5 per centum;</p> | <p>Accessories</p> |
| <p>(4) Pianos, organs (other than pipe organs), piano players, graphophones, phonographs, talking machines, music boxes, and records used in connection with any musical instrument, piano player, graphophone, phonograph, or talking machine, 5 per centum;</p> | <p>Musical instruments</p> |
| <p>(5) Tennis rackets, nets, racket covers and presses, skates, snowshoes, skis, toboggans, canoe paddles and cushions, polo mallets, baseball bats, gloves, masks, protectors, shoes and uniforms, football helmets, harness and goals, basket-ball goals and uni-</p> | <p>Sporting goods</p> |

forms, golf bags and clubs, lacrosse sticks, balls of all kinds, including baseballs, footballs, tennis, golf, lacrosse, billiard and pool balls, fishing rods and reels, billiard and pool tables, chess and checker boards and pieces, dice, games and parts of games (except playing cards and children's toys and games), and all similar articles commonly or commercially known as sporting goods, 10 per centum;

- Chewing gum** (6) Chewing gum or substitutes therefor, 3 per centum;
- Cameras** (7) Cameras, weighing not more than 100 pounds, 10 per centum;
- Photo films** (8) Photographic films and plates, other than moving-picture films, 5 per centum;
- Candy** (9) Candy, 5 per centum;
- Firearms and ammunition** (10) Firearms, shells, and cartridges, except those sold for the use of the United States, any State, Territory, or possession of the United States, any political subdivision thereof, the District of Columbia, or any foreign country while engaged against the German Government in the present war, 10 per centum;
- Hunting knives, daggers, etc.** (11) Hunting and bowie knives, 10 per centum;
(12) Dirk knives, daggers, sword canes, stilletos, and brass or metallic knuckles, 100 per centum;
- Electric fans** (13) Portable electric fan, 5 per centum;
- Thermos bottles** (14) Thermos and thermostatic bottles, carafes, jugs, or other thermostatic containers, 5 per centum;
- Pipes and cigarette holders** (15) Cigar or cigarette holders and pipes, composed wholly or in part of meerschaum or amber, humidors, and smoking stands, 10 per centum;
- Slot machines** (16) Automatic slot-device vending machines, 5 per centum, and automatic slot-device weighing machines, 10 per centum; if the manufacturer, producer, or importer of any such machine operates it for profit, he shall pay a tax in respect to each such

machine put into operation equivalent to 5 per centum of its fair market value in the case of a vending machine, and 10 per centum of its fair market value in the case of a weighing machine;

(17) Liveries and livery boots and hats, 10 per centum; Liveries

(18) Hunting and shooting garments and riding habits, 10 per centum; Sporting habits

(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; Fur products

(20) Yachts and motor boats not designed for trade, fishing, or national defense; and pleasure boats and pleasure canoes if sold for more than \$15, 10 per centum; Yachts, pleasure boats, etc.

(21) Toilet soaps and toilet soap powders, 3 per centum.

If any manufacturer, producer, or importer of any of the articles enumerated in this section customarily sells such articles both at wholesale and at retail, the tax in the case of any article sold by him at retail shall be computed on the price for which like articles are sold by him at wholesale. Toilet soaps

The taxes imposed by this section shall, in the case of any article in respect to which a corresponding tax is imposed by section 600 of the Revenue Act of 1917, be in lieu of such tax.

SEC. 901. That if any person manufactures, produces or imports any article enumerated in section 900, or leases or licenses for exhibition any positive motion-picture film containing a picture ready for projection, and, whether through any agreement, arrangement, or understanding, or otherwise, sells, leases or licenses such article at less than the fair market price obtainable therefor, either (a) in such manner as directly or indirectly to benefit such per- Sales, leases or licenses taxed on basis of fair market price

son or any person directly or indirectly interested in the business of such person, or (b) with intent to cause such benefit, the amount for which such article is sold, leased or licensed shall be taken to be the amount which would have been received from the sale, lease or license of such article if sold, leased or licensed at the fair market price.

Works of art and
antiques

SEC. 902. That there shall be levied, assessed, collected, and paid upon sculpture, paintings, statuary, art porcelains, and bronzes, sold by any person other than the artist, a tax equivalent to 10 per centum of the price for which so sold. This section shall not apply to the sale of any such article to an educational institution or public art museum.

Exception

Monthly returns

SEC. 903. That every person liable for any tax imposed by section 900, 902, or 906, shall make monthly returns under oath in duplicate and pay the taxes imposed by such sections to the collector for the district in which is located the principal place of business. Such returns shall contain such information and be made at such times and in such manner as the Commissioner, with the approval of the Secretary, may by regulations prescribe.

Collection and pay-
ment of tax

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.

Luxury taxes on goods
sold by dealers for
consumption

SEC. 904. (a) That on and after May 1, 1919, there shall be levied, assessed, collected, and paid a tax equivalent to 10 per centum of so much of the amount paid for any of the following articles as is in excess of the price hereinafter specified as to each such article, when such article is sold by or

for a dealer or his estate on or after such date for consumption or use—

- (1) Carpets and rugs, including fiber, except imported and American rugs made principally of wool, on the amount in excess of \$5 per square yard; Carpets and rugs
- (2) Picture frames, on the amount in excess of \$10 each; Frames
- (3) Trunks, on the amount in excess of \$50 each; Trunks
- (4) Valises, traveling bags, suit cases, hat boxes used by travelers, and fitted toilet cases, on the amount in excess of \$25 each; Valises, etc.
- (5) Purses, pocketbooks, shopping and hand bags, on the amount in excess of \$7.50 each; Purses, etc.
- (6) Portable lighting fixtures, including lamps of all kinds and lamp shades, on the amount in excess of \$25 each; Lighting fixtures
- (7) Umbrellas, parasols, and sun shades, on the amount in excess of \$4 each; Umbrellas, etc.
- (8) Fans, on the amount in excess of \$1 each; Fans
- (9) House or smoking coats or jackets, and bath or lounging robes, on the amount in excess of \$7.50 each; House coats, etc.
- (10) Men's waistcoats, sold separately from suits, on the amount in excess of \$5 each; Waistcoats
- (11) Women's and misses' hats, bonnets, and hoods, on the amount in excess of \$15 each; Women's hats
- (12) Men's and boys' hats, on the amount in excess of \$5 each; Men's hats
- (13) Men's and boys' caps, on the amount in excess of \$2 each; Men's caps
- (14) Men's, women's, misses', and boys' boots, shoes, pumps, and slippers, not including shoes or appliances made to order for any person having a crippled or deformed foot or ankle, on the amount in excess of \$10 per pair; Boots and shoes
- (15) Men's and boys' neckties and neckwear, on the amount in excess of \$2 each; Men's neckwear

- Men's hose (16) Men's and boys' silk stockings or hose, on the amount in excess of \$1 per pair;
- Women's hose (17) Women's and misses' silk stockings or hose, on the amount in excess of \$2 per pair;
- Men's shirts (18) Men's shirts, on the amount in excess of \$3 each;
- Underclothing, etc. (19) Men's, women's, misses', and boys' pajamas, night gowns, and underwear, on the amount in excess of \$5 each; and
- Kimonos, etc. (20) Kimonos, petticoats, and waists, on the amount in excess of \$15 each.
- Exceptions: (b) The tax imposed by this section shall not apply (1) to any article enumerated in paragraphs (2) to (8), both inclusive, of subdivision (a), if such article is made of or ornamented, mounted, or fitted with, precious metals or imitations thereof or ivory, 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, or to (3) any article enumerated in subdivision (17) or (18) of section 900.
- Articles taxed as jewelry
- Articles taxed as fur
- Liveries and sporting habits
- Taxes to be paid by purchaser (c) The taxes imposed by this section shall be paid by the purchaser to the vendor at the time of the sale and shall be collected, returned, and paid to the United States by such vendor in the same manner as provided in section 502.
- Returns
- See page 103

Jewelry sold by dealers, tax on

SEC. 905. That on and after April 1, 1919, there shall be levied, assessed, collected, and paid (in lieu of the tax imposed by subdivision (e) of section 600 of the Revenue Act of 1917) upon all articles commonly or commercially known as jewelry, whether real or imitation; pearls, precious and semi-precious stones, and imitations thereof; articles made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory (not including surgical instruments); watches; clocks; opera glasses; lorgnettes; marine glasses; field glasses; and binoculars; upon any of the above when

sold by or for a dealer or his estate for consumption or use, a tax equivalent to 5 per centum of the price for which so sold. Rate

Every person selling any of the articles enumerated in this section shall make returns under oath in duplicate (monthly or quarterly as the Commissioner, with the approval of the Secretary, may prescribe) and pay the taxes imposed in respect to such articles by this section to the collector for the district in which is located the principal place of business. Such returns shall contain such information and be made at such times and in such manner as the Commissioner, with the approval of the Secretary, may by regulations prescribe. Returns

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. Collection and
payment

Penalty

SEC. 906. That on and after the 1st day of May, 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 in respect to carrying on such business equal to 5 per centum of the total rentals earned from each such lease or license during the preceding month. If a person owning such a film exhibits it for profit he shall pay a tax equivalent to 5 per centum of the fair rental or license value of such film at the time and place where and for the period during which exhibited. If any such person has, prior to December 6, 1918, made a bona fide contract with any person for the lease or licensing, after the tax imposed by this section takes Leasing motion picture
films, tax on

effect, of such a film for exhibition for profit, and if such contract does not permit the adding of the whole of the tax imposed by this section to the amount to be paid under such contract, then the lessee or licensee shall, in lieu of the lessor or licensor, pay so much of such tax as is not so permitted to be added to the contract price. The tax imposed by this section shall be in lieu of the tax imposed by subdivisions (c) and (d) of section 600 of the Revenue Act of 1917.

Toilet and medicinal
preparations sold by
dealers, tax on

Rate

Perfumes and
cosmetics

Patent and proprie-
tary medicines

SEC. 907. (a) That on and after May 1, 1919, there shall be levied, assessed, collected and paid (in lieu of the taxes imposed by subdivisions (g) and (h) of section 600 of the Revenue Act of 1917) a tax of 1 cent for each 25 cents or fraction thereof of the amount paid for any of the following articles when sold by or for a dealer or his estate on or after such date for consumption or use:

(1) Perfumes, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, tooth and mouth washes, dentifrices, tooth pastes, aromatic cachous, toilet powders (other than soap powders), or any similar substance, article, or preparation by whatsoever name known or distinguished, any of the above which are used or applied or intended to be used or applied for toilet purposes;

(2) Pills, tablets, powders, tinctures, troches or lozenges, sirups, medicinal cordials or bitters, anodynes, tonics, plasters, liniments, salves, ointments, pastes, drops, waters (except those taxed under section 628 of this Act), essences, spirits, oils, and other medicinal preparations, compounds, or compositions (not including serums and antitoxins), upon the amount paid for any of the above as to which the manufacturer or producer claims to have any private formula, secret, or occult art for making or

preparing the same, or has or claims to have any exclusive right or title to the making or preparing the same, or which are prepared, uttered, vended, or exposed for sale under any letters patent, or trade-mark, or which (if prepared by any formula, published or unpublished) are held out or recommended to the public by the makers, vendors, or proprietors thereof as proprietary medicines or medicinal proprietary articles or preparations, or as remedies or specifics for any disease, diseases, or affection whatever affecting the human or animal body; 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. **Exceptions**

(b) The taxes imposed by this section shall be collected by whichever of the following methods the Commissioner may deem expedient: (1) by stamp affixed to such article by the vendor, the cost of which shall be reimbursed to the vendor by the purchaser; or (2) by payment to the vendor by the purchaser at the time of the sale, the taxes so collected being returned and paid to the United States by such vendor in the same manner as provided in section 502. **Method of collection**
(1) Stamps
(2) Payment to vendor
See page 103

TITLE X.

Special Taxes

**Capital stock tax,
effective date** SEC. 1000. (a) That on and after July 1, 1918, in lieu of the tax imposed by the first subdivision of section 407 of the Revenue Act of 1916—

Domestic corporations (1) Every domestic corporation shall pay annually a special excise tax with respect to carrying on or doing business, equivalent to \$1 for each \$1,000 of so much of the fair average value of its capital stock for the preceding year ending June thirtieth as is in excess of \$5,000. In estimating the value of capital stock the surplus and undivided profits shall be included;

Foreign corporations (2) Every foreign corporation shall pay annually a special excise tax with respect to carrying on or doing business in the United States, equivalent to \$1 for each \$1,000 of the average amount of capital employed in the transaction of its business in the United States during the preceding year ending June thirtieth.

**Insurance companies'
reserves** (b) In computing the tax in the case of insurance companies such deposits and reserve funds as they are required by law or contract to maintain or hold for the protection of or payment to or apportionment among policyholders shall not be included.

Exemptions (c) The taxes imposed by this section shall not apply in any year to any corporation which was not engaged in business (or in the case of a foreign corporation not engaged in business in the United States) during the preceding year ending June 30, nor to any corporation enumerated in section 231.

See page 44

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.

Mutual insurance companies, tax on

Foreign mutual insurance companies

(d) Section 257 shall apply to all returns filed with the Commissioner for purposes of the tax imposed by this section.

Returns, see page 65

SEC. 1001. That on and after January 1, 1919, there shall be levied, collected, and paid annually the following special taxes—

Special occupational taxes, effective date

(1) Brokers shall pay \$50. Every person whose business it is to negotiate purchases or sales of stocks, bonds, exchange, bullion, coined money, bank notes, promissory notes, other securities, produce or merchandise, for others, shall be regarded as a broker. If a broker is a member of a stock exchange, or if he is a member of any produce exchange, board of trade, or similar organization, where produce or merchandise is sold, he shall pay an additional amount as follows: If the average value, during the preceding year ending June 30, of a seat or membership in such exchange or organiza-

Brokers

tion was \$2,000 or more but not more than \$5,000, \$100; if such value was more than \$5,000, \$150.

Pawnbrokers

(2) Pawnbrokers shall pay \$100. Every person whose business or occupation it is to take or receive, by way of pledge, pawn, or exchange, any goods, wares, or merchandise, or any kind of personal property whatever, as security for the repayment of money loaned thereon, shall be regarded as a pawnbroker.

Ship brokers

(3) Ship brokers shall pay \$50. Every person whose business it is as a broker to negotiate freights and other business for the owners of vessels, or for the shippers or consignors or consignees of freight carried by vessels, shall be regarded as a ship broker.

Customs brokers

(4) Customhouse brokers shall pay \$50. Every person whose occupation it is, as the agent of others, to arrange entries and other customhouse papers, or transact business at any port of entry relating to the importation or exportation of goods, wares, or merchandise, shall be regarded as a customhouse broker.

Proprietors of amusement places

(5) Proprietors of theaters, museums, and concert halls, where a charge for admission is made, having a seating capacity of not more than two hundred and fifty, shall pay \$50; having a seating capacity of more than two hundred and fifty and not exceeding five hundred, shall pay \$100; having a seating capacity exceeding five hundred and not exceeding eight hundred, shall pay \$150; having a seating capacity of more than eight hundred, shall pay \$200. Every edifice used for the purpose of dramatic or operatic or other representations, plays, or performances, for admission to which entrance money is received, not including halls or armories rented or used occasionally for concerts or theatrical representations, and not including 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, shall be regarded as a theatre; Provided, That in cities, towns, or villages of five thousand inhabitants or less the amount of such payment shall be one-half of that above stated; Provided further, That whenever any such edifice is under lease at the time the tax is due, the tax shall be paid by the lessee, unless otherwise stipulated between the parties to the lease.

**Tax rates in towns
under 5000**

Leased halls

(6) The proprietor or proprietors of circuses shall pay \$100. Every building, space, tent, or area, where feats of horsemanship or acrobatic sports or theatrical performances not otherwise provided for in this section are exhibited shall be regarded as a circus; Provided, That no special tax paid in one State, Territory, or the District of Columbia shall exempt exhibitions from the tax in another State, Territory, or the District of Columbia, and but one special tax shall be imposed for exhibitions within any one State, Territory, or District.

Circus proprietors

(7) Proprietors or agents of all other public exhibitions or shows for money not enumerated in this section shall pay \$15; Provided, That a special tax paid in one State, Territory, or the District of Columbia shall not exempt exhibitions from the tax in another State, Territory, or the District of Columbia, and but one special tax shall be required for exhibitions within any one State, Territory, or the District of Columbia; Provided further, That this paragraph shall not apply to Chautauquas, lecture lyceums, agricultural or industrial fairs, or exhibitions held under the auspices of religious or charitable associations; Provided further, That an aggre-

**Proprietors of
exhibitions**

Exceptions

gation of entertainments, known as a street fair, shall not pay a larger tax than \$100 in any State, Territory, or in the District of Columbia.

