

[CHAPTER 412]

AN ACT

To provide revenue, and for other purposes.

September 20, 1941
[H. R. 5417]
[Public Law 250]

Revenue Act of 1941.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, divided into titles and sections according to the following Table of Contents, may be cited as the "Revenue Act of 1941":

TABLE OF CONTENTS

TITLE I—INDIVIDUAL AND CORPORATION INCOME TAXES

Post, p. 688.

- Sec. 101. Surtax on individuals.
- Sec. 102. Optional tax on individuals with certain gross income of \$3,000 or less.
- Sec. 103. Corporation defense tax rates incorporated in rate schedules.
- Sec. 104. Surtax on corporations and termination of defense tax.
- Sec. 105. Tax on nonresident alien individuals.
- Sec. 106. Tax on foreign corporations.
- Sec. 107. Withholding of tax at source.
- Sec. 108. Treaty obligations.
- Sec. 109. Reduction in pursuance of treaties of rates of tax and withholding on nonresident alien individuals resident in, and corporations organized under laws of, Western Hemisphere countries.
- Sec. 110. Defense tax rates on personal holding companies and transfers to avoid income tax incorporated in rate schedules.
- Sec. 111. Personal exemption.
- Sec. 112. Returns of income tax.
- Sec. 113. Credit for dependents.
- Sec. 114. Noninterest-bearing obligations issued at discount.
- Sec. 115. Short-term obligations issued on a discount basis.
- Sec. 116. Information returns with respect to Federal obligations.
- Sec. 117. Extension of time of orders of Securities and Exchange Commission.
- Sec. 118. Taxable years to which amendments applicable.

TITLE II—EXCESS PROFITS TAX

Post, p. 699.

- Sec. 201. Excess profits tax rates and credits.
- Sec. 202. Deduction of excess-profits tax.
- Sec. 203. New capital.
- Sec. 204. Corporations engaged in mining strategic metals.
- Sec. 205. Taxable years to which amendments applicable.

TITLE III—CAPITAL STOCK TAX AND DECLARED VALUE EXCESS-PROFITS TAX

Post, p. 703.

- Sec. 301. Capital stock tax.
- Sec. 302. Declared value excess-profits tax—Defense tax rates incorporated in rate schedule.

TITLE IV—ESTATE AND GIFT TAXES

Post, p. 704.

- Sec. 401. Estate tax rates.
- Sec. 402. Gift tax rates.

TITLE V—EXCISE TAXES

Post, p. 706.

PART I—1932 EXCISE TAXES MADE PERMANENT

- Sec. 501. 1932 excise taxes made permanent.
- Sec. 502. Pipe line tax.
- Sec. 503. Technical amendment.
- Sec. 504. Bond tax.
- Sec. 505. Conveyance tax.

PART II—DEFENSE TAX RATES MADE PERMANENT (NO INCREASE IN TAX AND NO CHANGE IN BASIS OF TAX)

Post, p. 706.

- Sec. 521. Defense excise tax rates made permanent which are not increased by this Act.

Post, p. 708.

PART III—INCREASES IN RATES OF EXISTING EXCISE TAXES

- Sec. 531. Playing cards.
- Sec. 532. Safe deposit boxes.
- Sec. 533. Distilled spirits.
- Sec. 534. Wines.
- Sec. 535. Tires and tubes.
- Sec. 536. Effective date of Part III.

Post, p. 710.

PART IV—CHANGES IN BASIS OF COMPUTING TAX (RATES INCREASED IN CERTAIN CASES)

- Sec. 541. Admissions tax.
- Sec. 542. Cabaret, roof garden, etc., tax.
- Sec. 543. Club dues.
- Sec. 544. Automobile, truck, bus, and parts tax.
- Sec. 545. Radios, phonographs, records, and musical instruments.
- Sec. 546. Mechanical refrigerators.
- Sec. 547. Matches.
- Sec. 548. Telephone, telegraph, etc.
- Sec. 549. Installment, etc., payments.
- Sec. 550. Effective date of Part IV.

Post, p. 716.

PART V—NEW EXCISE TAXES

- Sec. 551. New manufacturers' excise taxes.
- Sec. 552. New retailers' excise taxes.
- Sec. 553. Administrative changes in manufacturers' excise tax title of Code.
- Sec. 554. Transportation of persons, etc.
- Sec. 555. Coin-operated amusement and gaming devices.
- Sec. 556. Bowling alleys, etc.
- Sec. 557. Use of motor vehicles and boats.
- Sec. 558. Effective date of Part V.

Post, p. 725.

PART VI—PROCESSING TAX ON CERTAIN OILS

- Sec. 561. Payment of proceeds of processing tax to Guam and American Samoa.

Post, p. 726.

TITLE VI—NONESSENTIAL FEDERAL EXPENDITURES

- Sec. 601. Nonessential Federal expenditures.

Post, p. 726.

TITLE VII—CREDIT AGAINST FEDERAL UNEMPLOYMENT TAXES

- Sec. 701. Credit against Federal unemployment taxes.

TITLE I—INDIVIDUAL AND CORPORATION INCOME TAXES

SEC. 101. SURTAX ON INDIVIDUALS.

53 Stat. 5.
26 U. S. C. § 12 (b).

Section 12 (b) of the Internal Revenue Code is amended to read as follows:

"(b) **RATES OF SURTAX.**—There shall be levied, collected, and paid for each taxable year upon the surtax net income of every individual the surtax shown in the following table:

"If the surtax net income is:

The surtax shall be:

Not over \$2,000-----	6% of the surtax net income.
Over \$2,000 but not over \$4,000-----	\$120, plus 9% of excess over \$2,000.
Over \$4,000 but not over \$6,000-----	\$300, plus 13% of excess over \$4,000.
Over \$6,000 but not over \$8,000-----	\$560, plus 17% of excess over \$6,000.
Over \$8,000 but not over \$10,000-----	\$900, plus 21% of excess over \$8,000.
Over \$10,000 but not over \$12,000-----	\$1,320, plus 25% of excess over \$10,000.
Over \$12,000 but not over \$14,000-----	\$1,820, plus 29% of excess over \$12,000.
Over \$14,000 but not over \$16,000-----	\$2,400, plus 32% of excess over \$14,000.
Over \$16,000 but not over \$18,000-----	\$3,040, plus 35% of excess over \$16,000.
Over \$18,000 but not over \$20,000-----	\$3,740, plus 38% of excess over \$18,000.
Over \$20,000 but not over \$22,000-----	\$4,500, plus 41% of excess over \$20,000.
Over \$22,000 but not over \$26,000-----	\$5,320, plus 44% of excess over \$22,000.
Over \$26,000 but not over \$32,000-----	\$7,080, plus 47% of excess over \$26,000.
Over \$32,000 but not over \$38,000-----	\$9,900, plus 50% of excess over \$32,000.
Over \$38,000 but not over \$44,000-----	\$12,900, plus 53% of excess over \$38,000.

"If the surtax net income is:**The surtax shall be:**

Over \$44,000 but not over \$50,000-----	\$16,080, plus 55% of excess over \$44,000.
Over \$50,000 but not over \$60,000-----	\$19,380, plus 57% of excess over \$50,000.
Over \$60,000 but not over \$70,000-----	\$25,080, plus 59% of excess over \$60,000.
Over \$70,000 but not over \$80,000-----	\$30,980, plus 61% of excess over \$70,000.
Over \$80,000 but not over \$90,000-----	\$37,080, plus 63% of excess over \$80,000.
Over \$90,000 but not over \$100,000-----	\$43,380, plus 64% of excess over \$90,000.
Over \$100,000 but not over \$150,000----	\$49,780, plus 65% of excess over \$100,000.
Over \$150,000 but not over \$200,000----	\$82,280, plus 66% of excess over \$150,000.
Over \$200,000 but not over \$250,000----	\$115,280, plus 67% of excess over \$200,000.
Over \$250,000 but not over \$300,000----	\$148,780, plus 69% of excess over \$250,000.
Over \$300,000 but not over \$400,000----	\$183,280, plus 71% of excess over \$300,000.
Over \$400,000 but not over \$500,000----	\$254,280, plus 72% of excess over \$400,000.
Over \$500,000 but not over \$750,000----	\$326,280, plus 73% of excess over \$500,000.
Over \$750,000 but not over \$1,000,000..	\$508,780, plus 74% of excess over \$750,000.
Over \$1,000,000 but not over \$2,000,000.	\$693,780, plus 75% of excess over \$1,000,000.
Over \$2,000,000 but not over \$5,000,000.	\$1,443,780, plus 76% of excess over \$2,000,000.
Over \$5,000,000-----	\$3,723,780, plus 77% of excess over \$5,000,000."

SEC. 102. OPTIONAL TAX ON INDIVIDUALS WITH CERTAIN GROSS INCOME OF \$3,000 OR LESS.

(a) **OPTIONAL TAX.**—The Internal Revenue Code is amended by inserting after section 396 the following new Supplement:

54 Stat. 1007.
26 U. S. C. § 396.

"Supplement T—Individuals With Gross Income From Certain Sources of \$3,000 or Less**"SEC. 400. IMPOSITION OF TAX.**

"In lieu of the tax imposed under sections 11 and 12, an individual may elect, for each taxable year, to pay the tax shown in the following table if his gross income for such taxable year is \$3,000 or less and consists wholly of one or more of the following: Salary, wages, compensation for personal services, dividends, interest, rent, annuities, or royalties:

53 Stat. 5.
26 U. S. C. §§ 11, 12.
Post, p. 692.

"If the gross income is over—	But not over—	The tax shall be—	
		Single person (not head of a family)	Head of family or married person
\$1-----	\$750	\$0	\$0
\$750-----	775	1	0
\$775-----	800	2	0
\$800-----	825	3	0
\$825-----	850	5	0
\$850-----	875	7	0
\$875-----	900	9	0
\$900-----	925	11	0

"If the gross income is over—	But not over—	The tax shall be—	
		Single person (not head of a family)	Head of family or married person
\$925.....	\$950	\$14	\$0
\$950.....	975	16	0
\$975.....	1, 000	18	0
\$1,000.....	1, 025	20	0
\$1,025.....	1, 050	22	0
\$1,050.....	1, 075	24	0
\$1,075.....	1, 100	26	0
\$1,100.....	1, 125	29	0
\$1,125.....	1, 150	31	0
\$1,150.....	1, 175	33	0
\$1,175.....	1, 200	35	0
\$1,200.....	1, 225	37	0
\$1,225.....	1, 250	39	0
\$1,250.....	1, 275	42	0
\$1,275.....	1, 300	44	0
\$1,300.....	1, 325	46	0
\$1,325.....	1, 350	48	0
\$1,350.....	1, 375	50	0
\$1,375.....	1, 400	52	0
\$1,400.....	1, 425	55	0
\$1,425.....	1, 450	57	0
\$1,450.....	1, 475	59	0
\$1,475.....	1, 500	61	0
\$1,500.....	1, 525	63	1
\$1,525.....	1, 550	65	2
\$1,550.....	1, 575	68	3
\$1,575.....	1, 600	70	5
\$1,600.....	1, 625	72	6
\$1,625.....	1, 650	74	7
\$1,650.....	1, 675	76	9
\$1,675.....	1, 700	78	11
\$1,700.....	1, 725	80	13
\$1,725.....	1, 750	83	15
\$1,750.....	1, 775	85	17
\$1,775.....	1, 800	87	19
\$1,800.....	1, 825	89	22
\$1,825.....	1, 850	91	24
\$1,850.....	1, 875	93	26
\$1,875.....	1, 900	96	28
\$1,900.....	1, 925	98	30
\$1,925.....	1, 950	100	32
\$1,950.....	1, 975	102	35
\$1,975.....	2, 000	104	37
\$2,000.....	2, 025	106	39
\$2,025.....	2, 050	109	41
\$2,050.....	2, 075	111	43
\$2,075.....	2, 100	113	45
\$2,100.....	2, 125	115	48
\$2,125.....	2, 150	117	50
\$2,150.....	2, 175	119	52
\$2,175.....	2, 200	122	54
\$2,200.....	2, 225	124	56
\$2,225.....	2, 250	126	58
\$2,250.....	2, 275	128	60
\$2,275.....	2, 300	130	63

"If the gross income is over—	But not over—	The tax shall be—	
		Single person (not head of a family)	Head of family or married person
\$2,300.....	\$2, 325	\$132	\$65
\$2,325.....	2, 350	134	67
\$2,350.....	2, 375	137	69
\$2,375.....	2, 400	139	71
\$2,400.....	2, 425	141	73
\$2,425.....	2, 450	143	76
\$2,450.....	2, 475	145	78
\$2,475.....	2, 500	147	80
\$2,500.....	2, 525	150	82
\$2,525.....	2, 550	152	84
\$2,550.....	2, 575	154	86
\$2,575.....	2, 600	156	89
\$2,600.....	2, 625	158	91
\$2,625.....	2, 650	160	93
\$2,650.....	2, 675	163	95
\$2,675.....	2, 700	165	97
\$2,700.....	2, 725	167	99
\$2,725.....	2, 750	169	102
\$2,750.....	2, 775	172	104
\$2,775.....	2, 800	174	106
\$2,800.....	2, 825	177	108
\$2,825.....	2, 850	180	110
\$2,850.....	2, 875	183	112
\$2,875.....	2, 900	186	114
\$2,900.....	2, 925	189	117
\$2,925.....	2, 950	191	119
\$2,950.....	2, 975	194	121
\$2,975.....	3, 000	197	123

In applying the above schedule to determine the tax of a taxpayer with one or more dependents there shall be subtracted from his gross income \$400 for each such dependent.

Deductions for dependents.

"SEC. 401. RULES FOR APPLICATION OF SECTION 400.

"For the purposes of this Supplement—

"(a) DEFINITIONS—

"(1) 'Married person' means a married person living with husband or wife.

"Married person."

"(2) 'Dependent' means a 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, excluding as a dependent, in the case of a head of a family, one who would be excluded under section 25 (b) (2) (B).

"Dependent."

Post, p. 697.

"(b) DETERMINATION OF STATUS.—The determination of whether a person is living with husband or wife, is a head of a family, or is a dependent, shall be made as of the last day of the taxpayer's taxable year.

"(c) SEPARATE RETURN OF HUSBAND AND WIFE.—If a husband and wife living together file separate returns, each shall be treated as a single person.

"(d) MARRIED PERSONS NOT LIVING WITH HUSBAND OR WIFE.—A married person not a head of a family and not living with husband or wife shall be treated as a single person.

"SEC. 402. MANNER OF ELECTION.*Ante*, p. 689.

"The election referred to in section 400 shall be considered to have been made if the taxpayer files the return prescribed for this Supplement and such election shall be irrevocable. If the taxpayer for any taxable year has filed a return computing his tax without regard to this Supplement, he may not thereafter elect for such year to compute his tax under this Supplement.

"SEC. 403. CREDITS AGAINST TAX NOT ALLOWED.53 Stat. 24.
26 U. S. C. §§ 31, 32.

"Section 31 (relating to foreign tax credit) and section 32 (relating to credit for taxes withheld at source) shall not apply with respect to the tax imposed by this Supplement.

"SEC. 404. CERTAIN TAXPAYERS NOT ELIGIBLE.

"This Supplement shall not apply to a nonresident alien individual, or an estate or trust."

(b) CROSS-REFERENCES.—53 Stat. 5.
26 U. S. C. § 11.

(1) Section 11 of the Internal Revenue Code is amended by inserting at the end thereof the following: "(For alternative tax if gross income from certain sources is \$3,000 or less, see section 400)".

53 Stat. 5, 7.
26 U. S. C. § 12.

(2) Section 12 of the Internal Revenue Code is amended by inserting at the end thereof the following:

"(g) For alternative tax if gross income from certain sources is \$3,000 or less, see section 400."

Ante, p. 689.53 Stat. 4, 5.
26 U. S. C. § 4.

(c) **AMENDMENT TO SECTION 4.**—Section 4 of the Internal Revenue Code is amended by inserting at the end thereof the following:

54 Stat. 1005.
26 U. S. C. §§ 391-396.

"(k) Shareholders of Personal Service Corporations,—Supplement S.

Ante, p. 689.

"(l) Individuals with gross income from certain sources of \$3,000 or less,—Supplement T."

SEC. 103. CORPORATION DEFENSE TAX RATES INCORPORATED IN RATE SCHEDULES.53 Stat. 864.
26 U. S. C. § 13 (b)
(1)-(2).

(a) **TAX ON CORPORATIONS IN GENERAL.**—Section 13 (b) (1) and (2) of the Internal Revenue Code are amended to read as follows:

"(1) **GENERAL RULE.**—A tax of 24 per centum of the normal-tax net income; or

"(2) **ALTERNATIVE TAX (CORPORATIONS WITH NORMAL-TAX NET INCOME SLIGHTLY MORE THAN \$25,000).**—A tax of \$4,250, plus 37 per centum of the amount of the normal-tax net income in excess of \$25,000."

