THE
STATUTES AT LARGE

OF THE

UNITED STATES OF AMERICA

FROM

DECEMBER, 1923, TO MARCH, 1925

CONCURRENT RESOLUTIONS OF THE TWO HOUSES OF CONGRESS
AND
RECENT TREATIES, CONVENTIONS, AND EXECUTIVE PROCLAMATIONS

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IN TWO PARTS

PART 1—Public Acts and Resolutions
PART 2—Private Acts and Resolutions, Concurrent Resolutions, Treaties, and Proclamations

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PART 1

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patents in fee, or any other disposition authorized by existing law relating to Indian allotments.

Approved, June 2, 1924.

June 2, 1924.
[H. R. 6857.]
[Public, No. 174.]

CHAP. 232.—An Act To provide for the addition of the names of Chester Calf and Crooked Nose Woman to the final roll of the Cheyenne and Arapaho Indians, Seger jurisdiction, Oklahoma.

Cheyenne and Arapaho Indians, Okla.
Names added to final roll of.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Interior be, and he hereby is, authorized to add to the final roll of the Cheyenne and Arapaho Indians of the Seger jurisdiction, Oklahoma, approved May 18, 1921, the names of Chester Calf and Crooked Nose Woman, which names were inadvertently omitted from the said roll, and to pay to each of these persons a sum equal to that heretofore paid per capita to those whose names appear on the approved roll, such payment to be made from any tribal funds to the credit of the Cheyenne and Arapaho Indians.

Per capita payment.

Approved, June 2, 1924.

June 2, 1924.
[H. R. 6355.]
[Public, No. 175.]

CHAP. 233.—An Act To authorize the Secretary of the Interior to issue certificates of citizenship to Indians.

Indians.
Born in United States declared citizens.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That all non-citizen Indians born within the territorial limits of the United States be, and they are hereby, declared to be citizens of the United States: *Provided*, That the granting of such citizenship shall not in any manner impair or otherwise affect the right of any Indian to tribal or other property.

Proviso.
Tribal rights not affected.

Approved, June 2, 1924.

June 2, 1924.
[H. R. 6715.]
[Public, No. 176.]

CHAP. 234.—An Act To reduce and equalize taxation, to provide revenue, and for other purposes.

Revenue Act of 1924.

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

TITLE I.—GENERAL DEFINITIONS.

General definitions.

SECTION 1. This Act may be cited as the "Revenue Act of 1924."

Title of Act.

SEC. 2. (a) When used in this Act—

Terms construed.

(1) The term "person" means an individual, a trust or estate, a partnership, or a corporation.

"Person."

(2) The term "corporation" includes associations, joint-stock companies, and insurance companies.

"Corporation."

(3) The term "domestic" when applied to a corporation or partnership means created or organized in the United States or under the law of the United States or of any State or Territory.

"Domestic."

(4) The term "foreign" when applied to a corporation or partnership means a corporation or partnership which is not domestic.

"Foreign."

(5) 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.

"United States."

(6) The term "Secretary" means the Secretary of the Treasury.

"Secretary."

(7) The term "Commissioner" means the Commissioner of Internal Revenue.

"Commissioner."

"Collector." (8) The term "collector" means collector of internal revenue.

"Taxpayer." (9) The term "taxpayer" means any person subject to a tax imposed by this Act.

"Military and naval forces of the United States." (10) 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.

"Includes" and "including." (b) The terms "includes" and "including" when used in a definition contained in this Act shall not be deemed to exclude other things otherwise within the meaning of the term defined.

INCOME TAX.

TITLE II.—INCOME TAX.

General provisions.

PART I.—GENERAL PROVISIONS.

Definitions.

DEFINITIONS.

Meaning of terms. SEC. 200. When used in this title—

"Taxable year." (a) 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 under section 212 or 232. The term "fiscal year" means an accounting period of twelve months ending on the last day of any month other than December. The term "taxable year" includes, in the case of a return made for a fractional part of a year under the provisions of this title or under regulations prescribed by the Commissioner with the approval of the Secretary, the period for which such return is made. The first taxable year, to be called the taxable year 1924, shall be the calendar year 1924 or any fiscal year ending during the calendar year 1924.

"Fiscal year."

Fractions included.

Taxable year 1924.

"Fiduciary." (b) The term "fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator, or any person acting in any fiduciary capacity for any person.

"Withholding agent." (c) The term "withholding agent" means any person required to deduct and withhold any tax under the provisions of section 221 or 237.

Post, pp. 277, 285.

"Paid or incurred" and "paid or accrued." (d) 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 or 232. The deductions and credits provided for in this title shall be taken for the taxable year in which "paid or accrued" or "paid or incurred", dependent upon the method of accounting upon the basis of which the net income is computed under section 212 or 232, unless in order to clearly reflect the income the deductions or credits should be taken as of a different period.

Application to deductions or credits.

Post, pp. 267, 283.

"Stock." (e) The term "stock" includes the share in an association, joint-stock company, or insurance company.

"Shareholders." (f) The term "shareholder" includes a member in an association, joint-stock company, or insurance company.

Distributions by corporations.

DISTRIBUTIONS BY CORPORATIONS.

From earnings, etc., after February 28, 1913, deemed dividends. SEC. 201. (a) The term "dividend" when used in this title (except in paragraph (9) of subdivision (a) of section 234 and paragraph (4) of subdivision (a) of section 245) means any distribution made by a corporation to its shareholders, whether in money or in other property, out of its earnings or profits accumulated after February 28, 1913.

To insurance reserve excepted.

Application. (b) For the purposes of this Act every distribution is made out of earnings or profits to the extent thereof, and from the most recently accumulated earnings or profits. Any earnings or profits accumulated, or increase in value of property accrued, before March 1, 1913, may be distributed exempt from tax, after the

Accumulations, etc., before March 1, 1913, exempt.

earnings and profits accumulated after February 28, 1913, have been distributed, but any such tax-free distribution shall be applied against and reduce the basis of the stock provided in section 204.

INCOME TAX. Condition.

(c) Amounts distributed in complete liquidation of a corporation shall be treated as in full payment in exchange for the stock, and amounts distributed in partial liquidation of a corporation shall be treated as in part or full payment in exchange for the stock. The gain or loss to the distributee resulting from such exchange shall be determined under section 202, but shall be recognized only to the extent provided in section 203. In the case of amounts distributed in partial liquidation (other than a distribution within the provisions of subdivision (g) of section 203 of stock or securities in connection with a reorganization) the part of such distribution which is properly chargeable to capital account shall not be considered a distribution of earnings or profits within the meaning of subdivision (b) of this section for the purpose of determining the taxability of subsequent distributions by the corporation.

Distribution in liquidation.

Determination of gain or loss.

Partial liquidation distribution.

(d) If any distribution (not in partial or complete liquidation) made by a corporation to its shareholders is not out of increase in value of property accrued before March 1, 1913, and is not out of earnings or profits, then the amount of such distribution shall be applied against and reduce the basis of the stock provided in section 204, and if in excess of such basis, such excess shall be taxable in the same manner as a gain from the sale or exchange of property. The provisions of this paragraph shall also apply to distributions from depletion reserves based on the discovery value of mines.

Distribution not from increase of value before March 1, 1913, nor out of earnings and profits.

Depletion of mines.

(e) Any distribution made by a corporation, which was classified as a personal service corporation under the provisions of the Revenue Act of 1918 or the Revenue Act of 1921, out of its earnings or profits which were taxable in accordance with the provisions of section 218 of the Revenue Act of 1918 or section 218 of the Revenue Act of 1921, shall be exempt from tax to the distributees.

Exemption of distributees of previously taxable earnings of personal service corporation.
Vol. 40, p. 1070; Vol. 42, p. 245.

(f) A stock dividend shall not be subject to tax, but if before or after the distribution of any such dividend the corporation proceeds to cancel or redeem its stock at such time and in such manner as to make the distribution and cancellation or redemption in whole or in part essentially equivalent to the distribution of a taxable dividend, the amount so distributed in redemption or cancellation of the stock, to the extent that it represents a distribution of earnings or profits accumulated after February 28, 1913, shall be treated as a taxable dividend.

Stock dividends not taxable.
Proceeds of redeemed stock treated as taxable dividends.

(g) As used in this section the term "amounts distributed in partial liquidation" means a distribution by a corporation in complete cancellation or redemption of a part of its stock, or one of a series of distributions in complete cancellation or redemption of all or a portion of its stock.

Meaning of "amounts distributed in partial liquidation."

DETERMINATION OF AMOUNT OF GAIN OR LOSS.

Gain or loss.

SEC. 202. (a) Except as hereinafter provided in this section, the gain from the sale or other disposition of property shall be the excess of the amount realized therefrom over the basis provided in subdivision (a) or (b) of section 204, and the loss shall be the excess of such basis over the amount realized.

Basis of determining, on disposal of property.

(b) In computing the amount of gain or loss under subdivision (a) proper adjustment shall be made for (1) any expenditure properly chargeable to capital account, and (2) any item of loss, exhaustion, wear and tear, obsolescence, amortization, or depletion, previously allowed with respect to such property.

Adjustment for capital expenditures, loss, depletion, etc., of property.

INCOME TAX.
Computation of amount from sale, etc., of property.

(c) The amount realized from the sale or other disposition of property shall be the sum of any money received plus the fair market value of the property (other than money) received.

On sales or exchanges.

(d) In the case of a sale or exchange, the extent to which the gain or loss determined under this section shall be recognized for the purposes of this title, shall be determined under the provisions of section 203.

Infra.

Installment payments taxable.

(e) Nothing in this section shall be construed to prevent (in the case of property sold under contract providing for payment in installments) the taxation of that portion of any installment payment representing gain or profit in the year in which such payment is received.

Gain or loss from sales or exchanges.

RECOGNITION OF GAIN OR LOSS FROM SALES AND EXCHANGES.

Entire amount recognized.

SEC. 203. (a) Upon the sale or exchange of property the entire amount of the gain or loss, determined under section 202, shall be recognized, except as hereinafter provided in this section.

No gain or loss. On exchanges for similar uses, etc. Exceptions.

(b) (1) No gain or loss shall be recognized if property held for productive use in trade or business or for investment (not including stock in trade or other property held primarily for sale, nor stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidences of indebtedness or interest) is exchanged solely for property of a like kind to be held either for productive use in trade or business or for investment, or if common stock in a corporation is exchanged solely for common stock in the same corporation, or if preferred stock in a corporation is exchanged solely for preferred stock in the same corporation.

For similar stock in same corporation.

Stock received on reorganization.

(2) No gain or loss shall be recognized if stock or securities in a corporation a party to a reorganization are, in pursuance of the plan of reorganization, exchanged solely for stock or securities in such corporation or in another corporation a party to the reorganization.

Property for stock of party to reorganization.

(3) No gain or loss shall be recognized if a corporation a party to a reorganization exchanges property, in pursuance of the plan of reorganization, solely for stock or securities in another corporation a party to the reorganization.

Transfers for stock of corporation under same control.

(4) No gain or loss shall be recognized if property is transferred to a corporation by one or more persons solely in exchange for stock or securities in such corporation, and immediately after the exchange such person or persons are in control of the corporation; but in the case of an exchange by two or more persons this paragraph shall apply only if the amount of the stock and securities received by each is substantially in proportion to his interest in the property prior to the exchange.

Limitation.

If involuntarily, etc., converted into similar property, etc.

(5) If property (as a result of its destruction in whole or in part, theft or seizure, or an exercise of the power of requisition or condemnation, or the threat or imminence thereof) is compulsorily or involuntarily converted into property similar or related in service or use to the property so converted, or into money which is forthwith in good faith, under regulations prescribed by the Commissioner with the approval of the Secretary, expended in the acquisition of other property similar or related in service or use to the property so converted, or in the acquisition of control of a corporation owning such other property, or in the establishment of a replacement fund, no gain or loss shall be recognized. If any part of the money is not so expended, the gain, if any, shall be recognized, but in an amount not in excess of the money which is not so expended.

Gain recognized on part not so used.

Additional stock received on reorganization and holding not surrendered.

(c) If there is distributed, in pursuance of a plan of reorganization, to a shareholder in a corporation a party to the reorganization, stock or securities in such corporation or in another corporation a

party to the reorganization, without the surrender by such shareholder of stock or securities in such a corporation, no gain to the distributee from the receipt of such stock or securities shall be recognized.

Recognition of gain if property received additional to that on which none recognized.

(d) (1) If an exchange would be within the provisions of paragraph (1), (2), or (4) of subdivision (b) if it were not for the fact that the property received in exchange consists not only of property permitted by such paragraph to be received without the recognition of gain, but also of other property or money, then the gain, if any, to the recipient shall be recognized, but in an amount not in excess of the sum of such money and the fair market value of such other property.

Reorganization distributions construed as taxable dividends.

(2) If a distribution made in pursuance of a plan of reorganization is within the provisions of paragraph (1) but has the effect of the distribution of a taxable dividend, then there shall be taxed as a dividend to each distributee such an amount of the gain recognized under paragraph (1) as is not in excess of his ratable share of the undistributed earnings and profits of the corporation accumulated after February 28, 1913. The remainder, if any, of the gain recognized under paragraph (1) shall be taxed as a gain from the exchange of property.

Reorganization with property and other stock received.

(e) If an exchange would be within the provisions of paragraph (3) of subdivision (b) if it were not for the fact that the property received in exchange consists not only of stock or securities permitted by such paragraph to be received without the recognition of gain, but also of other property or money, then—

No gain if distributed.

(1) If the corporation receiving such other property or money distributes it in pursuance of the plan of reorganization, no gain to the corporation shall be recognized from the exchange, but

Gain recognized if not distributed.

(2) If the corporation receiving such other property or money does not distribute it in pursuance of the plan of reorganization, the gain, if any, to the corporation shall be recognized, but in an amount not in excess of the sum of such money and the fair market value of such other property so received, which is not so distributed.

No loss recognized if property received besides that on which no gain or loss recognized.

(f) If an exchange would be within the provisions of paragraph (1), (2), (3), or (4) of subdivision (b) if it were not for the fact that the property received in exchange consists not only of property permitted by such paragraph to be received without the recognition of gain or loss, but also of other property or money, then no loss from the exchange shall be recognized.

Stock distributed on reorganization not considered as of earnings, etc.

(g) The distribution, in pursuance of a plan of reorganization, by or on behalf of a corporation a party to the reorganization, of its stock or securities or stock or securities in a corporation a party to the reorganization, shall not be considered a distribution of earnings or profits within the meaning of subdivision (b) of section 201 for the purpose of determining the taxability of subsequent distributions by the corporation.

Reorganization.

(h) As used in this section and sections 201 and 204—

Corporation act constituting.

(1) The term "reorganization" means (A) a merger or consolidation (including the acquisition by one corporation of at least a majority of the voting stock and at least a majority of the total number of shares of all other classes of stock of another corporation, or substantially all the properties of another corporation), or (B) a transfer by a corporation of all or a part of its assets to another corporation if immediately after the transfer the transferor or its stockholders or both are in control of the corporation to which the assets are transferred, or (C) a recapitalization, or (D) a mere change in identity, form, or place of organization, however effected.

Corporations included as "a party to a reorganization."

(2) The term "a party to a reorganization" includes a corporation resulting from a reorganization and includes both corporations in the case of an acquisition by one corporation of at least a ma-

INCOME TAX.

jority of the voting stock and at least a majority of the total number of shares of all other classes of stock of another corporation.

Ownership constituting "control."

(i) As used in this section the term "control" means the ownership of at least 80 per centum of the voting stock and at least 80 per centum of the total number of shares of all other classes of stock of the corporation.

Determining gain or loss.

BASIS FOR DETERMINING GAIN OR LOSS, DEPLETION, AND DEPRECIATION.

On cost value on sales, etc., of property acquired after February 28, 1913.

SEC. 204. (a) The basis for determining the gain or loss from the sale or other disposition of property acquired after February 28, 1913, shall be the cost of such property; except that—

Exceptions.
Inventory value.

(1) If the property should have been included in the last inventory, the basis shall be the last inventory value thereof;

Gifts after December 31, 1920, on value in hands of donor.

(2) If the property was acquired by gift after December 31, 1920, the basis shall be the same as it would be in the hands of the donor or the last preceding owner by whom it was not acquired by gift. If the facts necessary to determine such basis are unknown to the donee, the Commissioner shall, if possible, obtain such facts from such donor or last preceding owner, or any other person cognizant thereof. If the Commissioner finds it impossible to obtain such facts, the basis shall be the fair market value of such property as found by the Commissioner as of the date or approximate date at which, according to the best information that the Commissioner is able to obtain, such property was acquired by such donor or last preceding owner;

Ascertainment.

Or on market value when acquired by donor, etc.

Trust property, acquired after December 31, 1920.

(3) If the property was acquired after December 31, 1920, by a transfer in trust (other than by a transfer in trust by bequest or devise) the basis shall be the same as it would be in the hands of the grantor, increased in the amount of gain or decreased in the amount of loss recognized to the grantor upon such transfer under the law applicable to the year in which the transfer was made. The provisions of this paragraph shall not apply to the acquisition of such property interests as are specified in subdivision (c) or (e) of section 402 of the Revenue Act of 1921 or in subdivision (c), (d), or (f) of section 302 of this Act;

Estates acquisitions excepted.

Vol. 42, p. 278.
Post, p. 304.

Gifts before December 31, 1920.

(4) If the property was acquired by gift or transfer in trust on or before December 31, 1920, the basis shall be the fair market value of such property at the time of such acquisition;

Bequests, etc.

(5) If the property was acquired by bequest, devise, or inheritance, the basis shall be the fair market value of such property at the time of such acquisition. The provisions of this paragraph shall apply to the acquisition of such property interests as are specified in subdivision (c) or (e) of section 402 of the Revenue Act of 1921, or in subdivision (c), (d), or (f) of section 302 of this Act;

Transfers in contemplation of death, etc.

Acquired on an exchange, etc.

(6) If the property was acquired upon an exchange described in subdivision (b), (d), (e), or (f) of section 203, the basis shall be the same as in the case of the property exchanged, decreased in the amount of any money received by the taxpayer and increased in the amount of gain or decreased in the amount of loss to the taxpayer that was recognized upon such exchange under the law applicable to the year in which the exchange was made. If the property so acquired consisted in part of the type of property permitted by paragraph (1), (2), (3), or (4) of subdivision (b) of section 203 to be received without the recognition of gain or loss, and in part of other property, the basis provided in this paragraph shall be allocated between the properties (other than money) received, and for the purpose of the allocation there shall be assigned to such other property an amount equivalent to its fair market value at the date of the exchange. This paragraph shall not apply to property ac-

Partly by exchange and by other property.

Issues of stock excepted.

quired by a corporation by the issuance of its stock or securities as the consideration in whole or in part for the transfer of the property to it;

Acquired after December 31, 1917, on reorganization, with same party remaining in control.

(7) If the property (other than stock or securities in a corporation a party to the reorganization) was acquired after December 31, 1917, by a corporation in connection with a reorganization, and immediately after the transfer an interest or control in such property of 80 per centum or more remained in the same persons or any of them, then the basis shall be the same as it would be in the hands of the transferor, increased in the amount of gain or decreased in the amount of loss recognized to the transferor upon such transfer under the law applicable to the year in which the transfer was made;

Acquired after December 31, 1920, by issue of securities.

(8) If the property (other than stock or securities in a corporation a party to a reorganization) was acquired after December 31, 1920, by a corporation by the issuance of its stock or securities in connection with a transaction described in paragraph (4) of subdivision (b) of section 203 (including, also, cases where part of the consideration for the transfer of such property to the corporation was property or money in addition to such stock or securities), then the basis shall be the same as it would be in the hands of the transferor, increased in the amount of gain or decreased in the amount of loss recognized to the transferor upon such transfer under the law applicable to the year in which the transfer was made;

Stocks, etc., distributed on reorganization after December 31, 1923.

(9) If the property consists of stock or securities distributed after December 31, 1923, to a taxpayer in connection with a transaction described in subdivision (c) of section 203, the basis in the case of the stock in respect of which the distribution was made shall be apportioned, under rules and regulations prescribed by the Commissioner with the approval of the Secretary, between such stock and the stock or securities distributed;

Acquired by involuntary conversion.

(10) If the property was acquired as the result of a compulsory or involuntary conversion described in paragraph (5) of subdivision (b) of section 203, the basis shall be the same as in the case of the property so converted, decreased in the amount of any money received by the taxpayer which was not expended in accordance with the provisions of law (applicable to the year in which such conversion was made) determining the taxable status of the gain or loss upon such conversion, and increased in the amount of gain or decreased in the amount of loss to the taxpayer recognized upon such conversion under the law applicable to the year in which such conversion was made;

Acquired for stock, etc., disposed of, on which no loss allowed.

(11) If substantially identical property was acquired after December 31, 1920, in place of stock or securities which were sold or disposed of and in respect of which loss was not allowed as a deduction under paragraph (5) of subdivision (a) of section 214 or paragraph (4) of subdivision (a) of section 234 of this Act or the Revenue Act of 1921, the basis in the case of the property so acquired shall be the basis in the case of the stock or securities so sold or disposed of, except that if the repurchase price was in excess of the sale price such basis shall be increased in the amount of the difference, or if the repurchase price was less than the sale price such basis shall be decreased in the amount of the difference.

Post, pp. 270, 284.

Sale, etc., of property acquired before March 1, 1913, on cost or market value.

(b) The basis for determining the gain or loss from the sale or other disposition of property acquired before March 1, 1913, shall be (A) the cost of such property (or, in the case of such property as is described in paragraph (1), (4), or (5), of subdivision (a), the basis as therein provided), or (B) the fair market value of such property as of March 1, 1913, whichever is greater. In determining the fair market value of stock in a corporation as of March 1, 1913,

Determination of value.

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due regard shall be given to the fair market value of the assets of the corporation as of that date.

Depletion, exhaustion, etc., allowed.

(c) The basis upon which depletion, exhaustion, wear and tear, and obsolescence are to be allowed in respect of any property shall be the same as is provided in subdivision (a) or (b) for the purpose of determining the gain or loss upon the sale or other disposition of such property, except that in the case of mines, oil and gas wells, discovered by the taxpayer after February 28, 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 basis for depletion shall be the fair market value of the property at the date of discovery or within thirty days thereafter; but such depletion allowance based on discovery value shall not exceed 50 per centum of the net income (computed without allowance for depletion) from the property upon which the discovery was made, except that in no case shall the depletion allowance be less than it would be if computed without reference to discovery value.

On mines, oil and gas wells discovered after February 28, 1913.

Limitation.

Inventories.

INVENTORIES.

Use of, in determining incomes.

SEC. 205. 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.

Determined by excess of deductions over gross income.

SEC. 206. (a) As used in this section the term "net loss" means the excess of the deductions allowed by section 214 or 234 over the gross income, with the following exceptions and limitations:

Losses not connected with the business.

(1) Deductions otherwise allowed by law not attributable to the operation of a trade or business regularly carried on by the taxpayer shall be allowed only to the extent of the amount of the gross income not derived from such trade or business;

Capital losses, by other than corporations.

(2) In the case of a taxpayer other than a corporation, deductions for capital losses otherwise allowed by law shall be allowed only to the extent of the capital gains;

Depletion.

(3) The deduction for depletion shall not exceed the amount which would be allowable if computed without reference to discovery value;

On corporation dividends not allowed.

(4) The deduction provided for in paragraph (6) of subdivision (a) of section 234 of amounts received as dividends shall not be allowed;

Interest to be included in gross income.

(5) There shall be included in computing gross income the amount of interest received free from tax under this title, decreased by the amount of interest paid or accrued and losses sustained which is not allowed as a deduction by paragraph (2) of subdivision (a) of section 214 or by paragraph (2) of subdivision (a) of section 234.

Net loss to be deducted from tax for succeeding taxable year.

(b) If, for any taxable year, it appears upon the production of evidence satisfactory to the Commissioner that any taxpayer has sustained a net loss, the amount thereof shall be allowed as a deduction in computing the net income of the taxpayer for the succeeding taxable year (hereinafter in this section called "second year"), and if such net loss is in excess of such net income (computed without such deduction), the amount of such excess shall be allowed as a deduction in computing the net income for the next succeeding taxable year (hereinafter in this section called "third year"); the deduction in all cases to be made under regulations prescribed by the Commissioner with the approval of the Secretary.

Application if capital loss sustained in second year.

(c) (1) If in the second year the taxpayer (other than a corporation) sustains a capital net loss, the deduction allowed by subdivision (b) of this section shall first be applied as a deduction in computing the ordinary net income for such year. If the deduction is in excess of the ordinary net income (computed without such deduction) then the amount of such excess shall be allowed as a deduction in computing net income for the third year.

Application to capital gain for second year.

(2) If in the second year the taxpayer (other than a corporation) has a capital net gain, the deduction allowed by subdivision (b) of this section shall first be applied as a deduction in computing the ordinary net income for such year. If the deduction is in excess of the ordinary net income (computed without such deduction) the amount of such excess shall next be applied against the capital net gain for such year and if in excess of the capital net gain the amount of that excess shall be allowed as a deduction in computing net income for the third year.

Application to third year.

(d) If any portion of a net loss is allowed as a deduction in computing net income for the third year, under the provisions of either subdivision (b) or (c), and the taxpayer (other than a corporation) has in such year a capital net gain or a capital net loss, then the method of allowing such deduction in such third year shall be the same as provided in subdivision (c).

Application to income for 1922, under Act of 1921.

(e) If for the taxable year 1922 a taxpayer sustained a net loss in excess of his net income for the taxable year 1923 (such net loss and net income being computed under the Revenue Act of 1921), the amount of such excess shall be allowed as a deduction in computing net income for the taxable year 1924 in accordance with the method provided in subdivisions (b) and (c) of this section.

Allowance for year 1923.

(f) If for the taxable year 1923 a taxpayer sustained a net loss within the provisions of the Revenue Act of 1921, the amount of such net loss shall be allowed as a deduction in computing net income for the two succeeding taxable years to the same extent and in the same manner as a net loss sustained for one taxable year is, under this Act, allowed as a deduction for the two succeeding taxable years.

Application if loss in fiscal year differs from calendar year.

(g) If a taxpayer makes return for a period beginning in one calendar year (hereinafter in this subdivision called "first calendar year") and ending in the following calendar year (hereinafter in this subdivision called "second calendar year") and the law applicable to the second calendar year is different from the law applicable to the first calendar year, then his net loss for the period ending during the second calendar year shall be the sum of: (1) the same proportion of a net loss for the entire period, determined under the law applicable to the first calendar year, which the portion of such period falling within such calendar year is of the entire period; and (2) the same proportion of a net loss for the entire period, determined under the law applicable to the second calendar year, which the portion of such period falling within such calendar year is of the entire period.

Proportional allowance.

Benefits allowed partners, estates or trusts, and insurance companies.

(h) The benefit of this section shall be allowed to the members of a partnership, to an estate or trust, and to insurance companies subject to the tax imposed by section 243 or 246, under regulations prescribed by the Commissioner with the approval of the Secretary.

FISCAL YEARS.

Fiscal years.

Returns if period begins in first calendar year and ends in second.

SEC. 207. (a) If the taxpayer makes return for a period beginning in one calendar year (hereinafter in this subdivision called "first calendar year") and ending in the following calendar year (hereinafter in this subdivision called "second calendar year")

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and the law applicable to the second calendar year is different from the law applicable to the first calendar year, then his tax under this title for the period ending during the second calendar year shall be the sum of: (1) the same proportion of a tax for the entire period, determined under the law applicable to the first calendar year and at the rates for such year, which the portion of such period falling within the first calendar year is of the entire period; and (2) the same proportion of a tax for the entire period, determined under the law applicable to the second calendar year and at the rates for such year, which the portion of such period falling within the second calendar year is of the entire period.

Proportion for different rates.

Application to partnerships

(b) If a fiscal year of a partnership begins in one calendar year and ends in another calendar year, and the law applicable to the second calendar year is different from the law applicable to the first calendar year, then (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 calendar year) equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year, and (2) the rates for the calendar year during which such fiscal year ends shall apply to an amount of each partner's share of such partnership net income (determined under the law applicable to such calendar year) equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year. In such cases the part of such income subject to the rates in effect for the most recent calendar year shall be added to the other income of the taxpayer subject to such rates and the resulting amount shall be placed in the lower brackets of the rate schedule applicable to such year, and the part of such income subject to the rates in effect for the next preceding calendar year shall be placed in the next higher brackets of the rate schedule applicable to such year.

Added to other income of taxpayers.

Credit or refund for tax paid under former law.

(c) Any amount paid before or after the enactment of this Act on account of the tax imposed for a fiscal year beginning in 1923 and ending in 1924 by Title II of the Revenue Act of 1921 shall be credited toward 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, the excess shall be credited or refunded in accordance with the provisions of section 281.

Post, p. 301.

Capital gains and losses.

CAPITAL GAINS AND LOSSES.

Meaning of terms.

SEC. 208. (a) For the purposes of this title—

"Capital gain."

(1) The term "capital gain" means taxable gain from the sale or exchange of capital assets consummated after December 31, 1921;

"Capital loss."

(2) The term "capital loss" means deductible loss resulting from the sale or exchange of capital assets;

"Capital deductions."

(3) The term "capital deductions" means such deductions as are allowed by section 214 for the purpose of computing net income, and are properly allocable to or chargeable against capital assets sold or exchanged during the taxable year;

"Ordinary deductions."

(4) The term "ordinary deductions" means the deductions allowed by section 214 other than capital losses and capital deductions;

"Capital net gain."

(5) The term "capital net gain" means the excess of the total amount of capital gain over the sum of (A) the capital deductions and capital losses, plus (B) the amount, if any, by which the ordinary deductions exceed the gross income computed without including capital gain;

(6) The term "capital net loss" means the excess of the sum of the capital losses plus the capital deductions over the total amount of capital gain; INCOME TAX. "Capital net loss."

(7) The term "ordinary net income" means the net income, computed in accordance with the provisions of this title, after excluding all items of capital gain, capital loss, and capital deductions; and "Ordinary net income."

(8) The term "capital assets" means property held by the taxpayer for more than two years (whether or not connected with his trade or business), but does not include stock in trade of the taxpayer or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale in the course of his trade or business. "Capital assets." Property not included as.

(b) In the case of any taxpayer (other than a corporation) who for any taxable year derives a capital net gain, there shall (at the election of the taxpayer) be levied, collected and paid, in lieu of the taxes imposed by sections 210 and 211 of this title, a tax determined as follows: Tax on capital net gain allowed in lieu of normal or surtax.

A partial tax shall first be computed upon the basis of the ordinary net income at the rates and in the manner provided in sections 210 and 211, and the total tax shall be this amount plus 12½ per centum of the capital net gain. Computation to determine.