**Proprietors of
bowling alleys and
billiard rooms**

(8) Proprietors of bowling alleys and billiard rooms shall pay \$10 for each alley or table. Every building or place where bowls are thrown or where games of billiards or pool are played, except in private homes, shall be regarded as a bowling alley or a billiard room, respectively.

**Proprietors of
shooting galleries**

(9) Proprietors of shooting galleries shall pay \$20. Every building, space, tent, or area, where a charge is made for the discharge of firearms at any form of target shall be regarded as a shooting gallery.

**Proprietors of riding
academies**

(10) Proprietors of riding academies shall pay \$100. Every building, space, tent, or area, where a charge is made for instruction in horsemanship or for facilities for the practice of horsemanship shall be regarded as a riding academy.

**Persons renting
autos for hire**

(11) Persons carrying on the business of operating or renting passenger automobiles for hire shall pay \$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.

**Brewers, distillers
and liquor dealers**

(12) Every person carrying on the business of a brewer, distiller, wholesale liquor dealer, retail liquor dealer, wholesale dealer in malt liquor, retail dealer in malt liquor, or manufacturer of stills, as defined in section 3244 as amended and section 3247 of the Revised Statutes, in any State, Territory, or District of the United States contrary to the laws of such State, Territory, or District, or in any place therein in which carrying on such business is prohibited by local or municipal law, shall pay, in addition to all other taxes, special or otherwise, imposed by existing law or by this Act, \$1,000.

The payment of the tax imposed by this subdivision shall not be held to exempt any person from any penalty or punishment provided for by the laws of any State, Territory, or District for carrying on such business in such State, Territory, or District, or in any manner to authorize the commencement or continuance of such business contrary to the laws of such State, Territory, or District, or in places prohibited by local or municipal law.

The taxes imposed by this section shall, in the case of persons upon whom a corresponding tax is imposed by section 407 of the Revenue Act of 1916, be in lieu of such tax.

SEC. 1002. That on and after January 1, 1919, there shall be levied, collected, and paid annually, in lieu of the taxes imposed by section 408 of the Revenue Act of 1916, the following special taxes, the amount of such taxes to be computed on the basis of the sales for the preceding year ending June 30—

Manufacturers of tobacco whose annual sales do not exceed fifty thousand pounds shall each pay \$6;

Annual sales; taxes
on: effective date

Tobacco manu-
facturers

Manufacturers of tobacco whose annual sales exceed fifty thousand and do not exceed one hundred thousand pounds shall each pay \$12;

Manufacturers of tobacco whose annual sales exceed one hundred thousand and do not exceed two hundred thousand pounds shall each pay \$24;

Manufacturers of tobacco whose annual sales exceed two hundred thousand pounds shall each pay \$24, and at the rate of 16 cents per thousand pounds, or fraction thereof, in respect to the excess over two hundred thousand pounds;

Manufacturers of cigars whose annual sales do not exceed fifty thousand cigars shall each pay \$4;

Cigar
manufacture

Manufacturers of cigars whose annual sales ex-

ceed fifty thousand and do not exceed one hundred thousand cigars shall each pay \$6;

Manufacturers of cigars whose annual sales exceed one hundred thousand and do not exceed two hundred thousand cigars shall each pay \$12;

Manufacturers of cigars whose annual sales exceed two hundred thousand and do not exceed four hundred thousand cigars shall each pay \$24;

Manufacturers of cigars whose annual sales exceed four hundred thousand cigars shall each pay \$24, and at the rate of 10 cents per thousand cigars, or fraction thereof, in respect to the excess over four hundred thousand cigars;

Cigarette
manufacturers

Manufacturers of cigarettes, including small cigars weighing not more than three pounds per thousand, shall each pay at the rate of 6 cents for every ten thousand cigarettes, or fraction thereof.

In arriving at the amount of special tax to be paid under this section, and in the levy and collection of such tax, each person engaged in the manufacture of more than one of the classes of articles specified in this section shall be considered and deemed a manufacturer of each class separately.

Tax on use of
pleasure boats,
effective date

SEC. 1003. That sixty days after the passage of this Act, and thereafter on July 1 in each year, and also at the time of the original purchase of a new boat by a user, if on any other date than July 1, there shall be levied, assessed, collected, and paid in lieu of the tax imposed by section 603 of the Revenue Act of 1917, upon the use of yachts, pleasure boats, power boats, and sailing boats, of over five net tons, and motor boats with fixed engines, not used exclusively for trade, fishing or national defense, or not built according to plans and specifications approved by the Navy Department, a special excise tax to be based on each yacht or boat, at rates as follows: Yachts, pleasure boats, power boats,

Classification and
rates

motor boats with fixed engines, and sailing boats, of over five net tons, length not over fifty feet, \$1 for each foot; length over fifty feet and not over one hundred feet, \$2 for each foot; length over one hundred feet, \$4 for each foot; motor boats of not over five net tons with fixed engines, \$10.

In determining the length of such yachts, pleasure boats, power boats, motor boats with fixed engines, and sailing boats, the measurement of over-all length shall govern.

Measurement of length

In the case of a tax imposed at the time of the original purchase of a new boat on any other date than July 1, and in the case of the tax taking effect sixty days after the passage of this Act, the amount to be paid shall be the same number of twelfths of the amount of the tax as the number of calendar months (including the month of sale, or the month in which is included the sixty-first day after the passage of this Act, as the case may be) remaining prior to the following July 1.

Tax for portion of one year

If the tax imposed by section 603 of the Revenue Act of 1917, for the fiscal year ending June 30, 1919, has been paid in respect to the use of any boat, the amount so paid shall under such regulations as the Commissioner, with the approval of the Secretary, may prescribe, be credited upon the first tax due under this section in respect to the use of such boat, or be refunded to the person paying the first tax imposed by this section in respect to the use of such boat.

Credit for tax paid under Revenue Act of 1917

SEC. 1004. That if the tax imposed by section 407 or 408 of the Revenue Act of 1916, for the fiscal year ending June 30, 1919, has been paid by any person subject to the corresponding tax imposed by this title, collectors may issue a receipt in lieu of special tax stamp for the amount by which the tax under this title is in excess of that paid or payable

Credit for tax paid under Revenue Act of 1916

and evidenced by stamp under the Revenue Act of 1916. Such receipt shall be posted as in the case of the special tax stamp, as provided by law, and with it, within the place of business of the taxpayer.

If the corresponding tax imposed by section 407 of the Revenue Act of 1916 was not payable by stamp, the amount paid under such section for any period for which a tax is also imposed by this title may be credited against the tax imposed by this title.

Penalty for failure
to pay occupational
tax

SEC. 1005. That any person who carries on any business or occupation for which a special tax is imposed by sections 1000, 1001, or 1002, without having paid the special tax therein provided, shall, besides being liable for the payment of such special tax, be subject to a penalty of not more than \$1,000 or to imprisonment for not more than one year, or both.

Harrison Narcotic
Act amended

SEC. 1006. That section 1 of the Act of Congress approved December 17, 1914, is hereby amended to read as follows:

Tax on dealer in
drugs

“SECTION 1. That on or before July 1 of each year every person who imports, manufactures, produces, compounds, sells, deals in, dispenses, or gives away opium or coca leaves, or any compound manufacture, salt, derivative, or preparation thereof, shall register with the collector of internal revenue of the district his name or style, place of business and place or places where such business is to be carried on, and pay the special taxes hereinafter provided;

Registration of drug
dealers

“Every person who on January 1, 1919, is engaged in any of the activities above enumerated, or who between such date and the passage of this Act first engages in any of such activities, shall within 30 days after the passage of this Act make like registration, and shall pay the proportionate part of the tax for the period ending June 30, 1919; and

“Every person who first engages in any of such

activities after the passage of this Act shall immediately make like registration and pay the proportionate part of the tax for the period ending on the following June 30th;

“Importers, manufacturers, producers, or compounders, \$24 per annum; wholesale dealers, \$12 per annum; retail dealers, \$6 per annum; physicians, dentists, veterinary surgeons, and other practitioners lawfully entitled to distribute, dispense, give away, or administer any of the aforesaid drugs to patients upon whom they in the course of their professional practice are in attendance, shall pay \$3 per annum.

Rates of tax

“Every person who imports, manufactures, compounds, or otherwise produces for sale or distribution any of the aforesaid drugs shall be deemed to be an importer, manufacturer, or producer.

Definitions:

Importer, manufacturer or producer

“Every person who sells or offers for sale any of said drugs in the original stamped packages, as hereinafter provided, shall be deemed a wholesale dealer.

Wholesale dealer

“Every person who sells or dispenses from original stamped packages, as herein provided, shall be deemed a retail dealer; Provided, That the office,

Retail dealer

Place of business

or if none, the residence, of any person shall be considered for the purpose of this Act his place of business; but no employee of any person who has registered and paid special tax as herein required, acting within the scope of his employment, shall be required to register and pay special tax provided by this section; Provided further, That officials of the United States, Territorial, District of Columbia, or insular possessions, State or municipal governments, who in the exercise of their official duties engage in any of the business herein described, shall not be required to register, nor pay special tax, nor stamp

Exceptions:

Employees

the aforesaid drugs as hereinafter prescribed, but

Public officials

their right to this exemption shall be evidenced in such manner as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulations prescribe.

Registration must precede dealing

“It shall be unlawful for any person required to register under the provisions of this Act to import, manufacture, produce, compound, sell, deal in, dispense, distribute, administer, or give away any of the aforesaid drugs without having registered and paid the special tax as imposed by this section.

Person defined

“That the word ‘person’ as used in this Act shall be construed to mean and include a partnership, association, company, or corporation, as well as a natural person; and all provisions of existing law relating to special taxes, as far as necessary, are hereby extended and made applicable to this section.

Tax on drugs

“That there shall be levied, assessed, collected, and paid upon opium, coca leaves, any compound, salt, derivative, or preparation thereof, produced in or imported into the United States, and sold, or removed for consumption or sale, an internal-revenue tax at the rate of 1 cent per ounce, and any fraction of an ounce in a package shall be taxed as an ounce, such tax to be paid by the importer, manufacturer, producer, or compounder thereof, and to be represented by appropriate stamps, to be provided by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury; and the stamps herein provided shall be so affixed to the bottle or other container as to securely seal the stopper, covering, or wrapper thereof.

Rate

“The tax imposed by this section shall be in addition to any import duty imposed on the aforesaid drugs.

Use of original stamped packages

“It shall be unlawful for any person to purchase, sell, dispense, or distribute any of the aforesaid drugs except in the original stamped package or

from the original stamped package; and the absence of appropriate tax-paid stamps from any of the aforesaid drugs shall be prima facie evidence of a violation of this section by the person in whose possession same may be found; and the possession of any original stamped package containing any of the aforesaid drugs by any person who has not registered and paid special taxes as required by this section shall be prima facie evidence of liability to such special tax; Provided, That the provisions of this paragraph shall not apply to any person having in his or her possession any of the aforesaid drugs which have been obtained from a registered dealer in pursuance of a prescription, written for legitimate medical uses, issued by a physician, dentist, veterinary surgeon, or other practitioner registered under this Act; and where the bottle or other container in which such drug may be put up by the dealer upon said prescription bears the name and registry number of the druggist, serial number of prescription, name and address of the patient, and name, address, and registry number of the person writing said prescription; or to the dispensing, or administration, or giving away of any of the aforesaid drugs to a patient by a registered physician, dentist, veterinary surgeon, or other practitioner in the course of his professional practice, and where said drugs are dispensed or administered to the patient for legitimate medical purposes, and the record kept as required by this Act of the drugs so dispensed, administered, distributed, or given away.

Exceptions

“And all the provisions of existing laws relating to the engraving, issuance, sale, accountability, cancellation, and destruction of tax-paid stamps provided for in the internal-revenue laws are, in so far as necessary, hereby extended and made to apply to stamps provided by this section.

Extension of revenue stamp law

Unstamped packages
subject to seizure

“That all unstamped packages of the aforesaid drugs found in the possession of any person, except as herein provided, shall be subject to seizure and forfeiture, and all the provisions of existing internal-revenue laws relating to searches, seizures, and forfeitures of unstamped articles are hereby extended to and made to apply to the articles taxed under this Act and the persons upon whom these taxes are imposed.

Records and returns

“Importers, manufacturers, and wholesale dealers shall keep such books and records and render such monthly returns in relation to the transactions in the aforesaid drugs as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulations require.

Regulations by
Commissioner

“The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall make all needful rules and regulations for carrying the provisions of this Act into effect.”

Act of December 17,
1914, amended

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

Exceptions

“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."

Registration

Special tax

SEC. 1008. That all opium, its salts, derivatives, and compounds, and coca leaves, salts, derivatives, and compounds thereof, which may now be under seizure or which may hereafter be seized by the United States Government from any person or persons charged with any violation of the Act of October 1, 1890, as amended by the Acts of March 3,

Confiscation of
drugs

**Disposition of
confiscated drugs**

1897, February 9, 1909, and January 17, 1914, or the Act of December 17, 1914, shall upon conviction of the person or persons from whom seized be confiscated by and forfeited to the United States; and the Secretary is hereby authorized to deliver for medical or scientific purposes to any department, bureau, or other agency of the United States Government, upon proper application therefor under such regulation as may be prescribed by the Commissioner, with the approval of the Secretary, any of the drugs so seized, confiscated, and forfeited to the United States.

The provisions of this section shall also apply to any of the aforesaid drugs seized or coming into the possession of the United States in the enforcement of any of the above-mentioned Acts where the owner or owners thereof are unknown. None of the aforesaid drugs coming into possession of the United States under the operation of said Acts, or the provisions of this section, shall be destroyed without certification by a committee appointed by the Commissioner, with the approval of the Secretary, that they are of no value for medical or scientific purposes.

Repeal of prior acts

SEC. 1009. That the Act approved October 22, 1914, entitled "An Act to increase the internal revenue, and for other purposes," and the joint resolution approved December 17, 1915, entitled "Joint resolution extending the provisions of the Act entitled 'An Act to increase the internal revenue, and for other purposes,' approved October twenty-second, nineteen hundred and fourteen, to December thirty-first, nineteen hundred and sixteen," are hereby repealed, except that the provisions of such Act shall remain in force for the assessment and collection of all special taxes imposed by sections 3 and 4 thereof, or by such sections as extended by such

joint resolution, for any year or part thereof ending prior to January 1, 1917, and of all other taxes imposed by such Act, or by such Act as so extended, accrued prior to September 8, 1916, and for the imposition and collection of all penalties or forfeitures which have accrued or may accrue in relation to any of such taxes.

TITLE XI.

Stamp Taxes

Stamp taxes,
effective date

SEC. 1100. That on and after April 1, 1919, there shall be levied, collected, and paid, for and in respect of the several bonds, debentures, or certificates of stock and of indebtedness, and other documents, instruments, matters, and things mentioned and described in Schedule A of this title, or for or in respect of the vellum, parchment, or paper upon which such instruments, matters, or things, or any of them, are written or printed, by any person who makes, signs, issues, sells, removes, consigns, or ships the same, or for whose use or benefit the same are made, signed, issued, sold, removed, consigned, or shipped, the several taxes specified in such schedule. The taxes imposed by this section shall, in the case of any article upon which a corresponding stamp tax is now imposed by law, be in lieu of such tax.

Basis of tax

Exemptions:
Obligations of
governments

SEC. 1101. That there shall not be taxed under this title any bond, note, or other instrument, issued by the United States, or by any foreign Government, or by any State, Territory, or the District of Columbia, or local subdivision thereof, or municipal or other corporation exercising the taxing power; or any bond of indemnity required to be filed by any person to secure payment of any pension, allowance, allotment, relief, or insurance by the United States; or stocks and bonds issued by cooperative building and loan associations which are organized and operated exclusively for the benefit of their members and make loans only to their shareholders, or by mutual ditch or irrigating companies.