53 Stat. 864.
26 U. S. C. § 14 (b)

(b) **TAX ON SPECIAL CLASSES OF CORPORATIONS.**—Section 14 (b) of the Internal Revenue Code is amended to read as follows:

"(b) **CORPORATIONS WITH NORMAL-TAX NET INCOMES OF NOT MORE THAN \$25,000.**—If the normal-tax net income of the corporation is not more than \$25,000, and if the corporation does not come within one of the classes specified in subsection (c), (d), or (e) of this section, the tax shall be as follows:

"Upon normal-tax net incomes not in excess of \$5,000, 15 per centum.

"\$750 upon normal-tax net incomes of \$5,000, and upon normal-tax net incomes in excess of \$5,000 and not in excess of \$20,000, 17 per centum in addition of such excess.

"\$3,300 upon normal-tax net incomes of \$20,000, and upon normal-tax net incomes in excess of \$20,000, 19 per centum in addition of such excess."

(c) **FOREIGN CORPORATIONS.**—Section 14 (c) of the Internal Revenue Code (relating to tax on resident foreign corporations) is amended by striking out “22 $\frac{1}{10}$ per centum” and inserting “24 per centum”.

54 Stat. 974.
26 U. S. C. § 14 (c).

(d) **SURTAX ON CORPORATIONS IMPROPERLY ACCUMULATING SURPLUS.**—The rate schedule of section 102 of the Internal Revenue Code is amended to read as follows:

53 Stat. 35.
26 U. S. C. § 102.

“27 $\frac{1}{2}$ per centum of the amount of the undistributed section 102 net income not in excess of \$100,000, plus

“38 $\frac{1}{2}$ per centum of the undistributed section 102 net income in excess of \$100,000.”

(e) **MUTUAL INVESTMENT COMPANIES.**—Section 362 (b) of the Internal Revenue Code (relating to tax on mutual investment companies) is amended by striking out “22 $\frac{1}{10}$ per centum” and inserting “24 per centum”.

54 Stat. 974.
26 U. S. C. § 362 (b).

SEC. 104. SURTAX ON CORPORATIONS AND TERMINATION OF DEFENSE TAX.

(a) **GENERAL RULE.**—Section 15 of the Internal Revenue Code (relating to defense tax) is amended to read as follows:

54 Stat. 520.
26 U. S. C. § 15.

“SEC. 15. SURTAX ON CORPORATIONS.

“(a) **CORPORATION SURTAX NET INCOME.**—For the purposes of this chapter the term ‘corporation surtax net income’ means the net income minus the credit for dividends received provided in section 26 (b), computed by limiting such credit to 85 per centum of the net income in lieu of 85 per centum of the adjusted net income.

53 Stat. 19.
26 U. S. C. § 26 (b).

“(b) **IMPOSITION OF TAX.**—There shall be levied, collected, and paid for each taxable year upon the corporation surtax net income of every corporation (except a corporation subject to the tax imposed by section 231 (a) or Supplement Q) a surtax as follows:

53 Stat. 78, 98.
26 U. S. C. §§ 231 (a),
361–362.
Post, p. 694.

“Upon corporation surtax net incomes not in excess of \$25,000, 6 per centum of the amount thereof;

“Upon corporation surtax net incomes in excess of \$25,000, \$1,500, plus 7 per centum of the excess over \$25,000.”

(b) **SURTAX ON MUTUAL INVESTMENT COMPANIES.**—Supplement Q of the Internal Revenue Code (relating to mutual investment companies) is amended by inserting at the end thereof a new section to read as follows:

53 Stat. 98, 99.
26 U. S. C. §§ 361–
362.

“SEC. 363. SURTAX ON MUTUAL INVESTMENT COMPANIES.

“(a) **SUPPLEMENT Q SURTAX NET INCOME.**—For the purposes of this chapter the term ‘Supplement Q surtax net income’ means the net income, computed without the net operating loss deduction provided in section 23 (s), minus the dividends paid during the taxable year increased by the consent dividends credit provided in section 28. For the purposes of this subsection the amount of dividends paid shall be computed in the same manner as provided in subsections (d), (e), (f), (g), (h), and (i) of section 27 for the purpose of the basic surtax credit provided in section 27.

53 Stat. 867.
26 U. S. C. § 23 (s).
53 Stat. 21.
26 U. S. C. § 28.

“(b) **IMPOSITION OF TAX.**—There shall be levied, collected, and paid for each taxable year upon the Supplement Q surtax net income of every mutual investment company a surtax as follows:

53 Stat. 20–21.
26 U. S. C. § 27.

“Upon Supplement Q surtax net incomes not in excess of \$25,000, 6 per centum of the amount thereof;

“Upon Supplement Q surtax net incomes in excess of \$25,000, \$1,500, plus 7 per centum of the excess over \$25,000.”

53 Stat. 98.
26 U. S. C. §§ 361–
362.

53 Stat. 36.
26 U. S. C. § 104 (b).

(c) **SURTAX ON BANKS.**—Section 104 (b) of the Internal Revenue Code (relating to certain banks and trust companies) is amended to read as follows:

53 Stat. 7, 864; 54 Stat. 520.
26 U. S. C. §§ 13, 14 (b), 15.

“(b) **RATE OF TAX.**—Banks shall be subject to tax under section 13 or section 14 (b), and under section 15.”

53 Stat. 78.
26 U. S. C. § 231 (b).

(d) **SURTAX ON RESIDENT FOREIGN CORPORATIONS.**—Section 231 (b) of the Internal Revenue Code (relating to certain foreign corporations) is amended to read as follows:

53 Stat. 864; 54 Stat. 520.
26 U. S. C. §§ 14 (c) (1), 15.

“(b) **RESIDENT CORPORATIONS.**—A foreign corporation engaged in trade or business within the United States or having an office or place of business therein shall be taxable as provided in section 14 (c) (1) and section 15.”

53 Stat. 80.
26 U. S. C. § 251 (c) (1).

(e) **SURTAX ON CORPORATIONS ENTITLED TO THE BENEFITS OF SECTION 251.**—Section 251 (c) (1) of the Internal Revenue Code (relating to the tax on corporations entitled to the benefits of section 251) is amended to read as follows:

53 Stat. 7, 864; 54 Stat. 520.
26 U. S. C. §§ 13, 14 (b), 15.

“(1) **CORPORATION TAX.**—A domestic corporation entitled to the benefits of this section shall be subject to tax under section 13 or section 14 (b), and under section 15.”

53 Stat. 81.
26 U. S. C. § 261 (a).

(f) **SURTAX ON CHINA TRADE ACT CORPORATIONS.**—

(1) **SURTAX.**—Section 261 (a) of the Internal Revenue Code (relating to the tax on China Trade Act corporations) is amended to read as follows:

15 U. S. C. ch. 4.
53 Stat. 7, 864; 54 Stat. 520.
26 U. S. C. §§ 13, 14 (b), 15.
53 Stat. 81, 866.
26 U. S. C. § 262 (a).

“(a) **CORPORATION TAX.**—A corporation organized under the China Trade Act, 1922 (42 Stat. 849; U. S. C., 1934 ed., title 15, ch. 4), shall be subject to tax under section 13 or section 14 (b), and under section 15.”

53 Stat. 7, 111; 54 Stat. 520.
26 U. S. C. §§ 13-15, 600.

(2) **CREDIT OF CHINA TRADE ACT CORPORATIONS.**—Section 262 (a) of the Internal Revenue Code (relating to credit against net income of China Trade Act corporations) is amended by striking out “sections 13, 14, and 600” and inserting in lieu thereof “sections 13, 14, 15, and 600”; and by striking out “section 13 or 14” wherever occurring therein and inserting in lieu thereof “section 13, 14, or 15”.

SEC. 105. TAX ON NONRESIDENT ALIEN INDIVIDUALS.

53 Stat. 75; 54 Stat. 518.
26 U. S. C. § 211 (a) (1) (A).

(a) **TAX IN GENERAL.**—Section 211 (a) (1) (A) of the Internal Revenue Code (relating to tax on nonresident alien individuals not engaged in trade or business within the United States and not having an office or place of business therein) is amended by striking out “15 per centum” and inserting in lieu thereof “27½ per centum”.

53 Stat. 75.
26 U. S. C. § 211 (a) (2).

(b) **AGGREGATE RECEIPTS MORE THAN \$23,000.**—Section 211 (a) (2) of the Internal Revenue Code is amended to read as follows:

“(2) **AGGREGATE MORE THAN \$23,000.**—The tax imposed by paragraph (1) shall not apply to any individual if the aggregate amount received during the taxable year from the sources therein specified is more than \$23,000.”

53 Stat. 76; 54 Stat. 518.
26 U. S. C. § 211 (c).

(c) **TAX WHERE GROSS INCOME OF MORE THAN \$23,000.**—Section 211 (c) of the Internal Revenue Code (relating to tax on certain nonresident alien individuals) is amended by striking out “\$24,000” wherever occurring therein and inserting in lieu thereof “\$23,000”; and by striking out “15 per centum” and inserting in lieu thereof “27½ per centum”.

SEC. 106. TAX ON FOREIGN CORPORATIONS.

53 Stat. 78.
26 U. S. C. § 231 (a).

Section 231 (a) of the Internal Revenue Code (relating to tax on nonresident foreign corporations) is amended by striking out “15 per centum” and inserting in lieu thereof “27½ per centum”.

SEC. 107. WITHHOLDING OF TAX AT SOURCE.

(a) Sections 143 (a) and (b) and 144 of the Internal Revenue Code are amended by striking out "15 per centum" wherever occurring therein and inserting in lieu thereof "27½ per centum".

53 Stat. 60, 62; 54 Stat. 519.
26 U. S. C. §§ 143, 144.

(b) Section 143 (h) of the Internal Revenue Code is repealed.

54 Stat. 520.
26 U. S. C. § 143 (h).

(c) Subsections (a) and (b) of this section shall apply only with respect to the period beginning with the tenth day after the date of the enactment of this Act.

SEC. 108. TREATY OBLIGATIONS.

No amendment made by this title shall apply in any case where its application would be contrary to any treaty obligation of the United States.

SEC. 109. REDUCTION IN PURSUANCE OF TREATIES OF RATES OF TAX AND WITHHOLDING ON NONRESIDENT ALIEN INDIVIDUALS RESIDENT IN, AND CORPORATIONS ORGANIZED UNDER LAWS OF, WESTERN HEMISPHERE COUNTRIES.

(a) Section 143 (a) (1) (relating to withholding of tax on tax-free covenant bonds); section 143 (b) (relating to withholding of tax on dividends, rents, etc.); section 144 (relating to payment of corporation income tax at source); section 211 (a) (1) (relating to tax on nonresident alien individuals); and section 231 (a) (1) (relating to tax on nonresident foreign corporations) of the Internal Revenue Code are amended by striking out "a contiguous country" and inserting in lieu thereof "any country in North, Central, or South America, or in the West Indies, or of Newfoundland".

53 Stat. 60, 61.
26 U. S. C. § 143
(a) (1), (b).
53 Stat. 62.
26 U. S. C. § 144.
53 Stat. 75.
26 U. S. C. § 211
(a) (1).
53 Stat. 78.
26 U. S. C. § 231
(a) (1).

(b) Section 211 (a) (3) of the Internal Revenue Code is amended to read as follows:

53 Stat. 75.
26 U. S. C. § 211
(a) (3).

"(3) RESIDENTS OF CERTAIN COUNTRIES.—The provisions of paragraph (2) shall not apply to a resident of any country in North, Central, or South America, or in the West Indies, or of Newfoundland, so long as there is in effect with such country a treaty which provides otherwise."

(c) Section 211 (c) (4) of the Internal Revenue Code is amended to read as follows:

53 Stat. 76.
26 U. S. C. § 211
(c) (4).

"(4) This subsection shall not apply to a resident of any country in North, Central, or South America, or in the West Indies, or of Newfoundland, so long as there is in effect with such country a treaty which provides otherwise."

SEC. 110. DEFENSE TAX RATES ON PERSONAL HOLDING COMPANIES AND TRANSFERS TO AVOID INCOME TAX INCORPORATED IN RATE SCHEDULES.

(a) PERSONAL HOLDING COMPANIES.—Section 500 of the Internal Revenue Code (relating to tax on personal holding companies) is amended as follows:

53 Stat. 104; 54 Stat. 521.
26 U. S. C. § 500.

(1) By striking out the heading "(a) GENERAL RULE.—";

(2) By amending the rate schedule to read as follows:

"(1) 71½ per centum of the amount thereof not in excess of \$2,000; plus

"(2) 82½ per centum of the amount thereof in excess of \$2,000."; and

(3) By repealing subsection (b) (relating to defense tax for five years).

54 Stat. 521.
26 U. S. C. § 500 (b).

53 Stat. 172; 54 Stat.
522.
26 U. S. C. § 1250.

(b) **TRANSFERS TO AVOID INCOME TAX.**—Section 1250 of the Internal Revenue Code (relating to tax on transfers to avoid income tax) is amended as follows:

(1) By striking out the heading “(a) **GENERAL RULE.**—”;

(2) By striking out “25 per centum” and inserting “27½ per centum”; and

54 Stat. 522.
26 U. S. C. § 1250 (b).

(3) By repealing subsection (b) (relating to defense tax for five years).

SEC. 111. PERSONAL EXEMPTION.

53 Stat. 18.
26 U. S. C. § 25 (b)
(1).

(a) Section 25 (b) (1) of the Internal Revenue Code is amended to read as follows:

“(1) **PERSONAL EXEMPTION.**—In the case of a single person or a married person not living with husband or wife, a personal exemption of \$750; or in the case of the head of a family or a married person living with husband or wife, a personal exemption of \$1,500. A husband and wife living together shall receive but one personal exemption. The amount of such personal exemption shall be \$1,500. If such husband and wife make separate returns, the personal exemption may be taken by either or divided between them, except that if one spouse makes a return under Supplement T, the personal exemption of the other spouse shall be \$750.”

Ante, p. 689.

53 Stat. 77; 54 Stat.
519.
26 U. S. C. § 214.

(b) Section 214 of the Internal Revenue Code (relating to personal exemption of nonresident alien individuals) is amended by striking out “\$800” and inserting in lieu thereof “\$750”.

53 Stat. 80; 54 Stat.
519.
26 U. S. C. § 251 (f).

(c) Section 251 (f) of the Internal Revenue Code (relating to personal exemption of citizens entitled to benefits of section 251) is amended by striking out “\$800” and inserting in lieu thereof “\$750”.

SEC. 112. RETURNS OF INCOME TAX.

53 Stat. 27.
26 U. S. C. § 51 (a).

(a) **INDIVIDUAL RETURNS.**—Section 51 (a) of the Internal Revenue Code is amended to read as follows:

“(a) **REQUIREMENT.**—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 chapter and such other information for the purpose of carrying out the provisions of this chapter as the Commissioner with the approval of the Secretary may by regulations prescribe—

“(1) Every individual who is single or who is married but not living with husband or wife, if having a gross income for the taxable year of \$750 or over.

“(2) Every individual who is married and living with husband or wife, if no joint return is made under subsection (b) and if—

“(A) Such individual has for the taxable year a gross income of \$1,500 or over, and the other spouse has no gross income; or

“(B) Such individual and his spouse each has for the taxable year a gross income and the aggregate gross income is \$1,500 or over.”

53 Stat. 60.
26 U. S. C. § 142 (a).

(b) **FIDUCIARY RETURNS.**—Section 142 (a) of the Internal Revenue Code is amended to read as follows:

“(a) **REQUIREMENT OF RETURN.**—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 chapter and such other information for the

purpose of carrying out the provisions of this chapter as the Commissioner with the approval of the Secretary may by regulations prescribe—

“(1) Every individual having a gross income for the taxable year of \$750 or over, if single, or if married and not living with husband or wife;

“(2) Every individual having a gross income for the taxable year of \$1,500 or over, if married and living with husband or wife;

“(3) Every estate the gross income of which for the taxable year is \$750 or over;

“(4) Every trust the net income of which for the taxable year is \$100 or over, or the gross income of which for the taxable year is \$750 or over, regardless of the amount of the net income; and

“(5) Every estate or trust of which any beneficiary is a non-resident alien.”

(c) **INFORMATION RETURNS.**—Section 147 (a) of the Internal Revenue Code (relating to information at the source) is amended by striking out “\$800” wherever occurring therein and inserting in lieu thereof “\$750”.

53 Stat. 64; 54 Stat. 520.
26 U. S. C. § 147 (a).

SEC. 113. CREDIT FOR DEPENDENTS.

Section 25 (b) (2) of the Internal Revenue Code (relating to credit for dependents) is amended to read as follows:

53 Stat. 18.
26 U. S. C. § 25 (b) (2).

“(2) **CREDIT FOR DEPENDENTS.**—

“(A) Allowance in General.—\$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.

