

dealers, place on the market several confections containing spirituous liquors, under the names of "rum balls," "brandy balls," "after-dinner mints," etc. It appears that such candies are hollow shells filled with rum, brandy, creme de menthe, and other liquors, each shell containing approximately a half-teaspoonful of liquor. It further appears that this concern has on its premises one Davis automatic filter, which is used to clarify the spirits to be put into the candy.

You request to be informed (1) whether or not the ——— Co. incurred special-tax liability as rectifier on account of maintaining the above filter on its premises, and (2) whether or not dealers in such candies are liable to special tax as retail liquor dealers on account of the sale thereof.

Replying, you are informed that special-tax liability as rectifier should be asserted against the ——— Co. on account of having on its premises the above-mentioned Davis automatic filter.

With regard to the asserting of special-tax liabilities against dealers selling candies described as above, you are informed that this office is of the opinion that in the future special-tax liability as retail liquor dealer should be asserted on account of such sales. However, in asserting special-tax liability, care should be taken to see that such confections are merely candy shells to serve the purpose of containing spirits or wines therein. Special-tax liability of course should not be asserted on account of the sale of a genuine confection which is merely flavored with spirituous liquor or wine.

Respectfully,

W. H. OSBORN,

*Commissioner of Internal Revenue.*

INTERNAL REVENUE AGENT, *St. Louis, Mo.*

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(T. D. 1887.)

*Federal income tax at the source on bonds, etc., of corporations, joint-stock companies, etc., under act of October 3, 1913.*

Regulations regarding the deduction of the income tax at the source on interest maturing on bonds, notes, and other similar obligations of corporations, joint-stock companies, or associations and insurance companies, under the provisions of Section II of the act of October 3, 1913.

TREASURY DEPARTMENT,  
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,  
*Washington, D. C.*

TAX TO BE DEDUCTED AT SOURCE.

Under the income-tax law enacted October 3, 1913, a tax of 1 per cent, designated in the law as the *normal* tax, shall be deducted at

"the source," beginning November 1, 1913, from all income accruing and payable to—

(a) Every citizen of the United States, whether residing at home or abroad; and to

(b) Every person residing in the United States, though not a citizen thereof,

which may be derived from interest upon bonds and mortgages, or deeds of trust, or other similar obligations, including equipment trust agreements and receivers' certificates of corporations, joint-stock companies or associations, and insurance companies, although such interest does not amount to \$3,000, excepting only the interest upon the obligations of the United States or its possessions, or a State or any political subdivision thereof.

The term "debtor," as hereinafter used, shall be construed to cover all corporations, joint-stock companies or associations, and insurance companies.

#### WHEN TAX SHALL BE WITHHELD BY DEBTOR.

For the purpose of collecting this tax on all coupons and registered interest originating or payable in the United States the source shall be the debtor (or its paying agent in the United States), which shall deduct the tax when same is to be withheld, and no other bank, trust company, banking firm, or individual taking coupons or interest orders for collection, or otherwise, shall withhold the tax thereon: *Provided*, That all such coupons or orders for registered interest are accompanied by certificates of ownership signed by the owners of the bonds upon which the interest matured. These certificates shall be in the forms hereinafter prescribed, and a separate certificate shall be made out by each owner of bonds for the coupons or interest orders for each separate issue of bonds or obligations, of each debtor.

#### WHEN TAX SHALL BE WITHHELD BY FIRST COLLECTING AGENCY.

If, however, the coupons or interest orders are not accompanied by certificates as prescribed above, the first bank, trust company, banking firm, or individual, or collecting agency receiving the coupons or interest orders for collection, or otherwise, shall deduct and withhold the tax and shall attach to such coupons or interest orders its own certificate, giving the name and address of the owner of, or the person presenting such coupons or interest orders if the owner is not known, with a description of the coupons or interest orders; also setting forth the fact that they are withholding the tax upon them; whereupon the debtor shall not again withhold the tax on said coupons or interest orders, but in lieu thereof shall deliver

to the Government the certificate of such bank, trust company, etc., which is withholding such tax money.

