

Public Law 85-859

AN ACT

To make technical changes in the Federal excise tax laws, and for other purposes.

September 2, 1958
[H. R. 7125]

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

SECTION 1. SHORT TITLE, ETC.

(a) **SHORT TITLE.**—This Act may be cited as the “Excise Tax Technical Changes Act of 1958”.

Excise Tax
Technical
Changes Act of
1958.

(b) **AMENDMENT OF 1954 CODE.**—Whenever in this Act an amendment or repeal is expressed in terms of an amendment to or repeal of a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

(c) **EFFECTIVE DATE.**—Except as otherwise provided, the amendments and repeals made by title I of this Act shall take effect on the first day of the first calendar quarter which begins more than 60 days after the date on which this Act is enacted. For effective dates of amendments made by title II of this Act, see section 210.

TITLE I—MISCELLANEOUS EXCISE TAXES

PART I—RETAILERS EXCISE TAXES

SEC. 101. SEMI-PRECIOUS STONES.

Section 4001 (tax on jewelry) is amended by striking out “Pearls, precious and semi-precious stones, and imitations thereof.” and inserting in lieu thereof the following:

68A Stat. 473.
26 USC 4001.

“The following stones, by whatever name called, whether real or synthetic:

“Amber

Beryl of the following types:

Aquamarine
Emerald
Golden Beryl
Hellodor
Morganite

Chrysoberyl of the following types:

Alexandrite
Cat's eye
Chrysolite

Coral

Corundum of the following types:

Ruby
Sapphire

Diamond

Feldspar of the following type:

Moonstone

Garnet

Jadeite (Jade)

Jet

Lapis Lazuli

Nephrite (Jade)

Opal

Pearls (natural and cultured)

Peridot

Quartz of the following types:

Amethyst
Bloodstone
Citrine
Moss agate
Onyx
Sardonyx
Tiger-eye

Spinel
Topaz
Tourmaline
Turquoise
Zircon."

SEC. 102. CERTAIN CLOCKS, CASES, AND MOVEMENTS.

26 USC 4003.

Section 4003 (exemptions from tax on jewelry and related items) is amended by adding at the end thereof the following new subsections:

26 USC 4061-4226.

"(c) CLOCKS SUBJECT TO MANUFACTURERS TAX.—The tax imposed by section 4001 shall not apply to a clock or watch, or to a case or movement for a clock or watch, if a tax in respect of such clock, watch, case, or movement was imposed under chapter 32 by reason of its sale (1) as a part or accessory, or (2) on or in connection with or with the sale of any article:

"(d) CERTAIN PARTS OF CONTROL OR REGULATORY DEVICES.—The tax imposed by section 4001 shall not apply to a clock or watch, or to a case or movement for a clock or watch, if such clock, watch, case, or movement is (1) a part of a control or regulatory device which is an article (or part thereof) not taxable under chapter 32, or (2) sold as a repair or replacement part for such a device."

SEC. 103. LUGGAGE TAX.

26 USC 4031.

Section 4031 (tax on luggage) is amended to read as follows:

"SEC. 4031. IMPOSITION OF TAX.

"There is hereby imposed upon the following articles, by whatever name called, sold at retail (including in each case fittings or accessories therefor sold on or in connection with the sale thereof) a tax equivalent to 10 percent of the price for which so sold—

"Bathing suit bags.
Beach bags or kits.
Briefcases.
Brief bags.
Camping bags.
Card and pass cases.
Collar cases.
Cosmetic bags and kits.
Dressing cases.
Dufflebags.
Furlough bags.
Garment bags designed for use by travelers.
Hatboxes designed for use by travelers.
Haversacks.
Key cases or containers.
Knapsacks.
Knitting or shopping bags (suitable for use as purses or handbags).
Makeup boxes.

Manicure set cases.
Memorandum pad cases (suitable for use as card or pass cases, billfolds, purses, or wallets).
Musette bags.
Overnight bags.
Pocketbooks.
Purses and handbags.
Ring binders, capable of closure on all sides.
Salesmen's sample or display cases, bags, or trunks.
Satchels.
Shoe and slipper bags.
Suitcases.
Tie cases.
Toilet kits and cases.
Traveling bags.
Trunks.
Vanity bags or cases.
Valises.
Wallets.
Wardrobe cases."

SEC. 104. SALES OF INSTALLMENT ACCOUNTS BY RETAILERS.

26 USC 4053.

Section 4053 (computation of tax on installment sales, etc.) is amended—

(1) by striking out "In the case of—" and inserting in lieu thereof the following:

"(a) GENERAL RULE.—In the case of—"; and

(2) by adding at the end thereof the following new subsections:

"(b) SALES OF INSTALLMENT ACCOUNTS.—If installment accounts, with respect to payments on which tax is being computed as provided in subsection (a), are sold or otherwise disposed of, then subsection (a) shall not apply with respect to any subsequent payments on such accounts (other than subsequent payments on returned accounts with

respect to which credit or refund is allowable by reason of section 6416 (b) (5)), but instead there shall be paid—

“(1) an amount equal to the difference between (A) the tax previously paid on the payments on such installment accounts, and (B) the total tax; except that

“(2) if any such sale is pursuant to the order of, or subject to the approval of, a court of competent jurisdiction in a bankruptcy or insolvency proceeding, the amount computed under paragraph (1) shall not exceed the amount computed by multiplying (A) the amount for which such accounts are sold, by (B) the rate of tax under this chapter which applied on the day on which the transaction giving rise to such installment accounts took place.

“(c) **LIMITATION.**—The sum of the amounts payable under this section in respect to the sale of any article shall not exceed the total tax.”

SEC. 105. EXEMPTION FROM RETAILERS EXCISE TAXES FOR NON-PROFIT EDUCATIONAL ORGANIZATIONS.

(a) **EXEMPTION.**—Subchapter F of chapter 31 (special provisions applicable to retailers tax) is amended by renumbering section 4057 as 4058, and by inserting after section 4056 the following new section:

26 USC 4051-4057.

“SEC. 4057. EXEMPTION FOR NONPROFIT EDUCATIONAL ORGANIZATIONS.

“Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under this chapter with respect to the sale of any article to a nonprofit educational organization for its exclusive use, or, in the case of a tax imposed by section 4041, with respect to the use by a nonprofit educational organization of any liquid as a fuel. For purposes of this section, the term ‘nonprofit educational organization’ means an educational organization described in section 503 (b) (2) which is exempt from income tax under section 501 (a).”

26 USC 4041.

26 USC 503, 501.

(b) **CLERICAL AMENDMENT.**—The table of sections for subchapter F of chapter 31 is amended by striking out

“Sec. 4057. Cross reference.”

and inserting in lieu thereof

“Sec. 4057. Exemption for nonprofit educational organizations.

“Sec. 4058. Cross reference.”

PART II—MANUFACTURERS EXCISE TAXES

SEC. 111. REFRIGERATOR COMPONENTS.

(a) **REPEAL OF TAX.**—Section 4111 (tax on refrigeration equipment) is amended by striking out “Refrigerator components.”

26 USC 4111.

(b) **TECHNICAL AMENDMENTS.**—

(1) Section 4112 (definition of refrigerator components) is hereby repealed.

26 USC 4112.

(2) The table of sections for part I of subchapter B of chapter 32 (refrigeration equipment) is amended by striking out

“Sec. 4112. Definition of refrigerator components.”

SEC. 112. ELECTRIC, GAS, AND OIL APPLIANCES.

Section 4121 (tax on electric, gas, and oil appliances) is amended—

26 USC 4121.

(1) by striking out “(a) **HOUSEHOLD-TYPE ARTICLES.**—”,

(2) by striking out subsection (b) thereof,

(3) by striking out “Electric belt-driven fans.” and inserting in lieu thereof

“Electric direct-motor and belt-driven fans and air circulators.”,

(4) by striking out “Electric floor polishers and waxers.”, and

(5) by striking out "Electric garbage disposal units." and inserting in lieu thereof
 "Electric, gas, or oil incinerator units and garbage disposal units."

SEC. 113. RADIO AND TELEVISION COMPONENTS; RECORD PLAYERS; ETC.

26 USC 4141-4143.

(a) **IN GENERAL.**—Part I of subchapter C of chapter 32 (radio and television sets, phonographs and records) is amended to read as follows:

"PART I—RADIO AND TELEVISION SETS, PHONOGRAPHS AND RECORDS, ETC.

"Sec. 4141. Imposition of tax.

"Sec. 4142. Definition of radio and television component.

"Sec. 4143. Exemption for communication, etc., equipment.

"SEC. 4141. IMPOSITION OF TAX.

"There is hereby imposed upon the sale by the manufacturer, producer, or importer of the following articles (including in each case parts or accessories therefor sold on or in connection with the sale thereof), a tax equivalent to 10 percent of the price for which so sold:

"Radio receiving sets.

Automobile radio receiving sets.

Television receiving sets.

Automobile television receiving sets.

Phonographs.

Combinations of any of the foregoing.

Radio and television components.

Phonograph records.

"SEC. 4142. DEFINITION OF RADIO AND TELEVISION COMPONENT.

"As used in section 4141, the term 'radio and television components' means chassis, cabinets, tubes, speakers, amplifiers, power supply units, antennae of the 'built-in' type, phonograph mechanisms, and phonograph record-players, which are suitable for use on or in connection with, or as component parts of, any of the articles enumerated in section 4141, whether or not primarily adapted for such use.

"SEC. 4143. EXEMPTION FOR COMMUNICATION, ETC., EQUIPMENT.

"(a) **IN GENERAL.**—Except in the case of radio and television components and phonograph records, the tax imposed by section 4141 shall not apply to communication, detection, or navigation equipment of the type used in commercial, military, or marine installations.

"(b) **COMPONENTS.**—The tax imposed by section 4141 on radio and television components shall not apply to any article which is suitable for use only on or in connection with, or as a component of, articles exempt from tax under subsection (a)."

(b) **TECHNICAL AMENDMENT.**—The table of parts for such subchapter C is amended by striking out "records." and inserting in lieu thereof "records, etc.".

SEC. 114. STENCIL CUTTING MACHINES OF THE TYPE USED IN MARKING FREIGHT SHIPMENTS.

26 USC 4192.

(a) **EXEMPTION.**—Section 4192 (exemption from tax on business machines) is amended to read as follows:

"SEC. 4192. EXEMPTIONS.

26 USC 4191.

"No tax shall be imposed under section 4191 on the sale of cash registers of the type used in registering over-the-counter retail sales, or on the sale of stencil cutting machines of the type used in shipping departments in making cutout stencils for marking freight shipments."

(b) CLERICAL AMENDMENT.—The table of sections for part I of subchapter E of chapter 32 is amended by striking out

“Sec. 4192. Exemption for retail sales cash register.”

and inserting in lieu thereof

“Sec. 4192. Exemptions.”

SEC. 115. CONSTRUCTIVE SALE PRICE FOR MANUFACTURERS EXCISE TAXES.

Section 4216 (b) (constructive sale price) is amended to read as follows: 26 USC 4216.

“(b) CONSTRUCTIVE SALE PRICE.—

“(1) IN GENERAL.—If an article is—

“(A) sold at retail,

“(B) sold on consignment, or

“(C) sold (otherwise than through an arm's length transaction) at less than the fair market price,

the tax under this chapter shall (if based on the price for which the article is sold) be computed on the price for which such articles are sold, in the ordinary course of trade, by manufacturers or producers thereof, as determined by the Secretary or his delegate. In the case of an article sold at retail, the computation under the preceding sentence shall be on whichever of the following prices is the lower: (i) the price for which such article is sold, or (ii) the highest price for which such articles are sold to wholesale distributors, in the ordinary course of trade, by manufacturers or producers thereof, as determined by the Secretary or his delegate. This paragraph shall not apply if paragraph (2) applies.

“(2) SPECIAL RULE.—If an article is sold at retail, to a retailer, or to a special dealer (as defined in paragraph (3)), and if—

“(A) the manufacturer, producer, or importer of such article regularly sells such articles at retail, to retailers, or to special dealers, as the case may be,

“(B) the manufacturer, producer, or importer of such article regularly sells such articles to one or more wholesale distributors (other than special dealers) in arm's length transactions and he establishes that his prices in such cases are determined without regard to any tax benefit under this paragraph,

“(C) the normal method of sales for such articles within the industry is not to sell such articles at retail or to retailers, or combinations thereof, and

“(D) the transaction is an arm's length transaction, the tax under this chapter shall (if based on the price for which the article is sold) be computed on whichever of the following prices is the lower: (i) the price for which such article is sold, or (ii) the highest price for which such articles are sold by such manufacturer, producer, or importer to wholesale distributors (other than special dealers).

“(3) SPECIAL DEALER.—For purposes of paragraph (2), the term ‘special dealer’ means a distributor of articles taxable under section 4121 who does not maintain a sales force to resell the article whose constructive price is established under paragraph (2) but relies on salesmen of the manufacturer, producer, or importer of the article for resale of the article to retailers.”

SEC. 116. SALES OF INSTALLMENT ACCOUNTS BY MANUFACTURERS.

Section 4216 (computation of tax on installment sales, etc.) is amended by adding at the end thereof the following new subsection:

“(e) **SALES OF INSTALLMENT ACCOUNTS.**—If installment accounts, with respect to payments on which tax is being computed as provided in subsection (c), are sold or otherwise disposed of, then subsection (c) shall not apply with respect to any subsequent payments on such accounts (other than subsequent payments on returned accounts with respect to which credit or refund is allowable by reason of section 6416 (b) (5)), but instead—

26 USC 6416.

“(1) there shall be paid an amount equal to the difference between (A) the tax previously paid on the payments on such installment accounts, and (B) the total tax; except that

“(2) if any such sale is pursuant to the order of, or subject to the approval of, a court of competent jurisdiction in a bankruptcy or insolvency proceeding, the amount computed under paragraph (1) shall not exceed the amount computed by multiplying (A) the amount for which such accounts are sold, by (B) the rate of tax under this chapter which applied on the day on which the transaction giving rise to such installment accounts took place.

The sum of the amounts payable under this subsection and subsection (c) in respect of the sale of any article shall not exceed the total tax.”

SEC. 117. LEASES OF CERTAIN ARTICLES SUBJECT TO MANUFACTURERS EXCISE TAXES.

26 USC 4217.

(a) **IN GENERAL.**—Section 4217 (lease considered as sale) is amended to read as follows:

“SEC. 4217. LEASES.

“(a) **LEASE CONSIDERED AS SALE.**—For 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 sale of such article.

“(b) **LIMITATION ON TAX.**—In the case of any lease described in subsection (a) of an article taxable under this chapter, if the tax under this chapter is based on the price for which such articles are sold, there shall be paid on each lease payment with respect to such article a percentage of such payment equal to the rate of tax in effect on the date of such payment, until the total of the tax payments under such lease and any prior lease to which this subsection applies equals the total tax.

“(c) **DEFINITION OF TOTAL TAX.**—For purposes of this section, the term ‘total tax’ means—

“(1) except as provided in paragraph (2), the tax computed on the constructive sale price for such article which would be determined under section 4216 (b) if such article were sold at retail on the date of the first lease to which subsection (b) applies; or

“(2) if the first lease to which subsection (b) applies is not the first lease of the article, the tax computed on the fair market value of such article on the date of the first lease to which subsection (b) applies.

Any such computation of tax shall be made at the applicable rate specified in this chapter in effect on the date of the first lease to which subsection (b) applies.

“(d) SPECIAL RULES.—

“(1) **LESSOR MUST ALSO BE ENGAGED IN SELLING.**—Subsection (b) shall not apply to any lease of an article unless at the time of making the lease, or any prior lease of such article to which subsection (b) applies, the person making the lease or prior lease was

also engaged in the business of selling in arm's length transactions the same type and model of article.

"(2) **SALE BEFORE TOTAL TAX BECOMES PAYABLE.**—If the taxpayer sells an article before the total tax has become payable, then the tax payable on such sale shall be whichever of the following is the smaller:

"(A) the difference between (i) the tax imposed on lease payments under leases of such article to which subsection (b) applies, and (ii) the total tax, or

"(B) a tax computed, at the rate in effect on the date of the sale, on the price for which the article is sold.

For purposes of subparagraph (B), if the sale is at arm's length, section 4216 (b) shall not apply.

"(3) **SALE AFTER TOTAL TAX HAS BECOME PAYABLE.**—If the taxpayer sells an article after the total tax has become payable, no tax shall be imposed under this chapter on such sale.

"(4) **TRANSITIONAL RULES.**—For purposes of this subsection and subsections (b) and (c), in the case of any lease entered into before the effective date of subsection (b) and existing on such date—

"(A) such lease shall be considered as having been entered into on such date;

"(B) the total tax shall be computed on the fair market value of the article on such date; and

"(C) the lease payments under such lease shall include only payments attributable to periods on and after such date."

(b) **REPEAL OF SECTION 4216 (d); CORRECTION OF CROSS REFERENCE.**—Section 4216 (definition of price) is amended by striking out subsection (d) thereof. Section 4216 (c) (partial payments) is amended by striking out "subsection (d)" and inserting in lieu thereof "section 4217 (b)".

26 USC 4216.

(c) **APPLICATION OF SECTION.**—The amendments made by subsections (a) and (b) shall not apply to any lease of an article if section 4216 (d) of the Internal Revenue Code of 1954 applied to any lease of such article before the effective date specified in section 1 (c) of this Act.

(d) **TECHNICAL AMENDMENT.**—The table of sections for subchapter F of chapter 32 is amended by striking out "Lease considered sale." and inserting in lieu thereof "Leases."

26 USC 4216-4226.

SEC. 118. USE BY MANUFACTURER OR IMPORTER CONSIDERED SALE.

Section 4218 (use by manufacturer or importer considered sale) is amended to read as follows:

26 USC 4218.

"SEC. 4218. USE BY MANUFACTURER OR IMPORTER CONSIDERED SALE.

"(a) **GENERAL RULE.**—If any person manufactures, produces, or imports an article (other than an article specified in subsection (b) or (c)) and uses it (otherwise than as material in the manufacture or production of, or as a component part of, another article taxable under this chapter to be manufactured or produced by him), then he shall be liable for tax under this chapter in the same manner as if such article were sold by him.

"(b) **TIRES, TUBES, AND AUTOMOBILE RECEIVING SETS.**—If any person manufactures, produces, or imports a tire or inner tube taxable under section 4071, or an automobile radio or television receiving set taxable under section 4141, and sells it on or in connection with the sale of any article, or uses it, then he shall be liable for tax under this chapter in the same manner as if such article were sold by him.

26 USC 4071.

26 USC 4061.

26 USC 4171.

“(c) AUTOMOBILE PARTS, RADIO COMPONENTS, CAMERA LENSES, ETC.—If any person manufactures, produces, or imports a part or accessory taxable under section 4061 (b), a radio or television component taxable under section 4141, or a camera lens taxable under section 4171, and uses it (otherwise than as material in the manufacture or production of, or as a component part of, any other article to be manufactured or produced by him), then he shall be liable for tax under this chapter in the same manner as if such article were sold by him.

“(d) COMPUTATION OF TAX.—Except as provided in section 4223 (b), in any case in which a person is made liable for tax by the preceding provisions of this section, the tax (if based on the price for which the article is sold) shall be computed on the price at which such or similar articles are sold, in the ordinary course of trade, by manufacturers, producers, or importers, thereof, as determined by the Secretary or his delegate.”

SEC. 119. UNIFORM SYSTEM OF EXEMPTIONS; REGISTRATION; ETC.

26 USC 4061-4226.

(a) IN GENERAL.—Chapter 32 (manufacturers excise taxes) is amended by striking out sections 4220 to 4225, inclusive, and by inserting after section 4219 the following:

“Subchapter G—Exemptions, Registration, Etc.

“Sec. 4221. Certain tax-free sales.

“Sec. 4222. Registration.

“Sec. 4223. Special rules relating to further manufacture.

“Sec. 4224. Exemption for articles taxable as jewelry.

“Sec. 4225. Exemption of articles manufactured or produced by Indians.

“Sec. 4226. Floor stocks taxes.

“Sec. 4227. Cross references.

“SEC. 4221. CERTAIN TAX-FREE SALES.

“(a) GENERAL RULE.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under this chapter on the sale by the manufacturer of an article—

“(1) for use by the purchaser for further manufacture, or for resale by the purchaser to a second purchaser for use by such second purchaser in further manufacture,

“(2) for export, or for resale by the purchaser to a second purchaser for export,

“(3) for use by the purchaser as supplies for vessels or aircraft,

“(4) to a State or local government for the exclusive use of a State or local government, or

“(5) to a nonprofit educational organization for its exclusive use,

but only if such exportation or use is to occur before any other use.

“(b) PROOF OF RESALE FOR FURTHER MANUFACTURE; PROOF OF EXPORT.—Where an article has been sold free of tax under subsection (a)—

“(1) for resale by the purchaser to a second purchaser for use by such second purchaser in further manufacture, or

“(2) for export, or for resale by the purchaser to a second purchaser for export,

subsection (a) shall cease to apply in respect of such sale of such article unless, within the 6-month period which begins on the date of the sale by the manufacturer (or, if earlier, on the date of shipment by the manufacturer), the manufacturer receives proof that the article has been exported or resold for use in further manufacture.

“(c) MANUFACTURER RELIEVED FROM LIABILITY IN CERTAIN CASES.—In the case of any article sold free of tax under this section

(other than a sale to which subsection (b) applies), and in the case of any article sold free of tax under section 4063 (b), 4083, or 4093, if the manufacturer in good faith accepts a certification by the purchaser that the article will be used in accordance with the applicable provisions of law, no tax shall thereafter be imposed under this chapter in respect of such sale by such manufacturer.

26 U.S.C. 4063,
4083, 4093.

“(d) DEFINITIONS.—For purposes of this section—

“(1) MANUFACTURER.—The term ‘manufacturer’ includes a producer or importer of an article.

“(2) EXPORT.—The term ‘export’ includes shipment to a possession of the United States; and the term ‘exported’ includes shipped to a possession of the United States.

“(3) SUPPLIES FOR VESSELS OR AIRCRAFT.—The term ‘supplies for vessels or aircraft’ means fuel supplies, ships’ stores, sea stores, or legitimate equipment on vessels of war of the United States or of any foreign nation, vessels employed in the fisheries or in the whaling business, or vessels actually engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States or between the United States and any of its possessions. For purposes of the preceding sentence, the term ‘vessels’ includes civil aircraft employed in foreign trade or trade between the United States and any of its possessions, and the term ‘vessels of war of the United States or of any foreign nation’ includes aircraft owned by the United States or by any foreign nation and constituting a part of the armed forces thereof.

“(4) STATE OR LOCAL GOVERNMENT.—The term ‘State or local government’ means any State, Alaska, Hawaii, the District of Columbia, or any political subdivision of any of the foregoing.

“(5) NONPROFIT EDUCATIONAL ORGANIZATION.—The term ‘non-profit educational organization’ means an educational organization described in section 503 (b) (2) which is exempt from income tax under section 501 (a).

26 USC 503, 501.

“(6) USE IN FURTHER MANUFACTURE.—An article shall be treated as sold for use in further manufacture if—

“(A) such article (other than an article referred to in subparagraph (B)) is sold for use by the purchaser as material in the manufacture or production of, or as a component part of, another article taxable under this chapter to be manufactured or produced by him; or

“(B) in the case of a part or accessory taxable under section 4061 (b), a radio or television component taxable under section 4141, or a camera lens taxable under section 4171, such article is sold for use by the purchaser as material in the manufacture or production of, or as a component part of, another article to be manufactured or produced by him.

26 USC 4061.

26 USC 4171.

“(e) SPECIAL RULES.—

“(1) RECIPROCITY REQUIRED IN CASE OF CIVIL AIRCRAFT.—In the case of articles sold for use as supplies for aircraft, the privileges granted under subsection (a) (3) in respect of civil aircraft employed in foreign trade or trade between the United States and any of its possessions, in respect of aircraft registered in a foreign country, shall be allowed only if the Secretary of the Treasury has been advised by the Secretary of Commerce that he has found that such foreign country allows, or will allow, substantially reciprocal privileges in respect of aircraft registered in the United States. If the Secretary of the Treasury is advised by the Secretary of Commerce that he has found that a foreign country has discontinued or will discontinue the allowance of such privileges, the privileges granted under subsection (a) (3)

shall not apply thereafter in respect of civil aircraft registered in that foreign country and employed in foreign trade or trade between the United States and any of its possessions.

“(2) TIRES, TUBES, AND AUTOMOBILE RECEIVING SETS.—

26 USC 4071.

“(A) TAX-FREE SALES.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under section 4071 or 4141 on the sale by the manufacturer of a tire, inner tube, or automobile radio or television receiving set if—

“(i) such tire, tube, or receiving set is sold for use by the purchaser for sale on or in connection with the sale of another article manufactured or produced by such purchaser; and

“(ii) such other article is to be sold by such purchaser in a sale which either will satisfy the requirements of paragraph (2), (3), (4), or (5) of subsection (a) for a tax-free sale, or would satisfy such requirements but for the fact that such other article is not subject to tax under this chapter.

“(B) PROOF.—Where a tire, tube, or receiving set has been sold free of tax under this paragraph, this paragraph shall cease to apply unless, within the 6-month period which begins on the date of the sale by him (or, if earlier, on the date of the shipment by him), the manufacturer of such tire, tube, or receiving set receives proof that the other article referred to in clause (ii) of subparagraph (A) has been sold in a manner which satisfies the requirements of such clause (ii) (including in the case of a sale for export, proof of export of such other article).

“(C) SUBSECTION (a) (1) DOES NOT APPLY.—Paragraph (1) of subsection (a) shall not apply with respect to the tax imposed under section 4071 or 4141 on the sale of a tire, inner tube, or automobile radio or television receiving set.

26 USC 4151.

“(3) MUSICAL INSTRUMENTS SOLD FOR RELIGIOUS USE.—Under regulations prescribed by the Secretary or his delegate, the tax imposed by section 4151 shall not apply to musical instruments sold to a religious institution for exclusively religious purposes.

26 USC 4201.

“(f) SALES OF MECHANICAL PENCILS AND PENS FOR EXPORT.—Under regulations prescribed by the Secretary or his delegate, mechanical pencils, fountain pens, and ball point pens subject to the tax imposed by section 4201 may be sold by the manufacturer free of tax for export or for resale for export upon receipt by him of notice of intent to export or to resell for export.

“SEC. 4222. REGISTRATION.

“(a) GENERAL RULE.—Except as provided in subsection (b), section 4221 shall not apply with respect to the sale of any article unless the manufacturer, the first purchaser, and the second purchaser (if any) are all registered under this section. Registration under this section shall be made at such time, in such manner and form, and subject to such terms and conditions, as the Secretary or his delegate may by regulations prescribe. A registration under this section may be used only in accordance with regulations prescribed under this section.

“(b) EXCEPTIONS.—

“(1) PURCHASES BY STATE AND LOCAL GOVERNMENTS.—Subsection (a) shall not apply to any State or local government in connection with the purchase by it of any article if such State or local government complies with such regulations relating to the use of exemption certificates in lieu of registration as the Secre-

tary or his delegate shall prescribe to carry out the purpose of this paragraph.

“(2) **EXPORT.**—Subject to such regulations as the Secretary or his delegate may prescribe for the purpose of this paragraph, in the case of any sale or resale for export, the Secretary or his delegate may relieve the purchaser or the second purchaser, or both, from the requirement of registering under this section.

“(3) **CERTAIN PURCHASES AND SALES BY THE UNITED STATES.**—Subsection (a) shall apply to purchases and sales by the United States only to the extent provided by regulations prescribed by the Secretary or his delegate.

“(4) **MECHANICAL PENCILS, FOUNTAIN PENS, AND BALL POINT PENS.**—Subsection (a) shall not apply in the case of mechanical pencils, fountain pens, and ball point pens subject to the tax imposed by section 4201 sold by the manufacturer for export or for resale for export.

26 USC 4201.

“(c) **REVOCATION OR SUSPENSION OF REGISTRATION.**—Under regulations prescribed by the Secretary or his delegate, the registration of any person under this section may be revoked or suspended if the Secretary or his delegate determines—

“(1) that such person has used such registration to avoid the payment of any tax imposed by this chapter, or to postpone or in any manner to interfere with the collection of any such tax, or

“(2) that such revocation or suspension is necessary to protect the revenue.

The revocation or suspension under this subsection shall be in addition to any penalty provided by law for any act or failure to act.

“(d) **REGISTRATION IN THE CASE OF CERTAIN OTHER EXEMPTIONS.**—The provisions of this section may be extended to, and made applicable with respect to, the exemptions provided by sections 4063 (b), 4083, 4093, and 4182 (b), and the exemptions authorized under section 4293 in respect of the taxes imposed by this chapter, to the extent provided by regulations prescribed by the Secretary or his delegate.

26 USC 4063,
4083, 4093, 4182,
4293.

“(e) **DEFINITIONS.**—Terms used in this section which are defined in section 4221 (d) shall have the meaning given to them by section 4221 (d).

“SEC. 4223. SPECIAL RULES RELATING TO FURTHER MANUFACTURE.

“(a) **PURCHASING MANUFACTURER TO BE TREATED AS THE MANUFACTURER.**—For purposes of this chapter, a manufacturer or producer to whom an article is sold or resold free of tax under section 4221 (a) (1) for use by him in further manufacture shall be treated as the manufacturer or producer of such article.

“(b) **COMPUTATION OF TAX.**—If the manufacturer or producer referred to in subsection (a) incurs liability for tax under this chapter on his sale or use of an article referred to in subsection (a) and the tax is based on the price for which the article is sold, the article shall be treated as having been sold by him—

“(1) at the price for which the article was sold by him (or, where the tax is on his use of the article, at the price referred to in section 4218 (d)); or

“(2) if he so elects and establishes such price to the satisfaction of the Secretary or his delegate—

“(A) at the price for which the article was sold to him; or

“(B) at the price for which the article was sold by the person who (without regard to subsection (a)) is the manufacturer, producer, or importer of such article.

For purposes of this subsection, the price for which the article was sold shall be determined as provided in section 4216. For purposes of paragraph (2) no adjustment or readjustment shall be made in such price by reason of any discount, rebate, allowance, return or repossession of a container or covering, or otherwise. An election under paragraph (2) shall be made in the return reporting the tax applicable to the sale or use of the article, and may not be revoked.

"SEC. 4224. EXEMPTION FOR ARTICLES TAXABLE AS JEWELRY.

"No tax shall be imposed under this chapter on any article taxable under section 4001 (relating to jewelry tax). This section shall not apply to any clock or watch, or to any case or movement for a clock or watch, sold (1) as a part or accessory, or (2) on or in connection with or with the sale of any article.

"SEC. 4225. EXEMPTION OF ARTICLES MANUFACTURED OR PRODUCED BY INDIANS.

"No tax shall be imposed under this chapter on any article of native Indian handicraft manufactured or produced by Indians on Indian reservations, or in Indian schools, or by Indians under the jurisdiction of the United States Government in Alaska."

(b) TECHNICAL AMENDMENTS.—

26 USC 4041.

(1) Section 4041 is amended by adding at the end thereof the following new subsection:

"(e) EXEMPTION FOR USE AS SUPPLIES FOR VESSELS.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under subsection (b) in the case of any fuel sold for use or used as supplies for vessels or aircraft (within the meaning of section 4221 (d) (3))."

26 USC 4151,
4152.

(2) Part II of subchapter C of chapter 32 is amended by striking out section 4152, and by striking out

"Sec. 4152. Exemption for religious or educational use."

in the table of sections for such part.

26 USC 4216-
4226.

(3) The table of sections for subchapter F of chapter 32 is amended by striking out

"Sec. 4220. Exemptions for sales or resales to manufacturers."

and all that follows.

26 USC 4601.

(4) Section 4601 (applicability of tariff provisions) is amended by adding at the end thereof the following:

"Articles manufactured or produced with the use of articles upon the importation of which tax has been paid under subchapter A, B, C, or D of this chapter, if laden for use as supplies on vessels referred to in section 4221 (d) (3), shall be held to be exported for purposes of this section."

PART III—FACILITIES AND SERVICES

SEC. 131. ADMISSIONS.

26 USC 4231.

(a) EXEMPTION OF FIRST \$1 PAID FOR ADMISSION.—Section 4231 (1) (general admissions tax) is amended to read as follows:

"(1) GENERAL.—

"(A) SINGLE ADMISSION.—A tax of 1 cent for each 10 cents or major fraction thereof of the amount in excess of \$1 paid for admission to any place.

"(B) SEASON TICKET.—In the case of a season ticket or subscription for admission to any place, a tax of 1 cent for each 10 cents or major fraction thereof of the amount paid for such season ticket or subscription which is in excess of \$1 multiplied by the number of admissions provided by such season ticket or subscription.

“(C) BY WHOM PAID.—The taxes imposed under subparagraphs (A) and (B) shall be paid by the person paying for the admission.”

(b) APPLICATION OF ADMISSIONS TAX OUTSIDE THE UNITED STATES.—Section 4231 (admissions tax) is amended by adding at the end thereof the following new sentences:

“This section shall apply with respect to amounts paid within or outside the United States, but only if the place of admission or performance is within the United States. In the case of any payment outside the United States in respect of which tax is imposed under paragraph (1), (2), or (3) of this section, such tax shall be collected by the person who is to furnish the facility or service, and if such person does not collect the tax he shall be liable for the payment of such tax.”

(c) COLLECTION OF CABARET TAX ON PAYMENTS TO CONCESSIONAIRES.—The second sentence of paragraph (6) of section 4231 (tax on cabarets) is amended to read as follows: “The tax imposed under this paragraph shall be returned and paid by the person receiving such payments; except that if the person receiving such payments is a concessionaire, the tax imposed under this paragraph shall be paid by such concessionaire and collected from him by the proprietor of the roof garden, cabaret, or other similar place.”

(d) APPLICATION OF CABARET TAX TO MILK BARS.—Section 4232 (b) (defining the term “roof garden, cabaret, or other similar place”) is amended by adding at the end thereof the following new sentence: “Such term does not include any place if—

26 USC 4232.

“(1) no beverage subject to tax under chapter 51 (distilled spirits, wines, and beer) is served or permitted to be consumed;

26 USC 5001-5693.

“(2) only light refreshment is served;

“(3) where space is provided for dancing, no charge is made for dancing; and

“(4) where music is provided or permitted, such music is (A) instrumental or other music which is supplied without any charge to the owner, lessee, or operator of such place (or to any concessionaire), or (B) mechanical music.”

(e) ADMISSIONS INURING TO BENEFIT OF SCHOLARSHIP AND FELLOWSHIP FUNDS.—Section 4233 (a) (1) (A) (exemptions from admissions tax) is amended by striking out “possessions—” at the end of clause (vi) and inserting in lieu thereof “possessions;”, and by inserting after clause (vi) the following new clause:

26 USC 4233.

“(vii) a trust or organization described in section 501

(c) (3) which is exempt from tax under section 501 (a) and which is organized and operated exclusively to provide scholarships and fellowships for study above the secondary level—”.

(f) ADMISSIONS TO PRIVATELY OPERATED SWIMMING POOLS, ETC.—Section 4233 (a) (4) (exemption from admissions tax in case of certain places for physical exercise) is amended to read as follows:

“(4) SWIMMING POOLS, ETC.—Any admissions to swimming pools, bathing beaches, skating rinks, or other places providing facilities for physical exercise (other than dancing).”

(g) TECHNICAL AMENDMENT.—Section 4291 (cases where persons receiving payment must collect tax) is amended by striking out “Except as provided in section 4264 (a),” and inserting in lieu thereof “Except as otherwise provided in sections 4231 and 4264 (a),”.

26 USC 4291.

26 USC 4264.

SEC. 132. CLUB DUES.

(a) **TAX ON LIFE MEMBERSHIPS.**—Section 4241 (a) (3) (club dues tax in the case of life memberships) is amended to read as follows:

“(3) **LIFE MEMBERSHIPS.**—In the case of life memberships—

“(A) a tax equivalent to the tax upon the amount paid as dues or membership fees by members (other than life members) having privileges most nearly comparable to those of the person holding the life membership; or

“(B) at the election (made at such time not later than the day on which the first amount is paid for life membership, and made in such manner and form, as the Secretary or his delegate shall by regulations prescribe) of the person holding the life membership, a tax equivalent to 20 percent of any amount paid for the life membership. Any election under this subparagraph shall be irrevocable.

If subparagraph (A) applies, no tax shall be paid under this subsection on amounts paid for the life membership, and the tax under subparagraph (A) shall be paid at the time for the payment of dues or membership fees by members (other than life members) having privileges most nearly comparable to those of the person holding the life membership. Any tax payable under this paragraph shall be in addition to any tax payable under paragraph (1) or (2). No tax shall be payable under this paragraph on any life membership for which no charge is made to any person.”

(b) **ASSESSMENTS PAID FOR CAPITAL IMPROVEMENTS; NONPROFIT SWIMMING OR SKATING FACILITIES.**—Section 4243 (exemption from the tax on club dues in the case of fraternal organizations) is amended—

(1) by striking out the heading and inserting in lieu thereof

“**SEC. 4243. EXEMPTIONS.**”;

(2) by striking out “There” and inserting in lieu thereof “(a) **FRATERNAL ORGANIZATIONS.**—There”; and

(3) by adding at the end thereof the following new subsections:

“(b) **ASSESSMENTS FOR CAPITAL IMPROVEMENTS.**—Notwithstanding any other provision of this part, there shall be exempted from the provisions of section 4241 any assessment paid for the construction or reconstruction of any social, athletic, or sporting facility (or for the construction or reconstruction of any capital addition to, or capital improvement of, any such facility).

“(c) **NONPROFIT SWIMMING OR SKATING FACILITIES.**—Under regulations prescribed by the Secretary or his delegate, there shall be exempted from the provisions of section 4241 all amounts paid as dues or fees to any club or other organization organized and operated primarily for the purpose of providing swimming or skating facilities for its members, if no part of the net earnings of such organization inures to the benefit of any private stockholder or individual. This subsection shall apply with respect to an organization only if it is established to the satisfaction of the Secretary or his delegate that—

“(1) children will be permitted to use the swimming or skating facilities, on the basis of their own membership or the membership of adults;

“(2) no beverage subject to tax under chapter 51 (distilled spirits, wines, and beer) will be served or permitted to be consumed on any premises under the control of such organization;

“(3) no dining facilities (other than facilities for light refreshment), and no dancing facilities, will be provided on any premises under the control of such organization; and

"(4) such organization is not controlled by, or under common control with, any other organization."

(c) **TECHNICAL AMENDMENT.**—The table of sections for part II of subchapter A of chapter 33 is amended by striking out ^{26 USC 4241-4243.}

"Sec. 4243. Exemption—Fraternal organizations."

and inserting in lieu thereof

"Sec. 4243. Exemptions."

(d) **EFFECTIVE DATES.**—

(1) Subparagraph (A) of section 4241 (a) (3) of the Internal Revenue Code of 1954, as amended by subsection (a) of this section, shall apply only with respect to amounts paid on or after the effective date specified in section 1 (c) of this Act. Subparagraph (B) of such section 4241 (a) (3), as so amended, shall apply with respect to all amounts paid for the life membership and without regard to the tax imposed by such section for any period before such effective date. For purposes of such subparagraph (B), and for purposes of the preceding sentence, all amounts paid at any time before the day which is 6 months after such effective date shall be treated as paid on such day.

(2) Subsection (b) of section 4243 of the Internal Revenue Code of 1954, as added by subsection (b) of this section, shall apply only with respect to assessments paid on or after the effective date specified in section 1 (c) of this Act for construction or reconstruction begun on or after such effective date. Subsection (c) of such section 4243, as added by subsection (b) of this section, shall apply only with respect to amounts (including assessments for construction or reconstruction) paid on or after January 1, 1958. No interest shall be allowed or paid on any overpayment in respect of dues or fees paid on or before the date of the enactment of this Act, if refund or credit of such overpayment would not be allowable but for subsection (c) of such section 4243, as added by subsection (b) of this section.

SEC. 133. COMMUNICATIONS TAX.

(a) **IN GENERAL.**—Subchapter B of chapter 33 (communications taxes) is amended to read as follows: ^{26 USC 4251-4254.}

"Subchapter B—Communications

"Sec. 4251. Imposition of tax.

"Sec. 4252. Definitions.

"Sec. 4253. Exemptions.

"Sec. 4254. Computation of tax.

"SEC. 4251. IMPOSITION OF TAX.

"There is hereby imposed on amounts paid for the communication services enumerated in the following table a tax equal to the percent of the amount so paid as is specified in such table:

"Taxable service	Rate of tax
	<i>Percent</i>
General telephone service.....	10
Toll telephone service.....	10
Telegraph service.....	10
Teletypewriter exchange service.....	10
Wire mileage service.....	10
Wire and equipment service.....	8

The taxes imposed by this section shall be paid by the person paying for the services.

"SEC. 4252. DEFINITIONS.

"(a) **GENERAL TELEPHONE SERVICE.**—For purposes of this subchapter, the term 'general telephone service' means any telephone or radio telephone service furnished in connection with any fixed or mobile telephone or radio telephone station which may be connected (directly or indirectly) to an exchange operated by a person engaged in the business of furnishing communication service, if by means of such connection communication may be established with any other fixed or mobile telephone or radio telephone station. Without limiting the preceding sentence, any service described therein shall be treated as including the use of—

"(1) any private branch exchange (and any fixed or mobile telephone or radio telephone station connected, directly or indirectly, with such an exchange), and

"(2) any tie line or extension line.