“(B) Exception for Certain Heads of Families.—If the taxpayer would not occupy the status of head of a family except by reason of there being one or more dependents for whom he would be entitled to credit under subparagraph (A), the credit under such subparagraph shall be disallowed with respect to one of such dependents.”

SEC. 114. NONINTEREST-BEARING OBLIGATIONS ISSUED AT DISCOUNT.

Section 42 of the Internal Revenue Code (relating to period in which items of gross income are included) is amended by inserting before the first sentence thereof “(a) **GENERAL RULE.**—”, and by inserting at the end of such section a new subsection to read as follows:

53 Stat. 24.
26 U. S. C. § 42.

“(b) **NONINTEREST-BEARING OBLIGATIONS ISSUED AT DISCOUNT.**—If, in the case of a taxpayer owning any noninterest-bearing obligation issued at a discount and redeemable for fixed amounts increasing at stated intervals, the increase in the redemption price of such obligation occurring in the taxable year does not (under the method of accounting used in computing his net income) constitute income to him in such year, such taxpayer may, at his election made in his return for any taxable year beginning after December 31, 1940, treat such increase as income received in such taxable year. If any such election is made with respect to any such obligation, it shall apply also to all such obligations owned by the taxpayer at the beginning of the first taxable year to which it applies and to all such obligations thereafter acquired by him and shall be binding for all subsequent taxable years, unless upon application by the taxpayer the Commis-

sioner permits him, subject to such conditions as the Commissioner deems necessary, to change to a different method. In the case of any such obligations owned by the taxpayer at the beginning of the first taxable year to which his election applies, the increase in the redemption price of such obligations occurring between the date of acquisition and the first day of such taxable year shall also be treated as income received in such taxable year."

SEC. 115. SHORT-TERM OBLIGATIONS ISSUED ON A DISCOUNT BASIS.

53 Stat. 24.
26 U. S. C. § 42.
Ante, p. 697.

(a) **DISCOUNT ACCRUED AT MATURITY.**—Section 42 of the Internal Revenue Code (relating to period in which items of gross income are included) is amended by inserting at the end thereof the following new subsection:

"(c) **SHORT-TERM OBLIGATIONS ISSUED ON DISCOUNT BASIS.**—In the case of any obligation of the United States or any of its possessions, or of a State or Territory, or any political subdivision thereof, or of the District of Columbia, issued on or after March 1, 1941, on a discount basis and payable without interest at a fixed maturity date not exceeding one year from the date of issue, the amount of discount at which such obligation is originally sold shall not be considered to accrue until the date on which such obligation is paid at maturity, sold, or otherwise disposed of."

53 Stat. 50.
26 U. S. C. § 117
(a) (1).

(b) **CAPITAL GAIN RULE NOT APPLICABLE.**—Section 117 (a) (1) of the Internal Revenue Code (relating to definition of capital assets) is amended by striking out the semicolon at the end thereof and inserting in lieu thereof the following: "or an obligation of the United States or any of its possessions, or of a State or Territory, or any political subdivision thereof, or of the District of Columbia, issued on or after March 1, 1941, on a discount basis and payable without interest at a fixed maturity date not exceeding one year from the date of issue;"

(c) **EFFECTIVE DATE OF AMENDMENTS.**—The amendments made by this section shall be applicable with respect to taxable years ending after February 28, 1941.

SEC. 116. INFORMATION RETURNS WITH RESPECT TO FEDERAL OBLIGATIONS.

53 Stat. 64.
26 U. S. C. § 147 (d).

(a) Section 147 (d) of the Internal Revenue Code (exempting interest on obligations of the United States from information requirement) is repealed.

53 Stat. 64.
26 U. S. C. § 147 (b).

(b) Section 147 (b) of the Internal Revenue Code is amended by striking out "and (2)" and inserting in lieu thereof "(2) in the case of payments of interest upon obligations of the United States or any agency or instrumentality thereof, and (3)".

Effective date.

(c) Subsections (a) and (b) of this section shall take effect upon the day after the date of the enactment of this Act.

SEC. 117. EXTENSION OF TIME OF ORDERS OF SECURITIES AND EXCHANGE COMMISSION.

53 Stat. 102.
26 U. S. C. § 373 (a).

(a) **EXTENSION.**—Section 373 (a) of the Internal Revenue Code (relating to the definition of orders of the Securities and Exchange Commission with respect to which Supplement R applies) is amended to read as follows:

"(a) The term 'order of the Securities and Exchange Commission' means an order (1) issued after May 28, 1938, and prior to January 1, 1943, by the Securities and Exchange Commission to effectuate the provisions of section 11 (b) of the Public Utility Holding Company Act of 1935 (49 Stat. 820; U. S. C., Supp. V, title 15, section

79k (b)), or (2) issued by the Commission subsequent to December 31, 1942, in which it is expressly stated that an order of the character specified in clause (1) is amended or supplemented, and (3) which has become final in accordance with law.”

18 U. S. C. § 79k (b).

(b) EFFECTIVE DATE OF AMENDMENT.—The amendment made by this section shall be applicable only with respect to taxable years beginning after December 31, 1939.

SEC. 118. TAXABLE YEARS TO WHICH AMENDMENTS APPLICABLE.

The amendments made by this title (except sections 107, 115, 116, and 117) shall be applicable only with respect to taxable years beginning after December 31, 1940.

TITLE II—EXCESS PROFITS TAX

SEC. 201. EXCESS PROFITS TAX RATES AND CREDITS.

(a) RATES.—Section 710 (a) of the Internal Revenue Code is amended to read as follows:

54 Stat. 975.
26 U. S. C. § 710 (a).

“(a) IMPOSITION.—

“(1) GENERAL RULE.—There shall be levied, collected, and paid, for each taxable year, on the adjusted excess profits net income, as defined in subsection (b), of every corporation (except a corporation exempt under section 727) the tax shown in the following table:

Ante, p. 17.
54 Stat. 988.
26 U. S. C. § 727.

“If the adjusted excess profits net income is:	The tax shall be:
Not over \$20,000-----	35% of the adjusted excess profits net income.
Over \$20,000, but not over \$50,000----	\$7,000, plus 40% of excess over \$20,000.
Over \$50,000, but not over \$100,000----	\$19,000, plus 45% of excess over \$50,000.
Over \$100,000, but not over \$250,000---	\$41,500, plus 50% of excess over \$100,000.
Over \$250,000, but not over \$500,000--	\$116,500, plus 55% of excess over \$250,000.
Over \$500,000-----	\$254,000, plus 60% of excess over \$500,000.

“(2) APPLICATION OF RATES IN CASE OF CERTAIN EXCHANGES.—

If the taxpayer’s highest bracket amount for the taxable year computed under section 752 (relating to certain exchanges) is less than \$500,000, then in the application of the table in paragraph (1) of this subsection to such taxpayer, in lieu of each amount, other than the percentages, specified in such table, there shall be substituted an amount which bears the same ratio to the amount so specified as the highest bracket amount so computed bears to \$500,000.”

54 Stat. 995.
26 U. S. C. § 752.

(b) EXCESS PROFITS CREDIT—BASED ON INVESTED CAPITAL.—Section 714 of the Internal Revenue Code, as amended, is amended to read as follows:

54 Stat. 981.
26 U. S. C. § 714.

“SEC. 714. EXCESS PROFITS CREDIT—BASED ON INVESTED CAPITAL.

“The excess profits credit, for any taxable year, computed under this section, shall be the amount shown in the following table:

“If the invested capital for the taxable year, determined under section 715, is:	The credit shall be:
Not over \$5,000,000-----	8% of the invested capital.
Over \$5,000,000-----	\$400,000, plus 7% of the excess over \$5,000,000.”

SEC. 202. DEDUCTION OF EXCESS-PROFITS TAX.

(a) **AMENDMENT OF SECTION 23 (c).**—Section 23 (c) of the Internal Revenue Code (relating to the deduction of taxes in computing net income) is amended to read as follows:

“(c) **TAXES GENERALLY.**—

“(1) **ALLOWANCE IN GENERAL.**—Taxes paid or accrued within the taxable year, except—

“(A) Federal income taxes;

“(B) war-profits and excess-profits taxes imposed by Title II of the Revenue Act of 1917, Title III of the Revenue Act of 1918, Title III of the Revenue Act of 1921, section 216 of the National Industrial Recovery Act, or section 702 of the Revenue Act of 1934, or by any such provisions as amended or supplemented;

“(C) income, war-profits, and excess-profits taxes imposed by the authority of any foreign country or possession of the United States; but this deduction shall be allowed in the case of a taxpayer who does not signify in his return his desire to have to any extent the benefits of section 131 (relating to credit for taxes of foreign countries and possessions of the United States);

“(D) estate, inheritance, legacy, succession, and gift taxes; and

“(E) taxes assessed against local benefits of a kind tending to increase the value of the property assessed; but this paragraph shall not exclude the allowance as a deduction of so much of such taxes as is properly allocable to maintenance or interest charges.

“(2) **EXCESS-PROFITS TAX UNDER CHAPTER 2E—SPECIAL RULES.**—For the purposes of this subsection, in the case of the excess-profits tax imposed by Subchapter E of Chapter 2—

“(A) The deduction shall be limited to the tax imposed for the taxable year, but any portion of such tax paid after the taxable year shall be considered as having been paid within the taxable year;

“(B) No reduction in such tax shall be made by reason of the credit for income, war-profits, or excess-profits taxes paid to any foreign country or possession of the United States;

“(C) Such tax shall be computed without regard to the adjustments provided in section 734; and

“(D) Such tax, in the case of a consolidated return under section 730, shall be allocated to the members of the affiliated group under regulations prescribed by the Commissioner, with the approval of the Secretary.”

(b) **AMENDMENT OF SECTION 102 (d).**—Section 102 (d) (1) (A) of the Internal Revenue Code (relating to the deduction of taxes in computing section 102 net income) is amended to read as follows:

“(A) **Taxes.**—Federal income, war-profits, and excess-profits taxes (other than the tax imposed by Subchapter E of Chapter 2 for a taxable year beginning after December 31, 1940) paid or accrued during the taxable year, to the extent not allowed as a deduction by section 23, but not including the tax imposed by this section or a corresponding section of a prior income-tax law.”

(c) **COMPUTATION OF EXCESS-PROFITS NET INCOME.**—

(1) **TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1940.**—

(A) Section 711 (a) (1) (A) (relating to adjustment for income taxes in computing excess-profits net income under income credit) is amended to read as follows:

53 Stat. 12.
26 U. S. C. § 23 (c).

40 Stat. 302, 1088;
42 Stat. 271; 48 Stat.
208, 770.

53 Stat. 56.
26 U. S. C. § 131.

54 Stat. 975; *ante*,
p. 26.
26 U. S. C. §§ 710-
752.

Ante, p. 27.

54 Stat. 989.
26 U. S. C. § 730.

53 Stat. 35.
26 U. S. C. § 102 (d)
(1) (A).

54 Stat. 975; *ante*,
p. 26.
26 U. S. C. §§ 710-
752.

53 Stat. 12, 867; 54
Stat. 998.
26 U. S. C. § 23.

54 Stat. 976.
26 U. S. C. § 711 (a)
(1) (A).

"(A) Income Taxes.—In computing such normal-tax net income the deduction for the tax imposed by this subchapter shall not be allowed;"

(B) Section 711 (a) (2) (C) (relating to adjustment for income taxes in computing excess-profits net income under invested capital credit) is amended to read as follows:

"(C) Income Taxes.—In computing such normal-tax net income the deduction for the tax imposed by this subchapter shall not be allowed;"

(2) TAXABLE YEARS IN THE BASE PERIOD.—Section 711 (b) (1)

(A) (relating to adjustment for income taxes for taxable years in the base period) is repealed.

(d) COMPUTATION OF CHARITABLE, ETC., DEDUCTIONS.—

(1) Section 711 (a) (1) of the Internal Revenue Code is amended by inserting at the end thereof the following new subparagraph:

"(G) Computation of Charitable, Etc., Deductions.—In determining any deduction the amount of which is limited to a percentage of the taxpayer's net income (or net income from the property), such net income (or net income from the property) shall be computed without regard to the deduction on account of the tax imposed by this subchapter."

(2) Section 711 (a) (2) of the Internal Revenue Code is amended by adding at the end thereof the following new subparagraph:

"(I) Computation of Charitable, Etc., Deductions.—In determining any deduction the amount of which is limited to a percentage of the taxpayer's net income (or net income from the property), such net income (or net income from the property) shall be computed without regard to the deduction on account of the tax imposed by this subchapter."

(e) EXCESS-PROFITS CREDIT CARRY-OVER.—Section 710 (c) (1) (defining the unused excess-profits credit) is amended by adding at the end thereof a new sentence to read as follows: "For such purpose the excess-profits credit and the excess-profits net income for any taxable year beginning in 1940 shall be computed under the law applicable to taxable years beginning in 1941."

(f) EQUITY INVESTED CAPITAL.—Section 718 (c) (3) (relating to the computation of earnings and profits for invested capital purposes) is amended by adding after the word "subchapter" the words "or chapter 1".

(g) ADJUSTMENT OF ABNORMAL BASE PERIOD NET INCOME.—Section 722 (c) (placing a limit on the amount of relief afforded under section 722) is amended by adding at the end thereof a new sentence to read as follows: "For the purposes of this subsection and subsection (d) the taxpayer's normal-tax net income shall be computed without deduction of the tax imposed by this subchapter."

(h) NONDEDUCTIBILITY OF EXCESS PROFITS TAX IN COMPUTATION OF DECLARED VALUE EXCESS PROFITS TAX.—Section 602 of the Internal Revenue Code is amended by striking out "computed without the deduction of the tax imposed by section 600" and inserting in lieu thereof "computed without the deduction of the tax imposed by section 600 or the tax imposed by Subchapter E of Chapter 2".

(i) ADJUSTED DECLARED VALUE.—

(1) Section 1202 (b) (1) (C) of the Internal Revenue Code is amended to read as follows:

"(C) its net income, computed without the deduction of the tax imposed by Subchapter E of Chapter 2,"

54 Stat. 977.
26 U. S. C. § 711 (a)
(2) (C).

54 Stat. 977.
26 U. S. C. § 711 (b)
(1) (A).

54 Stat. 976.
26 U. S. C. § 711 (a)
(1).

54 Stat. 976, 977.
26 U. S. C. § 711 (a)
(2).

Ante, p. 17.

54 Stat. 984.
26 U. S. C. § 718 (c)
(3).

Ante, p. 24.

53 Stat. 111.
26 U. S. C. § 602.

53 Stat. 111.
26 U. S. C. § 600.
Post, p. 704.
54 Stat. 975; *ante*,
p. 26.
26 U. S. C. §§ 710-
752.
53 Stat. 170.
26 U. S. C. § 1202 (b)
(1) (C).

53 Stat. 170.
26 U. S. C. § 1202 (b)
(1) (iii).

- (2) Section 1202 (b) (1) (iii) is amended to read as follows:
“(iii) the excess of the deductions allowable for income tax purposes (not including the deduction for the tax imposed by Subchapter E of Chapter 2) over its gross income.”

SEC. 203. NEW CAPITAL.

54 Stat. 982, 983.
26 U. S. C. § 718 (a).

Section 718 (a) of the Internal Revenue Code is amended by striking out “and” at the end of paragraph (4); by striking out the period at the end of paragraph (5) and inserting in lieu thereof a semicolon and the word “and”, and by inserting at the end thereof the following:

“(6) **NEW CAPITAL.**—An amount equal to 25 per centum of the new capital for such day. The term ‘new capital’ for any day means so much of the amounts of money or property includible for such day under paragraphs (1) and (2) as was previously paid in during a taxable year beginning after December 31, 1940, and so much of the distributions in stock includible for such day under paragraph (3) as was previously made during a taxable year beginning after December 31, 1940, subject to the following limitations:

53 Stat. 37-39.
26 U. S. C. § 112.

“(A) There shall not be included money or property paid in by a corporation in an exchange to which section 112 (b) (3), (4), or (5), or so much of section 112 (c), (d), or (e) as refers to section 112 (b) (3), (4), or (5) is applicable (or would be applicable except for section 371 (g)), or would have been applicable if the term ‘control’ had been defined in section 112 (h) to mean the ownership of stock possessing more than 50 per centum of the total combined voting power of all classes of stock entitled to vote or more than 50 per centum of the total value of shares of all classes of stock.

53 Stat. 101.
26 U. S. C. § 371 (g).

53 Stat. 40.
26 U. S. C. § 112 (h).

Controlled groups.

“(B) There shall not be included money or property paid in to the taxpayer by a transferor corporation if immediately after such transaction the transferor and the taxpayer are members of the same controlled group. As used in this subparagraph and subparagraph (C), a controlled group means one or more chains of corporations connected through stock ownership with a common parent corporation if (i) more than 50 per centum of the total combined voting power of all classes of stock entitled to vote, or more than 50 per centum of the total value of shares of all classes of stock, of each of the corporations (except the common parent corporation) is owned directly by one or more of the other corporations, and (ii) the common parent corporation owns directly more than 50 per centum of the total combined voting power of all classes of stock entitled to vote, or more than 50 per centum of the total value of shares of all classes of stock, of at least one of the other corporations.