Any corporation, collecting agency, or person first receiving from the owner any interest coupons or orders for the collection of registered interest, and to whom the certificates above provided for are delivered, should require the persons tendering such coupons or orders for registered interest to satisfactorily establish their identity.

#### PAYMENT OF REGISTERED INTEREST BY DEBTORS.

A debtor whose bonds may be registered, both as to principal and interest, shall deduct the normal tax of 1 per cent from the accruing interest on all bonds before sending out checks for said interest to registered owners or before paying such interest upon interest orders signed by the registered holders of said bonds until there shall be filed with said debtor or its fiscal agent (and not later than thirty (30) days prior to March 1), through whom said interest is customarily paid, the proper certificates claiming exemption from liability for said tax as herein provided, executed as follows:

By a citizen or resident of the United States, the bona fide owner of the registered obligations, who may claim exemption under paragraph C, section 2, of the Federal income-tax law, or

By corporations, joint-stock companies, associations, or insurance companies organized in the United States, or organizations, associations, fraternities, etc., which are either taxable or exempt from taxation, as provided in paragraph G, subdivision A, of the act, or

By a bona fide resident and citizen of a foreign country, claiming exemption as such.

#### DESIGNATION OF FISCAL AGENCIES.

The "debtor" may appoint paying or fiscal agents to act for it in matters pertaining to the collection of this tax upon filing with the collector of internal revenue for its district a proper notice of the appointment of such agent or agents.

#### CERTIFICATES CLAIMING EXEMPTION.

If the owners of the bonds are individuals who are citizens or residents of the United States, the aforesaid certificates shall accompany the coupons, or, with respect to the interest on registered bonds, shall be filed with payer of said interest, and such certificates shall describe the bonds and show the amount of coupons attached or the amount of interest due such owners on registered bonds and the full name and address of the owners, and shall also state whether they claim or do not then claim exemption from taxation at the source provided for by paragraph C of section 2 of the Federal income-tax law (\$3,000,

and under certain conditions \$4,000) as to the income represented by such coupons or interest.

The certificates shall also show the amount, if any, of exemption claimed and the date of signature.

The form of certificate to be used for this purpose shall be substantially as follows:

(Form 1000.)

*Form of certificate to be presented with coupons or interest orders stating whether or not exemption is claimed under paragraph C, section 2, of the Federal income-tax law.*

I do solemnly declare that I, ..... a citizen or resident of the United States, and residing at ..... am the owner of \$...... bonds  
(Give full address.)

of the denominations of \$...... each, Nos.....

of the.....  
(Give name of debtor.)

known as..... bonds,  
(Describe the particular issue of bonds.)

from which were detached the accompanying coupons, due ....., 191..., amounting to \$......, or upon which there matured ....., 191..., \$...... of registered interest.

I {do } now claim, with respect to the income represented by said interest, the  
  {do not }  
benefit of a deduction of \$...... allowed under paragraph C, Section II, of the Federal income-tax law, the total exemption to which I am entitled thereunder being \$.....

Name .....  
Address .....

Date ..... 191....

Whenever interest coupons, accompanied by a certificate of an individual who is a citizen or resident of the United States, as aforesaid, are presented to a debtor or its fiscal agent for payment, or whenever interest is payable to such individual on a bond registered as to both principal and interest, the debtor or its fiscal agents shall deduct and withhold the amount of the normal tax, except to the extent that exemption is claimed in the certificate of ownership in the form herein prescribed.

Where the interest to be paid is registered, the same form of certificate shall be used where exemptions are claimed, except that it shall be filed with the debtor at least five (5) days before the due date of such interest.

BY WHOM SIGNED.

These certificates must be signed by the claimants with their full name, and contain their post-office and street address, also the date when signed.

Duly authorized agents, trustees acting in a trust capacity, etc., may sign such certificates for the persons for whom they act.

Such certificate shall be substantially in the following form:

*Certificate to be furnished by organizations not subject to tax on interest at source.*

Name.....  
(Official position.)  
Of.....  
(Name of organization.)  
Date ....., 191..  
Address.....  
(Post office.)