The term 'general telephone service' does not include any service which is toll telephone service or wire and equipment service.

"(b) **TOLL TELEPHONE SERVICE.**—For purposes of this subchapter, the term 'toll telephone service' means a telephone or radio telephone message or conversation for which (1) there is a toll charge, and (2) the charge is paid within the United States.

"(c) **TELEGRAPH SERVICE.**—For purposes of this subchapter, the term 'telegraph service' means a telegram, cable, or radio dispatch or message for which the charge is paid within the United States.

"(d) **TELETYPEWRITER EXCHANGE SERVICE.**—For purposes of this subchapter, the term 'teletypewriter exchange service' means any service where a teletypewriter (or similar device) may be connected (directly or indirectly) to an exchange operated by a person engaged in the business of furnishing communication service, if by means of such connection communication may be established with any other teletypewriter (or similar device).

"(e) **WIRE MILEAGE SERVICE.**—For purposes of this subchapter, the term 'wire mileage service' means—

"(1) any telephone or radio telephone service, and

"(2) any other wire or radio circuit service,

not included in any other subsection of this section; except that such term does not include service used exclusively in furnishing wire and equipment service.

"(f) **WIRE AND EQUIPMENT SERVICE.**—For purposes of this subchapter, the term 'wire and equipment service' includes stock quotation and information services, burglar alarm or fire alarm service, and all other similar services (whether or not oral transmission is involved). Such term does not include teletypewriter exchange service.

"SEC. 4253. EXEMPTIONS.

"(a) **CERTAIN COIN-OPERATED SERVICE.**—Services paid for by inserting coins in coin-operated telephones available to the public shall not be subject to the tax imposed by section 4251 with respect to general telephone service, or with respect to toll telephone service or telegraph service if the charge for such toll telephone service or telegraph service is less than 25 cents; except that where such coin-operated telephone service is furnished for a guaranteed amount, the amounts paid under such guarantee plus any fixed monthly or other periodic charge shall be subject to the tax.

"(b) **NEWS SERVICES.**—No tax shall be imposed under section 4251, except with respect to general telephone service, on any payment received from any person for services used 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 is billed in writing to such person.

“(c) CERTAIN ORGANIZATIONS.—No tax shall be imposed under section 4251 on any payment received for services furnished to an international organization, or to the American National Red Cross.

“(d) SERVICEMEN IN COMBAT ZONE.—No tax shall be imposed under section 4251 on any payment received for any toll telephone service which originates within a combat zone, as defined in section 112, from a member of the Armed Forces of the United States performing service in such combat zone, as determined under such section, provided a certificate, setting forth such facts as the Secretary or his delegate may by regulations prescribe, is furnished to the person receiving such payment.

26 USC 112.

“(e) FOR ITEMS OTHERWISE TAXED.—Only one payment of tax under section 4251 shall be required with respect to the tax on toll telephone service, telegraph service, or teletypewriter exchange service, notwithstanding the lines or stations of one or more persons are used in furnishing such service.

“(f) SPECIAL WIRE SERVICE IN COMPANY BUSINESS.—No tax shall be imposed under section 4251 on the amount paid for so much of any wire mileage service or wire and equipment service as is used in the conduct, by a common carrier or a telephone or telegraph company or radio broadcasting station or network, of its business as such.

“(g) INSTALLATION CHARGES.—No tax shall be imposed under section 4251 on so much of any amount paid for the installation of any instrument, wire, pole, switchboard, apparatus, or equipment as is properly attributable to such installation.

“(h) TERMINAL FACILITIES IN CASE OF WIRE MILEAGE SERVICE.—No tax shall be imposed under section 4251 on so much of any amount paid for wire mileage service as is paid for, and properly attributable to, the use of any sending or receiving set or device which is station terminal equipment.

“(i) CERTAIN INTERIOR COMMUNICATION SYSTEMS.—No tax shall be imposed under section 4251 on any amount paid for wire mileage service or wire and equipment service, if such service is rendered through the use of an interior communication system. For purposes of the preceding sentence, the term ‘interior communication system’ means any system—

“(1) no part of which is situated off the premises of the subscriber, and which may not be connected (directly or indirectly) with any communication system any part of which is situated off the premises of the subscriber, or

“(2) which is situated exclusively in a vehicle of the subscriber.

“SEC. 4254. COMPUTATION OF TAX.

“(a) GENERAL RULE.—If a bill is rendered the taxpayer for general telephone service, toll telephone service, or telegraph service—

“(1) the amount on which the tax with respect to such services shall be based shall be the sum of all charges for such services included in the bill; except that

“(2) if the person who renders the bill groups individual items for purposes of rendering the bill and computing the tax, then (A) the amount on which the tax with respect to each such group shall be based shall be the sum of all items within that group, and (B) the tax on the remaining items not included in any such group shall be based on the charge for each item separately.

“(b) WHERE PAYMENT IS MADE FOR TOLL TELEPHONE SERVICE OR TELEGRAPH SERVICE IN COIN-OPERATED TELEPHONES.—If the tax imposed by section 4251 with respect to toll telephone service or telegraph service is paid by inserting coins in coin-operated telephones, tax shall be computed to the nearest multiple of 5 cents, except that where the tax is midway between multiples of 5 cents, the next higher multiple shall apply.”

(b) EFFECTIVE DATE.—

(1) Subject to the provisions of paragraph (2), the amendment made by subsection (a) shall apply with respect to amounts paid on or after the effective date prescribed in section 1 (c) of this Act for services rendered on or after such date.

(2) The amendment made by subsection (a) shall not apply with respect to amounts paid pursuant to bills rendered before the effective date prescribed in section 1 (c) of this Act. In the case of amounts paid pursuant to bills rendered on or after such date for services for which no previous bill was rendered, such amendments shall apply except with respect to such services as were rendered more than 2 months before such date. In the case of services rendered more than 2 months before such date the provisions of subchapter B of chapter 33 of the Internal Revenue Code of 1954 in effect at the time such services were rendered shall apply to the amounts paid for such services.

26 USC 4251-4254.

SEC. 134. AIR TAXI TRANSPORTATION.

26 USC 4263.

Section 4263 (exemptions from tax on transportation of persons) is amended by adding at the end thereof the following new subsection:

“(f) **SMALL AIRCRAFT ON NONESTABLISHED LINES.**—The tax imposed by section 4261 shall not apply to transportation by aircraft having—

“(1) a gross takeoff weight (as determined under regulations prescribed by the Secretary or his delegate) of less than 12,500 pounds, and

“(2) a passenger seating capacity of less than 10 adult passengers, including the pilot,

except when such aircraft is operated on an established line.”

SEC. 135. EXEMPTION FROM COMMUNICATIONS AND TRANSPORTATION TAXES FOR NONPROFIT EDUCATIONAL ORGANIZATIONS.

26 USC 4291-4294.

(a) **EXEMPTION.**—Subchapter E of chapter 33 (special provisions applicable to services and facilities taxes) is amended by renumbering section 4294 as 4295, and by inserting after section 4293 the following new section:

“SEC. 4294. EXEMPTION FOR NONPROFIT EDUCATIONAL ORGANIZATIONS.

“(a) **EXEMPTION.**—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under section 4251 or 4261 on any amount paid by a nonprofit educational organization for services or facilities furnished to such organization.

26 USC 4261.

“(b) **DEFINITION.**—For purposes of subsection (a), the term ‘nonprofit educational organization’ means an educational organization described in section 503 (b) (2) which is exempt from income tax under section 501 (a).”

26 USC 503, 501.

(b) **CLERICAL AMENDMENT.**—The table of sections for subchapter E of chapter 33 is amended by striking out

“Sec. 4294. Cross reference to general administrative provisions.” and inserting in lieu thereof

“Sec. 4294. Exemption for nonprofit educational organizations.

“Sec. 4295. Cross reference to general administrative provisions.”

PART IV—DOCUMENTARY STAMP TAXES**SEC. 141. DOCUMENTARY STAMP TAXES.**

(a) **AMENDMENT OF CHAPTER 34.**—Chapter 34 (documentary stamp taxes) is amended to read as follows: 26 U S C 4301-4383.

“CHAPTER 34—DOCUMENTARY STAMP TAXES

“SUBCHAPTER A. Issuance of capital stock and certificates of indebtedness by a corporation.

“SUBCHAPTER B. Sales or transfers of capital stock and certificates of indebtedness of a corporation.

“SUBCHAPTER C. Conveyances.

“SUBCHAPTER D. Policies issued by foreign insurers.

“SUBCHAPTER E. Miscellaneous provisions applicable to documentary stamp taxes.

“Subchapter A—Issuance of Capital Stock and Certificates of Indebtedness by a Corporation

“Part I. Issuance of capital stock and similar interests.

“Part II. Issuance of certificates of indebtedness.

“PART I—ISSUANCE OF CAPITAL STOCK AND SIMILAR INTERESTS

“Sec. 4301. Imposition of tax.

“Sec. 4302. Recapitalization.

“Sec. 4303. Exemptions.

“Sec. 4304. Affixing of stamps.

“Sec. 4305. Cross references.

“SEC. 4301. IMPOSITION OF TAX.

“There is hereby imposed, on each original issue of shares or certificates of stock issued by a corporation (whether on organization or reorganization), a tax at the rate of 10 cents on each \$100 (or major fraction thereof) of the actual value of the certificates (or of the shares where no certificates are issued). The tax imposed by this section shall be computed on the basis of all certificates (or shares) so issued by the corporation on each day.

“SEC. 4302. RECAPITALIZATION.

“In the case of a recapitalization, the tax imposed by section 4301 shall be that proportion of the tax computed on the certificates (or on the shares where no certificates are issued) issued in the recapitalization that (1) the amount dedicated as capital for the first time by the recapitalization, whether by a transfer of earned surplus or otherwise, bears to (2) the total actual value of such certificates or shares issued in the recapitalization.

“SEC. 4303. EXEMPTIONS.

“(a) **COMMON TRUST FUNDS.**—The tax imposed by section 4301 shall not apply to the issue of shares or certificates of a common trust fund, as defined in section 584.

26 USC 584.

“(b) **POOLED INVESTMENT FUNDS.**—The tax imposed by section 4301 shall not apply to the issue of shares or certificates of a fund maintained by a bank exclusively for the collective investment and reinvestment of assets of qualified trusts (within the meaning of section 401, relating to qualified pension, profit-sharing, and stock bonus plans).

26 USC 401.

“(c) **INSTALLMENT PURCHASES OF CERTAIN SHARES OR CERTIFICATES.**—The tax imposed by section 4301 shall not apply to shares or certificates issued by a corporation pursuant to an installment purchase agreement which provides that—

“(1) the periodic payments by the purchaser will be applied (as received by the corporation) solely to the acquisition of shares or certificates in specified other corporations (and in specified percentages), and

“(2) the corporation will transfer to the purchaser, on or before the termination of the agreement, all shares or certificates in other corporations acquired by it for the purchaser.

For purposes of the preceding sentence, the term ‘purchaser’ includes a successor in interest of the purchaser.

“(d) **OTHER EXEMPTIONS.**—

“For other exemptions, see section 4382.

“**SEC. 4304. AFFIXING OF STAMPS.**

“The stamps representing the tax imposed by section 4301 shall be affixed to the stock books or corresponding records of the organization and not to the certificates issued.

“**SEC. 4305. CROSS REFERENCES.**

“For definitions, penalties, and other general and administrative provisions applicable to this part, see sections 4381 and 4384 and subtitle F.

“PART II—ISSUANCE OF CERTIFICATES OF INDEBTEDNESS

“Sec. 4311. Imposition of tax.

“Sec. 4312. Renewals.

“Sec. 4313. Bond as security for debt.

“Sec. 4314. Exemptions.

“Sec. 4315. Cross references.

“**SEC. 4311. IMPOSITION OF TAX.**

“There is hereby imposed, on all certificates of indebtedness issued by a corporation, a tax at the rate of 11 cents on each \$100 of face value or fraction thereof.

“**SEC. 4312. RENEWALS.**

“Every renewal of any certificate of indebtedness shall be taxed as a new issue.

“**SEC. 4313. BOND AS SECURITY FOR DEBT.**

“In the case where a bond conditioned for the repayment or payment of money is given in a penal sum greater than the debt secured, the tax imposed by section 4311 shall be based upon the amount secured.

“**SEC. 4314. EXEMPTIONS.**

“(a) **INSTALLMENT PURCHASE OF OBLIGATIONS.**—The tax imposed by section 4311 shall not apply to any instrument under the terms of which the obligee is required to make payment therefor in installments and is not permitted to make in any year a payment of more than 20 percent of the cash amount to which entitled upon maturity of the instrument.

“(b) **OTHER EXEMPTIONS.**—

“For other exemptions, see section 4382.

“**SEC. 4315. CROSS REFERENCES.**

“For definitions, penalties, and other general and administrative provisions applicable to this part, see sections 4381 and 4384 and subtitle F.

“Subchapter B—Sales or Transfers of Capital Stock and Certificates of Indebtedness of a Corporation

“Part I. Sales or transfers of capital stock and similar interests.

“Part II. Sales or transfers of certificates of indebtedness.

“Part III. Provisions common to sales or transfers of capital stock and certificates of indebtedness.

“PART I—SALES OR TRANSFERS OF CAPITAL STOCK AND SIMILAR INTERESTS

“Sec. 4321. Imposition of tax.

“Sec. 4322. Exemptions.

“Sec. 4323. Affixing of stamps.

“Sec. 4324. Cross references.

“SEC. 4321. IMPOSITION OF TAX.

“There is hereby imposed, on each sale or transfer of shares or certificates of stock, or of rights to subscribe for or to receive such shares or certificates, issued by a corporation, a tax at the rate of 4 cents on each \$100 (or major fraction thereof) of the actual value of the certificates (or of the shares where no certificates are sold or transferred). In no case shall the tax so imposed on any such sale or transfer be—

“(1) more than 8 cents on each share, or

“(2) less than 4 cents on the sale or transfer.

“SEC. 4322. EXEMPTIONS.

“(a) EXEMPTIONS FOR CERTAIN TRANSFERS.—The tax imposed by section 4321 shall not apply to any delivery or transfer of shares, certificates, or rights—

“(1) **BROKERS.**—To a broker or his registered nominee for sale of such shares, certificates, or rights; by a broker or his registered nominee to a customer for whom and upon whose order the broker has purchased same; or by a purchasing broker to his registered nominee to be held by such nominee for the same purpose as if held by the broker; or

“(2) **NOMINEES OF CORPORATIONS.**—From a corporation to a registered nominee of such corporation, or from one such nominee to another such nominee, provided that in each instance such shares, certificates, or rights are to be held by the nominee for the same purpose as if retained by the corporation; or from such nominee to such corporation.

“(b) **CERTAIN ODD-LOT TRANSACTIONS.**—

“(1) **EXEMPTION.**—The tax imposed by section 4321 shall not apply to any odd-lot sale by an odd-lot dealer if the shares, certificates, or rights are delivered or transferred to a broker pursuant to an order of a customer of such broker for such shares, certificates, or rights.

“(2) **DEFINITIONS.**—For purposes of paragraph (1)—

“(A) The term ‘odd-lot sale’ means an odd-lot transaction under the rules of the securities exchange of which the odd-lot dealer is a member.

“(B) The term ‘odd-lot dealer’ means a person who is (i) a member of a securities exchange which is registered with the Securities and Exchange Commission as a national securities exchange, and (ii) registered under the rules of such exchange as an odd-lot dealer or as a specialist.

"(c) OTHER EXEMPTIONS.—

"For other exemptions, see sections 4341, 4342, 4343, 4344, and 4382.

"SEC. 4323. AFFIXING OF STAMPS.

"(a) BOOKS OF THE CORPORATION.—The stamps representing the tax imposed by section 4321 shall be affixed to the books of the corporation in case of a sale where the evidence of transfer is shown only by the books of the corporation.

"(b) CERTIFICATION AS TO VALUE BY TRANSFEROR OR TRANSFEREE.—Where shares or certificates of stock, or of rights to subscribe for or to receive such shares or certificates, are presented for transfer and the tax thereon is paid by the use of adhesive stamps, such shares or certificates shall be accompanied by a certification signed by the transferor or his agent or the transferee or his agent as to the actual value of the shares or certificates so transferred and any corporation or transfer agent to whom such shares or certificates are presented shall be entitled to rely on such certification without further inquiry.

"(c) OTHER EVIDENCES OF SALE OR TRANSFER.—

"For provisions applicable to the affixing of stamps in cases of sale or transfer shown otherwise than only by the books of the corporation, see section 4352.

"SEC. 4324. CROSS REFERENCES.

"For definitions, penalties, and other general and administrative provisions applicable to this part, see sections 4345, 4351, 4353, 4381, and 4384, and subtitle F.

"PART II—SALES OR TRANSFERS OF CERTIFICATES OF INDEBTEDNESS

"Sec. 4331. Imposition of tax.

"Sec. 4332. Exemptions.

"Sec. 4333. Cross references.

"SEC. 4331. IMPOSITION OF TAX.

"There is hereby imposed, on each sale or transfer of any certificates of indebtedness issued by a corporation, a tax at the rate of 5 cents on each \$100 or fraction thereof of the face value.

"SEC. 4332. EXEMPTIONS.

"(a) BROKERS.—The tax imposed by section 4331 shall not apply to any delivery or transfer to a broker for sale, nor upon any delivery or transfer by a broker to a customer for whom and upon whose order he has purchased the certificates of indebtedness.

"(b) INSTALLMENT PURCHASE OF OBLIGATIONS.—The tax imposed by section 4331 shall not apply to any instrument under the terms of which the obligee is required to make payment therefor in installments and is not permitted to make in any year a payment of more than 20 percent of the cash amount to which entitled upon maturity of the instrument.

"(c) OTHER EXEMPTIONS.—

"For other exemptions, see sections 4341, 4342, 4343, 4344, and 4382.

"SEC. 4333. CROSS REFERENCES.

"For definitions, penalties, and other general and administrative provisions applicable to this part, see sections 4345, 4381, and 4384; sections 4351 to 4353 inclusive; and subtitle F.

"PART III—PROVISIONS COMMON TO SALES OR TRANSFERS OF CAPITAL STOCK AND CERTIFICATES OF INDEBTEDNESS

"Subpart A. Exemptions.

"Subpart B. Miscellaneous provisions.

"Subpart A—Exemptions

"Sec. 4341. Transfers as security.

"Sec. 4342. Fiduciaries and custodians.

"Sec. 4343. Transfers by operation of law.

"Sec. 4344. Certain other transfers.

"Sec. 4345. Exemption certificates.

"Sec. 4346. Cross references.

"SEC. 4341. TRANSFERS AS SECURITY.

"The taxes imposed by sections 4321 and 4331 shall not apply to any delivery or transfer of any of the instruments referred to in such sections—

"(1) **COLLATERAL SECURITY.**—To a lender as collateral security for money loaned thereon, if such collateral security is not actually sold, or by such lender as a return of such collateral security.

"(2) **SECURITY FOR PERFORMANCE.**—To a trustee or public officer made pursuant to Federal or State law as security for the performance of an obligation, or by such trustee or public officer as a return of such security.

"SEC. 4342. FIDUCIARIES AND CUSTODIANS.

"The taxes imposed by section 4321 and 4331 shall not apply to any delivery or transfer of any of the instruments referred to in such sections—

"(1) **FIDUCIARIES.**—From a fiduciary to his nominee, or from one nominee of the fiduciary to another nominee, provided that in each instance such instruments are to be held by the nominee for the same purpose as if retained by the fiduciary; or from the nominee to such fiduciary; or

"(2) **CUSTODIANS.**—

"(A) From the owner to a custodian if under a written agreement between the parties such instruments are to be held or disposed of by such custodian for, and subject at all times to the instructions of, the owner; or from such custodian to such owner; or

"(B) From a custodian as specified in subparagraph (A) to a registered nominee of such custodian, or from one such nominee to another such nominee, provided that in each instance such instruments are to be held by the nominee for the same purpose as if retained by the custodian; or from such nominee to such custodian.

"SEC. 4343. TRANSFERS BY OPERATION OF LAW.

"(a) **EXEMPT TRANSFERS.**—The taxes imposed by sections 4321 and 4331 shall not apply to any delivery or transfer of any of the instruments referred to in such sections—

"(1) **DECEDENTS.**—From a decedent to his executor or administrator.

"(2) **MINORS.**—From a minor to his guardian, or from a guardian to his ward upon attaining majority.

"(3) **INCOMPETENTS.**—From an incompetent to his committee or similar legal representative, or from a committee or similar legal representative to a former incompetent upon removal of disability.

"(4) **FINANCIAL INSTITUTIONS.**—From a bank, trust company, financial institution, insurance company, or other similar entity, or nominee, custodian, or trustee therefor, to a public officer or commission, or person designated by such officer or commission or by a court, in the taking over of its assets, in whole or part, under Federal or State law regulating or supervising such institutions, nor upon redelivery or retransfer by any such transferee or successor thereto.

"(5) **BANKRUPTS.**—From a bankrupt or person in receivership due to insolvency to the trustee in bankruptcy or receiver, from such receiver to such trustee, or from such trustee to such receiver, nor upon redelivery or retransfer by any such transferee or successor thereto.

"(6) **SUCCESSORS.**—From a transferee under paragraphs (1) to (5), inclusive, to his successor acting in the same capacity, or from one such successor to another.

"(7) **FOREIGN GOVERNMENTS AND ALIENS.**—From a foreign country or national thereof to the United States or any agency thereof, or to the government of any foreign country, directed pursuant to the authority vested in the President by section 5 (b) of the Trading With the Enemy Act, as amended by the First War Powers Act, 1941 (50 U. S. C. App. sec. 5).

"(8) **TRUSTEES.**—From trustees to surviving, substituted, succeeding, or additional trustees of the same trust.

"(9) **SURVIVORS.**—Upon the death of a joint tenant or tenant by the entireties, to the survivor or survivors.

"(b) **NONEXEMPT TRANSFERS.**—No delivery or transfer shall be exempt because effected by operation of law unless an exemption is otherwise specifically provided.

"SEC. 4344. CERTAIN OTHER TRANSFERS.

"(a) **LOANS.**—The taxes imposed by sections 4321 and 4331 shall not apply to any delivery or transfer of any of the instruments referred to in such sections to a borrower as a loan of such instruments, or to the lender as a return of such loan.

"(b) **WORTHLESS STOCK AND OBLIGATIONS.**—The taxes imposed by sections 4321 and 4331 shall not apply to any delivery or transfer of any of the instruments referred to in such sections by an executor or administrator to a legatee, heir, or distributee, if it is shown to the satisfaction of the Secretary or his delegate that the value of such instrument is not greater than the amount of the tax which would otherwise be imposed on such delivery or transfer.

"(c) **TRANSFERS BETWEEN CERTAIN REVOCABLE TRUSTS.**—The taxes imposed by sections 4321 and 4331 shall not apply to any delivery or transfer of any of the instruments referred to in such sections by one revocable trust to another revocable trust if—

"(1) the grantor of both trusts is the same person, and

"(2) at the time of such delivery or transfer, such grantor is treated under section 676 as the owner of both trusts.

For purposes of the preceding sentence, if 2 or more grantors are treated under section 676 as owners in the same relative proportions of both trusts, such grantors shall be treated as the same person.

"SEC. 4345. EXEMPTION CERTIFICATES.

"Except as provided in regulations prescribed by the Secretary or his delegate, no exemption shall be granted under section 4322, 4332 (a), 4341, 4342, 4343 (a), or 4344 (a) or (c) unless the delivery or transfer is evidenced by a certificate setting forth such facts as the Secretary or his delegate may by regulations prescribe.

"SEC. 4346. CROSS REFERENCES.

"For other exemptions, see sections 4322, 4332, and 4382.

“Subpart B—Miscellaneous Provisions

“Sec. 4351. Definitions.

“Sec. 4352. Affixing of stamps.

“Sec. 4353. Payment of tax through national securities exchanges without use of stamps.

“Sec. 4354. Cross references.

“SEC. 4351. DEFINITIONS.

“(a) REGISTERED NOMINEE.—For purposes of this subchapter, the term ‘registered nominee’ means any person registered in accordance with such regulations as the Secretary or his delegate shall prescribe.

“(b) SALE OR TRANSFER.—For purposes of this subchapter, the term ‘sale or transfer’ means any sale, agreement to sell, memorandum of sale or delivery, or transfer of legal title, whether or not shown by the books of the corporation or other organization (or by any assignment in blank, or by any delivery, or by any paper or agreement or memorandum or other evidence of transfer or sale), and whether or not the holder acquires a beneficial interest in the instruments.

“SEC. 4352. AFFIXING OF STAMPS.

“The stamps representing the taxes imposed by section 4321 and section 4331 shall be affixed to—

“(1) INSTRUMENT.—The instrument where the change of ownership is by transfer of the instrument.

“(2) BILL OR MEMORANDUM OF SALE.—The bill or memorandum of sale in cases of an agreement to sell or where the transfer is by delivery of the instrument assigned in blank. Such bill or memorandum of sale shall be made and delivered by the seller to the buyer, and shall show the date thereof, the name of the seller, the amount of the sale, and the instrument to which it refers.

“SEC. 4353. PAYMENT OF TAX THROUGH NATIONAL SECURITIES EXCHANGES WITHOUT USE OF STAMPS.

“(a) GENERAL RULE.—Under regulations prescribed by the Secretary or his delegate, if a member of a securities exchange which is registered with the Securities and Exchange Commission as a national securities exchange appoints such exchange, or the clearinghouse for such exchange, as his agent for purposes of paying the taxes imposed by sections 4321 and 4331 in respect of his transactions, the taxes imposed by such sections in respect of such transactions may be paid through such agent without the use of stamps.

“(b) TREATMENT AS STAMP TAX.—For purposes of this title—

“(1) any tax which is payable as provided under subsection (a) shall be treated as tax payable by stamp, and

“(2) any amount of tax which is paid as provided under subsection (a) shall be treated as tax paid by stamp.

“SEC. 4354. CROSS REFERENCES.

“For penalties and other general and administrative provisions applicable to this subchapter, see section 4384 and subtitle F.

“Subchapter C—Conveyances

“Sec. 4361. Imposition of tax.

“Sec. 4362. Exemptions.

“Sec. 4363. Cross references.

“SEC. 4361. IMPOSITION OF TAX.

“There is hereby imposed, on each deed, instrument, or writing by which any lands, tenements, or other realty sold shall be granted, assigned, transferred, or otherwise conveyed to, or vested in, the purchaser or purchasers, or any other person or persons, by his or their direction, when the consideration or value of the interest or property

conveyed (exclusive of the value of any lien or encumbrance remaining thereon at the time of sale) exceeds \$100, a tax at the rate of 55 cents for each \$500 or fractional part thereof.

"SEC. 4362. EXEMPTIONS.

26 USC 4361.

"(a) **SECURITY FOR DEBT.**—The tax imposed by section 4361 shall not apply to any instrument or writing given to secure a debt.

"(b) **STATE AND LOCAL GOVERNMENT CONVEYANCES.**—No State or Territory, or political subdivision thereof, or the District of Columbia, shall be liable for the tax imposed by section 4361 with respect to any deed, instrument, or writing to which it is a party, and affixing of stamps thereby shall not be deemed payment for the tax, which may be collected by assessment from any other party liable therefor.

"(c) **OTHER EXEMPTIONS.**—

"For other exemptions, see section 4382.

"SEC. 4363. CROSS REFERENCES.

"For penalties and other general and administrative provisions applicable to this subchapter, see section 4384 and subtitle F.

"Subchapter D—Policies Issued by Foreign Insurers

"Sec. 4371. Imposition of tax.

"Sec. 4372. Definitions.

"Sec. 4373. Exemptions.

"Sec. 4374. Affixing of stamps.

"Sec. 4375. Cross references.

"SEC. 4371. IMPOSITION OF TAX.

"There is hereby imposed, on each policy of insurance, indemnity bond, annuity contract, or policy of reinsurance issued by any foreign insurer or reinsurer, a tax at the following rates:

"(1) **CASUALTY INSURANCE AND INDEMNITY BONDS.**—Four cents on each dollar, or fractional part thereof, of the premium charged on the policy of casualty insurance or the indemnity bond, if issued to or for, or in the name of, an insured as defined in section 4372 (d).

26 USC 4372.

"(2) **LIFE INSURANCE, SICKNESS, AND ACCIDENT POLICIES, AND ANNUITY CONTRACTS.**—One cent on each dollar, or fractional part thereof, of the premium charged on the policy of life, sickness, or accident insurance, or annuity contract, unless the insurer is subject to tax under section 816.

26 USC 816.

"(3) **REINSURANCE.**—One cent on each dollar, or fractional part thereof, of the premium charged on the policy of reinsurance covering any of the contracts taxable under paragraph (1) or (2).

"SEC. 4372. DEFINITIONS.

"(a) **FOREIGN INSURER OR REINSURER.**—For purposes of this subchapter, the term 'foreign insurer or reinsurer' means an insurer or reinsurer who is a nonresident alien individual, a foreign partnership, or a foreign corporation. The term includes a nonresident alien individual, foreign partnership, or foreign corporation which shall become bound by an obligation of the nature of an indemnity bond.

"(b) **POLICY OF CASUALTY INSURANCE.**—For purposes of section 4371 (1), the term 'policy of casualty insurance' means any policy (other than life) or other instrument by whatever name called whereby a contract of insurance is made, continued, or renewed.

"(c) **INDEMNITY BOND.**—For purposes of this subchapter, the term 'indemnity bond' means any instrument by whatever name called whereby an obligation of the nature of an indemnity, fidelity, or surety bond is made, continued, or renewed. The term includes any bond for indemnifying any person who shall have become bound or

engaged as surety, and any bond for the due execution or performance of any contract, obligation, or requirement, or the duties of any office or position, and to account for money received by virtue thereof, where a premium is charged for the execution of such bond.

“(d) **INSURED.**—For purposes of section 4371 (1), the term ‘insured’ means—

“(1) a domestic corporation or partnership, or an individual resident of the United States, against, or with respect to, hazards, risks, losses, or liabilities wholly or partly within the United States, or

“(2) a foreign corporation, foreign partnership, or nonresident individual, engaged in a trade or business within the United States, against, or with respect to, hazards, risks, losses, or liabilities within the United States.

“(e) **POLICY OF LIFE, SICKNESS, OR ACCIDENT INSURANCE, OR ANNUITY CONTRACT.**—For purposes of section 4371 (2), the term ‘policy of life, sickness, or accident insurance, or annuity contract’ means any policy or other instrument by whatever name called whereby a contract of insurance or an annuity contract is made, continued, or renewed with respect to the life or hazards to the person of a citizen or resident of the United States.

“(f) **POLICY OF REINSURANCE.**—For purposes of section 4371 (3), the term ‘policy of reinsurance’ means any policy or other instrument by whatever name called whereby a contract of reinsurance is made, continued, or renewed against, or with respect to, any of the hazards, risks, losses, or liabilities covered by contracts taxable under paragraph (1) or (2) of section 4371.

“SEC. 4373. EXEMPTIONS.

“The tax imposed by section 4371 shall not apply to—

“(1) **DOMESTIC AGENT.**—Any policy, indemnity bond, or annuity contract signed or countersigned by an officer or agent of the insurer in a State, Territory, or District of the United States within which such insurer is authorized to do business.

“(2) **INDEMNITY BOND.**—Any indemnity bond required to be filed by any person to secure payment of any pension, allowance, allotment, relief, or insurance by the United States, or to secure a duplicate for, or the payment of, any bond, note, certificate of indebtedness, war-saving certificate, warrant, or check, issued by the United States.

“SEC. 4374. AFFIXING OF STAMPS.

“Any person to or for whom or in whose name any policy, indemnity bond, or annuity contract referred to in section 4371 is issued, or any solicitor or broker acting for or on behalf of such person in the procurement of any such instrument, shall affix the proper stamps to such instrument.

“SEC. 4375. CROSS REFERENCES.

“For penalties and other general and administrative provisions, see section 4384 and subtitle F.

“Subchapter E—Miscellaneous Provisions Applicable to Documentary Stamp Taxes

“Sec. 4381. Definitions.

“Sec. 4382. Exemptions.

“Sec. 4383. Certain changes in partnerships.

“Sec. 4384. Liability for tax.

"SEC. 4381. DEFINITIONS.

"(a) **CERTIFICATES OF INDEBTEDNESS.**—For purposes of the taxes imposed by sections 4311 and 4331, the term 'certificates of indebtedness' means bonds, debentures, or certificates of indebtedness; and includes all instruments, however termed, issued by a corporation with interest coupons or in registered form, known generally as corporate securities.

"(b) **CORPORATION.**—For purposes of the taxes imposed by this chapter, the term 'corporation' includes any investment trust or similar organization (or any person acting in behalf of such investment trust or similar organization) issuing, holding or dealing in shares or certificates of stock, or in certificates of indebtedness. For purposes of the tax imposed by section 4311, the term 'corporation' also includes any receiver, trustee in bankruptcy, assignee, or other person having custody of property of, or charge of the affairs of, the corporation. Nothing contained in this subsection shall be construed to limit the effect of the definition of the term 'corporation' provided in section 7701 (a) (3).

26 USC 7701.

"(c) **SHARES OR CERTIFICATES OF STOCK.**—For purposes of the taxes imposed by sections 4301 and 4321, the term 'shares or certificates of stock' includes shares or certificates of profits or of interest in property or accumulations.

"SEC. 4382. EXEMPTIONS.

"(a) **GOVERNMENTS; CERTAIN ASSOCIATIONS.**—The taxes imposed by this chapter shall not apply to—

"(1) **GOVERNMENT AND STATE OBLIGATIONS.**—Any certificate of indebtedness, note, or other instrument, issued by the United States, or by any foreign government, or by any State, Territory, or the District of Columbia, or local subdivision thereof, or municipal or other corporation exercising the taxing power.

"(2) **DOMESTIC BUILDING AND LOAN ASSOCIATIONS AND MUTUAL DITCH OR IRRIGATION COMPANIES.**—Shares or certificates of stock and certificates of indebtedness issued by domestic building and loan associations, savings and loan associations, cooperative banks, and homestead associations substantially all the business of which is confined to making loans to members, or by mutual ditch or irrigation companies.

"(3) **FARMERS', FRUIT GROWERS', OR COOPERATIVE ASSOCIATIONS.**—Shares or certificates of stock and certificates of indebtedness issued by any farmers' or fruit growers' or like associations organized and operated on a cooperative basis for the purposes, and subject to the conditions, prescribed in section 521.

26 USC 521.

"(b) **CERTAIN REORGANIZATIONS, ETC.**—The taxes imposed by sections 4301, 4311, 4321, 4331, and 4361 shall not apply to—

"(1) **CORPORATE AND RAILROAD REORGANIZATION.**—The issuance, transfer, or exchange of securities, or the making, delivery, or filing of conveyances, to make effective any plan of reorganization or adjustment—

11 USC 1 note.

"(A) confirmed under the Bankruptcy Act, as amended (11 U. S. C.),

"(B) approved in an equity receivership proceeding in a court involving a railroad corporation, as defined in section 77 (m) of the Bankruptcy Act, as amended (11 U. S. C. 205 (m)),

47 Stat. 1474.

"(C) approved in an equity receivership proceeding in a court involving a corporation, as defined in section 106 (3) of the Bankruptcy Act, as amended (11 U. S. C. 506), or

"(D) whereby a mere change in identity, form, or place of organization is effected,

but only if the issuance, transfer, or exchange of securities, or the making, delivery, or filing of instruments of transfer or conveyances, occurs within 5 years from the date of such confirmation, approval, or change.

“(2) **ORDERS OF THE SECURITIES AND EXCHANGE COMMISSION.**—The issuance, transfer, or exchange of securities, or making or delivery of conveyances, to make effective any order of the Securities and Exchange Commission as defined in section 1083 (a); but only if—

26 USC 1083.

“(A) the order of the Securities and Exchange Commission in obedience to which such issuance, transfer, exchange, or conveyance is made recites that such issuance, transfer, exchange, or conveyance is necessary or appropriate to effectuate the provisions of section 11 (b) of the Public Utility Holding Company Act of 1935 (15 U. S. C. 79k (b)),

49 Stat. 820.

“(B) such order specifies and itemizes the securities and other property which are ordered to be issued, transferred, exchanged, or conveyed, and

“(C) such issuance, transfer, exchange, or conveyance is made in obedience to such order.

“SEC. 4383. CERTAIN CHANGES IN PARTNERSHIPS.

“(a) **CONTINUING PARTNERSHIPS.**—In the case of any share, certificate, right, or realty held by a partnership, no tax shall be imposed under section 4321, 4331, or 4361 by reason of any transfer of an interest in a partnership or otherwise, if—

“(1) such partnership (or another partnership) is considered as a continuing partnership (within the meaning of section 708), and

26 USC 708.

“(2) such continuing partnership continues to hold the share, certificate, right, or realty concerned.

“(b) **TERMINATED PARTNERSHIPS.**—If there is a termination of any partnership (within the meaning of section 708)—

“(1) for purposes of this chapter, such partnership shall be treated—

“(A) as having transferred all shares, certificates, and rights held by such partnership at the time of such termination; and

“(B) as having executed an instrument whereby there was conveyed, for fair market value (exclusive of the value of any lien or encumbrance remaining thereon), all realty held by such partnership at the time of such termination; but

“(2) not more than one tax shall be imposed under section 4321, 4331, or 4361, as the case may be, by reason of such termination (and any transfer pursuant thereto) with respect to the shares, certificates, rights, or realty held by such partnership at the time of such termination.

“SEC. 4384. LIABILITY FOR TAX.

“The taxes imposed by this chapter shall be paid by any person who makes, signs, issues, or sells any of the documents and instruments subject to the taxes imposed by this chapter, or for whose use or benefit the same are made, signed, issued, or sold. The United States or any agency or instrumentality thereof shall not be liable for the tax with respect to an instrument to which it is a party, and affixing of stamps thereby shall not be deemed payment for the tax, which may be collected by assessment from any other party liable therefor.”

26 USC 708.

(b) **EFFECTIVE DATE.**—In applying section 4383 of the Internal Revenue Code of 1954 as amended by subsection (a) of this section, the determination of whether a partnership is considered as a continuing or terminated partnership (within the meaning of section 708 of such Code) shall be made by taking into account only changes in the partnership occurring on or after the effective date specified in section 1 (c) of this Act.

PART V—TAXES ON WAGERING; CERTAIN OCCUPATIONAL TAXES

SEC. 151. PERSONS LIABLE FOR TAX ON WAGERS.

26 USC 4401.

(a) **FAILURE TO REGISTER NAME OF PRINCIPAL.**—Section 4401 (c) (persons liable for tax on wagers) is amended by adding at the end thereof the following: “Any person required to register under section 4412 who receives wagers for or on behalf of another person without having registered under section 4412 the name and place of residence of such other person shall be liable for and shall pay the tax under this subchapter on all such wagers received by him.”

26 USC 4412.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to wagers received after the date of the enactment of this Act.

SEC. 152. OCCUPATIONAL TAX ON COIN-OPERATED DEVICES.

26 USC 4462.

(a) **IN GENERAL.**—Section 4462 (definition of coin-operated amusement or gaming devices) is amended to read as follows:

“SEC. 4462. DEFINITION OF COIN-OPERATED AMUSEMENT OR GAMING DEVICE.

“(a) **IN GENERAL.**—For purposes of this subchapter, the term ‘coin-operated amusement or gaming device’ means—

“(1) any machine which is—

“(A) a music machine operated by means of the insertion of a coin, token, or similar object,

“(B) a vending machine operated by means of the insertion of a one cent coin, which, when it dispenses a prize, never dispenses a prize of a retail value of, or entitles a person to receive a prize of a retail value of, more than 5 cents, and if the only prize dispensed is merchandise and not cash or tokens,

“(C) an amusement machine operated by means of the insertion of a coin, token, or similar object, but not including any device defined in paragraph (2) of this subsection, or

“(D) a machine which is similar to machines described in subparagraph (A), (B), or (C), and is operated without the insertion of a coin, token, or similar object; and

“(2) any machine which is—

“(A) a so-called ‘slot’ machine which operates by means of the 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, or

“(B) a machine which is similar to machines described in subparagraph (A) and is operated without the insertion of a coin, token, or similar object.

“(b) **EXCLUSION.**—The term ‘coin-operated amusement or gaming device’ does not include bona fide vending machines in which are not incorporated gaming or amusement features.”

(b) **TECHNICAL AMENDMENT.**—Section 4402 (2) (exemption from wagering taxes for coin-operated devices) is amended by striking out the period at the end thereof and inserting a comma and the following: “or on any amount paid, in lieu of inserting a coin, token, or similar object, to operate a device described in section 4462 (a) (2) (B), if an occupational tax is imposed with respect to such device by section 4461.”