“(C) There shall not be included a distribution in stock described in paragraph (3) made to another corporation, if immediately after the distribution the taxpayer and the distributee are members of the same controlled group.

“(D) **Increase in Inadmissible Assets.**—The new capital for any day of the taxable year, computed without the application of subparagraph (E), shall be reduced by the excess, if any, of the amount computed under section 720 (b) with respect to inadmissible assets held on such day, over the amount computed under section 720 (b) with respect to inadmissible assets held on the first day of the taxpayer’s first

Limitation on stock distribution.

54 Stat. 985.
26 U. S. C. § 720 (b).

taxable year beginning after December 31, 1940. For the purposes of this subparagraph, in determining whether obligations which are described in section 22 (b) (4) any part of the interest from which is excludible from gross income or allowable as a credit against net income are to be treated as admissible or inadmissible assets, such obligations shall be treated in the same manner as they are treated for the taxable year for which tax under this subchapter is being computed.

53 Stat. 10.
26 U. S. C. § 22 (b)
(4).

“(E) Maximum New Capital Allowable.—The new capital for any day of the taxable year shall not be more than the amount, if any, by which—

“(i) the sum of the equity invested capital (computed without regard to this paragraph) and the borrowed capital (as defined in section 719 (a)) of the taxpayer as of such day, reduced by the amount of money or property paid in which is excluded by reason of the limitation of subparagraph (A) or (B) of this paragraph, exceeds

54 Stat. 984.
26 U. S. C. § 719 (a).

“(ii) the sum of such equity invested capital and borrowed capital as of the beginning of the first day of such taxpayer's first taxable year beginning after December 31, 1940, reduced by the amount, if any, by which the accumulated earnings and profits as of such first day of such first taxable year exceed the accumulated earnings and profits (computed without regard to distributions made in taxable years beginning after December 31, 1940) as of the beginning of the first day of the taxable year for which the tax under this subchapter is being computed.

“(F) Reduction on Account of Distributions Out of Pre-1941 Accumulated Earnings and Profits.—The new capital for any day of the taxable year, computed without the application of subparagraph (E), shall be reduced by the amount which, after the beginning of the first taxable year which begins after December 31, 1940, has been distributed out of earnings and profits accumulated prior to the beginning of such first taxable year.”

SEC. 204. CORPORATIONS ENGAGED IN MINING STRATEGIC METALS.

Section 731 of the Internal Revenue Code (exempting from excess-profits tax income derived from mining certain metals) shall not apply with respect to any taxable year beginning after December 31, 1940.

54 Stat. 990.
26 U. S. C. § 731.

SEC. 205. TAXABLE YEARS TO WHICH AMENDMENTS APPLICABLE.

The amendments made by this title shall be applicable only with respect to taxable years beginning after December 31, 1940.

TITLE III—CAPITAL STOCK TAX AND DECLARED VALUE EXCESS-PROFITS TAX

SEC. 301. CAPITAL STOCK TAX.

(a) INCREASE IN RATE OF TAX.—Section 1200 (a) and (b) of the Internal Revenue Code (relating to rate of capital stock tax) is amended by striking out “\$1” and inserting in lieu thereof “\$1.25”.

53 Stat. 169.
26 U. S. C. § 1200 (a),
(b).

(b) DEFENSE TAX RATE.—Section 1200 (c) of the Internal Revenue Code is repealed.

54 Stat. 521.
26 U. S. C. § 1200 (c).

53 Stat. 171.
26 U. S. C. § 1203
(b) (2).

(c) **RETURNS FOR 1941.**—Section 1203 (b) (2) of the Internal Revenue Code (relating to extensions of time for filing capital-stock tax returns) is amended by inserting at the end thereof the following: "With respect to the year ending June 30, 1941, the extension may be for not more than ninety days."

(d) **EFFECTIVE DATE.**—This section shall be effective only with respect to the year ending June 30, 1941, and succeeding years.

SEC. 302. DECLARED VALUE EXCESS PROFITS TAX—DEFENSE TAX RATES INCORPORATED IN RATE SCHEDULE.

53 Stat. 111; 54 Stat.
521.
26 U. S. C. § 600.

(a) **RATES.**—Section 600 of the Internal Revenue Code (relating to rate of declared value excess profits tax) is amended as follows:

(1) By striking out the heading "(a) GENERAL RULE.—";

(2) By amending the rate schedule to read as follows:

"6 $\frac{4}{10}$ per centum of such portion of its net income for such income-tax taxable year as is in excess of 10 per centum and not in excess of 15 per centum of the adjusted declared value;

"13 $\frac{2}{10}$ per centum of such portion of its net income for such income-tax taxable year as is in excess of 15 per centum of the adjusted declared value."; and

(3) By repealing subsection (b) (relating to defense tax for five years).

(b) **EFFECTIVE DATE.**—This section shall be effective only with respect to income-tax taxable years ending after June 30, 1941.

TITLE IV—ESTATE AND GIFT TAXES

SEC. 401. ESTATE TAX RATES.

53 Stat. 141.
26 U. S. C. § 935 (b).

(a) **RATES.**—Section 935 (b) of the Internal Revenue Code is amended to read as follows:

"(b) The tentative tax referred to in subsection (a) (1) of this section shall be the tentative tax shown in the following table:

"If the net estate is:

Not over \$5,000-----
Over \$5,000 but not over \$10,000-----
Over \$10,000 but not over \$20,000-----
Over \$20,000 but not over \$30,000-----
Over \$30,000 but not over \$40,000-----
Over \$40,000 but not over \$50,000-----
Over \$50,000 but not over \$60,000-----
Over \$60,000 but not over \$100,000-----
Over \$100,000 but not over \$250,000-----
Over \$250,000 but not over \$500,000-----
Over \$500,000 but not over \$750,000-----
Over \$750,000 but not over \$1,000,000-----
Over \$1,000,000 but not over \$1,250,000-----
Over \$1,250,000 but not over \$1,500,000-----
Over \$1,500,000 but not over \$2,000,000-----
Over \$2,000,000 but not over \$2,500,000-----
Over \$2,500,000 but not over \$3,000,000-----
Over \$3,000,000 but not over \$3,500,000-----
Over \$3,500,000 but not over \$4,000,000-----

The tentative tax shall be:

3% of the net estate.
\$150, plus 7% of excess over \$5,000.
\$500, plus 11% of excess over \$10,000.
\$1,000, plus 14% of excess over \$20,000.
\$3,000, plus 18% of excess over \$30,000.
\$4,800, plus 22% of excess over \$40,000.
\$7,000, plus 25% of excess over \$50,000.
\$9,500, plus 28% of excess over \$60,000.
\$20,700, plus 30% of excess over \$100,000.
\$65,700, plus 32% of excess over \$250,000.
\$145,700, plus 35% of excess over \$500,000.
\$233,200, plus 37% of excess over \$750,000.
\$325,700, plus 39% of excess over \$1,000,000.
\$423,200, plus 42% of excess over \$1,250,000.
\$528,200, plus 45% of excess over \$1,500,000.
\$753,200, plus 49% of excess over \$2,000,000.
\$998,200, plus 53% of excess over \$2,500,000.
\$1,263,200, plus 56% of excess over \$3,000,000.
\$1,543,200, plus 59% of excess over \$3,500,000.

"If the net estate is:**The tentative tax shall be:**

Over \$4,000,000 but not over \$5,000,000.	over	\$1,838,200, plus 63% of excess over \$4,000,000.
Over \$5,000,000 but not over \$6,000,000.	over	\$2,468,200, plus 67% of excess over \$5,000,000.
Over \$6,000,000 but not over \$7,000,000.	over	\$3,138,200, plus 70% of excess over \$6,000,000.
Over \$7,000,000 but not over \$8,000,000.	over	\$3,838,200, plus 73% of excess over \$7,000,000.
Over \$8,000,000 but not over \$10,000,000.	over	\$4,568,200, plus 76% of excess over \$8,000,000.
Over \$10,000,000-----		\$6,088,200, plus 77% of excess over \$10,000,000."

(b) **DEFENSE TAX REPEALED.**—Subchapter C of Chapter 3 of the Internal Revenue Code is repealed.

54 Stat. 521.
26 U. S. C. § 951.

(c) **EFFECTIVE DATE.**—Subsections (a) and (b) shall be effective only with respect to estates of decedents dying after the date of the enactment of this Act.

SEC. 402. GIFT TAX RATES.

(a) **RATES.**—The Rate Schedule of section 1001 of the Internal Revenue Code is amended to read as follows:

53 Stat. 144.
26 U. S. C. § 1001.

"If the net gifts are:**The tax shall be:**

Not over \$5,000-----		2½% of the net gifts.
Over \$5,000 but not over \$10,000-----		\$112.50, plus 5½% of excess over \$5,000.
Over \$10,000 but not over \$20,000-----		\$375, plus 8½% of excess over \$10,000.
Over \$20,000 but not over \$30,000-----		\$1,200, plus 10½% of excess over \$20,000.
Over \$30,000 but not over \$40,000-----		\$2,250, plus 13½% of excess over \$30,000.
Over \$40,000 but not over \$50,000-----		\$3,600, plus 16½% of excess over \$40,000.
Over \$50,000 but not over \$60,000-----		\$5,250, plus 18½% of excess over \$50,000.
Over \$60,000 but not over \$100,000-----		\$7,125, plus 21% of excess over \$60,000.
Over \$100,000 but not over \$250,000---		\$15,525, plus 22½% of excess over \$100,000.
Over \$250,000 but not over \$500,000---		\$49,275, plus 24% of excess over \$250,000.
Over \$500,000 but not over \$750,000---		\$109,275, plus 26½% of excess over \$500,000.
Over \$750,000 but not over \$1,000,000--		\$174,900, plus 27½% of excess over \$750,000.
Over \$1,000,000 but not over \$1,250,000.		\$244,275, plus 29½% of excess over \$1,000,000.
Over \$1,250,000 but not over \$1,500,000.		\$317,400, plus 31½% of excess over \$1,250,000.
Over \$1,500,000 but not over \$2,000,000.		\$396,150, plus 33½% of excess over \$1,500,000.
Over \$2,000,000 but not over \$2,500,000.		\$564,900, plus 36½% of excess over \$2,000,000.
Over \$2,500,000 but not over \$3,000,000.		\$748,650, plus 39½% of excess over \$2,500,000.
Over \$3,000,000 but not over \$3,500,000.		\$947,400, plus 42% of excess over \$3,000,000.
Over \$3,500,000 but not over \$4,000,000.		\$1,157,400, plus 44½% of excess over \$3,500,000.
Over \$4,000,000 but not over \$5,000,000.		\$1,378,650, plus 47½% of excess over \$4,000,000.
Over \$5,000,000 but not over \$6,000,000.		\$1,851,150, plus 50½% of excess over \$5,000,000.
Over \$6,000,000 but not over \$7,000,000.		\$2,353,650, plus 52½% of excess over \$6,000,000.
Over \$7,000,000 but not over \$8,000,000.		\$2,878,650, plus 54½% of excess over \$7,000,000.
Over \$8,000,000 but not over \$10,000,000.		\$3,426,150, plus 57% of excess over \$8,000,000.
Over \$10,000,000-----		\$4,566,150, plus 57½% of excess over \$10,000,000."

(b) **YEARS TO WHICH AMENDMENTS APPLICABLE.**—The amendments made by this section shall be applied in computing the tax for the calendar year 1942 and each calendar year thereafter (but not the tax for the calendar year 1941 or a previous calendar year), and such amendments shall be applied in all computations in respect of the calendar year 1941 and previous calendar years for the purpose of computing the tax for the calendar year 1942 and any calendar year thereafter.

54 Stat. 521.
26 U. S. C. § 1001 (d).

(c) **DEFENSE TAX REPEALED.**—Section 1001 (d) of the Internal Revenue Code (relating to defense tax for five years on gifts) is repealed.

TITLE V—EXCISE TAXES

Part I—1932 Excise Taxes Made Permanent

SEC. 501. 1932 EXCISE TAXES MADE PERMANENT.

53 Stat. 420.
26 U. S. C. § 3452.

Section 3452 of the Internal Revenue Code (relating to expiration of 1932 excise taxes) is repealed.

SEC. 502. PIPE LINE TAX.

53 Stat. 421; 54 Stat. 522.
26 U. S. C. § 3460 (a).

Section 3460 (a) of the Internal Revenue Code (relating to termination of tax on transportation by pipe line) is amended by striking out "originating before July 1, 1945".

SEC. 503. TECHNICAL AMENDMENT.

53 Stat. 1b, 407, 409.
26 U. S. C., Subtitle C.

The heading of Subtitle C of the Internal Revenue Code is amended to read as follows:

"SUBTITLE C—MANUFACTURERS' EXCISE AND IMPORT TAXES AND TEMPORARY TAXES"

SEC. 504. BOND TAX.

53 Stat. 425.
26 U. S. C. § 3481 (b).

Section 3481 (b) of the Internal Revenue Code (relating to expiration of tax on transfer of bonds) is repealed.

SEC. 505. CONVEYANCE TAX.

53 Stat. 425; 54 Stat. 522.
26 U. S. C. § 3482.

Section 3482 of the Internal Revenue Code (relating to tax on conveyances) is amended by striking out "delivered before July 1, 1945".

Part II—Defense Tax Rates Made Permanent (No Increase in Tax and No Change in Basis of Tax)

SEC. 521. DEFENSE EXCISE TAX RATES MADE PERMANENT WHICH ARE NOT INCREASED BY THIS ACT.

(a) The following sections of the Internal Revenue Code are amended as follows:

53 Stat. 190.
26 U. S. C. § 1700
(b) (1).
53 Stat. 190.
26 U. S. C. § 1700
(c) (1).

(1) **BOX SEATS.**—Section 1700 (b) (1) is amended by striking out "10 per centum" and inserting in lieu thereof "11 per centum".

(2) **SALES OUTSIDE BOX OFFICE.**—Section 1700 (c) (1) is amended by striking out "10 per centum" and inserting in lieu thereof "11 per centum".

53 Stat. 195; 54 Stat. 522.
26 U. S. C. § 1801.

(3) **CORPORATE SECURITIES.**—Section 1801 is amended by striking out "10 cents until July 1, 1945, and 5 cents thereafter" and inserting in lieu thereof "11 cents".

(4) **CAPITAL STOCK ISSUES.**—Section 1802 (a) is amended by striking out “10 cents until July 1, 1945, and 5 cents thereafter” and the comma wherever following such expression and inserting in lieu thereof “11 cents”; and by striking out “2 cents until July 1, 1945, and 1 cent thereafter,” and inserting in lieu thereof “3 cents”.

53 Stat. 196; 54 Stat. 522.
26 U. S. C. § 1802 (a).

(5) **CAPITAL STOCK TRANSFERS.**—Section 1802 (b) is amended by striking out “4 cents until July 1, 1945, and 2 cents thereafter,” and inserting in lieu thereof “5 cents”; and by striking out “5 cents instead of 4 cents until July 1, 1945” and inserting in lieu thereof “6 cents”.

53 Stat. 196; 54 Stat. 522.
26 U. S. C. § 1802 (b).

(6) **INSURANCE POLICIES.**—Section 1804 is amended by striking out “3 cents” and inserting in lieu thereof “4 cents”.

53 Stat. 197.
26 U. S. C. § 1804.

(7) **PASSAGE TICKETS.**—Section 1806 is amended by striking out “\$1” and inserting in lieu thereof “\$1.10”; by striking out “\$3” and inserting in lieu thereof “\$3.30”; and by striking out “\$5” and inserting in lieu thereof “\$5.50”.

53 Stat. 199.
26 U. S. C. § 1806.

(8) **CIGARETTES.**—Section 2000 (c) (2) is amended by striking out “\$3” and inserting in lieu thereof “\$3.25” and by striking out “\$7.20” and inserting in lieu thereof “\$7.80”.

53 Stat. 219.
26 U. S. C. § 2000 (c) (2).

(9) **PISTOLS AND REVOLVERS.**—Section 2700 (a) is amended by striking out “10 per centum” and inserting in lieu thereof “11 per centum”.

53 Stat. 288.
26 U. S. C. § 2700 (a).

(10) **FERMENTED MALT LIQUORS.**—Section 3150 (a) is amended by striking out “\$5” and inserting in lieu thereof “\$6”.

53 Stat. 365.
26 U. S. C. § 3150 (a).

(11) **WHOLESALEERS OF LIQUOR.**—Section 3250 (a) (1) is amended by striking out “\$100” and inserting in lieu thereof “\$110”.

53 Stat. 388.
26 U. S. C. § 3250 (a) (1).

(12) **RETAILERS OF LIQUOR.**—Section 3250 (b) is amended by striking out “\$25” and inserting in lieu thereof “\$27.50”.