HOW COLLECTED WHEN NOT ACCOMPANIED BY THE CERTIFICATE OF OWNER.

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trust company, banking firm, individual, or collection agency receiving the same for collection or otherwise, which must accompany the coupons or interest orders, shall be substantially as follows:

(Form 1002.)

*Form of certificate to be presented with coupons or interest orders when not accompanied by certificate of owners.*

I, ..... the .....  
 (Name.) (Official position.)  
 of the ..... of ..... do solemnly declare  
 (Bank or collecting agency.) (Address.)  
 that said ..... has (or have) purchased or accepted for collection  
 (Collecting agency.)  
 the accompanying coupons or interest orders amounting to \$....., and which  
 represent interest matured on \$..... of bonds of the .....  
 (Name of debtor.)  
 and that ..... received said coupons or orders for registered interest  
 (Collecting agency.)  
 from ..... of ..... and that no certificate  
 (Name of party from whom received.) (Address of said party.)  
 of ownership accompanied said coupons or interest orders, and .....  
 (Collecting agency.)  
 hereby acknowledges responsibility of withholding therefrom the normal income tax  
 of 1 per cent, in accordance with the regulations of the Treasury Department.

Name .....  
 (Collecting agency.)

By .....  
 (Signature of officer duly authorized to sign,  
 and his official position.)

Address .....  
 (Give full address.)

Date ..... 191....

This certificate shall be dated and signed by and shall state the address of the corporation, organization, collecting agency, or person withholding the tax, with full name and address.

#### FINAL DISPOSITION OF CERTIFICATES.

The debtor or paying agents shall deliver all certificates, with the list of names and addresses of those for whom the tax has been withheld, showing amounts, as required by law, to the *collector of internal revenue* for their district on or before the 20th day of the month succeeding that in which said certificates were received by them.

INTEREST DUE BEFORE MARCH 1, 1913.

The tax shall not be withheld on coupons or registered interest maturing and payable before March 1, 1913, although presented for payment at a later date.

#### LICENSE REQUIRED FOR COLLECTION OF INCOME FROM FOREIGN COUNTRIES.

All persons, firms, or corporations undertaking for accommodation or profit (this includes handling either by way of purchase or

collection) the collection of coupons, checks, bills of exchange, etc., for or in payment of interest upon bonds issued in foreign countries and upon foreign mortgages or like obligations, and for any dividends upon stock or interest upon obligations of foreign corporations, associations, or insurance companies engaged in business in foreign countries, are required by law to obtain a license from the Commissioner of Internal Revenue and may be required to give bond in such amount and under such conditions as the Commissioner of Internal Revenue may prescribe.

#### BY WHOM TAX IS WITHHELD.

The licensed person, firm, or corporation first receiving any such foreign items for collection or otherwise shall withhold therefrom the normal tax of 1 per cent, and will be held responsible therefor. He (the licensee) shall thereupon indorse or stamp thereon the words "Income tax withheld by" (giving his or their name, address, and date), which shall be sufficient evidence to relieve subsequent holders or purchasers from the duty of also withholding the income tax.

If the size or nature of such coupons, checks, etc., makes it impracticable to make said indorsement as above, a statement identifying the item on which tax is withheld and bearing said indorsement may be attached thereto with the same effect as if the indorsement was made directly thereon.

#### LIST OF TAX COLLECTIONS ON FOREIGN ITEMS.

Such licensee shall obtain the names and addresses of the persons from whom such items are received, and shall prepare a list of same and file it with the collector of internal revenue for his district not later than the 20th of the month next succeeding the receipt of such items. The list shall be dated, and shall contain the names and addresses of the taxable persons and the amount of tax deducted, and from what source collected.

#### CERTIFICATES TO SECURE TAX EXEMPTION ON FOREIGN ITEMS.

In the event such coupons, checks, or bills of exchange above mentioned are presented for collection by an individual claiming the benefit of the deductions allowable under paragraph C, Section II, of the Federal income-tax law, such individual shall be permitted to avail himself of the deduction claimed, upon signing on the form heretofore prescribed for coupons payable in the United States, and no tax shall be deducted for the amount of the exemption so claimed; or if such items are presented by corporations, joint-stock companies, or associations and insurance companies, organized in the United States, the form of certificate heretofore prescribed for such organizations shall be used, and in such instances no tax shall be deducted.