(c) In the case of any taxpayer (other than a corporation) who for any taxable year sustains a capital net loss, there shall be levied, collected, and paid, in lieu of the taxes imposed by sections 210 and 211 of this title, a tax determined as follows: On capital net loss.

A partial tax shall first be computed upon the basis of the ordinary net income at the rates and in the manner provided in sections 210 and 211, and the total tax shall be this amount minus 12½ per centum of the capital net loss; but in no case shall the tax under this subdivision be less than the taxes imposed by sections 210 and 211 computed without regard to the provisions of this section. Computation to determine.

(d) The total tax determined under subdivision (b) or (c) shall be collected and paid in the same manner, at the same time, and subject to the same provisions of law, including penalties, as other taxes under this title. Collection and payment.

(e) In the case of the members of a partnership, of an estate or trust, or of the beneficiary of an estate or trust, the proper part of each share of the net income which consists, respectively, of ordinary net income, capital net gain, or capital net loss, shall be determined under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary, and shall be separately shown in the return of the partnership or estate or trust, and shall be taxed to the member or beneficiary or to the estate or trust as provided in sections 218 and 219, but at the rates and in the manner provided in subdivision (b) or (c) of this section. Application to partnerships, estates or trusts, etc. Returns and rates.

EARNED INCOME. "Earned income."

SEC. 209. (a) For the purposes of this section— Meaning of terms.

(1) The term "earned income" means wages, salaries, professional fees, and other amounts received as compensation for personal services actually rendered, but does not include that part of the compensation derived by the taxpayer for personal services rendered by him to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered. In the case of a taxpayer engaged in a trade or business in which both personal services and capital are material income producing factors, a reasonable allowance as compensation for the personal services actually ren- "Earned income." Allowance for personal services if combined with capital in business.

INCOME TAX.

dered by the taxpayer, not in excess of 20 per centum of his share of the net profits of such trade or business, shall be considered as earned income.

"Earned income deductions."

(2) The term "earned income deductions" means such deductions as are allowed by section 214 for the purpose of computing net income, and are properly allocable to or chargeable against earned income.

"Earned net income."

(3) The term "earned net income" means the excess of the amount of the earned income over the sum of the earned income deductions. If the taxpayer's net income is not more than $5,000, his entire net income shall be considered to be earned net income, and if his net income is more than $5,000, his earned net income shall not be considered to be less than $5,000. In no case shall the earned net income be considered to be more than $10,000.

Maximum allowed.

Individual allowed credit on normal tax for earned income.

(b) In the case of an individual the tax shall, in addition to the credits provided in section 222, be credited with 25 per centum of the amount of tax which would be payable if his earned net income constituted his entire net income; but in no case shall the credit allowed under this subdivision exceed 25 per centum of his tax under section 210.

Application to partners.

(c) In the case of the members of a partnership the proper part of each share of the net income which consists of earned income shall be determined under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary and shall be separately shown in the return of the partnership and shall be taxed to the member as provided in section 218.

Post, p. 275.

Individuals.

PART II.—INDIVIDUALS.

Normal tax.

NORMAL TAX.

In lieu of former rates.

Vol. 42, p. 238.

SEC. 210. (a) In lieu of the tax imposed by section 210 of the Revenue Act of 1921, there shall be levied, collected, and paid for each taxable year upon the net income of every individual (except as provided in subdivision (b) of this section) a normal tax of 6 per centum of the amount of the net income in excess of the credits provided in section 216, except that in the case of a citizen or resident of the United States the rate upon the first $4,000 of such excess amount shall be 2 per centum, and upon the next $4,000 of such excess amount shall be 4 per centum;

Post, p. 272.
Exception for citizens or residents.

Alien residents in contiguous countries.

(b) In lieu of the tax imposed by subdivision (a), there shall be levied, collected, and paid for each taxable year upon the net income of every nonresident alien individual, a resident of a contiguous country, a normal tax equal to the sum of the following:

On compensation for personal services in United States.

(1) 2 per centum of the amount by which the part of the net income attributable to wages, salaries, professional fees, or other amounts received as compensation for personal services actually performed in the United States, exceeds the credits provided in subdivisions (d) and (e) of section 216; but the amount taxable at such 2 per centum rate shall not exceed $4,000;

Limitation.

Additional, if exceeding family credits and $4,000.

(2) 4 per centum of the amount by which such part of the net income exceeds the sum of (A) the credits provided in subdivisions (d) and (e) of section 216, plus (B) $4,000; but the amount taxable at such 4 per centum rate shall not exceed $4,000; and

Additional, if in excess thereof.

(3) 6 per centum of the amount of the net income in excess of the sum of (A) the amount taxed under paragraphs (1) and (2), plus (B) the credits provided in section 216.

SURTAX.

INCOME TAX. Surtax.

SEC. 211. (a) In lieu of the tax imposed by section 211 of the Revenue Act of 1921, 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 as follows:

Additional to normal tax, on incomes exceeding $10,000.

Upon a net income of $10,000 there shall be no surtax; upon net incomes in excess of $10,000 and not in excess of $14,000, 1 per centum of such excess.

Rates. Vol. 42, p. 235.

$40 upon net incomes of $14,000; and upon net incomes in excess of $14,000 and not in excess of $16,000, 2 per centum in addition of such excess.

$80 upon net incomes of $16,000; and upon net incomes in excess of $16,000 and not in excess of $18,000, 3 per centum in addition of such excess.

$140 upon net incomes of $18,000; and upon net incomes in excess of $18,000 and not in excess of $20,000, 4 per centum in addition of such excess.

$220 upon net incomes of $20,000; and upon net incomes in excess of $20,000 and not in excess of $22,000, 5 per centum in addition of such excess.

$320 upon net incomes of $22,000; and upon net incomes in excess of $22,000 and not in excess of $24,000, 6 per centum in addition of such excess.

$440 upon net incomes of $24,000; and upon net incomes in excess of $24,000 and not in excess of $26,000, 7 per centum in addition of such excess.

$580 upon net incomes of $26,000; and upon net incomes in excess of $26,000 and not in excess of $28,000, 8 per centum in addition of such excess.

$740 upon net incomes of $28,000; and upon net incomes in excess of $28,000 and not in excess of $30,000, 9 per centum in addition of such excess.

$920 upon net incomes of $30,000; and upon net incomes in excess of $30,000 and not in excess of $34,000, 10 per centum in addition of such excess.

$1,320 upon net incomes of $34,000; and upon net incomes in excess of $34,000 and not in excess of $36,000, 11 per centum in addition of such excess.

$1,540 upon net incomes of $36,000; and upon net incomes in excess of $36,000 and not in excess of $38,000, 12 per centum in addition of such excess.

$1,780 upon net incomes of $38,000; and upon net incomes in excess of $38,000 and not in excess of $42,000, 13 per centum in addition of such excess.

$2,300 upon net incomes of $42,000; and upon net incomes in excess of $42,000 and not in excess of $44,000, 14 per centum in addition of such excess.

$2,580 upon net incomes of $44,000; and upon net incomes in excess of $44,000 and not in excess of $46,000, 15 per centum in addition of such excess.

$2,880 upon net incomes of $46,000; and upon net incomes in excess of $46,000 and not in excess of $48,000, 16 per centum in addition of such excess.

$3,200 upon net incomes of $48,000; and upon net incomes in excess of $48,000 and not in excess of $50,000, 17 per centum in addition of such excess.

$3,540 upon net incomes of $50,000; and upon net incomes in excess of $50,000 and not in excess of $52,000, 18 per centum in addition of such excess.

INCOME TAX. Surtax—Continued.

$3,900 upon net incomes of $52,000; and upon net incomes in excess of $52,000 and not in excess of $56,000, 19 per centum in addition of such excess.

$4,660 upon net incomes of $56,000; and upon net incomes in excess of $56,000 and not in excess of $58,000, 20 per centum in addition of such excess.

$5,060 upon net incomes of $58,000; and upon net incomes in excess of $58,000 and not in excess of $62,000, 21 per centum in addition of such excess.

$5,900 upon net incomes of $62,000; and upon net incomes in excess of $62,000 and not in excess of $64,000, 22 per centum in addition of such excess.

$6,340 upon net incomes of $64,000; and upon net incomes in excess of $64,000 and not in excess of $66,000, 23 per centum in addition of such excess.

$6,800 upon net incomes of $66,000; and upon net incomes in excess of $66,000 and not in excess of $68,000, 24 per centum in addition of such excess.

$7,280 upon net incomes of $68,000; and upon net incomes in excess of $68,000 and not in excess of $70,000, 25 per centum in addition of such excess.

$7,780 upon net incomes of $70,000; and upon net incomes in excess of $70,000 and not in excess of $74,000, 26 per centum in addition of such excess.

$8,820 upon net incomes of $74,000; and upon net incomes in excess of $74,000 and not in excess of $76,000, 27 per centum in addition of such excess.

$9,360 upon net incomes of $76,000; and upon net incomes in excess of $76,000 and not in excess of $80,000, 28 per centum in addition of such excess.

$10,480 upon net incomes of $80,000; and upon net incomes in excess of $80,000 and not in excess of $82,000, 29 per centum in addition of such excess.

$11,060 upon net incomes of $82,000; and upon net incomes in excess of $82,000 and not in excess of $84,000, 30 per centum in addition of such excess.

$11,660 upon net incomes of $84,000; and upon net incomes in excess of $84,000 and not in excess of $88,000, 31 per centum in addition of such excess.

$12,900 upon net incomes of $88,000; and upon net incomes in excess of $88,000 and not in excess of $90,000, 32 per centum in addition of such excess.

$13,540 upon net incomes of $90,000; and upon net incomes in excess of $90,000 and not in excess of $92,000, 33 per centum in addition of such excess.

$14,200 upon net incomes of $92,000; and upon net incomes in excess of $92,000 and not in excess of $94,000, 34 per centum in addition of such excess.

$14,880 upon net incomes of $94,000; and upon net incomes in excess of $94,000 and not in excess of $96,000, 35 per centum in addition of such excess.

$15,580 upon net incomes of $96,000; and upon net incomes in excess of $96,000 and not in excess of $100,000, 36 per centum in addition of such excess.

$17,020 upon net incomes of $100,000; and upon net incomes in excess of $100,000 and not in excess of $200,000, 37 per centum in in addition of such excess.

$54,020 upon net incomes of $200,000; and upon net incomes in excess of $200,000 and not in excess of $300,000, 38 per centum in addition of such excess.

INCOME TAX. Surtax—Continued.

$92,020 upon net incomes of $300,000; and upon net incomes in excess of $300,000 and not in excess of $500,000, 39 per centum in addition of such excess.

$170,020 upon net incomes of $500,000; and upon net incomes in excess of $500,000, in addition 40 per centum of such excess.

Mines, oil or gas wells.

(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 by this section attributable to such sale shall not exceed 16 per centum of the selling price of such property or interest.

Maximum tax on sales of, developed by taxpayer.
Vol. 42, p. 237.

NET INCOME OF INDIVIDUALS DEFINED.

Individual net income.

SEC. 212. (a) In the case of an individual the term "net income" means the gross income as defined in section 213, less the deductions allowed by sections 214 and 206.

Deductions from gross income constituting.

Basis of computing.

(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 in accordance with such method 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.

If taxpayer changes accounting period.

(c) 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.

Post, p. 281.

GROSS INCOME DEFINED.

Gross income.
Vol. 42, p. 237.

Sources included.
Post, p. 283.

SEC. 213. For the purposes of this title, except as otherwise provided in section 233—

From personal salaries, etc.

(a) The term "gross income" 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.

Federal officials, etc., included.

Professions, trades, businesses, etc.,

Interest, rents, dividends, etc.

Included for taxable year when received.

Exempted items.

(b) The term "gross income" does not include the following items, which shall be exempt from taxation under this title:

Life insurance policies.

(1) The proceeds of life insurance policies paid upon the death of the insured;

INCOME TAX.
Returns under life, etc., insurance contracts.

(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;

Gifts, bequests, etc.

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

Interest on State, etc., obligations.
Farm loan bonds.
Vol. 39, p. 375.
Federal, etc., obligations.
Statement required in returns.

(4) Interest upon (A) the obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia; or (B) securities issued under the provisions of the Federal Farm Loan Act, or under the provisions of such Act as amended; or (C) the obligations of the United States or its possessions. Every person owning any of the obligations or securities enumerated in clause (A), (B), or (C) shall, in the return required by this title, submit a statement showing the number and amount of such obligations and securities 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 (other than postal savings certificates of deposit), 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 to the taxpayer from income taxes;

Limitation on Liberty bonds, etc.

Income from domestic securities, etc., owned by 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;

Payments for personal injuries, etc.

(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;

States, etc., on receipts from public utilities.

(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.

Under prior contracts for operation 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—

Tax levied on proceeds, prior to division thereof with State, etc.

(A) If by the terms of such contract the tax imposed by this title is to be paid out of the proceeds from the operation of such public utility, prior to any division of such proceeds between the person and the State, Territory, political subdivision, or the District of Columbia, and if, but for the imposition of the tax imposed by this title, a part of such proceeds for the taxable year would accrue directly to or for the use of such State, Territory, political subdivision, or the District of Columbia, then a tax upon the net income from the operation of such public utility shall be levied, assessed, collected, and

Refund to State, etc., of proportion of tax.

paid in the manner and at the rates prescribed in this title, but there shall be refunded to such State, Territory, political subdivision, or the District of Columbia, (under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary) an amount which bears the same relation to the amount of the tax as the amount which (but for the imposition of the tax imposed by this title) would have accrued directly to or for the use of such State,

Territory, political subdivision, or the District of Columbia, bears to the amount of the net income from the operation of such public utility for such taxable year.

If no part accrue to State, etc., the net income of person taxable.

(B) If by the terms of such contract no part of the proceeds from the operation of the public utility for the taxable year would, irrespective of the tax imposed by this title, accrue directly to or for the use of such State, Territory, political subdivision, or the District of Columbia, then the tax upon the net income of such person from the operation of such public utility shall be levied, assessed, collected, and paid in the manner and at the rates prescribed in this title;

Earnings from foreign ships by nonresident alien, etc.
Conditions.

(8) The income of a nonresident alien or foreign corporation which consists exclusively of earnings derived from the operation of a ship or ships documented under the laws of a foreign country which grants an equivalent exemption to citizens of the United States and to corporations organized in the United States;

War risk and rehabilitation allowances, and pensions.

(9) Amounts received as compensation, family allotments and allowances under the provisions of the War Risk Insurance and the Vocational Rehabilitation Acts or the World War Veterans' Act, 1924, or as pensions from the United States for service of the beneficiary or another in the military or naval forces of the United States in time of war, or as a State pension for services rendered by the beneficiary or another for which the State is paying a pension;

Dividends from domestic building associations before January 1, 1927.
Limit.

(10) The amount received by an individual before January 1, 1927, as dividends or interest from domestic building and loan associations, substantially all the business of which is confined to making loans to members, but the amount excluded from gross income under this paragraph in any taxable year shall not exceed $300;

Rent of ministers' dwellings.

(11) The rental value of a dwelling house and appurtenances thereof furnished to a minister of the gospel as part of his compensation;

Receipts of shipowners' mutual associations.
Restrictions.

(12) The receipts of shipowners' mutual protection and indemnity associations, not organized for profit, and no part of the net earnings of which inures to the benefit of any private shareholder; but such corporations shall be subject as other persons to the tax upon their net income from interest, dividends, and rents;

Special dividends to Chinese residents from China Trade Act corporations.
Vol. 42, p. 856.
Post, p. 997.

(13) In the case of an individual, amounts distributed as dividends to or for his benefit by a corporation organized under the China Trade Act, 1922, if, at the time of such distribution, he is a citizen of China, resident therein, and the equitable right to the income of the shares of stock of the corporation is in good faith vested in him.

Nonresident aliens.
Gross income of, only from United States sources.

(c) In the case of a nonresident alien individual, gross income means only the gross income from sources within the United States, determined under the provisions of section 217.

Deductions allowed.

DEDUCTIONS ALLOWED INDIVIDUALS.

Items specified.

SEC. 214. (a) 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; traveling expenses (including the entire amount expended for meals and lodging) while away from home in the pursuit of a trade or business; and 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;

Traveling, etc., included as.

INCOME TAX.
Interest on debts. Exception.

(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, and originally subscribed for by the taxpayer) the interest upon which is wholly exempt from taxation under this title;

Taxes paid.
Exceptions.

(3) Taxes paid or accrued within the taxable year except (A) income, war-profits, and excess-profits taxes imposed by the authority of the United States, (B) so much of the income, war-profits and excess-profits taxes, imposed by the authority of any foreign country or possession of the United States, as is allowed as a credit under section 222, (C) taxes assessed against local benefits of a kind tending to increase the value of the property assessed, and (D) taxes imposed upon the taxpayer upon his interest as shareholder of a corporation, which are paid by the corporation without reimbursement from the taxpayer. For the purpose of this paragraph, estate, inheritance, legacy, and succession taxes accrue on the due date thereof except as otherwise provided by the law of the jurisdiction imposing such taxes;

Accrual of estate, etc., taxes.

Business losses.

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

Losses not connected with trade or business.

(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 if the profit, if such transaction had resulted in a profit, would be taxable under this title. No deduction shall be allowed under this paragraph for any loss claimed to have been sustained in any sale or other disposition of shares of stock or securities where it appears that within thirty days before or after the date of such sale or other disposition the taxpayer has acquired (otherwise than by bequest or inheritance) or has entered into a contract or option to acquire substantially identical property, and the property so acquired is held by the taxpayer for any period after such sale or other disposition. If such acquisition or the contract or option to acquire is to the extent of part only of substantially identical property, then only a proportionate part of the loss shall be disallowed;

Restriction as to sales of stock, etc.

Allowance for part of loss.

Casualty losses not connected with the business.

(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. The basis for determining the amount of the deduction under this paragraph, or paragraph (4) or (5), shall be the same as is provided in section 204 for determining the gain or loss from the sale or other disposition of property;

Basis for determining deductions.

Ante, p. 258.

Worthless debts.

(7) Debts ascertained to be worthless and charged off within the taxable year (or, in the discretion of the Commissioner, a reasonable addition to a reserve for bad debts); and when satisfied that a debt is recoverable only in part, the Commissioner may allow such debt to be charged off in part;

Exhaustion, etc., of business property.

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

Mines, oil and gas wells, etc.
Reasonable allowance for depletion, etc.

(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; such reasonable allowance in all 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 deduction allowed

Leases.

by this paragraph shall be equitably apportioned between the lessor and lessee;

Gifts, etc.

(10) Contributions or gifts made within the taxable year to or for the use of: (A) The United States, any State, Territory, or any political subdivision thereof, or the District of Columbia, for exclusively public purposes; (B) any corporation, or trust, or community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, 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 shareholder or individual; (C) the special fund for vocational rehabilitation authorized by section 7 of the Vocational Rehabilitation Act; (D) posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units, or societies are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private shareholder or individual; or (E) a fraternal society, order, or association, operating under the lodge system, but only if such contributions or gifts are to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals; to an amount which in all the above cases combined does not exceed 15 per centum of the taxpayer's net income as computed without the benefit of this paragraph, except that if in the taxable year and in each of the ten preceding taxable years the amount in all the above cases combined exceeds 90 per centum of the taxpayer's net income for each such year, as computed without the benefit of this paragraph, then to the full amount of such contributions and gifts made within the taxable year. In case of a nonresident alien individual this deduction shall be allowed only as to contributions or gifts made to domestic corporations, or to community chests, funds, or foundations, created in the United States, or to such vocational rehabilitation fund. 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.

For public uses.

Corporations, community chests, religious, scientific, etc., organizations.

Condition.

Vocational rehabilitation.
Vol. 40, p. 619.

War veterans' organizations, etc.

Fraternal lodges, etc.
Conditions.

Prevention of cruelty to children, etc.
Limit.

Allowance of full amount in special cases.
Conditions.

By nonresident aliens.

Verification required.

(b) In the case of a nonresident alien individual, the deductions allowed in subdivision (a), except those allowed in paragraphs (5), (6), and (10), shall be allowed only if and to the extent that they are connected with income from sources 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 as provided in section 217 under rules and regulations prescribed by the Commissioner with the approval of the Secretary. In the case of a citizen entitled to the benefits of section 262 the deductions shall be the same and shall be determined in the same manner as in the case of a nonresident alien individual.

Nonresident aliens.
Allowances connected with income from United States sources.

Applicable to citizens from sources in United States possessions.
Post, p. 294.

ITEMS NOT DEDUCTIBLE.

Items not deductible.

SEC. 215. (a) In computing net income no deduction shall in any case be allowed in respect of—

Objects specified.

(1) Personal, living, or family expenses;

Personal, etc., expenses.

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

Property improvements.

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

Restoring, etc., property.

INCOME TAX.
Life insurance for employees.

(4) 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.

Deductions in income from life interests, etc., by gift, bequest, or inheritance.

(b) Amounts paid under the laws of any State, Territory, District of Columbia, possession of the United States, or foreign country as income to the holder of a life or terminable interest acquired by gift, bequest, or inheritance shall not be reduced or diminished by any deduction for shrinkage (by whatever name called) in the value of such interest due to the lapse of time, nor by any deduction allowed by this Act for the purpose of computing the net income of an estate or trust but not allowed under the laws of such State, Territory, District of Columbia, possession of the United States, or foreign country for the purpose of computing the income to which such holder is entitled.

Credits allowed.
Vol. 42, p. 242.

CREDITS ALLOWED INDIVIDUALS.

Items for normal tax specified.

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

Dividends from corporations.
Domestic.

(a) The amount received as dividends (1) from a domestic corporation other than a corporation entitled to the benefits of section 262, and other than a corporation organized under the China Trade Act, 1922, or (2) from a foreign corporation when it is shown to the satisfaction of the Commissioner that more than 50 per centum of the gross income of such foreign corporation for the three-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence) was derived from sources within the United States as determined under the provisions of section 217;

Foreign, from United States sources.

Post, p. 278.

Interest on Federal securities.

(b) The amount received as interest upon obligations of the United States which is included in gross income under section 213;

Personal exemptions.

(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 wife, a personal exemption of $2,500. A husband and wife living together shall receive but one personal exemption. The amount of such personal exemption shall be $2,500. If such husband and wife make separate returns, the personal exemption may be taken by either or divided between them.

One exemption for husband and wife living together.

Allowance for dependents.

(d) $400 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.

Nonresident aliens.

(e) In the case of a nonresident alien individual or of a citizen entitled to the benefits of section 262, the personal exemption shall be only $1,000. The credit provided in subdivision (d) shall not be allowed in the case of a nonresident alien individual unless he is a resident of a contiguous country, nor in the case of a citizen entitled to the benefits of section 262.

For dependents limited to contiguous country residents.

Status of taxpayer for personal credits.

(f) (1) The credits allowed by subdivisions (d) and (e) of this section shall be determined by the status of the taxpayer on the last day of his taxable year.

Personal exemptions on change of taxable years.

(2) The credit allowed by subdivision (c) of this section shall, in case the status of the taxpayer changes during his taxable year, be the sum of (A) an amount which bears the same ratio to $1,000 as the number of months during which the taxpayer was single bears to 12 months, plus (B) an amount which bears the same ratio to $2,500 as the number of months during which the taxpayer was a married person living with husband or wife or was the head of a family bears to 12 months. For the purposes of this paragraph

a fractional part of a month shall be disregarded unless it amounts to more than half a month, in which case it shall be considered as a month.

Credits allowed in case of death in taxable year.

(3) In the case of an individual who dies during the taxable year, the credits allowed by subdivisions (c), (d), and (e) shall be determined by his status at the time of his death, and in such case full credits shall be allowed to the surviving spouse, if any, according to his or her status at the close of the taxable year.

NET INCOME OF NONRESIDENT ALIEN INDIVIDUALS.

Nonresident aliens.

SEC. 217. (a) In the case of a nonresident alien individual or of a citizen entitled to the benefits of section 262, the following items of gross income shall be treated as income from sources within the United States:

Items deemed gross income from United States sources.

Interest on bonds, etc., of residents. Exceptions.

(1) Interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, not including (A) interest on deposits with persons carrying on the banking business paid to persons not engaged in business within the United States and not having an office or place of business therein, or (B) interest received from a resident alien individual, a resident foreign corporation, or a domestic corporation, when it is shown to the satisfaction of the Commissioner that less than 20 per centum of the gross income of such resident payor or domestic corporation has been derived from sources within the United States, as determined under the provisions of this section, for the three-year period ending with the close of the taxable year of such payor preceding the payment of such interest, or for such part of such period as may be applicable;

Dividends from corporations. Domestic, etc. Exceptions.

(2) The amount received as dividends (A) from a domestic corporation other than a corporation entitled to the benefits of section 262, and other than a corporation less than 20 per centum of whose gross income is shown to the satisfaction of the Commissioner to have been derived from sources within the United States, as determined under the provisions of this section, for the three-year period ending with the close of the taxable year of such corporation preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence), or (B) from a foreign corporation unless less than 50 per centum of the gross income of such foreign corporation for the three-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence) was derived from sources within the United States as determined under the provisions of this section;

Foreign. Limitation.

Personal services in United States.

(3) Compensation for labor or personal services performed in the United States;

Rents, royalties, etc., from property in United States.

(4) Rentals or royalties from property located in the United States or from any interest in such property, including rentals or royalties for the use of or for the privilege of using in the United States, patents, copyrights, secret processes and formulas, good will, trade-marks, trade brands, franchises, and other like property; and

Real estate sales.

(5) Gains, profits, and income from the sale of real property located in the United States.

Deductions of designated expenses, etc., constitute net income in United States.

(b) From the items of gross income specified in subdivision (a) there shall be deducted the expenses, losses, and other deductions properly apportioned or allocated thereto and a ratable part of any expenses, losses, or other deductions which can not definitely be allocated to some item or class of gross income. The remainder,

INCOME TAX.

if any, shall be included in full as net income from sources within the United States.

Income from without United States.

(c) The following items of gross income shall be treated as income from sources without the United States:

Other interest.

(1) Interest other than that derived from sources within the United States as provided in paragraph (1) of subdivision (a);

Other dividends.

(2) Dividends other than those derived from sources within the United States as provided in paragraph (2) of subdivision (a);

Labor, etc., without United States.

(3) Compensation for labor or personal services performed without the United States;

Rents or royalties without United States.

(4) Rentals or royalties from property located without the United States or from any interest in such property, including rentals or royalties for the use of or for the privilege of using without the United States, patents, copyrights, secret processes and formulas, good will, trade-marks, trade brands, franchises, and other like property; and

Real estate sales without United States.

(5) Gains, profits, and income from the sale of real property located without the United States.

Expenses connected with excepted items to be deducted.

(d) From the items of gross income specified in subdivision (c) there shall be deducted the expenses, losses, and other deductions properly apportioned or allocated thereto, and a ratable part of any expenses, losses, or other deductions which can not definitely be allocated to some item or class of gross income. The remainder, if any, shall be treated in full as net income from sources without the United States.

Remainder treated as net income.

Apportionment of items within and without United States.

(e) Items of gross income, expenses, losses and deductions, other than those specified in subdivisions (a) and (c), shall be allocated or apportioned to sources within or without the United States under rules and regulations prescribed by the Commissioner with the approval of the Secretary. Where items of gross income are separately allocated to sources within the United States, there shall be deducted (for the purpose of computing the net income therefrom) the expenses, losses and other deductions properly apportioned or allocated thereto and a ratable part of other expenses, losses or other deductions which can not definitely be allocated to some item or class of gross income. The remainder, if any, shall be included in full as net income from sources within the United States. In the case of gross income derived from sources partly within and partly without the United States, the net income may first be computed by deducting the expenses, losses or other deductions apportioned or allocated thereto and a ratable part of any expenses, losses or other deductions which can not definitely be allocated to some items or class of gross income; and the portion of such net income attributable to sources within the United States may be determined by processes or formulas of general apportionment prescribed by the Commissioner with the approval of the Secretary.

From United States sources.

Partly within and partly without.

Determination of United States income.

From transportation services.

Sale of property within and without.

Gains, profits and income from (1) transportation or other services rendered partly within and partly without the United States, or (2) from the sale of personal property produced (in whole or in part) by the taxpayer within and sold without the United States, or produced (in whole or in part) by the taxpayer without and sold within the United States, shall be treated as derived partly from sources within and partly from sources without the United States.

Purchase and sale of personal property.

Gains, profits and income derived from the purchase of personal property within and its sale without the United States or from the purchase of personal property without and its sale within the United States, shall be treated as derived entirely from sources within the country in which sold.

Synonymous meaning of words.

(f) As used in this section the words "sale" or "sold" include "exchange" or "exchanged"; and the word "produced" includes

"created," "fabricated," "manufactured," "extracted," "processed," "cured," or "aged."

Returns to be made of total income from all United States sources.

(g) (1) Except as provided in paragraph (2) a nonresident alien individual or a citizen entitled to the benefits of section 262 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 in the United States, in the manner prescribed in this title; including therein all the information which the Commissioner may deem necessary for the calculation of such deductions and credits.

Other information.

Personal exemption credits, etc., allowed by filing claim with withholding agent.

(2) The benefit of the credits allowed in subdivisions (d) and (e) of section 216, and of the reduced rate of tax provided for in subdivision (b) of section 210, may, in the discretion of the Commissioner and under regulations prescribed by him with the approval of the Secretary, be received by a nonresident alien individual entitled thereto, by filing a claim therefor with the withholding agent.

Partnerships.

PARTNERSHIPS.

Partners taxed as individuals.

SEC. 218. (a) Individuals carrying on business in partnership shall be liable for income tax only in their individual capacity. There shall be included 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 accounting period of the partnership ending within the taxable year upon the basis of which the partner's net income is computed.

Computation of income.

Additional credits from partnership exemptions.

(b) 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 partnership.

Computation of net income.

(c) 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 (10) of subdivision (a) of section 214 shall not be allowed.

Estates and trusts.

ESTATES AND TRUSTS.

Income of, taxed.

SEC. 219. (a) The tax imposed by Parts I and II of this title shall apply to the income of estates or of any kind of property held in trust, including—

Trust accumulations.

(1) Income accumulated in trust for the benefit of unborn or unascertained persons or persons with contingent interests, and income accumulated or held for future distribution under the terms of the will or trust;

Periodically distributed.

(2) Income which is to be distributed currently by the fiduciary to the beneficiaries, and income collected by a guardian of an infant which is to be held or distributed as the court may direct;

Received during administration.

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

Discretionary distributions.

(4) Income which, in the discretion of the fiduciary, may be either distributed to the beneficiaries or accumulated.