Bonds required by
United States

Securities of mutual
building and loan
and ditch companies

SEC. 1102. That whoever—

(a) Makes, signs, issues, or accepts, or causes to be made, signed, issued, or accepted, any instrument, document, or paper of any kind or description whatsoever without the full amount of tax thereon being duly paid; **Penalty for non-payment of tax**

(b) Consigns or ships, or causes to be consigned or shipped, by parcel post any parcel, package, or article without the full amount of tax being duly paid;

(c) Manufactures or imports and sells, or offers for sale, or causes to be manufactured or imported and sold, or offered for sale, any playing cards, package, or other article without the full amount of tax being duly paid;

(d) Makes use of any adhesive stamp to denote any tax imposed by this title without cancelling or obliterating such stamp as prescribed in section 1104;

Is guilty of a misdemeanor and upon conviction thereof shall pay a fine of not more than \$100 for each offense.

SEC. 1103. That whoever—

(a) Fraudulently cuts, tears, or removes from any vellum, parchment, paper, instrument, writing, package, or article, upon which any tax is imposed by this title, any adhesive stamp or the impression of any stamp, die, plate, or other article provided, made, or used in pursuance of this title; **Penalty for fraudulent misuse of stamps**

(b) Fraudulently uses, joins, fixes, or places to, with, or upon any vellum, parchment, paper, instrument, writing, package, or article, upon which any tax is imposed by this title, (1) any adhesive stamp, or the impression of any stamp, die, plate, or other article, which has been cut, torn, or removed from any other vellum, parchment, paper, instrument, writing, package, or article, upon which any tax is

imposed by this title; or (2) any adhesive stamp or the impression of any stamp, die, plate, or other article of insufficient value; or (3) any forged or counterfeit stamp, or the impression of any forged or counterfeited stamp, die, plate, or other article;

(c) Willfully removes, or alters the cancellation, or defacing marks of, or otherwise prepares, any adhesive stamp, with intent to use, or cause the same to be used, after it has been already used, or knowingly or willfully buys, sells, offers for sale, or gives away, any such washed or restored stamp to any person for use, or knowingly uses the same;

(d) Knowingly and without lawful excuse (the burden of proof of such excuse being on the accused) has in possession any washed, restored, or altered stamp, which has been removed from any vellum, parchment, paper, instrument, writing, package, or article;

Is guilty of a misdemeanor, and upon conviction shall be punished by a fine of not more than \$1,000, or by imprisonment for not more than five years, or both, and any such reused, cancelled, or counterfeit stamp and the vellum, parchment, document, paper, package, or article upon which it is placed or impressed shall be forfeited to the United States.

Cancellation of
stamps

SEC. 1104. That whenever an adhesive stamp is used for denoting any tax imposed by this title, except as hereinafter provided, the person using or affixing the same shall write or stamp or cause to be written or stamped thereupon the initials of his or its name and the date upon which the same is attached or used, so that the same may not again be used; Provided, That the Commissioner may prescribe such other method for the cancellation of such stamps as he may deem expedient.

Preparation and
distribution of stamps

SEC. 1105. (a) That the Commissioner shall cause to be prepared and distributed for the pay-

ment of the taxes prescribed in this title suitable stamps denoting the tax on the document, articles, or thing to which the same may be affixed, and shall prescribe such method for the affixing of said stamps in substitution for or in addition to the method provided in this title, as he may deem expedient.

(b) The Commissioner, with the approval of the Secretary, is authorized to procure any of the stamps provided for in this title by contract whenever such stamps can not be speedily prepared by the Bureau of Engraving and Printing; but this authority shall expire on January 1, 1920, except as to imprinted stamps furnished under contract, authorized by the Commissioner.

(c) All internal-revenue laws relating to the assessment and collection of taxes are hereby extended to and made a part of this title, so far as applicable, for the purpose of collecting stamp taxes omitted through mistake or fraud from any instrument, document, paper, writing, parcel, package, or article named herein.

Extension of
revenue laws

SEC. 1106. That the Commissioner shall furnish to the Postmaster General without prepayment a suitable quantity of adhesive stamps to be distributed to and kept on sale by the various postmasters in the United States. The Postmaster General may require each such postmaster to give additional or increased bond as postmaster for the value of the stamps so furnished, and each such postmaster shall deposit the receipts from the sale of such stamps to the credit of and render accounts to the Postmaster General at such times and in such form as he may by regulations prescribe. The Postmaster General shall at least once monthly transfer all collections from this source to the Treasury as internal-revenue collections.

Sale of stamps
at postoffice

Sale by Assistant
Treasurer and
designated
depositories

SEC. 1107. That the collectors of the several districts shall furnish without prepayment to any assistant treasurer or designated depository of the United States located in their respective collection districts a suitable quantity of adhesive stamps for sale. In such cases the collector may require a bond, with sufficient sureties, to an amount equal to the value of the adhesive stamps so furnished, conditioned for the faithful return, whenever so required, of all quantities or amounts undisposed of, and for the payment monthly of all quantities or amounts sold or not remaining on hand. The Secretary may from time to time make such regulations as he may find necessary to insure the safekeeping or prevent the illegal use of all such adhesive stamps.

Schedule A.—Stamp Taxes.

Bonds, issue of, or
renewal

1. Bonds of indebtedness: On all bonds, debentures, or certificates of indebtedness issued by any person, and all instruments, however termed, issued by any corporation with interest coupons or in registered form, known generally as corporate securities, on each \$100 of face value or fraction thereof, 5 cents; Provided, That every renewal of the foregoing shall be taxed as a new issue; Provided further, That when a bond conditioned for the repayment or payment of money is given in a penal sum greater than the debt secured, the tax shall be based upon the amount secured.

Rate, 5c per \$100

Indemnity and
surety bonds, and
fidelity or guarantee
policies, tax 50c

2. Bonds, indemnity and surety: On all bonds executed for indemnifying any person who shall have become bound or engaged as surety, and on all bonds executed for the due execution or performance of any contract, obligation or requirement, or the duties of any office or position, and to account for money received by virtue thereof, and on all policies of guaranty and fidelity insurance, includ-

ing policies guaranteeing titles to real estate and mortgage guarantee policies, and on all other bonds of any description, made, issued, or executed, not otherwise provided for in this schedule, except such as may be required in legal proceedings, 50 cents; 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.

Rates, 50c, or 1c per \$1 of premium

Reinsurance exempt

3. Capital stock, issue: On each original issue, whether on organization or reorganization, of certificates of stock, or of profits, or of interest in property or accumulations, by any corporation, on each \$100 of face value or fraction thereof, 5 cents; Provided, That where a certificate is issued without face value, the tax shall be 5 cents per share, unless the actual value is in excess of \$100 per share, in which case the tax shall be 5 cents on each \$100 of actual value or fraction thereof.

Capital stock, issue of; rate 5c per \$100

The stamps representing the tax imposed by this subdivision shall be attached to the stock books and not to the certificates issued.

Stamps affixed to stock books

4. Capital stock, sales or transfers: On all sales, or agreements to sell, or memoranda of sales or deliveries of, or transfers of legal title to shares or certificates of stock or of profits or of interest in property or accumulations in any corporation, or to rights to subscribe for or to receive such shares or certificates, whether made upon or shown by the books of the corporation, or by any assignment in blank, or by any delivery, or by any paper or agreement or memorandum or other evidence of transfer or sale, whether entitling the holder in any manner to the benefit of such stock, interest, or rights, or not, on each \$100 of face value or fraction thereof, 2 cents,

Stock, sales or transfers

Rate, 2c per \$100

and where such shares are without par or face value, the tax shall be 2 cents on the transfer or sale or agreement to sell on each share, unless the actual value thereof is in excess of \$100 per share, in which case the tax shall be 2 cents on each \$100 of actual value or fraction thereof; Provided, That it is not intended by this title to impose a tax upon an agreement evidencing a deposit of certificates as collateral security for money loaned thereon, which certificates are not actually sold, nor upon the delivery or transfer for such purpose of certificates so deposited; Provided further, That the tax shall not be imposed upon deliveries or transfers to a broker for sale, nor upon deliveries or transfers by a broker to a customer for whom and upon whose order he has purchased same, but such deliveries or transfers shall be accompanied by a certificate setting forth the facts; Provided further, That in case of sale where the evidence of transfer is shown only by the books of the corporation the stamp shall be placed upon such books; and where the change of ownership is by transfer of the certificate the stamp shall be placed upon the certificate; and in cases of an agreement to sell or where the transfer is by delivery of the certificate assigned in blank there shall be made and delivered by the seller to the buyer a bill or memorandum of such sale, to which the stamp shall be affixed; and every bill or memorandum of sale or agreement to sell before mentioned shall show the date thereof, the name of the seller, the amount of the sale, and the matter or thing to which it refers. Any person liable to pay the tax as herein provided, or anyone who acts in the matter as agent or broker for such person, who makes any such sale, or who in pursuance of any such sale delivers any certificate or evidence of the sale of any stock, interest or right, or bill or memorandum thereof, as herein required,

Exceptions:

(1) Deposit of stock as collateral

(2) Transfer to broker or sale

Stamps, where affixed

Penalties

without having the proper stamps affixed thereto with intent to evade the foregoing provisions, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding \$1,000, or be imprisoned not more than six months, or both.

5. Produce, sales of, on exchange: Upon each sale, agreement of sale, or agreement to sell (not including so-called transferred or scratch sales), any products or merchandise at, or under the rules or usages of, any exchange, or board of trade, or other similar place, for future delivery, for each \$100 in value of the merchandise covered by said sale or agreement of sale or agreement to sell, 2 cents, and for each additional \$100 or fractional part thereof in excess of \$100, 2 cents; Provided, That on every sale or agreement of sale or agreement to sell as aforesaid there shall be made and delivered by the seller to the buyer a bill, memorandum, agreement, or other evidence of such sale, agreement of sale, or agreement to sell, to which there shall be affixed a lawful stamp or stamps in value equal to the amount of the tax on such sale; Provided further, That sellers of commodities described herein, having paid the tax provided by this subdivision, may transfer such contracts to a clearing-house corporation or association, and such transfer shall not be deemed to be a sale, or agreement of sale, or an agreement to sell within the provisions of this Act, provided that such transfer shall not vest any beneficial interest in such clearing-house association but shall be made for the sole purpose of enabling such clearing-house association to adjust and balance the accounts of the members of such clearing-house association on their several contracts. Every such bill, memorandum, or other evidence of sale or agreement to sell shall show the date thereof, the

**Sales on produce
exchange**

**For future delivery,
tax 2c per \$100**

**Stamps to be affixed
to memoranda of sale**

**Transfers of contracts
to clearing-house not
a sale**

Penalty

name of the seller, the amount of the sale, and the matter or thing to which it refers; and any person liable to pay the tax as herein provided, or anyone who acts in the matter as agent or broker for such person, who makes any such sale or agreement of sale, or agreement to sell, or who, in pursuance of any such sale, agreement of sale or agreement to sell, delivers any such products or merchandise without a bill, memorandum, or other evidence thereof as herein required, or who delivers such bill, memorandum, or other evidence of sale, or agreement to sell, without having the proper stamps affixed thereto, with intent to evade the foregoing provisions, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding \$1,000 or be imprisoned not more than six months, or both.

Sales for immediate delivery not taxed

No bill, memorandum, agreement, or other evidence of such sale, or agreement of sale, or agreement to sell, in case of cash sales of products or merchandise for immediate or prompt delivery which in good faith are actually intended to be delivered shall be subject to this tax.

Promissory notes and time drafts

6. Drafts or checks (payable otherwise than at sight or on demand) upon their acceptance or delivery within the United States whichever is prior, promissory notes, except bank notes issued for circulation, and for each renewal of the same, for a sum not exceeding \$100, 2 cents; and for each additional \$100 or fractional part thereof, 2 cents.

Rates, 2c per \$100**Exemption of notes secured by U. S. war obligations, or by notes so secured**

This subdivision shall not apply to a promissory note secured by the pledge of bonds or obligations of the United States issued after April 24, 1917, or secured by the pledge of a promissory note which itself is secured by the pledge of such bonds or obligations; Provided, That in either case the par value

of such bonds or obligations shall be not less than the amount of such note.

7. Conveyances: Deed, instrument, or writing, whereby any lands, tenements, or other realty sold shall be granted, assigned, transferred, or otherwise conveyed to or vested in, the purchaser or purchasers, or any other person or persons, by his, her, or their direction, when the consideration or value of the interest or property conveyed, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, exceeds \$100 and does not exceed \$500, 50 cents; and for each additional \$500 or fractional part thereof, 50 cents. This subdivision shall not apply to any instrument or writing given to secure a debt.

Conveyances

Rates

8. Entry of any goods, wares, or merchandise at any customhouse, either for consumption or warehousing, not exceeding \$100 in value, 25 cents; exceeding \$100 and not exceeding \$500 in value, 50 cents; exceeding \$500 in value, \$1.

Customhouse entries

Rates

9. Entry for the withdrawal of any goods or merchandise from customs bonded warehouse, 50 cents.

Entries for withdrawal

10. Passage ticket, one way or round trip, for each passenger, sold or issued in the United States for passage by any vessel to a port or place not in the United States, Canada, or Mexico, if costing not exceeding \$30, \$1; costing more than \$30 and not exceeding \$60, \$3; costing more than \$60, \$5. This subdivision shall not apply to passage tickets costing \$10 or less.

Passage tickets

Rates

11. Proxy for voting at any election for officers, or meeting for the transaction of business, of any corporation, except religious, educational, charitable, fraternal, or literary societies, or public cemeteries, 10 cents.

Proxies

12. Power of attorney granting authority to do or perform some act for or in behalf of the grantor,

Powers of attorney

which authority is not otherwise vested in the grantee, 25 cents. This subdivision shall not apply to any papers necessary to be used for the collection of claims from the United States or from any State for pensions, back pay, bounty, or for property lost in the military or naval service, or to powers of attorney required in bankruptcy cases.

Playing cards

13. Playing cards: Upon every pack of playing cards containing not more than fifty-four cards, manufactured or imported, and sold, or removed for consumption or sale, a tax of 8 cents per pack.

Parcel post packages

14. Parcel-post packages: Upon every parcel or package transported from one point in the United States to another by parcel post on which the postage amounts to 25 cents or more, a tax of 1 cent for each 25 cents or fractional part thereof charged for such transportation, to be paid by the consignor.

No such parcel or package shall be transported until a stamp or stamps representing the tax due shall have been affixed thereto.

**Policies and renewals
of property insurance**

15. On each policy of insurance, or certificate, binder, covering note, memorandum, cablegram, letter, or other instrument by whatever name called whereby insurance is made or renewed upon property within the United States (including rents and profits) against peril by sea or on inland waters or in transit on land (including transshipments and storage at termini or way points) or by fire, lightning, tornado, wind-storm, bombardment, invasion, insurrection or riot, issued to or for or in the name of a domestic corporation or partnership or an individual resident of the United States by any foreign corporation or partnership or any individual not a resident of the United States, when such policy or other instrument is not signed or countersigned by an officer or agent of the insurer in a State, Territory, or district of the United States within which

such insurer is authorized to do business, a tax of 3 cents on each dollar or fractional part thereof of the premium charged; Provided, That policies of re-insurance shall be exempt from the tax imposed by this subdivision.

Any person to or for whom or in whose name any such policy or other instrument is issued, or any solicitor or broker acting for or on behalf of such person in the procurement of any such policy or other instrument, shall affix the proper stamps to such policy or other instrument, and for failure to affix such stamps with intent to evade the tax shall, in addition to other penalties provided therefor, pay a fine of double the amount of the tax.

By whom stamp is
to be affixed

TITLE XII

Tax on Employment of Child Labor

Tax on employers of
child labor, operating:

Mines or quarries

Mills or factories

What constitutes
child labor

Tax rate, 10 per cent
of net profits

Computation of net
profits

Deductions:

SEC. 1200. That every person (other than a bona fide boys' or girls' canning club recognized by the Agricultural Department of a State and of the United States) operating (a) any mine or quarry situated in the United States in which children under the age of sixteen 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 fourteen years have been employed or permitted to work, or children between the ages of fourteen and sixteen 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 seven o'clock post meridian, or before the hour of six o'clock ante meridian, during any portion of the taxable year, shall pay for each taxable year, in addition to all other taxes imposed by law, an excise tax equivalent to 10 per centum of the entire net profits received or accrued for such year from the sale or disposition of the product of such mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment.