53 Stat. 388.
26 U. S. C. § 3250 (b).

(13) **BREWERS.**—Section 3250 (c) is amended by striking out “\$100” and inserting in lieu thereof “\$110” and by striking out “\$50” and inserting in lieu thereof “\$55”.

53 Stat. 388.
26 U. S. C. § 3250 (c).

(14) **WHOLESALEERS OF MALT LIQUORS.**—Section 3250 (d) is amended by striking out “\$50” and inserting in lieu thereof “\$55”.

53 Stat. 388.
26 U. S. C. § 3250 (d).

(15) **RETAILERS OF MALT LIQUORS.**—Section 3250 (e) (1) is amended by striking out “\$20” and inserting in lieu thereof “\$22”, and section 3250 (e) (3) is amended by striking out “\$2” and inserting in lieu thereof “\$2.20”.

53 Stat. 389.
26 U. S. C. § 3250 (e).

(16) **RECTIFIERS.**—Section 3250 (f) (1) is amended by striking out “\$200” and inserting in lieu thereof “\$220”; and by striking out “\$100” and inserting in lieu thereof “\$110”.

53 Stat. 389.
26 U. S. C. § 3250 (f) (1).

(17) **STILLS.**—Section 3250 (j) is amended by striking out “\$50” and inserting in lieu thereof “\$55”; and by striking out “\$20” and inserting in lieu thereof “\$22”.

53 Stat. 390.
26 U. S. C. § 3250 (j).

(18) **FIREARMS, ETC.**—Section 3407 is amended by striking out “10 per centum” and inserting in lieu thereof “11 per centum”.

53 Stat. 412.
26 U. S. C. § 3407.

(19) **ELECTRICAL ENERGY.**—Section 3411 is amended by striking out “3 per centum” and inserting in lieu thereof “3½ per centum”.

53 Stat. 412.
26 U. S. C. § 3411.

(20) **GASOLINE.**—Section 3412 (a) is amended by striking out “1 cent” and inserting in lieu thereof “1½ cents”.

53 Stat. 413.
26 U. S. C. § 3412 (a).

(21) **LUBRICATING OILS.**—Section 3413 is amended by striking out “4 cents” and inserting in lieu thereof “4½ cents”.

53 Stat. 414.
26 U. S. C. § 3413.

(22) **TRANSPORTATION OF OIL BY PIPE LINE.**—Section 3460 (a) is amended by striking out “4 per centum” and inserting in lieu thereof “4½ per centum”.

53 Stat. 421; 54 Stat. 522.
26 U. S. C. § 3460 (a).

(23) **TRANSFER OF BONDS.**—Section 3481 (a) is amended by striking out “4 cents” and inserting in lieu thereof “5 cents”.

53 Stat. 424.
26 U. S. C. § 3481 (a).

(24) **CONVEYANCES.**—Section 3482 is amended by striking out “50 cents” and inserting in lieu thereof “55 cents”.

53 Stat. 425; 54 Stat. 522.
26 U. S. C. § 3482.

54 Stat. 522, 524, 525.
26 U. S. C. §§ 1650
(a), 2004, 3190.

(b) The rates specified in subsection (a) shall be applicable only with respect to the period after the date of the enactment of this Act, and the rates specified in section 1650 (a), section 2004, and section 3190 of the Internal Revenue Code shall not apply with respect to such period.

Part III—Increases in Rates of Existing Excise Taxes

SEC. 531. PLAYING CARDS.

53 Stat. 199; 54 Stat.
526.
26 U. S. C. § 1807 (a).

Section 1807 (a) of the Internal Revenue Code is amended by striking out "10 cents" and inserting in lieu thereof "13 cents".

SEC. 532. SAFE DEPOSIT BOXES.

53 Stat. 205.
26 U. S. C. § 1850 (a).

Section 1850 (a) of the Internal Revenue Code is amended by striking out "10 per centum" and inserting in lieu thereof "20 per centum".

SEC. 533. DISTILLED SPIRITS.

53 Stat. 298.
26 U. S. C. § 2800
(a) (1).

(a) **RATE ON DISTILLED SPIRITS.**—Section 2800 (a) (1) of the Internal Revenue Code is amended by striking out "at the rate of \$2.25 (and on brandy at the rate of \$2)" and by inserting in lieu thereof "at the rate of \$4", and by striking out "(except brandy)".

53 Stat. 298.
26 U. S. C. § 2800
(a) (3).

(b) **RATE ON IMPORTED PERFUMES CONTAINING ALCOHOL.**—Section 2800 (a) (3) of the Internal Revenue Code is amended by striking out "\$2.25" and inserting in lieu thereof "\$4".

53 Stat. 339; 54 Stat.
525.
26 U. S. C. § 2887.

(c) **DRAWBACK ON DISTILLED SPIRITS.**—The third paragraph of section 2887 of the Internal Revenue Code is amended by striking out "but shall not exceed a rate of \$3 (or, in the case of brandy, \$2.75)" and inserting in lieu thereof "but shall not exceed a rate of \$4".

53 Stat. 298; 54 Stat.
524.
26 U. S. C. § 2800.

(d) **FLOOR STOCKS TAX.**—Section 2800 of the Internal Revenue Code is amended by inserting at the end thereof the following new subsection:

"(i) **FLOOR STOCKS TAX.**—

"(1) Upon all distilled spirits upon which the internal-revenue tax imposed by law has been paid, and which on October 1, 1941, are held and intended for sale or for use in the manufacture or production of any article intended for sale, there shall be levied, assessed, collected, and paid a floor stocks tax of \$1 (except that in the case of brandy, the rate shall be \$1.25) on each proof-gallon, and a proportionate tax at a like rate on all fractional parts of such proof-gallon.

"(2) Every person required by this subsection to pay any floor stocks tax shall, on or before January 1, 1942, under such regulations as the Commissioner, with the approval of the Secretary, shall prescribe, make a return and pay such tax. Payment of the tax shown to be due may be extended to a date not later than August 1, 1942, upon the filing of a bond for payment thereof in such form and amount and with such surety or sureties as the Commissioner, with the approval of the Secretary, may prescribe.

"(3) All provisions of law, including penalties, applicable in respect of internal-revenue taxes on distilled spirits shall, insofar as applicable and not inconsistent with this subsection, be applicable in respect of the floor stocks tax imposed hereunder. For the purposes of this subsection the term 'distilled spirits' shall include products produced in such manner that the person producing them is a rectifier within the meaning of section 3254 (g)."

53 Stat. 392.
26 U. S. C. § 3254 (g).

SEC. 534. WINES.

(a) **RATE ON STILL WINES.**—Section 3030 (a) (1) (A) of the Internal Revenue Code is amended by striking out “5 cents” and inserting in lieu thereof “8 cents”; by striking out “15 cents” and inserting in lieu thereof “30 cents”; and by striking out “25 cents” and inserting in lieu thereof “65 cents”.

54 Stat. 513.
26 U. S. C. § 3030 (a)
(1) (A).

(b) **RATE ON SPARKLING WINES, LIQUEURS, CORDIALS, ETC.**—Section 3030 (a) (2) of the Internal Revenue Code is amended by striking out “2½ cents” and inserting in lieu thereof “7 cents”; and by striking out “1¼ cents” and inserting in lieu thereof “3½ cents”.

54 Stat. 514.
26 U. S. C. § 3030
(a) (2).

(c) Subchapter F of Chapter 26 of the Internal Revenue Code is amended by inserting at the end thereof the following new section:

53 Stat. 295; 54 Stat.
525.
26 U. S. C. §§ 3190-
3191.

“SEC. 3192. FLOOR STOCKS TAX ON WINES.

“(a) **FLOOR STOCKS TAX.**—Upon all wines upon which the internal-revenue tax imposed by law has been paid, and which on October 1, 1941, are held and intended for sale or for use in the manufacture or production of an article intended for sale, there shall be levied, assessed, collected, and paid a floor stocks tax at rates equal to the increases in rates of tax (over the defense tax rates) made applicable to such articles by section 534 of the Revenue Act of 1941.

Supra.

“(b) **RETURNS.**—Every person required by subsection (a) to pay any floor stocks tax shall, on or before January 1, 1942, under such regulations as the Commissioner, with the approval of the Secretary, shall prescribe, make a return and pay such tax. Payment of the tax shown to be due may be extended to a date not later than August 1, 1942, upon the filing of a bond for payment thereof in such form and amount and with such surety or sureties as the Commissioner, with the approval of the Secretary, may prescribe.

“(c) **LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect of the taxes imposed by section 3030 (a) shall, insofar as applicable and not inconsistent with this subsection, be applicable with respect to the floor stocks tax imposed by subsection (a).”

53 Stat. 347.
26 U. S. C. § 3030 (a).
Supra.

SEC. 535. TIRES AND TUBES.

(a) **RATE ON TIRES.**—Section 3400 (1) of the Internal Revenue Code is amended by striking out “2¼ cents” and inserting in lieu thereof “5 cents”.

53 Stat. 409.
26 U. S. C. § 3400 (1).

(b) **RATE ON TUBES.**—Section 3400 (2) of the Internal Revenue Code is amended by striking out “4 cents” and inserting in lieu thereof “9 cents”.

53 Stat. 410.
26 U. S. C. § 3400 (2).

(c) **FLOOR STOCKS TAX ON TIRES AND INNER TUBES.**—Section 3400 of the Internal Revenue Code is amended by inserting “(a) **TAX.**—” before the beginning thereof and by inserting at the end thereof the following:

53 Stat. 409.
26 U. S. C. § 3400.

“(b) **FLOOR STOCKS TAX.**—Upon tires and inner tubes subject to tax under subsection (a) of the type used on vehicles subject to tax under section 3403 (a) or (b) which on October 1, 1941, are held for sale by any person there shall be levied, assessed, collected, and paid a floor stocks tax at the rate of 2½ cents per pound in the case of tires and 4½ cents per pound in the case of inner tubes. The tax shall apply to tires and inner tubes held for sale on, or in connection with, or held for use in the manufacture or production of, articles the sale of which will be subject to tax under section 3403 (a) or (b). The tax shall not apply to tires and inner tubes held for sale by the manufacturer, producer, or importer thereof, and to tires and

53 Stat. 410.
26 U. S. C. § 3403
(a), (b).
Post, p. 711.

53 Stat. 418.
26 U. S. C. §§ 3444
(a) (2), 3445.
Post, p. 721.

inner tubes the sale of which will be subject under the provisions of sections 3444 (a) (2) and 3445 to the manufacturers' tax on tires and inner tubes."

SEC. 536. EFFECTIVE DATE OF PART III.

54 Stat. 522-526.
26 U. S. C. §§ 1650
(a), 1807 (b), 2004, 2800
(g), 3190.

The amendments made by this Part shall be applicable only with respect to the period beginning with October 1, 1941, and the rates specified in section 1650 (a), section 1807 (b), section 2004, section 2800 (g), and section 3190 of the Internal Revenue Code shall not apply with respect to such period. This Part shall take effect on October 1, 1941.

Part IV—Changes in Basis of Computing Tax (Rates Increased in Certain Cases)

SEC. 541. ADMISSIONS TAX.

53 Stat. 189.
26 U. S. C. § 1700
(a) (1).

(a) **REDUCTION OF EXEMPTION.**—Section 1700 (a) (1) of the Internal Revenue Code is amended to read as follows:

"(1) **RATE.**—A tax of 1 cent for each 10 cents or fraction thereof of the amount paid for admission to any place, including admission by season ticket or subscription. In the case of persons (except bona fide employees, municipal officers on official business, children under twelve years of age, members of the military or naval forces of the United States when in uniform, and members of the Civilian Conservation Corps when in uniform) admitted free or at reduced rates to any place at any time when and under circumstances under which an admission charge is made to other persons, an equivalent tax shall be collected based on the price so charged to such other persons for the same or similar accommodations, to be paid by the person so admitted. No tax shall be imposed on the amount paid for the admission of a child under twelve years of age if the amount paid is less than 10 cents."

53 Stat. 190.
26 U. S. C. § 1701.

(b) **TERMINATION OF EXEMPTIONS.**—Section 1701 of the Internal Revenue Code (relating to exemptions from admissions tax) shall not apply with respect to amounts paid, on or after the effective date of this Part, for admission.

Ante, p. 350.

(c) **EXEMPTION OF NATIONAL PARK, ETC., ADMISSIONS TERMINATED.**—The Interior Department Appropriation Act, 1942, is amended by striking out that part thereof under the heading "NATIONAL PARK SERVICE" which reads as follows:

"Hereafter fees incident to admission to the national parks and monuments and other areas in the national park system, charged and collected with the approval of the Secretary of the Interior, shall be exempt from all Federal tax on admissions."

49 Stat. 207.

Carlsbad Caverns,
fees.

The Act entitled "An Act making appropriations for the Department of the Interior for the fiscal year ending June 30, 1936, and for other purposes", approved May 9, 1935, is amended by striking out that part thereof under the heading "NATIONAL PARK SERVICE" which reads as follows: " : *Provided*, That any admission fee charged for entrance to Carlsbad Caverns and any fee charged for guide service therein, shall be exempt from all taxes on admissions".

SEC. 542. CABARET, ROOF GARDEN, ETC., TAX.

53 Stat. 190.
26 U. S. C. § 1700 (e).
Post, p. 715.

(a) **IMPOSITION.**—Section 1700 (e) of the Internal Revenue Code is amended to read as follows:

"(e) **TAX ON CABARETS, ROOF GARDENS, ETC.**—

"(1) **RATE.**—A tax equivalent to 5 per centum of all amounts paid for admission, refreshment, service, and merchandise, at any

roof garden, carbare, or other similar place furnishing a public performance for profit, if any payment, or part thereof, for admission, refreshment, service, or merchandise, entitles the patron to be present during any portion of such performance. No tax shall be applicable under subsection (a) (1) on account of an amount paid with respect to which tax is imposed under this subsection.

53 Stat. 189.
26 U. S. C. § 1700
(a) (1).
Ante, p. 710.

“(2) BY WHOM PAID.—The tax imposed under paragraph (1) shall be returned and paid by the person receiving such payments.”

(b) PLACE OF PAYMENT.—Section 1715 (b) of the Internal Revenue Code is amended to read as follows:

53 Stat. 192.
26 U. S. C. § 1715 (b).

“(b) PLACE OF PAYMENT.—The taxes collected under subsection (a), and the taxes required to be paid under section 1700 (c), (d), or (e), shall be paid to the collector of the district in which the principal office or place of business is located.”

53 Stat. 192, 190.
26 U. S. C. § 1700
(c), (d), (e).
Ante, pp. 706, 710.

(c) RETURNS.—Section 1716 (a) of the Internal Revenue Code is amended to read as follows:

53 Stat. 193.
26 U. S. C. § 1716 (a).

“(a) REQUIREMENT.—Every person required under subsection (a) of section 1715 to collect the taxes, or required under section 1700 (c), (d), or (e) to pay the taxes, imposed by this chapter shall make returns under oath, in duplicate, in such manner and containing such information as the Commissioner, with the approval of the Secretary, may, by regulation, prescribe.”

53 Stat. 192, 190.
26 U. S. C. §§ 1715
(a), 1700 (c), (d), (e).
Ante, pp. 706, 710.

(d) Section 1700 (c) (3) and section 1700 (d) (3) of the Internal Revenue Code are repealed as of the effective date of this Part.

53 Stat. 190.
26 U. S. C. §§ 1700
(c) (3), 1700 (d) (3).

SEC. 543. CLUB DUES.

(a) REDUCTION OF EXEMPTION AND DEFENSE TAX RATE MADE PERMANENT.—Section 1710 (a) (1) and (2) of the Internal Revenue Code are amended to read as follows:

53 Stat. 192.
26 U. S. C. § 1710
(a) (1), (2).

“(1) DUES OR MEMBERSHIP FEES.—A tax equivalent to 11 per centum of any amount paid as dues or membership fees to any social, athletic, or sporting club or organization, if the dues or fees of an active resident annual member are in excess of \$10 per year.

“(2) INITIATION FEES.—A tax equivalent to 11 per centum of any amount paid 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.”

(b) DEFINITION OF DUES.—Section 1712 (a) of the Internal Revenue Code is amended to read as follows:

53 Stat. 192.
26 U. S. C. § 1712 (a).

“(a) DUES.—The term ‘dues’ includes any assessment, irrespective of the purpose for which made, and any charges for social privileges or facilities, or for golf, tennis, polo, swimming, or other athletic or sporting privileges or facilities, for any period of more than six days; and”.

SEC. 544. AUTOMOBILE, TRUCK, BUS, AND PARTS TAX.