Payment by fiduciary.

(b) Except as otherwise provided in subdivisions (g) and (h), the tax shall be computed upon the net income of the estate or trust, and shall be paid by the fiduciary. The net income of the estate

Computation of net income.

INCOME TAX.

or trust shall be computed in the same manner and on the same basis as provided in section 212, except that—

Deduction of gifts, etc., under will or trust, without limitation.

(1) There shall be allowed as a deduction (in lieu of the deduction authorized by paragraph (10) of subdivision (a) of section 214) any part of the gross income, without limitation, which pursuant to the terms of the will or deed creating the trust, is during the taxable year paid or permanently set aside for the purposes and in the manner specified in paragraph (10) of subdivision (a) of section 214, or is to be used exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals or for the establishment, acquisition, maintenance or operation of a public cemetery not operated for profit;

Ante, p. 271.

Additional deduction for current distribution to beneficiaries.

(2) There shall be allowed as an additional deduction in computing the net income of the estate or trust the amount of the income of the estate or trust for its taxable year which is to be distributed currently by the fiduciary to the beneficiaries, and the amount of the income collected by a guardian of an infant which is to be held or distributed as the court may direct, but the amount so allowed as a deduction shall be included in computing the net income of the beneficiaries whether distributed to them or not. Any amount allowed as a deduction under this paragraph shall not be allowed as a deduction under paragraph (3) in the same or any succeeding taxable year;

Restriction.

Additional deduction for payments made or credited to beneficiaries.

(3) In the case of income received by estates of deceased persons during the period of administration or settlement of the estate, and in the case of income which, in the discretion of the fiduciary, may be either distributed to the beneficiary or accumulated, there shall be allowed as an additional deduction in computing the net income of the estate or trust the amount of the income of the estate or trust for its taxable year which is properly paid or credited during such year to any legatee, heir, or beneficiary, but the amount so allowed as a deduction shall be included in computing the net income of the legatee, heir, or beneficiary.

Normal tax personal exemptions allowed.

(c) For the purpose of the normal tax the estate or trust shall be allowed the same credit as is allowed to a single person under subdivision (c) of section 216, and, if no part of the income of the estate or trust is included in computing the net income of any legatee, heir, or beneficiary, then in addition the same credits as are allowed by subdivisions (a) and (b) of section 216.

Credits allowed beneficiaries in computing income.

(d) If any part of the income of an estate or trust is included in computing the net income of any legatee, heir, or beneficiary, such legatee, heir, or 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, under this section, required to be included in computing his net income. Any remaining portion of such amounts specified in subdivisions (a) and (b) of section 216 shall, for the purpose of the normal tax, be allowed as credits to the estate or trust.

Computation if taxable years of estate and beneficiary differ.

(e) If the taxable year of a beneficiary is different from that of the estate or trust, the amount which he is required, under paragraph (2) of subdivision (b) of this section, to include in computing his net income, shall be based upon the income of the estate or trust for its taxable year ending within his taxable year.

Profit sharing trusts for employees not taxed.

(f) A trust created by an employer as a part of a stock bonus or profit-sharing plan for the exclusive benefit of some or all of his employees, to which contributions are made by such employer, or employees, or both, for the purpose of distributing to such employees the earnings and principal of the fund accumulated by the trust in accordance with such plan, shall not be taxable under this

section, but the amount actually distributed or made available to any distributee shall be taxable to him in the year in which so distributed or made available to the extent that it exceeds the amounts paid in by him. Such distributees shall for the purpose of the normal tax be allowed as credits such part of the amount so distributed or made available as represents the items specified in subdivisions (a) and (b) of section 216.

Distributees taxed on amount received.

Credits allowed.

(g) Where the grantor of a trust has, at any time during the taxable year, either alone or in conjunction with any person not a beneficiary of the trust, the power to revest in himself title to any part of the corpus of the trust, then the income of such part of the trust for such taxable year shall be included in computing the net income of the grantor.

Income of revocable trust included in that of grantor.

(h) Where any part of the income of a trust may, in the discretion of the grantor of the trust, either alone or in conjunction with any person not a beneficiary of the trust, be distributed to the grantor or be held or accumulated for future distribution to him, or where any part of the income of a trust is or may be applied to the payment of premiums upon policies of insurance on the life of the grantor (except policies of insurance irrevocably payable for the purposes and in the manner specified in paragraph (10) of subdivision (a) of section 214), such part of the income of the trust shall be included in computing the net income of the grantor.

Distributions from trust income to grantor, etc., included in income thereof.

EVASION OF SURTAXES BY INCORPORATION.

Evasion of surtaxes by incorporation.

SEC. 220. (a) If any corporation, however created or organized, is formed or availed of for the purpose of preventing the imposition of the surtax upon its shareholders through the medium of permitting its gains and profits to accumulate instead of being divided or distributed, there shall be levied, collected, and paid for each taxable year upon the net income of such corporation a tax equal to 50 per centum of the amount thereof, which shall be in addition to the tax imposed by section 230 of this title and shall (except as provided in subdivision (d) of this section) be computed, collected, and paid upon the same basis and in the same manner and subject to the same provisions of law, including penalties, as that tax.

Tax on income of corporations accumulating gains, etc., to avoid surtax on its shareholders.

Additional to corporation tax.

Post, p. 282.

(b) The fact that any corporation is a mere holding or investment company, or that the gains or profits are permitted to accumulate beyond the reasonable needs of the business, shall be prima facie evidence of a purpose to escape the surtax.

Evidence of purpose of corporation.

(c) 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.

Statement to be made of gains, names, etc.

(d) As used in this section the term "net income" means the net income as defined in section 232, increased by the sum of the amount of the deduction allowed under paragraph (6) of subdivision (a) of section 234, and the amount of the interest on obligations of the United States issued after September 1, 1917, which would be subject to tax in whole or in part in the hands of an individual owner.

Meaning of "net income" as used.

PAYMENT OF INDIVIDUAL'S TAX AT SOURCE.

Payment of tax at source.

SEC. 221. (a) All persons, 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 (except interest on deposits with persons carrying on the banking busi-

Normal tax of nonresident aliens payable thereat.

INCOME TAX.

ness paid to persons not engaged in business in the United States and not having an office or place of business therein), 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, or of any partnership not engaged in trade or business within the United States and not having any office or place of business therein and composed in whole or in part of nonresident aliens, (other than income received as dividends of the class allowed as a credit by subdivision (a) of section 216) 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 6 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.

Rate.

Proviso. Interest of unknown owners included.

By corporations agreeing to pay interest free from tax.

(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 nonresident alien individual if so provided for in regulations prescribed by the Commissioner under subdivision (g) of section 217.

Tax to be withheld.

Proviso. Of unknown owners.

Exception on notice of claims for credits withheld by individuals.

Nonresident aliens.

Returns, etc., by withholding agent required.

(c) Every person required to deduct and withhold any tax under this section shall make return thereof on or before March 15 of each year and shall on or before June 15 pay the tax to the official of the United States Government authorized to receive it. Every such person is hereby made liable for such tax and is hereby indemnified against the claims and demands of any person for the amount of any payments made in accordance with the provisions of this section.

Indemnity for payment.

Returns by recipient of tax withheld.

(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.

Tax paid by recipient not recollectible, etc.

(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 recollected from the withholding 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 IN CASE OF INDIVIDUALS.

INCOME TAX.
Credit for taxes paid.

SEC. 222. (a) The tax computed under Parts I and II of this title shall be credited with:

Allowances.

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

To citizens, of taxes to foreign countries.

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

Residents, to United States possessions.

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

Alien residents, to foreign country allowing similar credit.

(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 or accrued during the taxable year to a foreign country or to any possession of the United States, as the case may be.

Partners and trust beneficiaries, to foreign countries.

(5) The above credits shall not be allowed in the case of a citizen entitled to the benefits of section 262; and in no other case shall the amount of credit taken under this subdivision exceed the same proportion of the tax (computed on the basis of the taxpayer's net income without the deduction of any income, war-profits, or excess-profits tax any part of which may be allowed to him as a credit by this section), against which such credit is taken, which the taxpayer's net income (computed without the deduction of any such income, war-profits, or excess-profits tax) from sources without the United States bears to his entire net income (computed without such deduction) for the same taxable year.

Exceptions.
Amount of credits limited.
Post, p. 294.

(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 Parts I and 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 281. 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 sum as the Commissioner may require, conditioned upon 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.

Redetermination if tax paid differ from credits claimed.

If accrued but not paid.
Bond required.

(c) The credits provided for in subdivision (a) of this section may, at the option of the taxpayer and irrespective of the method of accounting employed in keeping his books, be taken in the year in which the taxes of the foreign country or the possession of the United States accrued, subject, however, to the conditions prescribed in subdivision (b) of this section. If the taxpayer elects to take such credits in the year in which the taxes of the foreign country or the possession of the United States accrued, the credits for all subsequent years shall be taken upon the same basis.

Credits for foreign taxes may be taken in the year in which accrued.

On same basis for subsequent years.

(d) These credits shall be allowed only if the taxpayer furnishes evidence satisfactory to the Commissioner showing the amount of

Evidence required of foreign income, etc.

INCOME TAX.

income derived from sources without the United States, and all other information necessary for the verification and computation of such credits.

Individual returns.

INDIVIDUAL RETURNS.

Sworn statement of gross income, credits, etc.

SEC. 223. (a) The following individuals shall each make under oath a return stating specifically the items of his gross income and the deductions and credits allowed under this title—

If net income $1,000, or over, if single, etc.

(1) 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;

Over $2,500, and married, etc.

(2) Every individual having a net income for the taxable year of $2,500 or over, if married and living with husband or wife; and

Gross income $5,000 or over.

(3) Every individual having a gross income for the taxable year of $5,000 or over, regardless of the amount of his net income.

Husband and wife living together.

(b) If a husband and wife living together have an aggregate net income for the taxable year of $2,500 or over, or an aggregate gross income for such year of $5,000 or over—

(1) Each shall make such a return, or

(2) The income of each shall be included in a single joint return, in which case the tax shall be computed on the aggregate income.

By agents, etc.

(c) If the taxpayer is unable to make his own return, the return shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

Partnership returns.

PARTNERSHIP RETURNS.

Sworn statement of gross income, etc.

SEC. 224. 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.

Details.

Fiduciary returns.

FIDUCIARY RETURNS.

Sworn statement of income, etc., of beneficiaries.

SEC. 225. (a) Every fiduciary (except a receiver appointed by authority of law in possession of part only of the property of an individual) shall make under oath a return for any of the following individuals, estates, or trusts for which he acts, stating specifically the items of gross income thereof and the deductions and credits allowed under this title—

Individual with $1,000 net income, if single.

(1) 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;

Married, etc., with $2,500 or over.

(2) Every individual having a net income for the taxable year of $2,500 or over, if married and living with husband or wife;

Gross income $5,000 or over.

(3) Every individual having a gross income for the taxable year of $5,000 or over, regardless of the amount of his net income;

Estates or trusts of $1,000 net income.

(4) Every estate or trust the net income of which for the taxable year is $1,000 or over;

Gross income $5,000 or over.

(5) Every estate or trust the gross income of which for the taxable year is $5,000 or over, regardless of the amount of the net income; and

Nonresident alien beneficiaries.

(6) Every estate or trust of which any beneficiary is a nonresident alien.

By joint fiduciaries.

(b) 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 sufficient compliance with the above requirement. Such fiduciary shall make oath (1) that he has sufficient knowledge of the affairs of the individual, estate

Oath, etc., required.

or trust for which the return is made, to enable him to make the return, and (2) that the return is, to the best of his knowledge and belief, true and correct. Any fiduciary required to make a return under this Act shall be subject to all the provisions of this Act which apply to individuals.

RETURNS FOR A PERIOD OF LESS THAN TWELVE MONTHS.

Returns for less than a year.

SEC. 226. (a) 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.

Basis for determining, when accounting period changed.

(b) Where a separate return is so made, and in all other cases where a separate return is required or permitted, by regulations prescribed by the Commissioner with the approval of the Secretary, to be made for a fractional part of a year, then the income shall be computed on the basis of the period for which separate return is made.

Income based on period of return.

(c) If a separate return is made under subdivision (a) the net income, computed in accordance with the provisions of subdivision (b), shall be placed on an annual basis by multiplying the amount thereof by twelve and dividing by the number of months included in the period for which the separate return is made. The tax shall be such part of the tax computed on such annual basis as the number of months in such period is of twelve months.

Computation of taxable income.

(d) The Commissioner with the approval of the Secretary shall by regulations prescribe the method of applying the provisions of subdivisions (b) and (c) to cases where the taxpayer makes a separate return under subdivision (a) and it appears that for the period for which the return is so made he has derived a capital net gain, or sustained a capital net loss, or received earned income.

Application to capital gain, loss, and earned income.

(e) In the case of a return made for a fractional part of a year, except a return made under subdivision (a), the credits provided in subdivisions (c), (d), and (e) 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 the period for which return is made bears to twelve months.

Reduction of personal exemption credits.

TIME AND PLACE FOR FILING INDIVIDUAL, PARTNERSHIP, AND FIDUCIARY RETURNS.

Filing returns.

SEC. 227. (a) Returns (except in the case of nonresident aliens) 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 15th day of March. In the case of a nonresident alien individual returns shall be made on or before the fifteenth day of the sixth 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 15th day of June. The Commissioner may grant a reasonable extension of time for filing returns, if application therefor is made before the date prescribed by law for filing the return, whenever in his judgment good cause exists, and shall keep a record

Time designated for citizens.

Nonresident aliens.

Extension permitted on application.

INCOME TAX.

Limit.

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.

To collector of district.

(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.

At Baltimore, Md.

Corporations.

PART III.—CORPORATIONS.

Tax imposed.

TAX ON CORPORATIONS.

Rate on net income. Vol. 42, p. 252.

SEC. 230. In lieu of the tax imposed by section 230 of the Revenue Act of 1921 there shall be levied, collected, and paid for each taxable year upon the net income of every corporation a tax of 12½ per centum of the amount of the net income in excess of the credits provided in sections 236 and 263.

Exemptions.

CONDITIONAL AND OTHER EXEMPTIONS OF CORPORATIONS.

Designated organizations.

SEC. 231. The following organizations shall be exempt from taxation under this title—

Labor, agricultural, etc.

(1) Labor, agricultural, or horticultural organizations;

Mutual savings banks.

(2) Mutual savings banks not having a capital stock represented by shares;

Fraternal beneficiary societies, lodges, etc.

(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;

Domestic building and loan associations, etc.

(4) Domestic building and loan associations substantially all the business of which is confined to making loans to members; and cooperative banks without capital stock organized and operated for mutual purposes and without profit;

Mutual cemetery companies, etc.

(5) Cemetery companies owned and operated exclusively for the benefit of their members or which are not operated for profit; and any corporation chartered solely for burial purposes as a cemetery corporation and not permitted by its charter to engage in any business not necessarily incident to that purpose, no part of the net earnings of which inures to the benefit of any private shareholder or individual;

Corporations, community chests, etc., for religious, scientific, etc., purposes.

(6) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, 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 shareholder or individual;

Business leagues, etc.

(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 shareholder or individual;

Civic leagues, employees' associations, etc.

(8) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes;

Pleasure clubs.

(9) Clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder;

Local associations for life insurance, farmers' mutual and cooperative associations. Conditions.

(10) Benevolent life insurance associations of a purely local character, farmers' or other mutual hail, cyclone, casualty, or fire insurance companies, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations; but only if 85 per centum or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses;

Associations for marketing farm products, etc.

(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; or organized and operated as purchasing agents for the purpose of purchasing supplies and equipment for the use of members and turning over such supplies and equipment to such members at actual cost, plus necessary expenses;

As purchasing agents for supplies, etc., for members.

As trustees for exempted corporations.

(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; and

Federal land banks, farm-loan associations, etc. Vol. 39, p. 380.

(13) Federal land banks, national farm-loan associations, and Federal intermediate credit banks, as provided in the Federal Farm Loan Act, as amended.

Corporation net income.

NET INCOME OF CORPORATIONS DEFINED.

Computation of domestic.

SEC. 232. 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 sections 234 and 206, and the net income shall be computed on the same basis as is provided in subdivision (b) of section 212 or in section 226. In the case of a foreign corporation or of a corporation entitled to the benefits of section 262 the computation shall also be made in the manner provided in section 217.

Foreign.

Corporation gross income.

GROSS INCOME OF CORPORATIONS DEFINED.

Sources of domestic.

SEC. 233. (a) 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 sections 213 and 217, except that mutual marine insurance companies shall include in gross income the gross premiums collected and received by them less amounts paid for reinsurance.

Exception.

Foreign, from United States sources.

(b) In the case of a foreign corporation, gross income means only gross income from sources within the United States, determined (except in the case of insurance companies subject to the tax imposed by sections 243 or 246) in the manner provided in section 217.

Deductions.

DEDUCTIONS ALLOWED CORPORATIONS.

Allowed in computing net income.

SEC. 234. (a) 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;

Interest on debts. Exceptions.

(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

INCOME TAX.

United States issued after September 24, 1917, and originally subscribed for by the taxpayer) the interest upon which is wholly exempt from taxation under this title;

Domestic taxes. Exception.

Foreign taxes.

For local benefits.

Not applicable to corporations guaranteeing interest free from taxes.

Allowed if paid on interest of shareholder.

Accrual of estate, etc., taxes.

Losses.

Restriction of, on sales of securities, etc.

Basis for determining.

Ante, p. 258.

Worthless debts.

Dividends from domestic corporations.

From foreign, from United States sources.

Exhaustion, etc., of property.

Mines, oil wells, timber, etc.

Allowance for depletion, depreciation, etc.

(3) Taxes paid or accrued within the taxable year except (A) income, war-profits, and excess-profits taxes imposed by the authority of the United States, (B) so much of the income, war-profits and excess-profits taxes imposed by the authority of any foreign country or possession of the United States as is allowed as a credit under section 238, and (C) taxes assessed against local benefits of a kind tending to increase the value of the property assessed. 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 tax-free covenant clause, shall be allowed, nor shall such tax be included in the gross income of the obligee. The deduction allowed by this paragraph shall be allowed in the case of taxes imposed upon a shareholder of a corporation upon his interest as shareholder, which are paid by the corporation without reimbursement from the shareholder, but in such cases no deduction shall be allowed the shareholder for the amount of such taxes. For the purpose of this paragraph, estate, inheritance, legacy, and succession taxes accrue on the due date thereof except as otherwise provided by law of the jurisdiction imposing such taxes;

(4) Losses sustained during the taxable year and not compensated for by insurance or otherwise. No deduction shall be allowed under this paragraph for any loss claimed to have been sustained in any sale or other disposition of shares of stock or securities where it appears that within thirty days before or after the date of such sale or other disposition the taxpayer has acquired (otherwise than by bequest or inheritance) or has entered into a contract or option to acquire substantially identical property, and the property so acquired is held by the taxpayer for any period after such sale or other disposition, unless such claim is made by a dealer in stock or securities and with respect to a transaction made in the ordinary course of its business. If such acquisition or the contract or option to acquire is to the extent of part only of substantially identical property, then only a proportionate part of the loss shall be disallowed. The basis for determining the amount of the deduction for losses sustained shall be the same as is provided in section 204 for determining the gain or loss from the sale or other disposition of property;

(5) Debts ascertained to be worthless and charged off within the taxable year (or in the discretion of the Commissioner, a reasonable addition to a reserve for bad debts); and when satisfied that a debt is recoverable only in part, the Commissioner may allow such debt to be charged off in part;

(6) The amount received as dividends (A) from a domestic corporation other than a corporation entitled to the benefits of section 262, and other than a corporation organized under the China Trade Act, 1922, or (B) from any foreign corporation when it is shown to the satisfaction of the Commissioner that more than 50 per centum of the gross income of such foreign corporation for the three-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the foreign corporation has been in existence) was derived from sources within the United States as determined under section 217;

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

(8) 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; such reasonable allowance in all 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;

Leases.

(9) In the case of insurance companies (other than life insurance companies), in addition to the above (unless otherwise allowed): (A) The net addition required by law to be made within the taxable year to reserve funds (including in the case of assessment insurance companies the actual deposit of sums with State or Territorial officers pursuant to law as additions to guarantee or reserve funds); and (B) the sums other than dividends paid within the taxable year on policy and annuity contracts. This paragraph shall apply only to mutual insurance companies other than life insurance companies;

Insurance companies.
Additional for reserve funds, etc., except life insurance.
Restriction.

(10) In the case of mutual marine insurance companies, there shall be allowed, in addition to the deductions allowed in paragraphs (1) to (9), inclusive, unless otherwise allowed, 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;

Mutual marine companies.
Additional allowed for premium repayments.

(11) In the case of mutual insurance companies (including interinsurers and reciprocal underwriters, but not including 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 (9), inclusive, unless otherwise allowed, 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.

Other mutual companies.
Additional for returned premium deposits, etc.

(b) In the case of a foreign corporation or of a corporation entitled to the benefits of section 262 the deductions allowed in subdivision (a) shall be allowed only if and to the extent that they are connected with income from sources within the United States; and the proper apportionment and allocation of the deductions with respect to sources within and without the United States shall be determined as provided in section 217 under rules and regulations prescribed by the Commissioner with the approval of the Secretary.

Foreign corporations.
Allowances only on income from United States sources.
Apportionment, etc.

ITEMS NOT DEDUCTIBLE BY CORPORATIONS.

Items not deductible.

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

Same as individuals.
Ante, p. 271.

CREDITS ALLOWED CORPORATIONS.

Credits allowed.

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

Designation of.

(a) The amount received as interest upon obligations of the United States which is included in gross income under section 233; and

Interest from Federal obligations.

(b) In the case of a domestic corporation the net income of which is $25,000 or less, a specific credit of $2,000; but if the net income is more than $25,000 the tax imposed by section 230 shall not exceed the tax which would be payable if the $2,000 credit were allowed, plus the amount of the net income in excess of $25,000.

Domestic corporations.
Specific money credit.

PAYMENT OF CORPORATION INCOME TAX AT SOURCE.

Payment at source.

SEC. 237. 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

For foreign corporations not in business in United States.

INCOME TAX.
Ante, p. 277.
Rate.

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 12½ 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.

Proviso.
Interest free from tax.

Credit for taxes.

CREDIT FOR TAXES IN CASE OF CORPORATIONS.

Domestic corporations.
Paid to foreign countries.

SEC. 238. (a) In the case of a domestic corporation the tax imposed by this title shall be credited with the amount of any income, war-profits, and excess-profits taxes paid or accrued during the same taxable year to any foreign country, or to any possession of the United States: *Provided*, That the amount of such credit shall in no case exceed the same proportion of the tax (computed on the basis of the taxpayer's net income without the deduction of any income, war-profits, or excess-profits taxes imposed by any foreign country or possession of the United States), against which such credit is taken, which the taxpayer's net income (computed without the deduction of any such income, war-profits, or excess-profits tax) from sources without the United States bears to its entire net income (computed without such deduction) for the same taxable year. In the case of domestic insurance companies subject to the tax imposed by section 243 or 246, the term "net income" as used in this subdivision means net income as defined in sections 245 and 246, respectively.

Proviso.
Limitation.

Net income of domestic insurance companies.

Redetermination if tax paid differ from credit claimed.

(b) 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 for the year or years affected, and the amount of taxes due upon such redetermination, if any, shall be paid by the corporation upon notice and demand by the collector, or the amount of taxes overpaid, if any, shall be credited, or refunded to the corporation in accordance with the provisions of section 281. 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 sum as he may require, conditioned upon 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.

Tax accrued but not paid.

Bond required before allowance.

Credits for taxes, allowed in the year accrued.

(c) The credits provided for in subdivision (a) of this section may, at the option of the taxpayer and irrespective of the method of accounting employed in keeping its books, be taken in the year in which the taxes of the foreign country or the possession of the United States accrued, subject, however, to the conditions prescribed in subdivision (b) of this section. If the taxpayer elects to take such credits in the year in which the taxes of the foreign country or the possession of the United States accrued, the credits for all subsequent years shall be taken upon the same basis.

Effect of.

Evidence of foreign income required.

(d) These credits shall be allowed only if the taxpayer furnishes evidence satisfactory to the Commissioner showing the amount of income derived from sources without the United States, and all other information necessary for the verification and computation of such credit.

Domestic corporations controlling foreign.

(e) For the purposes of this section a domestic corporation which owns a majority of the voting stock of a foreign corporation from which it receives dividends (not deductible under section 234) in

Proportion of foreign taxes on dividends received, deemed to have been paid by.

any taxable year shall be deemed to have paid the same proportion of any income, war-profits, or excess-profits taxes paid by such foreign corporation to any foreign country or to any possession of the United States, upon or with respect to the accumulated profits of such foreign corporation from which such dividends were paid, which the amount of such dividends bears to the amount of such accumulated profits: *Provided*, That the credit allowed to any domestic corporation under this subdivision shall in no case exceed the same proportion of the taxes against which it is credited, which the amount of such dividends bears to the amount of the entire net income of the domestic corporation in which such dividends are included. The term "accumulated profits" when used in this subdivision in reference to a foreign corporation, means the amount of its gains, profits, or income in excess of the income, war-profits, and excess-profits taxes imposed upon or with respect to such profits or income; and the Commissioner with the approval of the Secretary shall have full power to determine from the accumulated profits of what year or years such dividends were paid; treating dividends paid in the first sixty days of any year as having been paid from the accumulated profits of the preceding year or years (unless to his satisfaction shown otherwise), and in other respects treating dividends as having been paid from the most recently accumulated gains, profits, or earnings. In the case of a foreign corporation, the income, war-profits, and excess-profits taxes of which are determined on the basis of an accounting period of less than one year, the word "year" as used in this subdivision shall be construed to mean such accounting period.

Proviso.
Limitation on credit allowed.

Meaning of "accumulated profits."

Determination by Commissioner.

Accounting period of foreign corporations.

(f) For the purposes of this section a corporation entitled to the benefits of section 262 or 263 shall be treated as a foreign corporation.

Corporations in United States possessions deemed foreign.

CORPORATION RETURNS.

Corporation returns.

SEC. 239. (a) Every corporation subject to taxation under this title 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.

Specific requirements for making.

Foreign, without American office.

Receivers, trustees, etc.

Collections.

(b) Returns made under this section shall be subject to the provisions of section 226. In the case of a return made for a fractional part of a year, except a return made under subdivision (a) of section 226, the credit provided in subdivision (b) 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 the return is made bears to twelve months.

Accounting.

Reduction for part of a year.

(c) There shall be included in the return or appended thereto a statement of such facts as will enable the Commissioner to determine the portion of the earnings or profits of the corporation (including gains, profits and income not taxed) accumulated during the taxable year for which the return is made, which have been distributed or

Detailed statement to accompany returns.

INCOME TAX.

ordered to be distributed, respectively, to its shareholders during such year.

Consolidated returns.

CONSOLIDATED RETURNS OF CORPORATIONS.

Affiliated corporations may make, or separate.

SEC. 240. (a) Corporations which are affiliated within the meaning of this section may, for any taxable year, make separate returns or, under regulations prescribed by the Commissioner with the approval of the Secretary, make a consolidated return of net income for the purpose of this title, in which case the taxes thereunder shall be computed and determined upon the basis of such return. If return is made on either of such bases, all returns thereafter made shall be upon the same basis unless permission to change the basis is granted by the Commissioner.

Computation of proportionate assessments.

(b) 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 computed as provided in subdivision (b) of section 236.

Only one specific credit allowed.
Ante, p. 285.

Corporations deemed affiliated.
Stock ownership.

(c) For the purpose of this section two or more domestic corporations shall be deemed to be affiliated (1) if one corporation owns at least 95 per centum of the voting stock of the other or others, or (2) if at least 95 per centum of the voting stock of two or more corporations is owned by the same interests. A corporation organized under the China Trade Act, 1922, shall not be deemed to be affiliated with any other corporation within the meaning of this section.

China Trade corporations not affiliated.
Vol. 42, p. 849.

Consolidation of accounts by Commissioner, of business controlled by same interests.

(d) In any case of two or more related trades or businesses (whether unincorporated or incorporated and whether organized in the United States or not) owned or controlled directly or indirectly by the same interests, the Commissioner may and at the request of the taxpayer shall, if necessary in order to make an accurate distribution or apportionment of gains, profits, income, deductions, or capital between or among such related trades or businesses, consolidate the accounts of such related trades or businesses.

Corporations in United States possessions deemed foreign.

(e) For the purposes of this section a corporation entitled to the benefits of section 262 shall be treated as a foreign corporation.

Corporation returns.

TIME AND PLACE FOR FILING CORPORATE RETURNS.

Time for filing.
Ante, p. 281.

SEC. 241. (a) Returns of corporations shall be made at the same time as is provided in subdivision (a) of section 227, except that in the case of foreign corporations not having any office or place of business in the United States returns shall be made at the same time as provided in section 227 in the case of a nonresident alien individual.

To collector of district.

(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.

At Baltimore, Md.

Insurance companies.

TAXES ON INSURANCE COMPANIES.

Meaning of "life insurance company."

SEC. 242. When used in this title the term "life insurance company" means an insurance company engaged in the business of issuing life insurance and annuity contracts (including contracts of combined life, health, and accident insurance), the reserve funds of which held for the fulfillment of such contracts comprise more than 50 per centum of its total reserve funds.

INCOME TAX.
Tax on net income.

SEC. 243. In lieu of the taxes imposed by sections 230 and 700, there shall be levied, collected, and paid for each taxable year upon the net income of every life insurance company a tax as follows:

Domestic life.

(1) In the case of a domestic life insurance company, the same percentage of its net income as is imposed upon other corporations by section 230;

Foreign life, from United States sources.

(2) In the case of a foreign life insurance company, the same percentage of its net income from sources within the United States as is imposed upon the net income of other corporations by section 230.

Sources of gross income.

SEC. 244. (a) In the case of a life insurance company the term "gross income" means the gross amount of income received during the taxable year from interest, dividends, and rents.

Application of "reserve funds required by law" to assessment companies.

(b) The term "reserve funds required by law" includes, in the case of assessment insurance, sums actually deposited by any company or association with State or Territorial officers pursuant to law as guaranty or reserve funds, and any funds maintained under the charter or articles of incorporation of the company or association exclusively for the payment of claims arising under certificates of membership or policies issued upon the assessment plan and not subject to any other use.

Net income.
Deductions from gross income.

SEC. 245. (a) In the case of a life insurance company the term "net income" means the gross income less—

Exempt interest.

(1) The amount of interest received during the taxable year which under paragraph (4) of subdivision (b) of section 213 is exempt from taxation under this title;

Reserve funds for weekly payment assessments.