SEC. 1201. That in computing net profits under the provisions of this title, for the purpose of the tax there shall be allowed as deductions from the gross amount received or accrued for the taxable year from the sale or disposition of such products manu-

factured within the United States the following items:

- (a) The cost of raw materials entering into the production; Raw materials
- (b) Running expenses, including rentals, cost of repairs, and maintenance, heat, power, insurance, management, and a reasonable allowance for salaries or other compensations for personal services actually rendered, and for depreciation; Expenses of business
- (c) Interest paid within the taxable year on debts or loans contracted to meet the needs of the business, and the proceeds of which have been actually used to meet such needs; Interest paid
- (d) Taxes of all kinds paid during the taxable year with respect to the business or property relating to the production; and Taxes
- (e) Losses actually sustained within the taxable year in connection with the business of producing such products, including losses from fire, flood, storm, or other casualties, and not compensated for by insurance or otherwise. Losses

SEC. 1202. That if any such person during any taxable year or part thereof, whether under any agreement, arrangement, or understanding or otherwise, sells or disposes of any product of such mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment at less than the fair market price obtainable therefor either (a) in such manner as directly or indirectly to benefit such person or any person directly or indirectly interested in the business of such person; or (b) with intent to cause such benefit; the gross amount received or accrued for such year or part thereof from the sale or disposition of such product shall be taken to be the amount which would have been received or accrued from the sale or disposition of such product if sold at the fair market price. Sales below fair market price to be computed on basis of fair price

Certificates of age

SEC. 1203. (a) That no person subject to the provisions of this title shall be liable for the tax herein imposed if the only employment or permission to work which but for this section would subject him to the tax, has been of a child as to whom such person has in good faith procured at the time of employing such child or permitting him to work, and has since in good faith relied upon and kept on file a certificate, issued in such form, under such conditions and by such persons as may be prescribed by a board consisting of the Secretary, the Commissioner, and the Secretary of Labor, showing the child to be of such age as not to subject such person to the tax imposed by this title. Any person who knowingly makes a false statement or presents false evidence in or in relation to any such certificate or application therefor shall be punished by a fine of not less than \$100, nor more than \$1,000, or by imprisonment for not more than three months, or by both such fine and imprisonment, in the discretion of the court.

Federal board**Penalty for false statement****State certificates acceptable**

In any State designated by such board an employment certificate or other similar paper as to the age of the child, issued under the laws of that State, and not inconsistent with the provisions of this title, shall have the same force and effect as a certificate herein provided for.

Mistakes of fact without intention to evade

(b) The tax imposed by this title shall not be imposed in the case of any person who proves to the satisfaction of the Secretary that the only employment or permission to work which but for this section would subject him to the tax, has been of a child employed or permitted to work under a mistake of fact as to the age of such child, and without intention to evade the tax.

Returns

SEC. 1204. That on or before the first day of the third month following the close of each taxable year,

a true and accurate return under oath shall be made by each person subject to the provisions of this title to the collector for the district in which such person has his principal office or place of business, in such form as the Commissioner, with the approval of the Secretary, shall prescribe, setting forth specifically the gross amount of income received or accrued during such year from the sale or disposition of the product of any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment, in which children have been employed subjecting him to the tax imposed by this title, and from the total thereof deducting the aggregate items of allowance authorized by this title, and such other particulars as to the gross receipts and items of allowance as the Commissioner, with the approval of the Secretary may require.

SEC. 1205. That all such returns shall be transmitted forthwith by the collector to the Commissioner, who shall, as soon as practicable, assess the tax found due and notify the person making such return of the amount of tax for which such person is liable, and such person shall pay the tax to the collector on or before thirty days from the date of such notice.

Assessment and
payment of tax

SEC. 1206. That for the purposes of this Act the Commissioner, or any other person duly authorized by him, shall have authority to enter and inspect at any time any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment. The Secretary of Labor, or any person duly authorized by him, shall, for the purpose of complying with a request of the Commissioner to make such an inspection, have like authority, and shall make report to the Commissioner of inspections made under such authority in such form as may be prescribed by the

Inspection

Commissioner with the approval of the Secretary of the Treasury.

Penalty

Any person who refuses or obstructs entry or inspection authorized by this section shall be punished by a fine of not more than \$1,000, or by imprisonment for not more than one year, or both such fine and imprisonment.

**Taxable year
defined**

See page 8

SEC. 1207. That as used in this title the term "taxable year" shall have the same meaning as provided for the purposes of income tax in section 200. The first taxable year for the purposes of this title shall be the period between sixty days after the passage of this Act and December 31, 1919, both inclusive, or such portion of such period as is included within the fiscal year (as defined in section 200) of the taxpayer.

TITLE XIII.

General Administrative Provisions

SEC. 1300. That hereafter the salary of the Commissioner shall be \$10,000 a year. The difference between the amount appropriated under existing law and the salary herein established shall, for the period between the passage of this Act and July 1, 1919, be paid out of the appropriations for collecting internal revenue.

Salary of
Commissioner

SEC. 1301. (a) That hereafter there may be employed in the Bureau of Internal Revenue, in lieu of the deputy commissioners whose salaries are now fixed by law, five deputy commissioners and an assistant to the Commissioner, who shall each receive a salary of \$5,000 a year, payable monthly. The assistant to the Commissioner may be authorized by the Commissioner to perform any duties which the deputy commissioners may perform under existing law.

Deputy
commissioners

(b) The salaries of collectors may be readjusted and increased under such regulations as may be prescribed by the Commissioner, subject to the approval of the Secretary, but no collector shall receive a salary in excess of \$6,000 a year.

Salaries of collectors

(c) There is hereby appropriated, out of any money in the Treasury not otherwise appropriated, for the fiscal year ending June 30, 1919, the sum of \$7,500,000 for the expenses of assessing and collecting the internal-revenue taxes as provided in this Act, including the employment of necessary officers, attorneys, experts, agents, inspectors,

Appropriation for
expenses of collecting
tax

deputy collectors, clerks, janitors, and messengers, in the District of Columbia and the several collection districts, to be appointed as provided by law, telegraph and telephone service, rental and repair of quarters, postage, and the purchase of such supplies, equipment, furniture, mechanical devices, printing, stationery, law books and books of reference, not to exceed \$500 for street car fares in the District of Columbia, and such other articles as may be necessary for use in the District of Columbia and the several collection districts; Provided, That not more than \$2,750,000 of the total amount appropriated by this section may be expended in the Bureau of Internal Revenue, in the District of Columbia.

Advisory Tax Board

(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.

Duration

Vacancies

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.

Chairman

Salary

Duties

(2) The Commissioner may, and on the request of any taxpayer directly interested shall, submit to the Board any question relating to the interpreta-

tion 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. Office

(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. Powers

SEC. 1302. That all internal-revenue agents and inspectors shall be granted leave of absence with pay, which shall not be cumulative, not to exceed thirty days in any calendar year, under such regulations as the Commissioner, with the approval of the Secretary, may prescribe. Leaves of absence

SEC. 1303. (a) That there is hereby created a Legislative Drafting Service under the direction of two draftsmen, one of whom shall be appointed by the President of the Senate, and one by the Speaker of the House of Representatives, without reference to political affiliations and solely on the ground of fitness to perform the duties of the office. Each draftsman shall receive a salary of \$5,000 a year, payable monthly. The draftsmen shall, subject to Legislative drafting service

the approval of the President of the Senate and the Speaker of the House of Representatives, employ and fix the compensation of such assistant draftsmen, clerks, and other employees, and purchase such furniture, office equipment, books, stationery, and other supplies, as may be necessary for the proper performance of the duties of the service and as may be appropriated for by Congress.

Duties of drafting
service

(b) The Drafting Service shall aid in drafting public bills and resolutions or amendments thereto on the request of any committee of either House of Congress, but the Library Committee of the Senate and the Library Committee of the House of Representatives, respectively, may determine the preference, if any, to be given to such requests of the committees of either House, respectively. The draftsmen shall, from time to time, prescribe rules and regulations for the conduct of the work of the service for the committees of each House, subject to the approval of the Library Committee of each House, respectively.

Appropriation for
drafting service

(c) For the remainder of the current fiscal year there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$25,000, or so much thereof as may be necessary, for the purpose of defraying the expenses of the establishment and maintenance of the service, including the payment of salaries herein authorized. One-half of all appropriations for the service shall be disbursed by the Secretary of the Senate and one-half by the Clerk of the House of Representatives.

Imports of taxable
goods from Virgin
Islands

SEC. 1304. That there shall be levied, collected, and paid in the United States, upon articles coming into the United States from the Virgin Islands, a tax equal to the internal-revenue tax imposed in the United States upon like articles of domestic manufacture; such articles shipped from such islands to

the United States shall be exempt from the payment of any tax imposed by the internal-revenue laws of such islands; Provided, That there shall be levied, collected and paid in such islands, upon articles imported from the United States, a tax equal to the internal-revenue tax imposed in such islands upon like articles there manufactured; and such articles going into such islands from the United States shall be exempt from payment of any tax imposed by the internal-revenue laws of the United States.

Exports of taxable goods from U. S. to Virgin Islands

SEC. 1305. That all administrative, special, or stamp provisions of law, including the law relating to the assessment of taxes, so far as applicable, are hereby extended to and made a part of this Act, and every person liable to any tax imposed by this Act, or for the collection thereof, shall keep such records and render, under oath, such statements and returns, and shall comply with such regulations as the Commissioner, with the approval of the Secretary, may from time to time prescribe.

Extension of existing administrative provisions to this Act

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 Commissioner, for the purpose of ascertaining the correctness of any return or for the purpose of making a return where none has been made, is hereby authorized, by any revenue agent or inspector designated by him for that purpose, to examine any books, papers, records or memoranda bearing upon the matters required to be included in the return, and may require the attendance of the person rendering the return or of any officer or employee of such person, or the attendance of any other person having knowledge in the premises, and may take his testimony with reference to the matter required

Commissioner may examine books

May take testimony and administer oaths

by law to be included in such return, with power to administer oaths to such person or persons.

Floor taxes, returns

SEC. 1306. That where floor taxes are imposed by this Act in respect to articles or commodities, in respect to which the tax imposed by existing law has been paid, the person required by this Act to pay the tax shall, within thirty days after its passage, make return under oath in such form and under such regulations as the Commissioner, with the approval of the Secretary, shall prescribe. Payment of the tax shown to be due may be extended to a date not exceeding seven months from the passage of this Act, upon the filing of a bond for payment in such form and amount and with such sureties as the Commissioner, with the approval of the Secretary, may prescribe.

Payment

General administrative power of Commissioner

SEC. 1307. That in all cases where the method of collecting the tax imposed by this Act is not specifically provided in this Act, the tax shall be collected in such manner as the Commissioner, with the approval of the Secretary, may prescribe. All administrative and penalty provisions of Title XI of this Act, in so far as applicable, shall apply to the collection of any tax which the Commissioner determines or prescribes shall be paid by stamp.

Title XI made applicable

Penalty for failure to make returns, give information, or collect and pay tax

SEC. 1308. (a) That any person required under Titles V, VI, VII, VIII, IX, X, or XII, to pay, or to collect, account for and pay over any tax, or required by law or regulations made under authority thereof to make a return or supply any information for the purposes of the computation, assessment or collection of any such tax, who fails to pay, collect, or truly account for and pay over any such tax, make any such return or supply any such information at the time or times required by law or regulation shall in addition to other penalties provided by

law be subject to a penalty of not more than \$1,000.

(b) Any person who willfully refuses to pay, collect, or truly account for and pay over any such tax, make such return or supply such information at the time or times required by law or regulation, or who willfully attempts in any manner to evade such tax shall be guilty of a misdemeanor and in addition to other penalties provided by law shall be fined not more than \$10,000 or imprisoned for not more than one year, or both, together with the costs of prosecution.

Penalty for willful refusal to make returns or pay tax

(c) Any person who willfully refuses to pay, collect, or truly account for and pay over any such tax shall in addition to other penalties provided by law be liable to a penalty of the amount of the tax evaded, or not paid, collected, or accounted for and paid over, to be assessed and collected in the same manner as taxes are assessed and collected; Provided, however, That no penalty shall be assessed under this subdivision for any offense for which a penalty may be assessed under authority of section 3176 of the Revised Statutes, as amended, or of section 605 or 620 of this Act, or for any offense for which a penalty has been recovered under section 3256 of the Revised Statutes.

Additional penalty of double the tax

(d) The term "person" as used in this section includes an officer or employee of a corporation or a member or employee of a partnership, who as such officer, employee, or member is under a duty to perform the act in respect of which the violation occurs.

Person defined

SEC. 1309. That the Commissioner, with the approval of the Secretary, is hereby authorized to make all needful rules and regulations for the enforcement of the provisions of this Act.

Regulations

The Commissioner with such approval may by regulation provide that any return required by

Acknowledgment of certain returns before witnesses

Titles V, VI, VII, VIII, IX or X to be under oath may, if the amount of the tax covered thereby is not in excess of \$10, be signed or acknowledged before two witnesses instead of under oath.

Overpayments and overcollections

SEC. 1310. (a) That in the case of any overpayment or overcollection of any tax imposed by section 628 or 630 or by Title V, Title VIII, or Title IX, the person making such overpayment or overcollection may take credit therefor against taxes due upon any monthly return, and shall make refund of any excessive amount collected by him upon proper application by the person entitled thereto.

Payment of tax where goods are sold on credit

(b) Wherever in this Act a tax is required to be paid by the purchaser to the vendor at the time of a sale, and such 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 in such case the vendor shall have a right of action in any court of competent jurisdiction against the purchaser for the amount of the tax so returned and paid to the United States.

Taxes on beverages and tobacco and excise taxes not to apply to goods exported

(c) Under such rules and regulations as the Commissioner with the approval of the Secretary may prescribe, the taxes imposed under the provisions of Titles VI, VII or IX shall not apply in respect to articles sold or leased for export and in due course so exported. Under such rules and regulations the amount of any internal-revenue tax erroneously or illegally collected in respect to exported articles may be refunded to the exporter of the article, instead of to the manufacturer, if the manufacturer waives any claim for the amount so to be refunded.

SEC. 1311. That where the rate of tax imposed by this Act, payable by stamps, is an increase over previously existing rates, stamps on hand in the collectors' offices and in the Bureau of Internal Revenue may continue to be used until the supply on hand is exhausted, but shall be sold and accounted for at the rates provided by this Act, and assessment shall be made against manufacturers and other taxpayers having such stamps on hand on the day this Act takes effect for the difference between the amount paid for such stamps and the tax due at the rates provided by this Act.

Use of stamps already on hand

SEC. 1312. (1) That (a) if any person has prior to May 9, 1917, made a bona fide contract with a dealer for the sale or lease, after the tax takes effect, of any article in respect to which a tax is imposed under Title VI, VII, or IX, or under subdivision 13 of Schedule A of Title XI, or under this subdivision, and (b) if such contract does not permit the adding of the whole of such tax to the amount to be paid under such contract, then the vendee or lessee shall, in lieu of the vendor or lessor, pay so much of such tax as is not so permitted to be added to the contract price. If a contract of the character above described was made with any person other than a dealer, the tax collected under this Act shall be the tax in force on May 9, 1917.

Contracts preventing addition of tax to purchase price made prior to May 9, 1917

(2) If (a) any person has prior to September 3, 1918, made a bona fide contract with a dealer for the sale or lease, after the tax takes effect, of any article in respect to which a tax is imposed under Title VI, VII, or IX, or under subdivision 13 of Schedule A of Title XI, or under this subdivision, and in respect to which no corresponding tax was imposed by the Revenue Act of 1917, and (b) such contract does not permit the adding, to the amount to be paid under such contract, of the whole of the

Contracts prior to September 3, 1918 with regard to goods not then taxable

tax imposed by this Act, then the vendee or lessee shall, in lieu of the vendor or lessor, pay so much of the tax imposed by this Act as is not so permitted to be added to the contract price. If a contract of the character above described was made with any person other than a dealer, no tax shall be collected under this Act.

Contracts prior to Sept. 3, 1918, with regard to goods then taxable.

(3) If (a) any person has prior to September 3, 1918, made a bona fide contract with a dealer for the sale or lease, after the tax takes effect, of any article in respect to which a tax is imposed under Title VI, VII, or IX, or under subdivision 13 of Schedule A of Title XI, or under this subdivision, and in respect to which a corresponding tax was imposed by the Revenue Act of 1917, and (b) such contract does not permit the adding, to the amount to be paid under such contract, of the whole of the difference between such tax and the corresponding tax imposed by the Revenue Act of 1917, then the vendee or lessee shall, in lieu of the vendor or lessor, pay so much of such difference as is not so permitted to be added to the contract price. If a contract of the character above described was made with any person other than a dealer, the tax collected under this Act shall be the tax in force on September 3, 1918.