(a) INCREASE OF RATE AND CLASSIFICATION OF BUSES.—Section 3403 (a) and (b) of the Internal Revenue Code are amended to read as follows:

53 Stat. 410.
26 U. S. C. § 3403
(a), (b).

“(a) Automobile truck chassis, automobile truck bodies, automobile bus chassis, automobile bus bodies, truck and bus trailer and semitrailer chassis, truck and bus trailer and semitrailer bodies, tractors of the kind chiefly used for highway transportation in combination with a trailer or semitrailer (including in each of the above cases parts or accessories therefor sold on or in connection therewith or

with the sale thereof), 5 per centum. A sale of an automobile truck, bus, or truck or bus trailer or semitrailer, shall, for the purposes of this subsection, be considered to be a sale of the chassis and of the body.

“(b) Other automobile chassis and bodies, chassis and bodies for trailers or semitrailers suitable for use in connection with passenger automobiles, and motorcycles (including in each case parts or accessories therefor sold on or in connection therewith or with the sale thereof), except tractors, 7 per centum. A sale of an automobile, trailer, or semitrailer shall, for the purposes of this subsection, be considered to be a sale of the chassis and of the body.”

(b) INCREASE IN RATE ON PARTS AND EXCLUSION OF RADIOS FROM AUTOMOBILE TAX.—The first sentence of section 3403 (c) of the Internal Revenue Code is amended to read as follows: “Parts or accessories (other than tires and inner tubes and other than radios) for any of the articles enumerated in subsection (a) or (b), 5 per centum.”

(c) CREDITS ON ACCOUNT OF TIRE AND TUBE TAX.—Section 3403 (e) of the Internal Revenue Code is amended to read as follows:

“(e) If tires or inner tubes on which tax has been imposed under this chapter are sold on or in connection with, or with the sale of, a chassis, body, or motorcycle, there shall (under regulations prescribed by the Commissioner, with the approval of the Secretary) be credited against the tax under this section an amount equal to, in the case of an article taxable under subsection (a), 5 per centum, and in the case of an article taxable under subsection (b), 7 per centum—

“(1) of the purchase price (less, in the case of tires, the part of such price attributable to the metal rim or rim base) if such tires or inner tubes were taxable under section 3400 (relating to tax on tires and inner tubes); or

“(2) if such tires or inner tubes were taxable under section 3444 (relating to use by manufacturer, producer, or importer) then of the price (less, in the case of tires, the part of such price attributable to the metal rim or rim base) at which such or similar tires or inner tubes are sold, in the ordinary course of trade, by manufacturers, producers, or importers thereof, as determined by the Commissioner. In lieu of the rates of credit of 5 per centum and 7 per centum above provided, the rates, respectively, for the following periods, shall be as follows:

“(A) With respect to the period after June 30, 1940, and before the effective date of the increase in tax on automobiles made by the Revenue Act of 1941, 2½ per centum and 3½ per centum; and

“(B) With respect to the period before July 1, 1940, 2 per centum and 3 per centum.”

(d) CREDITS ON TERMINATION OF TAX.—Section 3403 (f) of the Internal Revenue Code (relating to credits and refunds on termination of automobile tax) is repealed.

SEC. 545. RADIOS, PHONOGRAPHS, RECORDS, AND MUSICAL INSTRUMENTS.

Section 3404 of the Internal Revenue Code is amended to read as follows:

“SEC. 3404. TAX ON RADIO RECEIVING SETS, PHONOGRAPHS, PHONOGRAPH RECORDS, AND MUSICAL INSTRUMENTS.

“There shall be imposed upon the following articles (including in each case, except in the case of musical instruments, parts or accessories therefor sold on or in connection with the sale thereof) sold

53 Stat. 410.
26 U. S. C. § 3403
(c).

53 Stat. 410.
26 U. S. C. § 3403
(e).
Post, p. 721.

53 Stat. 409.
26 U. S. C. § 3400.
Ante, p. 709.

53 Stat. 418.
26 U. S. C. § 3444.
Post, p. 721.

53 Stat. 411.
26 U. S. C. § 3403
(f).

53 Stat. 411.
26 U. S. C. § 3404.

by the manufacturer, producer, or importer a tax equivalent to 10 per centum of the price for which sold:

“(a) Radio receiving sets, automobile radio receiving sets, combination radio and phonograph sets, and phonographs.

“(b) Chassis, cabinets, tubes, reproducing units, power packs, antennae of the ‘built-in’ type, and phonograph mechanisms, which are suitable for use on or in connection with, or as component parts of, any of the articles enumerated in subsection (a), whether or not primarily adapted for such use.

“(c) Phonograph records.

“(d) Musical instruments.”

SEC. 546. MECHANICAL REFRIGERATORS.

Section 3405 of the Internal Revenue Code is amended to read as follows:

53 Stat. 412.
26 U. S. C. § 3405.

“SEC. 3405. TAX ON REFRIGERATORS, REFRIGERATING APPARATUS, AND AIR-CONDITIONERS.

“There shall be imposed on the following articles (including in each case parts or accessories therefor sold on or in connection with the sale thereof) sold by the manufacturer, producer, or importer a tax equivalent to 10 per centum of the price for which so sold:

“(a) REFRIGERATORS, ETC.—Refrigerators, beverage coolers, ice cream cabinets, water coolers, food and beverage display cases, food and beverage storage cabinets, ice making machines, and milk cooler cabinets, each such article having, or being primarily designed for use with, a mechanical refrigerating unit operated by electricity, gas, kerosene, or gasoline.

“(b) REFRIGERATING APPARATUS.—Compressors, condensers, evaporators, expansion units, absorbers, and controls, for, or suitable for use as part of, or with, a refrigerating plant, refrigerating system, refrigerating equipment or unit, or any of the articles enumerated in subsection (a).

“(c) AIR-CONDITIONERS.—Self-contained air-conditioning units.

“(d) COMPONENTS.—Cabinets, compressors, condensers, fans, blowers, heating coils, cooling coils, filters, humidifiers, and controls, for, or suitable for use as part of, or with, any of the articles enumerated in subsection (c).”

SEC. 547. MATCHES.

Section 3409 of the Internal Revenue Code is amended to read as follows:

53 Stat. 412.
26 U. S. C. § 3409.

“SEC. 3409. TAX ON MATCHES.

“(a) MANUFACTURERS’ TAX.—There shall be imposed upon matches sold by the manufacturer, producer, or importer, a tax of 2 cents per 1,000 matches, except that in the case of fancy wooden matches and wooden matches having a stained, dyed, or colored stick or stem, packed in boxes or in bulk, the tax shall be 5½ cents per 1,000 matches.

“(b) FLOOR STOCKS TAX.—On matches subject to tax under subsection (a) which, on October 1, 1941, are held and intended for sale, or for disposition in connection with the sale of other articles, there shall be levied, assessed, collected, and paid a floor stocks tax at the rate of 2 cents per thousand matches. The tax shall not apply to matches in retail stocks held at the place where intended to be sold or disposed of. The tax shall not apply to matches held for sale by the manufacturer, producer, or importer thereof, nor to fancy wooden matches or wooden matches having a stained, dyed, or colored stick or stem.”

SEC. 548. TELEPHONE, TELEGRAPH, ETC.

53 Stat. 422.
26 U. S. C. §§ 3465,
3466.

Sections 3465 and 3466 of the Internal Revenue Code are amended to read as follows:

“SEC. 3465. IMPOSITION AND RATE OF TAX.

“(a) There shall be imposed:

“(1) (A) In the case of each telephone or radio telephone message or conversation which originates within the United States, for which the charge is more than 24 cents, a tax of 5 cents for each 50 cents, or fraction thereof, of the charge.

“(B) In the case of each telegraph, cable, or radio dispatch or message which originates within the United States, a tax of 10 per centum of the amount of the charge.

Only one payment of a tax imposed by subparagraph (A) or (B) shall be required notwithstanding the lines or stations of one or more persons are used in the transmission of such dispatch, message, or conversation.

Post, p. 715.

“(2) (A) A tax equivalent to 10 per centum of the amount paid for leased wire, teletypewriter, or talking circuit special service.

“(B) A tax equivalent to 5 per centum of the amount paid for any wire and equipment service (including stock quotation and information services, burglar alarm or fire alarm service, and all other similar services, but not including service described in subparagraph (A)).

The tax shall apply under this paragraph whether or not the wires or services are within a local exchange area.

Post, p. 715.

“(3) A tax equivalent to 6 per centum of the amount paid by subscribers for local telephone service and for any other telephone service in respect of which a tax is not payable under paragraph (1) or (2). Amounts paid for the installation of instruments, wires, poles, switchboards, apparatus, and equipment shall not be considered amounts paid for service. Service paid for by inserting coins in coin-operated telephones shall not be subject to the tax imposed by this paragraph.

“(b) This section shall not apply to the amount paid for so much of the service described in paragraph (2) of subsection (a) as is utilized in the conduct, by a common carrier or telephone or telegraph company or a radio broadcasting station or network, of its business as such.

“SEC. 3466. EXEMPTION FROM TAX.

Supra.

“(a) No tax shall be imposed under section 3465 upon any payment received for services or facilities furnished to the United States or to any State or Territory, or political subdivision thereof, or the District of Columbia.

Supra.

“(b) No tax shall be imposed under section 3465 (a) (1) and (2) upon any payment received from any person for services or facilities utilized in the collection of news for the public press, or a news ticker service furnishing a general news service similar to that of the public press, or radio broadcasting, or in the dissemination of news through the public press, or a news ticker service furnishing a general news service similar to that of the public press, or by means of radio broadcasting, if the charge for such services or facilities is billed in writing to such person. Section 3465 (a) (3) shall not be construed as imposing a tax on services and facilities described in section 3465 (a) (1) or (2) which are exempt from tax under this subsection.

“(c) The right to exemption under this section shall be evidenced in such manner as the Commissioner with the approval of the Secretary may by regulation prescribe.”

SEC. 549. INSTALLMENT, ETC., PAYMENTS.

Section 3441 (c) of the Internal Revenue Code is amended to read as follows:

53 Stat. 416.
26 U. S. C. § 3441 (c).

“(c) (1) In the case of (A) a lease, (B) a contract for the sale of an article wherein it is provided that the price shall be paid by installments and title to the article sold does not pass until a future date notwithstanding partial payment by installments, or (C) a conditional sale, there shall be paid upon each payment with respect to the article that portion of the total tax which is proportionate to the portion of the total amount to be paid represented by such payment.

“(2) In the application of paragraph (1) to the articles with respect to which the rate of tax is increased by the Revenue Act of 1941 or by the Revenue Act of 1940, where the lease, contract of sale, or conditional sale, and delivery thereunder—

54 Stat. 516.

“(A) was made before July 1, 1940, the total tax referred to in paragraph (1) shall be the tax at the rate in force on June 30, 1940, and not at any greater rate; or

“(B) was made after June 30, 1940, and before October 1, 1941, the total tax referred to in paragraph (1) shall be the tax at the rate in force on September 30, 1941, and not at any greater rate.

“(3) Despite the provisions of paragraph (1), no tax shall be imposed with respect to any article not taxable under the law in existence on the day before the date of the enactment of the Revenue Act of 1941, if with respect to such article the lease, contract for sale, or conditional sale, and delivery thereunder, was made before October 1, 1941.”

SEC. 550. EFFECTIVE DATE OF PART IV.

(a) The amendments made by this Part shall be applicable only with respect to the period beginning with the effective date of this Part, and the rates specified in section 1650 (a), section 1807 (b), section 2004, section 2800 (g), and section 3190 of the Internal Revenue Code shall not apply with respect to such period. This Part shall take effect on October 1, 1941.

54 Stat. 522-526.
26 U. S. C. §§ 1650
(a), 1807 (b), 2004,
2800 (g), 3190.

(b) Despite the provisions of subsection (a), the tax imposed by section 1700 (e) of the Internal Revenue Code, as amended by section 542 of this Act (relating to cabaret, etc., tax), shall be applicable only with respect to the period beginning at 10 a. m. on October 1, 1941, and the tax imposed by such subsection as in force prior to its amendment by section 542 of this Act, as modified by section 1650 (a) of the Internal Revenue Code, shall be applicable with respect to the period before 10 a. m. on such date.

53 Stat. 190.
26 U. S. C. § 1700 (e).

Ante, p. 710.

(c) Despite the provisions of subsection (a), the amendment of section 3465 (a) (2) made by section 548 of this Act (relating to tax on leased-wire, etc., services) shall be applicable only to amounts paid on or after such effective date for services rendered, on or after October 1, 1941, and the provisions of such subsection before its amendment by section 548 shall be applicable with respect to the period before October 1, 1941.

54 Stat. 522.
26 U. S. C. § 1650
(a).

53 Stat. 422; *ante*,
p. 714.
26 U. S. C. § 3465
(a) (2).

(d) Despite the provisions of subsection (a), section 3465 (a) (3) of the Internal Revenue Code (relating to tax on telephone bills), added to the Internal Revenue Code by section 548 of this Act, shall apply only to the amounts paid in pursuance of bills rendered, after October 5, 1941, for services for which no previous bill was rendered.

53 Stat. 422.
26 U. S. C. § 3465
(a).
Ante, p. 714.

Such section 3465 (a) (3) shall not apply to amounts paid for services otherwise taxable under section 3465 (a) (1) which were rendered before October 6, 1941; nor to amounts paid for services otherwise taxable under section 3465 (a) (2) which were rendered or paid for before October 6, 1941.

Part V—New Excise Taxes

SEC. 551. NEW MANUFACTURERS' EXCISE TAXES.

53 Stat. 412.
26 U. S. C. § 3405.

Subchapter A of Chapter 29 of the Internal Revenue Code is amended by inserting after section 3405 the following new section:

"SEC. 3406. EXCISE TAXES IMPOSED BY THE REVENUE ACT OF 1941.

"(a) IMPOSITION.—There shall be imposed on the following articles, sold by the manufacturer, producer, or importer, a tax equivalent to the rate, on the price for which sold, set forth in the following paragraphs (including in each case parts or accessories of such articles sold on or in connection therewith, or with the sale thereof):

"(1) SPORTING GOODS.—Badminton nets; badminton rackets (measuring 22 inches over-all or more in length); badminton racket frames (measuring 22 inches over-all or more in length); badminton racket string; badminton shuttlecocks, badminton standards; baseballs; baseball bats (measuring 26 inches or more in length); baseball body protectors and shin guards; baseball gloves and mitts; baseball masks; basketballs; billiard and pool tables (measuring 45 inches over-all or more in length); billiard and pool balls and cues for such tables; bowling balls and pins; boxing gloves, masks, head guards, and ear guards; clay pigeons; cricket balls; cricket bats; croquet balls and mallets; curling stones; deck tennis rings, nets, and posts; fencing equipment; fishing rods, creels, reels, and artificial lures, baits, and flies; footballs; football harness; football helmets; golf bags (measuring 26 inches or more in length); golf balls; golf clubs (measuring 30 inches or more in length); gymnasium equipment and apparatus; hockey balls; hockey pucks; hockey sticks (measuring 30 inches or more in length); indoor baseballs; indoor baseball bats (measuring 26 inches or more in length); indoor baseball gloves and mitts; lacrosse balls; lacrosse sticks; mass balls; polo balls; polo mallets; push balls; skates; skis; ski poles; snow shoes; snow toboggans and sleds; soccer balls; softball balls; softball bats (measuring 26 inches or more in length); softball gloves and mitts; squash balls; squash rackets (measuring 22 inches over-all or more in length); squash racket frames (measuring 22 inches over-all or more in length); squash racket string; tennis balls; table tennis tables, balls, nets, and paddles; tennis nets; tennis rackets (measuring 22 inches over-all or more in length); tennis racket frames (measuring 22 inches over-all or more in length); tennis racket string; track hurdles; traps for throwing clay pigeons; vaulting poles, cross bars, and standards; volley balls, nets, and standards; water polo balls and goals; and wrestling head harness; 10 per centum.

"(2) LUGGAGE.—Trunks, valises, traveling bags, suitcases, hat boxes for use by travelers, fitted toilet cases (not including contents), and other traveler's luggage, and leather and imitation leather brief cases, 10 per centum.

"(3) ELECTRIC, GAS, AND OIL APPLIANCES.—Electric direct motor-driven fans and air circulators; electric, gas, or oil water heaters;

electric flat irons; electric air heaters (not including furnaces); electric immersion heaters; electric heating pads and blankets; electric, gas, or oil appliances of the type used for cooking, warming, or keeping warm food or beverages for consumption on the premises; electric mixers, whippers, and juicers; and household type electric vacuum cleaners; 10 per centum.

"(4) PHOTOGRAPHIC APPARATUS.—Cameras and lenses; unexposed photographic films (including motion picture films but not including X-ray film), photographic plates and sensitized paper; photographic apparatus and equipment; and any apparatus or equipment designed especially for use in the taking of photographs or motion pictures or in the developing, printing, or enlarging of photographs or motion picture films; 10 per centum.

"(5) ELECTRIC SIGNS.—Neon-tube signs, electric signs, and electric advertising devices, 10 per centum.