(2) An amount equal to the excess, if any, over the deduction specified in paragraph (1) of this subdivision, of 4 per centum of the mean of the reserve funds required by law and held at the beginning and end of the taxable year, plus (in case of life insurance companies 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) 4 per centum of the mean of such reserve funds (not required by law) held at the beginning and end of the taxable year, as the Commissioner finds to be necessary for the protection of the holders of such policies only;

Dividends from domestic corporations.

(3) The amount received as dividends (A) from a domestic corporation other than a corporation entitled to the benefits of section 262, and other than a corporation organized under the China Trade Act, 1922, or (B) from any foreign corporation when it is shown to the satisfaction of the Commissioner that more than 50 per centum of the gross income of such foreign corporation for the three-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the foreign corporation has been in existence) was derived from sources within the United States as determined under section 217;

From foreign, from United States sources.

Ante, p. 273.

Percentage of reserves for deferred dividends.

(4) An amount equal to 2 per centum of any sums held at the end of the taxable year as a reserve for dividends (other than dividends payable during the year following the taxable year) the payment of which is deferred for a period of not less than five years from the date of the policy contract;

Investment expenses.
Proviso.
Limitation.

(5) Investment expenses paid during the taxable year: *Provided*, That if any general expenses are in part assigned to or included in the investment expenses, the total deduction under this paragraph shall not exceed one-fourth of 1 per centum of the book value of the mean of the invested assets held at the beginning and end of the taxable year;

Real estate taxes.
Exceptions.

(6) Taxes and other expenses paid during the taxable year exclusively upon or with respect to the real estate owned by the com-

INCOME TAX.

pany, not including taxes assessed against local benefits of a kind tending to increase the value of the property assessed, and not including any amount paid out for new buildings, or for permanent improvements or betterments made to increase the value of any property. The deduction allowed by this paragraph shall be allowed in the case of taxes imposed upon a shareholder of a company upon his interest as shareholder, which are paid by the company without reimbursement from the shareholder, but in such cases no deduction shall be allowed the shareholder for the amount of such taxes;

For taxes paid on interests of shareholders.

Exhaustion, etc., of property.

(7) A reasonable allowance for the exhaustion, wear and tear of property, including a reasonable allowance for obsolescence;

Interest on debts.

Exception.

(8) 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, and originally subscribed for by the taxpayer) the interest upon which is wholly exempt from taxation under this title; and

Specific money credits.

(9) In the case of a domestic life insurance company, the net income of which (computed without the benefit of this paragraph) is $25,000 or less, the sum of $2,000; but if the net income is more than $25,000 the tax imposed by section 243 shall not exceed the tax which would be payable if the $2,000 credit were allowed, plus the amount of the net income in excess of $25,000.

Real estate deductions limited.

(b) No deduction shall be made under paragraphs (6) and (7) of subdivision (a) on account of any real estate owned and occupied in whole or in part by a life insurance company unless there is included in the return of gross income the rental value of the space so occupied. Such rental value shall be not less than a sum which in addition to any rents received from other tenants shall provide a net income (after deducting taxes, depreciation, and all other expenses) at the rate of 4 per centum per annum of the book value at the end of the taxable year of the real estate so owned or occupied.

Foreign companies. Determination of income of, from United States sources.

(c) In the case of a foreign life insurance company the amount of its net income for any taxable year from sources within the United States shall be the same proportion of its net income for the taxable year from sources within and without the United States, which the reserve funds required by law and held by it at the end of the taxable year upon business transacted within the United States is of the reserve funds held by it at the end of the taxable year upon all business transacted.

Insurance companies other than life or mutual.

SEC. 246. (a) In lieu of the taxes imposed by sections 230 and 700, there shall be levied, collected, and paid for each taxable year upon the net income of every insurance company (other than a life or mutual insurance company) a tax as follows:

Domestic.

(1) In the case of such a domestic insurance company the same percentage of its net income as is imposed upon other corporations by section 230;

Foreign.

(2) In the case of such a foreign insurance company the same percentage of its net income from sources within the United States as is imposed upon the net income of other corporations by section 230.

Meaning of terms.

(b) In the case of an insurance company subject to the tax imposed by this section—

"Gross income."

(1) The term "gross income" means the combined gross amount, earned during the taxable year, from investment income and from underwriting income as provided in this subdivision, computed on the basis of the underwriting and investment exhibit of the annual statement approved by the National Convention of Insurance Commissioners;

"Net income."

(2) The term "net income" means the gross income as defined in paragraph (1) of this subdivision less the deductions allowed by section 247;

"Investment income."

(3) The term "investment income" means the gross amount of income earned during the taxable year from interest, dividends and rents, computed as follows:

Sources of.

To all interest, dividends and rents received during the taxable year, add interest, dividends and rents due and accrued at the end of the taxable year, and deduct all interest, dividends and rents due and accrued at the end of the preceding taxable year;

"Underwriting income."

(4) The term "underwriting income" means the premiums earned on insurance contracts during the taxable year less losses incurred and expenses incurred;

"Premiums earned on contracts, etc."

(5) The term "premiums earned on insurance contracts during the taxable year" means an amount computed as follows:

Computation of.

From the amount of gross premiums written on insurance contracts during the taxable year, deduct return premiums and premiums paid for reinsurance. To the result so obtained add unearned premiums on outstanding business at the end of the preceding taxable year and deduct unearned premiums on outstanding business at the end of the taxable year;

"Losses incurred."

(6) The term "losses incurred" means losses incurred during the taxable year on insurance contracts, computed as follows:

Computation of.

To losses paid during the taxable year, add salvage and reinsurance recoverable outstanding at the end of the preceding taxable year, and deduct salvage and reinsurance recoverable outstanding at the end of the taxable year. To the result so obtained add all unpaid losses outstanding at the end of the taxable year and deduct unpaid losses outstanding at the end of the preceding taxable year;

"Expenses incurred."

(7) The term "expenses incurred" means all expenses shown on the annual statement approved by the National Convention of Insurance Commissioners, and shall be computed as follows:

Computation of.

To all expenses paid during the taxable year add expenses unpaid at the end of the taxable year and deduct expenses unpaid at the end of the preceding taxable year. For the purpose of computing the net income subject to the tax imposed by this section there shall be deducted from expenses incurred as defined in this paragraph all expenses incurred which are not allowed as deductions by section 247.

Net income.

SEC. 247. (a) In computing the net income of an insurance company subject to the tax imposed by section 246 there shall be allowed as deductions:

Deductions allowed.

Business expenses.

(1) All ordinary and necessary expenses incurred, as provided in paragraph (1) of subdivision (a) of section 234;

Interest on debts.

(2) All interest as provided in paragraph (2) of subdivision (a) of section 234;

Taxes.

(3) Taxes as provided in paragraph (3) of subdivision (a) of section 234;

Losses.

(4) Losses incurred;

Worthless debts.

(5) Bad debts in the nature of agency balances and bills receivable ascertained to be worthless and charged off within the taxable year;

Dividends from domestic corporations.

(6) The amount received as dividends from corporations as provided in paragraph (6) of subdivision (a) of section 234;

Exempt interest.

(7) The amount of interest earned during the taxable year which under paragraph (4) of subdivision (b) of section 213 is exempt from taxation under this title, and the amount of interest allowed as a credit under section 236;

Exhaustion, etc., of property.

(8) A reasonable allowance for the exhaustion, wear and tear of property, as provided in paragraph (7) of subdivision (a) of section 234;

INCOME TAX. Specific money credits.

(9) In the case of such a domestic insurance company, the net income of which (computed without the benefit of this paragraph) is $25,000 or less, the sum of $2,000; but if the net income is more than $25,000 the tax imposed by section 246 shall not exceed the tax which would be payable if the $2,000 credit were allowed, plus the amount of the net income in excess of $25,000.

Foreign corporations. Deductions for United States business. *Ante*, p. 285.

(b) In the case of a foreign corporation the deductions allowed in this section shall be allowed to the extent provided in subdivision (b) of section 234.

No duplications.

(c) Nothing in this section or in section 246 shall be construed to permit the same item to be twice deducted.

Administrative provisions.

PART IV.—ADMINISTRATIVE PROVISIONS.

Dividend payments.

RETURNS OF PAYMENTS OF DIVIDENDS.

Corporations to make specific returns of.

SEC. 254. Every corporation subject to the tax imposed by this title 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 shareholder, the number of shares owned by him, and the amount of dividends paid to him.

Brokers.

RETURNS OF BROKERS.

Sworn returns of all business transactions to be made by.

SEC. 255. Every person 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 person 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.

INFORMATION AT SOURCE.

Persons making fixed payments to others to render returns thereof.

SEC. 256. All persons, in whatever capacity acting, including lessees or mortgagors of real or personal property, fiduciaries, and employers, making payment to another person, 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.

Exception. *Supra.*

Interest on corporation obligations.

Collection of foreign coupons, etc.

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 persons 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 person paying the income.

Name and address on demand.

The provisions of this section shall not apply to the payment of interest on obligations of the United States.

Not applicable to Federal securities.

RETURNS TO BE PUBLIC RECORDS.

Publicity.

SEC. 257. (a) 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 rules and regulations prescribed by the Secretary and approved by the President: *Provided*, That the Committee on Ways and Means of the House of Representatives, the Committee on Finance of the Senate, or a special committee of the Senate or House, shall have the right to call on the Secretary of the Treasury for, and it shall be his duty to furnish, any data of any character contained in or shown by the returns or any of them, that may be required by the committee; and any such committee shall have the right, acting directly as a committee, or by and through such examiners or agents as it may designate or appoint, to inspect all or any of the returns at such times and in such manner as it may determine; and any relevant or useful information thus obtained may be submitted by the committee obtaining it to the Senate or the House, or to both the Senate and House, as the case may be: *Provided further*, That the proper officers of any State 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 shareholders 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 shareholder 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.

Returns to be public records.
Inspection restricted.

Provisos.
Data from, to be furnished committees of Congress.

Inspection by committees, etc.

Access allowed State officers to corporation returns.

Shareholders allowed to examine income returns of their corporations.

Punishment for unauthorized divulging of information from.

(b) 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 name and the post-office address of each person making an income-tax return in such district, together with the amount of the income tax paid by such person.

List of income taxpayers to be prepared for inspection in office of collectors.

Statistics.

PUBLICATION OF STATISTICS.

SEC. 258. 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 taxpayers and of income, the amounts allowed as deductions, exemptions, and credits, and any other facts deemed pertinent and valuable.

Annual publication directed of operation, etc., of income laws.

Collection of foreign items.

COLLECTION OF FOREIGN ITEMS.

SEC. 259. All persons undertaking as a matter of business or for profit the collection of foreign payments of interest or dividends by

Licenses required for collecting foreign coupons, dividends, etc.

INCOME TAX.

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.

Punishment for collecting without license, etc.

Citizens of United States possessions.

CITIZENS OF POSSESSIONS OF THE UNITED STATES.

Nonresidents of United States, taxable only on income from United States sources.

SEC. 260. 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.

Virgin Islands. Payment of taxes in, not affected. Vol. 42, p. 123.

Nothing in this section shall be construed to alter or amend the provisions of the Act entitled "An Act making appropriations for the naval service for the fiscal year ending June 30, 1922, and for other purposes," approved July 12, 1921, relating to the imposition of income taxes in the Virgin Islands of the United States.

Porto Rico and Philippines.

PORTO RICO AND THE PHILIPPINE ISLANDS.

Insular officials to collect tax. Vol. 38, p. 180; Vol. 39, p. 776; Vol. 40, p. 1087.

SEC. 261. In Porto Rico and the Philippine Islands the income tax shall be levied, assessed, collected, and paid as provided by law prior to the enactment of this Act.

Authority of insular legislatures.

The Porto Rican or the 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.

Income from United States possessions.

INCOME FROM SOURCES WITHIN THE POSSESSIONS OF THE UNITED STATES.

Gross income of citizens, etc., deemed from United States sources.

SEC. 262. (a) In the case of citizens of the United States or domestic corporations, satisfying the following conditions, gross income means only gross income from sources within the United States—

If 80 per cent derived from United States sources.

(1) If 80 per centum or more of the gross income of such citizen or domestic corporation (computed without the benefit of this section), for the three-year period immediately preceding the close of the taxable year (or for such part of such period immediately preceding the close of such taxable year as may be applicable) was derived from sources within a possession of the United States; and

Corporations deriving 50 per cent from active business therein.

(2) If, in the case of such corporation, 50 per centum or more of its gross income (computed without the benefit of this section) for such period or such part thereof was derived from the active conduct of a trade or business within a possession of the United States; or

Citizens deriving 50 per cent from active business therein.

(3) If, in the case of such citizen, 50 per centum or more of his gross income (computed without the benefit of this section) for such period or such part thereof was derived from the active conduct of a trade or business within a possession of the United States either on his own account or as an employee or agent of another.

All amounts received in United States included in gross income.

(b) Notwithstanding the provisions of subdivision (a) there shall be included in gross income all amounts received by such citizens or corporations within the United States, whether derived from sources within or without the United States.

(c) As used in this section the term "possession of the United States" does not include the Virgin Islands of the United States.

INCOME TAX. Virgin Islands not included.

CHINA TRADE ACT CORPORATIONS.

China Trade Corporations.

SEC. 263. (a) For the purpose only of the tax imposed by section 230 there shall be allowed, in the case of a corporation organized under the China Trade Act, 1922, a credit of an amount equal to the proportion of the net income derived from sources within China (determined in a similar manner to that provided in section 217) which the par value of the shares of stock of the corporation owned on the last day of the taxable year by individual citizens of the United States or China, resident in China, bears to the par value of the whole number of shares of stock of the corporation outstanding on such date: *Provided*, That in no case shall the amount by which the tax imposed by section 230 is diminished by reason of such credit exceed the amount of the special dividend certified under subdivision (b) of this section.

Credit for proportion of income from China sources bears to shares of residents in China. Vol. 42, p. 855. *Post*, p. 996.

Proviso. Limitation.

(b) Such credit shall not be allowed unless the Secretary of Commerce has certified to the Commissioner—

Conditions.

(1) The amount which, during the year ending on the date fixed by law for filing the return, the corporation has distributed as a special dividend to or for the benefit of such individuals as on the last day of the taxable year were citizens of the United States or China, resident in China, and owned shares of stock of the corporation;

Credit subject to special dividends to residents in China.

(2) That such special dividend was in addition to all other amounts, payable or to be payable to such individuals or for their benefit, by reason of their interest in the corporation; and

Additional to other dividends.

(3) That such distribution has been made to or for the benefit of such individuals in proportion to the par value of the shares of stock of the corporation owned by each; except that if the corporation has more than one class of stock, the certificate shall contain a statement that the articles of incorporation provide a method for the apportionment of such special dividend among such individuals, and that the amount certified has been distributed in accordance with the method so provided.

Dividends in proportion to stock owned.

(c) For the purposes of this section shares of stock of a corporation shall be considered to be owned by the person in whom the equitable right to the income from such shares is in good faith vested.

Ownership of stock.

(d) As used in this section the term "China" shall have the same meaning as when used in the China Trade Act, 1922.

Meaning of "China."

PART V.—PAYMENT, COLLECTION, AND REFUND OF TAX AND PENALTIES.

Payment etc., of tax, etc.

DATE ON WHICH TAX SHALL BE PAID.

Date of payment.

SEC. 270. (a) Except as provided in subdivisions (b), (c), and (d) of this section the total amount of tax imposed by this title shall be paid—

Time designated.

(1) In the case of a taxpayer, other than a nonresident alien individual, and other than a foreign corporation not having an office or place of business in the United States, on or before the fifteenth day of March following the close of the calendar year, or, if the return should be made on the basis of a fiscal year, then on or before the fifteenth day of the third month following the close of the fiscal year; and

For taxpayers, other than nonresident aliens, etc.

INCOME TAX.
Nonresident aliens, and foreign corporations without office in United States.

(2) In the case of a nonresident alien individual, and of a foreign corporation not having an office or place of business in the United States, on or before the fifteenth day of June following the close of the calendar year, or, if the return should be made on the basis of a fiscal year, then on or before the fifteenth day of the sixth month following the close of the fiscal year.

Allowed in four installments.

(b) (1) The taxpayer may elect to pay the tax in four equal installments, in which case the first installment shall be paid on or before the latest date prescribed in subdivision (a) for the payment of the tax by the taxpayer, the second installment shall be paid on or before the fifteenth day of the third month, the third installment on or before the fifteenth day of the sixth month, and the fourth installment on or before the fifteenth day of the ninth month, after such date.

Whole amount on default.

(2) If any installment is not paid on the date fixed for its payment, the whole amount of the tax unpaid shall be paid upon notice and demand from the collector.

Extension allowed on request.

(c) (1) At the request of the taxpayer, the Commissioner may extend the time for payment of the amount determined as the tax by the taxpayer, or any installment thereof, for a period not to exceed six months from the date prescribed in subdivision (a) or (b) for the payment of the tax or an installment thereof. In such case the amount in respect of which the extension is granted shall be paid on or before the date of the expiration of the period of the extension.

Payment on expiration of.

Interest on extension.

(2) If the time for payment is thus extended there shall be collected, as a part of such amount, interest thereon at the rate of 6 per centum per annum from the date when such payment should have been made if no extension had been granted, until the expiration of the period of the extension.

Not applicable to payments at source.
Ante, pp. 277, 285.

(d) The provisions of this section shall not apply to the payment of a tax required to be withheld at the source under section 221 or 237.

Examination of returns, etc.

EXAMINATION OF RETURN AND DETERMINATION OF TAX.

To be as soon as practicable.

SEC. 271. As soon as practicable after the return is filed the Commissioner shall examine it and shall determine the correct amount of the tax.

Overpayments.

OVERPAYMENTS.

Credit if installment payment exceeds correct amount.

Credit or refund if paid.

SEC. 272. If the taxpayer has paid as an installment of the tax more than the amount determined to be the correct amount of such installment, the excess shall be credited against the unpaid installments, if any. If the amount already paid, whether or not on the basis of installments, exceeds the amount determined to be the correct amount of the tax, the excess shall be credited or refunded as provided in section 281.

Post, p. 301.

Deficiency in tax.

DEFICIENCY IN TAX.

Meaning of term.
If amount of tax exceeds return by taxpayer.

SEC. 273. As used in this title the term "deficiency" means—

Conditions.

(1) The amount by which the tax imposed by this title exceeds the amount shown as the tax by the taxpayer upon his return; but the amount so shown on the return shall first be increased by the amounts previously assessed (or collected without assessment) as a deficiency, and decreased by the amounts previously abated, credited, refunded, or otherwise repaid in respect of such tax; or

Amount of tax exceeding previous assessment.

(2) If no amount is shown as the tax by the taxpayer upon his return, or if no return is made by the taxpayer, then the amount

by which the tax exceeds the amounts previously assessed (or collected without assessment) as a deficiency; but such amounts previously assessed, or collected without assessment, shall first be decreased by the amounts previously abated, credited, refunded, or otherwise repaid in respect of such tax.

Notice to taxpayer of deficiency.

SEC. 274. (a) If, in the case of any taxpayer, the Commissioner determines that there is a deficiency in respect of the tax imposed by this title, the taxpayer, except as provided in subdivision (d), shall be notified of such deficiency by registered mail, but such deficiency shall be assessed only as hereinafter provided. Within 60 days after such notice is mailed the taxpayer may file an appeal with the Board of Tax Appeals established by section 900.

Appeal to Board of Tax Appeals.

Post, p. 336.

Payment on determination of Board.

(b) If the Board determines that there is a deficiency, the amount so determined shall be assessed and shall be paid upon notice and demand from the collector. No part of the amount determined as a deficiency by the Commissioner but disallowed as such by the Board shall be assessed, but a proceeding in court may be begun, without assessment, for the collection of any part of the amount so disallowed. The court shall include in its judgment interest upon the amount thereof at the rate of 6 per centum per annum from the date prescribed for the payment of the tax to the date of the judgment. Such proceeding shall be begun within one year after the final decision of the Board, and may be begun within such year even though the period of limitation prescribed in section 277 has expired.

Suit by Commissioner for amount disallowed.

Interest on judgment by court.

Time limit for proceedings.

Payment on demand if no appeal filed.

(c) If the taxpayer does not file an appeal with the Board within the time prescribed in subdivision (a) of this section, the deficiency of which the taxpayer has been notified shall be assessed, and shall be paid upon notice and demand from the collector.

Immediate assessment, etc., if collection jeopardized by delay.

(d) If the Commissioner believes that the assessment or collection of a deficiency will be jeopardized by delay such deficiency shall be assessed immediately and notice and demand shall be made by the collector for the payment thereof. In such case the assessment may be made (1) without giving the notice provided in subdivision (a) of this section, or (2) before the expiration of the 60-day period provided in subdivision (a) of this section even though such notice has been given, or (3) at any time prior to the final decision by the Board upon such deficiency even though the taxpayer has filed an appeal. If the taxpayer does not file a claim in abatement as provided in section 279 the deficiency so assessed (or, if the claim so filed covers only a part of the deficiency, then the amount not covered by the claim) shall be paid upon notice and demand from the collector.

Payment on demand if no appeal filed.

Prorating of deficiency to installment payments.

(e) If the taxpayer has elected to pay the tax in installments and a deficiency has been assessed, the deficiency shall be prorated to the four installments. Except as provided in subdivision (d) of this section, that part of the deficiency so prorated to any installment the date for payment of which has not arrived, shall be collected at the same time as and as part of such installment. That part of the deficiency so prorated to any installment the date for payment of which has arrived, shall be paid upon notice and demand from the collector.

Interest authorized.

(f) Interest upon the amount determined as a deficiency, or, if the tax is paid in installments, upon the part of the deficiency prorated to each installment, shall be assessed at the same time as the deficiency, shall be paid upon notice and demand from the collector, and shall be collected as a part of the tax, at the rate of 6 per centum per annum from the date prescribed for the payment of the tax, or the payment of such installment, to the date the deficiency is assessed.

INCOME TAX.
Extension allowed to avoid undue hardship to taxpayer.

(g) Where it is shown to the satisfaction of the Commissioner that the payment of a deficiency upon the date prescribed for the payment thereof will result in undue hardship to the taxpayer the Commissioner, with the approval of the Secretary (except where the deficiency is due to negligence, to intentional disregard of rules and regulations, or to fraud with intent to evade tax), may grant an extension for the payment of such deficiency or any part thereof for a period not in excess of eighteen months. If an extension is granted, the Commissioner may require the taxpayer to furnish a bond in such amount, not exceeding double the amount of the deficiency, and with such sureties, as the Commissioner deems necessary, conditioned upon the payment of the deficiency in accordance with the terms of the extension. In such case there shall be collected, as a part of the tax, interest on the part of the deficiency the time for payment of which is so extended, at the rate of 6 per centum per annum for the period of the extension, and no other interest shall be collected on such part of the deficiency for such period. If the part of the deficiency the time for payment of which is so extended is not paid in accordance with the terms of the extension, there shall be collected, as a part of the tax, interest on such unpaid amount at the rate of 1 per centum a month for the period from the time fixed by the terms of the extension for its payment until it is paid, and no other interest shall be collected on such unpaid amount for such period.

Bond required.

Interest of deficiency.

Additional interest if not paid on extension.

Additions to tax.

ADDITIONS TO THE TAX IN CASE OF DEFICIENCY.

If deficiency due to negligence, etc.

SEC. 275. (a) If any part of any deficiency is due to negligence, or intentional disregard of rules and regulations but without intent to defraud, 5 per centum of the total amount of the deficiency (in addition to such deficiency) shall be assessed, collected, and paid in the same manner as if it were a deficiency, except that the provisions of subdivisions (e) and (f) of section 274 shall not be applicable.

If from fraudulent evasion.

(b) If any part of any deficiency is due to fraud with intent to evade tax, then 50 per centum of the total amount of the deficiency (in addition to such deficiency) shall be so assessed, collected, and paid, in lieu of the 50 per centum addition to the tax provided in section 3176 of the Revised Statutes, as amended.

Post, p. 339.

Delinquencies.

ADDITIONS TO THE TAX IN CASE OF DELINQUENCY.

Interest if tax not paid when due.

SEC. 276. (a) (1) Where the amount determined by the taxpayer as the tax imposed by this title, or any installment thereof, or any part of such amount or installment, is not paid at the time prescribed for its payment, there shall be collected as a part of the tax, interest upon such unpaid amount at the rate of 1 per centum a month from the date prescribed for its payment until it is paid.

If tax and interest on extension not paid in full.

(2) Where an extension of time for payment of the amount so determined as the tax by the taxpayer, or any installment thereof, has been granted, and the amount the time for payment of which has been extended, and the interest thereon determined under paragraph (2) of subdivision (c) of section 270, is not paid in full prior to the expiration of the period of the extension, then, in lieu of the interest provided for in paragraph (1) of this subdivision, interest at the rate of 1 per centum a month shall be collected on such unpaid amount from the date of the expiration of the period of the extension until it is paid.

Interest, if deficiency, etc., not paid on notice and demand.

(b) Where a deficiency, or any interest or additional amounts assessed in connection therewith under subdivision (f) of section 274, or under section 275, or any addition to the tax in case of delinquency provided for in section 3176 of the Revised Statutes, as

Post, p. 339.

amended, is not paid in full within ten days from the date of notice and demand from the collector, there shall be collected as part of the tax, interest upon the unpaid amount at the rate of 1 per centum a month from the date of such notice and demand until it is paid. If any part of a deficiency prorated to any unpaid installment under subdivision (e) of section 274 is not paid in full on the date prescribed for the payment of such installment, there shall be collected as part of the tax interest upon the unpaid amount at the rate of 1 per centum a month from such date until it is paid.

Nonpayment of prorated installments.

(c) In the case of estates of incompetent, deceased, or insolvent persons, there shall be collected interest at the rate of 6 per centum per annum in lieu of the interest provided in subdivisions (a) and (b) of this section.

Interest rate on estates of incompetents and insolvents.

(d) If a claim in abatement is filed, as provided in section 279, the provisions of subdivisions (b) and (c) of this section shall not apply to the amount covered by the claim in abatement.

Not applicable to claims in abatement. *Post*, p. 300.

PERIOD OF LIMITATION UPON ASSESSMENT AND COLLECTION OF TAX.

Limitation on assessment and collection.

SEC. 277. (a) Except as provided in section 278 and in subdivision (b) of section 274 and in subdivision (b) of section 279—

Periods designated.

(1) The amount of income, excess-profits, and war-profits taxes imposed by the Revenue Act of 1921, and by such Act as amended, for the taxable year 1921 and succeeding taxable years, and the amount of income taxes imposed by this Act, shall be assessed within four years after the return was filed, and no proceeding in court for the collection of such taxes shall be begun after the expiration of such period.

For assessing income, etc., under Act of 1921, and this Act.

Proceedings for collection restricted.

(2) The amount of income, excess-profits, and war-profits taxes imposed by 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, the Act entitled "An Act to reduce tariff duties and to provide revenue for the Government, and for other purposes," approved October 3, 1913, the Revenue Act of 1916, the Revenue Act of 1917, the Revenue Act of 1918, and by any such Act as amended, shall be assessed within five years after the return was filed, and no proceeding in court for the collection of such taxes shall be begun after the expiration of such period.

For taxes under prior Acts. Vol. 36, p. 112. Vol. 38, p. 166. Vol. 39, pp. 756, 1004; Vol. 40, pp. 300, 1057.

Proceedings for collection restricted.

(3) In the case of income received during the lifetime of a decedent, the tax shall be assessed, and any proceeding in court for the collection of such tax shall be begun, within one year after written request therefor (filed after the return is made) by the executor, administrator, or other fiduciary representing the estate of such decedent, but not after the expiration of the period prescribed for the assessment of the tax in paragraph (1) or (2) of this subdivision.

Income received during life of a decedent, on request of executor, etc.

(b) The period within which an assessment is required to be made by subdivision (a) of this section in respect of any deficiency shall be extended (1) by 60 days if a notice of such deficiency has been mailed to the taxpayer under subdivision (a) of section 274 and no appeal has been filed with the Board of Tax Appeals, or, (2) if an appeal has been filed, then by the number of days between the date of the mailing of such notice and the date of the final decision by the Board.

Time extension on notice of deficiency.

If appeal filed.

SEC. 278. (a) In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

Assessment, etc., at any time in case of fraud.

INCOME TAX. Assessment, etc., of deficiencies under prior Acts.

(b) Any deficiency attributable to a change in a deduction tentatively allowed under paragraph (9) of subdivision (a) of section 214, or paragraph (8) of subdivision (a) of section 234, of the Revenue Act of 1918 or the Revenue Act of 1921, may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

With written consent of Commissioner and taxpayer.

(c) Where both the Commissioner and the taxpayer have consented in writing to the assessment of the tax after the time prescribed in section 277 for its assessment the tax may be assessed at any time prior to the expiration of the period agreed upon.

Collection by distraint, etc.

(d) Where the assessment of the tax is made within the period prescribed in section 277 or in this section, such tax may be collected by distraint or by a proceeding in court, begun within six years after the assessment of the tax. Nothing in this Act shall be construed as preventing the beginning, without assessment, of a proceeding in court for the collection of the tax at any time before the expiration of the period within which an assessment may be made.

Court proceedings without assessment, etc.

No assessment, etc., if barred by time limitations, etc.

(e) This section shall not (1) authorize the assessment of a tax or the collection thereof by distraint or by a proceeding in court if at the time of the enactment of this Act such assessment, distraint, or proceeding was barred by the period of limitation then in existence, or (2) affect any assessment made, or distraint or proceeding in court begun, before the enactment of this Act.

Prior assessments, etc., not affected.

Claims in abatement.

CLAIMS IN ABATEMENT.

Time for filing, with collector, after notice of deficiency, and demand for payment.

SEC. 279. (a) If a deficiency has been assessed under subdivision (d) of section 274, the taxpayer, within 10 days after notice and demand from the collector for the payment thereof, may file with the collector a claim for the abatement of such deficiency, or any part thereof, or of any interest or additional amounts assessed in connection therewith, or of any part of any such interest or additional amounts. Such claim shall be accompanied by a bond, in such amount, not exceeding double the amount of the claim, and with such sureties, as the collector deems necessary, conditioned upon the payment of so much of the amount of the claim as is not abated, together with interest thereon as provided in subdivision (c) of this section. Upon the filing of such claim and bond, the collection of so much of the amount assessed as is covered by such claim and bond shall be stayed pending the final disposition of the claim.

Bond required.

Collection to be stayed.

Notification of action by Commissioner.

