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Recovery by U. S.

subcontractor to the prime contractor or higher tier subcontractor. The amount of any such fee, cost, or expense shall be recoverable on behalf of the United States from the subcontractor or the recipient thereof by set-off of moneys otherwise owing to the subcontractor either directly by the United States, or by a prime contractor under any cost-plus-a-fixed-fee or cost reimbursable contract, or by an action in an appropriate court of the United States. Upon a showing that a subcontractor paid fees, commissions, or compensation or granted gifts or gratuities to an officer, partner, employee, or agent of a prime contractor or of another higher tier subcontractor, in connection with the award of a subcontract or order thereunder, it shall be conclusively presumed that the cost of such expense was included in the price of the subcontract or order and ultimately borne by the United States. Upon the direction of the contracting department or agency or of the General Accounting Office, the prime contractor shall withhold from sums otherwise due a subcontractor any amount reported to have been found to have been paid by a subcontractor as a fee, commission, or compensation or as a gift or gratuity to an officer, partner, employee, or agent of the prime contractor or another higher tier subcontractor.

"Subcontractor."

SEC. 2. For the purpose of this Act, the term "subcontractor" is defined as any person, including a corporation, partnership, or business association of any kind, who holds an agreement or purchase order to perform all or any part of the work or to make or to furnish any article or service required for the performance of a cost-plus-a-fixed-fee or cost reimbursable contract or of a subcontract entered into thereunder, and the term "person" shall include any subcontractor, corporation, association, trust, joint-stock company, partnership, or individual.

"Person."

Powers of GAO.

SEC. 3. For the purpose of ascertaining whether such fees, commissions, compensation, gifts, or gratuities have been paid or granted by a subcontractor, the General Accounting Office shall have the power to inspect the plants and to audit the books and records of any prime contractor or subcontractor engaged in the performance of a cost-plus-a-fixed-fee or cost reimbursable contract.

Penalties.

SEC. 4. Any person who shall knowingly, directly or indirectly, make or receive any such prohibited payment shall be fined not more than $10,000 or be imprisoned for not more than two years, or both.

Approved March 8, 1946.

[CHAPTER 81]

March 8, 1946
[H. R. 2348]
[Public Law 320]

AN ACT

To provide for the coverage of certain drugs under the Federal narcotic laws.

I. R. C., amendments.
53 Stat. 384.
26 U. S. C. § 3228; Supp. V, § 3228.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3228 of the Internal Revenue Code (containing definitions of terms used for purposes of certain provisions relating to narcotics) is amended by adding the following new subsection (f) at the end thereof:

"(f) OPIATE.—The word 'opiate' as used in this part and subchapter A of chapter 23 shall mean any drug (as defined in the Federal Food, Drug, and Cosmetic Act) found by the Secretary of the Treasury, after due notice and opportunity for public hearing, to have an addiction-forming or addiction-sustaining liability similar to morphine or cocaine, and proclaimed by the President to have been so found by the Secretary. The Secretary is authorized to issue necessary rules and regulations for carrying out the provisions of this

53 Stat. 269.
26 U. S. C. §§ 2550–2565; Supp. V, § 2550 *et seq.*
Post, p. 39.
52 Stat. 1040.
21 U. S. C. §§ 301–392; Supp. V, § 321 *et seq.*
Rules and regulations.

subsection, and to confer or impose upon any officer or employee of the Treasury Department, as he shall designate or appoint, the duty of conducting any hearing authorized hereunder."

SEC. 2. Section 2550 (a) of the Internal Revenue Code (tax on certain substances) is amended by inserting after the phrase "levied, assessed, collected, and paid upon opium, isonipecaine, coca leaves," the word "opiate,". 53 Stat. 269. 26 U. S. C., Supp. V, § 2550 (a).

SEC. 3. Paragraphs 5 and 6 of section 2557 (b) (penalties for violations of certain provisions relating to narcotics) are hereby amended by inserting in each immediately following the words "or conspiring to sell, import, or export, opium, coca leaves, cocaine, isonipecaine," the word "opiate,"; by deleting in each the word "or" from the phrase "preparation of opium, coca leaves, cocaine, or isonipecaine," and by inserting in each immediately following such phrase the words "or opiate,". 53 Stat. 275. 26 U. S. C., Supp. V, § 2557 (b) (5), (6).

SEC. 4. The first sentence of section 2558 (b) of the Internal Revenue Code (providing for confiscation and disposal of seized narcotics) is hereby amended by inserting immediately after the words "All opium, coca leaves, isonipecaine," the word "opiates,"; and by deleting the word "and" before the word "isonipecaine" in the phrase "all salts, derivatives, and preparations of opium, coca leaves, and isonipecaine," and inserting immediately following such phrase the words "and opiates,". 53 Stat. 276. 26 U. S. C., Supp. V, § 2558 (b).

SEC. 5. Section 2565 of the Internal Revenue Code (cross-reference to definitions) is hereby amended by adding at the end thereof the following: 53 Stat. 278. 26 U. S. C., Supp. V, § 2565.

"OPIATE.—

"SUBSECTION (f)."