In both instances the licensee first receiving such items shall retain such certificates for delivery with the lists aforesaid to the collector of internal revenue for his district not later than the 20th of the month next succeeding that in which said items were received, and with respect to said coupons, checks, or bills of exchange, said licensee shall attach thereto (identifying the items) or indorse, or stamp thereon the words "Income tax exemption claimed through" (giving name and address of licensee), which shall be sufficient evidence to relieve subsequent holders or purchasers from the duty of also withholding the tax thereon.

The provisions for collection of the tax on foreign obligations set forth in this section of the regulations includes the interest upon all foreign bonds, even though the coupons may be at the option of the holder, payable in the United States as well as in some foreign country.

#### **ACCURATE RECORD TO BE KEPT BY LICENSEES.**

All persons licensed shall keep their records in such manner as to show from whom every such item has been received, and such records shall be open at all times to the inspection of internal-revenue officers.

#### **PENALTY FOR OMISSION TO OBTAIN LICENSE.**

Failure to obtain license or to *comply with regulations* is punishable by a *fine* not exceeding \$5,000. or *imprisonment* not exceeding *one year*, or *both*, in the discretion of the court. Such licenses shall continue in force until revoked.

Application for such licenses should be made to the collectors of internal revenue for the district in which they are engaged in business, and may be issued without cost to such persons as the commissioner may approve, upon their filing with the collector the bond herein provided for.

All persons in making application to the collector of internal revenue for such licenses shall register their names and addresses and state the nature of the business in which they are engaged. Such application for the license, accompanied by a proper surety bond, when both have been approved by the collector, will be considered a sufficient compliance with the law to enable the persons making application to do business until February 1, 1914, without incurring the penalties provided by law for failure to procure the required license.

#### **PENALTY FOR FALSE STATEMENTS.**

*If any person, for the purpose of obtaining any allowance or reduction by virtue of a claim for exemption, either for himself or for any other,*



*knowingly makes a false statement or false or fraudulent representation, he is liable under the act to severe penalties.*

#### PARTNERSHIPS.

Where coupons or interest orders, presented for payment, represent the interest on bonds, or other similar obligations, owned by a partnership, they shall be accompanied by a certificate of ownership, which shall be signed either in the firm's name by one member of the firm or by each individual member of the partnership, and the normal tax shall be withheld by the debtor with respect to the income represented by said interest.

The following certificate should be used when coupons or interest orders are presented by citizens or residents of the United States for collection of interest on bonds, or other similar obligations, owned by the partnerships of which they are members:

Said certificate of ownership shall be in substantially the following form:

(Form 1003.)

*Form of certificate to be filled out and signed by members of partnerships.*

I, ....., a member of the firm or partnership of  
(Name.)  
..... of ..... and residing at .....  
(Give full address.)

do solemnly declare that the said partnership is the owner of \$.....  
bonds of the denomination of \$..... each, Nos.....  
.....  
of the .....  
(Give name of debtor.)

known as ..... bonds, from which were detached the  
(Describe the particular issue of bonds.)

accompanying interest coupons, due ....., 191..., amounting to \$....., or  
upon which there matured ..... 191..., \$..... of registered interest, and  
that the name and address of said firm or partnership, and the names of the indi-  
vidual members thereof, and their places of residence, are as follows:

Names of partners:	Address:
.....	.....
.....	.....
.....	.....
.....	.....

Name of partner signing: .....  
Of firm of: .....  
Address: .....

Date....., 191...

Any member of a partnership, who is entitled to a deduction (under paragraph C, Section II, of the income tax law) of his pro rata share of the tax which may be withheld at the source on interest

on bonds owned by his copartnership, as above, may claim such deduction or allowance when he shall make his individual income-tax return for the year in which said deduction at the source was made.