(b) If a claim is filed as provided in subdivision (a) of this section the collector shall transmit the claim immediately to the Commissioner who shall by registered mail notify the taxpayer of his decision on the claim. The taxpayer may within 60 days after such notice is mailed file an appeal with the Board of Tax Appeals. If the claim is denied in whole or in part by the Commissioner (or by the Board in case an appeal has been filed) the amount, the claim for which is denied, shall be collected as part of the tax upon notice and demand from the collector, and the amount, the claim for which is allowed, shall be abated. A proceeding in court may be begun for any part of the amount, claim for which is allowed by the Board. Such proceeding shall be begun within one year after the final decision of the Board, and may be begun within such year even though the period of limitation prescribed in section 277 has expired.

Appeal to Board.

Proceedings in court.

Time for.

Interest on amount of claim denied.

(c) If the claim in abatement is denied in whole or in part, there shall be collected, at the same time as the part of the claim denied, and as a part of the tax, interest at the rate of 6 per centum per annum upon the amount of the claim denied, from the date of notice

and demand from the collector under subdivision (d) of section 274 to the date of the notice and demand under subdivision (b) of this section. If the amount included in the notice and demand from the collector under subdivision (b) of this section is not paid in full within 10 days after such notice and demand, then there shall be collected, as part of the tax, interest upon the unpaid amount at the rate of 1 per centum a month (or, in the case of estates of incompetent, deceased, or insolvent persons, at the rate of 6 per centum per annum) from the date of such notice and demand until it is paid.

Additional, if not paid on demand.

(d) Except as provided in this section, no claim in abatement shall be filed in respect of any assessment made after the enactment of this Act in respect of any income, war-profits, or excess-profits tax.

No other claim for abatement to be filed hereafter.

TAXES UNDER PRIOR ACTS.

Taxes under prior Acts.

SEC. 280. If after the enactment of this Act the Commissioner determines that any assessment should be made in respect of any income, war-profits, or excess-profits tax imposed by the Revenue Act of 1916, the Revenue Act of 1917, the Revenue Act of 1918, or the Revenue Act of 1921, or by any such Act as amended, the amount which should be assessed (whether as deficiency or as interest, penalty, or other addition to the tax) shall be computed as if this Act had not been enacted, but the amount so computed shall be assessed, collected, and paid in the same manner and subject to the same provisions and limitations (including the provisions in case of delinquency in payment after notice and demand) as in the case of the taxes imposed by this title, except as otherwise provided in section 277.

Assessment and payment under provisions thereof.
Vol. 39, pp. 756–777.
Vol. 40, pp. 300–308; 1057–1096.
Vol. 42, pp. 227–271.

Exception.
Ante, p. 299.

CREDITS AND REFUNDS.

Credits and refunds.

SEC. 281. (a) Where there has been an overpayment of any income, war-profits, or excess-profits tax imposed by this Act, 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, the Act entitled "An Act to reduce tariff duties and to provide revenue for the Government, and for other purposes," approved October 3, 1913, the Revenue Act of 1916, the Revenue Act of 1917, the Revenue Act of 1918, or the Revenue Act of 1921, or any such Act as amended, the amount of such overpayment shall be credited against any income, war-profits, or excess-profits tax or installment thereof then due from the taxpayer, and any balance of such excess shall be refunded immediately to the taxpayer.

Allowed for excess payments under this and former Acts.
Vol. 34, p. 112.
Vol. 38, p. 166.
Vol. 39, pp. 756, 1004; Vol. 40, pp. 300, 1057.
Vol. 42, p. 227.

(b) Except as provided in subdivisions (c) and (e) of this section, (1) no such credit or refund shall be allowed or made after four years from the time the tax was paid, unless before the expiration of such four years a claim therefor is filed by the taxpayer, nor (2) shall the amount of the credit or refund exceed the portion of the tax paid during the four years immediately preceding the filing of the claim or, if no claim was filed, then during the four years immediately preceding the allowance of the credit or refund.

Claims to be filed in four years.
Exceptions.

(c) If the invested capital of a taxpayer is decreased by the Commissioner, and such decrease is due to the fact that the taxpayer failed to take adequate deductions in previous years, with the result that there has been an overpayment of income, war-profits, or excess-profits taxes in any previous year or years, then the amount of such overpayment shall be credited or refunded, without the filing of a claim therefor, notwithstanding the period of limitation provided for in subdivision (b) has expired.

Allowance without claim if invested capital decreased by Commissioner.

INCOME TAX. Refund or credit to withholding agent.

(d) Where there has been an overpayment of tax under section 221 or 237 any refund or credit made under the provisions of this section shall be made to the withholding agent unless the amount of such tax was actually withheld by the withholding agent.

Extension if waiver of right to have tax determined within five years has been filed. *Post*, p. 1115.

(e) If the taxpayer has, within five years from the time the return for the taxable year 1917 was due, filed a waiver of his right to have the taxes due for such taxable year determined and assessed within five years after the return was filed, or if he has, on or before June 15, 1924, filed such a waiver in respect of the taxes due for the taxable year 1918, then such credit or refund relating to the taxes for the year in respect of which the waiver was filed shall be allowed or made if claim therefor is filed either on or before April 1, 1925, or within four years from the time the tax was paid.

Allowances of prior claims not barred.

(f) This section shall not (1) bar from allowance a claim for credit or refund filed prior to the enactment of this Act which but for such enactment would have been allowable, or (2) bar from allowance a claim in respect of a tax for the taxable year 1919 or 1920 if such claim is filed before the expiration of five years after the date the return was due.

Closing of taxable year.

CLOSING BY COMMISSIONER OF TAXABLE YEAR.

Immediate payment if Commissioner find acts of taxpayer prejudice collection, etc.

SEC. 282. (a) 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 immediately terminated 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 such 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 proceeding in court brought to enforce payment of taxes made due and payable by virtue of the provisions of this section 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.

Notice to be given of finding, demand, etc.

Finding of Commissioner, a presumption of intent.

Bond accepted if taxpayer not in default.

(b) 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 section, provided the taxpayer has paid in full all other income, war-profits, or excess-profits taxes due from him under any Act of Congress.

Condition of acceptance.

Enforcement proceedings suspended, on approval of bond.

(c) If security is approved and accepted pursuant to the provisions of this section 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 section prior to the expiration of the time otherwise allowed for paying such respective taxes.

INCOME TAX.
Discretionary waiving of requirements of citizens.

(d) In the case of a citizen of the United States about to depart from the United States the Commissioner may, at his discretion, waive any or all of the requirements placed on the taxpayer by this section.

Aliens before going abroad must furnish certificate of taxes paid.

(e) No alien shall depart from the United States unless he first procures from the collector or agent in charge a certificate that he has complied with all the obligations imposed upon him by the income, war-profits, and excess-profits tax laws.

Additional tax for violations hereof.

(f) If a taxpayer violates or attempts to violate this section there shall, in addition to all other penalties, be added as part of the tax 25 per centum of the total amount of the tax or deficiency in the tax, together with interest at the rate of 1 per centum a month from the time the tax became due.

EFFECTIVE DATE OF TITLE.

Effective date.

SEC. 283. This title shall take effect as of January 1, 1924.

As of January 1, 1924.

TITLE III.

Title III.

PART I.—ESTATE TAX.

ESTATE TAX.

Terms construed.

SEC. 300. When used in Part I of this title—

"Executor."

The term "executor" means the executor or administrator of the decedent, or, if there is no executor or administrator appointed, qualified, and acting within the United States, then any person in actual or constructive possession of any property of the decedent;

"Net estate."

The term "net estate" means the net estate as determined under the provisions of section 303;

"Month."

The term "month" means calendar month; and

"Collector."

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.

Tax levied on transfers of estates hereafter.
Vol. 42, p. 277.

SEC. 301. (a) In lieu of the tax imposed by Title IV of the Revenue Act of 1921, a tax equal to the sum of the following percentages of the value of the net estate (determined as provided in section 303) is hereby imposed upon the transfer of the net estate of every decedent dying after the enactment of this Act, whether a resident or nonresident of the United States:

Rates.

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

2 per centum of the amount by which the net estate exceeds $50,000 and does not exceed $100,000;

3 per centum of the amount by which the net estate exceeds $100,000 and does not exceed $150,000;

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

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

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

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

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

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

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

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

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

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

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

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

Credit allowed for estate, etc., taxes of States, etc.

(b) The tax imposed by this section shall be credited with the amount of any estate, inheritance, legacy, or succession taxes actually paid to any State or Territory or the District of Columbia, in respect of any property included in the gross estate. The credit allowed by this subdivision shall not exceed 25 per centum of the tax imposed by this section.

Maximum.

Gross estate.

SEC. 302. 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—

Property included as.

Subject to administration.

(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;

Dower or curtesy interests.

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

Transfers in contemplation of death.

(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, except in case of a bona fide sale for a fair consideration in money or money's worth. Any transfer of a material part of his property in the nature of a final disposition or distribution thereof, made by the decedent within two years prior to his death without such a consideration, shall, unless shown to the contrary, be deemed to have been made in contemplation of death within the meaning of Part I of this title;

Transfers within two years included.

Revocable transfers prior to death, etc.

(d) 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, where the enjoyment thereof was subject at the date of his death to any change through the exercise of a power, either by the decedent alone or in conjunction with any person, to alter, amend, or revoke, or where the decedent relinquished any such power in contemplation of his death, except in case of a bona fide sale for a fair consideration in money or money's worth;

Extent of joint interests, etc.

(e) To the extent of the interest therein held as joint tenants by the decedent and any other person, or as tenants by the entirety by the decedent and spouse, or deposited, with any person carrying on the banking business, 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 been received or acquired by the latter from the decedent for less than a fair consideration in money or money's worth: *Provided*, That where such property or any part thereof, or part of the consideration with which such property was acquired, is shown to have been at any time acquired by such other person from the decedent for

Exception.

Provisos.
If property acquired from a decedent, etc.

less than a fair consideration in money or money's worth, there shall be excepted only such part of the value of such property as is proportionate to the consideration furnished by such other person: *Provided further*, That where any property has been acquired by gift, bequest, devise, or inheritance, as a tenancy by the entirety by the decedent and spouse, then to the extent of one-half of the value thereof, or, where so acquired by the decedent and any other person as joint tenants and their interests are not otherwise specified or fixed by law, then to the extent of the value of a fractional part to be determined by dividing the value of the property by the number of joint tenants;

If acquired by gift, etc.

(f) 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

Passing under a general power of appointment.

(g) 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.

Received on insurance policy of decedent.

(h) Subdivisions (b), (c), (d), (e), (f), and (g) of this section shall apply to the transfers, trusts, estates, interests, rights, powers, and relinquishment of powers, as severally enumerated and described therein, whether made, created, arising, existing, exercised, or relinquished before or after the enactment of this Act.

Applicable to prior trusts, etc.

SEC. 303. For the purpose of the tax the value of the net estate shall be determined—

Net value determined.

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

Deductions from gross estate of residents.

(1) Such amounts for funeral expenses, administration expenses, claims against the estate, unpaid mortgages upon, or any indebtedness in respect to, property (except, in the case of a resident decedent, where such property is not situated in the United States), to the extent that such claims, mortgages, or indebtedness were incurred or contracted bona fide and for a fair consideration in money or money's worth, 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;

Funeral and administration expenses, taxes, etc.

Casualty losses during settlement.

Taxes on income, etc., received after death, not included.

(2) An amount equal to the value of any property (A) forming a part of the gross estate situated in the United States of any person who died within five years prior to the death of the decedent, or (B) transferred to the decedent by gift within five years prior to his death, where such property can be identified as having been received by the decedent from such donor by gift or from such prior decedent by gift, bequest, devise, or inheritance, or which can be identified as having been acquired in exchange for property so received. This deduction shall be allowed only where a gift tax or an estate tax under this or any prior act of Congress was paid by or on behalf of the donor or the estate of such prior decedent as the case may be, and only in the amount of the value placed by the Commissioner on such property in determining the value of the gift or the gross estate of such prior decedent, and only to the extent that

Property received from prior decedent.

Restricted to property on which gift or estate tax paid.

Limit.

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the value of such property is included in the decedent's gross estate and not deducted under paragraph (1) or (3) of this subdivision;

Bequests, etc., for public, religious, etc., purposes.

(3) The amount of all bequests, legacies, devises, or transfers, except bona fide sales for a fair consideration in money or money's worth, in contemplation of or intended to take effect in possession or enjoyment at or after the decedent's death, 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, or a fraternal society, order, or association operating under the lodge system, but only if such contributions or gifts are to be used by such trustee or trustees, or by such fraternal society, order, or association, exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. If the tax imposed by section 301, or any estate, succession, legacy, or inheritance taxes, are, either by the terms of the will, by the law of the jurisdiction under which the estate is administered, or by the law of the jurisdiction imposing the particular tax, payable in whole or in part out of the bequests, legacies, or devises otherwise deductible under this paragraph, then the amount deductible under this paragraph shall be the amount of such bequests, legacies, or devises reduced by the amount of such taxes; and

Condition.

If tax payable from deductible bequests, etc., exemption reduced by that amount.

Exemption of $50,000.

(4) An exemption of $50,000.

Deductions from gross estate of nonresidents.

(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—

Proportion of administration expenses, etc.

(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;

Limitation as to part in United States.

Property of estate in United States, received from prior decedents.

(2) An amount equal to the value of any property (A) forming a part of the gross estate situated in the United States of any person who died within five years prior to the death of the decedent, or (B) transferred to the decedent by gift within five years prior to his death, where such property can be identified as having been received by the decedent from such donor by gift or from such prior decedent by gift, bequest, devise, or inheritance, or which can be identified as having been acquired in exchange for property so received. This deduction shall be allowed only where a gift tax or an estate tax under this or any prior act of Congress was paid by or on behalf of the donor or the estate of such prior decedent as the case may be, and only in the amount of the value placed by the Commissioner on such property in determining the value of the gift or the gross estate of such prior decedent, and only to the extent that the value of 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 not deducted under paragraph (1) or (3) of this subdivision; and

Restricted to property on which gift or estate tax paid, etc.

Bequests, etc., for public, religious, etc., purposes in the United States.

(3) The amount of all bequests, legacies, devises, or transfers, except bona fide sales for a fair consideration, in money or money's worth, in contemplation of or intended to take effect in possession or enjoyment at or after the decedent's death, to or for the use of the United States, any State, Territory, any political subdivision

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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, or a fraternal society, order, or association operating under the lodge system, but only if such contributions or gifts are to be used within the United States by such trustee or trustees, or by such fraternal society, order, or association, exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. If the tax imposed by section 301, or any estate, succession, legacy or inheritance taxes, are, either by the terms of the will, by the law of the jurisdiction under which the estate is administered, or by the law of the jurisdiction imposing the particular tax, payable in whole or in part out of the bequests, legacies, or devises otherwise deductible under this paragraph, then the amount deductible under this paragraph shall be the amount of such bequests, legacies, or devises reduced by the amount of such taxes.

Conditions.

If tax payable from deductible bequests, etc., exemption reduced by that amount.

(c) No deduction shall be allowed in the case of a nonresident unless the executor includes in the return required to be filed under section 304 the value at the time of his death of that part of the gross estate of the nonresident not situated in the United States.

No deduction unless full return of nonresident's gross estate filed.

(d) For the purpose of Part I of this title, stock in a domestic corporation owned and held by a nonresident decedent 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) or (d) of section 302, 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 of nonresident included as within United States.

(e) The amount receivable as insurance upon the life of a nonresident decedent, and any moneys deposited with any person carrying on the banking business, by or for a nonresident decedent who was not engaged in business in the United States at the time of his death, shall not, for the purpose of Part I of this title, be deemed property within the United States.

Insurance and bank deposits of nonresidents not deemed property in United States.

(f) Missionaries duly commissioned and serving under boards of foreign missions of the various religious denominations in the United States, dying while in the foreign missionary service of such boards, shall not, by reason merely of their intention to permanently remain in such foreign service, be deemed nonresidents of the United States, but shall be presumed to be residents of the State, the District of Columbia, or the Territories of Alaska or Hawaii wherein they respectively resided at the time of their commission and their departure for such foreign service.

Status of missionaries dying abroad.

SEC. 304. (a) The executor, within two months after the decedent's death, or within a like period after qualifying as such, shall give written notice thereof to the collector. The executor shall also, at such times and in such manner as may be required by regulations made pursuant to law, file with the collector a return under oath in duplicate, setting forth (1) 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; (2) the deductions allowed under section 303; (3) the value of the net estate of the decedent as defined in section 303; and (4) 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.

Notice of authority to collector from executor.

Returns to be filed.

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Returns required if estate exceeds $50,000; and of nonresident, all in United States.

Partial returns.

(b) 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.

Time of payment.

SEC. 305. (a) The tax imposed by Part I of this title shall be due and payable one year after the decedent's death, and shall be paid by the executor to the collector.

Extension permitted to avoid hardship.

(b) Where the Commissioner finds that the payment on the due date of any part of the amount determined by the executor as the tax would impose undue hardship upon the estate, the Commissioner may extend the time for payment of any such part not to exceed five years from the due date. In such case the amount in respect of which the extension is granted shall be paid on or before the date of the expiration of the period of the extension.

Interest from extended time.

(c) If the time for the payment is thus extended there shall be collected, as a part of such amount, interest thereon at the rate of 6 per centum per annum from the expiration of six months after the due date of the tax to the expiration of the period of the extension.

Extension under Act of 1921.

Vol. 42, p. 277, amended.

(d) The time for which the Commissioner may extend the time for payment of the estate tax imposed by Title IV of the Revenue Act of 1921 is hereby increased from three years to five years.

Early determination of tax.

SEC. 306. As soon as practicable after the return is filed the Commissioner shall examine it and shall determine the correct amount of the tax.

Meaning of "deficiency."

SEC. 307. As used in Part I of this title the term "deficiency" means—

When tax imposed exceeds return of executor.

Condition.

(1) The amount by which the tax imposed by Part I of this title exceeds the amount shown as the tax by the executor upon his return; but the amount so shown on the return shall first be increased by the amounts previously assessed (or collected without assessment) as a deficiency, and decreased by the amounts previously abated, refunded, or otherwise repaid in respect of such tax; or

Exceeds previous assessment if no amount shown, etc.

Condition.

(2) If no amount is shown as the tax by the executor upon his return, or if no return is made by the executor, then the amount by which the tax exceeds the amounts previously assessed (or collected without assessment) as a deficiency; but such amounts previously assessed, or collected without assessment, shall first be decreased by the amounts previously abated, refunded, or otherwise repaid in respect of such tax.

Notice to executor of deficiency.

SEC. 308. (a) If the Commissioner determines that there is a deficiency in respect of the tax imposed by Part I of this title, the executor, except as provided in subdivision (d), shall be notified of such deficiency by registered mail, but such deficiency shall be assessed only as hereinafter provided. Within 60 days after such notice is mailed the executor may file an appeal with the Board of Tax Appeals established by section 900.

Appeal to Board of Appeals.

Post, p. 336.

Payment on determination of Board.

(b) If the Board determines that there is a deficiency, the amount so determined shall be assessed and shall be paid upon notice and demand from the collector. No part of the amount determined as a deficiency by the Commissioner but disallowed as such by the Board shall be assessed, but a proceeding in court may be begun, without assessment, for the collection of any part of the amount so disallowed. The court shall include in its judgment interest upon the amount thereof at the rate of 6 per centum per annum from the date prescribed for the payment of the tax to the date of the judgment.

Suit by Commissioner for amount disallowed.

Interest on judgment of court.

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Such proceeding shall be begun within one year after the final decision of the Board, and may be begun within such year even though the period of limitation prescribed in section 310 has expired.

Time limit for proceedings.

(c) If the executor does not file an appeal with the Board within the time prescribed in subdivision (a) of this section, the deficiency of which the executor has been notified shall be assessed, and shall be paid upon notice and demand from the collector.

Payment on demand if no appeal filed.

(d) If the Commissioner believes that the assessment or collection of a deficiency will be jeopardized by delay, such deficiency shall be assessed immediately and notice and demand shall be made by the collector for the payment thereof. In such case the assessment may be made (1) without giving the notice provided in subdivision (a) of this section, or (2) before the expiration of the 60-day period provided in subdivision (a) of this section even though such notice has been given, or (3) at any time prior to the final decision by the Board upon such deficiency even though the executor has filed an appeal. If the executor does not file a claim in abatement as provided in section 312, the deficiency so assessed (or, if the claim so filed covers only a part of the deficiency, then the amount not covered by the claim) shall be paid upon notice and demand from the collector.

Immediate assessment, etc., if collection jeopardized by delay.

Payment on demand, if no appeal filed.

Interest authorized.

(e) Interest upon the amount determined as a deficiency shall be assessed at the same time as the deficiency, shall be paid upon notice and demand from the collector, and shall be collected as a part of the tax, at the rate of 6 per centum per annum from the due date of the tax to the date the deficiency is assessed.

Extension allowed to avoid undue hardship to estate.

(f) Where it is shown to the satisfaction of the Commissioner that the payment of a deficiency upon the date prescribed for the payment thereof will result in undue hardship to the estate, the Commissioner with the approval of the Secretary (except where the deficiency is due to negligence, to intentional disregard of rules and regulations, or to fraud with intent to evade tax) may grant an extension for the payment of such deficiency or any part thereof for a period not in excess of two years. If an extension is granted, the Commissioner may require the executor to furnish a bond in such amount, not exceeding double the amount of the deficiency, and with such sureties, as the Commissioner deems necessary, conditioned upon the payment of the deficiency in accordance with the terms of the extension. In such case there shall be collected, as a part of the tax, interest on the part of the deficiency the time for payment of which is so extended, at the rate of 6 per centum per annum for the period of the extension, and no other interest shall be collected on such part of the deficiency for such period. If the part of the deficiency the time for payment of which is so extended is not paid in accordance with the terms of the extension, there shall be collected, as a part of the tax, interest on such unpaid amount at the rate of 1 per centum a month for the period from the time fixed by the terms of the extension for its payment until it is paid, and no other interest shall be collected on such unpaid amount for such period.

Bond required.

Interest on deficiency.

Additional interest if not paid on extension.

(g) The 50 per centum addition to the tax provided by section 3176 of the Revised Statutes, as amended, shall, when assessed after the enactment of this Act in connection with an estate tax, be assessed, collected, and paid in the same manner as if it were a deficiency, except that the provisions of subdivision (e) of this section shall not be applicable.

Addition for fraudulent evasions. *Post*, p. 339.

Exception.

SEC. 309. (a) (1) Where the amount determined by the executor as the tax imposed by Part I of this title, or any part of such amount, is not paid on the due date of the tax, there shall be collected as a part of the tax, interest upon such unpaid amount at the rate of 1 per centum a month from the due date until it is paid.

Interest on unpaid tax determined by executor.

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Interest if tax and interest on extension not paid in full.

(2) Where an extension of time for payment of the amount so determined as the tax by the executor has been granted, and the amount the time for payment of which has been extended, and the interest thereon determined under subdivision (c) of section 305, is not paid in full prior to the expiration of the period of the extension, then, in lieu of the interest provided for in paragraph (1) of this subdivision, interest at the rate of 1 per centum a month shall be collected on such unpaid amount from the date of the expiration of the period of the extension until it is paid.

Interest if deficiency, etc., not paid on notice and demand.
Post, p. 339.

(b) Where a deficiency, or any interest assessed in connection therewith under subdivision (e) of section 308, or any addition to the tax provided for in section 3176 of the Revised Statutes, as amended, is not paid in full within 30 days from the date of notice and demand from the collector, there shall be collected as part of the tax, interest upon the unpaid amount at the rate of 1 per centum a month from the date of such notice and demand until it is paid.

Not applicable to claims in abatement.

(c) If a claim in abatement is filed, as provided in section 312, the provisions of subdivision (b) of this section shall not apply to the amount covered by the claim in abatement.

Assessment in four years after returns are filed.
Exception.

SEC. 310. (a) Except as provided in section 311 and in subdivision (b) of section 308 and in subdivision (b) of section 312, the amount of the estate taxes imposed by Part I of this title shall be assessed within four years after the return was filed, and no proceeding in court for the collection of such taxes shall be begun after the expiration of five years after the return was filed.

Extension allowed on notice of deficiency.

(b) The period within which an assessment is required to be made by subdivision (a) of this section in respect of any deficiency shall be extended (1) by 60 days if a notice of such deficiency has been mailed to the executor under subdivision (a) of section 308 and no appeal has been filed with the Board of Tax Appeals, or (2) if an appeal has been filed, then by the number of days between the date of the mailing of such notice and the date of the final decision by the Board.

Assessment, etc., at any time in case of fraud.

SEC. 311. (a) In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

Collection by distraint, etc.

(b) Where the assessment of the tax is made within the period prescribed in section 310 or in this section, such tax may be collected by distraint or by a proceeding in court, begun within six years after the assessment of the tax. Nothing in this Act shall be construed as preventing the beginning, without assessment, of a proceeding in court for the collection of the tax at any time before the expiration of the period within which an assessment may be made.

Court proceedings without assessment, etc.

No assessment, etc., if barred by time limitations, etc.

(c) This section shall not (1) authorize the assessment of a tax or the collection thereof by distraint or by a proceeding in court if at the time of the enactment of this Act such assessment, distraint, or proceeding was barred by the period of limitation then in existence, or (2) affect any assessment made, or distraint or proceeding in court begun, before the enactment of this Act.

Prior assessments, etc., not affected.

Claims for abatement to be filed with collector in thirty days after notice of deficiency, etc.

SEC. 312. (a) If a deficiency has been assessed under subdivision (d) of section 308, the executor, within 30 days after notice and demand from the collector for the payment thereof, may file with the collector a claim for the abatement of such deficiency, or any part thereof, or of any interest or additional amounts assessed in connection therewith, or of any part of any such interest or additional amounts. Such claim shall be accompanied by a bond, in such amount, not exceeding double the amount of the claim, and with such sureties, as the collector deems necessary, conditioned upon the payment of so much of the amount of the claim as is not abated, to-

Bond required.

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Collection to be stayed.

gether with interest thereon as provided in subdivision (c) of this section. Upon the filing of such claim and bond, the collection of so much of the amount assessed as is covered by such claim and bond shall be stayed pending the final disposition of the claim.

Notice of action by Commissioner.

(b) If a claim is filed as provided in subdivision (a) of this section the collector shall transmit the claim immediately to the Commissioner who shall by registered mail notify the executor of his decision on the claim. The executor may within 60 days after such notice is mailed file an appeal with the Board of Tax Appeals. If the claim is denied in whole or in part by the Commissioner (or by the Board in case an appeal has been filed) the amount, the claim for which is denied, shall be collected as part of the tax upon notice and demand from the collector, and the amount, the claim for which is allowed, shall be abated. A proceeding in court may be begun for any part of the amount, claim for which is allowed by the Board. Such proceeding shall be begun within one year after the final decision of the Board, and may be begun within such year even though the period of limitation prescribed in section 310 has expired.

Appeal to Board.

Proceedings in court.

Time for.

Interest on amount of claim denied.

(c) If the claim in abatement is denied in whole or in part, there shall be collected, at the same time as the part of the claim denied, and as a part of the tax, interest at the rate of 6 per centum per annum upon the amount of the claim denied, from the date of notice and demand from the collector under subdivision (d) of section 308 to the date of the notice and demand under subdivision (b) of this section. If the amount included in the notice and demand from the collector under subdivision (b) of this section is not paid in full within 30 days after such notice and demand, then there shall be collected, as part of the tax, interest upon the unpaid amount at the rate of 1 per centum a month from the date of such notice and demand until it is paid.

Additional, if not paid on demand.

No other claim for abatement to be filed hereafter.

(d) Except as provided in this section, no claim in abatement shall be filed in respect of any assessment made after the enactment of this Act in respect of any estate tax.

Duplicate receipts to taxpayer.

SEC. 313. (a) 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.

Personal liability of executor discharged on payment of determined tax, etc.

(b) If the executor makes written application to the Commissioner for determination of the amount of the tax and discharge from personal liability therefor, the Commissioner (as soon as possible, and in any event within one year after the making of such application, or, if the application is made before the return is filed, then within one year after the return is filed, but not after the expiration of the period prescribed for the assessment of the tax in section 310) shall notify the executor of the amount of the tax. The executor, upon payment of the amount of which he is notified, shall be discharged from personal liability for any deficiency in tax thereafter found to be due and shall be entitled to a receipt or writing showing such discharge.

Gross estate liable for additional tax thereafter found due.

(c) The provisions of subdivision (b) shall not operate as a release of any part of the gross estate from the lien for any deficiency that may thereafter be determined to be due, unless the title to such part of the gross estate has passed to a bona fide purchaser for value, in which case such part shall not be subject to a lien or to any claim or demand for any such deficiency, but the lien shall attach to the consideration received from such purchaser by the heirs, legatees, devisees, or distributees.

Collection of unpaid tax by sale of property, etc.

SEC. 314. (a) If the tax herein imposed is not paid on or before the due date thereof the collector shall, upon instruction from the

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Commissioner, proceed to collect the tax under the provisions of general law, or commence appropriate proceedings in any court of the United States having jurisdiction, 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.

Use of proceeds.

Reimbursement from estate if tax paid by other than executor.

(b) If the tax or any part thereof is paid by, or collected out of that part of the estate passing to or in the possession of, any person other than the executor in his capacity as such, such person shall be entitled to reimbursement out of any part of the estate still undistributed or by a just and equitable contribution by the persons whose interest in the estate of the decedent would have been reduced if the tax had been paid before the distribution of the estate or whose interest is subject to equal or prior liability for the payment of taxes, debts, or other charges against the estate, it being the purpose and intent of this title that so far as is practicable and unless otherwise directed by the will of the decedent the tax shall be paid out of the estate before its distribution. If any part of the gross estate consists of proceeds of policies of insurance upon the life of the decedent receivable by a beneficiary other than the executor, the executor shall be entitled to recover from such beneficiary such portion of the total tax paid as the proceeds, in excess of $40,000, of such policies bear to the net estate. If there is more than one such beneficiary the executor shall be entitled to recover from such beneficiaries in the same ratio.

From life insurance policies.

Unpaid tax a lien for ten years. Part excepted.

SEC. 315. (a) 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.

Release on payment.

Lien on transfers in contemplation of death.

(b) If (1) 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 (2) if insurance passes under a contract executed by the decedent in favor of a specific beneficiary, and if in either case the tax in respect thereto is not paid when due, then the transferee, trustee, or beneficiary shall be personally liable for such tax, and such property, to the extent of the decedent's interest therein at the time of such transfer, or to the extent of such beneficiary's interest under such contract of insurance, shall be subject to a like lien equal to the amount of such tax. Any part of such property sold by such transferee or trustee to a bona fide purchaser for a fair consideration in money or money's worth shall be divested of the lien and a like lien shall then attach to all the property of such transferee or trustee, except any part sold to a bona fide purchaser for a fair consideration in money or money's worth.