26 USC 4402.

(c) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall take effect on the effective date specified in section 1 (c) of this Act. In the case of the year beginning July 1, 1958, where the trade or business on which the tax is imposed under section 4461 of the Internal Revenue Code of 1954 was commenced before such effective date, the tax imposed for such year solely by reason of the amendment made by subsection (a)—

26 USC 4461.

(1) shall be the amount reckoned proportionately from such effective date through June 30, 1959, and

(2) shall be due on, and payable on or before, the last day of the month the first day of which is such effective date.

SEC. 153. EXEMPTION FROM OCCUPATIONAL TAX ON BOWLING ALLEYS, BILLIARD TABLES, AND POOL TABLES.

(a) **EXEMPTION.**—Section 4473 (exemptions from occupational tax on bowling alleys, billiard tables, and pool tables) is amended by striking out the period at the end of paragraph (2) and inserting in lieu thereof “; or”, and by adding after paragraph (2) the following new paragraph:

26 USC 4473.

“(3) **CERTAIN ORGANIZATIONS.**—Any bowling alley, billiard table, or pool table operated—

“(A) by, and located on the premises of, an organization not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual, or

“(B) by any agency or instrumentality of the United States,

if no charge is made for the use of such alley or table.”

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply with respect to periods after June 30, 1959.

PART VI—PROCEDURE AND ADMINISTRATION

SEC. 161. RETURN OF RETAILERS EXCISE TAXES BY SUPPLIERS.

Section 6011 (general requirement of return, statement, or list) is amended by relettering subsection (c) as (d), and by inserting after subsection (b) the following new subsection:

26 USC 6011.

“(c) **RETURN OF RETAILERS EXCISE TAXES BY SUPPLIERS.**—

“(1) **GENERAL RULE.**—Under regulations prescribed by the Secretary or his delegate, the Secretary or his delegate may enter into an agreement with any supplier with respect to any retailers excise tax imposed by chapter 31 (not including the taxes imposed by section 4041), whereby such supplier will be liable to return and pay such tax (for the period for which such agreement is in effect) for the person who (without regard to this subsection) is required to return and pay such tax. Except as provided in the regulations prescribed under this subsection—

26 USC 4001-4057.

“(A) all provisions of law (including penalties) applicable in respect of the person who (without regard to this subsection) is required to return and pay the tax shall apply to the supplier entering into the agreement, and

“(B) the person who (without regard to this subsection) is required to return and pay such tax shall remain subject to all provisions of law (including penalties) applicable in respect of such person.

“(2) LIMITATIONS ON AGREEMENT AUTHORITY IN THE CASE OF HOUSE-TO-HOUSE SALESMEN.—In the case of sales, by house-to-house salesmen, of articles subject to tax under chapter 31 (other than section 4041) which are supplied by a manufacturer or distributor, if the manufacturer or distributor establishes the retail list price at which such articles are to be sold, the Secretary or his delegate shall not, as a condition to entering into an agreement under paragraph (1), require—

“(A) that such house-to-house salesmen execute powers of attorney making such manufacturer or distributor an agent for the return and payment of such tax,

“(B) that the manufacturer or distributor make separate returns with respect to each such house-to-house salesman, or

“(C) that the manufacturer or distributor assume any liability for tax on articles supplied by any person other than such manufacturer or distributor.”

SEC. 162. PERIOD FOR FILING CLAIM FOR FLOOR STOCKS REFUND WITH RESPECT TO IMPORT TAX ON SUGAR.

26 USC 6412.

(a) PERIOD WITHIN WHICH CLAIM MAY BE FILED.—Section 6412 (d) (floor stocks refund with respect to import tax on sugar) is amended by inserting before the period at the end thereof a comma and the following: “if claim for such refund is filed with the Secretary or his delegate on or before September 30, 1961”.

26 USC 4501.

(b) REPEAL OF DUPLICATE PROVISION.—The last sentence of section 4501 (c) (termination of tax with respect to sugar) is hereby repealed.

SEC. 163. CREDITS OR REFUNDS OF CERTAIN TAXES.

26 USC 6416.

(a) GENERAL RULES.—Subsections (a), (b), and (c) of section 6416 (credits or refunds of certain taxes on sales and services) are amended to read as follows:

“(a) CONDITION TO ALLOWANCE.—

26 USC 4231,
26 USC 4001-
4057, 4061-4226.

“(1) GENERAL RULE.—No credit or refund of any overpayment of tax imposed by section 4231 (4), (5), or (6) (cabarets, etc.), chapter 31 (retailers taxes), or chapter 32 (manufacturers taxes) shall be allowed or made unless the person who paid the tax establishes, under regulations prescribed by the Secretary or his delegate, that he—

“(A) has not included the tax in the price of the article, admission, or service with respect to which it was imposed and has not collected the amount of the tax from the person who purchased such article, admission, or service;

“(B) has repaid the amount of the tax—

“(i) in the case of any tax imposed by chapter 31 (other than the tax imposed by section 4041 (a) (1) or (b) (1)), to the purchaser of the article,

“(ii) in the case of any tax imposed by chapter 32 and the tax imposed by section 4041 (a) (1) or (b) (1) (diesel and special motor fuels), to the ultimate purchaser of the article, or

26 USC 4231.

“(iii) in the case of any tax imposed by section 4231 (4), (5), or (6) (cabarets, etc.) to the person who paid for the admission, refreshment, service, or merchandise;

“(C) in the case of an overpayment under subsection (b) (2), (b) (3) (C) or (D), or (b) (4) of this section—

“(i) has repaid or agreed to repay the amount of the tax to the ultimate vendor of the article, or

“(ii) has obtained the written consent of such ultimate vendor to the allowance of the credit or the making of the refund; or

“(D) has filed with the Secretary or his delegate the written consent of the person referred to in subparagraph (B) (i), (ii), or (iii), as the case may be, to the allowance of the credit or the making of the refund.

“(2) EXCEPTIONS.—This subsection shall not apply to—

“(A) the tax imposed by section 4041 (a) (2) or (b) (2) (use of diesel and special motor fuels), and

26 USC 4041.

“(B) an overpayment of tax under paragraph (1), (3) (A) or (B), or (5) of subsection (b) of this section.

“(3) SPECIAL RULES.—For purposes of this subsection—

“(A) any tax collected under section 4231 (6) from a concessionaire and paid to the Secretary or his delegate shall be treated as paid by the concessionaire;

26 USC 4231.

“(B) if tax under chapter 31 was paid by a supplier pursuant to an agreement under section 6011 (c), either the person who (without regard to section 6011 (c)) was required to return and pay the tax or the supplier may be treated as the person who paid the tax;

26 USC 6011.

“(C) in any case in which the Secretary or his delegate determines that an article is not taxable, the term ‘ultimate purchaser’ (when used in paragraph (1) (B) (ii) of this subsection) includes a wholesaler, jobber, distributor, or retailer who, on the 15th day after the date of such determination, holds such article for sale; but only if claim for credit or refund by reason of this subparagraph is filed on or before the day for filing the return with respect to the taxes imposed under chapter 32 for the first period which begins more than 60 days after the date of such determination; and

26 USC 4061-4226.

“(D) in applying paragraph (1) (C) to any overpayment under paragraph (2) (F), (3) (C) or (D), or (4) of subsection (b), the term ‘ultimate vendor’ means the ultimate vendor of the other article.

“(b) SPECIAL CASES IN WHICH TAX PAYMENTS CONSIDERED OVERPAYMENTS.—Under regulations prescribed by the Secretary or his delegate, credit or refund (without interest) shall be allowed or made in respect of the overpayments determined under the following paragraphs:

“(1) PRICE READJUSTMENTS.—If the price of any article in respect of which a tax, based on such price, is imposed by chapter 31 or 32, is readjusted by reason of the return or repossession of the article or a covering or container, or by a bona fide discount, rebate, or allowance, the part of the tax proportionate to the part of the price repaid or credited to the purchaser shall be deemed to be an overpayment. The preceding sentence shall not apply in the case of an article in respect of which tax was computed under section 4223 (b) (2); but if the price for which such article was sold is readjusted by reason of the return or repossession of the article, the part of the tax proportionate to the part of such price repaid or credited to the purchaser shall be deemed to be an overpayment.

26 USC 4001-4057.

“(2) SPECIFIED USES AND REALES.—The tax paid under chapter 32 (or under section 4041 (a) (1) or (b) (1)) in respect of

26 USC 4041.

any article shall be deemed to be an overpayment if such article was, by any person—

“(A) exported (except in any case to which subsection (g) applies);

“(B) used or sold for use as supplies for vessels or aircraft;

“(C) sold to a State or local government for the exclusive use of a State or local government;

“(D) sold to a nonprofit educational organization for its exclusive use;

“(E) resold to a manufacturer or producer for use by him as provided in subparagraph (A) or (B) of paragraph (3);

“(F) in the case of a tire, inner tube, or receiving set, resold for use as provided in subparagraph (C) or (D) of paragraph (3) and the other article referred to in such subparagraph is by any person exported or sold as provided in such subparagraph;

26 USC 4041.

“(G) in the case of a liquid taxable under section 4041, sold for use as fuel in a diesel-powered highway vehicle or as fuel for the propulsion of a motor vehicle, motorboat, or airplane, if (i) the vendee used such liquid otherwise than as fuel in such a vehicle, motorboat, or airplane or resold such liquid, or (ii) such liquid was (within the meaning of paragraphs (1), (2), and (3) of section 6420 (c)) used on a farm for farming purposes;

26 USC 6421.

“(H) in the case of a liquid in respect of which tax was paid under section 4041 at the rate of 3 cents a gallon, used during any calendar quarter in vehicles while engaged in furnishing scheduled common carrier public passenger land transportation service along regular routes; except that (i) this subparagraph shall apply only if the 60 percent passenger fare revenue test set forth in section 6421 (b) (2) is met with respect to such quarter, and (ii) the amount of such overpayment for such quarter shall be an amount determined by multiplying 1 cent for each gallon of liquid so used by the percentage which such person's tax-exempt passenger fare revenue (as defined in section 6421 (d) (2)) derived from such scheduled service during such quarter was of his total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived from such scheduled service during such quarter;

26 USC 4261.

“(I) in the case of a liquid in respect of which tax was paid under section 4041 (a) (1) at the rate of 3 cents a gallon, used or resold for use as a fuel in a diesel-powered highway vehicle (i) which (at the time of such use or resale) is not registered, and is not required to be registered, for highway use under the laws of any State or foreign country, or (ii) which, in the case of a diesel-powered highway vehicle owned by the United States, is not used on the highway; except that the amount of any overpayment by reason of this subparagraph shall not exceed an amount computed at the rate of 1 cent a gallon;

“(J) in the case of a liquid in respect of which tax was paid under section 4041 (b) (1) at the rate of 3 cents a gallon, used or resold for use otherwise than as a fuel for the propulsion of a highway vehicle (i) which (at the time of such use or resale) is registered, or is required to be registered, for highway use under the laws of any State or foreign

country, or (ii) which, in the case of a highway vehicle owned by the United States, is used on the highway; except that the amount of any overpayment by reason of this subparagraph shall not exceed an amount computed at the rate of 1 cent a gallon;

“(K) in the case of any article taxable under section 4061 (b) (other than spark plugs and storage batteries), used or sold for use as repair or replacement parts or accessories for farm equipment (other than equipment taxable under section 4061 (a)); 26 USC 4061.

“(L) in the case of tread rubber in respect of which tax was paid under section 4071 (a) (4), used or sold for use otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072 (c)), unless credit or refund of such tax is allowable under subsection (b) (3); 26 USC 4071.

“(M) in the case of gasoline, used or sold for use in production of special motor fuels referred to in section 4041 (b); 26 USC 4041.

“(N) in the case of lubricating oil, used or sold for non-lubricating purposes;

“(O) in the case of lubricating oil in respect of which tax was paid at the rate of 6 cents a gallon, used or sold for use as cutting oils (within the meaning of section 4092 (b)); except that the amount of such overpayment shall not exceed an amount computed at the rate of 3 cents a gallon; 26 USC 4092.

“(P) in the case of any musical instrument taxable under section 4151, sold to a religious institution for exclusively religious purposes; 26 USC 4151.

“(Q) in the case of unexposed motion picture film, used or sold for use in the making of newsreel motion picture film.

“(3) TAX-PAID ARTICLES USED FOR FURTHER MANUFACTURE, ETC.— If the tax imposed by chapter 32 has been paid with respect to the sale of any article by the manufacturer, producer, or importer thereof to a second manufacturer or producer, such tax shall be deemed to be an overpayment by such second manufacturer or producer if— 26 USC 4061-4226.

“(A) in the case of any article other than an article to which subparagraph (B), (C), or (D) applies, such article is used by the second manufacturer or producer as material in the manufacture or production of, or as a component part of, another article taxable under chapter 32 manufactured or produced by him;

“(B) in the case of—

“(i) a part or accessory taxable under section 4061 (b),

“(ii) a radio or television component taxable under section 4141, or

“(iii) a camera lens taxable under section 4171,

26 USC 4171.

such article is used by the second manufacturer or producer as material in the manufacture or production of, or as a component part of, any other article manufactured or produced by him;

“(C) in the case of—

“(i) a tire or inner tube taxable under section 4071, or

“(ii) an automobile radio or television receiving set taxable under section 4141,

such article is sold by the second manufacturer or producer on or in connection with, or with the sale of, any other article manufactured or produced by him and such other article is by any person exported, sold to a State or local government

for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft; or

“(D) in the case of a radio receiving set or an automobile radio receiving set—

“(i) such set is used by the second manufacturer or producer as a component part of any other article manufactured or produced by him, and

“(ii) such other article is by any person exported, sold to a State or local government for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft.

For purposes of subparagraphs (A) and (B), an article shall be treated as having been used as a component part of another article if, had it not been broken or rendered useless in the manufacture or production of such other article, it would have been so used.

“(4) TIRES, INNER TUBES, AND AUTOMOBILE RADIO AND TELEVISION RECEIVING SETS.—If—

26 USC 4071.

“(A) (i) a tire or inner tube taxable under section 4071, or automobile radio or television receiving set taxable under section 4141, is sold by the manufacturer, producer, or importer thereof on or in connection with, or with the sale of, any other article manufactured or produced by him, or

“(ii) a radio receiving set or an automobile radio receiving set is used by the manufacturer thereof as a component part of any other article manufactured or produced by him; and

“(B) such other article is by any person exported, sold to a State or local government for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft,

26 USC 4061-4226.

any tax imposed by chapter 32 in respect of such tire, inner tube, or receiving set which has been paid by the manufacturer, producer, or importer thereof shall be deemed to be an overpayment by him.

“(5) RETURN OF CERTAIN INSTALLMENT ACCOUNTS.—If—

“(A) tax was paid under section 4053 (b) (1) or 4216 (e) (1) in respect of any installment account,

“(B) such account is, under the agreement under which the account was sold, returned to the person who sold such account, and

“(C) the consideration is readjusted as provided in such agreement,

the part of the tax paid under section 4053 (b) (1) or 4216 (e) (1) proportionate to the part of the consideration repaid or credited to the purchaser of such account shall be deemed to be an overpayment.

This subsection shall apply in respect of an article only if the exportation or use referred to in the applicable provision of this subsection occurs before any other use, or, in the case of a sale or resale, the use referred to in the applicable provision of this subsection is to occur before any other use.

“(c) CREDIT FOR TAX PAID ON TIRES, INNER TUBES, OR RADIO OR TELEVISION RECEIVING SETS.—If tires, inner tubes, or automobile radio or television receiving sets on which tax has been paid under chapter 32 are sold on or in connection with, or with the sale of, another article taxable under chapter 32, there shall (under regulations prescribed by the Secretary or his delegate) be credited (without interest) against

the tax imposed on the sale of such other article, an amount determined by multiplying the applicable percentage rate of tax for such other article by—

“(1) 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 4071 (relating to tax on tires and inner tubes) or, in the case of automobile radio or television receiving sets, if such sets were taxable under section 4141; or

26 USC 4071.

“(2) if such tires, inner tubes, or automobile radio or television receiving sets were taxable under section 4218 (relating to use by manufacturer, producer, or importer), 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, inner tubes, or sets are sold, in the ordinary course of trade, by manufacturers, producers, or importers thereof, as determined by the Secretary or his delegate.

The credit provided by this subsection shall be allowable only in respect of the first sale on or in connection with, or with the sale of, another article on the sale of which tax is imposed under chapter 32.”

26 USC 4061-4226.

(b) **EFFECTIVE DATE.**—Section 6416 (b) of the Internal Revenue Code of 1954, as amended by this Act, shall apply only with respect to articles exported, sold, or resold, as the case may be, on or after the effective date specified in section 1 (c) of this Act.

(c) **ACCOUNTING PROCEDURES; MEANING OF TERMS.**—Section 6416 is amended by adding at the end thereof the following new subsections:

“(g) **AUTOMOBILES, ETC.**—Under regulations prescribed by the Secretary or his delegate, subsection (b) (2) (A) shall apply, in the case of any article subject to the tax imposed by sections 4061 (a), 4111, 4121, and 4141, only if the article with respect to which the tax was paid was sold by the manufacturer, producer, or importer for export after receipt by him of notice of intent to export or to resell for export.

“(h) **ACCOUNTING PROCEDURES FOR LIKE ARTICLES.**—Under regulations prescribed by the Secretary or his delegate, if any person uses or resells like articles, then for purposes of this section the manufacturer, producer, or importer of any such article may be identified, and the amount of tax paid under chapter 32 in respect of such article may be determined—

“(1) on a first-in-first-out basis,

“(2) on a last-in-first-out basis, or

“(3) in accordance with any other consistent method approved by the Secretary or his delegate.

“(i) **MEANING OF TERMS.**—For purposes of this section, any term used in this section has the same meaning as when used in chapter 31, 32, or 33, as the case may be.”

26 USC 4001-4057, 4231-4294.

(d) **TECHNICAL AMENDMENTS.**—

(1) Section 6415 (a) (credits or refunds to persons who collected certain taxes) is amended by adding at the end thereof the following: “For purposes of this subsection, in the case of any payment outside the United States in respect of which tax is imposed under paragraph (1), (2), or (3) of section 4231, the person who paid for the admission or for the use of the box or seat shall be considered the person from whom the tax was collected.”

26 USC 6415.

(2) Section 6420 (c) (3) (A) (gasoline used on farms) is amended by striking out “section 6416 (b) (2) (C) (ii)” each place it appears and inserting in lieu thereof “section 6416 (b) (2) (G) (ii)”.

26 USC 6420.

26 USC 6421.

(3) Section 6421 (i) (gasoline used for certain non-highway purposes) is amended (A) by striking out "section 6416 (b) (2) (J) and (K)" and inserting in lieu thereof "section 6416 (b) (2) (I) and (J)", and (B) by striking out "section 6416 (b) (2) (L)" and inserting in lieu thereof "section 6416 (b) (2) (H)".

(e) CERTAIN RADIO RECEIVING SETS AND RADIO AND TELEVISION COMPONENTS.—If—

(1) a radio receiving set, an automobile radio receiving set, or a radio or television component was (before any other use) used as a component part of any other article, and

(2) such other article was (before any other use) by any person exported, or sold to a State or local government for the exclusive use of a State or local government,

26 USC 4061-4226.

then any tax imposed by chapter 32 of the Internal Revenue Code of 1954 (or the corresponding provisions of prior revenue law) in respect of such set or component which has been paid shall be deemed to have been an overpayment, by the manufacturer, producer, or importer of such other article, at the time paid. No credit or refund shall be allowed or made under this subsection unless the manufacturer, producer, or importer of such other article establishes to the satisfaction of the Secretary of the Treasury or his delegate that he did not include the amount of the tax in the price of such other article (and has not collected the amount of the tax from the purchaser of such other article), that the amount of the tax has been repaid to the ultimate purchaser of such other article, or that he has obtained the written consent of such ultimate purchaser to the allowance of the credit or the making of the refund. No interest shall be allowed or paid in respect of any such overpayment.

SEC. 164. PAYMENTS WITH RESPECT TO GASOLINE USED FOR CERTAIN NON-HIGHWAY PURPOSES OR BY LOCAL TRANSIT SYSTEMS.

(a) IN GENERAL.—Section 6421 (c) (payments with respect to gasoline used for certain non-highway purposes or for local transit systems) is amended to read as follows:

"(c) TIME FOR FILING CLAIMS; PERIOD COVERED.—

"(1) GENERAL RULE.—Except as provided in paragraph (2), not more than one claim may be filed under subsection (a), and not more than one claim may be filed under subsection (b), by any person with respect to gasoline used during the one-year period ending on June 30 of any year. No claim shall be allowed under this paragraph with respect to any one-year period unless filed on or before September 30 of the year in which such one-year period ends.

"(2) EXCEPTION.—If \$1,000 or more is payable under this section to any person with respect to gasoline used during a calendar quarter, a claim may be filed under this section by such person with respect to gasoline used during such quarter. No claim filed under this paragraph shall be allowed unless filed on or before the last day of the first calendar quarter following the calendar quarter for which the claim is filed."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply only with respect to claims the last day for the filing of which occurs after the effective date specified in section 1 (c) of this Act.

SEC. 165. STATUTE OF LIMITATIONS FOR STAMP TAXES; REDEMPTION OF STAMPS.

(a) **LIMITATION ON ASSESSMENT AND COLLECTION.**—Section 6501 (a) (general rule) is amended by striking out “within 3 years after such tax became due,” and inserting in lieu thereof “at any time after such tax became due and before the expiration of 3 years after the date on which any part of such tax was paid,”. 26 USC 6501.

(b) **REDEMPTION OF STAMPS.**—Section 6805 (a) (authorization for redemption of stamps) is amended by striking out “, or which through mistake may have been improperly or unnecessarily used, or where the rates or duties represented thereby have been excessive in amount, paid in error, or in any manner wrongfully collected”. 26 USC 6805.

(c) **TECHNICAL AMENDMENT.**—Section 6805 (c) (time for filing claims) is amended by inserting “under this section” after “shall be allowed”.

TITLE II—ALCOHOL, TOBACCO, AND CERTAIN OTHER EXCISE TAXES

SEC. 201. AMENDMENT OF CHAPTER 51 OF THE INTERNAL REVENUE CODE OF 1954.

Chapter 51 of the Internal Revenue-Code of 1954 is amended to 26 USC 5001-5693. read as follows:

“CHAPTER 51—DISTILLED SPIRITS, WINES, AND BEER

“SUBCHAPTER A. Gallonage and occupational taxes.

“SUBCHAPTER B. Qualification requirements for distilled spirits plants.

“SUBCHAPTER C. Operation of distilled spirits plants.

“SUBCHAPTER D. Industrial use of distilled spirits.

“SUBCHAPTER E. General provisions relating to distilled spirits.

“SUBCHAPTER F. Bonded and taxpaid wine premises.

“SUBCHAPTER G. Breweries.

“SUBCHAPTER H. Miscellaneous plants and warehouses.

“SUBCHAPTER I. Miscellaneous general provisions.

“SUBCHAPTER J. Penalties, seizures, and forfeitures relating to liquors.

“Subchapter A—Gallonage and Occupational Taxes

“Part I. Gallonage taxes.

“Part II. Occupational tax.

“PART I—GALLONAGE TAXES

“Subpart A. Distilled spirits.

“Subpart B. Rectification.

“Subpart C. Wines.

“Subpart D. Beer.

“Subpart E. General provisions.

“Subpart A—Distilled Spirits

“Sec. 5001. Imposition, rate, and attachment of tax.

“Sec. 5002. Definitions.

“Sec. 5003. Cross references to exemptions, etc.

“Sec. 5004. Lien for tax.

“Sec. 5005. Persons liable for tax.

“Sec. 5006. Determination of tax.

“Sec. 5007. Collection of tax on distilled spirits.

“Sec. 5008. Abatement, remission, refund, and allowance for loss or destruction of distilled spirits.

“Sec. 5009. Drawback.

"SEC. 5001. IMPOSITION, RATE, AND ATTACHMENT OF TAX.**"(a) RATE OF TAX—**

"(1) **GENERAL.**—There is hereby imposed on all distilled spirits in bond or produced in or imported into the United States an internal revenue tax at the rate of \$10.50 on each proof gallon or wine gallon when below proof and a proportionate tax at a like rate on all fractional parts of such proof or wine gallon. On and after July 1, 1959, the rate of tax imposed by this paragraph shall be \$9 in lieu of \$10.50.

"(2) **PRODUCTS CONTAINING DISTILLED SPIRITS.**—All products of distillation, by whatever name known, which contain distilled spirits, on which the tax imposed by law has not been paid, shall be considered and taxed as distilled spirits.

"(3) **IMPORTED PERFUMES CONTAINING DISTILLED SPIRITS.**—There is hereby imposed on all perfumes imported into the United States containing distilled spirits a tax of \$10.50 per wine gallon, and a proportionate tax at a like rate on all fractional parts of such wine gallon. On and after July 1, 1959, the rate of tax imposed by this paragraph shall be \$9 in lieu of \$10.50.

"(4) **WINES CONTAINING MORE THAN 24 PERCENT ALCOHOL BY VOLUME.**—Wines containing more than 24 percent of alcohol by volume shall be taxed as distilled spirits.

"(5) **DISTILLED SPIRITS WITHDRAWN FREE OF TAX.**—Any person who removes, sells, transports, or uses distilled spirits, withdrawn free of tax under section 5214 (a) or section 7510, in violation of laws or regulations now or hereafter in force pertaining thereto, and all such distilled spirits shall be subject to all provisions of law relating to distilled spirits subject to tax, including those requiring payment of the tax thereon; and the person so removing, selling, transporting, or using the distilled spirits shall be required to pay such tax.

"(6) **DENATURED DISTILLED SPIRITS OR ARTICLES.**—Any person who produces, withdraws, sells, transports, or uses denatured distilled spirits or articles in violation of laws or regulations now or hereafter in force pertaining thereto, and all such denatured distilled spirits or articles shall be subject to all provisions of law pertaining to distilled spirits that are not denatured, including those requiring the payment of tax thereon; and the person so producing, withdrawing, selling, transporting, or using the denatured distilled spirits or articles shall be required to pay such tax.

"(7) **FRUIT-FLAVOR CONCENTRATES.**—If any volatile fruit-flavor concentrate (or any fruit mash or juice from which such concentrate is produced) containing one-half of 1 percent or more of alcohol by volume, which is manufactured free from tax under section 5511, is sold, transported, or used by any person in violation of the provisions of this chapter or regulations promulgated thereunder, such person and such concentrate, mash, or juice shall be subject to all provisions of this chapter pertaining to distilled spirits and wines, including those requiring the payment of tax thereon; and the person so selling, transporting, or using such concentrate, mash, or juice shall be required to pay such tax.

"(8) **IMPORTED LIQUEURS AND CORDIALS.**—Imported liqueurs and cordials, or similar compounds, containing distilled spirits, shall be taxed as distilled spirits.

"(9) **IMPORTED DISTILLED SPIRITS WITHDRAWN FOR BEVERAGE PURPOSES.**—There is hereby imposed on all imported distilled spirits withdrawn from customs custody under section 5232 without payment of the internal revenue tax, and thereafter withdrawn from

bonded premises for beverage purposes, an additional tax equal to the duty which would have been paid had such spirits been imported for beverage purposes, less the duty previously paid thereon.

"(10) ALCOHOLIC COMPOUNDS FROM PUERTO RICO.—Except as provided in section 5314, upon bay rum, or any article containing distilled spirits, brought from Puerto Rico into the United States for consumption or sale there is hereby imposed a tax on the spirits contained therein at the rate imposed on distilled spirits produced in the United States.

"(b) TIME OF ATTACHMENT ON DISTILLED SPIRITS.—The tax shall attach to distilled spirits as soon as this substance is in existence as such, whether it be subsequently separated as pure or impure spirits, or be immediately, or at any subsequent time, transferred into any other substance, either in the process of original production or by any subsequent process.

"(c) CROSS REFERENCE.—

"For provisions relating to the tax on shipments to the United States of taxable articles from Puerto Rico and the Virgin Islands, see section 7652.

"SEC. 5002. DEFINITIONS.

"(a) DEFINITIONS.—When used in this chapter—

"(1) DISTILLED SPIRITS PLANT.—The term 'distilled spirits plant' means an establishment which is qualified under subchapter B to perform any operation, or any combination of operations, for which qualification is required under such subchapter.

"(2) BONDED PREMISES.—The term 'bonded premises', when used with reference to distilled spirits, means the premises of a distilled spirits plant, or part thereof, as described in the application required by section 5171 (a), on which operations relating to production, storage, denaturation, or bottling of distilled spirits, prior to the payment or determination of the distilled spirits tax, are authorized to be conducted.

"(3) BOTTLING PREMISES.—The term 'bottling premises', when used with reference to distilled spirits plants, means the premises of a distilled spirits plant, or part thereof, as described in the application required by section 5171 (a), on which operations relating to the rectification or bottling of distilled spirits or wines on which the tax has been paid or determined, are authorized to be conducted.

"(4) BONDED WAREHOUSEMAN.—The term 'bonded warehouseman' means the proprietor of a distilled spirits plant who is authorized to store distilled spirits after entry for deposit in storage and prior to payment or determination of the internal revenue tax or withdrawal as provided in section 5214 or 7510.

"(5) DISTILLER.—The term 'distiller' shall include every person—

26 USC 7510.

"(A) who produces distilled spirits from any source or substance; or

"(B) who brews or makes mash, wort, or wash, fit for distillation or for the production of distilled spirits (except a person making or using such material in the authorized production of wine or beer, or the production of vinegar by fermentation); or

"(C) who by any process separates alcoholic spirits from any fermented substance; or

"(D) who, making or keeping mash, wort, or wash, has also in his possession or use a still.

"(6) DISTILLED SPIRITS.—

"(A) General Definition.—The terms 'distilled spirits', 'alcoholic spirits', and 'spirits' mean that substance known as ethyl alcohol, ethanol, or spirits of wine, including all dilutions and mixtures thereof, from whatever source or by whatever process produced, and shall include whisky, brandy, rum, gin, and vodka.

"(B) Products of Rectification.—As used in section 5291 (a) the term 'distilled spirits' includes products produced in such manner that the person producing them is a rectifier within the meaning of section 5082.

"(7) PROOF SPIRITS.—The term 'proof spirits' means that liquid which contains one-half its volume of ethyl alcohol of a specific gravity of seven thousand nine hundred and thirty-nine ten-thousandths (.7939) at 60 degrees Fahrenheit referred to water at 60 degrees Fahrenheit as unity.

"(8) PROOF GALLON.—The term 'proof gallon' means a United States gallon of proof spirits, or the alcoholic equivalent thereof.

"(9) CONTAINER.—The term 'container', when used with respect to distilled spirits, means any receptacle, vessel, or form of package, bottle, tank, or pipeline used, or capable of use, for holding, storing, transferring, or conveying distilled spirits.

"(10) APPROVED CONTAINER.—The term 'approved container', when used with respect to distilled spirits, means a container the use of which is authorized by regulations prescribed by the Secretary or his delegate.

"(11) ARTICLES.—The term 'articles' means any substance or preparation in the manufacture of which denatured distilled spirits are used, unless another meaning is distinctly expressed or manifestly intended.

"(b) CROSS REFERENCES.—

"(1) For definition of wine gallon, see section 5041 (c).

"(2) For definition of rectifier, see section 5082.

"(3) For definition of manufacturer of stills, see section 5102.

"(4) For definition of dealer, see section 5112 (a).

"(5) For definitions of wholesale dealers, see section 5112.

"(6) For definitions of retail dealers, see section 5122.

"(7) For definitions of general application to this title, see chapter 79.

"SEC. 5003. CROSS REFERENCES TO EXEMPTIONS, ETC.

"(1) For provisions authorizing the withdrawal of distilled spirits free of tax for use by Federal or State agencies, see sections 5214 (a) (2) and 5313.

"(2) For provisions authorizing the withdrawal of distilled spirits free of tax by nonprofit educational organizations, scientific universities or colleges of learning, laboratories, hospitals, blood banks, sanitariums, and charitable clinics, see section 5214 (a) (3).

"(3) For provisions authorizing the withdrawal of certain imported distilled spirits from customs custody without payment of tax, see section 5232.

"(4) For provisions authorizing the withdrawal of denatured distilled spirits free of tax, see section 5214 (a) (1).

"(5) For provisions exempting from tax distilled spirits for use in production of vinegar by the vaporizing process, see section 5505 (j).

"(6) For provisions relating to the withdrawal of wine spirits without payment of tax for use in the production of wine, see section 5373.

"(7) For provisions exempting from tax volatile fruit-flavor concentrates, see section 5511.

"(8) For provisions authorizing the withdrawal of distilled spirits from bonded premises without payment of tax for export, see section 5214 (a) (4).

"(9) For provisions authorizing withdrawal of distilled spirits without payment of tax to customs manufacturing bonded warehouses for export, see section 5522 (a).

"(10) For provisions relating to withdrawal of distilled spirits without payment of tax as supplies for certain vessels and aircraft, see 19 U. S. C. 1309.

"(11) For provisions authorizing regulations for withdrawal of distilled spirits for use of United States free of tax, see section 7510.

"(12) For provisions relating to withdrawal of distilled spirits without payment of tax to foreign-trade zones, see 19 U. S. C. 81c.

"(13) For provisions relating to exemption from tax of taxable articles going into the possessions of the United States, see section 7653 (b).

"(14) For provisions authorizing the removal of samples free of tax for making tests or laboratory analyses, see section 5214 (a) (9).

"(15) For provisions relating to allowance for certain losses in bond, see section 5008 (a).

"SEC. 5004. LIEN FOR TAX.

"(a) DISTILLED SPIRITS SUBJECT TO LIEN.—

"(1) GENERAL.—The tax imposed by section 5001 (a) (1) shall be a first lien on the distilled spirits from the time the spirits are in existence as such until the tax is paid.

"(2) EXCEPTIONS.—The lien imposed by paragraph (1), or any similar lien imposed on the spirits under prior provisions of internal revenue law, shall terminate in the case of distilled spirits produced on premises qualified under internal revenue law for the production of distilled spirits when such distilled spirits are—

"(A) withdrawn from bonded premises on determination of tax; or

"(B) withdrawn from bonded premises free of tax under provisions of section 5214 (a) (1), (2), (3), or (9), or section 7510; or

"(C) exported, deposited in a foreign-trade zone, used in the production of wine, deposited in customs manufacturing bonded warehouses, or laden as supplies upon, or used in the maintenance or repair of, certain vessels or aircraft, as provided by law.

26 USC 7510.

"(b) OTHER PROPERTY SUBJECT TO LIEN.—

"(1) GENERAL.—The tax imposed by section 5001 (a) (1) shall be a first lien on the distillery used for producing the distilled spirits, the stills, vessels, and fixtures therein, the lot or tract of land on which such distillery is situated, and on any building thereon, from the time such spirits are in existence as such until the tax is paid, or until the persons liable for the tax under section 5005 (a) or (b) have been relieved of liability for such tax by reason of the provisions of section 5005 (c) (2), (c) (3), (d), or (e). In the case of a distilled spirits plant producing distilled spirits, the premises subject to lien shall comprise the bonded premises of such plant, any building containing any part of the bonded premises and the land on which such building is situated, as described in the application for registration of such plant. Any similar lien on the property described in this paragraph arising under prior provisions of internal revenue law shall not be assertable as to the tax on any distilled spirits in respect to which the persons liable for the tax have been relieved of liability therefor by reason of the provisions of section 5005 (c) (2), (c) (3), (d), or (e).

"(2) EXCEPTION DURING TERM OF BOND.—No lien shall attach to any lot or tract of land, distillery, building, or distilling apparatus, under this subsection, by reason of distilling done during any period included within the term of any bond given under section 5173 (b) (1) (C).

"(3) EXTINGUISHMENT OF LIEN.—Any lien under paragraph (1), or any similar lien imposed on the property described in paragraph (1) under prior provisions of internal revenue law, shall be held to be extinguished—

Infra.

"(A) if the property is no longer used for distilling and there is no outstanding liability against any person referred to in section 5005 (a) or (b) for taxes or penalties imposed by law on the distilled spirits produced thereon, and no litigation is pending in respect of any such tax or penalty; or

"(B) if an indemnity bond given under the provisions of section 5173 (b) (1) (C), further conditioned to stand in lieu of such lien or liens and to indemnify the United States for the payment of all taxes and penalties which otherwise could be asserted against such property by reason of such lien or liens, is accepted and approved by the Secretary or his delegate. Such bond shall not be accepted or approved if there is any pending litigation or outstanding assessment with respect to such taxes or penalties, or if the Secretary or his delegate has knowledge of any circumstances indicating that such bond is tendered with intent to evade payment or defeat collection of any tax or penalty.

"(4) CERTIFICATE OF DISCHARGE.—Any person claiming any interest in the property subject to lien under paragraph (1) may apply to the Secretary or his delegate for a duly acknowledged certificate to the effect that such lien is discharged and, if the Secretary or his delegate determines that such lien is extinguished, the Secretary or his delegate shall issue such certificate, and any such certificate may be recorded.

"(c) CROSS REFERENCE.—

"For provisions relating to extinguishing of lien in case of redistillation, see section 5223 (d).

"SEC. 5005. PERSONS LIABLE FOR TAX.

"(a) GENERAL.—The distiller or importer of distilled spirits shall be liable for the taxes imposed thereon by section 5001 (a) (1).

"(b) DOMESTIC DISTILLED SPIRITS.—

"(1) LIABILITY OF PERSONS INTERESTED IN DISTILLING.—Every proprietor or possessor of, and every person in any manner interested in the use of, any still, distilling apparatus, or distillery, shall be jointly and severally liable for the taxes imposed by law on the distilled spirits produced therefrom.

"(2) EXCEPTION.—A person owning or having the right of control of not more than 10 percent of any class of stock of a corporate proprietor of a distilled spirits plant shall not be deemed to be a person liable for the tax for which such proprietor is liable under the provisions of paragraph (1). This exception shall not apply to an officer or director of such corporate proprietor.

"(c) PROPRIETORS OF DISTILLED SPIRITS PLANTS.—

"(1) BONDED STORAGE.—Every person operating bonded premises of a distilled spirits plant shall be liable for the internal revenue tax on all distilled spirits while the distilled spirits are stored on such premises, and on all distilled spirits which are in transit to such premises (from the time of removal from the transferor's bonded premises) pursuant to application made by him. Such liability for the tax on distilled spirits shall continue until the distilled spirits are transferred or withdrawn from bonded premises as authorized by law, or until such liability for tax is relieved by reason of the provisions of section 5008 (a).

Nothing in this paragraph shall relieve any person from any liability imposed by subsection (a) or (b).

“(2) **TRANSFERS IN BOND.**—When distilled spirits are transferred in bond in accordance with the provisions of section 5212, persons liable for the tax on such spirits under subsection (a) or (b), or under any similar prior provisions of internal revenue law, shall be relieved of such liability, if proprietors of transferring and receiving premises are independent of each other and neither has a proprietary interest, directly or indirectly, in the business of the other, and all persons liable for the tax under subsection (a) or (b), or under any similar prior provisions of internal revenue law, have divested themselves of all interest in the spirits so transferred. Such relief from liability shall be effective from the time of removal from the transferor's bonded premises, from the time of such divestment of interest, or on July 1, 1959, whichever is later. The provisions of this paragraph shall be construed to apply to distilled spirits transferred in bond, whether such transfers occur prior to or on or after July 1, 1959, but shall not apply in any case in which the tax was paid or determined prior to such date.

“(3) **WITHDRAWALS ON DETERMINATION OF TAX.**—

“(A) Any person who withdraws distilled spirits from the bonded premises of a distilled spirits plant on determination of tax, upon giving of a withdrawal bond as provided for in section 5174, shall be liable for payment of the internal revenue tax on the distilled spirits so withdrawn, from the time of such withdrawal.

“(B) All persons liable for the tax on distilled spirits under subsection (a) or (b), or under any similar prior provisions of internal revenue law, shall be relieved of liability with respect to the tax on any distilled spirits withdrawn on determination of tax under withdrawal bond (as provided for in section 5174) if the person withdrawing such spirits and the person, or persons, liable for the tax under subsection (a) or (b), or under any similar prior provisions of internal revenue law, are independent of each other and neither has a proprietary interest, directly or indirectly, in the business of the other, and all persons liable for the tax under subsection (a) or (b), or under any similar prior provisions of internal revenue law, have divested themselves of all interest in the spirits so withdrawn.

“(d) **WITHDRAWALS FREE OF TAX.**—All persons liable for the tax under subsection (a) or (b), or under any similar prior provisions of internal revenue law, shall be relieved of such liability as to distilled spirits withdrawn free of tax under the provisions of section 5214 (a) (1), (2), (3), or (9), or under section 7510, at the time such spirits are so withdrawn from bonded premises.

26 USC 7510.

“(e) **WITHDRAWALS WITHOUT PAYMENT OF TAX.**—

“(1) **LIABILITY FOR TAX.**—Any person who withdraws distilled spirits from the bonded premises of a distilled spirits plant without payment of tax, as provided in section 5214 (a) (4), (5), (6), (7), or (8), shall be liable for the internal revenue tax on such distilled spirits, from the time of such withdrawal; and all persons liable for the tax on such distilled spirits under subsection (a) or (b), or under any similar prior provisions of internal revenue law, shall, at the time of such withdrawal, be relieved of any such liability on the distilled spirits so withdrawn if the person withdrawing such spirits and the person, or persons, liable for the tax under subsection (a) or (b), or under any similar prior provisions

of internal revenue law, are independent of each other and neither has a proprietary interest, directly or indirectly, in the business of the other, and all persons liable for the tax under subsection (a) or (b), or under any similar prior provisions of internal revenue law, have divested themselves of all interest in the spirits so withdrawn.