"(6) BUSINESS AND STORE MACHINES.—Adding machines, addressing machines, autographic registers, bank proof machines, billing machines, bookkeeping machines, calculating machines, card punching machines, cash registers, change making machines, check writing machines, check signing machines, check canceling machines, check perforating machines, check cutting machines, check dating machines, other check protector machine devices, computing machines, coin counters, dictographs, dictating machine record shaving machines, dictating machines, duplicating machines, embossing machines, envelope opening machines, erasing machines, folding machines, fanfold machines, fare registers, fare boxes, listing machines, line-a-time and similar machines, mailing machines, multigraph machines, multigraph typesetting machines, multigraph type justifying machines, numbering machines, portable paper fastening machines, pay roll machines, pencil sharpeners, postal permit mailing machines, punch card machines, sorting machines, stencil cutting machines, shorthand writing machines, sealing machines, tabulating machines, ticket counting machines, ticket issuing machines, typewriters, transcribing machines, time recording devices, and combinations of any of the foregoing, 10 per centum.

"(7) RUBBER ARTICLES.—Articles of which rubber is the component material of chief weight, 10 per centum. The tax imposed under this paragraph shall not be applicable to footwear, articles designed especially for hospital or surgical use, or articles taxable under any other provision of this chapter.

"(8) WASHING MACHINES.—Washing machines of the kind used in commercial laundries, 10 per centum. No tax shall be imposed under this paragraph on washing machines of the household type.

"(9) OPTICAL EQUIPMENT.—Refractometers; spectrometers; spectroscopes; colorimeters; polariscopes; optical measuring instruments; telescopic sights; projection lenses and prisms; optical machinery; microscopes; telescopes; photo-micro and micro-projection apparatus; fire control optical instruments; and search-light mirrors and reflectors; 10 per centum.

"(10) ELECTRIC LIGHT BULBS AND TUBES.—Electric light bulbs and tubes, not including articles taxable under any other provision of this subchapter, 5 per centum.

"(b) EXEMPTION IF ARTICLE TAXABLE AS JEWELRY.—No tax shall be imposed under this section on any article taxable under section 2400 (relating to jewelry tax).

"(c) EFFECTIVE DATE.—This section shall take effect on October 1, 1941."

SEC. 552. NEW RETAILERS' EXCISE TAXES.

53 Stat. 260, 263.
26 U. S. C. §§ 2380-
2390.

(a) **IMPOSITION OF TAX.**—The Internal Revenue Code is amended by adding after chapter 18 the following new chapter:

"CHAPTER 19—RETAILERS' EXCISE TAXES**"SEC. 2400. TAX ON JEWELRY, ETC.**

"There is hereby imposed upon the following articles sold at retail a tax equivalent to 10 per centum of the price for which so sold: All articles commonly or commercially known as jewelry, whether real or imitation; pearls, precious and semi-precious stones, and imitations thereof; articles made of, or ornamented, mounted or fitted with, precious metals or imitations thereof; watches and clocks and cases and movements therefor; gold, gold-plated, silver, silver-plated or sterling flatware or hollow ware; opera glasses; lorgnettes; marine glasses; field glasses; and binoculars. The tax imposed by this section shall not apply to any article used for religious purposes, to surgical instruments, or to frames or mountings for spectacles or eyeglasses, or to a fountain pen if the only parts of the pen which consist of precious metals are essential parts not used for ornamental purposes.

"SEC. 2401. TAX ON FURS.

"There is hereby imposed upon the following articles sold at retail a tax equivalent to 10 per centum of the price for which so sold: Articles made of fur on the hide or pelt, and articles of which such fur is the component material of chief value.

"SEC. 2402. TAX ON TOILET PREPARATIONS.

"(a) **TAX.**—There is hereby imposed upon the following articles sold at retail a tax equivalent to 10 per centum of the price for which so sold: Perfumes, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, aromatic cachous, toilet powders, and any similar substance, article, or preparation, by whatsoever name known or distinguished; any of the above which are used or applied or intended to be used or applied for toilet purposes.

"(b) **BEAUTY PARLORS, ETC.**—For the purposes of subsection (a) the sale of any article described in subsection (a) to any person operating a barber shop, beauty parlor, or similar establishment shall be considered a sale at retail; resale by such person shall be subject to tax as a sale at retail, but there shall be credited against the tax payable by such person with respect to such resale the amount of tax paid on the sale to such person.

"SEC. 2403. RETURN AND PAYMENT OF RETAILERS' EXCISE TAXES.

"(a) Every person who sells at retail any article taxable under this chapter shall make monthly returns under oath in duplicate and pay the taxes imposed by this chapter to the collector for the district in which is located his principal place of business or, if he has no principal place of business in the United States, then to the collector at Baltimore, Maryland. 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.

"(b) 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 6 per centum per annum from the time when the tax became due until paid.

“(c) In determining, for the purposes of this chapter, the price for which an article is sold, there shall be included any charge for coverings and containers of whatever nature, and any charge incident to placing the article in condition packed ready for shipment, but there shall be excluded the amount of tax imposed by this chapter, whether or not stated as a separate charge. A transportation, delivery, insurance, installation, or other charge (not required by the foregoing sentence to be included) shall be excluded from the price only if the amount thereof is established to the satisfaction of the Commissioner, in accordance with the regulations. There shall also be excluded, if stated as a separate charge, the amount of any retail sales tax imposed by any State or Territory or political subdivision of the foregoing, or the District of Columbia, whether the liability for such tax is imposed on the vendor or the vendee.

“SEC. 2404. DEFINITION OF SALE.

“For the purposes of this chapter, the lease of an article shall be considered the sale of such article.

“SEC. 2405. LEASES, CONDITIONAL SALES, ETC.

“In the case of (a) a lease, (b) a contract for the sale of an article wherein it is provided that the price shall be paid by installments and title to the article sold does not pass until a future date notwithstanding partial payment by installments, or (c) a conditional sale, there shall be paid upon each payment with respect to the article that portion of the total tax which is proportionate to the portion of the total amount to be paid represented by such payment. No tax shall be imposed under this chapter on the sale of any article taxable under section 2400 or section 2401 if with respect to such article the lease, contract for sale, or conditional sale was made, delivery thereunder was made, and a part of the consideration was paid, before October 1, 1941.

Ante, p. 718.

“SEC. 2406. TAX-FREE SALES.

“Under regulations prescribed by the Commissioner with the approval of the Secretary, no tax under this chapter shall be imposed with respect to the sale of any article—

“(a) for the exclusive use of the United States, any State, Territory of the United States, or any political subdivision of the foregoing, or the District of Columbia;

“(b) for export, or for shipment to a possession of the United States, and in due course so exported or shipped.

“SEC. 2407. CREDITS AND REFUNDS.

“(a) A credit against tax under this chapter, or a refund, may be allowed with respect to an article, when the price on which the tax was based is readjusted by reason of return or repossession of the article, or by a bona fide discount, rebate, or allowance, in the amount of that part of the tax proportionate to the part of the price which is refunded or credited.

“(b) No overpayment of tax under this chapter shall be credited or refunded, in pursuance of a court decision or otherwise, unless the person who paid the tax establishes, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, (1) that he has not included the tax in the price of the article with

respect to which it was imposed, or collected the amount of tax from the purchaser, or (2) that he has repaid the amount of the tax to the purchaser of the article, or unless he files with the Commissioner written consent of such purchaser to the allowance of the credit or refund.

"SEC. 2408. APPLICABILITY OF ADMINISTRATIVE PROVISIONS.

"All provisions of law (including penalties) applicable in respect of the taxes imposed by section 2700 shall, insofar as applicable and not inconsistent with this chapter, be applicable in respect of the taxes imposed by this chapter.

53 Stat. 288,
26 U. S. C. § 2700.
Ante, p. 707.

"SEC. 2409. PENALTY FOR REPRESENTATION THAT TAX IS NOT PASSED ON.

"Whoever in connection with the sale or lease, or offer for sale or lease, of any article taxable under this chapter, makes any statement, written or oral, in advertisement or otherwise, intended or calculated to lead any person to believe that the price of the article does not include the tax imposed by this chapter, shall on conviction thereof be punished by a fine of not more than \$1,000.

"SEC. 2410. RULES AND REGULATIONS.

"The Commissioner, with the approval of the Secretary, shall prescribe and publish all needful rules and regulations for the enforcement of this chapter.

"SEC. 2411. EFFECTIVE DATE.

"This chapter shall be effective on and after October 1, 1941."

(b) **TERMINATION OF MANUFACTURERS' TAX ON TOILET PREPARATIONS.**—The tax imposed by section 3401 of the Internal Revenue Code shall not apply to articles sold on or after October 1, 1941.

53 Stat. 410.
26 U. S. C. § 3401.

SEC. 553. ADMINISTRATIVE CHANGES IN MANUFACTURERS' EXCISE TAX TITLE OF CODE.

(a) **LEASES.**—Section 3440 of the Internal Revenue Code is amended to read as follows:

53 Stat. 416.
26 U. S. C. § 3440.

"SEC. 3440. DEFINITION OF SALE.

"For the purposes of this chapter the lease of an article (including any renewal or any extension of a lease or any subsequent lease of such article) by the manufacturer, producer, or importer shall be considered a taxable sale of such article."

(b) **EXISTING CONTRACTS.**—Chapter 29 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 3453. EXISTING CONTRACTS.

"(a) **TAX PAYABLE BY VENDEE.**—If (1) any person has, prior to the effective date of Part V of Title V of the Revenue Act of 1941, made a bona fide contract for the sale on or after such date, of any article with respect to the sale of which a tax is imposed by that Act or an existing rate of tax is increased by that Act, and (2) such contract does not permit the adding to the amount to be paid under such contract of the whole of such tax or increased rate of tax, then (unless the contract prohibits such addition) the vendee shall, in lieu of the vendor, pay so much of the tax as is not so permitted to be added to the contract price.

53 Stat. 409, 420.
26 U. S. C. §§ 3400–
3452.

“(b) **TAX PAID TO VENDOR.**—Taxes payable by the vendee shall be paid to the vendor at the time the sale is consummated, and shall be collected and paid to the United States by the vendor in the same manner as provided in section 3467. In case of failure or refusal by the vendee to pay such taxes to the vendor, the vendor shall report the facts to the Commissioner who shall cause collection of such taxes to be made from the vendee.”

53 Stat. 422.
26 U. S. C. § 3467.

(c) **UNEXPOSED MOTION PICTURE FILMS.**—Section 3443 (a) (3) (A) of the Internal Revenue Code (relating to credits or refunds of tax to manufacturer) is amended by inserting at the end thereof the following new clause:

53 Stat. 417.
26 U. S. C. § 3443
(a) (3) (A).

“(v) in the case of unexposed motion picture films, used or resold for use in the making of news reel motion picture films.”

(d) **CREDITS, AND TAX FREE SALES OF AUTOMOBILE RADIOS.**—Section 3442, section 3443 (a) (1), and section 3444 (a) (1) and (2) of the Internal Revenue Code (relating to tax in case of sale of tires to manufacturers of automobiles, etc., and credit on sale) are amended by striking out “tires or inner tubes” wherever appearing therein and inserting “tires, inner tubes, or automobile radios taxable under section 3404”; and by striking out “tire or inner tube” wherever appearing therein and inserting “tire, inner tube, or automobile radio taxable under section 3404”. Section 3403 (e) of the Internal Revenue Code, as amended by this Act, is further amended by striking out “tires and inner tubes” where the phrase appears the first time and inserting “tires, inner tubes, or automobile radios”; paragraph (1) of subsection (e) of such section is amended by inserting before the semicolon “or, in the case of automobile radios, if such radios were taxable under section 3404”; paragraph (2) of subsection (e) of such section is amended by striking out “tires or inner tubes” wherever such phrase appears and inserting “tires, inner tubes, or automobile radios”.

53 Stat. 416, 417, 418.
26 U. S. C. §§ 3442,
3443 (a) (1), 3444 (a)
(1)–(2).

Ante, p. 712.

53 Stat. 410; *ante*,
p. 712.
26 U. S. C. § 3403
(e).

SEC. 554. TRANSPORTATION OF PERSONS, ETC.

(a) The heading of subchapter C is amended to read as follows:

53 Stat. 421, 423.
26 U. S. C. §§ 3470–
3474.

“SUBCHAPTER D—ADMINISTRATIVE PROVISIONS”.

(b) Chapter 30 of the Internal Revenue Code is amended by inserting after section 3468 the following new subchapter:

53 Stat. 423.
26 U. S. C. § 3468.

“SUBCHAPTER C—TRANSPORTATION OF PERSONS

“SEC. 3469. TAX ON TRANSPORTATION OF PERSONS, ETC.

“(a) **TRANSPORTATION.**—There shall be imposed upon the amount paid within the United States, on or after October 10, 1941, for the transportation, on or after such effective date, of persons by rail, motor vehicle, water, or air, within or without the United States, a tax equal to 5 per centum of the amount so paid. Such tax shall apply to transportation by motor vehicles having a passenger seating capacity of less than ten adult passengers, including the driver, only when such vehicle is operated on an established line.

“(b) **EXEMPTION OF CERTAIN TRIPS.**—The tax imposed by subsection (a) shall not apply to amounts paid for transportation which do not exceed 35 cents, to amounts paid for commutation or season tickets for single trips of less than thirty miles, or to amounts paid for commutation tickets for one month or less.

“(c) **SEATS, BERTHS, ETC.**—There shall be imposed upon the amount paid within the United States for seating or sleeping accom-

modations in connection with transportation with respect to which a tax is imposed by subsection (a) a tax equivalent to 5 per centum of the amount so paid.

“(d) RETURNS AND PAYMENT.—The taxes imposed by this section shall be paid by the person making the payment subject to the tax. Each person receiving any payment specified in subsection (a) or (c) shall collect the amount of the tax imposed from the person making such payment, and shall, on or before the last day of each month, make a return, under oath, for the preceding month, and pay the taxes so collected to the collector in the district in which his principal place of business is located, or if he has no principal place of business in the United States, to the collector at Baltimore, Maryland. Such returns shall contain such information and be made in such manner as the Commissioner with the approval of the Secretary may by regulations prescribe.

“(e) EXTENSIONS OF TIME.—The Commissioner may extend the time for making returns and paying the taxes collected, under such rules and regulations as he shall prescribe with the approval of the Secretary, but no such extension shall be for more than ninety days.

“(f) EXEMPTIONS.—

“(1) GOVERNMENTAL EXEMPTION.—The tax imposed by this section shall not apply to the payment for transportation or facilities furnished to the United States, or to any State or Territory, or political subdivision thereof, or the District of Columbia.

“(2) EXEMPTION OF MEMBERS OF MILITARY AND NAVAL SERVICE.—The tax imposed by this section shall not apply to the payment for transportation or facilities furnished under special tariffs providing for fares of not more than 1¼ cents per mile applicable to round trip tickets sold to personnel of the United States Army, Navy, Marine Corps, and Coast Guard traveling in uniform of the United States at their own expense when on official leave, furlough, or pass, including authorized cadets and midshipmen, issued on presentation of properly executed certificate.”

(c) STAMP TAX ON PASSAGE TICKETS NOT TO APPLY.—No tax shall be imposed under chapter 11 of the Internal Revenue Code on a ticket sold or issued for passage the amount paid for which is taxable under section 3469 of the Internal Revenue Code.

(d) TECHNICAL AMENDMENTS.—

(1) Section 55 (a) (2) of the Internal Revenue Code is amended by striking out “subchapters A and B of”.

(2) Section 3471 (a) and (c) are amended by inserting after “subchapter B” wherever occurring therein “or subchapter C”.

(3) Section 3472 of the Internal Revenue Code is amended by striking out “of subchapters A and B”.

SEC. 555. COIN-OPERATED AMUSEMENT AND GAMING DEVICES.

Subchapter A of chapter 27 of the Internal Revenue Code is amended by adding at the end thereof the following new part:

“Part IX—Coin-Operated Amusement and Gaming Devices

“SEC. 3267. TAX ON COIN-OPERATED AMUSEMENT AND GAMING DEVICES.

“(a) RATE.—Every person who maintains for use or permits the use of, on any place or premises occupied by him, a coin-operated amusement or gaming device shall pay a special tax as follows:

“(1) \$10 per year in the case of a device defined in clause (1) of subsection (b);

“(2) \$50 per year, in the case of a device defined in clause (2) of subsection (b); and

53 Stat. 195.
26 U. S. C. §§ 1800-
1838.
Ante, p. 721.

53 Stat. 29.
26 U. S. C. § 55
(a) (2).
53 Stat. 423.
26 U. S. C. § 3471
(a), (c).
53 Stat. 423.
26 U. S. C. § 3472.

53 Stat. 380, 394.
26 U. S. C. §§ 3200-
3266.

"(3) \$10 or \$50, as the case may be, for each additional device so maintained or the use of which is so permitted. If one such device is replaced by another, such other device shall not be considered an additional device.