Life insurance.

Persons liable.

Innocent purchaser for value at sale protected.

Computation of tax due under former laws. Vol. 39, p. 1002; Vol. 40, pp. 324, 1096; Vol. 42, p. 277.

SEC. 316. If after the enactment of this Act the Commissioner determines that any assessment should be made in respect of any estate tax imposed by the Revenue Act of 1917, the Revenue Act of 1918, or the Revenue Act of 1921, or by any such Act as amended, the amount which should be assessed (whether as deficiency or additional tax or as interest, penalty, or other addition to the tax) shall

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be computed as if this Act had not been enacted, but the amount so computed shall be assessed, collected, and paid in the same manner and subject to the same provisions and limitations (including the provisions in case of delinquency in payment after notice and demand) as in the case of the taxes imposed by Part I of this title, except that the period of limitation prescribed in section 1009 shall be applied in lieu of the period prescribed in subdivision (a) of section 310.

Limitation.
Post, p. 341.
Ante, p. 310.

Punishment for false statements, etc.

SEC. 317. (a) Whoever knowingly makes any false statement in any notice or return required to be filed under Part I of this title shall be liable to a penalty of not exceeding $5,000, or imprisonment not exceeding one year, or both.

Penalty for not making returns, concealing information, etc.

(b) Whoever fails to comply with any duty imposed upon him by section 304, 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 Part I of 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.

Administration proceedings in United States court for China.

SEC. 318. (a) The term "resident" as used in this title includes a citizen of the United States with respect to whose property any probate or administration proceedings are had in the United States Court for China. Where no part of the gross estate of such decedent is situated in the United States at the time of his death, the total amount of tax due under Part I of this title shall be paid to or collected by the clerk of such court, but where any part of the gross estate of such decedent is situated in the United States at the time of his death, the tax due under Part I of this title shall be paid to or collected by the collector of the district in which is situated the part of the gross estate in the United States, or, if such part is situated in more than one district, then the collector of such district as may be designated by the Commissioner.

Tax payable to clerk if no estate in United States.

For part in United States, to collector of district.

Clerk of court to act as collector.

(b) For the purpose of this section the clerk of the United States Court for China shall be a collector for the territorial jurisdiction of such court, and taxes shall be collected by and paid to him in the same manner and subject to the same provisions of law, including penalties, as the taxes collected by and paid to a collector in the United States.

PART II.—GIFT TAX.

GIFT TAX.

Tax on transfers of property by gift.

SEC. 319. For the calendar year 1924 and each calendar year thereafter, a tax equal to the sum of the following is hereby imposed upon the transfer by a resident by gift during such calendar year of any property wherever situated, whether made directly or indirectly, and upon the transfer by a nonresident by gift during such calendar year of any property situated within the United States, whether made directly or indirectly:

By nonresidents, of property in United States.

Rates.

1 per centum of the amount of the taxable gifts not in excess of $50,000;

2 per centum of the amount by which the taxable gifts exceed $50,000 and do not exceed $100,000;

3 per centum of the amount by which the taxable gifts exceed $100,000 and do not exceed $150,000;

4 per centum of the amount by which the taxable gifts exceed $150,000 and do not exceed $250,000;

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6 per centum of the amount by which the taxable gifts exceed $250,000 and do not exceed $450,000;

9 per centum of the amount by which the taxable gifts exceed $450,000 and do not exceed $750,000;

12 per centum of the amount by which the taxable gifts exceed $750,000 and do not exceed $1,000,000;

15 per centum of the amount by which the taxable gifts exceed $1,000,000 and do not exceed $1,500,000;

18 per centum of the amount by which the taxable gifts exceed $1,500,000 and do not exceed $2,000,000;

21 per centum of the amount by which the taxable gifts exceed $2,000,000 and do not exceed $3,000,000;

24 per centum of the amount by which the taxable gifts exceed $3,000,000 and do not exceed $4,000,000;

27 per centum of the amount by which the taxable gifts exceed $4,000,000 and do not exceed $5,000,000;

30 per centum of the amount by which the taxable gifts exceed $5,000,000 and do not exceed $8,000,000;

35 per centum of the amount by which the taxable gifts exceed $8,000,000 and do not exceed $10,000,000;

40 per centum of the amount by which the taxable gifts exceed $10,000,000.

Value of property gifts.

SEC. 320. If the gift is made in property, the fair market value thereof at the date of the gift shall be considered the amount of the gift. Where property is sold or exchanged for less than a fair consideration in money or money's worth, then the amount by which the fair market value of the property exceeded the consideration received shall, for the purpose of the tax imposed by section 319, be deemed a gift, and shall be included in computing the amount of gifts made during the calendar year.

Sold, etc., for less than fair consideration deemed taxable gift.

Deductions in determining amounts.

SEC. 321. In computing the amount of the gifts subject to the tax imposed by section 319, there shall be allowed as deductions:

By residents.

(a) In the case of a resident—

Exemption of $50,000.

(1) An exemption of $50,000;

For public, religious, etc., purposes in United States.

(2) The amount of all gifts or contributions made within the calendar year 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, or fraternal society, order, or association, operating under the lodge system, but only if such gifts or contributions are to be used by such trustee or trustees or by such fraternal society, order, or association, exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, and the amount of all gifts or contributions made within the calendar year by such corporation, trustee, or fraternal society, order, or association for a religious, charitable, scientific, literary, or educational purpose, or for the prevention of cruelty to children or animals, and the amount of all gifts or contributions made within the calendar year to the special fund for vocational rehabilitation authorized by section 7 of the Vocational Rehabilitation Act;

Conditions.

Vocational rehabilitation fund.

Vol. 40, p. 619.

Not exceeding $500 to one person.

(3) Gifts the aggregate amount of which to any one person does not exceed $500;

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(4) An amount equal to the value of any property transferred by gift within the calendar year, which can be identified (A) as having been received by the donor within five years prior to the time of his making such gift, either from another person by gift or from a decedent by gift, bequest, devise, or inheritance, or (B) as having been acquired in exchange for property so received. This deduction shall be allowed only where a gift tax or an estate tax under this or any prior act of Congress was paid by or on behalf of the donor or the estate of such decedent, as the case may be, and only in the amount of the value placed by the Commissioner on such property in determining the value of the gift or the gross estate of such decedent, and only to the extent that the value of such property is included in the total amount of gifts made within the calendar year and not deducted under paragraph (2) or (3) of this subdivision.

Value of gift received by donor within five years by gifts, etc., from another person.

Allowed only if tax thereon had been previously paid.

Limitation.

(b) In the case of a nonresident—

Nonresidents.

(1) The amount of all gifts or contributions made within the calendar year 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, or fraternal society, order, or association, operating under the lodge system, but only if such gifts or contributions are to be used within the United States by such trustee or trustees or by such fraternal society, order, or association, exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, and the amount of all gifts or contributions made within the calendar year by such corporation, trustee, or fraternal society, order, or association for a religious, charitable, scientific, literary, or educational purpose, or for the prevention of cruelty to children or animals, and the amount of all gifts or contributions made within the calendar year to the special fund for vocational rehabilitation authorized by section 7 of the Vocational Rehabilitation Act;

For public, religious, etc., purposes in United States.

Conditions.

Vocational rehabilitation fund.
Vol. 40, p. 619.

(2) Gifts the aggregate amount of which to any one person does not exceed $500;

Not exceeding $500 to one person.

(3) An amount equal to the value of any property situated in the United States transferred by gift within the calendar year, which can be identified (A) as having been received by the donor within five years prior to the time of his making such gift, either from another person by gift or from a decedent by gift, bequest, devise, or inheritance, or (B) as having been acquired in exchange for property so received. This deduction shall be allowed only where a gift tax or an estate tax under this or any prior act of Congress was paid by or on behalf of the donor or the estate of such decedent, as the case may be, and only in the amount of the value placed by the Commissioner on such property in determining the value of the gift or the gross estate of such decedent, and only to the extent that the value of such property is included within the total amount of gifts made within the calendar year of property situated in the United States and not deducted under paragraph (1) or (2) of this subdivision.

Value of gift received by donor within five years by gift, etc., from another person.

Allowed only if tax thereon had been previously paid.

SEC. 322. In case a tax has been imposed under section 319 upon any gift, and thereafter upon the death of the donor the amount thereof is required by any provision of Part I of this title to be included in the gross estate of the decedent then there shall be

Tax imposed to be credited against the estate, etc., upon death of donor.

GIFT TAX.

credited against and applied in reduction of the estate tax, which would otherwise be chargeable against the estate of the decedent under the provisions of section 301, an amount equal to the tax paid with respect to such gift; and in the event the donor has in any year paid the tax imposed by section 319 with respect to a gift or gifts which upon the death of the donor must be included in his gross estate and a gift or gifts not required to be so included, then the amount of the tax which shall be deemed to have been paid with respect to the gift or gifts required to be so included shall be that proportion of the entire tax paid on account of all such gifts which the amount of the gift or gifts required to be so included bears to the total amount of gifts in that year.

Division of taxable and nontaxable gifts.

Returns to be made yearly of all gifts, etc., in excess of deductions.

SEC. 323. Any person who within the year 1924 or any calendar year thereafter makes any gift or gifts in excess of the deductions allowed by section 321 shall, on or before the 15th day of March, file with the collector a return under oath in duplicate, listing and setting forth therein all gifts and contributions made by him during such calendar year (other than the gifts specified in paragraph (3) of subdivision (a) and in paragraph (2) of subdivision (b) of section 321), and the fair market value thereof when made, and also all sales and exchanges of property owned by him made within such year for less than a fair consideration in money or money's worth, stating therein the fair market value of the property so sold or exchanged and that of the consideration received by him, both as of the date of such sale or exchange.

Details required.

Time of payment by donor.

SEC. 324. The tax imposed by section 319 shall be paid by the donor on or before the 15th day of March, and shall be assessed, collected, and paid in the same manner and subject, in so far as applicable, to the same provisions of law as the tax imposed by section 301.

TAX ON CIGARS AND TOBACCO.

TITLE IV.—TAX ON CIGARS, TOBACCO, AND MANUFACTURES THEREOF.

Payable on sales by manufacturer or importer.

R. S., sec. 3394, p. 666, amended.

Vol. 42, p. 286.

SEC. 400. (a) 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 section 700 of the Revenue Act of 1921, the following taxes, to be paid by the manufacturer or importer thereof—

Rates.

Cigars.

Small.

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;

Basis, on retail price.

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;

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, on weight.

On cigarettes made of tobacco, or any substitute therefor, and weighing not more than three pounds per thousand, $3 per thousand;

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

TAX ON CIGARS AND TOBACCO.

determining the tax to be paid regard shall be had to the ordinary retail price of a single cigar.

Label required.

(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.

Packages authorized for cigarettes, etc. Domestic. Vol. 40, p. 1117.

(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 canceled in a like manner, in addition to the import stamp indicating inspection of the customhouse before they are withdrawn therefrom.

Stamps.

Imported.

Cigars.

(e) Section 3392 of the Revised Statutes, as amended, is amended to read as follows:

Packages required. R. S., sec. 3392, p. 606, amended. Vol. 37, p. 664, amended.

"SEC. 3392. All cigars weighing more than three pounds per thousand shall be packed in boxes not before used for that purpose containing, respectively, three, five, seven, ten, twelve, thirteen, twenty-five, fifty, one hundred, two hundred, two hundred and fifty, or five hundred cigars each; and every person who sells, or offers for sale, or delivers, or offers to deliver, any cigars in any other form than in new boxes as above described, or who packs in any box any cigars in excess of or less than the number provided by law to be put in each box, respectively, or who falsely brands any box, or affixes a stamp on any box denoting a less amount of tax than that required by law, shall be fined for each offense not more than $1,000 and be imprisoned not more than two years: *Provided*, That nothing in this section shall be construed as preventing the sale of cigars at retail by retail dealers from boxes packed, stamped, and branded in the manner prescribed by law: *Provided further*, That each employee of a manufacturer of cigars shall be permitted to use, for personal consumption and for experimental purposes, not to exceed twenty-one cigars per week without the manufacturer of cigars being required to pack the same in boxes or to stamp or pay any internal-revenue tax thereon, such exemption to be allowed under such rules and regulations as the Secretary of the Treasury may prescribe."

Punishment for sale in other than new boxes, etc.

Provisos. Retail sales.

Number allowed each employee without stamps, etc.

Manufactured tobacco and snuff. Tax payable on sales by manufacturer or importer. R. S., sec. 3368, p. 658, amended. Vol. 42, p. 287.

SEC. 401. (a) 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 section 701 of the Revenue Act of 1921, a tax of 18 cents per pound, to be paid by the manufacturer or importer thereof.

Packages.

(b) Section 3362 of the Revised Statutes, as amended by section 701 of the Revenue Act of 1918, is re-enacted without change, as follows:

Requirements. R. S., sec. 3362, p. 657, amended. Vol. 42, p. 287.

"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:

Sizes allowed. Vol. 40, p. 1117.

"All smoking tobacco, snuff, fine-cut chewing tobacco, all cut and granulated tobacco, all shorts, the refuse of fine-cut chewing, which

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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.

Proviso.
Additional for snuff.

Wooden packages.

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

Marking, etc.

"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."

Provisos.
Exports excepted.

Bulk sales of perique, etc., to manufacturers, without tax.

Materials for containers.

Cigarette papers and tubes.
Tax on sales to other than manufacturers.
Vol. 42, p. 288, amended.

SEC. 402. There shall be levied, collected, and paid, in lieu of the taxes imposed by section 703 of the Revenue Act of 1921, 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, ½ cent; containing more than fifty but not more than one hundred papers, 1 cent; containing more than one hundred papers, ½ cent for each fifty papers or fractional part thereof; and upon tubes, 1 cent for each fifty tubes or fractional part thereof.

Rates.

Use of tubes by manufacturers.
Bond, etc., required.

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.

Leaf tobacco.
R. S., sec. 3360, p. 657, amended.

SEC. 403. Section 3360 of the Revised Statutes, as amended by section 704 of the Revenue Act of 1918, is amended to read as follows:

Dealers.
Notice of business to be filed with collector.
Vol. 40, p. 1118.
Vol. 42, p. 288.

"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, 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. TAX ON CIGARS AND TOBACCO.

"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. Bond required.

"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. District number to be assigned, etc. Certificates.

"(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 1st day of January of each year, or at the time of commencing and at the time of concluding business, if before or after the 1st day of January, such inventory to be made under oath and rendered in such form as may be prescribed by the Commissioner. Annual inventory to be filed.

"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 circumstance, 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. Daily records of business, etc., to be kept. Details.

"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 of transactions.

"(c) Sales or shipments of leaf tobacco by a dealer in leaf tobacco shall be in quantities of not less than a hogshead, tierce, case, or bale, except loose leaf tobacco comprising the breaks on warehouse floors, and except to a duly registered manufacturer of cigars for use in his own manufactory exclusively. Restriction on sales or shipments.

"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. Shipments limited.

"(d) Upon all leaf tobacco sold, removed or shipped by any dealer in leaf tobacco in violation of 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. Penalty tax for violations.

TAX ON CIGARS AND TOBACCO.
Designated offenses.
Failure to give bond, make returns, etc.

"(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

Illegal shipments.

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

Fraudulent omissions.

"(3) who fraudulently omits to account for tobacco purchased, received, sold, or shipped;

Punishment for.

shall be fined not less than $100 or more than $500, or imprisoned not more than one year, or both.

Farmers, growers, etc., not included.
Vol. 42, p. 289, amended.

"(f) For the purpose of this section a farmer or grower of tobacco or a tobacco growers' cooperative association shall not be regarded as a dealer in leaf tobacco in respect to the leaf tobacco produced by him or handled by such association: *Provided*, That such cooperative associations shall be required to keep available records of all purchases and sales of tobacco, such records to be open to inspection by the agents of the Government. As used in this section the term 'tobacco growers' cooperative association' means an association of farmers or growers of tobacco organized and operated as sales agent for the purpose of marketing the tobacco produced by its members and turning back to them the proceeds of sales, less the necessary selling expenses, on the basis of the quantity and quality of tobacco furnished by them."

Provisos.
Records required of growers, associations.

Purpose of growers' associations defined.

ADMISSIONS AND DUES.

TITLE V.—TAX ON ADMISSIONS AND DUES.

Tax on admissions.
Vol. 42, p. 290.

SEC. 500. (a) On and after the date this title takes effect, there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 800 of the Revenue Act of 1921—

Rates.
Vol. 42, p. 290, amended.

(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; but where the amount paid for admission is 50 cents or less, no tax shall be imposed;

Additional, on sales at advanced price at other than ticket offices.

(2) 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 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 and subject to the interest provided in section 603, by the person selling such tickets;

Post, p. 324.

Sales by proprietors, etc., in excess of regular prices.

(3) 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 and subject to the interest provided in section 603, by the person selling such tickets;

Payable by box holders, etc.

(4) 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

ADMISSIONS AND DUES.

reserved by or for the lessee or holder, such tax to be paid by the lessee or holder; and

Roof gardens, cabarets, etc.
Vol. 42, p. 290, amended.

(5) A tax of 1½ 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. Where the amount paid for admission is 50 cents or less, no tax shall be imposed.

Exemptions.

Exempt entertainments.
Religious, educational, etc.

(b) No tax shall be levied under this title in respect of (1) any admissions all the proceeds of which inure (A) exclusively to the benefit of religious, educational, or charitable institutions, societies, or organizations, societies for the prevention of cruelty to children or animals, or societies or organizations conducted for the sole purpose of maintaining symphony orchestras and receiving substantial support from voluntary contributions, or of improving any city, town, village, or other municipality, or of maintaining a cooperative or community center moving-picture theater—if no part of the net earnings thereof inures to the benefit of any private stockholder or individual; or (B) exclusively to the benefit of persons in the military or naval forces of the United States; or (C) exclusively to the benefit of persons who have served in such forces and are in need; or (D) exclusively to the benefit of National Guard organizations, Reserve Officers' associations or organizations, posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units, or societies are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private stockholder or individual; or (E) exclusively to the benefit of members of the police or fire department of any city, town, village, or other municipality, or the dependents or heirs of such members; or (2) any admissions to agricultural fairs if no part of the net earnings thereof inures to the benefit of any stockholders or members of the association conducting the same, or admissions to any exhibit, entertainment, or other pay feature conducted by such association as part of any such fair,—if the proceeds therefrom are used exclusively for the improvement, maintenance and operation of such agricultural fairs.

Conditions.

Additional exemptions.
For veterans, etc.

Municipal police and firemen.

Agricultural fairs, etc.

Conditions.

Charges included in admissions.

(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.

Price, etc., to be printed on tickets.

(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 of that part of the ticket which is to be taken up by the management of the theater, opera, or other place of amusement, 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.

Penalty for failure.

Tax on club dues, etc.
Vol. 42, p. 291.

SEC. 501. On and after the date this title takes effect there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 801 of the Revenue Act of 1921, a tax equivalent to 10 per centum 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

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Initiation fees.

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 person 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, or to any local fraternal organization among the students of a college or university. 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.

Proviso.
Fraternal lodges, etc., exempt.

Life membership payments.

Collection by receivers.
Vol. 42, p. 291, amended.

SEC. 502. (a) Every person receiving any payments for such admission, dues or fees shall collect the amount of the tax imposed by section 500 or 501 from the person making such payments. Every club or organization having life members shall collect from such members the amount of the tax imposed by section 501. Such persons shall make monthly returns under oath, in duplicate, and pay the taxes so collected to the collector of the district in which the principal office or place of business is located.

Monthly returns and payments.

Refunds may be included in subsequent returns.

(b) 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.

Information in returns, etc.

(c) 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 approval of the Secretary, may by regulation prescribe.

Time of payment.

(d) 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 interest at the rate of 1 per centum a month from the time when the tax became due until paid.

Penalty for failure.

Effective in 30 days.

SEC. 503. This title shall take effect on the expiration of thirty days after the enactment of this Act.

EXCISE TAXES.

TITLE VI.—EXCISE TAXES.

Levied after thirty days on sale by manufacturer, etc.
Vol. 42, p. 291, amended.

SEC. 600. On and after the expiration of thirty days after the enactment of this Act 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 percentage of the price for which so sold or leased—

Chassis of automobile trucks and wagons.

(1) Automobile truck chassis and automobile wagon chassis sold or leased for an amount in excess of $1,000, and automobile truck bodies and automobile wagon bodies sold or leased for an amount in excess of $200 (including in both cases tires, inner tubes, parts, and accessories therefor sold on or in connection therewith or with the sale thereof), 3 per centum. A sale or lease of an automobile truck or of an automobile wagon shall, for the purposes of this subdivision, be considered to be a sale of the chassis and of the body;

Accessories included.

Other chassis, motorcycles, etc.

(2) Other automobile chassis and bodies and motor cycles (including tires, inner tubes, parts, and accessories therefor sold on or in connection therewith or with the sale thereof), except tractors, 5 per centum. A sale or lease of an automobile shall, for the pur-

poses of this subdivision, be considered to be a sale of the chassis and of the body;

Accessories, to other than manufacturer, etc.

(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), 2½ per centum. This subdivision shall not apply to chassis or bodies for automobile trucks, automobile wagons, or other automobiles;

Chassis not included.

Cameras.

(4) Cameras, weighing not more than 100 pounds, and lenses for such cameras, 10 per centum;

Photographic films.

(5) Photographic films and plates (other than moving-picture films and other than X-ray films or plates), 5 per centum;

Firearms, etc.

(6) 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, or the District of Columbia, 10 per centum;

Smokers' articles.

(7) Cigar or cigarette holders and pipes, composed wholly or in part of meerschaum or amber, and humidors, 10 per centum;

Coin operated machines, etc.

(8) Coin-operated devices, coin-operated machines, and devices and machines operated by any substitute for a coin, 5 per centum; if the manufacturer, producer, or importer of any such device or machine operates it for profit, he shall pay a tax in respect of each such device or machine put into operation equivalent to 5 per centum of its fair market value;

Operated by manufacturer, etc.

Mah-jongg, and similar sets.

(9) Mah-jongg, pung chow, and similar tile sets, and the component parts thereof, 10 per centum.

Computation on retail sales by manufacturer, etc.

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.

In lieu of prior tax. Vol. 42, pp. 291, 292.

The taxes imposed by this section shall, in the case of any article in respect of which a corresponding tax is imposed by section 900 of the Revenue Act of 1921, be in lieu of such tax.

Computation if sold at less than market price, to affiliated corporation, etc.

SEC. 601. (a) If any person who manufactures, produces, or imports any article enumerated in section 600, sells or leases such article to a corporation affiliated with such person within the meaning of section 240 of this Act, at less than the fair market price obtainable therefor, the tax thereon shall be computed on the basis of the price at which such article is sold or leased by such affiliated corporation.

Vol. 42, p. 292, amended.

Sales to benefit interest of manufacturer.

(b) If any such person sells or leases such article whether through any agreement, arrangement, or understanding, or otherwise, at less than the fair market price obtainable therefor, either (1) 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 (2) with intent to cause such benefit, the amount for which such article is sold or leased shall be taken to be the amount which would have been received from the sale or lease of such article if sold or leased at the fair market price.

Works of art sold by person other than the artist.

Vol. 42, p. 292, amended.

SEC. 602. There shall be levied, assessed, collected, and paid, in lieu of the tax imposed by section 902 of the Revenue Act of 1921, upon sculpture, paintings, statuary, art porcelains, and bronzes, sold by any person other than the artist, a tax equivalent to 5 per centum of the price for which so sold. This section shall not apply to the sale of any such article (1) to an educational or religious institution or public art museum, or (2) by any dealer in such articles to another dealer in such articles for resale.

Sales excepted.

EXCISE TAXES.

Monthly returns and payments.

SEC. 603. Every person liable for any tax imposed by section 600 or 602 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.

Time for payment.

Penalty for failure.

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 interest at the rate of 1 per centum a month from the time when the tax became due until paid.

Sales by dealers.

Jewelry, precious stones, timepieces, glasses, etc.

Vol. 42, p. 298, amended.

SEC. 604. (a) On and after the expiration of thirty days after the enactment of this Act there shall be levied, assessed, collected, and paid (in lieu of the tax imposed by section 905 of the Revenue Act of 1921) upon all articles commonly or commercially known as jewelry, whether real or imitation; pearls, precious and semiprecious stones, and imitations thereof; articles made of, or ornamented, mounted or fitted with, precious metals or imitations thereof or ivory; watches; clocks; opera glasses; lorgnettes; marine glasses; field glasses; and binoculars; upon any of the above when sold or leased 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 or leased.

Articles exempt.

(b) The tax imposed by subdivision (a) shall not apply to (1) surgical instruments, musical instruments, eyeglasses, spectacles, or silver-plated flat tableware, or articles used for religious purposes; (2) articles sold or leased for an amount not in excess of $50; or (3) watches sold or leased for an amount not in excess of $60.

Returns, payment, etc.

(c) 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.

Time of payment.

Penalty for failure.

(d) 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 interest at the rate of 1 per centum a month from the time when the tax became due until paid.

Contracts for sales of articles not taxed before.

Vendee to pay, if addition to price not permitted by contract.

Vol. 42, p. 298, amended.

SEC. 605. (a) If (1) any person has, prior to January 1, 1924, made a bona fide contract with a dealer for the sale or lease, after the tax takes effect, of any article in respect of which a tax is imposed by section 600, or by this subdivision, and in respect of which no corresponding tax was imposed by section 900 of the Revenue Act of 1921, and (2) such contract does not permit the adding, to the amount to be paid thereunder, of the whole of the tax imposed by section 600 of this Act or by this subdivision; then the vendee or lessee shall, in lieu of the vendor or lessor, pay so much of the tax imposed by section 600 of this Act or by this subdivision 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.

To other than dealer not taxed.

If former tax greater than herein imposed.

(b) If (1) any person has, prior to January 1, 1924, made a bona fide contract with any other person for the sale or lease, after the tax takes effect, of any article in respect of which a tax is imposed by section 600 of this Act, and in respect of which a corresponding but greater tax was imposed by section 900 of the Revenue Act of

1921; (2) the contract price includes the amount of the tax imposed by section 900 of the Revenue Act of 1921, and (3) such contract does not permit the deduction, from the amount to be paid thereunder, of the whole of the difference between the corresponding tax imposed by section 900 of the Revenue Act of 1921 and the tax imposed by section 600 of this Act; then the vendor or lessor shall refund to the vendee or lessee so much of the amount of such difference as is not so permitted to be deducted from the contract price.

Vendor to refund difference, if deduction from price not permitted.

(c) If (1) any person has, prior to January 1, 1924, made a bona fide contract with any other person for the sale or lease, after the date of the enactment of this Act, of any article in respect of which a tax was imposed by section 900 or 904 of the Revenue Act of 1921, and in respect of which no corresponding tax is imposed by section 600 of this Act, (2) the contract price includes the amount of the tax imposed by section 900 or 904 of the Revenue Act of 1921, and (3) such contract does not permit deduction, from the amount to be paid thereunder, of the tax imposed by section 900 or 904 of the Revenue Act of 1921; then the vendor or lessor shall refund to the vendee or lessee so much of the amount of such tax as is not so permitted to be deducted from the contract price.

Previously taxed and not hereby.

Vendor to refund tax paid, if deduction not permitted.

(d) The taxes payable by the vendee or lessee under subdivision (a), 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 and subject to the same interest as provided by section 603.

Tax payable to vendor when sale consummated.

(e) Any refund by the vendor or lessor under subdivision (b) or (c) shall be made at the time the sale or lease is consummated. Upon the failure of the vendor or lessor so to refund, he shall be liable to the vendee or lessee for damages in the amount of three times the amount of such refund, and the court shall include in any judgment in favor of the vendee or lessee in any suit for the recovery of such damages, costs of the suit and a reasonable attorney's fee to be fixed by the court.

Refund to vendor when sales consummated.

Treble damages on failure.

(f) A vendee who purchases any article with intent to use it in the manufacture or production of another article intended for sale shall be included in the term "dealer," as used in this section.

Purchaser intending to manufacture articles, deemed a "dealer."

TITLE VII.—SPECIAL TAXES.

CAPITAL STOCK TAX.

Capital stock tax.

SEC. 700. (a) On and after July 1, 1924, in lieu of the tax imposed by section 1000 of the Revenue Act of 1921—

Levied after July 1, 1924.
Vol. 42, p. 294, amended.

(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 30 as is in excess of $5,000. In estimating the value of capital stock the surplus and undivided profits shall be included;

Domestic 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 30.

Foreign corporations, on capital employed in United States.

(b) 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, nor to any insurance company subject to the tax imposed by section 243 or 246.

If not in business exempt.

Other exemptions. *Ante*, pp. 282, 289, 290.

SPECIAL TAXES. Publicity, etc. *Ante*, p. 293.

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

Occupational taxes.

MISCELLANEOUS OCCUPATIONAL TAXES.

Designated businesses.

SEC. 701. On and after July 1, 1924, there shall be levied, collected, and paid annually the following special taxes—

Brokers, not of produce or merchandise. Business defined.

(1) Brokers, except brokers exclusively negotiating purchases or sales of produce or merchandise, shall pay $50. Every person whose business it is to negotiate purchases or sales of stock, bonds, exchange, bullion, coined money, bank notes, promissory notes, other securities, produce or merchandise, for others, shall be regarded as a broker. If any 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 (whether or not he is liable to any tax under the first sentence of this paragraph, and in addition to such tax, if any) pay an amount as follows: If the average value, during the preceding year ending June 30, of a seat or membership in such exchange or organization was $2,000 or more but not more than $5,000, $100; if such value was more than $5,000 but not more than $10,000, $150; if such value was more than $10,000, $250.

Exchange members.

Pawnbrokers. Business defined.

(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. Business defined.

(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.

Customhouse brokers. Business defined.

(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.

Bowling alleys. Description.

(5) 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, shall be regarded as a bowling alley or a billiard room, respectively, unless no charge is made for the use of the alleys or tables.

Shooting galleries. Description.

(6) 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.

Riding academies. Description.

(7) 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: *Provided*, That this tax shall not be collected from associations composed exclusively of members of units of the Federalized National Guard or the Organized Reserve and whose receipts are used exclusively for the benefit of such units.

Proviso. Associations exempt.

Automobile passenger hiring.

(8) 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. The tax imposed by this subdivision shall not be collected in respect of automobiles used exclusively for conveying school children to and from school.

Exempt, if used for school children.

SPECIAL TAXES.
Brewers, distillers, liquor dealers, etc.
R. S., secs. 3244, 3247, pp. 622, 626.
Additional tax, if business prohibited by State.

(9) 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.