"(2) RELIEF FROM LIABILITY.—All persons liable for the tax on distilled spirits under paragraph (1) of this subsection, or under subsection (a) or (b), or under any similar prior provisions of internal revenue law, shall be relieved of any such liability at the time, as the case may be, the distilled spirits are exported, deposited in a foreign-trade zone, used in the production of wine, deposited in customs manufacturing bonded warehouses, or laden as supplies upon, or used in the maintenance or repair of, certain vessels or aircraft, as provided by law.

"(f) CROSS REFERENCES.—

"(1) For provisions conditioning warehousing bonds on the payment of the tax, see section 5173 (c).

"(2) For provisions relating to transfer of tax liability to redistiller in case of redistillation, see section 5223.

"(3) For liability for tax on denatured distilled spirits, articles, and volatile fruit-flavor concentrates, see section 5001 (a) (6) and (7).

"(4) For liability for tax on distilled spirits withdrawn free of tax, see section 5001 (a) (5).

"(5) For liability of wine producer for unlawfully using wine spirits withdrawn for the production of wine, see section 5391.

"SEC. 5006. DETERMINATION OF TAX.

"(a) REQUIREMENTS.—

"(1) GENERAL.—Except as otherwise provided in this section, the internal revenue tax on distilled spirits shall be determined when the spirits are withdrawn from bond. Such tax shall be determined by such means as the Secretary or his delegate shall by regulations prescribe, and with the use of such devices and apparatus (including but not limited to storage, gauging, and bottling tanks and pipelines) as the Secretary or his delegate may require. The tax on distilled spirits withdrawn from the bonded premises of a distilled spirits plant shall be determined upon completion of the gauge for determination of tax and before withdrawal from bonded premises, under such regulations as the Secretary or his delegate shall prescribe.

"(2) DISTILLED SPIRITS ENTERED FOR STORAGE.—

"(A) BONDING PERIOD LIMITATION.—Except as provided in subparagraph (B), the tax on distilled spirits entered for deposit in storage in internal revenue bond shall be determined within 20 years from the date of original entry for deposit in such storage.

"(B) EXCEPTIONS.—Subparagraph (A) and section 5173 (c) (1) (A) shall not apply in the case of—

"(i) distilled spirits of 190 degrees or more of proof;

"(ii) denatured distilled spirits; or

"(iii) distilled spirits which on July 26, 1936, were 8 years of age or older and which were in bonded warehouses on that date.

"(C) DISTILLED SPIRITS MINGLED IN INTERNAL REVENUE BOND.—In applying subparagraph (A) and section 5173 (c) (1) (A) to distilled spirits entered for deposit in storage on different dates and lawfully mingled in internal revenue bond, the Secretary or his delegate shall, by regulations, provide for the application of the 20-year period to such spirits in such manner that no more spirits will remain in bond

than would have been the case had such mingling not occurred.

"(3) **DISTILLED SPIRITS NOT ACCOUNTED FOR.**—If the Secretary or his delegate finds that the distiller has not accounted for all the distilled spirits produced by him, he shall, from all the evidence he can obtain, determine what quantity of distilled spirits was actually produced by such distiller, and an assessment shall be made for the difference between the quantity reported and the quantity shown to have been actually produced, at the rate of tax imposed by law for every proof gallon.

"(b) **TAXABLE LOSS.**—

"(1) **ON ORIGINAL QUANTITY.**—Where there is evidence satisfactory to the Secretary or his delegate that there has been any loss of distilled spirits from any cask or other package deposited in storage in internal revenue bond, other than a loss which by reason of section 5008 (a) is not taxable, the Secretary or his delegate may require the withdrawal from bonded premises of such distilled spirits, and direct the officer designated by him to collect the tax accrued on the original quantity of distilled spirits entered for deposit in storage in internal revenue bond in such cask or package, notwithstanding that the time specified in any bond given for the withdrawal of the spirits entered in storage in such cask or package has not expired, except that, under regulations prescribed by the Secretary or his delegate, when the extent of any loss from causes other than theft or unauthorized voluntary destruction can be established by the proprietor to the satisfaction of the Secretary or his delegate, an allowance of the tax on the loss so established may be credited against the tax on the original quantity. If such tax is not paid on demand it shall be assessed and collected as other taxes are assessed and collected.

"(2) **ALTERNATIVE METHOD.**—Where there is evidence satisfactory to the Secretary or his delegate that there has been access, other than as authorized by law, to the contents of casks or packages stored on bonded premises, and the extent of such access is such as to evidence a lack of due diligence or a failure to employ necessary and effective controls on the part of the proprietor, the Secretary or his delegate (in lieu of requiring the casks or packages to which such access has been had to be withdrawn and tax paid on the original quantity of distilled spirits entered for deposit in storage in internal revenue bond in such casks or packages as provided in paragraph (1)) may assess an amount equal to the tax on 5 proof gallons of distilled spirits at the prevailing rate on each of the total number of such casks or packages as determined by him.

"(3) **APPLICATION OF SUBSECTION.**—The provisions of this subsection shall apply to distilled spirits which are filled into casks or packages, as authorized by law, after entry and deposit in storage in internal revenue bond, whether by recasking, filling from storage tanks, consolidation of packages, or otherwise; and the quantity filled into such casks or packages shall be deemed to be the original quantity for the purpose of this subsection, in the case of loss from such casks or packages.

"(c) **DISTILLED SPIRITS NOT BONDED.**—

"(1) **GENERAL.**—The tax on any distilled spirits, removed from the place where they were distilled and (except as otherwise provided by law) not deposited in storage on bonded premises of a distilled spirits plant, shall, at any time within the period of limitation provided in section 6501, when knowledge of such fact is obtained by the Secretary or his delegate, be assessed on the distiller of such distilled spirits (or other person liable for the

tax) and payment of such tax immediately demanded and, on the neglect or refusal of payment, the Secretary or his delegate shall proceed to collect the same by distraint. This paragraph shall not exclude any other remedy or proceeding provided by law.

“(2) PRODUCTION AT OTHER THAN QUALIFIED PLANTS.—Except as otherwise provided by law, the tax on any distilled spirits produced in the United States at any place other than a qualified distilled spirits plant shall be due and payable immediately upon production.

“(d) UNLAWFULLY IMPORTED DISTILLED SPIRITS.—Distilled spirits smuggled or brought into the United States unlawfully shall, for purposes of this chapter, be held to be imported into the United States, and the internal revenue tax shall be due and payable at the time of such importation.

“(e) CROSS REFERENCE.—

“For provisions relating to removal of distilled spirits from bonded premises on determination of tax, see section 5213.

“SEC. 5007. COLLECTION OF TAX ON DISTILLED SPIRITS.

“(a) TAX ON DISTILLED SPIRITS REMOVED FROM BONDED PREMISES.—

“(1) GENERAL.—The tax on domestic distilled spirits and on distilled spirits removed from customs custody under section 5232 shall be paid in accordance with section 5061.

“(2) DISTILLED SPIRITS WITHDRAWN TO BOTTLING PREMISES UNDER WITHDRAWAL BOND.—If distilled spirits are withdrawn from bonded premises under section 5213 and a withdrawal bond is posted under section 5174 (a) (2), the Secretary or his delegate shall, in fixing the time for filing the return and the time for payment of the tax under section 5061 (a), make allowance for the period of transportation of the distilled spirits from the bonded premises to the bottling premises, not to exceed such maximum periods as he may by regulations prescribe.

“(b) COLLECTION OF TAX ON IMPORTED DISTILLED SPIRITS AND PERFUMES CONTAINING DISTILLED SPIRITS.—

“(1) DISTILLED SPIRITS.—The internal revenue tax imposed by section 5001 (a) (1) and (2) upon imported distilled spirits shall be collected by the Secretary or his delegate and deposited as internal revenue collections, under such regulations as the Secretary or his delegate may prescribe. Such tax shall be in addition to any customs duty imposed under the Tariff Act of 1930 (46 Stat. 590; 19 U. S. C., chapter 4), or any subsequent act. Section 5688 shall be applicable to the disposition of imported spirits.

“(2) PERFUMES CONTAINING DISTILLED SPIRITS.—The internal revenue tax imposed by section 5001 (a) (3) upon imported perfumes containing distilled spirits shall be collected by the Secretary or his delegate and deposited as internal revenue collections, under such regulations as the Secretary or his delegate may prescribe.

“(c) CROSS REFERENCES.—

“(1) For authority of the Secretary or his delegate to make determinations and assessments of internal revenue taxes and penalties, see section 6201 (a).

“(2) For authority to assess tax on distilled spirits not bonded, see section 5006 (c).

“(3) For provisions relating to payment of tax, under certain conditions, on distilled spirits withdrawn free of tax, denatured distilled spirits, articles, and volatile fruit-flavor concentrates, see section 5001 (a) (5), (6), and (7).

"SEC. 5008. ABATEMENT, REMISSION, REFUND, AND ALLOWANCE FOR LOSS OR DESTRUCTION OF DISTILLED SPIRITS.

"(a) DISTILLED SPIRITS LOST OR DESTROYED IN BOND.—

"(1) EXTENT OF LOSS ALLOWANCE.—No tax shall be collected in respect of distilled spirits lost or destroyed while in bond, except that such tax shall be collected—

"(A) THEFT.—In the case of loss by theft, unless the Secretary or his delegate finds that the theft occurred without connivance, collusion, fraud, or negligence on the part of the proprietor of the distilled spirits plant, owner, consignor, consignee, bailee, or carrier, or the employees or agents of any of them; and

"(B) VOLUNTARY DESTRUCTION.—In the case of voluntary destruction, unless such destruction is carried out as provided in subsection (b) (1).

"(2) PROOF OF LOSS.—In any case in which distilled spirits are lost or destroyed, whether by theft or otherwise, the Secretary or his delegate may require the proprietor of the distilled spirits plant or other person liable for the tax to file a claim for relief from the tax and submit proof as to the cause of such loss. In every case where it appears that the loss was by theft, the burden shall be upon the proprietor of the distilled spirits plant or other person responsible for the distilled spirits tax to establish to the satisfaction of the Secretary or his delegate that such loss did not occur as the result of connivance, collusion, fraud, or negligence on the part of the proprietor of the distilled spirits plant, owner, consignor, consignee, bailee, or carrier, or the employees or agents of any of them.

"(3) REFUND OF TAX.—In any case where the tax would not be collectible by virtue of paragraph (1), but such tax has been paid, the Secretary or his delegate shall refund such tax.

"(4) LIMITATIONS.—Except as provided in paragraph (5), no tax shall be abated, remitted, credited, or refunded under this subsection where the loss occurred after the tax was determined (as provided in section 5006 (a)). The abatement, remission, credit, or refund of taxes provided for by paragraphs (1) and (3) in the case of loss of distilled spirits by theft shall only be allowed to the extent that the claimant is not indemnified against or recompensed in respect of the tax for such loss.

"(5) APPLICABILITY.—The provisions of this subsection shall extend to and apply in respect of distilled spirits lost after the tax was determined and prior to the completion of the physical removal of the distilled spirits from bonded premises, but shall not be applicable where the loss occurred after the time prescribed for the withdrawal of the distilled spirits from bonded premises under section 5006 (a) (2) unless the loss occurred in the course of physical removal of the spirits immediately subsequent to such time. This paragraph shall not be applicable to any loss of distilled spirits for which abatement, remission, credit, or refund of tax is allowable under the provisions of subsection (c), or would be allowable except for the limitations established under subsection (c) (3).

"(b) VOLUNTARY DESTRUCTION.—

"(1) DISTILLED SPIRITS IN BOND.—The proprietor of the distilled spirits plant or other persons liable for the tax imposed by this chapter with respect to any distilled spirits in bond may voluntarily destroy such spirits, but only if such destruction is under such supervision, and under such regulations, as the Secretary or his delegate may prescribe.

"(2) DISTILLED SPIRITS WITHDRAWN FOR RECTIFICATION OR BOTTLING.—Whenever any distilled spirits withdrawn from bond on or after July 1, 1959, on payment or determination of tax for rectification or bottling are (before the completion of the bottling and casing or other packaging of such spirits for removal from the bottling premises of the distilled spirits plant to which removed from bond) found by the proprietor who withdrew such spirits to be unsuitable for the purpose for which intended to be used, such spirits may, on application to the Secretary or his delegate, be destroyed after such gauge and under such supervision as the Secretary or his delegate may by regulations prescribe. If a claim is filed within 6 months from the date of such destruction, the Secretary or his delegate shall, under such regulations as he may prescribe, abate, remit, or, without interest, credit or refund the tax imposed under section 5001 (a) (1) on the spirits so destroyed, to the proprietor of the distilled spirits plant who withdrew the distilled spirits on payment or determination of tax.

"(c) LOSS OF DISTILLED SPIRITS WITHDRAWN FROM BOND FOR RECTIFICATION OR BOTTLING.—

"(1) GENERAL.—Whenever any distilled spirits withdrawn from bond on payment or determination of tax for rectification or bottling are lost before the completion of the bottling and casing or other packaging of such spirits for removal from the bottling premises of the distilled spirits plant to which removed from bond, the Secretary or his delegate shall, under such regulations as he may prescribe, abate, remit, or, without interest, credit or refund the tax imposed on such spirits under section 5001 (a) (1) to the proprietor of the distilled spirits plant who withdrew the distilled spirits on payment or determination of tax for removal to his bottling premises, if it is established to the satisfaction of the Secretary or his delegate that—

"(A) such loss occurred (i) by reason of accident while being removed from bond to bottling premises, or (ii) by reason of flood, fire, or other disaster; or

"(B) such loss occurred by reason of, and was incident to, authorized rectifying, packaging, bottling, or casing operations (including losses by leakage or evaporation occurring during removal from bond to the bottling premises and during storage on bottling premises pending rectification or bottling).

"(2) LIMITATION.—No abatement, remission, credit, or refund of taxes shall be made under this subsection—

"(A) in any case where the claimant is indemnified or recompensed for the tax;

"(B) in excess of the amount allowable under paragraph (3), in case of losses referred to in paragraph (1) (B); or

"(C) unless a claim is filed, under such regulations as the Secretary or his delegate may prescribe, by the proprietor of the distilled spirits plant who withdrew the distilled spirits on payment or determination of tax, (i) within 6 months from the date of the loss in case of losses referred to in paragraph (1) (A), or (ii) within 6 months from the close of the fiscal year in which the loss occurred in case of losses referred to in paragraph (1) (B).

The quantity of distilled spirits lost within the meaning of subparagraph (B) of paragraph (1) shall be determined at such times and by such means or methods as the Secretary or his delegate shall by regulations prescribe.

“(3) MAXIMUM LOSS ALLOWANCES.—

“(A) If all the alcoholic ingredients used in distilled spirits products during the fiscal year were distilled spirits withdrawn from bond by the proprietor of the bottling premises on payment or determination of tax, for removal to such premises, the loss allowable in such fiscal year under paragraph (1) (B) shall not be greater than the excess of losses over gains, and shall not exceed the maximum amount of loss allowable as shown in the following schedule:

“If total completions during the fiscal year in proof gallons are:	The maximum allowable loss in proof gallons is:
“Not over 24,000-----	2 percent of completions.
“Over 24,000 but not over 120,000----	480 proof gallons plus 1% of excess over 24,000.
“Over 120,000 but not over 600,000----	1,440 proof gallons plus .6% of excess over 120,000.
“Over 600,000 but not over 2,400,000--	4,320 proof gallons plus .3% of excess over 600,000.
“Over 2,400,000-----	9,720 proof gallons plus .2% of excess over 2,400,000.

The Secretary or his delegate may, by regulations, reduce the amount of the maximum allowable losses in the preceding schedule when he finds that such adjustment is necessary for protection of the revenue, or increase the amount of such maximum allowable losses if he finds that such may be done without undue jeopardy to the revenue and is necessary to more nearly provide for the actual losses described in paragraph (1) (B). However, in no event shall allowable losses exceed 2 percent of total completions.

“(B) If alcoholic ingredients other than distilled spirits withdrawn from bond by the proprietor of the bottling premises on payment or determination of tax, for removal to such premises, were used in distilled spirits products during the fiscal year, the loss allowable under paragraph (1) (B) shall be determined by first obtaining the amount that would have been allowable if all of the ingredients had been distilled spirits withdrawn from bond by the proprietor of the bottling premises on payment or determination of tax, for removal to such premises, and thereafter reducing this amount by an amount proportional to the percentage which the total proof gallons of such alcoholic ingredients bears to the total proof gallons of all alcoholic ingredients used in such distilled spirits products.

“(C) As used in this subsection, the term ‘completions’ means the distilled spirits products bottled and cased or otherwise packaged or placed in approved containers for removal from the bottling premises, and the term ‘fiscal year’ means the period from July 1 of a calendar year through June 30 of the following year.

“(D) The Secretary or his delegate may, under such regulations and conditions as he may prescribe, make tentative allowances for losses provided for in paragraph (1) (B), for fractional parts of a year, which allowances shall be computed by the procedures prescribed in paragraphs (3) (A) and (3) (B), except that the numerical values for the completions and for the maximum allowable losses in proof gallons in the schedule in paragraph (3) (A) shall be divided by the number of such fractional parts within the fiscal year.

“(E) The loss allowable to any proprietor qualifying for abatement, remission, credit, or refund of taxes under para-

graph (1) (B) shall not exceed the quantity which would be allowed by a tentative estimates schedule constructed in accordance with paragraph (3) (D) for the portion of the fiscal year that such proprietor was qualified to operate the distilled spirits plant.

“(F) Notwithstanding the limitations contained in the schedule in paragraph (3) (A) the Secretary or his delegate may, under such regulations as he may prescribe, in addition to the losses allowable under paragraphs (1) (A) and (1) (B), allow actual determined losses incurred in the manufacture of gin and vodka where produced in closed systems in a manner similar to that authorized on bonded premises.

“(4) ELIGIBLE PROPRIETORS.—

“(A) The term ‘proprietor’ as used in this subsection and in subsection (b) (2) shall, in the case of a corporation, include all affiliated or subsidiary corporations who are qualified during the fiscal year for successive operation of the same bottling premises and who make joint application to the Secretary or his delegate to be treated as one proprietor for the purposes of this subsection and subsection (b) (2) and who comply with such conditions as the Secretary or his delegate may by regulations prescribe.

“(B) For the purposes of this subsection and subsection (b) (2) a proprietor of bottling premises of a distilled spirits plant who makes application to the Secretary or his delegate for the withdrawal of distilled spirits from bond on payment of tax for removal to such bottling premises shall be deemed to be the proprietor who withdrew distilled spirits on payment of tax, and the distilled spirits withdrawn pursuant to such application shall be deemed to have been withdrawn by such proprietor on payment of tax, whether or not he was the person who paid the tax.

“(5) APPLICABILITY.—This subsection shall apply in respect of losses of distilled spirits withdrawn from bond on or after July 1, 1959. This subsection shall also apply in respect of losses, occurring on or after July 1, 1959, and after dumping for rectification or bottling, of distilled spirits withdrawn from bond prior to July 1, 1959, and such spirits shall be considered as having been withdrawn from bond on payment or determination of tax by the proprietor of the bottling premises at which the spirits are dumped for rectification or bottling.

“(d) DISTILLED SPIRITS RETURNED TO BONDED PREMISES.—

“(1) ALLOWANCE OF TAX.—Whenever any distilled spirits withdrawn from bonded premises, on or after July 1, 1959, on payment or determination of tax are returned under section 5215 to the bonded premises of a distilled spirits plant, the Secretary or his delegate shall abate, remit, or (without interest) credit or refund the tax imposed under section 5001 (a) (1) on the spirits so returned.

“(2) LIMITATION.—No allowance under paragraph (1) shall be made unless a claim is filed, under such regulations as the Secretary or his delegate may prescribe, by the proprietor of the distilled spirits plant to which the distilled spirits are returned, within 6 months of the date of return; and no claim shall be allowed in respect of any distilled spirits withdrawn from the bonded premises of a distilled spirits plant more than 6 months prior to the date of such return.

“(e) SAMPLES FOR USE BY THE UNITED STATES.—The Secretary or his delegate shall, under such regulations as he may prescribe, with-

out interest, credit or refund to the proprietor the tax on any samples of distilled spirits removed from the premises of a distilled spirits plant for analysis or testing by the United States.

“(f) **DISTILLED SPIRITS WITHDRAWN WITHOUT PAYMENT OF TAX.**—The provisions of subsection (a) shall be applicable to loss of distilled spirits occurring during transportation from bonded premises of a distilled spirits plant to—

“(1) the port of export, in case of withdrawal under section 5214 (a) (4);

“(2) the customs manufacturing bonded warehouse, in case of withdrawal under section 5214 (a) (6);

“(3) the vessel or aircraft, in case of withdrawal under section 5214 (a) (7); and

“(4) the foreign-trade zone, in case of withdrawal under section 5214 (a) (8).

“(g) **OTHER LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect of the internal revenue tax on distilled spirits, shall, insofar as applicable and not inconsistent with subsections (b) (2), (c), and (d), be applicable to the credits or refunds provided for under such subsections to the same extent as if such credits or refunds constituted credits or refunds of such tax.

“(h) **CROSS REFERENCE.**—

“For provisions relating to allowance for loss in case of wine spirits withdrawn for use in wine production, see section 5373 (b) (3).

“**SEC. 5009. DRAWBACK.**

“(a) **DRAWBACK ON EXPORTATION OF DISTILLED SPIRITS IN CASKS OR PACKAGES.**—On the exportation of distilled spirits in casks or packages containing not less than 20 wine gallons each, filled in internal revenue bond, drawback of the internal revenue tax paid or determined may be allowed, under such regulations, and on the filing of such bonds, reports, returns, and applications, and the keeping of such records, as the Secretary or his delegate may prescribe. The drawback shall be paid or credited in an amount equal to such tax on the quantity of distilled spirits exported, as ascertained prior to exportation by such gauge as the Secretary or his delegate may by regulations prescribe. The drawback shall be paid or credited only after all requirements of law and regulations have been complied with and on the filing, with the Secretary or his delegate, of a proper claim and evidence satisfactory to the Secretary or his delegate that the tax on such distilled spirits has been paid or determined and that the distilled spirits have been exported.

“(b) **CROSS REFERENCES.**—

“(1) For provisions relating to drawback on distilled spirits packaged or bottled especially for export, see section 5062 (b).

“(2) For provisions relating to drawback on designated nonbeverage products, see sections 5131 through 5134.

“(3) For drawback on distilled spirits used in flavoring extracts or medicinal or toilet preparations exported, see section 313 (d) of the Tariff Act of 1930 (46 Stat. 694; 19 U. S. C. 1313).

“(4) For drawback on articles removed to foreign-trade zones, see 19 U. S. C. 81c.

“(5) For drawback on shipments from the United States to Puerto Rico, the Virgin Islands, Guam, or American Samoa, see section 7653 (c).

“**Subpart B—Rectification**

“Sec. 5021. Imposition and rate of tax.

“Sec. 5022. Tax on cordials and liqueurs containing wine.

“Sec. 5023. Tax on blending of beverage rums or brandies.

“Sec. 5024. Definitions.

“Sec. 5025. Exemption from rectification tax.

“Sec. 5026. Determination and collection of rectification tax.

"SEC. 5021. IMPOSITION AND RATE OF TAX.

"In addition to the tax imposed by this chapter on distilled spirits and wines, there is hereby imposed (except as otherwise provided in this chapter) a tax of 30 cents on each proof gallon and a proportionate tax at a like rate on all fractional parts of such proof gallon on all distilled spirits or wines rectified, purified, or refined in such manner, and on all mixtures produced in such manner, that the person so rectifying, purifying, refining, or mixing the same is a rectifier (as defined in section 5082). Spirits or wines shall not twice be subjected to tax under this section because of separate acts of rectification, pursuant to approved formula, between the time such spirits or wines are received on the bottling premises and the time they are removed therefrom.

"SEC. 5022. TAX ON CORDIALS AND LIQUEURS CONTAINING WINE.

"On all liqueurs, cordials, or similar compounds produced in the United States and not produced for sale as wine, wine specialties, or cocktails, which contain more than $2\frac{1}{2}$ percent by volume of wine of an alcoholic content in excess of 14 percent by volume, there shall be paid, in lieu of the tax imposed by section 5021, a tax at the rate of \$1.92 per wine gallon and a proportionate tax at a like rate on all fractional parts of such wine gallon until July 1, 1959, and on or after July 1, 1959, at the rate of \$1.60 per wine gallon and a proportionate tax at a like rate on all fractional parts of such wine gallon. The last sentence of section 5021 shall not be construed to limit the imposition of tax under this section. All other provisions of law applicable to rectification shall apply to the products subject to tax under this section.

"SEC. 5023. TAX ON BLENDING OF BEVERAGE RUMS OR BRANDIES.

"In the case of rums or fruit brandies mixed or blended pursuant to section 5234 (c), in addition to the tax imposed by this chapter on the production of distilled spirits, there shall, except in the case of such rums or brandies which have been aged in wood at least 2 years at the time of their first blending or mixing, be paid a tax of 30 cents as to each proof gallon (and a proportionate tax at a like rate on all fractional parts of such proof gallon) of rums or brandies so mixed or blended and withdrawn from bonded premises, except when such rums or brandies are withdrawn under section 5214 or section 7510.

"SEC. 5024. DEFINITIONS.

"(1) For definition of 'rectifier', see section 5082.

"(2) For definition of 'products of rectification' as 'distilled spirits' for certain purposes, see section 5002 (a) (6) (B).

"(3) For other definitions relating to distilled spirits, see section 5002.

"(4) For definitions of general application to this title, see chapter 79.

"SEC. 5025. EXEMPTION FROM RECTIFICATION TAX.

"(a) **ABSOLUTE ALCOHOL.**—The process of extraction of water from high-proof distilled spirits for the production of absolute alcohol shall not be deemed to be rectification within the meaning of sections 5081 and 5082, and absolute alcohol shall not be subject to the tax imposed by section 5021, but the production of such absolute alcohol shall be under such regulations as the Secretary or his delegate may prescribe.

"(b) **PRODUCTION OF GIN AND VODKA.**—The tax imposed by section 5021 shall not apply to gin produced on bottling premises of distilled spirits plants by the redistillation of a pure spirit over juniper berries and other natural aromatics or to vodka produced on bottling premises of distilled spirits plants from pure spirits in the manner authorized on bonded premises of distilled spirits plants.

“(c) **REFINING SPIRITS IN COURSE OF ORIGINAL DISTILLATION.**—The purifying or refining of distilled spirits, in the course of original and continuous distillation or other original and continuous processing, through any material which will not remain incorporated with such spirits when the production thereof is complete shall not be held to be rectification within the meaning of sections 5021, 5081, or 5082, nor shall these sections be held to prohibit such purifying or refining.

“(d) **REDISTILLATION OF DISTILLED SPIRITS ON BONDED PREMISES.**—Sections 5021, 5081, and 5082 shall not apply to the redistillation of distilled spirits under section 5223.

“(e) **MINGLING OF DISTILLED SPIRITS.**—Sections 5021, 5081, and 5082 shall not apply to—

“(1) the mingling on bonded premises of spirits distilled at 190 degrees or more of proof; or

“(2) the mingling of distilled spirits on bonded premises, or in the course of removal therefrom, for redistillation, storage, or any other purpose, incident to the requirements of the national defense; or

“(3) the mingling in bulk gauging tanks on bonded premises of heterogeneous distilled spirits for immediate removal to bottling premises, exclusively for use in taxable rectification, or in rectification under subsection (f); or

“(4) the blending on bonded premises of beverage brandies or rums, under the provisions of section 5234 (c); or

“(5) the mingling of homogeneous distilled spirits; or

“(6) the mingling on bonded premises of distilled spirits for immediate redistillation, immediate denaturation, or immediate removal from such premises free of tax under section 5214 (a) (1), (2), or (3), or section 7510; or

“(7) the mingling on bonded premises of distilled spirits for further storage in bond as authorized by section 5234 (a) (2).

“(f) **BLENDING STRAIGHT WHISKIES, RUMS, FRUIT BRANDIES, OR WINES.**—The taxes imposed by this subpart shall not attach—

“(1) to blends made exclusively of two or more pure straight whiskies aged in wood for a period not less than 4 years and without the addition of coloring or flavoring matter or any other substance than pure water and if not reduced below 80 proof; or

“(2) to blends made exclusively of two or more pure fruit brandies distilled from the same kind of fruit, aged in wood for a period not less than 2 years and without the addition of coloring or flavoring matter (other than caramel) or any other substance than pure water and if not reduced below 80 proof; or

“(3) to the mixing and blending of wines, where such blending is for the sole purpose of perfecting such wines according to commercial standards; or

“(4) to blends made exclusively of two or more rums aged in wood for a period not less than 2 years and without the addition of coloring or flavoring matter (other than caramel) or any other substance than pure water and if not reduced below 80 proof.

Such blended whiskies, blended rums, and blended fruit brandies shall be exempt from tax under this subpart only when blended in such tanks and under such conditions and supervision as the Secretary or his delegate may by regulations prescribe.

“(g) **ADDITION OF CARAMEL TO BRANDY OR RUM.**—The addition of caramel to commercial brandy or rum on the bonded premises of a distilled spirits plant, pursuant to regulations prescribed by the Secretary or his delegate, shall not be deemed to be rectification within the meaning of sections 5021, 5081, and 5082.

26 USC 7510.

26 USC 5081-
5149.

"(h) **APOTHECARIES.**—The taxes imposed by this subpart and by part II of this subchapter shall not be imposed on apothecaries as to wines or distilled spirits which they use exclusively in the preparation or making up of medicines unfit for use for beverage purposes.

"(i) **MANUFACTURER RECOVERING DISTILLED SPIRITS FOR REUSE IN PRODUCTS UNFIT FOR BEVERAGE PURPOSES.**—The taxes imposed by this subpart and by part II of this subchapter shall not be imposed on any manufacturer for recovering distilled spirits, on which the tax has been paid or determined, from dregs or marc of percolation or extraction, or from medicines, medicinal preparations, food products, flavors, or flavoring extracts, which do not meet the manufacturer's standards, if such recovered distilled spirits are used by such manufacturer in the manufacture of medicines, medicinal preparations, food products, flavors, or flavoring extracts, which are unfit for use for beverage purposes.

"(j) **STABILIZATION OF DISTILLED SPIRITS.**—The removal, on the premises of a distilled spirits plant, of extraneous insoluble materials from distilled spirits, and minor changes in the soluble color or soluble solids of distilled spirits, which occur solely as a result of such filtrations or other physical treatments (which do not involve the addition of any substance which will remain incorporated in the completed product) at the time of, or preparatory to, the bottling of distilled spirits, as may be necessary or desirable to produce a stable product, shall not be deemed to be rectification within the meaning of sections 5021, 5081, and 5082, if such changes do not exceed maximum limitations which the Secretary or his delegate may by regulations provide.

"(k) **ADDITION OF TRACER ELEMENTS.**—The authorized addition of tracer elements to distilled spirits under provisions of section 5201 (d) shall not be deemed to be rectification within the meaning of sections 5021, 5081, and 5082.

"(l) **CROSS REFERENCES.**—

"(1) For provisions exempting distilled spirits and wines rectified in customs manufacturing bonded warehouses, see section 5523.

"(2) For provisions exempting winemakers in the use or treatment of wines or wine spirits, see section 5391.

"(3) For provisions exempting the manufacture of volatile fruit-flavor concentrates, see section 5511.

"SEC. 5026. DETERMINATION AND COLLECTION OF RECTIFICATION TAX.

"(a) **DETERMINATION OF TAX.**—

"(1) **GENERAL.**—The taxes imposed by sections 5021 and 5022 shall be determined upon the completion of the process of rectification by such means as the Secretary or his delegate shall by regulations prescribe and with the use of such devices and apparatus (including but not limited to storage, gauging, and bottling tanks, and pipelines) as the Secretary or his delegate may by regulations prescribe.

"(2) **UNAUTHORIZED RECTIFICATION.**—In the case of taxable rectification on premises other than premises on which rectification is authorized, the tax imposed by section 5021 or 5022 shall be due and payable at the time of such rectification.

"(b) **PAYMENT OF TAX.**—Except as provided in subsection (a) (2), the taxes imposed by sections 5021, 5022, and 5023, shall be paid in accordance with section 5061.

"Subpart C—Wines

"Sec. 5041. Imposition and rate of tax.

"Sec. 5042. Exemption from tax.

"Sec. 5043. Collection of taxes on wines.

"Sec. 5044. Refund of tax on unmerchantable wine.

"Sec. 5045. Cross references.

"SEC. 5041. IMPOSITION AND RATE OF TAX.

"(a) **IMPOSITION.**—There is hereby imposed on all wines (including imitation, substandard, or artificial wine, and compounds sold as wine) having not in excess of 24 percent of alcohol by volume, in bond in, produced in, or imported into, the United States, taxes at the rates shown in subsection (b), such taxes to be determined as of the time of removal for consumption or sale. All wines containing more than 24 percent of alcohol by volume shall be classed as distilled spirits and taxed accordingly. Still wines shall include those wines containing not more than 0.256 gram of carbon dioxide per hundred milliliters of wine; except that the Secretary or his delegate may by regulations prescribe such tolerances to this maximum limitation as may be reasonably necessary in good commercial practice.

"(b) RATES OF TAX.—

"(1) On still wines containing not more than 14 percent of alcohol by volume, 17 cents per wine gallon, except that on and after July 1, 1959, the rate shall be 15 cents per wine gallon;

"(2) On still wines containing more than 14 percent and not exceeding 21 percent of alcohol by volume, 67 cents per wine gallon, except that on and after July 1, 1959, the rate shall be 60 cents a wine gallon;

"(3) On still wines containing more than 21 percent and not exceeding 24 percent of alcohol by volume, \$2.25 per wine gallon, except that on and after July 1, 1959, the rate shall be \$2.00 per wine gallon;

"(4) On champagne and other sparkling wines, \$3.40 per wine gallon, except that on and after July 1, 1959, the rate shall be \$3.00 per wine gallon; and

"(5) On artificially carbonated wines, \$2.40 per wine gallon, except that on and after July 1, 1959, the rate shall be \$2.00 per wine gallon.

"(c) **WINE GALLON.**—For the purpose of this chapter, the term 'wine gallon' means a United States gallon of liquid measure equivalent to the volume of 231 cubic inches. On lesser quantities the tax shall be paid proportionately (fractions of less than one-tenth gallon being converted to the nearest one-tenth gallon, and five-hundredths gallon being converted to the next full one-tenth gallon).

"(d) **ILLEGALLY PRODUCED WINE.**—Notwithstanding subsection (a), any wine produced in the United States at any place other than the bonded premises provided for in this chapter shall (except as provided in section 5042 in the case of tax-free production) be subject to tax at the rate prescribed in subsection (b) at the time of production and whether or not removed for consumption or sale.

"SEC. 5042. EXEMPTION FROM TAX.**"(a) TAX-FREE PRODUCTION.—**

"(1) **CIDER.**—Subject to regulations prescribed by the Secretary or his delegate, the noneffervescent product of the normal alcoholic fermentation of apple juice only, which is produced at a place other than a bonded wine cellar and without the use of preservative methods or materials, and which is sold or offered for sale as cider and not as wine or as a substitute for wine, shall not be subject to tax as wine nor to the provisions of subchapter F.

"(2) **FAMILY WINE.**—Subject to regulations prescribed by the Secretary or his delegate, the duly registered head of any family may, without payment of tax, produce for family use and not for sale an amount of wine not exceeding 200 gallons per annum.

"(3) **EXPERIMENTAL WINE.**—Subject to regulations prescribed by the Secretary or his delegate, any scientific university, college

of learning, or institution of scientific research may produce, receive, blend, treat, and store wine, without payment of tax, for experimental or research use but not for consumption (other than organoleptical tests) or sale, and may receive such wine spirits without payment of tax as may be necessary for such production.

“(b) CROSS REFERENCES.—

“(1) For provisions relating to exemption of tax on losses of wine (including losses by theft or authorized destruction), see section 5370.

“(2) For provisions exempting from tax samples of wine, see section 5372.

“(3) For provisions authorizing withdrawals of wine free of tax or without payment of tax, see section 5362.

“SEC. 5043. COLLECTION OF TAXES ON WINES.

“(a) PERSONS LIABLE FOR PAYMENT.—The taxes on wine provided for in this subpart shall be paid—

“(1) BONDED WINE CELLARS.—In the case of wines removed from any bonded wine cellar, by the proprietor of such bonded wine cellar; except that—

“(A) in the case of any transfer of wine in bond between bonded wine cellars as authorized under the provisions of section 5362 (b), the liability for payment of the tax shall become the liability of the transferee from the time of removal of the wine from the transferor's premises, and the transferor shall thereupon be relieved of such liability; and

“(B) in the case of any wine withdrawn by a person other than such proprietor without payment of tax as authorized under the provisions of section 5362 (c), the liability for payment of the tax shall become the liability of such person from the time of the removal of the wine from the bonded wine cellar, and such proprietor shall thereupon be relieved of such liability.

“(2) FOREIGN WINE.—In the case of foreign wines, by the importer thereof.

“(3) OTHER WINES.—Immediately, in the case of any wine produced, imported, received, removed, or possessed otherwise than as authorized by law, by any person producing, importing, receiving, removing, or possessing such wine; and all such persons shall be jointly and severally liable for such tax with each other as well as with any proprietor, transferee, or importer who may be liable for the tax under this subsection.

“(b) PAYMENT OF TAX.—Except as provided in subsection (a) (3), the taxes on wines shall be paid in accordance with section 5061.

“SEC. 5044. REFUND OF TAX ON UNMERCHANTABLE WINE.

“(a) GENERAL.—In the case of any wine produced in the United States and returned to bond as unmerchantable under section 5361—

“(1) any tax imposed by section 5041 shall, if paid, be refunded or credited, without interest, to the proprietor of the bonded wine cellar to which such wine is delivered; or

“(2) if any tax so imposed has not been paid, the person liable for the tax may be relieved of liability therefor, under such regulations as the Secretary or his delegate may prescribe. Such regulations may provide that claim for refund or credit under paragraph (1), or relief from liability under paragraph (2), may be made only with respect to minimum quantities specified in such regulations. The burden of proof in all such cases shall be on the applicant.

“(b) DATE OF FILING.—No claim under subsection (a) shall be allowed unless filed within 6 months after the date of the return of the wine to bond.

"(c) STATUS OF WINE RETURNED TO BOND.—All provisions of this chapter applicable to wine in bond on the premises of a bonded wine cellar and to removals thereof shall be applicable to wine returned to bond under the provisions of this section.

"SEC. 5045. CROSS REFERENCES.

"For provisions relating to the establishment and operation of wineries, see subchapter F, and for penalties pertaining to wine, see subchapter J.

"Subpart D—Beer

"Sec. 5051. Imposition and rate of tax.

"Sec. 5052. Definitions.

"Sec. 5053. Exemptions.

"Sec. 5054. Determination and collection of tax on beer.

"Sec. 5055. Drawback of tax.

"Sec. 5056. Refund and credit of tax, or relief from liability.

"SEC. 5051. IMPOSITION AND RATE OF TAX.

"(a) RATE OF TAX.—There is hereby imposed on all beer, brewed or produced, and removed for consumption or sale, within the United States, or imported into the United States, a tax of \$9 for every barrel containing not more than 31 gallons and at a like rate for any other quantity or for fractional parts of a barrel. On and after July 1, 1959, the tax imposed by this subsection shall be at the rate of \$8 in lieu of \$9. Where the Secretary or his delegate finds that the revenue will not be endangered thereby, he may by regulations prescribe tolerances for barrels and fractional parts of barrels, and, if such tolerances are prescribed, no assessment shall be made and no tax shall be collected for any excess in any case where the contents of a barrel or a fractional part of a barrel are within the limit of the applicable tolerance prescribed.

"(b) ASSESSMENT ON MATERIALS USED IN PRODUCTION IN CASE OF FRAUD.—Nothing contained in this subpart or subchapter G shall be construed to authorize an assessment on the quantity of materials used in producing or purchased for the purpose of producing beer, nor shall the quantity of materials so used or purchased be evidence, for the purpose of taxation, of the quantity of beer produced; but the tax on all beer shall be paid as provided in section 5054, and not otherwise; except that this subsection shall not apply to cases of fraud, and nothing in this subsection shall have the effect to change the rules of law respecting evidence in any prosecution or suit.

26 U.S.C. 5401-5416.

"SEC. 5052. DEFINITIONS.

"(a) BEER.—For purposes of this chapter (except when used with reference to distilling or distilling material) the term 'beer' means beer, ale, porter, stout, and other similar fermented beverages (including sake or similar products) of any name or description containing one-half of 1 percent or more of alcohol by volume, brewed or produced from malt, wholly or in part, or from any substitute therefor.

"(b) GALLON.—For purposes of this subpart, the term 'gallon' means the liquid measure containing 231 cubic inches.