Payment and collection of taxes in such cases

(4) The taxes payable by the vendee or lessee under this section shall be paid to the vendor or lessor at the time the sale or lease is consummated, and collected, returned, and paid to the United States by such vendor or lessor in the same manner as provided in section 502.

See page 103

Dealer defined

(5) The term "dealer" as used in this section includes a vendee who purchases any article with intent to use it in the manufacture or production of another article intended for sale.

(6) This section shall not apply to any tax imposed by section 906.

SEC. 1313. That in the payment of any tax under this Act not payable by stamp a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to 1 cent.

Fractional parts of cent

SEC. 1314. That collectors may receive, at par with an adjustment for accrued interest, certificates of indebtedness issued by the United States and uncertified checks in payment of income, war-profits and excess-profits taxes and any other taxes payable other than by stamp, during such time and under such regulations as the Commissioner, with the approval of the Secretary, shall prescribe; but if a check so received is not paid by the bank on which it is drawn the person by whom such check has been tendered shall remain liable for the payment of the tax and for all legal penalties and additions the same as if such check had not been tendered.

Use of U. S. certificates of indebtedness and uncertified checks in payments

SEC. 1315. That section 3315 of the Revised Statutes, as amended, is hereby amended to read as follows:

Sec. 3315 U. S. R. S. amended

“SEC. 3315. The Commissioner of Internal Revenue may, under regulations prescribed by him with the approval of the Secretary of the Treasury, issue stamps for restamping packages of distilled spirits, tobacco, cigars, snuff, cigarettes, fermented liquors, and wines which have been duly stamped but from which the stamps have been lost or destroyed by unavoidable accident.”

Restamping of packages

SEC. 1316. (a) That section 3220 of the Revised Statutes is hereby amended to read as follows:

Sec. 3320 U. S. R. S. amended

“SEC. 3220. The Commissioner of Internal Revenue, subject to regulations prescribed by the Secretary of the Treasury, is authorized to remit, refund,

Refunds of taxes

and pay back all taxes erroneously or illegally assessed or collected, all penalties collected without authority, and all taxes that appear to be unjustly assessed or excessive in amount, or in any manner wrongfully collected; also to repay to any collector or deputy collector the full amount of such sums of money as may be recovered against him in any court, for any internal revenue taxes collected by him, with the cost and expenses of suit; also all damages and costs recovered against any assessor, assistant assessor, collector, deputy collector, agent or inspector, in any suit brought against him by reason of anything done in the due performance of his official duty, and shall make report to Congress at the beginning of each regular session of Congress of all transactions under this section."

Sec. 3225 U. S. R. S.
amended

(b) Section 3225 of the Revised Statutes of the United States is hereby amended to read as follows:

Second assessments

"SEC. 3225. When a second assessment is made in case of any list, statement, or return, which in the opinion of the collector or deputy collector was false or fraudulent, or contained any understatement or undervaluation, such assessment shall not be remitted, nor shall taxes collected under such assessment be refunded, or paid back, or recovered by any suit, unless it is proved that such list, statement, or return was not willfully false or fraudulent and did not contain any willful understatement or undervaluation."

Sec. 3689 U. S. R. S.
repealed in part

(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.

Annual estimate of refunds

SEC. 1317. That sections 3164, 3165, 3167, 3172, 3173, and 3176 of the Revised Statutes as amended are hereby amended to read as follows:

U. S. R. S. amended

“SEC. 3164. It shall be the duty of every collector of internal revenue having knowledge of any willful violation of any law of the United States relating to the revenue, within thirty days after coming into possession of such knowledge, to file with the district attorney of the district in which any fine, penalty, or forfeiture may be incurred, a statement of all the facts and circumstances of the case within his knowledge, together with the names of the witnesses, setting forth the provisions of law believed to be so violated on which reliance may be had for condemnation or conviction.

Evidence of violations to be filed with district attorney

“SEC. 3165. Every collector, deputy collector, internal-revenue agent, and internal-revenue officer assigned to duty under an internal-revenue agent, is authorized to administer oaths and to take evidence touching any part of the administration of the internal-revenue laws with which he is charged, or where such oaths and evidence are authorized by law or regulation authorized by law to be taken.

Administration of oaths and securing of evidence

“SEC. 3167. It shall be unlawful for any collector, deputy collector, agent, clerk, or other officer or employee of the United States to divulge or to make known in any manner whatever not provided by law to any person the operations, style of work, or apparatus of any manufacturer or producer

Information not to be revealed

visited by him in the discharge of his official duties, or the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any income return, or to permit any income return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law; and it shall be unlawful for any person to print or publish in any manner whatever not provided by law any income return, or any part thereof or source of income, profits, losses, or expenditures appearing in any income return; and any offense against the foregoing provision shall be a misdemeanor and be punished by a fine not exceeding \$1,000 or by imprisonment not exceeding one year, or both, at the discretion of the court; and if the offender be an officer or employee of the United States he shall be dismissed from office or discharged from employment.

Investigations

“SEC. 3172. Every collector shall, from time to time, cause his deputies to proceed through every part of his district and inquire after and concerning all persons therein who are liable to pay any internal-revenue tax, and all persons owning or having the care and management of any objects liable to pay any tax, and to make a list of such persons and enumerate said objects.

Returns, when required

“SEC. 3173. It shall be the duty of any person, partnership, firm, association, or corporation, made liable to any duty, special tax, or other tax imposed by law, when not otherwise provided for, (1) in case of a special tax, on or before the thirty-first day of July in each year, and (2) in other cases before the day on which the taxes accrue, to make a list or return, verified by oath, to the collector or a deputy collector of the district where located, of the articles or objects, including the quantity of

goods, wares, and merchandise, made or sold and charged with a tax, the several rates and aggregate amount, according to the forms and regulations to be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, for which such person, partnership, firm, association, or corporation is liable; Provided, That if any person liable to pay any duty or tax, or owning, possessing, or having the care or management of property, goods, wares, and merchandise, article or objects liable to pay any duty, tax, or license, shall fail to make and exhibit a list or return required by law, but shall consent to disclose the particulars of any and all the property, goods, wares, and merchandise, articles, and objects liable to pay any duty or tax, or any business or occupation liable to pay any tax as aforesaid, then, and in that case, it shall be the duty of the collector or deputy collector to make such list or return, which, being distinctly read, consented to, and signed and verified by oath by the person so owning, possessing, or having the care and management as aforesaid, may be received as the list of such person; Provided further, That in case no annual list or return has been rendered by such person to the collector or deputy collector as required by law, and the person shall be absent from his or her residence or place of business at the time the collector or a deputy collector shall call for the annual list or return, it shall be the duty of such collector or deputy collector to leave at such place of residence or business, with some one of suitable age and discretion, if such be present, otherwise to deposit in the nearest post office, a note or memorandum addressed to such person, requiring him or her to render to such collector or deputy collector the list or return required by law within ten days from the date of

When collector shall
make return for
taxpayer

Notice of require-
ment of return

Collector may examine
taxable persons

such note or memorandum, verified by oath. And if any person, on being notified or required as aforesaid, shall refuse or neglect to render such list or return within the time required as aforesaid, or whenever any person who is required to deliver a monthly or other return of objects subject to tax fails to do so at the time required, or delivers any return which, in the opinion of the collector, is erroneous, false, or fraudulent, or contains any undervaluation or understatement, or refuses to allow any regularly authorized Government officer to examine the books of such person, firm, or corporation, it shall be lawful for the collector to summon such person, or any other person having possession, custody, or care of books of account containing entries relating to the business of such person or any other person he may deem proper, to appear before him and produce such books at a time and place named in the summons, and to give testimony or answer interrogatories, under oath, respecting any objects or income liable to tax or the returns thereof. The collector may summon any person residing or found within the State or Territory in which his district lies; and when the person intended to be summoned does not reside and can not be found within such State or Territory, he may enter any collection district where such person may be found and there make the examination herein authorized. And to this end he may there exercise all the authority which he might lawfully exercise in the district for which he was commissioned; Provided, That 'person,' as used in this section, shall be construed to include any corporation, joint-stock company or association, or insurance company when such construction is necessary to carry out its provisions.

"SEC. 3176. If any person, corporation, company, or association fails to make and file a return or list at the time prescribed by law or by regulation made under authority of law, or makes, willfully or otherwise, a false or fraudulent return or list, the collector or deputy collector shall make the return or list from his own knowledge and from such information as he can obtain through testimony or otherwise. In any such case the Commissioner may, from his own knowledge and from such information as he can obtain through testimony or otherwise, make a return or amend any return made by a collector or deputy collector. Any return or list so made and subscribed by the Commissioner, or by a collector or deputy collector and approved by the Commissioner, shall be prima facie good and sufficient for all legal purposes.

When collector shall make return from own knowledge

"If the failure to file a return or list is due to sickness or absence, the collector may allow such further time, not exceeding thirty days, for making and filing the return or list as he deems proper.

Extension of time for filing return

"The Commissioner of Internal Revenue shall determine and assess all taxes, other than stamp taxes, as to which returns or lists are so made under the provisions of this section. In case of any failure to make and file a return or list within the time prescribed by law, or prescribed by the Commissioner of Internal Revenue or the collector in pursuance of law, the Commissioner of Internal Revenue shall add to the tax 25 per centum of its amount, except that when a return is filed after such time and it is shown that the failure to file it was due to a reasonable cause and not to willful neglect, no such addition shall be made to the tax. In case a false or fraudulent return or list is willfully made, the Commissioner of Internal Revenue shall add to the tax 50 per centum of its amount.

Commissioner to assess tax

Penalty for failure to file return on time

Penalty for fraudulent returns

Collection of penalties “The amount so added to any tax shall be collected at the same time and in the same manner and as part of the tax unless the tax has been paid before the discovery of the neglect, falsity, or fraud, in which case the amount so added shall be collected in the same manner as the tax.”

Court of jurisdiction **SEC. 1318.** That if any person is summoned under this Act to appear, to testify, or to produce books, papers or other data, the district court of the United States for the district in which such person resides shall have jurisdiction by appropriate process to compel such attendance, testimony, or production of books, papers, or other data.

The district courts of the United States at the instance of the United States are hereby invested with such jurisdiction to make and issue, both in actions at law and suits in equity, writs and orders of injunction, and of ne exeat republica, orders appointing receivers, and such other orders and process, and to render such judgments and decrees, granting in proper cases both legal and equitable relief together, as may be necessary or appropriate for the enforcement of the provisions of this Act. The remedies hereby provided are in addition to and not exclusive of any and all other remedies of the United States in such courts or otherwise to enforce such provisions.

Misrepresentation of amount of tax included in price of goods **SEC. 1319.** That whoever in connection with the sale or lease, or offer for sale or lease, of any article, or for the purpose of making such sale or lease, makes any statement, written or oral, (1) intended or calculated to lead any person to believe that any part of the price at which such article is sold or leased, or offered for sale or lease, consists of a tax imposed under the authority of the United States, or (2) ascribing a particular part of such price to a tax imposed under the authority of the United

States, knowing that such statement is false or that the tax is not so great as the portion of such price ascribed to such tax, shall be guilty of a misdemeanor and upon conviction thereof shall be punished by a fine of not more than \$1,000 or by imprisonment not exceeding one year, or both.

Penalty

SEC. 1320. That wherever by the laws of the United States or regulations made pursuant thereto, any person is required to furnish any recognizance, stipulation, bond, guaranty, or undertaking, hereinafter called "penal bond," with surety or sureties, such person may, in lieu of such surety or sureties, deposit as security with the official having authority to approve such penal bond, United States Liberty bonds or other bonds of the United States in a sum equal at their par value to the amount of such penal bond required to be furnished, together with an agreement authorizing such official to collect or sell such bonds so deposited in case of any default in the performance of any of the conditions or stipulations of such penal bond. The acceptance of such United States bonds in lieu of surety or sureties required by law shall have the same force and effect as individual or corporate sureties, or certified checks, bank drafts, post-office money orders, or cash, for the penalty or amount of such penal bond. The bonds deposited hereunder, and such other United States bonds as may be substituted therefor from time to time as such security, may be deposited with the Treasurer, or an Assistant Treasurer of the United States, a Government depository, Federal Reserve bank, or member bank, which shall issue receipt therefor, describing such bonds so deposited. As soon as security for the performance of such penal bond is no longer necessary, such bonds so deposited, shall be returned to the depositor; Provided, That in

Penal bond:

Deposits of U. S.
bonds in lieu ofWith whom U. S.
bonds may be
deposited

Return of deposit

case a person or persons supplying a contractor with labor or material as provided by the Act of Congress, approved February 24, 1905 (33 Stat., 811), entitled "An Act to amend an Act approved August thirteenth, eighteen hundred and ninety-four, entitled 'An Act for the protection of persons furnishing materials and labor for the construction of public works,' " shall file with the obligee, at any time after a default in the performance of any contract subject to said Acts, the application and affidavit therein provided, the obligee shall not deliver to the obligor the deposited bonds nor any surplus proceeds thereof until the expiration of the time limited by said Acts for the institution of suit by such person or persons, and, in case suit shall be instituted within such time, shall hold said bonds or proceeds subject to the order of the court having jurisdiction thereof; Provided further, That nothing herein contained shall affect or impair the priority of the claim of the United States against the bonds deposited or any right or remedy granted by said Acts or by this section to the United States for default upon any obligation of said penal bond; Provided further, That all laws inconsistent with this section are hereby so modified as to conform to the provisions hereof; And provided further, That nothing contained herein shall affect the authority of courts over the security, where such bonds are taken as security in judicial proceedings, or the authority of any administrative officer of the United States to receive United States bonds for security in cases authorized by existing laws. The Secretary may prescribe rules and regulations necessary and proper for carrying this section into effect.

Inconsistent statutes
modified

Regulations

TITLE XIV.

General Provisions

SEC. 1400. (a) That the following parts of Acts are hereby repealed, subject to the limitations provided in subdivision (b):

(1) The following titles of the Revenue Act of 1916:

- Title I (called "Income Tax");
- Title II (called "Estate Tax");
- Title III (called "Munitions Manufacturers' Tax"), as amended;
- Title IV (called "Miscellaneous Taxes").

(2) The following parts of 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:

- Title III (called "Estate Tax");
- Section 402 (called "Returns of Dividends").

(3) The following titles of the Revenue Act of 1917:

- Title I (called "War Income Tax");
- Title II (called "War Excess-Profits Tax");
- Title III (called "War Tax on Beverages");
- Title IV (called "War Tax on Cigars, Tobacco, and Manufactures Thereof");
- Title V (called "War Tax on Facilities Furnished by Public Utilities, and Insurance");
- Title VI (called "War Excise Taxes");
- Title VII (called "War Tax on Admissions and Dues");
- Title VIII (called "War Stamp Taxes");

Title IX (called "War Estate Tax");
 Title X (called "Administrative Provisions");
 Title XII (called "Income-Tax Amendments").

Provisions above
 repealed remain
 effective for taxes
 accrued under them

(b) Such parts of Acts shall remain in force for the assessment and collection of all taxes which have accrued thereunder, and for the imposition and collection of all penalties or forfeitures which have accrued and may accrue in relation to any such taxes, and except that the unexpended balance of any appropriation heretofore made and now available for the administration of any such part of an Act shall be available for the administration of this Act or the corresponding provision thereof; Provided, That, except as otherwise provided in this Act, no taxes shall be collected under Title I of the Revenue Act of 1916 as amended by the Revenue Act of 1917, or Title I or II of the Revenue Act of 1917, in respect to any period after December 31, 1917; Provided further, That the assessment and collection of all estate taxes, and the imposition and collection of all penalties or forfeitures, which have accrued under 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 Title IX of the Revenue Act of 1917, shall be according to the provisions of Title IV of this Act. In the case of any tax imposed by any part of an Act herein repealed, if there is a tax imposed by this Act in lieu thereof, the provision imposing such tax shall remain in force until the corresponding tax under this Act takes effect under the provisions of this Act.

Exceptions:

(1) Income and war
 excess-profits tax

(2) Estate taxes

Taxes retained until
 corresponding tax
 takes effect

1916 income tax as
 amended effective
 in Porto Rico and
 Philippines

Title I of the Revenue Act of 1916 as amended by the Revenue Act of 1917 shall remain in force for the assessment and collection of the income tax

in Porto Rico and the Philippine Islands, except as may be otherwise provided by their respective legislatures.