SEC. 6. The first paragraph of section 3220 of the Internal Revenue Code (occupational taxes) is hereby amended by striking out the word "or" in the phrase "gives away opium, coca leaves, or isonipecaine," and inserting immediately following such phrase the words "or opiate,". 53 Stat. 382. 26 U. S. C., Supp. V, § 3220.

SEC. 7. Section 1 (a) of the Narcotic Drugs Import and Export Act, as amended (U. S. C., 1940 edition, title 21, sec. 171), is amended by inserting after the phrase "The term 'narcotic drugs' means opium, coca leaves, cocaine, isonipecaine," the word "opiate,"; by deleting the word "or" from the words "preparation of opium, coca leaves, cocaine, or isonipecaine" and inserting the words "or opiate"; and by striking out the period at the end thereof and inserting the following: "; and the word 'opiate' as used herein shall have the same meaning as defined in section 3228 (f) of the Internal Revenue Code." 42 Stat. 596. 21 U. S. C., Supp. V, § 171. *Ante*, p. 38.

SEC. 8. Sections 1 and 2 of the Act of August 12, 1937, as amended, entitled "An Act to increase the punishment of second, third, and subsequent offenders against the narcotic laws" (ch. 598, 50 Stat. 627; U. S. C., 1940 edition, title 21, secs. 200 and 200a), are hereby amended by inserting in each immediately following the words "or conspiring to sell, import, or export, opium, coca leaves, cocaine, isonipecaine," the word "opiate,"; by deleting in each the word "or" from the phrase "preparation of opium, coca leaves, cocaine, or isonipecaine," and by inserting in each immediately following such phrase the words "or opiate,"; and by adding a new sentence at the end of each section to read as follows: "The word 'opiate' as used in this section shall have the same meaning as defined in section 3228 (f) of the Internal Revenue Code." 21 U. S. C., Supp. V, §§ 200, 200a. *Ante*, p. 38.

SEC. 9. The second paragraph of section 584 of the Tariff Act of 46 Stat. 748. 19 U. S. C., Supp. V, § 1584.

1930, as amended (U. S. C., 1940 edition, title 19, sec. 1584), is hereby amended by deleting in the first sentence the word "or" from the phrase "If any of such merchandise so found consists of heroin, morphine, cocaine, or isonipecaine," and by inserting immediately following such phrase the words "or opiate,"; and by inserting in the last sentence of the paragraph immediately following the word "isonipecaine" the word ", opiate" and inserting immediately following the reference "sections 3228 (e)" the following: ", 3228 (f)".

58 Stat. 721.
26 U. S. C., Supp. V, § 3228(e).
Ante, p. 38.

AMENDMENTS RELATING TO MARIHUANA

SEC. 10. (a) EXEMPTION FOR CERTAIN TRANSFERS TO MILLERS.—Section 2591 of the Internal Revenue Code is amended by adding at the end thereof a new subsection (e) to read as follows:

53 Stat. 280.
26 U. S. C. § 2591.

"(e) EXEMPTION FOR CERTAIN TRANSFERS TO MILLERS.—Nothing in this section shall apply to a transfer of the plant Cannabis sativa L. or any parts thereof from any person registered under section 3231 to a person who is also registered under section 3231 as a taxpayer required to pay the tax imposed by section 3230 (a) (6)."

Infra.

Infra.

(b) SPECIAL TAX ON MILLERS.—Section 3230 of the Internal Revenue Code is hereby amended by adding at the end of subsection (a) a new subdivision (6) to read as follows:

53 Stat. 385.
26 U. S. C. § 3230.

"(6) MILLERS.—Any person who at a mill manufactures or produces from the plant Cannabis sativa L. any fiber or fiber products, $1 per year or fraction thereof during which he engages in such activities."

(c) REGISTRATION OF MILLERS.—Section 3231 of the Internal Revenue Code is hereby amended by inserting at the beginning thereof, before the word "Any" the following: "(a) IN GENERAL.—"; and by adding at the end of such section a new subsection to read as follows:

53 Stat. 386.
26 U. S. C. § 3231.

"(b) SPECIAL REQUIREMENTS FOR MILLERS.—The Secretary shall not permit the registration of any person under this section as a person required to pay the tax imposed by section 3230 (a) (6), unless in the opinion of the Secretary such person (or if a corporation, each officer thereof) is a person of good moral character and unless in the opinion of the Secretary such person is a person of suitable financial standing, intends to engage in good faith in the business of manufacturing or producing fiber or fiber products from the plant Cannabis sativa L. on a commercial basis, and is not seeking registration under this section for the purpose of facilitating the unlawful diversion of marihuana. Any person who is registered under this section and has paid the tax imposed by section 3230 (a) (6) shall afford agents of the Bureau of Narcotics ready access at all times to any part of the premises of the mill or other premises of such person and the right to inspect any and all books, papers, records, or documents connected with the activities of such person in dealing in, manufacturing, and processing Cannabis sativa L. and fiber or fiber products thereof, and the handling of marihuana. The Secretary may cancel or may refuse to renew, after notice and opportunity for hearing, the registration of any such person if he finds that such person has not complied or is not complying with the requirements of this subsection, or if he finds that grounds exist which would justify the refusal to permit the original registration of such person under this section."

Supra.

Approved March 8, 1946.