"(c) REMOVED FOR CONSUMPTION OR SALE.—Except as provided for in the case of removal of beer without payment of tax, the term 'removed for consumption or sale', for the purposes of this subpart, means—

"(1) SALE OF BEER.—The sale and transfer of possession of beer for consumption at the brewery; or

"(2) REMOVALS.—Any removal of beer from the brewery, except that such removal shall not include any beer returned to the brewery on the same day such beer is removed from the brewery.

“(d) BREWER.—

“For definition of brewer, see section 5092.

“SEC. 5053. EXEMPTIONS.

“(a) REMOVALS FOR EXPORT.—Beer may be removed from the brewery, without payment of tax, for export to a foreign country, in such containers and under such regulations, and on the giving of such notices, entries, and bonds and other security, as the Secretary or his delegate may by regulations prescribe.

“(b) REMOVALS WHEN UNFIT FOR BEVERAGE USE.—When beer has become sour or damaged, so as to be incapable of use as such, a brewer may remove the same from his brewery without payment of tax, for manufacturing purposes, under such regulations as the Secretary or his delegate may prescribe.

“(c) REMOVALS FOR LABORATORY ANALYSIS.—Beer may be removed from the brewery, without payment of tax, for laboratory analysis, subject to such limitations and under such regulations as the Secretary or his delegate may prescribe.

“(d) REMOVAL AS SUPPLIES FOR CERTAIN VESSELS AND AIRCRAFT.—

“For exemption as to supplies for certain vessels and aircraft, see section 309 of the Tariff Act of 1930, as amended (19 U. S. C. 1309).

“SEC. 5054. DETERMINATION AND COLLECTION OF TAX ON BEER.

“(a) TIME OF DETERMINATION.—

“(1) BEER PRODUCED IN THE UNITED STATES.—Except as provided in paragraph (3), the tax imposed by section 5051 on beer produced in the United States shall be determined at the time it is removed for consumption or sale, and shall be paid by the brewer thereof in accordance with section 5061.

“(2) BEER IMPORTED INTO THE UNITED STATES.—Except as provided in paragraph (4), the tax imposed by section 5051 on beer imported into the United States shall be determined at the time of the importation thereof, or, if entered into customs custody, at the time of removal from such custody, and shall be paid under such regulations as the Secretary or his delegate shall prescribe.

“(3) ILLEGALLY PRODUCED BEER.—The tax on any beer produced in the United States at any place other than a qualified brewery shall be due and payable immediately upon production.

“(4) UNLAWFULLY IMPORTED BEER.—Beer smuggled or brought into the United States unlawfully shall, for purposes of this chapter, be held to be imported into the United States, and the internal revenue tax shall be due and payable at the time of such importation.

“(b) TAX ON RETURNED BEER.—Beer which has been removed for consumption or sale and is thereafter returned to the brewery shall be subject to all provisions of this chapter relating to beer prior to removal for consumption or sale, including the tax imposed by section 5051. The tax on any such returned beer which is again removed for consumption or sale shall be determined and paid without respect to the tax which was determined at the time of prior removal of the beer for consumption or sale.

“(c) STAMPS OR OTHER DEVICES AS EVIDENCE OF PAYMENT OF TAX.—When the Secretary or his delegate finds it necessary for the protection of the revenue, he may require stamps, or other devices, evidencing the tax or indicating a compliance with the provisions of this chapter, to be affixed to hogsheads, barrels, or kegs of beer at the time of removal. The Secretary or his delegate shall by regulations prescribe the manner by which such stamps or other devices shall be supplied, affixed, and accounted for.

“(d) **APPLICABILITY OF OTHER PROVISIONS OF LAW.**—All administrative and penal provisions of this title, insofar as applicable, shall apply to any tax imposed by section 5051.

“SEC. 5055. DRAWBACK OF TAX.

“On the exportation of beer, brewed or produced in the United States, the brewer thereof shall be allowed a drawback equal in amount to the tax found to have been paid on such beer, to be paid on submission of such evidence, records and certificates indicating exportation, as the Secretary or his delegate may by regulations prescribe. For the purpose of this section, exportation shall include delivery for use as supplies on the vessels and aircraft described in section 309 of the tariff Act of 1930, as amended (19 U. S. C. 1309).

“SEC. 5056. REFUND AND CREDIT OF TAX, OR RELIEF FROM LIABILITY.

“(a) **BEER REMOVED FROM MARKET.**—Any tax paid by any brewer on beer produced in the United States may be refunded or credited to the brewer, without interest, or if the tax has not been paid, the brewer may be relieved of liability therefor, under such regulations as the Secretary or his delegate may prescribe, if such beer is removed from the market and is returned to the brewery or is destroyed under the supervision required by such regulations.

“(b) **BEER LOST BY FIRE, CASUALTY, OR ACT OF GOD.**—Subject to regulations prescribed by the Secretary or his delegate, the tax paid by any brewer on beer produced in the United States may be refunded or credited to the brewer, without interest, or if the tax has not been paid, the brewer may be relieved of liability therefor, if such beer is lost other than by theft, or is destroyed by fire, casualty, or act of God, before the transfer of title thereto to any other person.

“(c) **DATE OF FILING.**—No claims under this section shall be allowed unless filed within 6 months after the date of such removal from the market, loss, or destruction, or if the claimant was indemnified by insurance or otherwise in respect of the tax.

“Subpart E—General Provisions

“Sec. 5061. Method of collecting tax.

“Sec. 5062. Refund and drawback in case of exportation.

“Sec. 5063. Floor stocks refunds on distilled spirits, wines, cordials, and beer.

“Sec. 5064. Losses caused by disaster.

“Sec. 5065. Territorial extent of law.

“Sec. 5066. Cross reference.

“SEC. 5061. METHOD OF COLLECTING TAX.

“(a) **COLLECTION BY RETURN.**—The taxes on distilled spirits, wines, rectified distilled spirits and wines, and beer shall be collected on the basis of a return. The Secretary or his delegate shall, by regulation, prescribe the period or event for which such return shall be filed, the time for filing such return, the information to be shown in such return, and the time for payment of such tax. Notwithstanding the preceding sentences of this subsection, the taxes shall continue to be paid by stamp until the Secretary or his delegate shall by regulations provide for the collection of the taxes on the basis of a return.

“(b) **DISCRETION METHOD OF COLLECTION.**—Whether or not the method of collecting any tax imposed by this part is specifically provided in this part, any such tax may, under regulations prescribed by the Secretary or his delegate, be collected by stamp, coupon, serially-numbered ticket, or the use of tax-stamp machines, or by such other reasonable device or method as may be necessary or helpful in securing collection of the tax.

“(c) **APPLICABILITY OF OTHER PROVISIONS OF LAW.**—All administrative and penalty provisions of this title, insofar as applicable, shall apply to the collection of any tax which the Secretary or his delegate determines or prescribes shall be collected in any manner provided in this section.

“(d) **CROSS REFERENCE.**—

“For penalty and forfeiture for tampering with a stamp machine, see section 5689.

“SEC. 5062. REFUND AND DRAWBACK IN CASE OF EXPORTATION.

“(a) **REFUND.**—Under such regulations as the Secretary or his delegate may prescribe, the amount of any internal revenue tax erroneously or illegally collected in respect to exported articles may be refunded to the exporter of the article, instead of to the manufacturer, if the manufacturer waives any claim for the amount so to be refunded.

“(b) **DRAWBACK.**—On the exportation of distilled spirits or wines manufactured or produced in the United States on which an internal revenue tax has been paid or determined, and which are contained in any cask or package, or in bottles packed in cases or other containers, there shall be allowed, under regulations prescribed by the Secretary or his delegate, a drawback equal in amount to the tax found to have been paid or determined on such distilled spirits or wines. The preceding sentence shall not apply unless such distilled spirits have been packaged or bottled especially for export, or, in the case of distilled spirits originally bottled for domestic use, have been restamped and marked especially for export at the distilled spirits plant where originally bottled and before removal therefrom, under regulations prescribed by the Secretary or his delegate. The Secretary or his delegate is authorized to prescribe regulations governing the determination and payment or crediting of drawback of internal revenue tax on domestic distilled spirits and wines, including the requirement of such notices, bonds, bills of lading, and other evidence indicating payment or determination of tax and exportation as shall be deemed necessary.

“SEC. 5063. FLOOR STOCKS REFUNDS ON DISTILLED SPIRITS, WINES, CORDIALS, AND BEER.

“(a) **GENERAL.**—With respect to any article upon which tax is imposed under this part, upon which internal revenue tax (including floor stocks tax) at the applicable rate prescribed has been paid or determined, and which, on July 1, 1959, is held by any person and intended for sale or for use in the manufacture or production of any article intended for sale, there shall be credited or refunded to such person (without interest), subject to such regulations as may be prescribed by the Secretary or his delegate, an amount equal to the difference between the tax so paid or determined and the rate made applicable to such articles on and after July 1, 1959, if claim for such credit or refund is filed with the Secretary or his delegate prior to October 1, 1959, or within 30 days from the promulgation of such regulations, whichever is later.

“(b) **LIMITATIONS ON ELIGIBILITY FOR CREDIT OR REFUND.**—No person shall be entitled to credit or refund under subsection (a), unless such person, for such period or periods both before and after July 1, 1959 (but not extending beyond 1 year thereafter), as the Secretary or his delegate shall by regulations prescribe, makes and keeps, and files with the Secretary or his delegate, such records of inventories, sales, and purchases as may be prescribed in such regulations.

“(c) **OTHER LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect of internal revenue taxes on distilled

spirits, wines, liqueurs and cordials, imported perfumes containing distilled spirits, and beer shall, insofar as applicable and not inconsistent with this section, be applicable in respect of the credits and refunds provided for in this section to the same extent as if such credits or refunds constituted credits or refunds of such taxes.

"SEC. 5064. LOSSES CAUSED BY DISASTER.

"(a) **AUTHORIZATION.**—Where the President has determined under the Act of September 30, 1950 (42 U. S. C., sec. 1855), that a 'major disaster' as defined in such Act has occurred in any part of the United States, the Secretary or his delegate shall pay (without interest) an amount equal to the amount of the internal revenue taxes paid or determined and customs duties paid on distilled spirits, wines, rectified products, and beer previously withdrawn, which were lost, rendered unmarketable, or condemned by a duly authorized official by reason of such disaster occurring in such part of the United States after June 30, 1959, if such distilled spirits, wines, rectified products, or beer were held and intended for sale at the time of such disaster. The payments authorized by this section shall be made to the person holding such distilled spirits, wines, rectified products, or beer for sale at the time of such disaster.

64 Stat. 1109.

"(b) **CLAIMS.**—No claim shall be allowed under this section unless—

"(1) filed within 6 months after the date on which the President makes the determination that the disaster referred to in subsection (a) has occurred; and

"(2) the claimant furnishes proof to the satisfaction of the Secretary or his delegate that—

"(A) he was not indemnified by any valid claim of insurance or otherwise in respect of the tax, or tax and duty, on the distilled spirits, wines, rectified products, or beer covered by the claim; and

"(B) he is entitled to payment under this section.

Claims under this section shall be filed under such regulations as the Secretary or his delegate shall prescribe.

"(c) **DESTRUCTION OF DISTILLED SPIRITS, WINES, RECTIFIED PRODUCTS, OR BEER.**—When the Secretary or his delegate has made payment under this section in respect of the tax, or tax and duty, on the distilled spirits, wines, rectified products, or beer condemned by a duly authorized official or rendered unmarketable, such distilled spirits, wines, rectified products, or beer shall be destroyed under such supervision as the Secretary or his delegate may prescribe, unless such distilled spirits, wines, rectified products, or beer were previously destroyed under supervision satisfactory to the Secretary or his delegate.

"(d) **PRODUCTS OF PUERTO RICO.**—The provisions of this section shall not be applicable in respect of distilled spirits, wines, rectified products, and beer of Puerto Rican manufacture brought into the United States and so lost or rendered unmarketable or condemned.

"(e) **OTHER LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect of internal revenue taxes on distilled spirits, wines, rectified products, and beer shall, insofar as applicable and not inconsistent with this section, be applied in respect of the payments provided for in this section to the same extent as if such payments constituted refunds of such taxes.

"SEC. 5065. TERRITORIAL EXTENT OF LAW.

"The provisions of this part imposing taxes on distilled spirits, wines, and beer shall be held to extend to such articles produced anywhere within the exterior boundaries of the United States, whether the same be within an internal revenue district or not.

"SEC. 5066. CROSS REFERENCE.

"For general administrative provisions applicable to the assessment, collection, refund, etc., of taxes, see subtitle F.

"PART II—OCCUPATIONAL TAX

"Subpart A. Rectifier.

"Subpart B. Brewer.

"Subpart C. Manufacturers of stills.

"Subpart D. Wholesale dealers.

"Subpart E. Retail dealers.

"Subpart F. Nonbeverage domestic drawback claimants.

"Subpart G. General provisions.

"Subpart A—Rectifier

"Sec. 5081. Imposition and rate of tax.

"Sec. 5082. Definition of rectifier.

"Sec. 5083. Exemptions.

"Sec. 5084. Cross references.

"SEC. 5081. IMPOSITION AND RATE OF TAX.

"Every rectifier of distilled spirits or wines (as defined in section 5082) shall pay a special tax of \$220 a year; except that any rectifier of less than 20,000 proof gallons a year shall pay \$110 a year.

"SEC. 5082. DEFINITION OF RECTIFIER.

"Every person who rectifies, purifies, or refines distilled spirits or wines by any process (other than by original and continuous distillation, or original and continuous processing, from mash, wort, wash, or any other substance, through continuous closed vessels and pipes, until the production thereof is complete), and every person who, without rectifying, purifying, or refining distilled spirits, shall by mixing such spirits, wine, or other liquor with any material, manufacture any spurious, imitation, or compound liquors for sale, under the name of whisky, brandy, rum, gin, wine, spirits, cordials, or wine bitters, or any other name, shall be regarded as a rectifier, and as being engaged in the business of rectifying.

"SEC. 5083. EXEMPTIONS.

"For exemptions from tax under section 5021 or 5081 in case of—

"(1) Absolute alcohol, see section 5025 (a).

"(2) Production of gin and vodka, see section 5025 (b).

"(3) Refining spirits in course of original distillation, see section 5025 (c).

"(4) Redistillation of spirits on bonded premises of a distilled spirits plant, see section 5025 (d).

"(5) Mingling of distilled spirits on bonded premises of a distilled spirits plant, see section 5025 (e).

"(6) Apothecaries, see section 5025 (h).

"(7) Manufacturers of chemicals and flavoring extracts, see section 5025 (i).

"(8) Distilled spirits and wines rectified in customs manufacturing bonded warehouses, see section 5523.

"(9) Blending beverage brandies or rums on bonded premises of a distilled spirits plant, see section 5025 (e) (4).

"(10) Blending of straight whiskies, fruit brandies, rums or wines, see section 5025 (f).

"(11) Addition of caramel to brandy or rum, see section 5025 (g).

"(12) Winemakers' use or treatment of wines or wine spirits, see section 5391.

"(13) Stabilization of distilled spirits, see section 5025 (j).

"(14) Authorized addition of tracer elements, see section 5025 (k).

"SEC. 5084. CROSS REFERENCES.

"(1) For provisions relating to gallonage tax on rectification, see subpart B of part I of this subchapter.

"(2) For provisions relating to qualification of distilled spirits plants to engage in rectification, see subchapter B.

"(3) For provisions relating to rectifying operations on the premises of distilled spirits plants, see subchapter C.

"(4) For penalties, seizures, and forfeitures relating to rectifying and rectified products, see subchapter J and subtitle F.

"Subpart B—Brewer

"Sec. 5091. Imposition and rate of tax.

"Sec. 5092. Definition of brewer.

"Sec. 5093. Cross references.

"SEC. 5091. IMPOSITION AND RATE OF TAX.

"Every brewer shall pay \$110 a year in respect of each brewery; except that any brewer of less than 500 barrels a year shall pay the sum of \$55 a year. Any beer procured by a brewer in his own hogsheads, barrels, or kegs under the provisions of section 5413 shall be included in calculating the liability to brewers' special tax of both the brewer who produces the same and the brewer who procures the same.

"SEC. 5092. DEFINITION OF BREWER.

"Every person who brews or produces beer for sale shall be deemed a brewer.

"SEC. 5093. CROSS REFERENCES.

"(1) For exemption of brewer from special tax as wholesale and retail dealer, see section 5113 (a).

"(2) For provisions relating to liability for special tax for carrying on business in more than one location, see section 5143 (c).

"(3) For exemption from special tax in case of sales made on purchaser dealers' premises, see section 5113 (d).

"Subpart C—Manufacturers of Stills

"Sec. 5101. Imposition and rate of tax.

"Sec. 5102. Definition of manufacturer of stills.

"Sec. 5103. Exemptions.

"Sec. 5104. Method of payment of tax on stills.

"Sec. 5105. Notice of manufacture of and permit to set up still.

"Sec. 5106. Export.

"SEC. 5101. IMPOSITION AND RATE OF TAX.

"Every manufacturer of stills shall pay a special tax of \$55 a year, and \$22 for each still or condenser for distilling made by him.

"SEC. 5102. DEFINITION OF MANUFACTURER OF STILLS.

"Any person who manufactures any still or condenser to be used in distilling shall be deemed a manufacturer of stills.

"SEC. 5103. EXEMPTIONS.

"The taxes imposed by section 5101 shall not apply in respect of stills or condensers manufactured by a proprietor of a distilled spirits plant exclusively for use in his plant or plants.

"SEC. 5104. METHOD OF PAYMENT OF TAX ON STILLS.

"The tax imposed on stills or condensers by section 5101 shall be paid by stamp, denoting the tax, under such regulations as the Secretary or his delegate may prescribe.

"SEC. 5105. NOTICE OF MANUFACTURE OF AND PERMIT TO SET UP STILL.

"(a) REQUIREMENT.—Any person who manufactures any still, boiler, or other vessel to be used for the purpose of distilling shall, before the same is removed from the place of manufacture, notify the Secretary or his delegate, setting forth in writing by whom it is to be

used, its capacity, and the time when the same is to be removed from the place of manufacture; and no such still, boiler, or other vessel shall be set up without the permit in writing of the Secretary or his delegate for that purpose. The notice required by this section shall be submitted in such form and manner as the Secretary or his delegate may by regulations prescribe.

“(b) **PENALTY.**—

“(1) For penalty and forfeiture for failure to give notice of manufacture, or for setting up still without permit, see sections 5615 (2) and 5687.

“(2) For penalty and forfeiture for failure to register still or distilling apparatus when set up, see sections 5601 (a) (1), 5601 (b) (1), and 5615 (1).

“SEC. 5106. EXPORT.

“(a) **WITHOUT PAYMENT OF TAX.**—Under regulations prescribed by the Secretary or his delegate, stills or condensers for distilling may be removed from the place of manufacture for export without payment of the tax imposed thereon by section 5101.

“(b) **DRAWBACK.**—Stills and condensers on which the tax has been paid, and which have not been used, may be exported with the privilege of drawback, under such regulations as the Secretary or his delegate may prescribe.

“Subpart D—Wholesale Dealers

“Sec. 5111. Imposition and rate of tax.

“Sec. 5112. Definitions.

“Sec. 5113. Exemptions.

“Sec. 5114. Records.

“Sec. 5115. Sign required on premises.

“Sec. 5116. Packaging distilled spirits for industrial uses.

“Sec. 5117. Prohibited purchases by dealers.

“SEC. 5111. IMPOSITION AND RATE OF TAX.

“(a) **WHOLESALE DEALERS IN LIQUORS.**—Every wholesale dealer in liquors shall pay a special tax of \$255 a year. The Secretary or his delegate may by regulations provide for the issuance of a stamp denoting payment of such special tax as a ‘wholesale dealer in wines’ or a ‘wholesale dealer in wines and beer’ if, as the case may be, wines only, or wines and beer only, are sold by a wholesale dealer in liquors.

“(b) **WHOLESALE DEALERS IN BEER.**—Every wholesale dealer in beer shall pay a special tax of \$123 a year.

“SEC. 5112. DEFINITIONS.

“(a) **DEALER.**—When used in this subpart, subpart E, or subpart G, the term ‘dealer’ means any person who sells, or offers for sale, any distilled spirits, wines, or beer.

“(b) **WHOLESALE DEALER IN LIQUORS.**—When used in this chapter, the term ‘wholesale dealer in liquors’ means any dealer, other than a wholesale dealer in beer, who sells, or offers for sale, distilled spirits, wines, or beer, to another dealer.

“(c) **WHOLESALE DEALER IN BEER.**—When used in this chapter, the term ‘wholesale dealer in beer’ means a dealer who sells, or offers for sale, beer, but not distilled spirits or wines, to another dealer.

“SEC. 5113. EXEMPTIONS.

“(a) **SALES BY PROPRIETORS OF DISTILLED SPIRITS PLANTS, BONDED WINE CELLARS, OR BREWERIES.**—No proprietor of a distilled spirits plant, bonded wine cellar, or brewery, shall be required to pay special tax under section 5111 or section 5121 on account of the sale at his principal business office as designated in writing to the Secretary or his delegate, or at his distilled spirits plant, bonded wine cellar, or brewery, as the case may be, of distilled spirits, wines, or beer, which, at the time of sale, are stored at his distilled spirits plant, bonded

wine cellar, or brewery, as the case may be, or had been removed from such premises to a taxpaid storeroom operated in connection therewith and are stored therein. However, no such proprietor shall have more than one place of sale, as to each distilled spirits plant, bonded wine cellar, or brewery, that shall be exempt from special taxes by reason of the sale of distilled spirits, wines, or beer stored at such premises (or removed therefrom and stored as provided in this section), by reason of this subsection.

“(b) SALES BY LIQUOR STORES OPERATED BY STATES, POLITICAL SUBDIVISIONS, ETC.—No liquor store engaged in the business of selling to persons other than dealers, which is operated by a State or Territory, by a political subdivision of a State or Territory or by the District of Columbia, shall be required to pay any special tax imposed under section 5111, by reason of selling distilled spirits, wines, or beer to dealers qualified to do business as such in such State, Territory, subdivision, or District, if such liquor store has paid the applicable special tax imposed under section 5121, and if such State, Territory, political subdivision, or District has paid special tax under section 5111 at its principal place of business.

“(c) CASUAL SALES.—

“(1) SALES BY CREDITORS, FIDUCIARIES, AND OFFICERS OF COURT.—

No person shall be deemed to be a dealer by reason of the sale of distilled spirits, wines, or beer which have been received by him as security for or in payment of a debt, or as an executor, administrator, or other fiduciary, or which have been levied on by any officer under order or process of any court or magistrate, if such distilled spirits, wines, or beer are sold by such person in one parcel only or at public auction in parcels of not less than 20 wine gallons.

“(2) SALES BY RETIRING PARTNERS OR REPRESENTATIVES OF DECEASED PARTNERS TO INCOMING OR REMAINING PARTNERS.—No person shall be deemed to be a dealer by reason of a sale of distilled spirits, wines, or beer made by such person as a retiring partner or the representative of a deceased partner to the incoming, remaining, or surviving partner or partners of a firm.

“(3) RETURN OF LIQUORS FOR CREDIT, REFUND, OR EXCHANGE.—No person shall be deemed to be a dealer by reason of the bona fide return of distilled spirits, wines, or beer to the dealer from whom purchased (or to the successor of the vendor's business or line of merchandise) for credit, refund, or exchange, and the giving of such credit, refund, or exchange shall not be deemed to be a purchase within the meaning of section 5117.

“(d) DEALERS MAKING SALES ON PURCHASER DEALER'S PREMISES.—

“(1) WHOLESALE DEALERS IN LIQUORS.—No wholesale dealer in liquors who has paid the special tax as such dealer shall again be required to pay special tax as such dealer on account of sales of wines or beer to wholesale or retail dealers in liquors, or to limited retail dealers, or of beer to wholesale or retail dealers in beer, consummated at the purchaser's place of business.

“(2) WHOLESALE DEALERS IN BEER.—No wholesale dealer in beer who has paid the special tax as such a dealer shall again be required to pay special tax as such dealer on account of sales of beer to wholesale or retail dealers in liquors or beer, or to limited retail dealers, consummated at the purchaser's place of business.

“(e) SALES BY RETAIL DEALERS IN LIQUIDATION.—No retail dealer in liquors or retail dealer in beer, selling in liquidation his entire stock of liquors in one parcel or in parcels embracing not less than his entire stock of distilled spirits, of wines, or of beer to any other dealer,

shall be deemed to be a wholesale dealer in liquors or a wholesale dealer in beer, as the case may be, by reason of such sale or sales.

“(f) SALES TO LIMITED RETAIL DEALERS.—

“(1) RETAIL DEALERS IN LIQUORS.—No retail dealer in liquors who has paid special tax as such dealer under section 5121 (a) shall be required to pay special tax under section 5111 on account of the sale at his place of business of wines or beer to limited retail dealers as defined in section 5122 (c).

“(2) RETAIL DEALERS IN BEER.—No retail dealer in beer who has paid special tax as such dealer under section 5121 (b) shall be required to pay special tax under section 5111 on account of the sale at his place of business of beer to limited retail dealers as defined in section 5122 (c).

“SEC. 5114. RECORDS.

“(a) REQUIREMENTS.—

“(1) DISTILLED SPIRITS.—Every wholesale dealer in liquors who sells distilled spirits to other dealers shall keep daily a record of distilled spirits received and disposed of by him, in such form and at such place and containing such information, and shall submit correct summaries of such records to the Secretary or his delegate at such time and in such form and manner, as the Secretary or his delegate shall by regulations prescribe. Such dealer shall also submit correct extracts from or copies of such records, at such time and in such form and manner as the Secretary or his delegate may by regulations prescribe; however, the Secretary or his delegate may on application by such dealer, in accordance with such regulations, relieve him from this requirement until further notice, whenever the Secretary or his delegate deems that the submission of such extracts or copies serves no useful purpose in law enforcement or in protection of the revenue.

“(2) WINES AND BEER.—Every wholesale dealer in liquors and every wholesale dealer in beer shall provide and keep, at such place as the Secretary or his delegate shall by regulations prescribe, a record in book form of all wines and beer received, showing the quantities thereof and from whom and the dates received, or shall keep all invoices of, and bills for, all wines and beer received.

“(b) EXEMPTION OF STATES, POLITICAL SUBDIVISIONS, ETC.—The provisions of subsection (a) shall not apply to a State or Territory, to a political subdivision of a State or Territory, to the District of Columbia, or to liquor stores operated by any of them, if they maintain and make available for inspection by internal revenue officers such records as will enable such officers to trace all distilled spirits, wines, and beer received, and all distilled spirits disposed of by them. Such States, Territories, subdivisions, District, or liquor stores shall, upon the request of the Secretary or his delegate, furnish him such transcripts, summaries and copies of their records with respect to distilled spirits as he shall require.

“(c) CROSS REFERENCES.—

“(1) For provisions requiring proprietors of distilled spirits plants to keep records and submit reports of receipts and dispositions of distilled spirits, see section 5207.

“(2) For penalty for violation of subsection (a), see section 5603.

“(3) For provisions relating to the preservation and inspection of records, and entry of premises for inspection, see section 5146.

“SEC. 5115. SIGN REQUIRED ON PREMISES.

“(a) REQUIREMENTS.—Every wholesale dealer in liquors who is required to pay special tax as such dealer shall, in the manner and form prescribed by regulations issued by the Secretary or his dele-

gate, place and keep conspicuously on the outside of the place of such business a sign, exhibiting, in plain and legible letters, the name or firm of the wholesale dealer, with the words: 'wholesale liquor dealer'. The requirements of this subsection will be met by the posting of a sign of the character prescribed herein, but with words conforming to the designation on the dealer's special tax stamp.

“(b) PENALTY.—

“For penalty for failure to post sign, or for posting sign without paying the special tax, see section 5681.

“SEC. 5116. PACKAGING DISTILLED SPIRITS FOR INDUSTRIAL USES.

“(a) GENERAL.—The Secretary or his delegate may, at his discretion and under such regulations as he may prescribe, authorize a dealer engaging in the business of supplying distilled spirits for industrial uses to package distilled spirits, on which the tax has been paid or determined, for such uses in containers of a capacity in excess of 1 wine gallon and not more than 5 wine gallons.

“(b) CROSS REFERENCES.—

“(1) For provisions relating to stamps for immediate containers, see section 5205 (a) (2).

“(2) For provisions relating to containers of distilled spirits, see section 5206.

“SEC. 5117. PROHIBITED PURCHASES BY DEALERS.

“(a) GENERAL.—It shall be unlawful for any dealer to purchase distilled spirits for resale from any person other than—

“(1) a wholesale dealer in liquors who has paid the special tax as such dealer to cover the place where such purchase is made; or

“(2) a wholesale dealer in liquors who is exempt, at the place where such purchase is made, from payment of such tax under any provision of this chapter; or

“(3) a person who is not required to pay special tax as a wholesale dealer in liquors.

“(b) PENALTY AND FORFEITURE.—

“For penalty and forfeiture provisions applicable to violation of subsection (a), see sections 5687 and 7302.

“Subpart E—Retail Dealers

“Sec. 5121. Imposition and rate of tax.

“Sec. 5122. Definitions.

“Sec. 5123. Exemptions.

“Sec. 5124. Records.

“Sec. 5125. Cross references.

“SEC. 5121. IMPOSITION AND RATE OF TAX.

“(a) RETAIL DEALERS IN LIQUORS.—Every retail dealer in liquors shall pay a special tax of \$54 a year. The Secretary or his delegate may by regulations provide for the issuance of a stamp denoting payment of such special tax as—

“(1) a 'retail dealer in wines' or a 'retail dealer in wines and beer' if wines only, or wines and beer only, as the case may be, are sold by a retail dealer in liquors, or

“(2) a 'medicinal spirits dealer', in the case of a retail drug store or pharmacy making sales of liquors through a duly licensed pharmacist.

“(b) RETAIL DEALERS IN BEER.—Every retail dealer in beer shall pay a special tax of \$24 a year.

“(c) LIMITED RETAIL DEALERS.—Every limited retail dealer shall pay a special tax of \$2.20 for each calendar month in which sales are made as such dealer.

"SEC. 5122. DEFINITIONS.

"(a) **RETAIL DEALER IN LIQUORS.**—When used in this chapter, the term 'retail dealer in liquors' means any dealer, other than a retail dealer in beer or a limited retail dealer, who sells, or offers for sale, any distilled spirits, wines, or beer, to any person other than a dealer.

"(b) **RETAIL DEALER IN BEER.**—When used in this chapter, the term 'retail dealer in beer' means any dealer, other than a limited retail dealer, who sells, or offers for sale, beer, but not distilled spirits or wines, to any person other than a dealer.

"(c) **LIMITED RETAIL DEALER.**—When used in this chapter, the term 'limited retail dealer' means any fraternal, civic, church, labor, charitable, benevolent, or ex-servicemen's organization making sales of beer or wine on the occasion of any kind of entertainment, dance, picnic, bazaar, or festival held by it, or any person making sales of beer or wine to the members, guests, or patrons of bona fide fairs, reunions, picnics, carnivals, or other similar outings, if such organization or person is not otherwise engaged in business as a dealer.

"SEC. 5123. EXEMPTIONS.

"(a) **WHOLESALE DEALERS.**—

"(1) **WHOLESALE DEALERS IN LIQUORS.**—No special tax shall be imposed under section 5121 (a) or (b) on any dealer by reason of the selling, or offering for sale, of distilled spirits, wines, or beer at any location where such dealer is required to pay special tax under section 5111 (a).

"(2) **WHOLESALE DEALERS IN BEER.**—No special tax shall be imposed under section 5121 (b) on any dealer by reason of the selling, or offering for sale, of beer at any location where such dealer is required to pay special tax under section 5111 (b).

"(b) **BUSINESS CONDUCTED IN MORE THAN ONE LOCATION.**—

"(1) **RETAIL DEALERS AT LARGE.**—Any retail dealer in liquors or retailer dealer in beer whose business is such as to require him to travel from place to place in different States of the United States may, under regulations prescribed by the Secretary or his delegate, procure a special tax stamp 'At Large' covering his activities throughout the United States with the payment of but one special tax as a retail dealer in liquors or as a retail dealer in beer, as the case may be.

"(2) **DEALERS ON TRAINS, AIRCRAFT, AND BOATS.**—Nothing contained in this chapter shall prevent the issue, under such regulations as the Secretary or his delegate may prescribe, of special tax stamps to—

"(A) persons carrying on the business of retail dealers in liquors, or retail dealers in beer, on trains, aircraft, boats or other vessels, engaged in the business of carrying passengers; or

"(B) persons carrying on the business of retail dealers in liquors or retail dealers in beer on boats or other vessels operated by them, when such persons operate from a fixed address in a port or harbor and supply exclusively boats or other vessels, or persons thereon, at such port or harbor.

"(c) **CROSS REFERENCES.**—

"(1) For exemption of proprietors of distilled spirits plants, bonded wine cellars, and breweries from special tax as dealers, see section 5113 (a).

"(2) For provisions relating to sales by creditors, fiduciaries, and officers of courts, see section 5113 (c) (1).

"(3) For provisions relating to sales by retiring partners or representatives of deceased partners to incoming or remaining partners, see section 5113 (c) (2).

"(4) For provisions relating to return of liquors for credit, refund, or exchange, see section 5113 (c) (3).

"(5) For provisions relating to sales by retail dealers in liqui-
dation, see section 5113 (e).

"SEC. 5124. RECORDS.

"(a) RECEIPTS.—Every retail dealer in liquors and every retail dealer in beer shall provide and keep in his place of business a record in book form of all distilled spirits, wines, and beer received, showing the quantity thereof and from whom and the dates received, or shall keep all invoices of, and bills for, all distilled spirits, wines, and beer received.

"(b) DISPOSITIONS.—When he deems it necessary for law enforcement purposes or the protection of the revenue, the Secretary or his delegate may by regulations require retail dealers in liquors and retail dealers in beer to keep records of the disposition of distilled spirits, wines, or beer, in such form or manner and of such quantities as the Secretary or his delegate may prescribe.

"(c) CROSS REFERENCES.—

"For provisions relating to the preservation and inspection of records, and entry of premises for inspection, see section 5146.

"SEC. 5125. CROSS REFERENCES.

"(1) For provisions relating to prohibited purchases by dealers, see section 5117.

"(2) For provisions relating to presumptions of liability as wholesale dealer in case of sale of 20 wine gallons or more, see section 5691 (b).

"Subpart F—Nonbeverage Domestic Drawback Claimants

"Sec. 5131. Eligibility and rate of tax.

"Sec. 5132. Registration and regulation.

"Sec. 5133. Investigation of claims.

"Sec. 5134. Drawback.

"SEC. 5131. ELIGIBILITY AND RATE OF TAX.

"(a) ELIGIBILITY FOR DRAWBACK.—Any person using distilled spirits produced in a domestic registered distillery or industrial alcohol plant and withdrawn from bond, or using distilled spirits withdrawn from the bonded premises of a distilled spirits plant, on which the tax has been determined, in the manufacture or production of medicines, medicinal preparations, food products, flavors, or flavoring extracts, which are unfit for beverage purposes, on payment of a special tax per annum, shall be eligible for drawback at the time when such distilled spirits are used in the manufacture of such products as provided for in this subpart.

"(b) RATE OF TAX.—The special tax imposed by subsection (a) shall be graduated in amount as follows: (1) for total annual use not exceeding 25 proof gallons, \$25 a year; (2) for total annual use not exceeding 50 proof gallons, \$50 a year; (3) for total annual use of more than 50 proof gallons, \$100 a year.

"SEC. 5132. REGISTRATION AND REGULATION.

"Every person claiming drawback under this subpart shall register annually with the Secretary or his delegate; keep such books and records as may be necessary to establish the fact that distilled spirits received by him and on which the tax has been determined were used in the manufacture or production of medicines, medicinal preparations, food products, flavors, or flavoring extracts, which were unfit for use for beverage purposes; and be subject to such rules and regulations in relation thereto as the Secretary or his delegate shall prescribe to secure the Treasury against frauds.

"SEC. 5133. INVESTIGATION OF CLAIMS.

"For the purpose of ascertaining the correctness of any claim filed under this subpart, the Secretary or his delegate is authorized to examine any books, papers, records, or memoranda bearing upon the matters required to be alleged in the claim, to require the attendance of the person filing the claim or of any officer or employee of such person or the attendance of any other person having knowledge in the premises, to take testimony with reference to any matter covered by the claim, and to administer oaths to any person giving such testimony.

"SEC. 5134. DRAWBACK.

"(a) **RATE OF DRAWBACK.**—In the case of distilled spirits on which the tax has been paid or determined, and which have been used as provided in this subpart, a drawback shall be allowed on each proof gallon at a rate of \$1 less than the rate at which the distilled spirits tax has been paid or determined.

"(b) **CLAIMS.**—Such drawback shall be due and payable quarterly upon filing of a proper claim with the Secretary or his delegate; except that, where any person entitled to such drawback shall elect in writing to file monthly claims therefor, such drawback shall be due and payable monthly upon filing of a proper claim with the Secretary or his delegate. The Secretary or his delegate may require persons electing to file monthly drawback claims to file with him a bond or other security in such amount and with such conditions as he shall by regulations prescribe. Any such election may be revoked on filing of notice thereof with the Secretary or his delegate. No claim under this subpart shall be allowed unless filed with the Secretary or his delegate within the 3 months next succeeding the quarter in which the distilled spirits covered by the claim were used as provided in this subpart.

"Subpart G—General Provisions

"Sec. 5141. Registration.

"Sec. 5142. Payment of tax.

"Sec. 5143. Provisions relating to liability for occupational taxes.

"Sec. 5144. Supply of stamps.

"Sec. 5145. Application of State laws.

"Sec. 5146. Preservation and inspection of records, and entry of premises for inspection.

"Sec. 5147. Application of subpart.

"Sec. 5148. Cross references.

"SEC. 5141. REGISTRATION.

"For provisions relating to registration in the case of persons engaged in any trade or business on which a special tax is imposed, see section 7011 (a).

"SEC. 5142. PAYMENT OF TAX.

"(a) **CONDITION PRECEDENT TO CARRYING ON BUSINESS.**—No person shall be engaged in or carry on any trade or business subject to tax under this part (except the tax imposed by section 5131) until he has paid the special tax therefor.

"(b) **COMPUTATION.**—All special taxes under this part (except the tax imposed by section 5131) shall be imposed as of on the first day of July in each year, or on commencing any trade or business on which such tax is imposed. In the former case the tax shall be reckoned for 1 year, and in the latter case it shall be reckoned proportionately, from the first day of the month in which the liability to a special tax commenced, to and including the 30th day of June following.

“(c) How PAID.—

“(1) STAMP.—All special taxes imposed by this part shall be paid by stamps denoting the tax.

“(2) ASSESSMENT.—

“For authority of the Secretary or his delegate to make assessments where the special taxes have not been duly paid by stamp at the time and in the manner provided by law, see subtitle F.

“SEC. 5143. PROVISIONS RELATING TO LIABILITY FOR OCCUPATIONAL TAXES.

“(a) PARTNERS.—Any number of persons doing business in partnership at any one place shall be required to pay but one special tax.

“(b) DIFFERENT BUSINESSES OF SAME OWNERSHIP AND LOCATION.—Whenever more than one of the pursuits or occupations described in this part are carried on in the same place by the same person at the same time, except as otherwise provided in this part, the tax shall be paid for each according to the rates severally prescribed.

“(c) BUSINESSES IN MORE THAN ONE LOCATION.—

“(1) LIABILITY FOR TAX.—The payment of a special tax imposed by this part shall not exempt from an additional special tax the person carrying on a trade or business in any other place than that stated in the register kept in the office of the official in charge of the internal revenue district.

“(2) STORAGE.—Nothing contained in paragraph (1) shall require a special tax for the storage of liquors at a location other than the place where liquors are sold or offered for sale.

“(3) DEFINITION OF PLACE.—The term ‘place’ as used in this section means the entire office, plant or area of the business in any one location under the same proprietorship; and passages, streets, highways, rail crossings, waterways, or partitions dividing the premises, shall not be deemed sufficient separation to require additional special tax, if the various divisions are otherwise contiguous.

“(d) DEATH OR CHANGE OF LOCATION.—Certain persons, other than the person who has paid the special tax under this part for the carrying on of any business at any place, may secure the right to carry on, without incurring additional special tax, the same business at the same place for the remainder of the taxable period for which the special tax was paid. The persons who may secure such right are:

“(1) the surviving spouse or child, or executor or administrator or other legal representative, of a deceased taxpayer;

“(2) a husband or wife succeeding to the business of his or her living spouse;

“(3) a receiver or trustee in bankruptcy, or an assignee for benefit of creditors; and

“(4) the partner or partners remaining after death or withdrawal of a member of a partnership.

When any person moves to any place other than the place for which special tax was paid for the carrying on of any business, he may secure the right to carry on, without incurring additional special tax, the same business at his new location for the remainder of the taxable period for which the special tax was paid. To secure the right to carry on the business without incurring additional special tax, the successor, or the person relocating his business, must register the succession or relocation with the Secretary or his delegate in accordance with regulations prescribed by the Secretary or his delegate.

“(e) FEDERAL AGENCIES OR INSTRUMENTALITIES.—Any tax imposed by this part shall apply to any agency or instrumentality of the United States unless such agency or instrumentality is granted by statute a specific exemption from such tax.