SEC. 1401. That section 1100 of the Revenue Act of 1917 is hereby repealed, to take effect on July 1, 1919, and thereafter the rate of postage on all mail matter of the first class shall be the same as the rate in force on October 2, 1917; Provided, That letters written and mailed by soldiers, sailors, and marines assigned to duty in a foreign country engaged in the present war may be mailed free of postage, subject to such rules and regulations as may be prescribed by the Postmaster General.

Rate on first
class mail

Section 1107 of such Act is hereby repealed, to take effect July 11, 1919.

SEC. 1402. That if any clause, sentence, paragraph or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this Act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment has been rendered.

Invalidity of any
section

SEC. 1403. That the Revenue Act of 1916 is hereby amended by adding at the end thereof a section to read as follows:

Citation of Revenue
Act of 1916

“SEC. 903. That this Act may be cited as the ‘Revenue Act of 1916.’”

SEC. 1404. That the Revenue Act of 1917 is hereby amended by adding at the end thereof a section to read as follows:

Citation of Revenue
Act of 1917

“SEC. 1303. That this Act may be cited as the ‘Revenue Act of 1917.’”

SEC. 1405. That this Act may be cited as the “Revenue Act of 1918.”

Citation of Revenue
Act of 1918

**Bonus to persons
discharged from mili-
tary or naval service**

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.

Exceptions

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.

When payable

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. Regulations

SEC. 1407. That the provisions of section 5 of the Act entitled "An Act making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1918, and for other purposes," approved March 3, 1917, relating to intoxicating liquors in interstate commerce, as amended by section 1110 of an Act entitled "An Act to provide revenue to defray war expenses, and for other purposes," approved October 3, 1917, be, and the same are hereby, made applicable to the District of Columbia. "Bone dry"
prohibition extended
to District of
Columbia

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. War contracts to be
filed with Commis-
sioner if requested

Penalty

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.

Information to be
available to
Commissioner

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.

Effective date

SEC. 1409. That unless otherwise herein specially provided, this Act shall take effect on the day following its passage.

Approved, February 24, 1919

Appendix

**Computation Tables for Individual In-
come Taxes**

**Computation Tables for Corporation
Taxes**

Corporation Taxes: 1918

Corporation Taxes: 1919

**Comparison of Taxes on Income from
Corporations and Partnerships**

APPENDIX

Computation Tables for Individual Income Taxes

These tables provide a short method of determining the combined normal taxes and surtaxes falling on net incomes of individuals. They are based on fully taxable income and allow for the exemption of \$2,000 from the normal tax which is accorded to married men or heads of families without dependents. The tables do not take into consideration income from tax-free securities or from dividends of corporations taxable on their net income.

The rates for 1918 and for subsequent years differ only as to the normal tax. For 1918 this is 6 per cent. on the first \$4,000 above the personal exemption and 12 per cent. on all income above this amount. For subsequent years these rates are 4 per cent. and 8 per cent. respectively.

How to Use Tables. Find in column A the largest sum less than your total net income and multiply the difference between that sum and your actual income by the rate shown on the same line in column F. Add the result to the sum given in column E. The resulting sum constitutes the total income tax.

Illustration. Take an income of \$25,000 in 1918. In column E is given the amount of tax falling on an income of \$24,000, namely, \$3,490. The rate of 23 per cent., given on the same line in column F, is to be applied to the remaining \$1,000 of income. The total tax on the \$25,000 is therefore the sum of \$3,490 and \$230, or \$3,720.

If the income should be increased to \$28,000 by the addition of \$3,000 income from dividends and bond interest subject only to surtaxes, the amount of surtax can readily be computed from column D. On the \$1,000 of income falling between \$24,000 and \$26,000, the surtax rate of 11 per cent. applies, and on the remaining \$2,000 the surtax rate of 12 per cent. applies. The additional tax is therefore \$350 and the total tax upon the income of \$28,000 is \$4,070.

TAX ON INCOME OF 1918 PAYABLE IN 1919

A	B	C	D	E	F
Amount of Net Income	Normal Tax	Surtax	Surtax Rate on Next Increment of Income	Combined Normal and Surtaxes	Combined Rate on Next Increment of Income
\$2,000	\$00	\$00	0%	\$00	6%
5,000	180	00	1	180	7
6,000	240	10	2	250	14
8,000	480	50	3	530	15
10,000	720	110	4	830	16
12,000	960	190	5	1,150	17
14,000	1,200	290	6	1,490	18
16,000	1,440	410	7	1,850	19
18,000	1,680	550	8	2,230	20
20,000	1,920	710	9	2,630	21
22,000	2,160	890	10	3,050	22
24,000	2,400	1,090	11	3,490	23
26,000	2,640	1,310	12	3,950	24
28,000	2,880	1,550	13	4,430	25
30,000	3,120	1,810	14	4,930	26
32,000	3,360	2,090	15	5,450	27
34,000	3,600	2,390	16	5,990	28
36,000	3,840	2,710	17	6,550	29
38,000	4,080	3,050	18	7,130	30
40,000	4,320	3,410	19	7,730	31
42,000	4,560	3,790	20	8,350	32
44,000	4,800	4,190	21	8,990	33
46,000	5,040	4,610	22	9,650	34
48,000	5,280	5,050	23	10,330	35
50,000	5,520	5,510	24	11,030	36
52,000	5,760	5,990	25	11,750	37
54,000	6,000	6,490	26	12,490	38
56,000	6,240	7,010	27	13,250	39
58,000	6,480	7,550	28	14,030	40
60,000	6,720	8,110	29	14,830	41
62,000	6,960	8,690	30	15,650	42
64,000	7,200	9,290	31	16,490	43
66,000	7,440	9,910	32	17,350	44
68,000	7,680	10,550	33	18,230	45
70,000	7,920	11,210	34	19,130	46
72,000	8,160	11,890	35	20,050	47
74,000	8,400	12,590	36	20,990	48
76,000	8,640	13,310	37	21,950	49
78,000	8,880	14,050	38	22,930	50
80,000	9,120	14,810	39	23,930	51
82,000	9,360	15,590	40	24,950	52
84,000	9,600	16,390	41	25,990	53
86,000	9,840	17,210	42	27,050	54
88,000	10,080	18,050	43	28,130	55
90,000	10,320	18,910	44	29,230	56
92,000	10,560	19,790	45	30,350	57
94,000	10,800	20,690	46	31,490	58
96,000	11,040	21,610	47	32,650	59
98,000	11,280	22,550	48	33,830	60
100,000	11,520	23,510	52	35,030	64
150,000	17,520	49,510	56	67,030	68
200,000	23,520	77,510	60	101,030	72
300,000	35,520	137,510	63	173,030	75
500,000	59,520	263,510	64	323,030	76
1,000,000	119,520	583,510	65	703,030	77
5,000,000	599,520	3,183,510	65	3,783,030	77

TAX ON INCOME OF 1919 PAYABLE IN 1920

A	B	C	D	E	F
Amount of Net Income	Normal Tax	Surtax	Surtax Rate on Next Increment of Income	Combined Normal and Surtaxes	Combined Rate on Next Increment of Income
\$2,000	\$00	\$00	0%	\$000	4%
5,000	120	00	1	120	5
6,000	160	10	2	170	10
8,000	320	50	3	370	11
10,000	480	110	4	590	12
12,000	640	190	5	830	13
14,000	800	290	6	1,090	14
16,000	960	410	7	1,370	15
18,000	1,120	550	8	1,670	16
20,000	1,280	710	9	1,990	17
22,000	1,440	890	10	2,330	18
24,000	1,600	1,090	11	2,690	19
26,000	1,760	1,310	12	3,070	20
28,000	1,920	1,550	13	3,470	21
30,000	2,080	1,810	14	3,890	22
32,000	2,240	2,090	15	4,330	23
34,000	2,400	2,390	16	4,790	24
36,000	2,560	2,710	17	5,270	25
38,000	2,720	3,060	18	5,770	26
40,000	2,880	3,410	19	6,290	27
42,000	3,040	3,790	20	6,830	28
44,000	3,200	4,190	21	7,390	29
46,000	3,360	4,610	22	7,970	30
48,000	3,520	5,050	23	8,570	31
50,000	3,680	5,510	24	9,190	32
52,000	3,840	5,990	25	9,830	33
54,000	4,000	6,490	26	10,490	34
56,000	4,160	7,010	27	11,170	35
58,000	4,320	7,550	28	11,870	36
60,000	4,480	8,110	29	12,590	37
62,000	4,640	8,690	30	13,330	38
64,000	4,800	9,290	31	14,090	39
66,000	4,960	9,910	32	14,870	40
68,000	5,120	10,550	33	15,670	41
70,000	5,280	11,210	34	16,490	42
72,000	5,440	11,890	35	17,330	43
74,000	5,600	12,590	36	18,190	44
76,000	5,760	13,310	37	19,070	45
78,000	5,920	14,050	38	19,970	46
80,000	6,080	14,810	39	20,890	47
82,000	6,240	15,590	40	21,830	48
84,000	6,400	16,390	41	22,790	49
86,000	6,560	17,210	42	23,770	50
88,000	6,720	18,060	43	24,770	51
90,000	6,880	18,910	44	25,790	52
92,000	7,040	19,790	45	26,830	53
94,000	7,200	20,690	46	27,890	54
96,000	7,360	21,610	47	28,970	55
98,000	7,520	22,550	48	30,070	56
100,000	7,680	23,510	52	31,190	60
150,000	11,680	49,510	56	61,190	64
200,000	15,680	77,510	60	93,190	68
300,000	23,680	137,510	63	161,190	71
500,000	39,680	263,510	64	303,190	72
1,000,000	79,680	583,510	65	663,190	73
5,000,000	399,680	3,183,510	65	3,583,190	73

Computation Tables for Corporation Taxes

CORPORATION TAXES: 1918

GROUP I. Corporations whose average prewar income exceeds 10% of present invested capital

Case 1

Average prewar invested capital.....	\$30,000,000
Average prewar net income.....	3,800,000
Invested capital for 1918.....	35,000,000
Gross income, including taxable interest on Liberty bonds	65,000,000
Deductions	58,200,000
Net income	6,800,000

WAR-PROFITS AND EXCESS-PROFITS TAX

<i>First Bracket (30% of net income in excess of excess-profits credit and not in excess of 20% of invested capital)</i>			
Income not over 20% of invested capital	6,800,000		
Deduct excess-profits credit:			
Specific exemption	\$3,000		
8% of invested capital..	2,800,000	2,803,000	
Remainder	\$3,997,000		
Tax at 30%.....			\$1,199,100
<i>Second Bracket (65% of net income in excess of 20% of invested capital)</i>			
Income over 20% of invested capital..	000		
Tax at 65%.....			000
<i>Third Bracket (the sum by which 80% of net income in excess of war-profits credit exceeds tax under first two brackets)</i>			
Income	6,800,000		
Deduct war-profits credit:			
Specific exemption.....	\$3,000		
Average prewar income.	3,800,000		
10% of increase in invested capital	500,000	4,303,000	
Remainder	\$2,497,000		
80% of \$2,497,000.....		1,997,600	
Deduct tax under first two brackets....		1,199,100	
Tax under third bracket.....			798,500
Total war-profits and excess-profits tax.....			\$1,997,600

Note.—The total tax so computed is simply an 80% war-profits tax. The third bracket is in reality only a device for applying an alternative tax under another name. The corporation must pay whichever tax is the higher—war-profits or excess-profits.

CORPORATION INCOME TAX

Income	\$6,800,000	
Deduct credits:		
Specific exemption	\$2,000	
War-profits and excess-		
profits tax	1,997,600	
Liberty bond interest...	66,300	2,065,900
		<hr/>
Remainder	\$4,734,100	
Tax at 12%		\$568,092
Add war-profits and excess-profits tax.....		1,997,600
		<hr/>
Total taxes on corporation income.....		\$2,565,692

Case 2

Average prewar invested capital.....	\$3,000,000
Average prewar net income.....	550,000
Invested capital for 1918.....	3,500,000
Gross income, including taxable interest on Liberty bonds	6,250,000
Deductions	5,500,000
Net income	750,000

WAR-PROFITS AND EXCESS-PROFITS TAX

First Bracket

Income not over 20% of invested capital	\$700,000	
Deduct excess-profits credit:		
Specific exemption	\$3,000	
8% of invested capital..	280,000	283,000
		<hr/>
Remainder	\$417,000	
Tax at 30%.....		\$125,100

Second Bracket

Income over 20% of invested capital..	50,000	
Tax at 65%.....		32,500
		<hr/>
Total tax under first two brackets....		\$157,600

Third Bracket

Income	750,000	
Deduct war-profits credit:		
Specific exemption.....	\$3,000	
Average prewar income.	550,000	
10% of increase in in-		
vested capital	50,000	603,000
		<hr/>
Remainder	\$147,000	
80% of \$147,000.....		117,600
Tax under first two brackets.....		157,600
Tax under third bracket.....		000
		<hr/>
Total war-profits and excess-profits tax		\$157,600

Note.—In most cases corporations whose earnings bring them within the terms of the second bracket are also subject to the tax imposed by the third bracket. Where prewar earnings and the increase in invested capital were relatively large, the excess-profits tax imposed by the first two brackets may exceed the sum computed at 80% under the third bracket, as in this case.

CORPORATION INCOME TAX		
Income	\$750,000	
Deduct credits:		
Specific exemption	\$2,000	
War-profits and excess-profits tax	157,600	
Liberty bond interest...	5,950	165,550
	<hr/>	<hr/>
Remainder	\$584,450	
Tax at 12%		\$70,134
Add war-profits and excess-profits tax		157,600
		<hr/>
Total taxes on corporation income..		\$227,734

GROUP II. Corporations whose average prewar income plus or minus 10% of the change in invested capital is not in excess of 10% of present invested capital

(In these cases prewar income and capital do not affect the amount of the war-profits credit.)

Case 3

Invested capital for 1918.....	\$1,000,000
Gross income	420,000
Deductions	310,000
Net income	110,000

WAR-PROFITS AND EXCESS-PROFITS TAX

First Bracket

Income not over 20% of invested capital	110,000	
Deduct excess-profits credit:		
Specific exemption.....	\$3,000	
8% of invested capital..	80,000	83,000
	<hr/>	<hr/>
Remainder	\$27,000	
Tax at 30%		\$8,100

Second Bracket

Income over 20% of invested capital...	000	
Tax at 65%		000

Third Bracket

Income	110,000	
Deduct war-profits credit:		
Specific exemption	3,000	
10% of invested capital.	100,000	103,000
	<hr/>	<hr/>
Remainder	\$7,000	
80% of \$7,000.....		5,600
Tax under first two brackets.....		8,100
Tax under third bracket.....		000
		<hr/>

Total war-profits and excess-profits tax	\$8,100
--	---------

CORPORATION INCOME TAX

Income	110,000	
Deduct credits:		
Specific exemption	\$2,000	
War-profits and excess-profits tax	8,100	10,100
Remainder	\$99,900	
Tax at 12%		11,988
Add war-profits and excess-profits tax..		8,100
Total taxes on corporation income....		\$20,088

Case 4

Invested capital for 1918.....	\$1,000,000
Gross income	1,850,000
Deductions	1,600,000
Net income	250,000

WAR-PROFITS AND EXCESS-PROFITS TAX

First Bracket

Income not over 20% of invested capital	200,000	
Deduct excess-profits credit:		
Specific exemption	\$3,000	
8% of invested capital..	80,000	83,000
Remainder	\$117,000	
Tax at 30%		\$35,100

Second Bracket

Income over 20% of invested capital ..	50,000	
Tax at 65%		32,500
Total tax under first two brackets....		\$67,600

Third Bracket

Income	250,000	
Deduct war-profits credit:		
Specific exemption	\$3,000	
10% of invested capital..	100,000	103,000
Remainder	\$147,000	
80% of \$147,000.....		117,600
Deduct tax under first two brackets...		67,600
Tax under third bracket.....		50,000
Total war-profits and excess-profits tax		\$117,600

Note.—This total tax is simply the 80% war-profits tax. The law so works out that the 80% rate applies to corporations in this group whose invested capital is \$375,000 or over whenever earnings for 1918 rise above 12% of invested capital.

Since the 65% rate applies only to income in excess of 20% of invested capital, it follows that corporations of this class are in practice never subject to the tax in the second bracket.