**NONRESIDENT FOREIGNERS OWNING INTEREST-BEARING BONDS NOT SUBJECT TO TAXATION ON INCOME FROM SUCH BONDS IF PROPER CERTIFICATE FURNISHED.**

This tax will not be deducted from the income which may be derived from interest on bonds, mortgages, equipment trusts, receivers' certificates, or other similar obligations of which the bona fide owners are citizens of foreign countries residing in foreign countries: *Provided*, That such interest coupons, or in case of wholly registered bonds, the orders for the payment of such interest shall be accompanied by duly certified certificates hereinafter provided for to cover the cases of foreign and nonresident owners of bonds and other securities.

Unless such proof of foreign ownership is duly furnished, the normal tax of 1 per cent shall be deducted as herein provided.

Such certificate shall be in substantially the following form.

(Form 1004.)

*Form of certificate to be presented with coupons or interest orders detached from bonds or other obligations owned by those who are both citizens, or subjects, and residents of foreign countries.*

I do solemnly declare that I am not a citizen or resident of the United States of America, but a subject (or citizen) of ..... and that I am the owner of \$..... bonds of the denominations of \$..... each, Nos. ....

of the ..... known as  
(Give name of debtor corporation.)

..... bonds,  
(Describe the particular issue of bonds.)

from which were detached the accompanying coupons due....., 191... amounting to \$....., or upon which there matured ..... 191..., \$..... of registered interest, and that being a nonresident foreigner, I am exempt from the income tax imposed on such interest by the United States Government under the law enacted October 3, 1913, and that no citizen of the United States, wherever residing, or foreigner residing in the United States, or any of its possessions, has any interest in said bonds, coupons, or interest.

Signature of owner of bonds.....  
(Give full name.)

Date....., 191...

Address.....  
(Give full post-office address.)

**TEMPORARY PROVISION.**

In view of the fact that the time required for the interpretation of the law and preparation and issuance of these regulations brings the date so near November 1, and that many coupons payable upon that

date are already in transit without the prescribed certificates attached, with a desire to cause as small an amount of inconvenience as possible to bondholders and general business as may be compatible with the provisions of the law and of these regulations, the following temporary provision is made:

On November 1, 1913, and for 15 days thereafter, coupons presented to a debtor need not be accompanied by certificates in any of the forms hereinbefore described, provided that such coupons are accompanied by a certificate substantially in the following form:

(Form 1005.)

*Form of temporary certificates which may be used only prior to November 16, 1913, subject to substitution.*

I (or we) hereby certify that I am (or we are) lawfully entitled to present for payment the accompanying coupons or interest orders amounting to \$..... (giving amount) representing interest matured on the following bonds ..... (giving name of debtor and designating the description, style, and numbers of the bonds); that said coupons or interest orders came into my (our) possession unaccompanied by a certificate of ownership of said bonds, in any of the forms required by the regulations of the United States Treasury Department; and that the name and address of the owner of such bonds are as follows: ..... (give name and address of owner; if impossible to do this, so state).

Name of person, firm, or corporation presenting coupons:

.....

Address.....

Date....., 191....

*On or before February 1, 1914, certificates of the ownership of any of the bonds upon which was collected the interest referred to in such temporary certificates, in any of the forms above set forth, may be delivered to the debtor; and said debtor may thereupon return any sum withheld to which the owner of such bonds may be entitled under the law and regulations upon the facts disclosed by such ownership certificates. Any temporary certificates relating to bonds for which certificates of ownership shall not have been substituted with the debtor shall, on or before March 1, 1914, be delivered to the collector of internal revenue.*

All forms of certificates herein provided for shall be 8 inches wide and 3½ inches from top to bottom, and printed on paper corresponding in weight and texture to glazed bond paper 17 by 28, about 26 pounds to the ream of 500 sheets, or white writing paper 21 by 32, about 32 pounds to the ream of 500 sheets, and the person or corporation first receiving coupons or interest orders for collection shall write or stamp his or its name and address and date on the back of said certificates.

W. H. OSBORN,

*Commissioner of Internal Revenue.*

Approved October 25, 1913:

W. G. McADOO, *Secretary of the Treasury.*