"SEC. 5144. SUPPLY OF STAMPS.

"The Secretary or his delegate is required to procure appropriate stamps for the payment of all special taxes imposed by this part, including the tax on stills or condensers; and all provisions of law relating to the preparation and issue of stamps shall, so far as applicable, extend to and include such stamps for special taxes; and the Secretary or his delegate shall have authority to make all needful regulations relative thereto.

"SEC. 5145. APPLICATION OF STATE LAWS.

"The payment of any tax imposed by this part for carrying on any trade or business shall not be held to exempt any person from any penalty or punishment provided by the laws of any State for carrying on such trade or business within such State, or in any manner to authorize the commencement or continuance of such trade or business contrary to the laws of such State or in places prohibited by municipal law; nor shall the payment of any such tax be held to prohibit any State from placing a duty or tax on the same trade or business, for State or other purposes.

"SEC. 5146. PRESERVATION AND INSPECTION OF RECORDS, AND ENTRY OF PREMISES FOR INSPECTION.

"(a) **PRESERVATION AND INSPECTION OF RECORDS.**—Any records or other documents required to be kept under this part or regulations issued pursuant thereto shall be preserved by the person required to keep such records or documents, as the Secretary or his delegate may by regulations prescribe, and shall be kept available for inspection by any internal revenue officer during business hours.

"(b) **ENTRY OF PREMISES FOR INSPECTION.**—The Secretary or his delegate may enter during business hours the premises (including places of storage) of any dealer for the purpose of inspecting or examining any records or other documents required to be kept by such dealer under this chapter or regulations issued pursuant thereto and any distilled spirits, wines, or beer kept or stored by such dealer on such premises.

"SEC. 5147. APPLICATION OF SUBPART.

"The provisions of this subpart shall extend to and apply to the special taxes imposed by the other subparts of this part and to the persons on whom such taxes are imposed.

"SEC. 5148. CROSS REFERENCES.

"(1) For penalties for willful nonpayment of special taxes, see section 5691.

"(2) For penalties applicable to this part generally, see subchapter J.

"(3) For penalties and other general and administrative provisions applicable to this part, see subtitle F.

"Subchapter B—Qualification Requirements for Distilled Spirits Plants

"Sec. 5171. Establishment.

"Sec. 5172. Application.

"Sec. 5173. Qualification bonds.

"Sec. 5174. Withdrawal bonds.

"Sec. 5175. Export bonds.

"Sec. 5176. New or renewed bonds.

"Sec. 5177. Other provisions relating to bonds.

"Sec. 5178. Premises of distilled spirits plants.

"Sec. 5179. Registration of stills.

"Sec. 5180. Signs.

"Sec. 5181. Cross references.

"SEC. 5171. ESTABLISHMENT.

"(a) **GENERAL REQUIREMENTS.**—Every person shall, before commencing or continuing the business of a distiller, bonded warehouseman, rectifier, or bottler of distilled spirits, and at such other times as the Secretary or his delegate may by regulations prescribe, make application to the Secretary or his delegate for and receive notice of the registration of his plant. No plant shall be registered under this section until the applicant has complied with the requirements of law and regulations in relation to the qualification of such business (or businesses).

"(b) **PERMITS.**—

"(1) **REQUIREMENTS.**—Every person required to file application for registration under subsection (a) whose distilling, warehousing, or bottling operations (or any part thereof) are not required to be covered by a basic permit under the Federal Alcohol Administration Act (49 Stat. 978, 27 U. S. C. 203, 204) shall, before commencing any such operations, apply for and obtain a permit under this subsection from the Secretary or his delegate to engage in such operations. Section 5271 (b), (c), (d), (e), (f), (g), and (h), and section 5274 are hereby made applicable to applications, to persons filing applications, and to permits required by or issued under this subsection.

"(2) **EXCEPTIONS FOR AGENCY OF A STATE OR POLITICAL SUBDIVISION.**—Paragraph (1) shall not apply to any agency of a State or political subdivision thereof or to any officer or employee of any such agency, and no such agency or officer or employee shall be required to obtain a permit thereunder.

"(3) **CONTINUANCE OF BUSINESS.**—Every person required by paragraph (1) to obtain a permit (covering operations not required to be covered by a basic permit under the Federal Alcohol Administration Act) who, on June 30, 1959, is qualified to perform such operations under the internal revenue laws, and who complies with the provisions of this chapter (other than this subsection) relating to qualification of such business or businesses, shall be entitled to continue such operations pending reasonable opportunity to make application for permit, and final action thereon.

"(c) **CROSS REFERENCES.**—

"For penalty for failure of a distiller or rectifier to file application for registration as required by this section, see section 5601 (a) (2), and for penalty for the filing of a false application by a distiller, bonded warehouseman, rectifier, or bottler of distilled spirits, see section 5601 (a) (3).

"SEC. 5172. APPLICATION.

"The application for registration required by section 5171 (a) shall, in such manner and form as the Secretary or his delegate may by regulations prescribe, identify the applicant and persons interested in the business (or businesses) covered by the application, show the nature, location and extent of the premises, show the specific type or types of operations to be conducted on such premises, and show any other information which the Secretary or his delegate may by regulations require for the purpose of carrying out the provisions of this chapter.

"SEC. 5173. QUALIFICATION BONDS.

"(a) **GENERAL PROVISIONS.**—Every person intending to commence or to continue the business of a distiller, bonded warehouseman, or rectifier, on filing with the Secretary or his delegate an application for registration of his plant, and before commencing or continuing such business, shall file bond in the form prescribed by the Secretary

or his delegate, conditioned that he shall faithfully comply with all the provisions of law and regulations relating to the duties and business of a distiller, bonded warehouseman, or rectifier, as the case may be (including the payment of taxes imposed by this chapter), and shall pay all penalties incurred or fines imposed on him for violation of any of the said provisions.

"(b) **DISTILLER'S BOND.**—Every person intending to commence or continue the business of a distiller shall give bond in a penal sum not less than the amount of tax on spirits that will be produced in his distillery during a period of 15 days, except that such bond shall be in a sum of not less than \$5,000 nor more than \$100,000.

"(1) **CONDITIONS OF APPROVAL.**—In addition to the requirements of subsection (a), the distiller's bond shall be conditioned that he shall not suffer the property, or any part thereof, subject to lien under section 5004 (b) (1) to be encumbered by mortgage, judgment, or other lien during the time in which he shall carry on such business (except that this condition shall not apply during the term of any bond given under subparagraph (C)), and no bond of a distiller shall be approved unless the Secretary or his delegate is satisfied that the situation of the land and buildings which will constitute his bonded premises (as described in his application for registration) is not such as would enable the distiller to defraud the United States, and unless—

"(A) the distiller is the owner in fee, unencumbered by any mortgage, judgment, or other lien, of the lot or tract of land subject to lien under section 5004 (b) (1); or

"(B) the distiller files with the officer designated for the purpose by the Secretary or his delegate, in connection with his application for registration, the written consent of the owner of the fee, and of any mortgagee, judgment creditor, or other person having a lien thereon, duly acknowledged, that such premises may be used for the purpose of distilling spirits, subject to the provisions of law, and expressly stipulating that the lien of the United States, for taxes on distilled spirits produced thereon and penalties relating thereto, shall have priority of such mortgage, judgment, or other encumbrance, and that in the case of the forfeiture of such premises, or any part thereof, the title to the same shall vest in the United States, discharged from such mortgage, judgment, or other encumbrance; or

"(C) the distiller files a bond, approved by the Secretary or his delegate, in the penal sum equal to the appraised value of the property subject to lien under section 5004 (b) (1), except that such bond shall not exceed the sum of \$300,000. Such value shall be determined, and such bond shall be executed in such form and with such sureties and filed with the officer designated by the Secretary or his delegate, under such regulations as the Secretary or his delegate shall prescribe.

"(2) **CANCELLATION OF INDEMNITY BOND.**—When the liability for which an indemnity bond given under paragraph (1) (C) ceases to exist, such bond may be cancelled upon application to the Secretary or his delegate.

"(3) **JUDICIAL SALE.**—In the case of any distillery sold at judicial or other sale in favor of the United States, a bond in lieu of consent under paragraph (1) (B) may be taken at the discretion of the Secretary or his delegate, and the person giving such bond may be allowed to operate such distillery during the existence of the right of redemption from such sale, on complying with all the other provisions of law.

“(c) BONDED WAREHOUSEMAN’S BONDS.—

“(1) GENERAL REQUIREMENTS.—Every person intending to commence or continue the business of a bonded warehouseman shall give bond in a penal sum not less than the amount of tax on distilled spirits stored on such premises and in transit thereto, except that such bond shall not exceed the sum of \$200,000. In addition to the requirements in subsection (a), such bond shall be conditioned—

“(A) on the withdrawal of the spirits from storage on bonded premises within the time prescribed for the determination of tax under section 5006 (a) (2), and

“(B) on payment of the tax, except as otherwise provided by law, on all spirits withdrawn from storage on the bonded premises.

“(2) EXCEPTION.—The Secretary or his delegate may by regulations specify bonded warehousing operations, other than the storage of more than 500 casks or packages of distilled spirits in wooden containers, for which a bond in a maximum sum of less than \$200,000 will be approved, and in such cases the Secretary or his delegate shall by regulations prescribe the maximum penal sum of such bonds.

“(d) RECTIFIER’S BOND.—Every person intending to commence or continue the business of a rectifier shall give bond in a penal sum not less than the amount of tax the rectifier will be liable to pay in a period of 30 days under sections 5021 and 5022, except that such bond shall not exceed the sum of \$100,000, and shall not be less than \$1,000.

“(e) COMBINED OPERATIONS.—

“(1) DISTILLED SPIRITS PLANTS.—Except as provided in paragraph (2), any person intending to commence or continue business as proprietor of a distilled spirits plant who would otherwise be required to give more than one bond under the provisions of subsections (b) (other than indemnity bonds), (c), and (d), shall, in lieu thereof, give bond in a penal sum equal to the combined penal sums which would have been required under such subsections; but in no case shall the combined operations bond be in a penal sum in excess of \$200,000 if all operations are to be conducted on bonded premises, or in excess of \$250,000 for the distilled spirits plant. Bonds given under this paragraph shall contain the terms and conditions of the bonds in lieu of which they are given.

“(2) DISTILLED SPIRITS PLANTS AND ADJACENT BONDED WINE CELLARS.—Any person intending to commence or continue business as proprietor of a bonded wine cellar and an adjacent distilled spirits plant qualified for the production of distilled spirits shall, in lieu of the bonds which would otherwise be required under the provisions of subsection (b) (other than indemnity bonds), (c), and (d), and section 5354 (other than supplemental bonds to cover additional liability arising as a result of deferral of payment of tax), give bond in a penal sum equal to the combined penal sums which would have been required under such provisions; but in no case shall the combined operations bond be in a penal sum in excess of \$150,000 if the distilled spirits plant is qualified solely for the production of distilled spirits, in excess of \$250,000 if the distilled spirits plant is qualified only for production and bonded warehousing or for production and rectification and bottling, or in excess of \$300,000 for the distilled spirits plant and bonded wine cellar. Bonds given under this paragraph shall contain the terms and conditions of the bonds in lieu of which they are given.

“(f) **BLANKET BONDS.**—The Secretary or his delegate may by regulations authorize any person (including, in the case of a corporation, controlled or wholly owned subsidiaries) operating more than one distilled spirits plant in a geographical area designated in regulations prescribed by the Secretary or his delegate to give a blanket bond covering the operation of any two or more of such plants and any bonded wine cellars which are adjacent to such plants and which otherwise could be covered under a combined operations bond as provided for in subsection (e) (2). The penal sum of such blanket bond shall be calculated in accordance with the following table:

Total Penal Sums as Determined under Subsections (b), (c), (d), and (e)	Requirement for Penal Sum of Blanket Bond
First \$300,000 or any part thereof.....	100%
Next \$300,000 or any part thereof.....	70%
Next \$400,000 or any part thereof.....	50%
Next \$1,000,000 or any part thereof.....	35%
All over \$2,000,000.....	25%

Bonds given under this subsection shall be in lieu of the bonds required under subsections (b) (other than indemnity bonds), (c), (d), and (e), as the case may be, and shall contain the terms and conditions of such bonds.

“(g) **LIABILITY UNDER COMBINED OPERATIONS AND BLANKET BONDS.**—The total amount of any bond given under subsection (e) or (f) shall be available for the satisfaction of any liability incurred under the terms or conditions of such bond.

“SEC. 5174. WITHDRAWAL BONDS.

“(a) **REQUIREMENTS.**—No distilled spirits, other than distilled spirits withdrawn under section 5214 or section 7510, shall be withdrawn from bonded premises except on payment of tax unless—

“(1) the proprietor of the bonded premises has furnished such bond (in addition to that required in section 5173) to secure payment of the tax on such spirits, under such regulations and conditions, and in such form and penal sum, as the Secretary or his delegate may prescribe; or

“(2) the proprietor of a distilled spirits plant authorized to rectify or bottle distilled spirits has—

“(A) made application to the Secretary or his delegate to withdraw such spirits and has assumed liability at the receiving plant for payment of the tax thereon;

“(B) furnished bond (in addition to any bond required by section 5173) to secure payment of the tax on such spirits, under such regulations and conditions, and in such form and penal sum, as the Secretary or his delegate may prescribe; and

“(C) complied with such other requirements as the Secretary or his delegate may by regulations prescribe.

“(b) **RELEASE OF OTHER BONDS.**—When a bond has been filed under subsection (a) and distilled spirits have been withdrawn from bonded premises thereunder, bonds of proprietors covering operations on bonded premises, and bonds given under prior provisions of internal revenue law to cover similar operations, shall no longer cover liability for payment of the tax on such spirits.

“SEC. 5175. EXPORT BONDS.

“(a) **REQUIREMENTS.**—No distilled spirits shall be withdrawn from bonded premises for exportation without payment of tax unless the exporter has furnished bond to cover such withdrawal, under such regulations and conditions, and in such form and penal sum, as the Secretary or his delegate may prescribe.

“(b) **EXCEPTION.**—In case of distilled spirits withdrawn for exportation without payment of tax on application of the proprietor of bonded premises, the bond of such proprietor covering such bonded premises shall cover such exportation and subsection (a) shall not be applicable.

“(c) **CANCELLATION OR CREDIT OF EXPORT BONDS.**—The bonds given under subsection (a) shall be cancelled or credited and the bonds liable under subsection (b) credited on the submission of such evidence, records, and certification indicating exportation as the Secretary or his delegate may by regulations prescribe.

“SEC. 5176. NEW OR RENEWED BONDS.

“(a) **GENERAL.**—New bonds shall be required under sections 5173, 5174, and 5175 in case of insolvency or removal of any surety, and may, at the discretion of the Secretary or his delegate, be required in any other contingency affecting the validity or impairing the efficiency of such bond.

“(b) **BONDED WAREHOUSEMAN'S BONDS.**—In case the proprietor of a distilled spirits plant fails or refuses—

“(1) to give a warehouseman's bond required under section 5173 (c), or to renew the same, and neglects to immediately withdraw the spirits and pay the tax thereon; or

“(2) to withdraw any spirits from storage on bonded premises before the expiration of the time limited in the bond and, except as otherwise provided by law, pay the tax thereon;
the Secretary or his delegate shall proceed to collect the tax.

“SEC. 5177. OTHER PROVISIONS RELATING TO BONDS.

“(a) **GENERAL PROVISIONS RELATING TO BONDS.**—The provisions of section 5551 shall be applicable to the bonds required by or given under sections 5173, 5174, and 5175.

“(b) **CROSS REFERENCES.**—

“(1) For deposit of United States bonds or notes in lieu of sureties, see 6 U. S. C. 15.

“(2) For penalty and forfeiture for failure or refusal to give bond, or for giving false, forged, or fraudulent bond, or for carrying on the business of a distiller without giving bond, see sections 5601 (a) (4), 5601 (a) (5), 5601 (b) (2), and 5615 (3).

“SEC. 5178. PREMISES OF DISTILLED SPIRITS PLANTS.

“(a) **LOCATION, CONSTRUCTION, AND ARRANGEMENT.**—

“(1) **GENERAL.**—

“(A) The premises of a distilled spirits plant shall be as described in the application required by section 5171 (a). The Secretary or his delegate shall prescribe such regulations relating to the location, construction, arrangement, and protection of distilled spirits plants as he deems necessary to facilitate inspection and afford adequate security to the revenue.

“(B) No distilled spirits plant for the production of distilled spirits shall be located in any dwelling house, in any shed, yard, or inclosure connected with any dwelling house, or on board any vessel or boat, or on premises where beer or wine is made or produced, or liquors of any description are retailed, or on premises where any other business is carried on (except when authorized under subsection (b)).

“(C) Notwithstanding any other provision of this chapter relating to distilled spirits plants the Secretary or his delegate may approve the location, construction, arrangement, and method of operation of any establishment which was qualified to operate on the date preceding the effective date of this section if he deems that such location, construc-

tion, arrangement, and method of operation will afford adequate security to the revenue.

“(2) PRODUCTION FACILITIES.—

“(A) Any person establishing a distilled spirits plant may, as described in his application for registration, provide facilities which may be used for the production of distilled spirits from any source or substance.

“(B) The distilling system shall be continuous and closed at all points where potable or readily recoverable spirits are present and the distilling apparatus shall be so designed and constructed and so connected as to prevent the unauthorized removal of such spirits prior to their production gauge.

“(C) The Secretary or his delegate is authorized to order and require such identification of, changes of, or additions to, distilling apparatus, connecting pipes, pumps, tanks, or any machinery connected with or used in or on the bonded premises, or require to be put on any of the stills, tubs, pipes, tanks, or other equipment, such fastenings, locks or seals as he may deem necessary to facilitate inspection and afford adequate security to the revenue.

“(3) BONDED WAREHOUSING FACILITIES.—

“(A) Any person establishing a distilled spirits plant for the production of distilled spirits may, as described in his application for registration, establish warehousing facilities on the bonded premises of such plant.

“(B) Distilled spirits plants for the bonded warehousing of distilled spirits elsewhere than as described in subparagraph (A) may be established at the discretion of the Secretary or his delegate, by proprietors referred to in subparagraph (A) or by other persons, under such regulations as the Secretary or his delegate shall prescribe.

“(C) Facilities for the storage on bonded premises of distilled spirits in casks, packages, cases, or similar portable approved containers shall be established in a room or building used exclusively for the storage, bottling, or packaging of distilled spirits, and activities related thereto.

“(4) BOTTLING FACILITIES.—

“(A) The proprietor of a distilled spirits plant authorized to store distilled spirits in casks, packages, cases, or similar portable approved containers on bonded premises may establish a separate portion of such premises for the bottling in bond of distilled spirits under section 5233 prior to payment or determination of the internal revenue tax.

“(B) Facilities for rectification of distilled spirits or wines upon which the tax has been paid or determined, may be established as a separate distilled spirits plant or as a part of a distilled spirits plant qualified for the production or bonded warehousing of distilled spirits. Such facilities, when qualified, may be used for the rectification of distilled spirits or wines, or the bottling or packaging of rectified or unrectified distilled spirits or wines on which the tax has been paid or determined.

“(C) Facilities for bottling or packaging any distilled spirits upon which the tax has been paid or determined (other than bottling facilities established under subparagraph (B)), may be established and maintained only by a State or political subdivision thereof, or by the proprietor of a distilled spirits plant qualified for the production or bonded warehousing of distilled spirits, as a part of such plant or as a separate dis-

tilled spirits plant. Such facilities, when qualified, may be used for the bottling or packaging of rectified or unrectified distilled spirits or wines but may not be used for the rectification of distilled spirits or wines.

“(D) Bottling premises established under subparagraphs (B) or (C) may not be located on bonded premises, and if the distilled spirits plant contains both bonded premises and bottling premises they shall be separated by such means or in such manner as the Secretary or his delegate may by regulations prescribe.

“(5) DENATURING FACILITIES.—The Secretary or his delegate may by regulations require such arrangement and segregation of denaturing facilities as he deems necessary.

“(b) USE OF PREMISES FOR OTHER BUSINESSES.—The Secretary or his delegate may authorize the carrying on of such other businesses (not specifically prohibited by section 5601 (a) (6)) on premises of distilled spirits plants, as he finds will not jeopardize the revenue. Such other businesses shall not be carried on until an application to carry on such business has been made to and approved by the Secretary or his delegate.

“(c) CROSS REFERENCES.—

“(1) For provisions authorizing the Secretary or his delegate to require installation of meters, tanks, and other apparatus, see section 5552.

“(2) For penalty for distilling on prohibited premises, see section 5601 (a) (6).

“(3) For provisions relating to the bottling of distilled spirits labeled as alcohol, see section 5235.

“(4) For provisions relating to the unauthorized use of distilled spirits in any manufacturing process, see section 5601 (a) (9).

“SEC. 5179. REGISTRATION OF STILLs.

“(a) REQUIREMENTS.—Every person having in his possession or custody, or under his control, any still or distilling apparatus set up, shall register such still or apparatus with the Secretary or his delegate immediately on its being set up, by subscribing and filing with the Secretary or his delegate a statement, in writing, setting forth the particular place where such still or distilling apparatus is set up, the kind of still and its capacity, the owner thereof, his place of residence, and the purpose for which said still or distilling apparatus has been or is intended to be used (except that stills or distilling apparatus not used or intended to be used for the distillation, redistillation, or recovery of distilled spirits are not required to be registered under this section).

“(b) CROSS REFERENCES.—

“(1) For penalty and forfeiture provisions relating to unregistered stills, see sections 5601 (a) (1), 5601 (b) (1), and 5615 (1).

“(2) For provisions requiring permit to set up still, boiler or other vessel for distilling, see section 5105.

“SEC. 5180. SIGNS.

“(a) REQUIREMENTS.—Every person engaged in distilling, bonded warehousing, rectifying, or bottling of distilled spirits shall place and keep conspicuously on the outside of his place of business a sign showing the name of such person and denoting the business, or businesses, in which engaged. The sign required by this subsection shall be in such form and contain such information as the Secretary or his delegate shall by regulations prescribe.

“(b) PENALTY.—

“For penalty and forfeiture relating to failure to post sign or improperly posting such sign, see section 5681.

"SEC. 5181. CROSS REFERENCES.

"For provisions requiring payment of special (occupational) tax as rectifier, see section 5081, or as wholesale liquor dealer, see section 5111, or as retail liquor dealer, see section 5121.

"Subchapter C—Operation of Distilled Spirits Plants

"Part I. General provisions.

"Part II. Operations on bonded premises.

"Part III. Operations on bottling premises.

"PART I—GENERAL PROVISIONS

"Sec. 5201. Regulation of operations.

"Sec. 5202. Supervision of operations.

"Sec. 5203. Entry and examination of premises.

"Sec. 5204. Gauging.

"Sec. 5205. Stamps.

"Sec. 5206. Containers.

"Sec. 5207. Records and reports.

"SEC. 5201. REGULATION OF OPERATIONS.

"(a) **GENERAL.**—Proprietors of distilled spirits plants shall conduct their operations relating to the production, storage, denaturing, rectification, and bottling of distilled spirits, and all other operations authorized to be conducted on the premises of such plants, under such regulations as the Secretary or his delegate shall prescribe.

"(b) **DISTILLED SPIRITS FOR INDUSTRIAL USES.**—The regulations of the Secretary or his delegate under this chapter respecting the production, warehousing, denaturing, distribution, sale, export, and use of distilled spirits for industrial purposes shall be such as he deems necessary, advisable, or proper to secure the revenue, to prevent diversion to illegal uses, and to place the distilled spirits industry and other industries using such distilled spirits as a chemical raw material or for other lawful industrial purposes on the highest possible plane of scientific and commercial efficiency and development consistent with the provisions of this chapter. Where nonpotable chemical mixtures containing distilled spirits are produced for transfer to the bonded premises of a distilled spirits plant for completion of processing, the Secretary or his delegate may waive any provision of this chapter with respect to the production of such mixtures, and the processing of such mixtures on the bonded premises shall be deemed to be production of distilled spirits for purposes of this chapter.

"(c) **HOURS OF OPERATIONS.**—The Secretary or his delegate may prescribe regulations relating to hours for distillery operations and to hours for removal of distilled spirits from distilled spirits plants; however, such regulations shall not be more restrictive, as to any operation or function, than the provisions of internal revenue law and regulations relating to such operation or function in effect on the day preceding the effective date of this section.

"(d) **IDENTIFICATION OF DISTILLED SPIRITS.**—The Secretary or his delegate may provide by regulations for the addition of tracer elements to distilled spirits to facilitate the enforcement of this chapter. Tracer elements to be added to distilled spirits at any distilled spirits plant under provisions of this subsection shall be of such character and in such quantity as the Secretary or his delegate may authorize or require, and such as will not impair the quality of the distilled spirits for their intended use.

"SEC. 5202. SUPERVISION OF OPERATIONS.

"(a) **GENERAL.**—The operations on the premises of distilled spirits plants shall be conducted under such supervision as the Secretary or his delegate shall by regulation prescribe. The Secretary or his delegate shall assign such number of internal revenue officers to distilled spirits plants as he deems necessary to maintain supervision of the operations conducted on such premises.

"(b) **REMOVAL OF DISTILLED SPIRITS FROM DISTILLING SYSTEM.**—The removal of distilled spirits from the closed distilling system shall be controlled by Government locks or seals, or by meters or other devices or methods as the Secretary or his delegate may prescribe.

"(c) **STORAGE TANKS.**—Approved containers for the storage of distilled spirits on bonded premises (other than containers required by subsection (d) to be in a locked room or building or those containing distilled spirits denatured as authorized by law) shall be kept securely closed, and the flow of distilled spirits into and out of such containers shall be controlled by Government locks or seals, or by meters or other devices or methods as the Secretary or his delegate may prescribe.

"(d) **STORAGE ROOMS OR BUILDINGS.**—Distilled spirits (other than denatured distilled spirits) on bonded premises in casks, packages, cases, or similar portable approved containers must be stored in a room or building provided as required by section 5178 (a) (3) (C), which room or building shall be in the joint custody of the internal revenue officer assigned to such premises and the proprietor thereof, and shall be kept securely locked with Government locks and at no time be unlocked or opened, or remain open, except when such officer or person who may be designated to act for him is on the premises. Deposits of distilled spirits in, or removals of distilled spirits from, such room or building shall be under such supervision by internal revenue officers as the Secretary or his delegate shall by regulations prescribe.

"(e) **DENATURATION OF DISTILLED SPIRITS.**—The denaturation of distilled spirits on bonded premises shall be conducted under such supervision and controlled by such meters or other devices or methods as the Secretary or his delegate shall prescribe.

"(f) **GAGING.**—The gauge of production of distilled spirits, gauge for determination of the tax imposed under section 5001 (a) (1), and gauge for tax-free removal of other than denatured distilled spirits from bonded premises, shall be made or supervised by internal revenue officers, under such regulations as the Secretary or his delegate shall prescribe.

"(g) **BOTTLING IN BOND.**—The bottling of distilled spirits in bond shall be supervised by the internal revenue officer assigned to the premises in such manner as the Secretary or his delegate shall by regulations prescribe.

"SEC. 5203. ENTRY AND EXAMINATION OF PREMISES.

"(a) **KEEPING PREMISES ACCESSIBLE.**—Every proprietor of a distilled spirits plant shall furnish the Secretary or his delegate such keys as may be required for internal revenue officers to gain access to the premises and any structures thereon, and such premises shall always be kept accessible to any officer having such keys.

"(b) **RIGHT OF ENTRY AND EXAMINATION.**—It shall be lawful for any internal revenue officer at all times, as well by night as by day, to enter any distilled spirits plant, or any other premises where distilled spirits are produced or rectified, or structure or place used in connection therewith for storage or other purposes; to make examination of the materials, equipment, and facilities thereon; and make such gauges and inventories as he deems necessary. Whenever any officer, having demanded admittance, and having declared his name

and office, is not admitted into such premises by the proprietor or other person having charge thereof, it shall be lawful for such officer, at all times, as well by night as by day, to use such force as is necessary for him to gain entry to such premises.

“(c) FURNISHING FACILITIES AND ASSISTANCE.—On the demand of any internal revenue officer or agent, every proprietor of a distilled spirits plant shall furnish the necessary facilities and assistance to enable the officer or agent to gauge the spirits in any container or to examine any apparatus, equipment, containers, or materials on such premises. Such proprietor shall also, on demand of such officer or agent, open all doors, and open for examination all boxes, packages, and all casks, barrels, and other vessels not under the control of the internal revenue officer in charge.

“(d) AUTHORITY TO BREAK UP GROUNDS OR WALLS.—It shall be lawful for any internal revenue officer, and any person acting in his aid, to break up the ground on any part of a distilled spirits plant or any other premises where distilled spirits are produced or rectified, or any ground adjoining or near to such plant or premises, or any wall or partition thereof, or belonging thereto, or other place, to search for any pipe, cock, private conveyance, or utensil; and, upon finding any such pipe or conveyance leading therefrom or thereto, to break up any ground, house, wall, or other place through or into which such pipe or other conveyance leads, and to break or cut away such pipe or other conveyance, and turn any cock, or to examine whether such pipe or other conveyance conveys or conceals any distilled spirits, mash, wort, or beer, or other liquor, from the sight or view of the officer, so as to prevent or hinder him from taking a true account thereof.

“(e) PENALTY.—

“For penalty for violation of this section, see section 5687.

“SEC. 5204. GAUGING.

“(a) GENERAL.—The Secretary or his delegate may by regulations require the gauging of distilled spirits for such purposes, in addition to those specified in section 5202 (f), as he may deem necessary, and all required gauges shall be made at such times and under such conditions as he may by regulations prescribe.

“(b) GAUGING INSTRUMENTS.—For the determination of tax and the prevention and detection of frauds, the Secretary or his delegate may prescribe for use such hydrometers, saccharometers, weighing and gauging instruments, or other means or methods for ascertaining the quantity, gravity, and producing capacity of any mash, wort, or beer used, or to be used, in the production of distilled spirits, and the strength and quantity of spirits subject to tax, as he may deem necessary; and he may prescribe regulations to secure a uniform and correct system of inspection, weighing, marking, and gauging of spirits.

“(c) GAUGING, STAMPING, MARKING AND BRANDING BY PROPRIETORS.—The Secretary or his delegate may by regulations require the proprietor of a distilled spirits plant, at the proprietor's expense and under such supervision as the Secretary or his delegate may require, to do such gauging, stamping, marking, and branding and such mechanical labor pertaining thereto as the Secretary or his delegate deems proper and determines may be done without danger to the revenue.

“SEC. 5205. STAMPS.

“(a) STAMPS FOR CONTAINERS OF DISTILLED SPIRITS.—

“(1) CONTAINERS OF DISTILLED SPIRITS BOTTLED IN BOND.—Every container of distilled spirits bottled in bond under section 5233 when filled shall be stamped by a stamp evidencing the bottling

of such spirits in bond under the provisions of this paragraph and section 5233.

“(2) CONTAINERS OF OTHER DISTILLED SPIRITS.—No person shall transport, possess, buy, sell, or transfer any distilled spirits, unless the immediate container thereof is stamped by a stamp evidencing the determination of the tax or indicating compliance with the provisions of this chapter. The provisions of this paragraph shall not apply to—

“(A) distilled spirits, lawfully withdrawn from bond, placed in containers for immediate consumption on the premises or for preparation for such consumption;

“(B) distilled spirits in bond or in customs custody;

“(C) distilled spirits, lawfully withdrawn from bond, in immediate containers stamped under other provisions of internal revenue or customs law or regulations issued pursuant thereto;

“(D) distilled spirits, lawfully withdrawn from bond, in actual process of rectification, blending, or bottling, or in actual use in processes of manufacture;

“(E) distilled spirits on which no internal revenue tax is required to be paid;

“(F) distilled spirits lawfully withdrawn from bond and not intended for sale or for use in the manufacture or production of any article intended for sale; or

“(G) any regularly established common carrier receiving, transporting, delivering, or holding for transportation or delivery distilled spirits in the ordinary course of its business as a common carrier.

“(3) STAMP REGULATIONS.—The Secretary or his delegate shall prescribe regulations with respect to the supplying or procuring of stamps required under this subsection or section 5235, the time and manner of applying for, issuing, affixing, and destroying such stamps, the form of such stamps and the information to be shown thereon, applications for the stamps, proof that applicants are entitled to such stamps, and the method of accounting for such stamps, and such other regulations as he may deem necessary for the enforcement of this subsection. In the case of a container of a capacity of 5 wine gallons or less, the stamp shall be affixed in such a manner as to be broken when the container is opened, unless the container is one that cannot again be used after opening.

“(b) STAMPS FOR CONTAINERS OF DISTILLED SPIRITS WITHDRAWN FROM BONDED PREMISES ON DETERMINATION OF TAX.—Containers of all distilled spirits withdrawn from bonded premises on determination of tax under section 5006 (a) shall be stamped by a stamp under such regulations as the Secretary or his delegate shall prescribe. This subsection shall not be construed to require stamps on cases of bottled distilled spirits filled and stamped on bonded premises.

“(c) STAMPS FOR CONTAINERS OF DISTILLED SPIRITS WITHDRAWN FOR EXPORTATION.—

“(1) EXPORTATION WITHOUT PAYMENT OF TAX.—Every container of distilled spirits withdrawn for exportation under section 5214 (a) (4) shall be stamped by a stamp under such regulations as the Secretary or his delegate shall prescribe. This paragraph shall not be construed to require stamps on cases of bottled distilled spirits filled and stamped on bonded premises.

“(2) EXPORTATION WITH BENEFIT OF DRAWDRAW.—The Secretary or his delegate may require any container of distilled spirits bottled or packaged especially for export with benefit of draw-

back to be stamped by a stamp under such regulations as he may prescribe.

"(d) STAMPS FOR CONTAINERS OF 5 WINE GALLONS OR MORE OF DISTILLED SPIRITS FILLED ON BOTTLING PREMISES.—All containers of distilled spirits containing 5 wine gallons or more, which are filled on bottling premises of a distilled spirits plant for removal therefrom, shall be stamped by a stamp under such regulations as the Secretary or his delegate shall prescribe.

"(e) ISSUE FOR RESTAMPING.—The Secretary or his delegate, under regulations prescribed by him, may authorize restamping of containers of distilled spirits which have been duly stamped but from which the stamps have been lost or destroyed by unavoidable accident.

"(f) ACCOUNTABILITY.—All stamps relating to distilled spirits shall be used and accounted for under such regulations as the Secretary or his delegate may prescribe.

"(g) EFFACEMENT OF STAMPS, MARKS, AND BRANDS ON EMPTIED CONTAINERS.—Every person who empties, or causes to be emptied, any immediate container of distilled spirits bearing any stamp, mark, or brand required by law or regulations prescribed pursuant thereto (other than containers stamped under subsection (a) or section 5235) shall at the time of emptying such container efface and obliterate such stamp, mark, or brand, except that the Secretary or his delegate may, by regulations, waive any requirement of this subsection as to the effacement or obliteration of marks or brands (or portions thereof) where he determines that no jeopardy to the revenue will be involved.

"(h) FORM OF STAMP.—Any stamp required by or prescribed pursuant to the provisions of this section or section 5235 may consist of such coupon, serially-numbered ticket, imprint, design, or other form of stamp as the Secretary or his delegate shall by regulations prescribe.

"(i) CROSS REFERENCES.—

"(1) For general provisions relating to stamps, see chapter 69.

"(2) For provisions relating to the stamping, marking, and branding of containers of distilled spirits by proprietors, see section 5204 (c).

"(3) For provisions relating to the stamping of bottled alcohol, see section 5235.

"(4) For authority of the Secretary or his delegate to prescribe regulations regarding stamps for distilled spirits withdrawn to manufacturing bonded warehouses, see section 5522 (a).

"(5) For penalties and forfeitures relating to stamps, marks, and brands, see sections 5604, 5613, 7208, and 7209.

"SEC. 5206. CONTAINERS.

"(a) AUTHORITY TO PRESCRIBE.—The Secretary or his delegate shall by regulations prescribe the types or kinds of containers which may be used to contain, store, transfer, convey, remove, or withdraw distilled spirits.

"(b) STANDARDS OF FILL.—The Secretary or his delegate may by regulations prescribe the standards of fill for approved containers.

"(c) MARKING, BRANDING, OR IDENTIFICATION.—Containers of distilled spirits (and cases containing bottles or other containers of such spirits) shall be marked, branded, or identified in such manner as the Secretary or his delegate shall by regulations prescribe.

"(d) APPLICABILITY.—This section shall be applicable exclusively with respect to containers of distilled spirits for industrial use, with respect to containers of distilled spirits of a capacity of more than one gallon for other than industrial use, and with respect to cases containing bottles or other containers of distilled spirits.

“(e) CROSS REFERENCES.—

“(1) For other provisions relating to regulation of containers of distilled spirits, see section 5301.

“(2) For provisions relating to labeling containers of distilled spirits of one gallon or less for nonindustrial uses, see section 5 (e) of the Federal Alcohol Administration Act (27 U. S. C. 205 (e)).

“SEC. 5207. RECORDS AND REPORTS.

“(a) RECORDS OF DISTILLERS AND BONDED WAREHOUSEMEN.—Every distiller and every bonded warehouseman shall keep records in such form and manner as the Secretary or his delegate shall by regulations prescribe of—

“(1) the receipt of materials intended for use in the production of distilled spirits, and the use thereof,

“(2) the receipt and use of distilled spirits received for redistillation,

“(3) the kind and quantity of distilled spirits produced,

“(4) the kind and quantity of distilled spirits entered into storage,

“(5) the bottling of distilled spirits in bond,

“(6) the kind and quantity of distilled spirits removed from bonded premises, and from any taxpaid storeroom operated in connection therewith, and the purpose for which removed,

“(7) the kind and quantity of denaturants received and used or otherwise disposed of,

“(8) the kind and quantity of distilled spirits denatured,

“(9) the kind and quantity of denatured distilled spirits removed, and

“(10) such additional information as may by regulations be required.

“(b) RECORDS OF RECTIFIERS AND BOTTLERS.—Every rectifier and every bottler of distilled spirits shall keep records in such form and manner as the Secretary or his delegate shall by regulations prescribe of—

“(1) all distilled spirits and wines received,

“(2) the kind and quantity of distilled spirits and wines rectified and packaged or bottled, or packaged or bottled without rectification,

“(3) the kind and quantity of distilled spirits and wines removed from his premises,

“(4) the receipt, use, and balance on hand of all stamps required by law or regulations to be used by him, and

“(5) such additional information as may by regulations be required.

“(c) REPORTS.—Every person required to keep records under subsection (a) or (b) shall render such reports covering his operations, at such times and in such form and manner and containing such information, as the Secretary or his delegate shall by regulation prescribe.

“(d) PRESERVATION AND INSPECTION.—The records required by subsection (a) and (b), and a copy of each report required by subsection (c) shall be kept on the premises where the operations covered by the record are carried on and shall be available for inspection by any internal revenue officer during business hours, and shall be preserved by the person required to keep such records and reports for such period as the Secretary or his delegate shall by regulations prescribe.

“(e) PENALTY.—

“For penalty and forfeiture for refusal or neglect to keep records required under this section, or for false entries therein, see sections 5603 and 5615 (5).

"PART II—OPERATIONS ON BONDED PREMISES

- "Subpart A. General.
- "Subpart B. Production.
- "Subpart C. Storage.
- "Subpart D. Denaturation.

"Subpart A—General

- "Sec. 5211. Production and entry of distilled spirits.
- "Sec. 5212. Transfer of distilled spirits between bonded premises.
- "Sec. 5213. Withdrawal of distilled spirits from bonded premises on determination of tax.
- "Sec. 5214. Withdrawal of distilled spirits from bonded premises free of tax or without payment of tax.
- "Sec. 5215. Return of tax determined distilled spirits to bonded premises.
- "Sec. 5216. Regulation of operations.

"SEC. 5211. PRODUCTION AND ENTRY OF DISTILLED SPIRITS.

"Distilled spirits in the process of production in a distilled spirits plant may be held prior to the production gauge only for so long as is reasonably necessary to complete the process of production. Under such regulations as the Secretary or his delegate shall prescribe, all distilled spirits produced in a distilled spirits plant shall be gauged and a record made of such gauge within a reasonable time after the production thereof has been completed. The proprietor shall, pursuant to such production gauge and in accordance with such regulations as the Secretary or his delegate shall prescribe, make appropriate entry for—

- "(1) deposit of such spirits in storage on bonded premises;
- "(2) withdrawal upon determination of tax as authorized by law;
- "(3) withdrawal under the provisions of section 5214;
- "(4) transfer for redistillation under the provisions of section 5223; or
- "(5) immediate denaturation.

"SEC. 5212. TRANSFER OF DISTILLED SPIRITS BETWEEN BONDED PREMISES.

"Distilled spirits on which the internal revenue tax has not been paid or determined as authorized by law may, under such regulations as the Secretary or his delegate shall prescribe, be transferred in bond between bonded premises in any approved container. For the purposes of this chapter, the removal of distilled spirits for transfer in bond between bonded premises shall not be construed to be a withdrawal from bonded premises.

"SEC. 5213. WITHDRAWAL OF DISTILLED SPIRITS FROM BONDED PREMISES ON DETERMINATION OF TAX.