CORPORATION INCOME TAX

Income	\$250,000
Deduct credits:	
Specific exemption	\$2,000
War-profits and excess-profits tax	117,600
	<hr/>
Remainder	\$180,400
Tax at 12%	15,648
Add war-profits and excess-profits tax	117,600
	<hr/>
Total taxes on corporation income....	\$133,248

GROUP III. Small Corporations

Case 5

Average prewar invested capital.....	\$20,000
Average prewar net income.....	2,400
Invested capital for 1918.....	24,000
Gross income	115,000
Deductions	106,000
Net income	9,000

WAR-PROFITS AND EXCESS-PROFITS TAX

First Bracket

Income not over 20% of invested capital	4,800
Deduct excess-profits credit:	
Specific exemption.....	\$3,000
8% of invested capital..	1,920
	<hr/>
Excess of deduction to apply under second bracket	120
Tax under first bracket.....	000

Second Bracket

Income over 20% of invested capital..	4,200
Deduct excess deduction from first bracket	120
	<hr/>
Remainder	\$4,080
Tax at 65%.....	2,652.00

Third Bracket

Income	9,000
Deduct war-profits credit:	
Specific exemption	3,000
Average prewar income.	2,400
10% of increase in invested capital	400
	<hr/>
Remainder	3,200
80% of \$3,200.....	2,560
Tax under first two brackets.....	2,652
Tax under third bracket.....	000.00
	<hr/>
Total war-profits and excess-profits tax	\$2,652.00

REVENUE ACT

CORPORATION INCOME TAX

Income		9,000	
Deduct credits:			
Specific exemption	2,000		
War-profits and excess-profits tax	2,652	4,652	
Remainder		\$4,348	
Tax at 12%.....			521.76
Add war-profits and excess-profits tax.			2,652.00
			<hr/>
Total tax on corporation income.....			\$3,173.76

Case 6

Average prewar invested capital.....	\$50,000
Average prewar net income.....	10,500
Invested capital for 1918.....	60,000
Gross income	210,000
Deductions	185,000
Net income	25,000

WAR-PROFITS AND EXCESS-PROFITS TAX

First Bracket

Income not over 20% of invested capital	\$12,000		
Deduct excess-profits credit:			
Specific exemption	\$3,000		
8% of invested capital..	4,800	7,800	
		<hr/>	
Remainder		\$4,200	
Tax at 30%.....			\$1,260

Second Bracket

Income over 20% of invested capital...	13,000		
Tax at 65%.....			8,450
			<hr/>
Tax under first two brackets.....			\$9,710

Third Bracket

Income	25,000		
Deduct war-profits credit:			
Specific exemption	3,000		
Average prewar income.	10,500		
10% of increase in invested capital	1,000	14,500	
		<hr/>	
Remainder		\$10,500	
80% of \$10,500.....			8,400
Tax under first two brackets.....		9,710	
Tax under third bracket.....			000
			<hr/>
Total tax under the three brackets....			\$9,710

LIMITATION OF AMOUNT OF TAX

Section 302 provides that the tax shall in no case exceed 30% of net income in excess of \$3,000 and not in excess of \$20,000, plus 80% of the net income in excess of \$20,000.

Income not over \$20,000.....	\$20,000	
Deduct specific amount	3,000	
	<hr/>	
Remainder	\$17,000	
Tax at 30%.....		\$5,100
Income over \$20,000.....	\$5,000	
Tax at 80%.....		4,000
		<hr/>
Total tax as limited.....		\$9,100
		<hr/>
Total war-profits and excess-profits tax...		9,100

CORPORATION INCOME TAX

Income		25,000	
Deduct credits:			
Specific exemption	\$2,000		
War-profits and excess-			
profits tax	9,100	11,100	
	<hr/>	<hr/>	
Remainder		\$13,900	
Tax at 12%.....			1,668
			<hr/>
Total taxes on corporation income.....			\$10,768

CORPORATION TAXES: 1919

Case 7

Invested capital for 1919.....	\$35,000,000
Gross income	65,000,000
Deductions	58,200,000
Net income	6,800,000

WAR-PROFITS AND EXCESS-PROFITS TAX

First Bracket

Income not over 20% of invested capital	6,800,000	
Deduct excess-profits credit:		
Specific exemption	\$3,000	
8% of invested capital..	2,800,000	2,803,000
	<hr/>	<hr/>
Remainder	3,997,000	
Tax at 20%.....		\$799,400

Second Bracket

Income over 20% of invested capital..	000	
Tax at 40%.....		000
		<hr/>
Total war-profits and excess-profits tax		\$799,400

CORPORATION INCOME TAX

Income	\$6,800,000	
Deduct credits:		
Specific exemption	2,000	
War-profits and excess-profits tax	799,400	
Liberty bond interest included in gross income	66,300	
		867,700
Remainder	\$5,932,300	
Tax at 10%		593,230
Add war-profits and excess-profits tax		799,400
		<hr/>
Total taxes on corporation income.....		\$1,392,630

Case 8

Invested capital for 1919.....	\$3,500,000
Gross income	6,250,000
Deductions	5,500,000
Net income	750,000

WAR-PROFITS AND EXCESS-PROFITS TAX

First Bracket

Income not over 20% of invested capital	\$700,000	
Deduct excess-profits credit:		
Specific exemption	\$3,000	
8% of invested capital.. ..	280,000	
		283,000
Remainder	\$417,000	
Tax at 20%		\$83,400

Second Bracket

Income over 20% of invested capital.. ..	50,000	
Tax at 40%		20,000

Total war-profits and excess-profits tax

\$103,400

CORPORATION INCOME TAX

Income	750,000	
Deduct credits:		
Specific exemption	\$2,000	
War-profits and excess-profits tax	103,400	
Liberty bond interest included in gross income	5,950	
		111,350
Remainder	\$638,650	
Tax at 10%		63,865
		<hr/>
Total taxes on corporation income.....		\$167,265

Comparison of Taxes on Income from Corporations and Partnerships

Partners are taxed on their share of partnership earnings, whether distributed or not. Stockholders of corporations are taxable only on distributed earnings unless it should appear to the Commissioner that earnings are being held in a business merely to avoid the surtaxes.

In the following comparison of 1918 taxes, it is assumed that the corporation's entire net income remaining after the payment of taxes is distributed and therefore subject to surtaxes in the hands of the shareholders. It is further assumed that the business is owned equally by four shareholders or partners, whose sole income is derived from the business. The capital stock tax on corporations is not taken into consideration.

CASE 9.

Invested capital and income as in Case 1.

TAXES ON INCOME FROM CORPORATION

Net income	\$6,800,000.00
Total taxes on corporation income (from Case 1)....	2,565,692.00
<hr/>	
Net income after payment of taxes.....	4,234,308.00
Share of each four stockholders, if distributed.....	1,058,577.00
Individual surtaxes on \$1,058,577.....	621,585.05
Aggregate surtaxes on four stockholders, if all earnings are distributed	2,486,340.20
Add taxes on corporation.....	2,565,692.00
<hr/>	
Aggregate taxes on income from corporation.....	5,052,032.20
Percentage ratio of aggregate tax to corporation's net income if all earnings are distributed.....	74.3%
Percentage ratio of tax to corporation's net income if no earnings are distributed.....	37.73%

TAXES ON INCOME FROM PARTNERSHIP

Net income	\$6,800,000.00
Share of each four partners.....	1,700,000.00
Total income tax on \$1,700,000.....	1,242,030.00
Aggregate tax on four partners.....	4,968,120.00
Percentage ratio of aggregate tax to income from partnership	73.06%

CASE 10.

Invested capital and income as in Case 4.

TAXES ON INCOME FROM CORPORATION

Net income	\$250,000.00
Total taxes on corporation income.....	133,248.00
<hr/>	
Net income after payment of taxes.....	\$116,752.00
Share of each four stockholders, if distributed.....	29,188.00
Individual surtaxes on \$29,188.....	1,704.44
Aggregate surtaxes on four stockholders, if all earnings are distributed	6,817.76
Add taxes on corporation.....	133,248.00
<hr/>	
Aggregate taxes on income from corporation.....	\$140,065.76
Percentage ratio of aggregate tax to corporation's net income if all earnings are distributed.....	56.03%
Percentage ratio of tax to corporation's net income if no earnings are distributed.....	53.3%

TAXES ON INCOME FROM PARTNERSHIP

Net income	\$250,000.00
Share of each of four partners.....	62,500.00
Total income tax on \$62,500.....	15,860.00
Aggregate tax on four partners.....	63,440.00
Percentage ratio of aggregate tax to income from partnership	25.38%

INDEX

	PAGE		PAGE
Accounting for income tax..	20	Borrowed capital:	77
Additional or surtax rates..	16-19	Definition of	77
Administrative provisions: ..	187	Not included in invested capital	79
Collector's duties	199	Bowling alleys and billiard rooms	158
Income tax, payment of... 57		Brandy (see Distilled Spirits)	118, 128
Individuals' duties	200	Brewers and liquor dealers..	158
Information not made pub- lic	199	Brokers:	
Receipts for taxes	62	Returns for income tax... 64	
Admissible assets defined... 77		Special tax	155
Admissions tax:	141	Cabaret, admissions	142
Admission defined	143	Cable messages	100
Cabarets	142	Cameras	146
Exemptions	143	Candy	146
Free admissions	141	Capital stock, stamp tax on issue or sale of.....	175
Penalties	143	Capital stock tax (see Special Taxes)	154
Advisory tax board.....	188	Carpets	149
Alcohol (see Distilled Spirits) 110		Casualty insurance	105
Aliens (see Non-resident Aliens)	30	Certificates of indebtedness, use of to pay taxes..	197
Ammunition, etc.	146	Checks in payment of taxes..	197
Amusement places	157	Chewing gum	146
Appropriations	187	Child labor, tax on employ- ment of	182-186
Art products	148	Cigar and cigarette holders..	146
Assessments	203	Cigar and cigarette manufac- turers	159-160
Assistant to Commissioner..	187	Cigarettes (see Tobacco)..	133, 134
Auto accessories	145	Cigarette packages	134
Automobiles and auto trucks	145	Cigarette papers	136
Automobiles, passenger, rent- ed for hire.....	158	Cigars (see Tobacco).....	133
Beverages:	107	Circuses	157
Beer	116	Citation titles	209
Brandy	118, 128	Citizens of U. S. possessions	67
Champagne	119	Claims (see Refunds).....	197
Distilled spirits	107, 116	Collection of foreign items, license for	67
Gin	113, 129	Commissioner of Internal Revenue:	6
Near-beer	130	Powers of	191
Soda fountains	131	Returns made by.....	203
Soft drinks	131	Salary of	187
Waters	131	Commutation tickets	100
Wines	117-126	Concert halls	156
Basis for determining gain or loss	11	Consolidated corporate in- come tax returns..	55-57
Boats, pleasure:			
Purchase of	147		
Use of	160		
Bonds, indemnity and surety	174		
Bonds of indebtedness.....	174		
Bonds of U. S. as surety... 205			

	PAGE		PAGE
Consolidations, war-excess profits tax on.....	82-84	Definitions—continued	
Contracts affected by taxes..	195	Military or naval forces of U. S.	7
Contributions or gifts.....	27	Net income	20, 45
Conveyances	179	Net losses	12
Co-operative societies	45	Paid and paid or accrued	9
Cordials (see Distilled Spirits)	114	Person	5
Corporations:		Personal service corporation	8
Capital stock tax on (see Special Taxes)	154	Present war	7
Income tax on (see Income Tax, Corporations)..	43	Prewar period	73
Personal service, defined...	8	Revenue Act of 1916.....	6
War-profits and excess-profits tax (see War-profits and Excess-profits Tax)	69	Revenue Act of 1917.....	6
Cosmetics	152	Secretary	6
Courts, jurisdiction of.....	204	Tangible property	77
Credits allowed for income tax:		Taxable year	8, 69
Corporations	52	Taxpayer	6
Individuals	29	Termination of war	7
Non-resident aliens	30	United States	6
Taxes paid	38, 53	Withholding agent	8
Credits allowed for war-excess-profits tax:		Dependents, income tax exemption for	30
Excess-profits credit	75	Depletion of mineral resources or timber	26, 40
War-profits credit	74	Depreciation and obsolescence	25, 48
Customhouse brokers	156	Deputy commissioners	187
Dealers in drugs	162	Distilled spirits:	107
Debts, worthless, deduction of	25, 48	Alcohol	111
Deductions allowed for income tax:		Beverages	107
Corporations	46-52	Brandy	118, 128
Individuals	24-28	Cordials	114
Non-resident aliens	28, 30	Fermented liquor	116
Definitions:		Floor taxes	113, 119
Admissible assets	77	Gin	113, 129
Admissions	143	Imports	110
Borrowed capital	77	Penalties	115, 125, 129
Collector	6, 87	Perfumes	109
Commissioner	6	Prohibition, period of ...	107
Corporation	5	Rectifiers	113
Dividend	9, 69	Registered distilleries....	110
Domestic	5	Regulation of distilleries..	115
Executor	87	Stamps	115
Fiduciary	8	Surveys	127
Fiscal year	8, 69	Wine-production regulations ..	121, 125-126, 128
Foreign	5	Wines	117, 124
Government contract	6	Withdrawals, free of tax..	127
Gross income	20-23, 46	Distribution of profits, when taxable	9
Inadmissible assets	77	Dividends:	9-10
Intangible property	77	Deemed to be paid out of taxable earnings....	9
Invested capital	78	Defined	9
		Distribution, as of what year's earnings	10
		Liquidation	10
		Return of payments	64

	PAGE		PAGE
Dividends—continued		Excise taxes—continued	
Stock dividends taxable...	10	Fur products	147
Drafting service, legislative..	189	Hats and caps	149
Drafts or checks, time.....	178	Hosiery	150
Dues and membership fees..	143	Jewelry	150
Effective date	212	Kimonos, etc	150
Electric fans	146	Knives, etc.	146
Entries of goods at Customs		Lighting fixtures	149
House	179	Liveries	147
Estates and trusts, income		Medicinal preparations ...	152
tax on (see Income		Motion picture film ...	147, 151
Tax)	32-34, 40	Motorcycles	145
Estate tax:		Musical instruments	145
Definitions:	87	Neckwear	149
Collector	87	Patent medicines	152
Executor	87	Perfumes	152
Exemption of estates of		Photographic materials ...	146
persons dying in mil-		Picture frames	149
itary or naval ser-		Pipes	146
vice	89	Purses, etc.	149
Gross estate, value of....	89	Shirts	150
Net estate, value of:		Shoes, etc.	149
Non-residents	92	Slot machines	146
Residents	90, 92	Smoking jackets, etc.....	149
Notice by executor.....	93	Sporting goods	145
Payment of tax:	95-98	Sporting habits	147
Default	96	Thermos bottles	146
Receipts	95	Toilet articles	152
Tax a lien for 10 years..	97	Toilet soaps	147
When tax is due.....	94	Trunks	149
Penalties	98	Umbrellas	149
Rates	87	Underclothing, etc.....	150
Returns:	94	Valises, etc.	149
By collector	94	Waistcoats	149
Transfers or trusts in con-		Exhibitions and shows	157
templation of death.	97	Expenses, business	24, 46
Excess-profits tax (see War-		Exports, exemption from tax	194
profits and Excess-		Express transportation	99
profits Tax).....	69	Extension of time for filing	
Exchanges of property, pro-		returns	203
fits from	11	False and fraudulent returns	59
Excise taxes:	145	Fermented liquor (see Dis-	
Ammunition, etc.	146	tilled Spirits).....	116
Art products	148	Films, motion picture...147, 151	
Auto accessories	145	Fiduciary:	
Automobiles and auto trucks	145	Defined	8
Boats, pleasure	147	Returns	40
Cameras	146	Fire insurance	105
Candy	146	Fiscal year:	13-15
Carpets, etc.	149	Defined	8
Chewing gum	146	Partnerships	31
Cigar and cigarette holders	146	Floor taxes, returns.....	192
Cosmetics	152	Foreign corporations:	
Daggers, etc.	146	Deductions	52
Electric Fans	146	Exemptions	75
Fans	149	Withholding at source	53
Firearms, etc.	146		