Payment no exemption from punishment under State, etc., laws.

The taxes imposed by this section shall, in the case of persons upon whom a corresponding tax is imposed by section 1001 of the Revenue Act of 1921, be in lieu of such tax.

Tax in lieu of prior.
Vol. 42, pp. 295-297.

SPECIAL TOBACCO MANUFACTURERS' TAX.

Tobacco.

SEC. 702. On and after July 1, 1924, there shall be levied, collected, and paid annually, in lieu of the taxes imposed by section 1002 of the Revenue Act of 1921, 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—

Tax on sales by manufacturers.
Vol. 42, p. 297.

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

Tobacco.
R. S. sec., 3244, p. 624, amended.

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;

Cigars.

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

Manufacturers of cigars whose annual sales exceed 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;

Cigarettes.

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.

Each class separately.

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.

SPECIAL TAXES. Export sales exempt.

In computing under this section the amount of annual sales no account shall be taken of tobacco, cigars, or cigarettes sold for export and in due course so exported.

Boats.

SPECIAL TAX ON USE OF BOATS.

Annual tax on use of specified pleasure boats, etc.
Vol. 42, p. 297.

SEC. 703. On and after July 1, 1924, 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 1003 of the Revenue Act of 1921, upon the use of yachts, pleasure boats, power boats, sailing boats, and motor boats with fixed engines, of over five net tons and over thirty-two feet in length, 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, motor boats with fixed engines, and sailing boats, of over five net tons, length over thirty-two feet and 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.

Rates.

Measurement.

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.

On a new purchase, for part of a year.

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, 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) remaining prior to the following July 1.

Exempt, if used for aid, etc., to seamen.

This section shall not apply to vessels or boats used without profit by any benevolent, charitable, or religious organizations, exclusively for furnishing aid, comfort, or relief to seamen.

Penalty.

PENALTY FOR NONPAYMENT OF SPECIAL TAXES.

Punishment for conducting business without paying tax.

SEC. 704. Any person who carries on any business or occupation for which a special tax is imposed by section 700, 701, or 702, 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.

Tax on narcotics.

TAX ON NARCOTICS.

Reenactment of former legislation.
Vol. 38, p. 785.

SEC. 705. Section 1 of the Act entitled "An Act to provide for the registration of, with collectors of internal revenue, and to impose a special tax upon all persons who produce, import, manufacture, compound, deal in, dispense, sell, distribute, or give away opium or coca leaves, their salts, derivatives, or preparations, and for other purposes," approved December 17, 1914, as amended by section 1006 of the Revenue Act of 1918, is reenacted without change, as follows:

Vol. 40, p. 1130.
Vol. 42, p. 298.

Opium, coca leaves, etc.
Importers, manufacturers, dealers, etc., required to register.

"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 persons in business January 1, 1919.

"Every person who on January 1, 1919, is engaged in any of the activities above enumerated, or who between such date and the

SPECIAL TAXES.

passage of this Act first engaged in any of such activities, shall within thirty 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

Engaging in business hereafter.

"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;

Rates of taxes.

"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.

Classification. Importers, manufacturers, and producers.

"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.

Wholesale dealers.

"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.

Retail dealers.

"Every person who sells or dispenses from original stamped packages, as hereinafter provided, shall be deemed a retail dealer: *Provided*, That the office, 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 the aforesaid drugs as hereinafter prescribed, but 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.

Provisos. Place of business. Employees exempt. Officials not taxed. Evidence of right required.

Importing, selling, etc. without registration, etc., unlawful.

"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.

Meaning of "person."

"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.

Internal revenue stamp on product.

"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.

Affixing.

Additional to import duty.

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

SPECIAL TAXES.
Disposal of any drug unstamped, etc., unlawful.

"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.

Unlawful possession.

Proviso.
Not applicable to valid prescriptions.

Container requirements.

Professional administration, etc.

"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.

All stamp regulations applicable.

"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.

Seizure of unstamped packages.

"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.

Records, returns, etc., required.

"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."

Regulations to be made.

Text reenacted.
Vol. 42, p. 300.

SEC. 706. Section 6 of such Act of December 17, 1914, as amended by section 1007 of the Revenue Act of 1918, is reenacted without change, as follows:

Drugs not affected by Act.

"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."

SPECIAL TAXES.
Provisos.
If used as medicines.

Records of sales, etc., to be kept.

Preservation for inspection.

Vol. 38, p. 788.
Registration and payment of special tax required.

Decocainized preparations, etc., not affected.

SEC. 707. 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, 1897, February 9, 1909, and January 17, 1914, or the Act of December 17, 1914, as amended, 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.

Confiscation of seized narcotics.
Vol. 42, p. 301.

Vol. 26, p. 621.
Vol. 29, p. 695; Vol. 35, p. 614; Vol. 38, pp. 275, 785; Vol. 40, p. 1130; Vol. 42, p. 298.

Delivery for Government use, etc.

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.

Applicable to seizures from unknown owners.

Destruction restricted.

TITLE VIII.—STAMP TAXES.

STAMP TAXES.

SEC. 800. On and after the expiration of thirty days after the enactment of this Act 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

Levied on bonds, documents, etc., in Schedule A.

Post, p. 333.

STAMP TAXES.
In lieu of present tax.

of any article upon which a corresponding stamp tax is now imposed by law, be in lieu of such tax.

Exceptions.
Government, State, etc., securities.

SEC. 801. 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 to secure a duplicate for, or the payment of, any bond, note, certificate of indebtedness, war-savings certificate, warrant or check, issued by the United States; or stocks and bonds issued by domestic building and loan associations substantially all the business of which is confined to making loans to members, or by mutual ditch or irrigation companies.

Bonds of indemnity to United States.

Of domestic building and loan associations.

Offenses designated.

SEC. 802. Whoever—

Issuing unstamped papers, etc.

(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;

Dealing in articles not fully stamped.

(b) 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;

Using uncanceled, etc., stamps.

(c) Makes use of any adhesive stamp to denote any tax imposed by this title without canceling or obliterating such stamp as prescribed in section 804;

Penalty.

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

Other offenses.

SEC. 803. Whoever—

Fraudulently removing, etc., stamps.

(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;

Reusing 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 counterfeited stamp, or the impression of any forged or counterfeited stamp, die, plate, or other article;

Using insufficient stamps.

Counterfeits, etc.

Removing, etc., stamps for unlawful uses.

(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;

Possessing washed, etc., stamps knowingly.

(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;

Punishment for.

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, canceled, 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.

Forfeiture of articles, etc.

STAMP TAXES.

Method of cancellation.

SEC. 804. 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.

Proviso. Other, may be prescribed.

Preparation, etc., of stamps.

SEC. 805. (a) The Commissioner shall cause to be prepared and distributed for the payment 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.

Method of affixing.

General revenue laws applicable for mistakes, etc.

(b) 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.

Sales of stamps by postmasters.

SEC. 806. 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.

Accountability.

Transfer of collections monthly.

Sales by designated depositaries.

SEC. 807. (a) Each collector shall furnish, without prepayment, to any assistant treasurer or designated depositary of the United States, located in the district of such collector, a suitable quantity of adhesive stamps to be kept on sale by such assistant treasurer or designated depositary.

Sales by designated State agents for stock transfers.

(b) Each collector shall furnish, without prepayment, to any person who is (1) located in the district of such collector, (2) duly appointed and acting as agent of any State for the sale of stock transfer stamps of such State, and (3) designated by the Commissioner for the purpose, a suitable quantity of such adhesive stamps as are required by subdivisions 2, 3, and 4 of Schedule A of this title, to be kept on sale by such person.

Post, p. 334.

Surety bonds may be required.

(c) In such cases the collector may require a bond, with sufficient sureties, in a sum to be fixed by the Commissioner, 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 safe-keeping or prevent the illegal use of all such adhesive stamps.

Regulations for safe keeping, etc.

Schedule A.

SCHEDULE A.—STAMP TAXES.

Bonds of indebtedness.

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.

Provisos. Renewals.

Basis of tax.

STAMP TAXES.
Capital stock.
Original issues.

2. Capital stock, issued: 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, or unless the actual value is less than $100 per share, in which case the tax shall be 1 cent on each $20 of actual value, or fraction thereof.

Proviso.
Without face value.

Attached to stock books.

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

Sales or transfers of stock, etc.

3. 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, 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: *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, nor upon mere loans of stock nor upon the return of stock so loaned: *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, 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.

Provisos.
Deposits as collateral exempt.

Brokers' deliveries, etc., exempt.

Placing stamps on books of corporation.

On certificates.

On bills of sale.

Details required.

Punishment for sales without stamps, etc.

Exchange sales, etc., of produce for future delivery.

4. 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, 1 cent,

and for each additional $100 or fractional part thereof in excess of $100, 1 cent: *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 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.

STAMP TAXES.
Provisos.
Stamped bill of sale required.

Clearing-house transfers not again stamped.

Condition.

Contents of bills of sales.

Punishment for delivery without stamped bill, etc.

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 of merchandise for immedate or prompt delivery which in good faith are actually intended to be delivered shall be subject to this tax.

Cash sales for immediate delivery not taxable.

This subdivision shall not affect but shall be in addition to the provisions of the "United States cotton futures Act," approved August 11, 1916, as amended, and "The Future Trading Act," approved August 24, 1921.

Additional to specified taxes:
Vol. 39, p. 476.
Vol. 42, p. 187.

5. 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 of real estate.

Trust deeds exempt.

6. 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.

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

Warehouse withdrawals.

8. 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;

Foreign passage tickets.

STAMP TAXES. Exemption.

costing more than $60, $5. This subdivision shall not apply to passage tickets costing $10 or less.

Proxies. Exceptions.

9. 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.

Powers of attorney.

10. Power of attorney granting authority to do or perform some act for or in behalf of the grantor, 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, nor to powers of attorney required in bankruptcy cases nor to powers of attorney contained in the application of those who become members of or policyholders in mutual insurance companies doing business on the interinsurance or reciprocal indemnity plan through an attorney in fact.

Pension claims, bankruptcy, etc., exempt.

Playing cards. Vol. 42, p. 306, amended.

11. 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 10 cents per pack.

Insurance policies on property.

12. 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 reinsurance shall be exempt from the tax imposed by this subdivision.

Proviso. Reinsurance exempt.

Affixing stamps required.

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.

Penalty for failure.

BOARD OF TAX APPEALS.

TITLE IX.—BOARD OF TAX APPEALS.

Established.

SEC. 900. (a) There is hereby established a board to be known as the Board of Tax Appeals (hereinafter referred to as the "Board").

Composition, and additional number for two years.

The Board shall be composed of seven members, except that for a period of two years after the enactment of this Act the Board shall be composed of such number of members, not more than twenty-eight, as the President determines to be necessary.

Appointments based on fitness.

(b) Each member of the Board shall be appointed by the President, by and with the advice and consent of the Senate, solely on the grounds of fitness to perform the duties of the office.

Post, p. 669. Tenure for first two years.

The term of office of all members who are to compose the Board during the period of two years after the enactment of this Act, shall expire at the end of such period.

Subsequent.

The terms of office of the first seven members who are thereafter to compose the Board shall expire, two at the

BOARD OF TAX APPEALS.

end of the fourth year, two at the end of the sixth year, two at the end of the eighth year, and one at the end of the tenth year, after the expiration of such two-year period. The term of office of each such member shall be designated by the President, and the terms of office of their successors shall expire ten years after the expiration of their predecessors' terms, except that any individual appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed only for the unexpired term of his predecessor, and a member in office at the expiration of the term for which he was appointed may continue in office until his successor is qualified. Any member of the Board may be removed by the President for inefficiency, neglect of duty, or malfeasance in office, but for no other reason. Each member shall receive a salary at the rate of $7,500 per annum.

Designation by the President. Tenure of successors.

Removal restricted.

Salary.

(c) No member of the Board appointed for a term beginning after the expiration of two years after the enactment of this Act shall be permitted to practice before the Board or any official of the Bureau of Internal Revenue for a period of two years after leaving office.

Practice of ex-members before Board, etc., restricted.

(d) The Board shall at least biennially designate a member to act as chairman. The Board shall have a seal which shall be judicially noticed.

Chairman and seal.

(e) The Board and its divisions shall hear and determine appeals filed under sections 274, 279, 308, and 312. A majority of the members of the Board or of any division thereof shall constitute a quorum for the transaction of the business of the Board or of the division, respectively. A vacancy in the Board or in any division thereof shall not impair the powers nor affect the duties of the Board or division, nor of the remaining members of the Board or division, respectively.

Duties of Board. *Ante*, pp. 297, 300, 308, 310.

(f) The chairman may from time to time divide the Board into divisions and assign the members thereto, and designate a chief thereof. If a division, as a result of a vacancy or the absence or inability of a member assigned thereto to serve thereon, is composed of less than three members, the chairman may assign other members thereto, or he may direct the division to proceed with the transaction of business. A division shall hear and determine appeals filed with the Board and assigned to such division by the chairman. Upon the expiration of thirty days after a decision by a division, such decision, and the findings of fact made in connection therewith, shall become the final decision and findings of the Board, unless within such period the chairman has directed that such decision shall be reviewed by the Board.

Divisions, etc., of Board authorized.

Determination of appeals. Finality of decisions by divisions, etc.

(g) In any proceeding in court under sections 274, 279, 308, or 312, and in any suit or proceeding by a taxpayer to recover any amounts paid in pursuance of a decision of the Board, the findings of the Board shall be prima facie evidence of the facts therein stated.

Findings of facts, evidence in court proceedings.

(h) Notice and an opportunity to be heard shall be given to the taxpayer and the Commissioner and a decision shall be made as quickly as practicable. Hearings before the Board and its divisions shall be open to the public. The proceedings of the Board and its divisions shall be conducted in accordance with such rules of evidence and procedure as the Board may prescribe. It shall be the duty of the Board and of each division to make a report in writing of its findings of fact and decision in each case, and a copy of its report shall be entered of record and a copy furnished the taxpayer. If the amount of tax in controversy is more than $10,000 the oral testimony taken at the hearing shall be reduced to writing and the report shall contain an opinion in writing in addition to the findings of fact and decision. All reports of the Board and its divisions and

Hearings and procedure.

Reports of decisions, etc.

Oral testimony reduced to writing, etc.

Reports, etc., open to public inspection.

BOARD OF TAX APPEALS.

all evidence received by the Board and its divisions (including, in cases where the oral testimony is reduced to writing, the transcript thereof) shall be public records open to the inspection of the public. The Board shall provide for the publication of its reports at the Government Printing Office in such form and manner as may be best adapted for public information and use, and such authorized publication shall be competent evidence of the reports of the Board therein contained in all courts of the United States and of the several States without any further proof or authentication thereof. Such reports shall be subject to sale in the same manner and upon the same terms as other public documents. The principal office of the Board shall be in the District of Columbia, but the Board or any of its divisions may sit at any place within the United States. The times and places of the meetings of the Board, and of its divisions, shall be prescribed by the chairman with a view to securing reasonable opportunity to taxpayers to appear before the Board or any of its divisions, with as little inconvenience and expense to taxpayers as is practicable.

Publication.

Effect as evidence.

Sale.

Principal office and meetings.

Authority to secure testimony, etc.

(i) For the efficient administration of the functions vested in the Board or any division thereof, any member of the Board may administer oaths, examine witnesses, and require, by subpœna ordered by the Board or any division thereof and signed by the member, (1) the attendance and testimony of witnesses, and the production of all necessary returns, books, papers, documents, correspondence, and other evidence, from any place in the United States at any designated place of hearing, (2) the taking of a deposition before any designated individual competent to administer oaths under this Act, and (3) the answer in writing under oath to any question of fact submitted. In the case of a deposition the testimony shall be reduced to writing by the individual taking the deposition or under his direction and shall then be subscribed by the deponent. Any witnesses summoned or whose deposition is taken under this subdivision shall be paid the same fees and mileage as are paid witnesses in the courts of the United States.

Depositions.

Witness fees, etc.

Clerical assistance, office supplies, etc., to be furnished.

(j) The Secretary shall furnish the Board with such clerical assistance, quarters, stationery, furniture, office equipment, and other supplies as may be necessary for the efficient execution of the functions vested in it by this section.

Traveling, etc., expenses allowed.

(k) The members and employees of the Board and employees assigned thereto shall receive their necessary traveling expenses, and their actual expenses incurred for subsistence while traveling on duty and away from their designated stations in an amount not to exceed $7 per day in the case of members, and $4 per day in the case of employees. The Board is authorized in accordance with the civil service laws to appoint, and in accordance with the Classification Act of 1923 to fix the compensation of, such employees, and to make such expenditures, including expenditures for personal services and rent at the seat of the government and elsewhere, and for law books, books of reference, and periodicals, as may be necessary efficiently to execute the functions vested in the Board, in case such assistants and such expenditures are not suitably provided for by the Secretary under subdivision (j). All expenditures of the Board shall be allowed and paid upon the presentation of itemized vouchers therefor, signed by the chairman, out of any moneys appropriated for the collection of internal-revenue taxes and allotted to the Board, or out of any moneys specifically appropriated for the purposes of the Board. The Board shall be an independent agency in the executive branch of the Government.

Authority for personal services, supplies, etc.
Vol. 42, p. 1488.

Approval of expenditures.

Moneys available.
Post, p. 1200.

To be an independent executive agency.

TITLE X.—GENERAL ADMINISTRATIVE PROVISIONS.

REVENUE ACT OF 1924.

Administrative provisions.

LAWS MADE APPLICABLE.

Laws made applicable.

SEC. 1000. 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.

General internal revenue laws.
Vol. 42, p. 308.

RULES AND REGULATIONS.

Rules and regulations.

SEC. 1001. The Commissioner, with the approval of the Secretary, is authorized to prescribe all needful rules and regulations for the enforcement of this Act.

Authorized for enforcement.

RECORDS, STATEMENTS, AND SPECIAL RETURNS.

Records, etc.

SEC. 1002. (a) Every person liable to any tax imposed by this Act, or for the collection thereof, shall keep such records, render under oath such statements, make such returns, and comply with such rules and regulations, as the Commissioner, with the approval of the Secretary, may from time to time prescribe.

Taxpayers to keep prescribed records, etc.

(b) Whenever in the judgment of the Commissioner necessary he may require any person, by notice served upon him, to make a return, render under oath such statements, or keep such records as the Commissioner deems sufficient to show whether or not such person is liable to tax.

Any person may be required to make returns, etc.

(c) The Commissioner, with the approval of the Secretary, may by regulation prescribe that any return required by Titles IV, V, VI, or VII 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.

Returns without oath if tax under $10.

(d) Any oath or affirmation required by the provisions of this Act or regulations made under authority thereof, may be administered by any officer authorized to administer oaths for general purposes by the law of the United States or of any State, Territory, or possession of the United States, wherein such oath or affirmation is administered, or by any consular officer of the United States.

Officers authorized to administer oaths, etc.

Returns.

SEC. 1003. Section 3176 of the Revised Statutes, as amended, is amended to read as follows:

R. S., sec. 3176, p. 610, amended.

"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 of Internal Revenue 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.

Returns by collector if none or false ones made by taxpayer.

By Commissioner.

Legal effect.

"If the failure to file a return (other than a return under Title II of the Revenue Act of 1924) or a 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 allowed of returns, except income, for sickness, etc.

"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,

Assessment of tax by Commissioner.

Additional tax imposed.

REVENUE ACT OF 1924.

Exception, if failure not willful.

Increased rate for fraudulent returns.

Collection, etc., of added tax.

or prescribed by the Commissioner of Internal Revenue or the collector in pursuance of law, the Commissioner 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 shall add to the tax 50 per centum of its amount.

"The amount so added to any tax shall be collected at the same time and in the same manner and as a 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."

Examination of books and witnesses.

EXAMINATION OF BOOKS AND WITNESSES.

Powers conferred to secure information by revenue officers. Vol. 42, p. 310.

SEC. 1004. 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 by law to be included in such return, with power to administer oaths to such person or persons.

Unnecessary examinations.

UNNECESSARY EXAMINATIONS.

Restriction on making.

SEC. 1005. No taxpayer shall be subjected to unnecessary examinations or investigations, and only one inspection of a taxpayer's books of account shall be made for each taxable year unless the taxpayer requests otherwise or unless the Commissioner, after investigation, notifies the taxpayer in writing that an additional inspection is necessary.

Final determinations and assessments.

FINAL DETERMINATIONS AND ASSESSMENTS.

Cases settled without protest not to be reopened.

Fraud, etc., excepted.

No suit to be entertained by United States court.

SEC. 1006. If after a determination and assessment in any case the taxpayer has paid in whole any tax or penalty, or accepted any abatement, credit, or refund based on such determination and assessment, and an agreement is made in writing between the taxpayer and the Commissioner, with the approval of the Secretary, that such determination and assessment shall be final and conclusive, then (except upon a showing of fraud or malfeasance or misrepresentation of fact materially affecting the determination or assessment thus made) (1) the case shall not be reopened or the determination and assessment modified by any officer, employee, or agent of the United States, and (2) no suit, action, or proceeding to annul, modify, or set aside such determination or assessment shall be entertained by any court of the United States.

Administrative review.

ADMINISTRATIVE REVIEW.

Findings of fact and decisions of Commissioner not subject to review by any other officer. Board of Appeals excepted. *Ante*, p. 336.

SEC. 1007. In the absence of fraud or mistake in mathematical calculation, the findings of facts in and the decision of the Commissioner upon (or in case the Secretary is authorized to approve the same, then after such approval) the merits of any claim presented under or authorized by the internal-revenue laws shall not, except as

provided in section 900, be subject to review by any other administrative or accounting officer, employee, or agent of the United States.

RETROACTIVE REGULATIONS.

Retroactive regulations.

SEC. 1008. (a) In case a regulation or Treasury decision relating to the internal-revenue laws, made by the Commissioner or the Secretary, or by the Commissioner with the approval of the Secretary, is reversed by a subsequent regulation or Treasury decision, and such reversal is not immediately occasioned or required by a decision of a court of competent jurisdiction, such subsequent regulation or Treasury decision may, in the discretion of the Commissioner, with the approval of the Secretary, be applied without retroactive effect.

Reversed Treasury decisions not retroactive, except by order of court.

(b) No tax shall be levied, assessed, or collected under the provisions of Title VI of this Act on any article sold or leased by the manufacturer, producer, or importer, if at the time of the sale or lease there was an existing ruling, regulation, or Treasury decision holding that the sale or lease of such article was not taxable, and the manufacturer, producer, or importer parted with possession or ownership of such article, relying upon the ruling, regulation, or Treasury decision.

No excise tax levied on articles if not taxable under Treasury ruling, etc.

LIMITATION ON ASSESSMENTS AND SUITS BY THE UNITED STATES.

Assessments.
Vol. 42, p. 315, amended.

SEC. 1009. (a) Except as provided in sections 277, 278, 310, and 311, and subdivisions (b) and (c) of this section, all internal-revenue taxes shall, notwithstanding the provisions of section 3182 of the Revised Statutes or any other provision of law, be assessed within four years after such taxes became due, and no proceeding in court for the collection of such taxes shall be begun after the expiration of five years after such taxes became due.

Limited to four years, except income and estate taxes.
R. S., sec. 3182, p. 611, amended.
No court proceeding for collection after five years.

(b) In case of a false or fraudulent return with intent to evade tax, of a failure to file a required return, or of a willful attempt in any manner to defeat or evade tax, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time.

Fraudulent returns, etc., excepted.

(c) Where the assessment of the tax is made within the period prescribed in subdivisions (a) and (b) such tax may be collected by distraint or by a proceeding in court, begun within six years after the assessment of the tax. Nothing in this Act shall be construed as preventing the beginning, without assessment, of a proceeding in court for the collection of the tax at any time before the expiration of the period provided in subdivision (a) for the beginning of such proceeding.

Collection by distraint, etc., within six years after assessment.
Beginning, without assessment, allowed.

(d) This section shall not (1) authorize the assessment of a tax or the collection thereof by distraint or by a proceeding in court if at the time of the enactment of this Act such assessment, distraint, or proceeding was barred by the period of limitation then in existence, or (2) affect any assessment made, or distraint or proceeding in court begun, before the enactment of this Act.

Subject to statutory limitations, etc.

Prosecutions.

LIMITATION ON PROSECUTIONS BY THE UNITED STATES.

Limit of time for.
Vol. 23, p. 122, amended.

SEC. 1010. (a) The Act entitled "An Act to limit the time within which prosecutions may be instituted against persons charged with violating internal-revenue laws," approved July 5, 1884, as amended, is amended to read as follows:

"That no person shall be prosecuted, tried, or punished for any of the various offenses arising under the internal-revenue laws of the United States unless the indictment is found or the information

Prosecutions to be instituted within three years after offense committed.

REVENUE ACT OF 1924.
Provisos.
Six years, of offenses to defraud the Government, etc.

Barred by limitation excepted.

Absence from district not included.

Not applicable to prior offenses.
Extended, if before a commissioner.

Government officers not affected.

Prior proceedings not affected.
Vol. 42, p. 315.

instituted within three years next after the commission of the offense: *Provided*, That for offenses involving the defrauding or attempting to defraud the United States or any agency thereof, whether by conspiracy or not, and in any manner, the period of limitation shall be six years, but this proviso shall not apply to acts, offenses, or transactions which were barred by law at the time of the enactment of the Revenue Act of 1924: *Provided further*, That the time during which the person committing the offense is absent from the district wherein the same is committed shall not be taken as any part of the time limited by law for the commencement of such proceedings: *Provided further*, That the provisions of this Act shall not apply to offenses committed prior to its passage: *Provided further*, That where a complaint shall be instituted before a commissioner of the United States within the period above limited, the time shall be extended until the discharge of the grand jury at its next session within the district: *And provided further*, That this Act shall not apply to offenses committed by officers of the United States."

(b) Any prosecution or proceeding under an indictment found or information instituted prior to the enactment of the Revenue Act of 1921 shall not be affected in any manner by this section, nor by the amendment by the Revenue Act of 1921 of such Act of July 5, 1884, but such prosecution or proceeding shall be subject to the limitations imposed by law prior to the enactment of the Revenue Act of 1921.

Refunds.

REFUNDS.

Law reenacted.
Vol. 42, p. 314.

Erroneously collected taxes, penalties, etc., to be refunded.
R. S., sec. 3220, p. 618.

Repayment of judgment against collectors.

Damages against officials.

Report to Congress.

SEC. 1011. Section 3220 of the Revised Statutes, as amended, is reenacted without change, as follows:

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

Erroneously collected taxes.
R. S., sec. 3228, p. 620, amended.
Time limit for presenting claims for.

Vol. 42, p. 314, amended.

Exception.
Ante, p. 301.

SEC. 1012. Section 3228 of the Revised Statutes, as amended, is amended to read as follows:

"SEC. 3228. (a) All claims for the refunding or crediting of any internal-revenue tax alleged to have been erroneously or illegally assessed or collected, or of any penalty alleged to have been collected without authority, or of any sum alleged to have been excessive or in any manner wrongfully collected must, except as provided in section 281 of the Revenue Act of 1924, be presented to the Commissioner of Internal Revenue within four years next after the payment of such tax, penalty, or sum.

Claims barred by limitation.

Vol. 39, p. 756; Vol. 40, pp. 300, 1057.

"(b) Except as provided in section 281 of the Revenue Act of 1924, claims for credit or refund (other than claims in respect of taxes imposed by the Revenue Act of 1916, the Revenue Act of 1917, or the Revenue Act of 1918) which at the time of the enactment of the Revenue Act of 1921 were barred from allowance by the period of limitation then in existence, shall not be allowed."

REVENUE ACT OF 1924.

Redemption of stamps.

Vol. 31, p. 178.

Vol. 32, p. 500, amended.

Claims to be made in four years.

SEC. 1013. (a) The second proviso of the first section of the Act entitled "An Act Authorizing the Commissioner of Internal Revenue to redeem or make allowance for internal-revenue stamps," approved May 12, 1900, as amended, is amended to read as follows: "*Provided further*, That no claim for the redemption of or allowance for stamps shall be allowed unless presented within four years after the purchase of such stamps from the Government."

Refund or abatement to farmers mutual insurance companies, etc.

Vol. 39, pp. 767, 1001; Vol. 40, p. 1076; Vol. 42, p. 253.

(b) The exemption provided in paragraph (10) of subdivision (a) of section 11 of the Revenue Act of 1916, and in subdivision (10) of section 231 of the Revenue Act of 1918, and in subdivision (10) of section 231 of the Revenue Act of 1921, shall be granted to farmers' or other mutual hail, cyclone, or fire insurance companies (if otherwise exempt under such paragraphs), whether or not such organizations were of a purely local character. Any taxes assessed against such organizations shall, subject to the statutory period of limitations properly applicable thereto, be abated, credited or refunded.

LIMITATIONS UPON SUITS AND PROCEEDINGS BY THE TAXPAYER.

Suits, etc., by taxpayers.

R. S., sec. 3226, p. 619, amended.

SEC. 1014. (a) Section 3226 of the Revised Statutes, as amended, is amended to read as follows:

Suits for recovery of erroneously collected taxes, etc., not allowed until claim therefor filed.

Vol. 42, p. 315, amended.

"SEC. 3226. No suit or proceeding shall be maintained in any court for the recovery of any internal-revenue tax alleged to have been erroneously or illegally assessed or collected, or of any penalty claimed to have been collected without authority, or of any sum alleged to have been excessive or in any manner wrongfully collected until a claim for refund or credit has been duly filed with the Commissioner of Internal Revenue, according to the provisions of law in that regard, and the regulations of the Secretary of the Treasury established in pursuance thereof; but such suit or proceeding may be maintained, whether or not such tax, penalty, or sum has been paid under protest or duress. No such suit or proceeding shall be begun before the expiration of six months from the date of filing such claim unless the Commissioner renders a decision thereon within that time, nor after the expiration of five years from the date of the payment of such tax, penalty, or sum, unless such suit or proceeding is begun within two years after the disallowance of the part of such claim to which such suit or proceeding relates. The Commissioner shall within 90 days after any such disallowance notify the taxpayer thereof by mail."

If paid under protest, etc., allowed.

Time limitation extended.

Notification of disallowance.

Prior proceedings not affected.

(b) This section shall not affect any proceeding in court instituted prior to the enactment of this Act.

Second assessment recoveries repealed.

R. S., sec. 3225, p. 619, repealed.

Claims for refunds may be reopened.

Vol. 39, pp. 756, 1000; Vol. 40, pp. 300, 1057; Vol. 42, p. 227.

SEC. 1015. Section 3225 of the Revised Statutes, as amended, is repealed and any claim for credit or refund of taxes imposed by the Revenue Act of 1916, the Revenue Act of 1917, the Revenue Act of 1918, the Revenue Act of 1921, or any such Act as amended, heretofore denied in whole or in part because of the provisions of such section may be reopened and decided without reference to its provisions.