"On application to the Secretary or his delegate and subject to the provisions of section 5174 (a), distilled spirits may be withdrawn from the bonded premises of a distilled spirits plant on payment or determination of tax thereon, in approved containers, under such regulations as the Secretary or his delegate shall prescribe.

"SEC. 5214. WITHDRAWAL OF DISTILLED SPIRITS FROM BONDED PREMISES FREE OF TAX OR WITHOUT PAYMENT OF TAX.

"(a) PURPOSES.—Distilled spirits on which the internal revenue tax has not been paid or determined may, subject to such regulations as

the Secretary or his delegate shall prescribe, be withdrawn from the bonded premises of any distilled spirits plant in approved containers—

“(1) free of tax after denaturation of such spirits in the manner prescribed by law for—

“(A) exportation;

“(B) use in the manufacture of ether, chloroform, or other definite chemical substance where such distilled spirits are changed into some other chemical substance and do not appear in the finished product; or

“(C) any other use in the arts and industries (except for uses prohibited by section 5273 (b) or (d)) and for fuel, light, and power; or

“(2) free of tax by, and for the use of, the United States or any governmental agency thereof, any State or Territory, any political subdivision of a State or Territory, or the District of Columbia, for nonbeverage purposes; or

“(3) free of tax for nonbeverage purposes and not for resale or use in the manufacture of any product for sale—

“(A) for the use of any educational organization described in section 503 (b) (2) which is exempt from income tax under section 501 (a), or for the use of any scientific university or college of learning;

26 USC 503, 501.

“(B) for any laboratory for use exclusively in scientific research;

“(C) for use at any hospital, blood bank, or sanitarium (including use in making any analysis or test at such hospital, blood bank, or sanitarium), or at any pathological laboratory exclusively engaged in making analyses, or tests, for hospitals or sanitariums; or

“(D) for the use of any clinic operated for charity and not for profit (including use in the compounding of bona fide medicines for treatment outside of such clinics of patients thereof); or

“(4) without payment of tax for exportation, after making such application and entries, filing such bonds as are required by section 5175, and complying with such other requirements as may by regulations be prescribed; or

“(5) without payment of tax for use in wine production, as authorized by section 5373; or

“(6) without payment of tax for transfer to manufacturing bonded warehouses, as authorized by section 5522 (a); or

“(7) without payment of tax for use of certain vessels and aircraft, as authorized by law; or

“(8) without payment of tax for transfer to foreign-trade zones, as authorized by law; or

“(9) free of tax for use as samples in making tests or laboratory analyses.

“(b) CROSS REFERENCES.—

“(1) For provisions relating to denaturation, see sections 5241 and 5242.

“(2) For provisions requiring permit for users of distilled spirits withdrawn free of tax and for users of specially denatured distilled spirits, see section 5271.

“(3) For provisions relating to withdrawal of distilled spirits without payment of tax for use of certain vessels and aircraft, as authorized by law, see 19 U. S. C. 1309.

“(4) For provisions relating to foreign-trade zones, see 19 U. S. C. 81c.

“(5) For provisions authorizing regulations for withdrawal of distilled spirits free of tax for use of the United States, see section 7510.

“(6) For provisions authorizing removal of distillates to bonded wine cellars for use in the production of distilling material, see section 5373 (c).

"SEC. 5215. RETURN OF TAX DETERMINED DISTILLED SPIRITS TO BONDED PREMISES.

"(a) GENERAL.—On such application and under such regulations as the Secretary or his delegate may prescribe, distilled spirits withdrawn from bonded premises in bulk containers on or after July 1, 1959, on payment or determination of tax may be returned to the bonded premises of a distilled spirits plant, if such spirits have been found to be unsuitable for the purpose for which intended to be used before any processing thereof and before removal from the original container in which such distilled spirits were withdrawn from bonded premises. Such returned distilled spirits shall immediately be redistilled or denatured, or may, in lieu of redistillation or denaturation, be mingled on bonded premises as authorized in section 5234 (a) (1) (A), (a) (1) (D), or (a) (1) (E). All provisions of this chapter applicable to distilled spirits in bond shall be applicable to distilled spirits returned to bonded premises under the provisions of this section on such return.

"(b) DISTILLED SPIRITS WITHDRAWN BY PIPELINE.—In the case of distilled spirits removed by pipeline, 'original container in which such distilled spirits were withdrawn from bonded premises' as used in this section shall mean the bulk tank into which the distilled spirits were originally deposited from pipeline, and the permitted return of the spirits to bonded premises may be made by pipeline or by other approved containers.

"(c) CROSS REFERENCE.—

"For provisions relating to the remission, abatement, credit, or refund of tax on distilled spirits returned to bonded premises under provisions of this section, see section 5008 (d).

"SEC. 5216. REGULATION OF OPERATIONS.

"For general provisions relating to operations on bonded premises see part I of this subchapter.

"Subpart B—Production

"Sec. 5221. Commencement, suspension, and resumption of operations.

"Sec. 5222. Production, receipt, removal, and use of distilling materials.

"Sec. 5223. Redistillation of spirits.

"SEC. 5221. COMMENCEMENT, SUSPENSION, AND RESUMPTION OF OPERATIONS.

"(a) COMMENCEMENT, SUSPENSION, AND RESUMPTION.—The proprietor of a distilled spirits plant authorized to produce distilled spirits shall not commence production operations until an internal revenue officer has been assigned to the premises. Any proprietor of a distilled spirits plant desiring to suspend production of distilled spirits shall give notice in writing to the Secretary or his delegate, stating when he will suspend such operations. Pursuant to such notice, an internal revenue officer shall take such action as the Secretary or his delegate shall prescribe to prevent the production of distilled spirits. No proprietor, after having given such notice, shall, after the time stated therein, produce distilled spirits on such premises until he again gives notice in writing to the Secretary or his delegate stating the time when he will resume operations. At the time stated in the notice for resuming such operations an internal revenue officer shall take such action as is necessary to permit operations to be resumed. The notices submitted under this section shall be in such form and submitted in such manner as the Secretary or his delegate may by regulations require. Nothing in this section shall apply to suspensions caused by unavoidable accidents; and the Secretary or his delegate shall prescribe regulations to govern such cases of involuntary suspension.

“(b) PENALTY.—

“For penalty and forfeiture for carrying on the business of distiller after having given notice of suspension, see sections 5601 (a) (14) and 5615 (3).

“SEC. 5222. PRODUCTION, RECEIPT, REMOVAL, AND USE OF DISTILLING MATERIALS.

“(a) PRODUCTION, REMOVAL, AND USE.—

“(1) No mash, wort, or wash fit for distillation or for the production of distilled spirits shall be made or fermented in any building or on any premises other than on the bonded premises of a distilled spirits plant duly authorized to produce distilled spirits according to law; and no mash, wort, or wash so made or fermented shall be removed from any such premises before being distilled, except as authorized by the Secretary or his delegate; and no person other than an authorized distiller shall, by distillation or any other process, produce distilled spirits from any mash, wort, wash, or other material.

“(2) Nothing in this subsection shall be construed to apply to—

“(A) authorized operations performed on the premises of vinegar plants established under part I of subchapter H;

“(B) authorized production and removal of fermented materials produced on authorized brewery or bonded wine cellar premises as provided by law;

“(C) products exempt from tax under the provisions of section 5042; or

“(D) fermented materials used in the manufacture of vinegar by fermentation.

“(b) RECEIPT.—Under such regulations as the Secretary or his delegate may prescribe, fermented materials to be used in the production of distilled spirits may be received on the bonded premises of a distilled spirits plant authorized to produce distilled spirits as follows—

“(1) from the premises of a bonded wine cellar authorized to remove such material by section 5362 (c) (6);

“(2) conveyed without payment of tax from contiguous brewery premises where produced; or

“(3) cider exempt from tax under the provisions of section 5042 (a) (1).

“(c) PROCESSING OF DISTILLED SPIRITS CONTAINING EXTRANEOUS SUBSTANCES.—The Secretary or his delegate may by regulations provide for the removal from the distilling system, and the addition to the fermented or unfermented distilling material, in the production facilities of a distilled spirits plant, of distilled spirits containing substantial quantities of fusel oil or aldehydes, or other extraneous substances.

“(d) PENALTY.—

“For penalty and forfeiture for unlawful production, removal, or use of material fit for distillation or for the production of distilled spirits, and for penalty and forfeiture for unlawful production of distilled spirits, see sections 5601 (a) (7), 5601 (a) (8), 5601 (b) (3), 5601 (b) (4), and 5615 (4).

“SEC. 5223. REDISTILLATION OF SPIRITS.

“(a) SPIRITS ON BONDED PREMISES.—The proprietor of a distilled spirits plant authorized to produce distilled spirits may, under such regulations as the Secretary or his delegate shall prescribe, redistill any distilled spirits which have not been withdrawn from bonded premises.

“(b) DISTILLED SPIRITS RETURNED FOR REDISTILLATION.—Distilled spirits which have been lawfully removed from bonded premises free

26 U.S.C. 5501,
5502.

of tax or without payment of tax may, under such regulations as the Secretary or his delegate may prescribe, be returned for redistillation to the bonded premises of a distilled spirits plant authorized to produce distilled spirits.

“(c) **DENATURED DISTILLED SPIRITS.**—Distilled spirits recovered by the redistillation of denatured distilled spirits may not be withdrawn from bonded premises except for industrial use or after denaturation thereof in the manner prescribed by law.

“(d) **PRODUCTS OF REDISTILLATION.**—All distilled spirits redistilled on bonded premises subsequent to production gauge shall be treated the same as if such spirits had been originally produced by the redistiller and all provisions of this chapter applicable to the original production of distilled spirits shall be applicable thereto. Any prior obligation as to taxes, liens, and bonds with respect to such distilled spirits shall be extinguished on redistillation. Nothing in this subsection shall be construed as affecting any provision of law relating to the labeling of distilled spirits or as limiting the authority of the Secretary or his delegate to regulate the marking, branding, or identification of distilled spirits redistilled under this section. The processing of distilled spirits, subsequent to production gauge, in the manufacture of vodka in the production facilities of a distilled spirits plant shall be treated for the purposes of this subsection, subsection (a), and sections 5025 (d) and 5215 as redistillation of the spirits.

“Subpart C—Storage

“Sec. 5231. Entry for deposit in storage.

“Sec. 5232. Imported distilled spirits.

“Sec. 5233. Bottling of distilled spirits in bond.

“Sec. 5234. Mingling and blending of distilled spirits.

“Sec. 5235. Bottling of alcohol for industrial purposes.

“Sec. 5236. Discontinuance of storage facilities and transfer of distilled spirits.

“SEC. 5231. ENTRY FOR DEPOSIT IN STORAGE.

“(a) **GENERAL.**—All distilled spirits entered for deposit in storage under section 5211 shall, under such regulations as the Secretary or his delegate shall prescribe, be deposited in storage facilities on the bonded premises designated in the entry for deposit.

“(b) **CROSS REFERENCE.**—

“For provisions requiring that all distilled spirits entered for deposit be withdrawn within 20 years from date of original entry for deposit, see section 5006 (a) (2).

“SEC. 5232. IMPORTED DISTILLED SPIRITS.

“Imported distilled spirits of 185 degrees or more of proof (or spirits of any proof imported for any purpose incident to the requirements of the national defense) may, under such regulations as the Secretary or his delegate shall prescribe, be withdrawn from customs custody, and transferred to the bonded premises of a distilled spirits plant, for nonbeverage use, without payment of the internal revenue tax imposed on imported distilled spirits by section 5001. Such spirits may be redistilled or denatured and may, without redistillation or denaturation, be withdrawn for any purpose authorized by this chapter, in the same manner as domestic distilled spirits.

“SEC. 5233. BOTTLING OF DISTILLED SPIRITS IN BOND.

“(a) **GENERAL.**—Distilled spirits stored on bonded premises which have been duly entered for bottling in bond before determination of tax or for bottling in bond for export, shall be dumped, gauged, bottled, packed, and cased in the manner which the Secretary or his delegate shall by regulations prescribe. Such bottling, packing, and casing shall be conducted in the separate facilities provided therefor under section 5178 (a) (4) (A).

“(b) BOTTLING REQUIREMENTS.—

“(1) The proprietor of a distilled spirits plant who has made entry for withdrawal of distilled spirits for bottling in bond may, under such regulations as the Secretary or his delegate shall prescribe,

“(A) remove extraneous insoluble materials, and effect minor changes in the soluble color or soluble solids solely by filtrations or other physical treatments (which do not involve the addition of any substance which will remain incorporated in the completed product), as may be necessary or desirable to produce a stable product, provided such changes shall not exceed maximum limitations prescribed under regulations issued by the Secretary or his delegate, and

“(B) reduce the proof of such spirits by the addition of pure water only to 100 proof for spirits for domestic use, or to not less than 80 proof for spirits for export purposes, and

“(C) mingle, when dumped for bottling, distilled spirits of the same kind, differing only in proof, produced in the same distilling season by the same distiller at the same distillery.

“(2) Nothing in this section shall authorize or permit any mingling of different products, or of the same products of different distilling seasons, or the addition or subtraction of any substance or material or the application of any method or process to alter or change in any way the original condition or character of the product except as authorized in this section.

“(3) Distilled spirits (except gin and vodka for export) shall not be bottled in bond until they have remained in bond in wooden containers for at least 4 years.

“(4) Nothing in this section shall authorize the labeling of spirits in bottles contrary to regulations issued pursuant to the Federal Alcohol Administration Act (49 Stat. 977; 27 U. S. C., chapter 8), or any amendment thereof.

“(c) TRADEMARKS ON BOTTLES.—No trademarks shall be put on any bottle unless the real name of the actual bona fide distiller, or the name of the individual, firm, partnership, corporation, or association in whose name the spirits were produced and warehoused, shall also be placed conspicuously on such bottle.

“(d) RETURN OF BOTTLED DISTILLED SPIRITS FOR REBOTTLING, RELABELING, OR RESTAMPING.—Under such regulations as the Secretary or his delegate shall prescribe, distilled spirits which have been bottled under this section and removed from bonded premises may, on application to the Secretary or his delegate, be returned to bonded premises for rebottling, relabeling, or restamping, and tax under section 5001 (a) (1) shall not again be collected on such spirits.

“(e) CROSS REFERENCES.—

“(1) For provisions relating to stamps and stamping of distilled spirits bottled in bond, see section 5205.

“(2) For provisions relating to marking or branding of cases of distilled spirits bottled in bond, see section 5206.

“SEC. 5234. MINGLING AND BLENDING OF DISTILLED SPIRITS.

“(a) MINGLING OF DISTILLED SPIRITS ON BONDED PREMISES.—

“(1) IN GENERAL.—Under such regulations as the Secretary or his delegate shall prescribe, distilled spirits may be mingled on bonded premises if such spirits—

“(A) were distilled at 190 degrees or more of proof;

“(B) are heterogeneous and are being dumped for gauging in bulk gauging tanks for immediate removal to bottling

premises for use exclusively in taxable rectification or rectification under section 5025 (f);

“(C) are homogeneous;

“(D) are for immediate denaturation or immediate removal for an authorized tax-free purpose; or

“(E) are for immediate redistillation.

“(2) CONSOLIDATION OF PACKAGES FOR FURTHER STORAGE IN BOND.—Under such regulations as the Secretary or his delegate shall prescribe, distilled spirits—

“(A) of the same kind,

“(B) distilled at the same distillery,

“(C) distilled by the same proprietor (under his own or any trade name), and

“(D) which have been stored in internal revenue bond in the same kind of cooperage for not less than 4 years (or 2 years in the case of rum or brandy),

may, within 8 years of the date of original entry for deposit of the spirits, be mingled on bonded premises for further storage in bond in as many as necessary of the same packages in which the spirits were stored before consolidation. Where distilled spirits produced in different distilling seasons are mingled under this paragraph, the mingled spirits shall consist of not less than 10 percent of spirits of each such season. No spirits mingled under the provisions of this paragraph shall be again mingled under the provisions thereof until at least one year has elapsed since the last prior mingling. For purposes of this chapter, the date of original entry for deposit of the spirits mingled under the provisions of this paragraph shall be the date of original entry for deposit of the youngest spirits contained in the mingled spirits, and the distilling season of such mingled spirits shall be the distilling season of the youngest spirits contained therein. Notwithstanding any other provisions of law, distilled spirits mingled under this paragraph may be bottled and labeled the same as if such spirits had not been so mingled. No statement claiming or implying age in excess of that of the youngest spirits contained in the mingled spirits shall be made on any stamp or label or in any advertisement.

“(b) MINGLING OF DISTILLED SPIRITS FOR NATIONAL DEFENSE.—Under such regulations as the Secretary or his delegate shall prescribe, distilled spirits may be mingled on bonded premises or in the course of removal therefrom, for any purpose incident to the national defense.

“(c) BLENDING OF BEVERAGE RUMS OR BRANDIES.—Fruit brandies distilled from the same kind of fruit at not more than 170 degrees of proof may, for the sole purpose of perfecting such brandies according to commercial standards, be mixed or blended with each other, or with any such mixture or blend, on bonded premises. Rums may, for the sole purpose of perfecting them according to commercial standards, be mixed or blended with each other, or with any such mixture or blend, on bonded premises. Such rums or brandies so mixed or blended may be packaged, stored, transported, transferred in bond, withdrawn free of tax, withdrawn upon payment or determination of tax, or be otherwise disposed of, in the same manner as rums or brandies not so mixed or blended. The Secretary or his delegate may make such rules or regulations as he may deem necessary to carry this subsection into effect.

“(d) CROSS REFERENCE.—

“For provisions imposing a tax on the blending of beverage rums or brandies under subsection (c), see section 5023.

"SEC. 5235. BOTTLING OF ALCOHOL FOR INDUSTRIAL PURPOSES.

"Alcohol for industrial purposes may be bottled, stamped, labeled, and cased on bonded premises of a distilled spirits plant prior to payment or determination of tax, under such regulations as the Secretary or his delegate may prescribe. The provisions of sections 5178 (a) (4) (A), 5205 (a) (1), and 5233 (relating to the bottling of distilled spirits in bond) shall not be applicable to alcohol bottled, stamped, and labeled as such under this section.

"SEC. 5236. DISCONTINUANCE OF STORAGE FACILITIES AND TRANSFER OF DISTILLED SPIRITS.

"When the Secretary or his delegate finds any facilities for the storage of distilled spirits on bonded premises to be unsafe or unfit for use, or the spirits contained therein subject to great loss or wastage, he may require the discontinuance of the use of such facilities and require the spirits contained therein to be transferred to such other storage facilities as he may designate. Such transfer shall be made at such time and under such supervision as the Secretary or his delegate may require and the expense of the transfer shall be paid by the owner or the warehouseman of the distilled spirits. Whenever the owner of such distilled spirits or the warehouseman fails to make such transfer within the time prescribed, or to pay the just and proper expense of such transfer, as ascertained and determined by the Secretary or his delegate, such distilled spirits may be seized and sold by the Secretary or his delegate in the same manner as goods are sold on distraint for taxes, and the proceeds of such sale shall be applied to the payment of the taxes due thereon and the cost and expenses of such sale and removal, and the balance paid over to the owner of such distilled spirits.

"Subpart D—Denaturation

"Sec. 5241. Authority to denature.

"Sec. 5242. Denaturing materials.

"Sec. 5243. Sale of abandoned spirits for denaturation without collection of tax.

"Sec. 5244. Cross references.

"SEC. 5241. AUTHORITY TO DENATURE.

"Under such regulations as the Secretary or his delegate shall prescribe, distilled spirits may be denatured on the bonded premises of any distilled spirits plant operated by a proprietor who is authorized to produce distilled spirits at such plant or on other bonded premises. Any other person operating bonded premises may, at the discretion of the Secretary or his delegate and under such regulations as he may prescribe, be authorized to denature distilled spirits on such bonded premises. Distilled spirits to be denatured under this section shall be of such kind and of such degree of proof as the Secretary or his delegate shall by regulations prescribe.

"SEC. 5242. DENATURING MATERIALS.

"Methanol or other denaturing materials suitable to the use for which the denatured distilled spirits are intended to be withdrawn shall be used for the denaturation of distilled spirits. Denaturing materials shall be such as to render the spirits with which they are admixed unfit for beverage or internal human medicinal use. The character and the quantity of denaturing materials used shall be as prescribed by the Secretary or his delegate by regulations.

"SEC. 5243. SALE OF ABANDONED SPIRITS FOR DENATURATION WITHOUT COLLECTION OF TAX.

"Notwithstanding any other provision of law, any distilled spirits abandoned to the United States may be sold, in such cases as the Secretary or his delegate may by regulation provide, to the proprietor of any distilled spirits plant for denaturation, or redistillation and denaturation, without the payment of the internal revenue tax thereon.

"SEC. 5244. CROSS REFERENCES.

"(1) For provisions authorizing the withdrawal from the bonded premises of a distilled spirits plant of denatured distilled spirits, see section 5214 (a) (1).

"(2) For provisions requiring a permit to procure specially denatured distilled spirits, see section 5271.

"PART III—OPERATIONS ON BOTTLING PREMISES

"Sec. 5251. Notice of intention to rectify.

"Sec. 5252. Regulation of operations.

"SEC. 5251. NOTICE OF INTENTION TO RECTIFY.

"The Secretary or his delegate may by regulations require the proprietor of any distilled spirits plant authorized to rectify distilled spirits or wines to give notice of his intention to rectify or compound any distilled spirits or wines. Any notice so required shall be in such form, shall be submitted at such time, and shall contain such information as the Secretary or his delegate may by regulations prescribe.

"SEC. 5252. REGULATION OF OPERATIONS.

"(1) For general provisions relating to operations on bottling premises, see part I of this subchapter.

"(2) For provisions relating to bottling and packaging of wines on bottling premises, see section 5363.

"Subchapter D—Industrial Use of Distilled Spirits

"Sec. 5271. Permits.

"Sec. 5272. Bonds.

"Sec. 5273. Sale, use, and recovery of denatured distilled spirits.

"Sec. 5274. Applicability of other laws.

"Sec. 5275. Records and reports.

"SEC. 5271. PERMITS.

"(a) REQUIREMENTS.—No person shall—

"(1) procure or use distilled spirits free of tax under the provisions of section 5214 (a) (2) or (3); or

"(2) procure, deal in, or use specially denatured distilled spirits; or

"(3) recover specially or completely denatured distilled spirits, until he has filed an application with and received a permit to do so from the Secretary or his delegate.

"(b) FORM OF APPLICATION AND PERMIT.—

"(1) The application required by subsection (a) shall be in such form, shall be submitted at such times, and shall contain such information, as the Secretary or his delegate shall by regulations prescribe.

"(2) Permits under this section shall, under such regulations as the Secretary or his delegate shall prescribe, designate and limit the acts which are permitted, and the place where and time when such acts may be performed. Such permits shall be issued in such form and under such conditions as the Secretary or his delegate may by regulations prescribe.

"(c) DISAPPROVAL OF APPLICATION.—Any application submitted under this section may be disapproved and the permit denied if the

Secretary or his delegate, after notice and opportunity for hearing, finds that—

“(1) in case of an application to withdraw and use distilled spirits free of tax, the applicant is not authorized by law or regulations issued pursuant thereto to withdraw or use such distilled spirits; or

“(2) the applicant (including, in the case of a corporation, any officer, director, or principal stockholder, and, in the case of a partnership, a partner) is, by reason of his business experience, financial standing, or trade connections, not likely to maintain operations in compliance with this chapter; or

“(3) the applicant has failed to disclose any material information required, or made any false statement as to any material fact, in connection with his application; or

“(4) the premises on which it is proposed to conduct the business are not adequate to protect the revenue.

“(d) **CHANGES AFTER ISSUANCE OF PERMIT.**—With respect to any change relating to the information contained in the application for a permit issued under this section, the Secretary or his delegate may by regulations require the filing of written notice of such change and, where the change affects the terms of the permit, require the filing of an amended application.

“(e) **SUSPENSION OR REVOCATION.**—If, after notice and hearing, the Secretary or his delegate finds that any person holding a permit issued under this section—

“(1) has not in good faith complied with the provisions of this chapter or regulations issued thereunder; or

“(2) has violated the conditions of such permit; or

“(3) has made any false statement as to any material fact in his application therefor; or

“(4) has failed to disclose any material information required to be furnished; or

“(5) has violated or conspired to violate any law of the United States relating to intoxicating liquor, or has been convicted of any offense under this title punishable as a felony or of any conspiracy to commit such offense; or

“(6) is, in the case of any person who has a permit under subsection (a) (1) or (a) (2), by reason of his operations, no longer warranted in procuring or using the distilled spirits or specially denatured distilled spirits authorized by his permit; or

“(7) has, in the case of any person who has a permit under subsection (a) (2), manufactured articles which do not correspond to the descriptions and limitations prescribed by law and regulations; or

“(8) has not engaged in any of the operations authorized by the permit for a period of more than 2 years;

such permit may, in whole or in part, be revoked or be suspended for such period as the Secretary or his delegate deems proper.

“(f) **DURATION OF PERMITS.**—Permits issued under this section, unless terminated by the terms of the permit, shall continue in effect until suspended or revoked as provided in this section, or until voluntarily surrendered.

“(g) **POSTING OF PERMITS.**—Permits issued under this section, to use distilled spirits free of tax, to deal in or use specially denatured distilled spirits, or to recover specially or completely denatured distilled spirits, shall be kept posted available for inspection on the premises covered by the permit.

“(h) **REGULATIONS.**—The Secretary or his delegate shall prescribe all necessary regulations relating to issuance, denial, suspension, or

revocation, of permits under this section, and for the disposition of distilled spirits (including specially denatured distilled spirits) procured under permit pursuant to this section which remain unused when such permit is no longer in effect.

"SEC. 5272. BONDS.

"(a) **REQUIREMENTS.**—Before any permit required by section 5271 (a) is granted, the Secretary or his delegate may require a bond, in such form and amount as he may prescribe, to insure compliance with the terms of the permit and the provisions of this chapter.

"(b) **EXCEPTIONS.**—No bond shall be required in the case of permits issued to the United States or any governmental agency thereof, or to the several States and Territories or any political subdivision thereof, or to the District of Columbia.

"SEC. 5273. SALE, USE, AND RECOVERY OF DENATURED DISTILLED SPIRITS.

"(a) **USE OF SPECIALLY DENATURED DISTILLED SPIRITS.**—Any person using specially denatured distilled spirits in the manufacture of articles shall file such formulas and statements of process, submit such samples, and comply with such other requirements, as the Secretary or his delegate shall by regulations prescribe, and no person shall use specially denatured distilled spirits in the manufacture or production of any article until approval of the article, formula, and process has been obtained from the Secretary or his delegate.

"(b) INTERNAL MEDICINAL PREPARATIONS AND FLAVORING EXTRACTS.—

"(1) **MANUFACTURE.**—No person shall use denatured distilled spirits in the manufacture of medicinal preparations or flavoring extracts for internal human use where any of the spirits remains in the finished product.

"(2) **SALE.**—No person shall sell or offer for sale for internal human use any medicinal preparations or flavoring extracts manufactured from denatured distilled spirits where any of the spirits remains in the finished product.

"(c) **RECOVERY OF SPIRITS FOR REUSE IN MANUFACTURING.**—Manufacturers employing processes in which denatured distilled spirits withdrawn under section 5214 (a) (1) are expressed, evaporated, or otherwise removed, from the articles manufactured shall be permitted to recover such distilled spirits and to have such distilled spirits restored to a condition suitable solely for reuse in manufacturing processes under such regulations as the Secretary or his delegate may prescribe.

"(d) **PROHIBITED WITHDRAWAL OR SALE.**—No person shall withdraw or sell denatured distilled spirits, or sell any article containing denatured distilled spirits for beverage purposes.

"(e) CROSS REFERENCES.—

"(1) For penalty and forfeiture for unlawful use or concealment of denatured distilled spirits, see section 5607.

"(2) For applicability of all provisions of law relating to distilled spirits that are not denatured, including those requiring payment of tax, to denatured distilled spirits or articles produced, withdrawn, sold, transported, or used in violation of law or regulations, see section 5001 (a) (6).

"(3) For definition of 'articles', see section 5002 (a) (11).

"SEC. 5274. APPLICABILITY OF OTHER LAWS.

"The provisions, including penalties, of sections 9 and 10 of the Federal Trade Commission Act (15 U. S. C., secs. 49, 50), as now or hereafter amended, shall apply to the jurisdiction, powers, and duties of the Secretary or his delegate under this subtitle, and to any person (whether or not a corporation) subject to the provisions of this subtitle.

"SEC. 5275. RECORDS AND REPORTS.

"Every person procuring or using distilled spirits withdrawn under section 5214 (a) (2) or (3), or procuring, dealing in, or using specially denatured distilled spirits, or recovering specially denatured or completely denatured distilled spirits, shall keep such records and file such reports of the receipt and use of distilled spirits withdrawn free of tax, of the receipt, disposition, use, and recovery of denatured distilled spirits, the manufacture and disposition of articles, and such other information as the Secretary or his delegate may by regulations require. The Secretary or his delegate may require any person reprocessing, bottling, or repackaging articles, or dealing in completely denatured distilled spirits or articles, to keep such records, submit such reports, and comply with such other requirements as he may by regulations prescribe. Records required to be kept under this section and a copy of all reports required to be filed shall be preserved as regulations shall prescribe and shall be kept available for inspection by any internal revenue officer during business hours. Such officer may also inspect and take samples of distilled spirits, denatured distilled spirits, or articles (including any substances for use in the manufacture thereof), to which such records or reports relate.

**"Subchapter E—General Provisions Relating to
Distilled Spirits**

"Part I. Return of materials used in the manufacture or recovery of distilled spirits.

"Part II. Regulation of traffic in containers of distilled spirits.

"Part III. Miscellaneous provisions.

"PART I—RETURN OF MATERIALS USED IN THE MANUFACTURE OR RECOVERY OF DISTILLED SPIRITS

"Sec. 5291. General.

"SEC. 5291. GENERAL.

"(a) REQUIREMENT.—Every person disposing of any substance of the character used in the manufacture of distilled spirits, or disposing of denatured distilled spirits or articles from which distilled spirits may be recovered, shall, when required by the Secretary or his delegate, render a correct return, in such form and manner as the Secretary or his delegate may by regulations prescribe, showing the name and address of the person to whom each disposition was made, with such details, as to the quantity so disposed of or other information which the Secretary or his delegate may require as to each such disposition, as will enable the Secretary or his delegate to determine whether all taxes due with respect to any distilled spirits manufactured or recovered from any such substance, denatured distilled spirits, or articles, have been paid. Every person required to render a return under this section shall keep such records as will enable such person to render a correct return. Such records shall be preserved for such period as the Secretary or his delegate shall by regulations prescribe, and shall be kept available for inspection by any internal revenue officer during business hours.

"(b) CROSS REFERENCES.—

"(1) For the definition of distilled spirits, see section 5002 (a) (6).

"(2) For the definition of articles, see section 5002 (a) (11).

"(3) For penalty for violation of subsection (a), see section 5605.

"PART II—REGULATION OF TRAFFIC IN CONTAINERS OF DISTILLED SPIRITS

"Sec. 5301. General.

"SEC. 5301. GENERAL.

"(a) **REQUIREMENTS.**—Whenever in his judgment such action is necessary to protect the revenue, the Secretary or his delegate is authorized, by the regulations prescribed by him and permits issued thereunder if required by him—

"(1) to regulate the kind, size, branding, marking, sale, resale, possession, use, and reuse of containers (of a capacity of not more than 5 wine gallons) designed or intended for use for the sale of distilled spirits (within the meaning of such term as it is used in section 5002 (a) (6)) for other than industrial use; and

"(2) to require, of persons manufacturing, dealing in, or using any such containers, the submission to such inspection, the keeping of such records, and the filing of such reports as may be deemed by him reasonably necessary in connection therewith.

Any requirements imposed under this section shall be in addition to any other requirements imposed by, or pursuant to, law and shall apply as well to persons not liable for tax under the internal revenue laws as to persons so liable.

"(b) **DISPOSITION.**—Every person disposing of containers of the character used for the packaging of distilled spirits shall, when required by the Secretary or his delegate, for protection of the revenue, render a correct return, in such form and manner as the Secretary or his delegate may by regulations prescribe, showing the name and address of the person to whom each disposition was made, with such details as to the quantities so disposed of or other information which the Secretary or his delegate may require as to each such disposition. Every person required to render a return under this section shall keep such records as will enable such person to render a correct return. Such records shall be preserved for such period as the Secretary or his delegate shall by regulations prescribe, and shall be kept available for inspection by any internal revenue officer during business hours.

"(c) **REFILLING OF LIQUOR BOTTLES.**—No person who sells, or offers for sale, distilled spirits, or agent or employee of such person, shall—

"(1) place in any liquor bottle any distilled spirits whatsoever other than those contained in such bottle at the time of stamping under the provisions of this chapter; or

"(2) possess any liquor bottle in which any distilled spirits have been placed in violation of the provisions of paragraph (1); or

"(3) by the addition of any substance whatsoever to any liquor bottle, in any manner alter or increase any portion of the original contents contained in such bottle at the time of stamping under the provisions of this chapter; or

"(4) possess any liquor bottle, any portion of the contents of which has been altered or increased in violation of the provisions of paragraph (3);

except that the Secretary or his delegate may by regulations authorize the reuse of liquor bottles, under such conditions as he may by regulations prescribe, if the liquor bottles are to be again stamped under the provisions of this chapter. When used in this subsection the term 'liquor bottle' shall mean a liquor bottle or other container which has been used for the bottling or packaging of distilled spirits under regulations issued pursuant to subsection (a).

"(d) **PENALTY.**—

"For penalty for violation of this section, see section 5606.

"PART III—MISCELLANEOUS PROVISIONS

"Sec. 5311. Detention of containers.

"Sec. 5312. Production and use of distilled spirits for experimental research.

"Sec. 5313. Withdrawal of distilled spirits from customs custody free of tax for use of the United States.

"Sec. 5314. Special applicability of certain provisions.

"Sec. 5315. Status of certain distilled spirits on July 1, 1959.

"SEC. 5311. DETENTION OF CONTAINERS.

"It shall be lawful for any internal revenue officer to detain any container containing, or supposed to contain, distilled spirits, wines, or beer, when he has reason to believe that the tax imposed by law on such distilled spirits, wines, or beer has not been paid or determined as required by law, or that such container is being removed in violation of law; and every such container may be held by him at a safe place until it shall be determined whether the property so detained is liable by law to be proceeded against for forfeiture; but such summary detention shall not continue in any case longer than 72 hours without process of law or intervention of the officer to whom such detention is to be reported.

"SEC. 5312. PRODUCTION AND USE OF DISTILLED SPIRITS FOR EXPERIMENTAL RESEARCH.

"(a) **SCIENTIFIC INSTITUTIONS AND COLLEGES OF LEARNING.**—Under such regulations as the Secretary or his delegate may prescribe and on the filing of such bonds and applications as he may require, any scientific university, college of learning, or institution of scientific research may produce, receive, blend, treat, test, and store distilled spirits, without payment of tax, for experimental or research use but not for consumption (other than organoleptic tests) or sale, in such quantities as may be reasonably necessary for such purposes.

"(b) **EXPERIMENTAL DISTILLED SPIRITS PLANTS.**—Under such regulations as the Secretary or his delegate may prescribe and on the filing of such bonds and applications as he may require, experimental distilled spirits plants may, at the discretion of the Secretary or his delegate, be established and operated for specific and limited periods of time solely for experimentation in, or development of—

"(1) sources of materials from which distilled spirits may be produced;

"(2) processes by which distilled spirits may be produced or refined; or

"(3) industrial uses of distilled spirits.

"(c) **AUTHORITY TO EXEMPT.**—The Secretary or his delegate may by regulations provide for the waiver of any provision of this chapter (other than this section) to the extent he deems necessary to effectuate the purposes of this section, except that he may not waive the payment of any tax on distilled spirits removed from any such university, college, institution, or plant.

"SEC. 5313. WITHDRAWAL OF DISTILLED SPIRITS FROM CUSTOMS CUSTODY FREE OF TAX FOR USE OF THE UNITED STATES.

"Distilled spirits may be withdrawn free of tax from customs custody by the United States or any governmental agency thereof for its own use for nonbeverage purposes, under such regulations as may be prescribed by the Secretary or his delegate.

"SEC. 5314. SPECIAL APPLICABILITY OF CERTAIN PROVISIONS.

"(a) **PUERTO RICO.**—

"(1) **APPLICABILITY.**—The provisions of this subsection shall not apply to the Commonwealth of Puerto Rico unless the Legislative Assembly of the Commonwealth of Puerto Rico expressly consents thereto in the manner prescribed in the constitution of

the Commonwealth of Puerto Rico for the enactment of a law.

"(2) IN GENERAL.—Distilled spirits for the purposes authorized in section 5214 (a) (2) and (3), denatured distilled spirits, and articles, as described in this paragraph, produced or manufactured in Puerto Rico, may be brought into the United States free of any tax imposed by section 5001 (a) (4) or 7652 (a) (1) for disposal under the same conditions as like spirits, denatured spirits, and articles, produced or manufactured in the United States; and the provisions of this chapter and regulations promulgated thereunder (and all other provisions of the internal revenue laws applicable to the enforcement thereof, including the penalties of special application thereto) relating to the production, bonded warehousing, and denaturation of distilled spirits, to the withdrawal of distilled spirits or denatured distilled spirits, and to the manufacture of articles from denatured distilled spirits, shall, insofar as applicable, extend to and apply in Puerto Rico in respect of—

"(A) distilled spirits for shipment to the United States for the purposes authorized in section 5214 (a) (2) and (3);

"(B) distilled spirits for denaturation;

"(C) denatured distilled spirits for shipment to the United States;

"(D) denatured distilled spirits for use in the manufacture of articles for shipment to the United States; and

"(E) articles, manufactured from denatured distilled spirits, for shipment to the United States.

"(3) WITHDRAWALS AUTHORIZED BY PUERTO RICO.—Distilled spirits (including denatured distilled spirits) may be withdrawn from the bonded premises of a distilled spirits plant in Puerto Rico pursuant to authorization issued under the laws of the Commonwealth of Puerto Rico; such spirits so withdrawn, and products containing such spirits so withdrawn, may not be brought into the United States free of tax.

"(4) COSTS OF ADMINISTRATION.—Any expenses incurred by the Treasury Department in connection with the enforcement in Puerto Rico of the provisions of this subtitle and section 7652 (a), and regulations promulgated thereunder, shall be charged against and retained out of taxes collected under this title in respect of commodities of Puerto Rican manufacture brought into the United States. The funds so retained shall be deposited as a reimbursement to the appropriation to which such expenses were originally charged.

"(b) VIRGIN ISLANDS.—

"(1) IN GENERAL.—Distilled spirits for the purposes authorized in section 5214 (a) (2) and (3), denatured distilled spirits, and articles, as described in this paragraph, produced or manufactured in the Virgin Islands, may be brought into the United States free of any tax imposed by section 7652 (b) (1) for disposal under the same conditions as like spirits, denatured spirits, and articles, produced or manufactured in the United States; and the provisions of this chapter and regulations promulgated thereunder (and all other provisions of the internal revenue laws applicable to the enforcement thereof, including the penalties of special application thereto) relating to the production, bonded warehousing, and denaturation of distilled spirits, to the withdrawal of distilled spirits or denatured distilled spirits, and to the manufacture of articles from denatured distilled spirits, shall, insofar as applicable, extend to and apply in the Virgin Islands in respect of—

“(A) distilled spirits for shipment to the United States for the purposes authorized in section 5214 (a) (2) and (3);

“(B) distilled spirits for denaturation;

“(C) denatured distilled spirits for shipment to the United States;

“(D) denatured distilled spirits for use in the manufacture of articles for shipment to the United States; and

“(E) articles, manufactured from denatured distilled spirits, for shipment to the United States.

“(2) **ADVANCE OF FUNDS.**—The insular government of the Virgin Islands shall advance to the Treasury of the United States such funds as may be required from time to time by the Secretary or his delegate for the purpose of defraying all expenses incurred by the Treasury Department in connection with the enforcement in the Virgin Islands of paragraph (1) and regulations promulgated thereunder. The funds so advanced shall be deposited in a separate trust fund in the Treasury of the United States and shall be available to the Treasury Department for the purposes of this subsection.

“(3) **REGULATIONS ISSUED BY VIRGIN ISLANDS.**—The Secretary or his delegate may authorize the Governor of the Virgin Islands, or his duly authorized agents, to issue or adopt such regulations, to approve such bonds, and to issue, suspend, or revoke such permits, as are necessary to carry out the provisions of this subsection. When regulations have been issued or adopted under this paragraph with concurrence of the Secretary or his delegate he may exempt the Virgin Islands from any provisions of law and regulations otherwise made applicable by the provisions of paragraph (1), except that denatured distilled spirits, articles, and distilled spirits for tax-free purposes which are brought into the United States from the Virgin Islands under the provisions of this subsection shall in all respects conform to the requirements of law and regulations imposed on like products of domestic manufacture.

“SEC. 5315. STATUS OF CERTAIN DISTILLED SPIRITS ON JULY 1, 1959.