	PAGE		PAGE
Foreign governments, exemption of income of	22	Income tax—continued	
Foreign items, license for collection of	67	Corporations—continued	
Gain or loss for income tax, basis for determining	11	Items not deductible	52
Gifts and bequests, etc., exempt from income tax	21	Net income defined	45
Gifts and contributions, charitable, etc.	27, 33	Personal service corporations:	
Gin (see Distilled Spirits)	113, 129	Exempted as such	8
Gold, exemption of income derived from mining	73	Taxed as partnerships	45
Government contract defined	6	Profits taxable to stockholders	32
Gross income:		Railroads under Federal control	35
Corporations	46	Rates for 1918 and succeeding years	43
Individuals	20	Returns, basis	43
Harrison Narcotic Law, amended	162-168	Time and place for filing	54
Ice cream	131	Withholding at source	57
Inadmissible assets, deduction of, from invested capital	79	Credits allowed:	
Defined	77	Corporations	52
Income tax:		Individuals	29
Accounting methods and periods	20	Non-resident aliens	30
Administrative provisions	57	Partnerships	31
Amortization	25, 48	Credit for taxes:	
Basis for determining gain or loss	11	Corporations	53
Bequests	21	Individuals	38
Citizens of U. S. possessions	67	Dealings in property	11
Collection of foreign items	67	Debts, bad	25, 48
Collection of tax at source	36, 53	Deductions:	
Concealment of property, fraudulent	60	Corporations	46-52
Contributions or gifts	27, 33	Estates and trusts	33
Corporations:		Individuals and partnerships	24-29
Affiliated	55	Insurance companies	12
Conditional and other exemptions	44	Net losses	12
Consolidated returns	55	Definitions:	
Credits allowed	52, 53	Dividends	9
Deductions allowed	46, 52	Fiduciary	8
Exempt	44	Fiscal year	8
Exempt income	46	Gross income	20-23
Foreign corporation	52, 53	Net income	20
Gross income defined	46	Paid or accrued	9
Insurance companies	46, 49	Personal service corporation	8
		Taxable year	8
		Withholding agent	8
		Dependents, exemption for	30
		Depletion	26, 49
		Depreciation and obsolescence	25, 48
		Dividends:	
		Defined	9
		Distribution out of what year's earnings	10
		Exempt from:	
		Corporation income tax	48
		Individual normal tax	29

	PAGE		PAGE
Income tax—continued		Income tax—continued	
Dividends—continued		Individuals—continued	
Liquidation	10	Normal tax for subsequent years	16
Paid out of taxable earnings	9	Payment of tax at source:	
Personal service corporation	48	Non-resident aliens...	36
Return of payments....	64	“Tax-free covenant”	
Stock dividends are taxable	10	bond interest	36
Estates and trusts:.....	32-34	Profits of corporations taxable to stockholders	35
Credits allowed beneficiary	34	Returns	39, 41, 42
Deductions of contributions, etc.	33	Surtax rates	16-20
Fiduciary returns	40	Understatements on returns	42
Taxable income	32	Information at source....	64
Where beneficiary must pay tax	34	Installment tax payments.	57
Where fiduciary must pay tax	33	Insurance companies	46, 49
Fiduciaries:		Interest:	
Defined	8	Deductible	24, 47
Duties of	33	Federal Farm Loan bonds	21
Returns	40	Paid on indebtedness....	24, 47
First taxable year.....	8	State and municipal obligations	22
Fiscal year:		U. S. obligations....	22, 29, 52
Defined	8	Inventories	12
Different tax rates	13, 31	Items exempt from tax...21-23	
Foreign items, license for collection of	67	Items not deductible:	
Foreign governments, income of exempt....	22	Corporations	52
Gain or loss, basis for determining	11	Individuals	29
Gifts	21	Liquidation dividends	10
Gross income	20, 46	Losses:	
Holding companies	35	Basis of computing	11
Individuals:		Corporations	48, 51
Accounting methods and periods	20	Individuals	25, 27
Credit for taxes	38	Net	12
Credits allowed	29	Mines and wells	19, 26, 49
Deductions allowed ...	24-29	Net income defined	20
Gross income	20	Net losses, deduction of... 12	
Income exempt from tax	21-23	Non-resident aliens:	
Items not deductible ...	29	Credits	30
Mines and wells, limitation of tax on income from sale of..	19	Deductions	28
Net income defined	20	Exempt income	23
Non-resident aliens:...	30	Gross income defined... 23	
Deductions allowed ...	28	Personal exemption ... 30	
Exempt income	30	Withholding at source... 36	
Personal exemption... 29		Normal tax on individuals 15	
Withholding at source 36		Oil and gas wells....19, 26, 49	
Normal tax for 1918.... 16		Paid or accrued defined... 9	
		Partnerships:	31
		Credits allowed members 31	
		Fiscal year	31
		Members taxed as individuals	31
		Net income	32
		Returns	40

	PAGE		PAGE
Income tax—continued		Income tax—continued	
Parts of income subject to rates for different years	15	Tax-free covenant bond interest	36, 53
Payment of tax	57-62	Undistributed profits, taxable to stockholders	35
Payment of tax at source:		Withholding agent defined	8
36-38		Withholding at source:	
Non-resident aliens	36	Foreign corporations	53
“Tax-free covenant” bond interest	36	Non-resident aliens	36
Penalties	63	Tax-free covenant bond interest	36, 53
Personal exemption	29	Individuals, income tax on (see Income Tax)...	15
Personal service corporation:		Information at source	64
Defined	8	Inheritance tax (see Estate Tax)	87
Exempt as such	45	Installment tax payments... ..	57
Taxed in same manner as partnership	32	Insurance policies, tax on:	
Porto Rico and Philippine Islands	67	Casualty	105
Profits of corporations taxable to stockholders	35	Exemptions	106
Property, gain or loss from exchanges of	11	Fidelity or guaranty.....	174
Publication of statistics... ..	66	Life	104
Rates of tax:		Marine, inland, and fire... ..	105
Corporation income	43	Payment	106
Fiscal year with different rates	15	Returns	106
Normal	15	Stamp tax on	174
Surtax	16-19	Intangible property defined.. ..	77
Receipts for taxes	62	Interest:	
Refunds	62, 197	Exempt from income tax..	21, 46
Returns:		Paid, deduction of.....	24, 47
Accounting period changed	41	Inventories	12
Broker's	64	Invested capital (see War-profits and Excess-profits Tax)	77
Consolidated	55-57	Items exempt from income tax	21-23
Corporation	54	Items not deductible for income tax:	
Extension of time to file	42	Corporations	52
Fiduciary	40	Individuals	29
Individual	39	Jewelry	150
Information at source... ..	64	Judgments, payment of	199
Inspection of	65	Jurisdiction of courts	204
Partnership	40	Leaf tobacco, dealers in..	137-140
Payments of dividends.. ..	64	Leased wire service	101
Public records	65	License for collection of foreign items	67
Time and place for filing	42, 57	Life insurance:	
Understatements	42	Policies, proceeds exempt from income tax....	21
Statistics, publication of.. ..	66	Premiums, return, exempt from income tax....	21
Stock dividends, taxable.. ..	10	Premiums not deductible for income tax....	29, 52
Surtax on individuals....	16-19	Tax on	104
Taxable year defined.... ..	8	Liquidation dividends	10
Taxes, credit for	38, 53		

	PAGE		PAGE
Losses:		Partnerships—continued	
Basis for determining	11	War-profits and excess-	
Deduction of	25, 48	profits tax paid....	86
Due to shrinkage of in-		When taxed as corpora-	
ventory value.....	27, 51	tion	82-84
Net loss, deduction of.....	12	Passage tickets	179
Marine, inland, and fire in-		Pawnbrokers	156
surance	105	Payments:	
Marine insurance companies,		By check or U. S. certifi-	
deductions	50	cates of indebted-	
Medicines	152	ness	197
Mileage books	101	Income tax	57
Mines, oil and gas wells:		Income tax at source:	
Deduction for depletion..	26, 49	Foreign corporations..	53
Income tax on profits from		Non-resident aliens ...	36
sale of	19	"Tax-free covenant"	
War-profits and excess-		bond interest	36
profits tax on profits		War-profits and excess-	
from sale of.....	86	profits tax	86
Motion picture films.....	147, 151	Penalties:	
Mutual insurance companies,		Admissions and dues....	143
deductions	50	Excise taxes	148, 151
Narcotic Act amended...162-166		False and fraudulent in-	
Near-beer (see Beverages)..	130	come tax returns... 63	
Net income:		Fraud or misrepresenta-	
Corporations	45	tion	204
Individuals	20	Furnishing information ..	199
War-profits and excess-		General provisions...192, 203-4	
profits tax	76	Income tax	63
Net losses, deduction for in-		Transportation	104
come tax	12	Refundable	197
Non-resident aliens:		Special taxes	162
Credits and deductions al-		Stamp taxes	171
lowed	28	Perfumes	109, 152
Gross income	23	Personal exemption:	
Personal exemption	30	Individuals	29
Normal income tax on indi-		Non-resident aliens	30
viduals	15	Personal service corpora-	
Obsolescence	25	tions:	
Oil and gas wells:		Defined	8
Deductions for depletion..	26, 49	Exempt as such from in-	
Income tax on profits from		come tax	32, 45
sale of	19	War-profits and excess-	
War-profits and excess-		profits tax	86
profits tax on profits		Philippine Islands, income tax	
from sale of....	86	in	67, 208
"Paid" and "Paid or accrued"		Pipe-line oil transportation	
defined	9	100, 102	
Parcels post	180	Playing cards	180
Parlor-car service	100	Political subdivisions of	
Partnerships:		United States:	
Income tax on (see In-		Income of is exempt from	
come Tax)	31	income tax	22
		Porto Rico, income tax in..	67, 208
		Postal rates, first-class re-	
		duced	209
		Powers of attorney	179
		Prewar period defined.....	73

PAGE	PAGE		
Produce, sales of on exchange	177	Special taxes:	
Prohibition, distilled spirits in warehouse during	107-109	Amusement places	157
Promissory notes	178	Automobiles rented for hire	158
Property, gain or loss from exchange of	11	Boats, pleasure	160
Proxies	179	Bowling alleys and billiard rooms	158
Pullman service	100	Brewers, distillers and liquor dealers	158
Radio messages	100	Brokers	155
Receipts for taxes	62	Capital stock tax:.....	154
Refunds	62, 194, 197	Domestic corporations..	154
Regulations, authority to make	193	Exemptions	154
Reorganizations, war-profits and excess-profits tax on	82-84	Foreign corporations ...	154
Repealing sections	207	Insurance companies....	155
Returns:.....	200	Cigar manufacturers	159
Acknowledgment	193	Cigarette manufacturers..	160
Accounting period changed	41	Circuses	157
Brokers'	64	Concert halls, theatres, etc.	156
By collectors	200	Corporations	154
Consolidated	55-57	Credit for taxes:	
Corporation	54	Assessed under Revenue Act of 1916	161
Dividends paid	64	Assessed under Revenue Act of 1917.....	161
Excise tax	148, 151	Customshouse brokers....	156
Fiduciary	40	Dealers in drugs.....	162
Individual	39	Exhibitions and shows....	157
Information at source....	64	Harrison Narcotic Act amended	162-168
Information by brokers....	64	Passenger autos rented for hire	158
Inspection of	65	Pawnbrokers	156
Partnership	40	Penalties	162
Public records	65	Pleasure boats	160
Time and place of filing..	42, 57	Public exhibitions or shows	157
Understatements	42	Repeal of prior acts	168
War-profits and excess-profits tax	86	Riding academies	158
Riding academies	158	Ship brokers	156
Sales:		Shooting galleries	158
Mines, oil and gas wells..	19, 86	Theatres, museums, concert halls, etc.....	156
Property, basis of gain or loss	11	Tobacco manufacturers....	159
Saving clause	208	Stamp taxes:.....	170
Season tickets, railway, for trips of less than 30 miles	100	Administrative provisions..	170
Ship brokers	156	Bonds of indebtedness ...	174
Shooting galleries	158	Bonds, indemnity and surety	174
Snuff (see Tobacco)	135-136	Cancellation of stamps....	172
Soda fountains (see Beverages)	131	Capital stock:	
Soft drinks (see Beverages)	131	Issue of	175
Source:		Sales or transfers of....	175
Returns of information...	64	Conveyances	179
Withholding	36, 53	Drafts or checks, time....	178
		Exemptions	170
		Entry of goods at customs house	179
		Entry for withdrawals ...	179

	PAGE		PAGE
Stamp taxes—continued		Transportation and other facilities—continued	
Insurance policies	180	Governmental exemption..	101
Parcels post	180	Incidental services for hire	102
Passage tickets	179	Mileage books	101
Penalties	171	Oil	100
Playing cards	180	Passenger	99
Power of attorney	179	Penalty for overdue tax..	104
Produce, sales of, on exchange	177	Pipe line transmission...	100
Promissory notes	178	Pullman accommodations..	100
Proxy	179	Returns, payment and refunds	103
Restamping	197	Telegraph, telephone, cable and radio service...	100
Stamps, distribution and sale	172-174	Trusts, income tax on (see Income Tax, Estates and Trusts)	32-34
Stamps, who shall affix...	181	Understatements in returns.	42
Stateroom service	100	Undistributed profits subject to surtax.....	35
Statistics of income tax...	66	United States, definition of.	6
Stock dividends, taxable...	10	Violations, reporting of....	199
Stock exchanged in reorganizations	11	Virgin Islands.....	190
Suits for collection of tax...	60	War-profits and excess-profits tax:.....	69
Sureties on bonds	205	Applies only to corporations	69
Surtax on individuals:	16-19	Assessment on basis of representative corporations	80
Undistributed profits subject to	35	Assets:	
Tangible property defined...	77	Admissible	77
Taxable year defined	8	Inadmissible	77, 79
Taxes:		Transfers	84
Credit for foreign	38, 53	Borrowed capital.....	77
Deductible from income.	24, 48	Changes of ownership.....	84
Payment of	57, 197	Consolidations	82
Withholding at source	36, 53	Credit for tax paid under Revenue Act of 1917	85
“Tax-free covenant” bond interest, withholding at source	36, 53	Credits:	
Telegraph and telephone service	101	Excess-profits	75
Theatres, museums and concert halls	156	War-profits	74
Titles of Revenue Acts.....	209	Definitions:	69
Tobacco:	133	Admissible assets.....	77
Cigarettes	133, 134	Borrowed capital.....	77
Cigarette paper and tubes	136	Inadmissible assets....	77
Cigars	133	Intangible property.....	77
Floor taxes	136	Prewar period.....	73
Leaf tobacco, dealers in	137-140	Tangible property.....	77
Packages, regulations governing	134-135	Exceptional cases.....	80, 82
Penalties	137	Exempt corporations.....	73
Snuff	135	Fiscal year:	
Tobacco	135	Beginning in 1917 and ending in 1918.....	85
Tobacco manufacturers	159	Beginning in 1918 and ending in 1919.....	85
Transfers of stock	175		
Transportation and other facilities	99-104		
Express	99		
Freight	99		

	PAGE		PAGE
War-profits and excess-profits tax—continued		War-profits and excess-profits tax—continued	
Fiscal year—continued		Payment of tax.....	86
Partnerships and personal service corporations	86	Personal service corporation, return.....	86
Foreign corporations	75, 80	Prewar period...73, 74, 76, 79	
Gold production, exemption of corporations engaged in.....	73	Property:	
Government contracts, corporations deriving income from.....	70	Intangible	77, 79
Imposition of tax.....	69	Tangible	77, 78
Income derived both from invested capital and personal service....	72	Railroads under Federal control	71
Invested capital:.....	77	Rates for 1918.....	69
Average	79	Rates for subsequent years	70
Average of prewar period	79	Reorganizations:	82-84
Deduction of inadmissible assets.....	79	Corporations	82
Definitions	77	Partnerships as corporations	83
Exceptional cases.....	80, 82	Transfer of assets.....	84
Items included.....	78	Returns	86
Items not included....	79	Specific exemption for period of less than 12 months	73
Representative corporations	80	Waters, mineral (see Beverages)	131
Limitation on maximum amount of tax.....	72	Wells and mines, profits from sale of:	
Mines and oil or gas wells, profits from sale of.	80	Income tax.....	19
Net income:		War-profits and excess-profits tax	86
Average prewar.....	76	Wines (see Distilled Spirits)	117, 126
For 1911, 1912, and 1913	76	Withholding agent defined... 8	
For taxable year.....	76	Withholding at source:	
Partnership, when taxed as corporation	83	Foreign corporations ...	33
Partnerships not taxable on income earned since January 1, 1918	86	Non-resident aliens.....	36
		"Tax-free covenant" bond interest	36
		Workmen's Compensation Acts, income received under, exempt	22