DISTRAINT OF BANK ACCOUNTS.

Distraint of bank accounts.

Collection of tax by.

R. S., sec. 3187, p. 612, amended.

SEC. 1016. Section 3187 of the Revised Statutes is amended by inserting after "securities" the words "bank accounts" and a comma.

PENALTIES.

Penalties.

For willful failure to pay tax, make returns, etc.

Vol. 42, p. 309, amended.

SEC. 1017. (a) Any person required under this Act to pay any tax, or required by law or regulations made under authority thereof to make a return, keep any records, or supply any information, for the

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purposes of the computation, assessment, or collection of any tax imposed by this Act, who willfully fails to pay such tax, make such return, keep such records, or supply such information, at the time or times required by law or regulations, shall, in addition to other penalties provided by law, be guilty of a misdemeanor and, upon conviction thereof, be fined not more than $10,000, or imprisoned for not more than one year, or both, together with the costs of prosecution.

Additional punishment.

(b) Any person required under this Act to collect, account for and pay over any tax imposed by this Act, who willfully fails to collect or truthfully account for and pay over such tax, and any person who willfully attempts in any manner to evade or defeat any tax imposed by this Act or the payment thereof, shall, in addition to other penalties provided by law, be guilty of a felony and, upon conviction thereof, be fined not more than $10,000, or imprisoned for not more than five years, or both, together with the costs of prosecution.

For willful failure to collect tax, evading payment, etc.

Additional punishment.

(c) Any person who willfully (1) aids or assists in the preparation or presentation of a false or fraudulent return, affidavit, claim, or document, authorized or required by the internal revenue laws, or (2) procures, counsels, or advises the preparation or presentation of such return, affidavit, claim, or document, shall (whether or not such falsity or fraud is with the knowledge or consent of the person authorized or required to present such return, affidavit, claim, or document) be guilty of a felony and, upon conviction thereof, be fined not more than $10,000, or imprisoned for not more than five years, or both, together with the costs of prosecution.

Assisting in preparation of fraudulent returns, etc.

Punishment for

(d) Any person who willfully fails to pay, collect, or truthfully account for and pay over, any tax imposed by Titles IV, V, VI, VII, and VIII, or willfully attempts in any manner to evade or defeat any such tax or the payment thereof, 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. 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 for any offense for which a penalty has been recovered under section 3256 of the Revised Statutes.

Additional penalty for refusal to pay, etc., other than income, estate, and gift tax.

Exceptions.

Ante, p. 339.
Distilled spirits.

R. S., sec. 3256, p. 627.

(e) 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" liable for acts.

Revised Statutes.

REVISED STATUTES.

Amendments in Act of 1918 reenacted.

SEC. 1018. Sections 3164, 3165, 3167, 3172, and 3173 of the Revised Statutes, as amended, are reenacted without change, as follows:

Collectors to report violations of internal revenue laws to district attorney in 30 days.
R. S., sec. 3164, p. 606.
Vol. 42, p. 311.

"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 in 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.

Revenue officials authorized to administer oaths, etc.
R. S., sec. 3165, p. 606.
Vol. 42, p. 311.

"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.

Divulging information received by revenue officials, unlawful. R. S., sec. 3167, p. 606. Vol. 42, p. 311.

"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 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.

From income returns.

Unauthorized publication of income returns, etc.

Punishment for.

Dismissal of offender.

Inquiries by deputy collectors. R.S., sec. 3172, p. 608. Vol. 42, p. 311.

"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.

Taxpayers to make yearly returns. R. S., sec. 3173, p. 609. Vol. 42, p. 312.

"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

Details specified.

Provisos.
By revenue officers with consent of party in default.

Notice to taxpayer not making returns, etc.

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 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."

Summons on refusal, not making returns, etc.

Testimony to be procured.

Authority of district collector.

Proviso.
Corporations included in "person."

Interest allowances.

INTEREST ON REFUNDS AND CREDITS.

Rate on claims for credits or refunds.

Date allowed.

Meaning of "additional assessment."

SEC. 1019. Upon the allowance of a credit or refund of any internal-revenue tax erroneously or illegally assessed or collected, or of any penalty collected without authority, or of any sum which was excessive or in any manner wrongfully collected, interest shall be allowed and paid on the amount of such credit or refund at the rate of 6 per centum per annum from the date such tax, penalty, or sum was paid to the date of the allowance of the refund, or in case of a credit, to the due date of the amount against which the credit is taken, but if the amount against which the credit is taken is an additional assessment, then to the date of the assessment of that amount. The term "additional assessment" as used in this section means a further assessment for a tax of the same character previously paid in part.

On judgments.

INTEREST ON JUDGMENTS.

Judicial Code.
Vol. 36, p. 1141.

Allowance restricted on Court of Claims judgments.
Vol. 42, p. 316.

Allowed for erroneous internal revenue collections, etc., by judgment in any court.

SEC. 1020. Section 177 of the Judicial Code, as amended, is reenacted without change, as follows:

"SEC. 177. No interest shall be allowed on any claim up to the time of the rendition of judgment by the Court of Claims, unless upon a contract expressly stipulating for the payment of interest, except that interest may be allowed in any judgment of any court rendered after the passage of the Revenue Act of 1921 against the United States for any internal-revenue tax erroneously or illegally assessed or collected, or for any penalty collected without authority or any sum which was excessive or in any manner wrongfully collected, under the internal-revenue laws."

PAYMENT OF AND RECEIPTS FOR TAXES.

Payment of taxes.

Federal notes and certificates, and uncertified checks accepted for other than stamp taxes. Vol. 42, p. 316.

SEC. 1021. (a) Collectors may receive, at par with an adjustment for accrued interest, notes or 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 rules and 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 to the same extent as if such check had not been tendered.

Liability for checks.

Receipts for taxes to be given by collector on request. Vol. 42, p. 267, amended.

(b) Every collector to whom any payment of any income tax is made 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.

To debtor for separate creditors.

Evidence of tax paid.

Surrender to creditor as payment on debt.

Fractions of a cent.

(c) 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.

Former provision for receipts repealed. Vol. 28, p. 560, repealed.

(d) Section 37 of the Act of August 27, 1894, entitled "An Act To reduce taxation, to provide revenue for the Government, and for other purposes," is hereby repealed.

Collecting taxes.

METHOD OF COLLECTING TAX.

Discretionary methods allowed for other than income, estate, gift, and stamp taxes. Vol. 42, p. 305, amended.

SEC. 1022. Whether or not the method of collecting any tax imposed by Titles IV, V, VI, or VII is specifically provided therein, any such tax may, under regulations prescribed by the Commissioner with the approval of the Secretary, be collected by stamp, coupon, serial-numbered ticket, or such other reasonable device or method as may be necessary or helpful in securing a complete and prompt collection of the tax. All administrative and penalty provisions of Title VIII, in so far as applicable, shall apply to the collection of any tax which the Commissioner determines or prescribes shall be collected in such manner.

Penalties applicable. *Ante*, pp. 331-336.

Overpayments and collections.

OVERPAYMENTS AND OVERCOLLECTIONS.

Credits and refunds allowed for, of admission and excise taxes. *Ante*, pp. 320-325. Vol. 42, p. 309.

SEC. 1023. In the case of any overpayment or overcollection of any tax imposed by Title V or VI, 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.

REVENUE ACT OF 1924.
Articles exported.

ARTICLES EXPORTED.

Tobacco and excise taxes not applicable to exports.
Ante, pp. 316-320, 322-326.

SEC. 1024. Under such rules and regulations as the Commissioner with the approval of the Secretary may prescribe, the taxes imposed under the provisions of Title IV or VI shall not apply in respect of articles sold or leased for export and in due course so exported.

Refund to exporter.

Under such rules and regulations the amount of any internal-revenue tax erroneously or illegally collected in respect of 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.

Jurisdiction of courts.

JURISDICTION OF COURTS.

Powers conferred to secure testimony, etc.
Vol. 42, p. 310.

SEC. 1025. (a) 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.

District courts to issue orders, process, judgments, etc.

(b) 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.

Additional to other remedies.

District courts.
Vol. 42, p. 311.
Vol. 36, p. 1093.

(c) The paragraph added by section 1310 of the Revenue Act of 1921 at the end of paragraph Twentieth of section 24 of the Judicial Code, relating to the jurisdiction of district courts, is reenacted without change, as follows:

Concurrent jurisdiction of, with Court of Claims, for recovery of erroneously collected taxes, etc., if collector dead.
Post, p. 972.

"Concurrent with the Court of Claims, of any suit or proceeding, commenced after the passage of the Revenue Act of 1921, for the recovery of any internal-revenue tax alleged to have been erroneously or illegally assessed or collected, or of any penalty claimed to have been collected without authority or any sum alleged to have been excessive or in any manner wrongfully collected, under the internal-revenue laws, even if the claim exceeds $10,000, if the collector of internal-revenue by whom such tax, penalty, or sum was collected is dead at the time such suit or proceeding is commenced."

Frauds on purchasers.

FRAUDS ON PURCHASERS.

False statements as to effect of tax on price of article sold, etc., a misdemeanor.
Vol. 42, p. 316.

SEC. 1026. 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.

Punishment for.

LOST STAMPS FOR TOBACCO, CIGARS, AND SO FORTH.

Lost stamps.

Restamping packages, etc.

SEC. 1027. Section 3315 of the Revised Statutes, as amended, is reenacted without change, as follows:

"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."

Issue authorized to replace stamps unavoidably lost, etc.
R. S., sec. 3315, p. 643.
Vol. 42, p. 319.

CONSOLIDATION OF LIBERTY BOND TAX EXEMPTIONS.

Liberty bonds, etc.

Consolidation of tax exemptions.
Vol. 42, p. 317, amended.

SEC. 1028. The various Acts authorizing the issues of Liberty bonds are amended and supplemented as follows:

Modification of allowance from graduated income taxes.

(a) On and after January 1, 1921, 4 per centum and 4¼ per centum Liberty bonds shall be exempt from graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States upon the income or profits of individuals, partnerships, corporations, or associations, in respect to the interest on aggregate principal amounts thereof as follows:

Until two years after end of World War.

Until the expiration of two years after the date of the termination of the war between the United States and the German Government, as fixed by proclamation of the President, on $125,000 aggregate principal amount; and for three years more on $50,000 aggregate principal amount.

For three years more.

Additional to prior exemptions.
Vol. 40, p. 291.

(b) The exemptions provided in subdivision (a) shall be in addition to the exemptions provided in section 7 of the Second Liberty Bond Act, and in addition to the exemption provided in subdivision (3) of section 1 of the Supplement to the Second Liberty Bond Act in respect to bonds issued upon conversion of 3½ per centum bonds, but shall be in lieu of the exemptions provided and free from the conditions and limitations imposed in subdivisions (1) and (2) of section 1 of the Supplement to the Second Liberty Bond Act and in section 2 of the Victory Liberty Loan Act.

Vol. 40, p. 966.

In lieu of exemptions during the war.
Vol. 40, pp. 965, 1310.

DEPOSIT OF UNITED STATES BONDS OR NOTES IN LIEU OF SURETY.

Federal bonds or notes.

Accepted as penal bond in lieu of personal sureties.
Vol. 42, p. 318.

SEC. 1029. 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 or notes 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 or notes 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 or notes 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 or notes deposited hereunder and such other United States bonds or notes as may be substituted therefor from time to time as such security, may be deposited with the Treasurer of the United States, a Federal reserve bank, or other depositary duly designated for that purpose by the Secretary, which shall issue receipt therefor, describing such bonds or notes so

Legal effect.

Depositaries for.

REVENUE ACT OF 1924. Return to depositor.

deposited. As soon as security for the performance of such penal bond is no longer necessary, such bonds or notes so deposited shall be returned to the depositor: *Provided*, That in 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 or notes 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 notes 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 or notes 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.

Provisos.
Retention on default of contractor for public works.
Vol. 33, p. 811.
Vol. 38, p. 278.

Application to subcontractor, etc.

Priority of United States not affected.

Inconsistent laws modified.

Judicial authority not affected.

Enforcement of tax liens.

ENFORCEMENT OF TAX LIENS.

R. S., sec. 3207, p. 616, amended.

SEC. 1030. Section 3207 of the Revised Statutes is amended to read as follows:

Bill in chancery authorized to enforce lien on real estate for unpaid taxes.

"SEC. 3207. (a) In any case where there has been a refusal or neglect to pay any tax, and it has become necessary to seize and sell real estate to satisfy the same, the Commissioner of Internal Revenue may direct a bill in chancery to be filed, in a district court of the United States, to enforce the lien of the United States for tax upon any real estate, or to subject any real estate owned by the delinquent, or in which he has any right, title, or interest, to the payment of such tax.

Persons claiming interest made parties.

All persons having liens upon or claiming any interest in the real estate sought to be subjected as aforesaid, shall be made parties to such proceedings, and be brought into court as provided in other suits

Determination of merits by court.

in chancery therein. And the said court shall, at the term next after the parties have been duly notified of the proceedings, unless otherwise ordered by the court, proceed to adjudicate all matters involved therein, and finally determine the merits of all claims to and liens

Sale and distribution of proceeds if United States claim established.

upon the real estate in question, and, in all cases where a claim or interest of the United States therein is established, shall decree a sale of such real estate, by the proper officer of the court, and a distribution of the proceeds of such sale according to the findings of the court in respect to the interests of the parties and of the United States.

Persons having lien, etc., on such real estate may request Commissioner to file bill.
R. S., sec. 3186, p. 612.
Vol. 24, p. 331.

"(b) Any person having a lien upon or any interest in such real estate, notice of which has been duly filed of record in the jurisdiction in which the real estate is located, prior to the filing of notice of the lien of the United States as provided by section 3186 of the Revised Statutes as amended, or any person purchasing the real estate at a sale to satisfy such prior lien or interest, may make written

request to the Commissioner of Internal Revenue to direct the filing of a bill in chancery as provided in subdivision (a), and if the Commissioner fails to direct the filing of such bill within six months after receipt of such written request, such person or purchaser may, after giving notice to the Commissioner, file a petition in the district court of the United States for the district in which the real estate is located, praying leave to file a bill for a final determination of all claims to or liens upon the real estate in question. After a full hearing in open court, the district court may in its discretion enter an order granting leave to file such bill, in which the United States and all persons having liens upon or claiming any interest in the real estate shall be made parties. Service on the United States shall be had in the manner provided by sections 5 and 6 of the Act of March 3, 1887, entitled 'An Act to provide for the bringing of suits against the Government of the United States.' Upon the filing of such bill the district court shall proceed to adjudicate the matters involved therein, in the same manner as in the case of bills filed under subdivision (a) of this section. For the purpose of such adjudication, the assessment of the tax upon which the lien of the United States is based shall be conclusively presumed to be valid, and all costs of the proceedings on the petition and the bill shall be borne by the person filing the bill."

REVENUE ACT OF 1924.
On failure of Commissioner, may petition leave of court to file bill to determine all claims, etc.

United States, etc., made parties if petition granted.

Service on United States.
Vol. 24, p. 500.

Adjudication by court.

Tax conclusively presumed valid, etc.

SPECIAL DEPOSITS.

Special deposits.

SEC. 1031. (a) Section 3195 of the Revised Statutes is amended to read as follows:

R. S., sec. 3195, p. 614, amended.

"SEC. 3195. When any property liable to distraint for taxes is not divisible, so as to enable the collector by sale of a part thereof to raise the whole amount of the tax, with all costs and charges, the whole of such property shall be sold, and the surplus of the proceeds of the sale, after making allowance for the amount of the tax, interest, penalties, and additions thereto, and for the costs and charges of the distraint and sale, shall be deposited with the Treasurer of the United States as provided in subdivision (b) of section 3210."

Whole of property, if not divisible, to be sold to pay tax.

Special deposit of balance of proceeds.

Infra.

(b) Section 3210 of the Revised Statutes is amended to read as follows:

R. S., sec. 3210, p. 616, amended.

"SEC. 3210. (a) Except as provided in subdivision (b) the gross amount of all taxes and revenues received under the provisions of this Act, and collections of whatever nature received or collected by authority of any internal-revenue law, shall be paid daily into the Treasury of the United States under instructions of the Secretary of the Treasury as internal-revenue collections, by the officer receiving or collecting the same, without any abatement or deduction on account of salary, compensation, fees, costs, charges, expenses, or claims of any description. A certificate of such payment, stating the name of the depositor and the specific account on which the deposit was made, signed by the treasurer, assistant treasurer, designated depositary, or proper officer of a deposit bank, shall be transmitted to the Commissioner of Internal Revenue.

All internal revenue tax collections, etc., to be deposited daily in Treasury.

Except sums in compromise, etc.
Infra.

Detailed certificate of, transmitted to Commissioner.

"(b) Sums offered in compromise under the provisions of section 3229 of the Revised Statutes and section 35 of Title II of the National Prohibition Act, sums offered for the purchase of real estate under the provisions of section 3208 of the Revised Statutes, and surplus proceeds in any distraint sale, after making allowance for the amount of the tax, interest, penalties, and additions thereto, and for costs and charges of the distraint and sale, shall be deposited with the Treasurer of the United States in a special deposit account in the name of the collector making the deposit. Upon

Special deposit account of collector for sums offered in compromise, for purchase of real estate, etc.
R. S., sec. 3229, p. 620.
Vol. 41, p. 318.
Vol. 20, p. 332.

Withdrawals from if offers accepted.

acceptance of such offer in compromise or offer for the purchase of such real estate, the amount so accepted shall be withdrawn by the collector from his special deposit account with the Treasurer of the United States and deposited in the Treasury of the United States as internal-revenue collections. Upon the rejection of any such offer, the Commissioner shall authorize the collector, through whom the amount of such offer was submitted, to refund to the maker of such offer the amount thereof. In the case of surplus proceeds from distraint sales the Commissioner shall, upon application and satisfactory proof in support thereof, authorize the collector through whom the amount was received to refund the same to the person or persons legally entitled thereto."

Refunds.

General provisions.

TITLE XI.—GENERAL PROVISIONS.

Repeals.

REPEALS.

Parts of Revenue Act of 1921, at specified dates.

SEC. 1100. (a) The following parts of the Revenue Act of 1921 are repealed, to take effect (except as otherwise provided in this Act) upon the enactment of this Act, subject to the limitations provided in subdivisions (b) and (c):

Income tax. Vol. 42, pp. 227-271.

Title II (called "Income Tax") as of January 1, 1924;

Estate tax. Vol. 42, pp. 277-284.

Title IV (called "Estate Tax");

Telegraph and telephone messages. Vol. 42, pp. 284, 285.

Title V (called "Tax on Telegraph and Telephone Messages") except subdivision (d) of section 500, effective on the expiration of thirty days after the enactment of this Act;

Soft drinks, etc. Vol. 42, pp. 285, 286.

Sections 602 and 603 of Title VI (being the taxes on certain beverages and constituent parts thereof);

Cigars, etc. Vol. 42, pp. 286-289.

Title VII (called "Tax on Cigars, Tobacco, and Manufactures Thereof");

Admissions and dues. Vol. 42, pp. 289-291.

Title VIII (called "Tax on Admissions and Dues"), effective on the expiration of thirty days after the enactment of this Act;

Excise taxes. Vol. 42, pp. 291-293.

Sections 901, 902, 903, and 904 of Title IX (being certain excise taxes);

Jewelry, etc., sales. Vol. 42, p. 293.

Section 900 of Title IX (being certain excise taxes) and section 905 of Title IX (being the tax on jewelry and similar articles), effective on the expiration of thirty days after the enactment of this Act;

Special taxes. Vol. 42, pp. 294-301.

Title X (called "Special Taxes") effective on June 30, 1924;

Stamp taxes. Vol. 42, pp. 301-305.

Title XI (called "Stamp Taxes") effective on the expiration of thirty days after the enactment of this Act;

Child labor tax. Vol. 42, pp. 306-308.

Title XII (called "Tax on Employment of Child Labor");

Certain administrative provisions. Vol. 42, pp. 310-319.

Sections 1307, 1308, 1309, subdivision (c) of section 1310, sections 1311, 1312, 1313, 1314, 1315, 1316, 1318, 1320, 1321, 1322, 1323, 1324, 1325, 1326, 1328, 1329, and 1330 (being certain administrative provisions).

Repealed provisions continued for collecting accrued taxes, enforcing penalties, etc.

(b) The parts of the Revenue Act of 1921 which are repealed by this Act shall (except as provided in sections 280 and 316 and except as otherwise specifically provided in this Act) remain in force for the assessment and collection of all taxes imposed by such Act, and for the assessment, imposition, and collection of all interest, penalties, or forfeitures which have accrued or may accrue in relation to any such taxes, and for the assessment and collection, to the extent provided in the Revenue Act of 1921, of all taxes imposed by prior income, war-profits, or excess-profits tax acts, and for the assessment, imposition, and collection of all interest, penalties, or forfeitures which have accrued or may accrue in relation to any such taxes. In the case of any tax imposed by any part of the

REVENUE ACT OF 1924.

Revenue Act of 1921 repealed by this Act, 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.

Repeal of income and estate taxes not to effect benefits under Act of 1921.
Vol. 42, pp. 241, 257, 277, 279.

(c) The repeal of Title II and Title IV of the Revenue Act of 1921 shall not be construed to take away the retroactive benefits allowed by paragraph (12) of subdivision (a) of section 214 or paragraph (14) of subdivision (a) of section 234, of the Revenue Act of 1921, or by section 401 or 403 of such Act.

LEGISLATIVE DRAFTING SERVICE.

Legislative drafting service.

SEC. 1101. Section 1303 of the Revenue Act of 1918 is amended by adding at the end thereof a new subdivision to read as follows:

Change of name, etc.
Vol. 40, p. 1142, amended.

"(d) After this subdivision takes effect the legislative drafting service shall be known as the office of the legislative counsel, and the two draftsmen shall be known as legislative counsel. The positions of legislative counsel shall be allocated from time to time by the President of the Senate and the Speaker of the House of Representatives, jointly, to the appropriate grade in the compensation schedules of section 13 of the Classification Act of 1923. The rate of compensation of each of the two legislative counsel shall be fixed from time to time, within the limits of such grade, by the President of the Senate and the Speaker of the House of Representatives, respectively. The increased compensation provided for in this subdivision shall, when fixed, be in lieu of the salary specified in subdivision (a). The legislative counsel shall have the same privilege of free transmission of official mail matter as other officers of the United States Government."

Made office of legislative counsel.

Allocated to professional grade in Classification Act.
Vol. 42, p. 1491.

Pay, etc.
Post, p. 586.

In lieu of present pay.
Vol. 40, p. 1141.

Free transmission of mail.

GOVERNMENT ACTUARY.

Government Actuary.

SEC. 1102. The salary of the Government Actuary, so long as the position is held by the present incumbent, shall be at the rate of $7,500 a year.

Salary increased for present incumbent.

SAVING CLAUSE IN EVENT OF UNCONSTITUTIONALITY.

Saving clause.

SEC. 1103. If any provision of this Act, or the application thereof to any person or circumstances, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

Invalidity of any provision, etc., not to affect remainder of Act, etc.

EFFECTIVE DATE OF ACT.

Effective date.

SEC. 1104. Except as otherwise provided, this Act shall take effect upon its enactment.

Upon enactment.

TITLE XII.—REDUCTION OF INCOME TAX PAYABLE IN 1924.

Reduction of income tax payable in 1924.

SEC. 1200. (a) Any taxpayer making return, for the calendar year 1923, of the taxes imposed by Parts I and II of Title II of the Revenue Act of 1921 shall be entitled to an allowance by credit or refund of 25 per centum of the amount shown as the tax upon his return.

Allowance on returns for 1923.
Vol. 42, p. 227-271.
Post, p. 693.

(b) If the amount shown as the tax upon the return has been paid in full on or before the time of the enactment of this Act, the amount of the allowance provided in subdivision (a) shall be credited or refunded as provided in section 281 of this Act.

Credit or refund if tax already paid.

(c) If the taxpayer has elected to pay the tax in installments and, at the time of the enactment of this Act, the date prescribed for the

Prorating of allowance on installment payments.

payment of the last installment has not yet arrived, the amount of the allowance provided in subdivision (a) shall be prorated to the four installments. The amount so prorated to any installment, the date for payment of which has not arrived, shall be applied in reduction of such installment. The amount so prorated to any installment, the date for payment of which has arrived, shall be credited against the installment next falling due after the enactment of this Act.

Application to extended time payments.

(d) If the taxpayer has been granted an extension of time for payment of the tax or any installment thereof to a date subsequent to the enactment of this Act, the amount of the allowance provided in subdivision (a) shall be applied in reduction of the amount of tax shown upon the return, or, if the tax is to be paid in installments, shall be prorated to the four installments. The amount so prorated to any installment, the date for payment of which has not arrived, shall be applied in reduction thereof. The amount so prorated to any installment, the date for payment of which has arrived, shall be credited against the installment next falling due after the enactment of this Act.

Credit or refund for part payments.

(e) Where the taxpayer at the time of the enactment of this Act has not paid in full that part of the amount shown as the tax upon the return which should have been paid on or before the time of the enactment of this Act, then 25 per centum of any amount already paid shall be applied in reduction of the amount unpaid (such unpaid amount being first reduced by 25 per centum thereof) and any excess shall be credited or refunded as provided in section 281 of this Act.

Allowance deducted from previously assessed deficiencies.

(f) If the correct amount of the tax is determined to be in excess of the amount shown as the tax upon the return, and a deficiency has been assessed before the enactment of this Act, then 25 per centum of any amount of such deficiency which has been paid shall be applied in reduction of the amount unpaid (such unpaid amount being first reduced by 25 per centum thereof) and any excess shall be credited or refunded as provided in section 281 of this Act. Any deficiency assessed after the enactment of this Act shall be reduced by 25 per centum of the amount which would have been assessed as a deficiency if this title had not been enacted.

Deficiency subsequently assessed.

Deduction of allowance from tax or deficiency.

(g) The allowance provided in subdivision (a) shall be deducted from the tax or deficiency for the purpose of determining the amount on which any interest, penalties or additions to the tax shall be based.

Allowances for fiscal year ending in 1923.

SEC. 1201. (a) Any taxpayer making return, for a period beginning in 1922 and ending in 1923, of the taxes imposed by Parts I and II of Title II of the Revenue Act of 1921, shall be entitled to an allowance by credit or refund of 25 per centum of the same proportion of his tax for such period (determined under the law applicable to the calendar year 1923 and at the rates for such year) which the portion of such period falling within the calendar year 1923 is of the entire period.

For fiscal year ending in 1924, on tax for 1923.

(b) Any taxpayer making return, for a period beginning in 1923 and ending in 1924, of the taxes imposed by Parts I and II of Title II of this Act, shall be entitled to an allowance by credit or refund of 25 per centum of the same proportion of a tax for such period (determined under the law applicable to the calendar year 1923 and at the rates for such year) which the portion of such period falling within the calendar year 1923 is of the entire period.

Allowance for deficiencies ending in 1923 or 1924.

(c) In the case of a deficiency assessed upon a taxpayer entitled to the benefits of subdivision (a) or (b) in respect of the tax for a period beginning in 1922 and ending in 1923 or beginning in 1923 and ending in 1924, the allowance provided for in subdivisions (a) and (b) shall be made in respect of such deficiency in a similar manner to that provided in subdivision (f) of section 1200.

REVENUE ACT OF 1924.
Allowance for less than a year in 1923.

SEC. 1202. Any taxpayer who has made return of the taxes imposed by Parts I and II of Title II of the Revenue Act of 1921, for a period of less than a year and beginning and ending within the calendar year 1923, shall be entitled to an allowance by credit or refund of 25 per centum of the amount shown as the tax upon his return. If the correct amount of the tax for such period is determined to be in excess of the amount shown as the tax upon the return, the taxpayer shall be entitled to the benefits of subdivision (f) of section 1200 of this Act.

Rules, etc., for credits and refunds to be prescribed.

SEC. 1203. The allowance provided in sections 1201 and 1202 shall, under rules and regulations prescribed by the Commissioner with the approval of the Secretary, be made in a similar manner to that provided in section 1200.

No interest allowed. *Ante*, p. 346.

SEC. 1204. The interest provided in section 1019 of this Act shall not be allowed in respect of the allowance provided for in this title.

Rules, etc., for granting benefits to be prescribed.

SEC. 1205. The benefits of the allowance provided for in this title shall be granted to the taxpayer under rules and regulations prescribed by the Commissioner with the approval of the Secretary.

Definitions in former Act continued.

SEC. 1206. Terms defined in the Revenue Act of 1921 shall, when used in this title, have the meaning assigned to such terms in that Act.

Approved, June 2, 1924 at 4 o'clock and 1 minute P. M.

June 3, 1924.
[S. 3249.]
[Public, No. 177.]

CHAP. 235.—An Act Granting the consent of Congress to the construction of a bridge across the Niagara River and Black Rock Canal.

Niagara River and Black Rock Canal.
Buffalo and Fort Erie Public Bridge Company may bridge, Buffalo, N. Y.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the consent of Congress is hereby granted to the Buffalo and Fort Erie Public Bridge Company, a corporation organized under the laws of the State of New York, and its successors and assigns, to construct, maintain, and operate a bridge and approaches thereto across the Niagara River and the Black Rock Canal, at a point suitable to the interests of navigation, within or near the city limits of Buffalo in the county of Erie and State of New York, in accordance with the provisions of the Act entitled "An Act to regulate the construction of bridges over navigable waters," approved March 23, 1906: *Provided*, That, subject to the provisions of this Act, the Secretary of War may permit the corporation herein named, its successors and assigns, to construct a tunnel or tunnels under said river and canal in lieu of the bridge herein authorized, in accordance with the foregoing Act approved March 23, 1906, so far as the same may be applicable: *Provided further*, That before the construction of said bridge or tunnel shall be begun all proper and requisite authority therefor shall be obtained from the Government of the Dominion of Canada.

Construction. Vol. 34, p. 84.

Provisos.
Tunnel in lieu permitted.

Consent of Canada required.

Time limitations.

SEC. 2. That this Act shall be null and void unless the construction of said bridge or tunnel is commenced within two years and completed within five years from the date of approval hereof.

Amendment.

SEC. 3. That the right to alter, amend, or repeal this Act is hereby expressly reserved.

Approved, June 3, 1924.

June 3, 1924.
[S. 3272.]
[Public, No. 178.]

CHAP. 236.—An Act Granting the consent of Congress to the Panola-Quitman Drainage District to construct, maintain, and operate a dam in Tallahatchie River.

Tallahatchie River.

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