"(b) DEFINITION.—As used in this part the term 'coin-operated amusement and gaming devices' means (1) so-called 'pin-ball' and other similar amusement machines, operated by means of the insertion of a coin, token, or similar object, and (2) so-called 'slot' machines which operate by means of insertion of a coin, token, or similar object and which, by application of the element of chance, may deliver, or entitle the person playing or operating the machine to receive, cash, premiums, merchandise, or tokens. The term does not include bona fide vending machines in which are not incorporated gaming or amusement features.

"(c) APPLICABILITY OF ADMINISTRATIVE PROVISIONS.—An operator of a place or premises who maintains for use or permits the use of any coin-operated device shall be considered, for the purposes of subchapter B, to be engaged in a trade or business in respect of each such device.

53 Stat. 394.
26 U. S. C. §§ 3270-3282.

"(d) EFFECTIVE DATE OF TAX.—With respect to the year ending June 30, 1942, no tax shall be payable under this part for any period prior to October 1, 1941."

SEC. 556. BOWLING ALLEYS, ETC.

Subchapter A of chapter 27 of the Internal Revenue Code is amended by adding at the end thereof the following new part:

53 Stat. 390, 394.
26 U. S. C. §§ 3200-3206.
Ante, p. 722.

"Part X—Bowling Alleys, and Billiard and Pool Tables

"SEC. 3268. TAX ON BOWLING ALLEYS, AND BILLIARD AND POOL TABLES.

"(a) RATE.—Every person who operates a bowling alley, billiard room, or pool room shall pay a special tax of \$10 per year for each bowling alley, billiard table, or pool table. Every building or place where bowls are thrown or where games of billiards or pool are played, except in private homes, shall be regarded as a bowling alley, billiard room, or pool room, respectively.

"(b) EFFECTIVE DATE OF TAX.—With respect to the year ending June 30, 1942, no tax shall be payable under this part for any period prior to October 1, 1941."

SEC. 557. USE OF MOTOR VEHICLES AND BOATS.

The Internal Revenue Code is amended by inserting after chapter 33 the following new chapter:

53 Stat. 430, 432.
26 U. S. C. §§ 3520-3528.

"CHAPTER 33A—USE OF MOTOR VEHICLES AND BOATS

"SEC. 3540. TAX ON USE OF MOTOR VEHICLES AND BOATS.

"(a) IMPOSITION OF TAX.—There shall be imposed upon the use of motor vehicles and boats a tax, with respect to each year in which such use occurs, at the following rates:

"(1) Motor vehicles—\$5.

"(2) BOATS.—

"Over-all length 16 feet or over but not over 28 feet, \$5.

"Over-all length over 28 feet but not over 50 feet, \$10.

"Over-all length over 50 feet but not over 100 feet, \$40.

"Over-all length over 100 feet but not over 150 feet, \$100.

"Over-all length over 150 feet but not over 200 feet, \$150.

"Over-all length over 200 feet, \$200.

Effective date.

Such tax, in the case of a motor vehicle, shall be paid by the person in whose name the motor vehicle is, or is required to be, registered under the law of the State, Territory, or the District of Columbia in which such motor vehicle is, or is required to be, registered. Such tax, in the case of a boat, shall be paid by the owner of the boat. The tax imposed by this section shall not apply to any use before February 1, 1942, and use before such date shall not be considered to be use within the meaning of this section.

“(b) DEFINITIONS.—For the purposes of this section—

“(1) The term ‘year’ means the year beginning July 1.

“(2) The term ‘motor vehicle’ means all motor vehicles of the kind chiefly used for highway transportation.

“(3) The term ‘boat’ means all boats propelled by machinery, sail, or both, measuring sixteen feet or more in over-all length, owned by a citizen or resident of the United States. Such term does not include boats used chiefly for trade, or commercial fishing, or boats used without profit by any benevolent, charitable, or religious organization exclusively for furnishing aid, comfort, or relief to seamen, or boats used by the sea scouts department of the Boy Scouts of America chiefly for training scouts in seamanship.

“(4) The term ‘use’ in the case of the use of a motor vehicle means use on the public highways.

“(c) PRORATION OF TAX.—If in any year the first use of the motor vehicle or boat is after July 31 the tax shall be reckoned proportionately from the first day of the month in which such use occurs to and including the 30th day of June following.

“(d) ONE PAYMENT PER YEAR.—If the tax imposed by this section is paid with respect to any motor vehicle or boat for any year no further tax shall be imposed for such year with respect to such motor vehicle or boat.

“(e) EVIDENCE OF TAX PAYMENT.—The payment of the tax imposed by this section shall be evidenced by such suitable stamp, sticker, or tag of such form, which shall be affixed to the motor vehicle or boat in such manner, as the Commissioner, with the approval of the Secretary, may by regulations prescribe.

“(f) MANNER OF COLLECTION.—The place, time, and manner of making payment of the tax, and of furnishing such stamp, sticker, or tag shall be such as may be provided in regulations prescribed by the Commissioner with the approval of the Secretary.

“(g) COOPERATION OF POST OFFICE DEPARTMENT.—The Commissioner shall furnish to the Postmaster General without prepayment a suitable quantity of stamps, stickers, or tags to be distributed to and kept on sale by 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, stickers, or tags furnished to him, and each such postmaster shall deposit the receipts from the sale of such stamps, stickers, or tags 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. The Postmaster General is authorized to cooperate to the fullest extent possible with the Commissioner in the sale of such stamps, stickers, or tags and in forwarding to the Commissioner or to the collector of internal revenue such blanks or forms as the Commissioner may determine necessary to the collection of the tax. There are authorized to be appropriated such sums as may be necessary to enable the Secretary

of the Treasury to advance from time to time to the Postmaster General such sums as the Postmaster General may show shall be required for the expenses of the Post Office Department in performing in the District of Columbia and elsewhere all services required by this section.

“(h) **SALE OF STAMPS BY PRIVATE PERSONS.**—If the Commissioner provides for the sale of stamps, stickers, or tags by persons not officers or employees of the United States he may require bond, with sufficient sureties, in a sum to be fixed by the Commissioner, conditioned for the faithful return, whenever required, of all quantities or amounts undisposed of, and for the payment for, all quantities or amounts sold or not remaining on hand. The Commissioner, with the approval of the Secretary, may from time to time make such regulations as he may find necessary to insure the safekeeping or prevention of illegal use of all such stamps, stickers, or tags.

“(i) **PENALTIES FOR UNLAWFUL USE.**—Any person liable for the tax under this section who uses or permits the use of the motor vehicle or boat before tax has been paid shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$25 or imprisoned for not more than thirty days, or both. Any person who uses or operates a motor vehicle or boat at a time when the stamp, sticker, or tag does not appear on the motor vehicle or boat in the manner provided in the regulations prescribed under subsection (e) or (f) shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$25.

“(j) **EXEMPT USES.**—The tax imposed by this section shall not apply to the use of a motor vehicle or boat by the United States, a State, Territory, the District of Columbia, or a political subdivision of any of the foregoing.”

SEC. 558. EFFECTIVE DATE OF PART V.

This part shall take effect on October 1, 1941.

Part VI—Processing Tax on Certain Oils

SEC. 561. PAYMENT OF PROCEEDS OF PROCESSING TAX TO GUAM AND AMERICAN SAMOA.

(a) **PAYMENT TO POSSESSIONS.**—Chapter 21 of the Internal Revenue Code (relating to processing tax on oils) is amended by adding at the end thereof the following new section:

“SEC. 2483. All taxes collected under this chapter with respect to coconut oil wholly of the production of Guam or American Samoa or produced from materials wholly of the growth or production of Guam or American Samoa, shall be held as separate funds and paid to the Treasury of Guam or American Samoa, respectively. No part of the money from such funds shall be used, directly or indirectly, to pay a subsidy to the producers or processors of copra, coconut oil, or allied products, except that this sentence shall not be construed as prohibiting the use of such money, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, for the acquisition or construction of facilities for the better curing of copra or for bona fide loans to copra producers of Guam or American Samoa.”

(b) **EFFECTIVE DATE OF AMENDMENT.**—The amendment made by this section shall be applicable only with respect to taxes collected after the date of enactment of this Act.

53 Stat. 264, 266.
26 U. S. C. §§ 2470-
2482.

TITLE VI—NONESSENTIAL FEDERAL EXPENDITURES

SEC. 601. NONESSENTIAL FEDERAL EXPENDITURES.

Establishment of
investigating com-
mittee.

Composition, etc.

(a) There is hereby established a committee to investigate Federal expenditures (hereinafter referred to as the "committee"), to be composed of (1) three members of the Senate Committee on Finance and three members of the Senate Committee on Appropriations, to be appointed by the President of the Senate; (2) three members of the House Committee on Ways and Means and three members of the House Committee on Appropriations, to be appointed by the Speaker of the House of Representatives; and (3) the Secretary of the Treasury, and the Director of the Bureau of the Budget. A vacancy in the committee shall not affect the power of the remaining members to execute the functions of the committee, and shall be filled in the same manner as the original selection. A majority of the committee shall constitute a quorum, and the powers conferred upon them by this section may be exercised by a majority vote.

Duties.

(b) It shall be the duty of the committee to make a full and complete study and investigation of all expenditures of the Federal Government with a view to recommending the elimination or reduction of all such expenditures deemed by the committee to be nonessential. The committee shall report to the President and to the Congress the results of its study, together with its recommendations, at the earliest practicable date.

Hearings.

(c) The committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places, to employ such experts and such clerical and other assistants, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures, as it deems advisable. The provisions of sections 102 to 104, inclusive, of the Revised Statutes shall apply in case of any failure of any witness to comply with any subpoena, or to testify when summoned under the authority of this section.

Failure to comply
with subpoena.

2 U. S. C. §§ 192-194.

(d) The committee is authorized to utilize the services, information, facilities, and personnel of the departments and agencies of the Government.

Appropriation au-
thorized.

Post, p. 747.

(e) There is hereby authorized to be appropriated, the sum of \$10,000, or so much thereof as may be necessary, to carry out the provisions of this section.

(f) All authority conferred by this section shall terminate upon the submission of the committee's final report.

Legislative counsel.

40 Stat. 1141.

2 U. S. C., ch. 9.

SEC. 602. Section 1303 of the Revenue Act of 1918, as amended, is amended by striking out "President of the Senate" wherever it appears therein and inserting in lieu thereof "President pro tempore of the Senate".

TITLE VII—CREDIT AGAINST FEDERAL UNEMPLOYMENT TAXES

SEC. 701. CREDIT AGAINST FEDERAL UNEMPLOYMENT TAXES.

49 Stat. 639.

42 U. S. C. §§ 1101-

1102.

26 U. S. C. §§ 1600-

1601 (a).

(a) ALLOWANCE OF CREDIT AGAINST TAX FOR 1936, 1937, AND 1938.—Against the tax imposed by section 901 of the Social Security Act for the calendar year 1936, 1937, or 1938, any taxpayer shall be allowed credit (if credit is not allowable under section 902 of such

Act) for the amount of contributions paid by him into an unemployment fund under a State law—

(1) Before the sixtieth day after the date of the enactment of this Act, if such credit is claimed before the expiration of six months after such date of enactment;

(2) Without regard to the date of payment, with respect to wages paid after September 19, 1939;

(3) Without regard to the date of payment, if the assets of the taxpayer are, at any time during the fifty-nine-day period following such date of enactment, or were at any time during the period August 11, 1939, to October 8, 1939, inclusive, or the period October 9, 1940, to December 6, 1940, inclusive, in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

The provisions of the Social Security Act in force prior to February 11, 1939 (except the provision limiting the credit to amounts paid before the date of filing returns), shall apply to allowance of credit under this subsection; except that the amount of credit against the tax for the calendar year 1936, 1937, or 1938, for contributions paid after December 6, 1940, shall not (unless the credit is allowable on account of paragraph (2) or (3)) exceed 90 per centum of the amount which would have been allowable as credit on account of such contributions had they been paid before the last day upon which the taxpayer was required under section 905 of such Act to file a return for such year. The terms used in this subsection shall have the same meaning as when used in title IX of such Act prior to February 11, 1939. The total credit allowable against the tax imposed by section 901 of such Act for the calendar year 1936, 1937, or 1938 shall not exceed 90 per centum of such tax.

(b) ALLOWANCE OF CREDIT AGAINST TAX FOR 1939 AND 1940.—Against the tax imposed by the Federal Unemployment Tax Act for the calendar year 1939 or 1940, any taxpayer shall be allowed credit (if credit is not allowable under section 1601 of such Act) for the amount of contributions paid by him into an unemployment fund under a State law—

(1) Before the sixtieth day after the date of the enactment of this Act, if such credit is claimed before the expiration of six months after such date of enactment;

(2) Without regard to the date of payment, if the assets of the taxpayer are, at any time during the fifty-nine-day period following such date of enactment, or were at any time during the period from the last day upon which the taxpayer was required under section 1604 of the Federal Unemployment Tax Act to file a return of the tax against which credit is claimed to June 30 next following such last day, inclusive, or (in the case of credit against the tax for the calendar year 1939) the period October 9, 1940, to December 6, 1940, inclusive, in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

The provisions of the Federal Unemployment Tax Act (except section 1601 (a) (3)), including such provisions as modified by section 902 (e) of the Social Security Act Amendments of 1939, shall apply to allowance of credit under this subsection. The amount of such credit against the tax for the calendar year 1939 or 1940, in the case of contributions paid after the last day upon which the taxpayer was required under section 1604 of the Federal Unemployment Tax Act to file a return for such year, shall not (unless the credit is allowable on account of paragraph (2)) exceed 90 per centum of the amount

Provisions applicable.

49 Stat. 641.
42 U. S. C. § 1105.
26 U. S. C. §§ 1604-1605, 1610.
49 Stat. 639.
42 U. S. C. §§ 1101-1110.

53 Stat. 183-188.
26 U. S. C. §§ 1600-1611.

53 Stat. 183.
26 U. S. C. § 1601.

53 Stat. 186.
26 U. S. C. § 1604.

Provisions applicable.
53 Stat. 183, 1387, 1400.
26 U. S. C. §§ 1600-1611.

53 Stat. 186.
26 U. S. C. § 1604.

which would have been allowable as credit on account of such contributions had they been paid on or before such last day. The terms used in this subsection shall have the same meaning as when used in the Federal Unemployment Tax Act. The total credit allowable against the tax imposed by such Act for the calendar year 1939 or 1940 shall not exceed 90 per centum of such tax.

(c) REFUND.—Refund, credit, or abatement of the tax (including penalty and interest assessed or collected with respect thereto, if any), based on any credit allowable under subsection (a) or (b), may be made in accordance with the provisions of law applicable in the case of erroneous or illegal assessment or collection of the tax (including statutes of limitations). No interest shall be allowed or paid on the amount of any such credit or refund. On and after the date of the enactment of this Act no refund, credit, or abatement shall be allowed based on any credit allowable under section 810 of the Revenue Act of 1938, section 902 (a) of the Social Security Act Amendments of 1939, or section 701 of the Second Revenue Act of 1940.

Approved, Sept. 20, 12.15 p. m. E. S. T., 1941

52 Stat. 576.
53 Stat. 1399.
42 U. S. C. § 1102
(note).
54 Stat. 1017.
42 U. S. C. § 1101
(note).

[CHAPTER 413]

AN ACT

September 22, 1941
[H. R. 4835]
[Public Law 251]

To extend the times for commencing and completing the construction of a dam and dike for preventing the flow of tidal waters into North Slough in Coos County, Oregon.

North Slough, Oreg.
Time extended for
dam construction, etc.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the times for commencing and completing the construction of a dam and dike for preventing the flow of tidal waters into North Slough in Coos County, Oregon, in township 24 south, range 13 west, Willamette meridian, authorized to be constructed by the State of Oregon, acting through its highway department, the North Slough Drainage District, and the North Slough Diking District by an Act of Congress approved August 26, 1937, heretofore extended by an Act of Congress approved July 2, 1940, are hereby further extended one and three years, respectively, from August 26, 1941.

50 Stat. 856; 54 Stat.
715.

SEC. 2. The right to alter, amend, or repeal this Act is hereby expressly reserved.

Approved, September 22, 1941.

[CHAPTER 414]

JOINT RESOLUTION

September 22, 1941
[H. J. Res. 199]
[Public Law 252]

To authorize temporary appointments of officers in the Army of the United States.

Army of the United
States.
Temporary ap-
pointments of officers.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That during the present emergency, temporary appointments as officers in the Army of the United States may be made, under such regulations as the President may prescribe, from among qualified persons without appointing such persons as officers in any particular component of the Army of the United States. All persons so appointed as officers shall be commissioned in the Army of the United States and may be ordered into the active military service of the United States to serve therein for such periods of time as the President may prescribe. Such appointments in grades below that of brigadier general shall be made by the President alone, and general officers by and with the advice and consent of the Senate: *Provided*, That any appointment made under the provisions of this Act may be vacated at any time by the President and, if not sooner vacated, shall continue during the present emer-

Proviso.
Vacating of appoint-
ments.