“(a) **IN REGISTERED DISTILLERIES, FRUIT DISTILLERIES, AND INDUSTRIAL ALCOHOL PLANTS.**—All distilled spirits which, at the close of June 30, 1959, are in registered distilleries, registered fruit distilleries, and industrial alcohol plants (including spirits received for redistillation) and which have not been entered for deposit in storage in internal revenue bond or for withdrawal (including transfer or withdrawal for denaturation) as provided by law, shall be treated as if in the process of production in a distilled spirits plant.

“(b) **PRODUCED AT REGISTERED DISTILLERIES, FRUIT DISTILLERIES, AND INDUSTRIAL ALCOHOL PLANTS.**—All distilled spirits produced at registered distilleries, registered fruit distilleries, or industrial alcohol plants, which before July 1, 1959, have been entered for deposit in storage in internal revenue bond (including distilled spirits withdrawn for denaturation), and which immediately prior to such date are in registered distilleries, registered fruit distilleries, industrial alcohol plants, internal revenue bonded warehouses, industrial alcohol bonded warehouses, industrial alcohol denaturing plants, and distillery denaturing bonded warehouses, or in transit thereto, shall be stored, transferred, withdrawn, and used under the same conditions as like distilled spirits or denatured distilled spirits produced in a distilled spirits plant.

“(c) **WITHDRAWN FROM CUSTOMS CUSTODY.**—All imported distilled spirits which before July 1, 1959, have been withdrawn from customs custody without payment of the internal revenue tax for transfer to

an industrial alcohol plant, industrial alcohol bonded warehouse or industrial alcohol denaturing plant, and which immediately prior to such date are in registered distilleries, registered fruit distilleries, industrial alcohol plants, internal revenue bonded warehouses, industrial alcohol bonded warehouses, and industrial alcohol denaturing plants, or in transit thereto, shall be stored, transferred, withdrawn, and used under the same conditions as like spirits withdrawn from customs custody without payment of tax and transferred to the bonded premises of a distilled spirits plant.

“(d) **WITHDRAWN FREE OF TAX.**—Distilled spirits which before July 1, 1959, have been withdrawn free of tax for purposes similar to those authorized under section 5214 (a) (1), (a) (2), or (a) (3), as provided by law, by any person holding a permit for such withdrawal, and which immediately prior to such date are lawfully in the possession of, or in transit to, any person holding a permit to procure or use distilled spirits (including specially denatured distilled spirits) free of tax or to deal in or recover specially denatured distilled spirits, shall be treated as if withdrawn from the bonded premises of a distilled spirits plant under the applicable provisions of section 5214 (a) (1), (a) (2), or (a) (3).

“(e) **WITHDRAWN FOR USE IN THE PRODUCTION OF WINE.**—Distilled spirits which before July 1, 1959, have been withdrawn without payment of tax by the proprietor of a bonded wine cellar, as authorized by law, for use in the production of wine, and which before such date had not been used in the production of wine, shall be considered for the purposes of section 5373 the same as if produced in a distilled spirits plant and withdrawn under the provisions of section 5214 (a) (5).

“Subchapter F—Bonded and Taxpaid Wine Premises

“Part I. Establishment.

“Part II. Operations.

“Part III. Cellar treatment and classification of wine.

“Part IV. General.

“PART I—ESTABLISHMENT

“Sec. 5351. Bonded wine cellar.

“Sec. 5352. Taxpaid wine bottling house.

“Sec. 5353. Bonded wine warehouse.

“Sec. 5354. Bond.

“Sec. 5355. General provisions relating to bonds.

“Sec. 5356. Application.

“Sec. 5357. Premises.

“SEC. 5351. BONDED WINE CELLAR.

“Any person establishing premises for the production, blending, cellar treatment, storage, bottling, packaging, or repackaging of untaxed wine (other than wine produced exempt from tax under section 5042), including the use of wine spirits in wine production, shall, before commencing operations, make application to the Secretary or his delegate and file bond and receive permission to operate. Such premises shall be known as ‘bonded wine cellars’; except that any such premises engaging in production operations may, in the discretion of the Secretary or his delegate, be designated as a ‘bonded winery’.

“SEC. 5352. TAXPAID WINE BOTTLING HOUSE.

“Any person bottling, packaging, or repackaging taxpaid wines at premises other than the bottling premises of a distilled spirits plant shall, before commencing such operations, make application to the

Secretary or his delegate and receive permission to operate. Such premises shall be known as 'taxpaid wine bottling houses'.

"SEC. 5353. BONDED WINE WAREHOUSE.

"Any responsible warehouse company or other responsible person may, upon filing application with the Secretary or his delegate and consent of the proprietor and the surety on the bond of any bonded wine cellar, under regulations prescribed by the Secretary or his delegate, establish on such premises facilities for the storage of wines and allied products for credit purposes, to be known as a 'bonded wine warehouse'. The proprietor of the bonded wine cellar shall remain responsible in all respects for operations in the warehouse and the tax on the wine or wine spirits stored therein.

"SEC. 5354. BOND.

"The bond for a bonded wine cellar shall be in such form, on such conditions, and with such adequate surety, as regulations issued by the Secretary or his delegate shall prescribe, and shall be in a penal sum not less than the tax on any wine or wine spirits possessed or in transit at any one time, but not less than \$1,000 nor more than \$50,000; except that where the tax on such wine and on such wine spirits exceeds \$250,000, the penal sum of the bond shall be not more than \$100,000. Where additional liability arises as a result of deferral of payment of tax payable on any return, the Secretary or his delegate may require the proprietor to file a supplemental bond in such amount as may be necessary to protect the revenue. The liability of any person on any such bond shall apply whether the transaction or operation on which the liability of the proprietor is based occurred on or off the proprietor's premises.

"SEC. 5355. GENERAL PROVISIONS RELATING TO BONDS.

"The provisions of section 5551 (relating to bonds) shall be applicable to the bonds required under section 5354.

"SEC. 5356. APPLICATION.

"The application required by this part shall disclose, as regulations issued by the Secretary or his delegate shall provide, such information as may be necessary to enable the Secretary or his delegate to determine the location and extent of the premises, the type of operations to be conducted on such premises, and whether the operations will be in conformity with law and regulations.

"SEC. 5357. PREMISES.

"Bonded wine cellar premises, including noncontiguous portions thereof, shall be so located, constructed, and equipped, as to afford adequate protection to the revenue, as regulations prescribed by the Secretary or his delegate may provide.

"PART II—OPERATIONS

"Sec. 5361. Bonded wine cellar operations.

"Sec. 5362. Removals of wine from bonded wine cellars

"Sec. 5363. Taxpaid wine bottling house operations.

"Sec. 5364. Standard wine premises.

"Sec. 5365. Segregation of operations.

"Sec. 5366. Supervision.

"Sec. 5367. Records.

"Sec. 5368. Gauging, marking, and stamping.

"Sec. 5369. Inventories.

"Sec. 5370. Losses.

"Sec. 5371. Insurance coverage, etc.

"Sec. 5372. Sampling.

"Sec. 5373. Wine spirits.

"SEC. 5361. BONDED WINE CELLAR OPERATIONS.

"In addition to the operations described in section 5351, the proprietor of a bonded wine cellar may, subject to regulations prescribed by the Secretary or his delegate, on such premises receive unmerchantable taxpaid wine for return to bond, reconditioning, or destruction; prepare for market and store commercial fruit products and by-products not taxable as wines; produce or receive distilling material or vinegar stock; produce (with or without added wine spirits, and without added sugar) or receive on standard wine premises only, subject to tax as wine but not for sale or consumption as beverage wine, (1) heavy bodied blending wines and Spanish-type blending sherries, and (2) other wine products made from natural wine for nonbeverage purposes; and such other operations as may be conducted in a manner that will not jeopardize the revenue or conflict with wine operations.

"SEC. 5362. REMOVALS OF WINE FROM BONDED WINE CELLARS.

"(a) **WITHDRAWALS ON DETERMINATION OF TAX.**—Wine may be withdrawn from bonded wine cellars on payment or determination of the tax thereon, under such regulations as the Secretary or his delegate shall prescribe.

"(b) **TRANSFERS OF WINE BETWEEN BONDED WINE CELLARS.**—Wine on which the internal revenue tax has not been paid or determined may, under such regulations as the Secretary or his delegate shall prescribe, be transferred in bond between bonded wine cellars. For the purposes of this chapter, the removal of wine for transfer in bond between bonded wine cellars shall not be construed to be a removal for consumption or sale.

"(c) **WITHDRAWALS OF WINE FREE OF TAX OR WITHOUT PAYMENT OF TAX.**—Wine on which the tax has not been paid or determined may, under such regulations and bonds as the Secretary or his delegate may deem necessary to protect the revenue, be withdrawn from bonded wine cellars—

"(1) without payment of tax for export by the proprietor or by any authorized exporter;

"(2) without payment of tax for transfer to any foreign-trade zone;

"(3) without payment of tax for use of certain vessels and aircraft as authorized by law;

"(4) without payment of tax for transfer to any class 6 customs manufacturing warehouse;

"(5) without payment of tax for use in the production of vinegar;

"(6) without payment of tax for use in distillation in any distilled spirits plant authorized to produce distilled spirits;

"(7) free of tax for experimental or research purposes by any scientific university, college of learning, or institution of scientific research;

"(8) free of tax for use by or for the account of the proprietor or his agents for analysis or testing, organoleptic or otherwise; and

"(9) free of tax for use by the United States or any agency thereof, and for use for analysis, testing, research, or experimentation by the governments of the several States and Territories and the District of Columbia or of any political subdivision thereof or by any agency of such governments. No bond shall be required of any such government or agency under this paragraph.

"SEC. 5363. TAXPAID WINE BOTTLING HOUSE OPERATIONS.

"In addition to the operations described in section 5352, the proprietor of a taxpaid wine bottling house may, subject to regulations issued by the Secretary or his delegate, on such premises mix wine of the same kind and taxable grade to facilitate handling; preserve, filter, or clarify wine; and conduct operations not involving wine where such operations will not jeopardize the revenue or conflict with wine operations. This subchapter shall apply to any wine received on the bottling premises of any distilled spirits plant for bottling, packaging, or repackaging, and to all operations relative thereto. Sections 5021, 5081, and 5082 shall not apply to the mixing or treatment of taxpaid wine under this section.

"SEC. 5364. STANDARD WINE PREMISES.

"Except as otherwise specifically provided in this subchapter, no proprietor of a bonded wine cellar or taxpaid wine bottling house engaged in producing, receiving, storing or using any standard wine, shall produce, receive, store, or use any wine other than standard wine. The limitation contained in the preceding sentence shall not prohibit the production or receipt of high fermentation wines, distilling material, or vinegar stock in any bonded wine cellar.

"SEC. 5365. SEGREGATION OF OPERATIONS.

"The Secretary or his delegate may require by regulations such segregation of operations within the premises, by partitions or otherwise, as may be necessary to prevent jeopardy to the revenue, to prevent confusion between untaxpaid wine operations and such other operations as are authorized in this subchapter, or to prevent substitution with respect to the several methods of producing effervescent wines.

"SEC. 5366. SUPERVISION.

"The Secretary or his delegate may by regulations require that operations at a bonded wine cellar or taxpaid wine bottling house be supervised by an internal revenue officer where necessary for the protection of the revenue or for the proper enforcement of this subchapter.

"SEC. 5367. RECORDS.

"The proprietor of a bonded wine cellar or a taxpaid wine bottling house shall keep such records and file such returns, in such form and containing such information, as the Secretary or his delegate may by regulations provide.

"SEC. 5368. GAUGING, MARKING, AND STAMPING.

"(a) **GAUGING AND MARKING.**—All wine or wine spirits shall be locked, sealed, and gauged, and shall be marked, branded, labeled, or otherwise identified, in such manner as the Secretary or his delegate may by regulations prescribe.

"(b) **STAMPING.**—Wines shall be removed in such containers (including vessels, vehicles, and pipelines) bearing such marks, labels, and stamps, evidencing compliance with this chapter, as the Secretary or his delegate may by regulations prescribe.

"SEC. 5369. INVENTORIES.

"Each proprietor of premises subject to the provisions of this subchapter shall take and report such inventories as the Secretary or his delegate may by regulations prescribe.

"SEC. 5370. LOSSES.

"(a) **GENERAL.**—No tax shall be collected in respect of any wines lost or destroyed while in bond, except that tax shall be collected—

"(1) **THEFT.**—In the case of loss by theft, unless the Secretary or his delegate shall find that the theft occurred without connivance, collusion, fraud, or negligence on the part of the pro-

prietor or other person responsible for the tax, or the owner, consignor, consignee, bailee, or carrier, or the agents or employees of any of them; and

“(2) VOLUNTARY DESTRUCTION.—In the case of voluntary destruction, unless the wine was destroyed under Government supervision, or on such adequate notice to, and approval by, the Secretary or his delegate as regulations shall provide.

“(b) PROOF OF LOSS.—In any case in which the wine is lost or destroyed, whether by theft or otherwise, the Secretary or his delegate may require by regulations the proprietor of the bonded wine cellar or other person liable for the tax to file a claim for relief from the tax and submit proof as to the cause of such loss. In every case where it appears that the loss was by theft, the burden shall be on the proprietor or other person liable for the tax to establish to the satisfaction of the Secretary or his delegate, that such loss did not occur as the result of connivance, collusion, fraud, or negligence on the part of the proprietor, owner, consignor, consignee, bailee, or carrier, or the agents or employees of any of them.

“SEC. 5371. INSURANCE COVERAGE, ETC.

“Any remission, abatement, refund, or credit of, or other relief from, taxes on wines or wine spirits authorized by law shall be allowed only to the extent that the claimant is not indemnified or recompensed for the tax.

“SEC. 5372. SAMPLING.

“Under regulations prescribed by the Secretary or his delegate, wine may be utilized in any bonded wine cellar for testing, tasting, or sampling, free of tax.

“SEC. 5373. WINE SPIRITS.

“(a) IN GENERAL.—The wine spirits authorized to be used in wine production shall be brandy or wine spirits produced in a distilled spirits plant (with or without the use of water to facilitate extraction and distillation) exclusively from fresh or dried fruit, or their residues, or the wine or wine residue therefrom (except that where, in the production of natural wine, sugar has been used, the wine or the residuum thereof may not be used, if the unfermented sugars therein have been fermented). Such wine spirits shall not be reduced with water from distillation proof, nor be distilled, unless regulations otherwise provide, at less than 140 degrees of proof (except that commercial brandy aged in wood for a period of not less than 2 years, and barreled at not less than 100 degrees of proof, shall be deemed wine spirits for the purpose of this subsection).

“(b) WITHDRAWAL OF WINE SPIRITS.—

“(1) The proprietor of any bonded wine cellar may withdraw and receive wine spirits without payment of tax from the bonded premises of any distilled spirits plant, or from any bonded wine cellar as provided in paragraph (2), for use in the production of natural wine, for addition to concentrated or unconcentrated juice for use in wine production, or for such other uses as may be authorized in this subchapter.

“(2) Wine spirits so withdrawn, and not used in wine production or as otherwise authorized in this subchapter, may, as provided by regulations prescribed by the Secretary or his delegate, be transferred to the bonded premises of any distilled spirits plant or bonded wine cellar, or may be taxpaid and removed as provided by law.

“(3) On such use, transfer, or taxpayment, the Secretary or his delegate shall credit the proprietor with the amount of wine spirits so used or transferred or taxpaid and, in addition, with

such portion of wine spirits so withdrawn as may have been lost either in transit or on the bonded wine cellar premises, to the extent allowable under section 5008 (a). Where the proprietor has used wine spirits in actual wine production but in violation of the requirements of this subchapter, the Secretary or his delegate shall also extend such credit to the wine spirits so used if the proprietor satisfactorily shows that such wine spirits were not knowingly used in violation of law.

“(4) Suitable samples of brandy or wine spirits may, under regulations prescribed by the Secretary or his delegate, be withdrawn free of tax from the bonded premises of any distilled spirits plant, bonded wine cellar, or authorized experimental premises, for analysis or testing.

“(c) **DISTILLATES CONTAINING ALDEHYDES.**—When the Secretary or his delegate deems such removal and use will not jeopardize the revenue nor unduly increase administrative supervision, distillates containing aldehydes may, under such regulations as the Secretary or his delegate may prescribe, be removed without payment of tax from the bonded premises of a distilled spirits plant to an adjacent bonded wine cellar and used therein in fermentation of wine to be used as distilling material at the distilled spirits plant from which such unfinished distilled spirits were removed.

“PART III—CELLAR TREATMENT AND CLASSIFICATION OF WINE

“Sec. 5381. Natural wine.

“Sec. 5382. Cellar treatment of natural wine.

“Sec. 5383. Amelioration and sweetening limitations for natural grape wines.

“Sec. 5384. Amelioration and sweetening limitations for natural fruit and berry wines.

“Sec. 5385. Specially sweetened natural wines.

“Sec. 5386. Special natural wines.

“Sec. 5387. Agricultural wines.

“Sec. 5388. Designation of wines.

“SEC. 5381. NATURAL WINE.

“Natural wine is the product of the juice or must of sound, ripe grapes or other sound, ripe fruit, made with such cellar treatment as may be authorized under section 5382 and containing not more than 21 percent by weight of total solids. Any wine conforming to such definition except for having become substandard by reason of its condition shall be deemed not to be natural wine and shall, unless the condition is corrected, be removed in due course for distillation, destroyed under Government supervision, or transferred to premises in which wines other than natural wine may be stored or used.

“SEC. 5382. CELLAR TREATMENT OF NATURAL WINE.

“(a) **GENERAL.**—Proper cellar treatment of natural wine constitutes those practices and procedures in the United States and elsewhere, whether historical or newly developed, of using various methods and materials to correct or stabilize the wine, or the fruit juice from which it is made, so as to produce a finished product acceptable in good commercial practice. Where a particular treatment has been used in customary commercial practice, it shall continue to be recognized as a proper cellar treatment in the absence of regulations prescribed by the Secretary or his delegate finding such treatment not to be a proper cellar treatment within the meaning of this subsection.

“(b) SPECIFICALLY AUTHORIZED TREATMENTS.—The practices and procedures specifically enumerated in this subsection shall be deemed proper cellar treatment for natural wine:

“(1) The preparation and use of pure concentrated or unconcentrated juice or must. Concentrated juice or must reduced with water to its original density or to not less than 22 degrees Brix or unconcentrated juice or must reduced with water to not less than 22 degrees Brix shall be deemed to be juice or must, and shall include such amounts of water to clear crushing equipment as regulations prescribed by the Secretary or his delegate may provide.

“(2) The addition to natural wine, or to concentrated or unconcentrated juice or must, from one kind of fruit, of wine spirits (whether or not taxpaid) distilled in the United States from the same kind of fruit; except that (A) the wine, juice, or concentrate shall not have an alcoholic content in excess of 24 percent by volume after the addition of wine spirits, and (B) in the case of still wines, wine spirits may be added only to natural wines of the winemaker's own production made without added sugar or reserved as provided in sections 5383 (b) and 5384 (b).

“(3) Amelioration and sweetening of natural grape wines in accordance with section 5383.

“(4) Amelioration and sweetening of natural wines from fruits other than grapes in accordance with section 5384.

“(5) In the case of effervescent wines, such preparations for refermentation and for dosage as may be acceptable in good commercial practice, but only if the alcoholic content of the finished product does not exceed 14 percent by volume.

“(6) The natural darkening of the sugars or other elements in juice, must, or wine due to storage, concentration, heating processes, or natural oxidation.

“(7) The blending of natural wines with each other or with heavy-bodied blending wine or with concentrated or unconcentrated juice, whether or not such juice contains wine spirits, if the wines, juice, or wine spirits are from the same kind of fruit.

“(8) Such use of acids to correct natural deficiencies and stabilize the wine as may be acceptable in good commercial practice.

“(c) OTHER AUTHORIZED TREATMENT.—The Secretary or his delegate may by regulations prescribe limitations on the preparation and use of clarifying, stabilizing, preserving, fermenting, and corrective methods or materials, to the extent that such preparation or use is not acceptable in good commercial practice.

“SEC. 5383. AMELIORATION AND SWEETENING LIMITATIONS FOR NATURAL GRAPE WINES.

“(a) SWEETENING OF GRAPE WINES.—Any natural grape wine made under this section may, if not in reserve inventory as hereinafter provided, be sweetened after fermentation and before taxpayment with pure dry sugar if the sugar solids content of the finished wine does not exceed 10 percent of the weight of the wine and the alcoholic content of the finished wine after sweetening is less than 14 percent by volume.

“(b) HIGH ACID WINES.—

“(1) Any natural grape wine of a winemaker's own production may, under this subsection, be ameliorated to correct high acid content, and, whether or not ameliorated, may be reserved as herein provided.

“(2) To wines produced under this subsection there may be added to the juice or to the wine, or both, before or during fermentation (including wines held pursuant to regulation in intermediate storage for completion of amelioration), ameliorat-

ing material consisting of either water, or pure dry sugar, or a combination of water and pure dry sugar, in such total volume as may be necessary to reduce the natural fixed acid content of the mixture of juice and such ameliorating material to a minimum of 5 parts per thousand (calculated before fermentation and as tartaric acid), but in no event shall the volume of such ameliorating material exceed 35 percent of the total volume of such ameliorated juice (calculated exclusive of pulp). The wine so made shall be transferred to a reserve inventory established as regulation issued by the Secretary or his delegate shall require; except that such wine containing less than 14 percent alcohol by volume after complete fermentation, or after complete fermentation and sweetening, need not be transferred into reserve inventory if all claim to further amelioration is waived.

“(3) The wines in the reserve inventory may be sweetened with dry sugar in an amount not exceeding, for the aggregate of the inventory—

“(A) the dry sugar equivalent of any volume of authorized ameliorating material not used for wine so transferred, plus

“(B) nine-tenths pound of dry sugar for each gallon of wine so transferred and such unused ameliorating material combined.

“(4) Wines so reserved may be blended together and sweetened with pure dry sugar to the extent provided in paragraph (3) or with concentrated or unconcentrated grape juice, and may have wine spirits added if such wine contains less than 14 percent of alcohol by volume at the time of such addition (unless wine spirits were previously added). Any wines withdrawn from reserve inventory shall have an alcoholic content of less than 14 percent by volume and a total solids content not exceeding 21 percent by weight, except that, if wine spirits have been added and the alcoholic content is 14 percent by volume or more, the sugar solids content shall not exceed 15 percent by weight.

“(5) The winemaker shall maintain and balance for his reserve inventory such accounts as regulations issued by the Secretary or his delegate shall prescribe.

“SEC. 5384. AMELIORATION AND SWEETENING LIMITATIONS FOR NATURAL FRUIT AND BERRY WINES.

“(a) IN GENERAL.—To natural wine made from berries or fruit other than grapes, pure dry sugar may be added to the juice in the fermenter, or to the wine after fermentation; but only if such wine has less than 14 percent alcohol by volume after complete fermentation, or after complete fermentation and sweetening, and a total solids content not in excess of 21 percent by weight.

“(b) RESERVE FRUIT AND BERRY WINES.—

“(1) Any natural fruit or berry wine (other than grape wine) of a winemaker's own production may, if not made under subsection (a) of this section, be ameliorated to correct high acid content, and, whether or not ameliorated, may be reserved as herein provided. Separate reserve inventories shall be established for wines made from each different kind of fruit.

“(2) Pure dry sugar may be used in the production of wines under this subsection for the purpose of correcting natural deficiencies. The quantity of sugar so used shall not exceed the quantity which would have been required to adjust the juice, prior to fermentation, to a total solids content of 25 degrees (Brix). Such sugar shall be added prior to the completion of fermentation of the wine. After such addition of the sugar, the wine or juice shall be treated and accounted for as provided in section

5383 (b), covering the production of reserved high acid grape wines, except that—

“(A) Natural fixed acid shall be calculated as malic acid for apple wine and as citric acid for other fruit and berry wines, instead of tartaric acid;

“(B) Juice adjusted with pure dry sugar as provided in this paragraph shall be treated in the same manner as original natural juice under the provisions of section 5383 (b);

“(C) Wines made under this subsection may be withdrawn from reserve inventory with a total solids content of not more than 21 percent by weight, whether or not wine spirits have been added; and

“(D) Wines made exclusively from loganberries, currants, or gooseberries, shall be entitled to a volume of ameliorating material not in excess of 60 percent (in lieu of 35 percent).

“SEC. 5385. SPECIALLY SWEETENED NATURAL WINES.

“(a) DEFINITION.—Specially sweetened natural wine is the product made by adding to natural wine of the winemaker's own production a sufficient quantity of pure dry sugar, or juice or concentrated juice from the same kind of fruit, separately or in combination, to produce a finished product having a sugar solids content in excess of 15 percent by weight and an alcoholic content of less than 14 percent by volume, and shall include extra sweet kosher wine and similarly heavily sweetened wines.

“(b) BLENDING, ETC.—The winemaker may blend specially sweetened natural wine from the same kind of fruit either before or after the special sweetening, or with additional natural wine or heavy-bodied blending wine from the same kind of fruit in the further production of specially sweetened natural wine only, and may cellar treat any such wines as provided in section 5382 (c). Wine spirits may not be added to specially sweetened natural wine, nor may such wine be blended except to produce a specially sweetened natural wine.

“SEC. 5386. SPECIAL NATURAL WINES.

“(a) IN GENERAL.—Special natural wines are the products made, pursuant to a formula approved under this section, from a base of natural wine (including heavy-bodied blending wine) exclusively, with the addition, before, during or after fermentation, of natural herbs, spices, fruit juices, aromatics, essences, and other natural flavorings in such quantities or proportions as to enable such products to be distinguished from any natural wine not so treated, and with or without carbon dioxide naturally or artificially added, and with or without the addition, separately or in combination, of pure dry sugar or a solution of pure dry sugar and water, or caramel. No added wine spirits or alcohol or other spirits shall be used in any wine under this section except as may be contained in the natural wine (including heavy-bodied blending wine) used as a base or except as may be necessary in the production of approved essences or similar approved flavorings. The Brix degree of any solution of pure dry sugar and water used may be limited by regulations prescribed by the Secretary or his delegate in accordance with good commercial practice.

“(b) CELLAR TREATMENT.—Special natural wines may be cellar treated as provided in section 5382 (c).

“SEC. 5387. AGRICULTURAL WINES.

“(a) IN GENERAL.—Wines made from agricultural products other than the juice of fruit shall be made in accordance with good commercial practice as may be prescribed by the Secretary or his delegate by regulations. Wines made in accordance with such regulations shall be classed as ‘standard agricultural wines’. Wines made under this section may be cellar treated as provided in section 5382 (c).

“(b) **LIMITATIONS.**—No wine spirits may be added to wines produced under this section, nor shall any coloring material or herbs or other flavoring material (except hops in the case of honey wine) be used in their production.

“(c) **RESTRICTION ON BLENDING.**—Wines from different agricultural commodities shall not be blended together.

“SEC. 5388. DESIGNATION OF WINES.

“(a) **STANDARD WINES.**—Standard wines may be removed from premises subject to the provisions of this subchapter and be marked, transported, and sold under their proper designation as to kind and origin, or, if there is no such designation known to the trade or consumers, then under a truthful and adequate statement of composition.

“(b) **OTHER WINES.**—Wines other than standard wines may be removed for consumption or sale and be marked, transported, or sold only under such designation as to kind and origin as adequately describes the true composition of such products and as adequately distinguish them from standard wines, as regulations prescribed by the Secretary or his delegate shall provide.

“PART IV—GENERAL

“Sec. 5391. Exemption from rectifying and spirits taxes.

“Sec. 5392. Definitions.

“SEC. 5391. EXEMPTION FROM RECTIFYING AND SPIRITS TAXES.

“Notwithstanding any other provision of law, the taxes imposed by sections 5001 and 5021 on distilled spirits generally and on rectified spirits and wines shall not, except as provided in this subchapter, be assessed, levied, or collected from the proprietor of any bonded wine cellar with respect to his use or treatment of wine, or use of wine spirits in wine production, in such premises, nor shall such proprietor, by reason of such treatment or use, be deemed to be a rectifier within the meaning of section 5082; except that, whenever wine or wine spirits are used in violation of this subchapter, the applicable tax imposed by sections 5001 and 5021 shall be collected unless the proprietor satisfactorily shows that such wine or wine spirits were not knowingly used in violation of law.

“SEC. 5392. DEFINITIONS.

“(a) **STANDARD WINE.**—For purposes of this subchapter the term ‘standard wine’ means natural wine, specially sweetened natural wine, special natural wine, and standard agricultural wine, produced in accordance with the provisions of sections 5381, 5385, 5386, and 5387, respectively.

“(b) **HEAVY BODIED BLENDING WINE.**—For purposes of this subchapter the term ‘heavy bodied blending wine’ means wine made from fruit without added sugar, and with or without added wine spirits, and conforming to the definition of natural wine in all respects except as to maximum total solids content.

“(c) **PURE SUGAR.**—For purposes of this subchapter the term ‘pure sugar’ means pure refined cane or beet sugar, or pure refined anhydrous or monohydrate dextrose sugar, of not less than 95 percent purity calculated on a dry basis. Invert sugar syrup produced from such pure sugar by recognized methods of inversion may be used to prepare any sugar syrup, or solution of water and pure sugar, authorized in this subchapter.

“(d) **TOTAL SOLIDS.**—For purposes of this subchapter the term ‘total solids’, in the case of wine, means the degrees Brix of the de-alcoholized wine.

"(e) **SAME KIND OF FRUIT.**—For purposes of this subchapter the term 'same kind of fruit' includes, in the case of grapes, all of the several species and varieties of grapes. In the case of fruits other than grapes, this term includes all of the several species and varieties of any given kind; except that this shall not preclude a more precise identification of the composition of the product for the purpose of its designation.

"(f) **OWN PRODUCTION.**—For purposes of this subchapter the term 'own production', when used with reference to wine in a bonded wine cellar, means wine produced by fermentation in the same bonded wine cellar, whether or not produced by a predecessor in interest at such bonded wine cellar. This term may also include, under regulations, wine produced by fermentation in bonded wine cellars owned or controlled by the same or affiliated persons or firms when located within the same State; the term 'affiliated' shall be deemed to include any one or more bonded wine cellar proprietors associated as members of any farm cooperative, or any one or more bonded wine cellar proprietors affiliated within the meaning of section 17 (a) (5) of the Federal Alcohol Administration Act, as amended (49 Stat. 990; 27 U. S. C. 211).

"Subchapter G—Breweries

"Part I. Establishment.

"Part II. Operations.

"PART I—ESTABLISHMENT

"Sec. 5401. Qualifying documents.

"Sec. 5402. Definitions.

"Sec. 5403. Cross references.

"SEC. 5401. QUALIFYING DOCUMENTS.

"(a) **NOTICE.**—Every brewer shall, before commencing or continuing business, file with the officer designated for that purpose by the Secretary or his delegate a notice in writing, in such form and containing such information as the Secretary or his delegate shall by regulations prescribe as necessary to protect and insure collection of the revenue.

"(b) **BONDS.**—Every brewer, on filing notice as provided by subsection (a) of his intention to commence business, shall execute a bond to the United States in such reasonable penal sum as the Secretary or his delegate shall by regulation prescribe as necessary to protect and insure collection of the revenue. The bond shall be conditioned (1) that the brewer shall pay, or cause to be paid, as herein provided, the tax required by law on all beer, including all beer removed for transfer to the brewery from other breweries owned by him as provided in section 5414; (2) that he shall pay or cause to be paid the tax on all beer removed free of tax for export as provided in section 5053 (a), which beer is not exported or returned to the brewery; and (3) that he shall in all respects faithfully comply, without fraud or evasion, with all requirements of law relating to the production and sale of any beer aforesaid. Once in every 4 years, or whenever required so to do by the Secretary or his delegate, the brewer shall execute a new bond in the penal sum prescribed in pursuance of this section, and conditioned as above provided, which bond shall be in lieu of any former bond or bonds of such brewer in respect to all liabilities accruing after its approval.

"SEC. 5402. DEFINITIONS.

"(a) **BREWERY.**—The brewery shall consist of the land and buildings described in the brewer's notice.

"(b) **BREWER.**—

"For definition of brewer, see section 5092.

"SEC. 5403. CROSS REFERENCES.

"(1) For authority of Secretary or his delegate to disapprove brewers' bonds, see section 5551.

"(2) For authority of Secretary to require the installation and use of meters, tanks, and other apparatus, see section 5552.

"(3) For deposit of United States bonds or notes in lieu of sureties, see 6 U. S. C. 15.

"PART II—OPERATIONS

"Sec. 5411. Use of brewery.

"Sec. 5412. Removal of beer in containers or by pipeline.

"Sec. 5413. Brewers procuring beer from other brewers.

"Sec. 5414. Removals from one brewery to another belonging to the same brewer.

"Sec. 5415. Records and returns.

"Sec. 5416. Definitions of bottle and bottling.

"SEC. 5411. USE OF BREWERY.

"The brewery shall be used under regulations prescribed by the Secretary or his delegate only for the purpose of producing beer, cereal beverages containing less than one-half of one percent of alcohol by volume, vitamins, ice, malt, malt sirup, and other by-products; of bottling beer and cereal beverages; of drying spent grain from the brewery; of recovering carbon dioxide and yeast; and of producing and bottling soft drinks; and for such other purposes as the Secretary or his delegate by regulation may find will not jeopardize the revenue. The bottling of beer and cereal beverages shall be conducted only in the brewery bottle house which shall consist of a separate portion of the brewery designated for that purpose.

"SEC. 5412. REMOVAL OF BEER IN CONTAINERS OR BY PIPELINE.

"Beer may be removed from the brewery for consumption or sale only in hogsheads, barrels, kegs, bottles, and similar containers, marked, branded, or labeled in such manner as the Secretary or his delegate may by regulation require, except that beer may be removed from the brewery by pipeline to contiguous distilled spirits plants under section 5222.

"SEC. 5413. BREWERS PROCURING BEER FROM OTHER BREWERS.

"A brewer, under such regulations as the Secretary or his delegate shall prescribe, may obtain beer in his own hogsheads, barrels, and kegs, marked with his name and address, from another brewer, with taxpayment thereof to be by the producer in the manner prescribed by section 5054.

"SEC. 5414. REMOVALS FROM ONE BREWERY TO ANOTHER BELONGING TO THE SAME BREWER.

"Beer may be removed from one brewery to another brewery belonging to the same brewer, without payment of tax, and may be mingled with beer at the receiving brewery, subject to such conditions, including payment of the tax, and in such containers, as the Secretary or his delegate by regulations shall prescribe. The removal from one brewery to another brewery belonging to the same brewer shall be deemed to include any removal from a brewery owned by one corporation to a brewery owned by another corporation when (1) one such corporation owns the controlling interest in the other such corporation, or (2) the controlling interest in each such corporation is owned by the same person or persons.

"SEC. 5415. RECORDS AND RETURNS.

"(a) **RECORDS.**—Every brewer shall keep records, in such form and containing such information as the Secretary or his delegate shall prescribe by regulations as necessary for protection of the revenue. These records shall be preserved by the person required to keep such records for such period as the Secretary or his delegate shall by regulations prescribe, and shall be available during business hours for examination and taking of abstracts therefrom by any internal revenue officer.

"(b) **RETURNS.**—Every brewer shall make true and accurate returns of his operations and transactions in the form, at the times, and for such periods as the Secretary or his delegate shall by regulation prescribe.

"SEC. 5416. DEFINITIONS OF BOTTLE AND BOTTLING.

"For purposes of this subchapter, the word 'bottle' means a bottle, can, or similar container, and the word 'bottling' means the filling of bottles, cans, and similar containers.

"Subchapter H—Miscellaneous Plants and Warehouses

"Part I. Vinegar plants.

"Part II. Volatile fruit-flavor concentrate plants.

"Part III. Manufacturing bonded warehouses.

"PART I—VINEGAR PLANTS

"Sec. 5501. Establishment.

"Sec. 5502. Qualification.

"Sec. 5503. Construction and equipment.

"Sec. 5504. Operation.

"Sec. 5505. Applicability of provisions of this chapter.

"SEC. 5501. ESTABLISHMENT.

"Plants for the production of vinegar by the vaporizing process, where distilled spirits of not more than 15 percent of alcohol by volume are to be produced exclusively for use in the manufacture of vinegar on the premises, may be established under this part.

"SEC. 5502. QUALIFICATION.

"(a) **REQUIREMENTS.**—Every person, before commencing the business of manufacturing vinegar by the vaporizing process, and at such other times as the Secretary or his delegate may by regulations prescribe, shall make application to the Secretary or his delegate for the registration of his plant and receive permission to operate. No application required under this section shall be approved until the applicant has complied with all requirements of law, and regulations prescribed by the Secretary or his delegate, in relation to such business. With respect to any change in such business after approval of an application, the Secretary or his delegate may by regulations authorize the filing of written notice of such change or require the filing of an application to make such change.

"(b) **FORM OF APPLICATION.**—The application required by subsection (a) shall be in such form and contain such information as the Secretary or his delegate shall by regulations prescribe to enable him to determine the identity of the applicant, the location and extent of the premises, the type of operations to be conducted on such premises, and whether the operations will be in conformity with law and regulations.

"SEC. 5503. CONSTRUCTION AND EQUIPMENT.

"Plants established under this part for the manufacture of vinegar by the vaporizing process shall be constructed and equipped in accordance with such regulations as the Secretary or his delegate shall prescribe.

"SEC. 5504. OPERATION.

"(a) **GENERAL.**—Any manufacturer of vinegar qualified under this part may, under such regulations as the Secretary or his delegate shall prescribe, separate by a vaporizing process the distilled spirits from the mash produced by him, and condense the vapor by introducing it into the water or other liquid used in making vinegar in his plant.

"(b) **REMOVALS.**—No person shall remove, or cause to be removed, from any plant established under this part any vinegar or other fluid or material containing a greater proportion than 2 percent of proof spirits.

"(c) **RECORDS.**—Every person manufacturing vinegar by the vaporizing process shall keep such records and file such reports as the Secretary or his delegate shall by regulations prescribe of the kind and quantity of materials received on his premises and fermented or mashed, the quantity of low wines produced, the quantity of such low wines used in the manufacture of vinegar, the quantity of vinegar produced, the quantity of vinegar removed from the premises, and such other information as may by regulations be required. Such records, and a copy of such reports, shall be preserved as regulations shall prescribe, and shall be kept available for inspection by any internal revenue officer during business hours.

"SEC. 5505. APPLICABILITY OF PROVISIONS OF THIS CHAPTER.

"(a) **TAX.**—The taxes imposed by subchapter A shall be applicable to any distilled spirits produced in violation of section 5501 or removed in violation of section 5504 (b).

"(b) **PROHIBITED PREMISES.**—Plants established under this part shall not be located on any premises where distilling is prohibited under section 5601 (a) (6).

"(c) **ENTRY AND EXAMINATION OF PREMISES.**—The provisions of section 5203 (b), (c), and (d), relating to right of entry and examination, furnishing facilities and assistance, and authority to break up grounds or walls, shall be applicable to all premises established under this part, and to all proprietors thereof, and their workmen or other persons employed by them.

"(d) **REGISTRATION OF STILLs.**—StillS on the premises of plants established under this part shall be registered as provided in section 5179.

"(e) **INSTALLATION OF METERS, TANKS, AND OTHER APPARATUS.**—The provisions of section 5552 relating to the installation of meters, tanks, and other apparatus shall be applicable to plants established under this part.

"(f) **ASSIGNMENT OF INTERNAL REVENUE OFFICERS.**—The provisions of section 5553 (a) relating to the assignment of internal revenue officers shall be applicable to plants established under this part.

"(g) **AUTHORITY TO WAIVE RECORDS, STATEMENTS, AND RETURNS.**—The provisions of section 5555 (b) relating to the authority of the Secretary to waive records, statements, and returns shall be applicable to records, statements, or returns required by this part.

"(h) **REGULATIONS.**—The provisions of section 5556 relating to the prescribing of regulations shall be applicable to this part.

"(i) **PENALTIES.**—The penalties and forfeitures provided in sections 5601 (a) (1), (6), and (12), 5601 (b) (1), 5603, 5615 (1) and (4), 5686, and 5687 shall be applicable to this part.

"(j) OTHER PROVISIONS.—This chapter (other than this part and the provisions referred to in subsections (a), (b), (c), (d), (e), (f), (g), (h), and (i)) shall not be applicable with respect to plants established or operations conducted under this part.

"PART II—VOLATILE FRUIT-FLAVOR CONCENTRATE PLANTS

"Sec. 5511. Establishment and operation.

"Sec. 5512. Control of products after manufacture.

"SEC. 5511. ESTABLISHMENT AND OPERATION.

"This chapter (other than sections 5178 (a) (2) (C), 5179, 5203 (b), (c), and (d), and 5552) shall not be applicable with respect to the manufacture, by any process which includes evaporations from the mash or juice of any fruit, of any volatile fruit-flavor concentrate if—

"(1) such concentrate, and the mash or juice from which it is produced, contains no more alcohol than is reasonably unavoidable in the manufacture of such concentrate; and

"(2) such concentrate is rendered unfit for use as a beverage before removal from the place of manufacture; and

"(3) the manufacturer thereof makes such application, keeps such records, renders such reports, files such bonds, and complies with such other requirements with respect to the production, removal, sale, transportation, and use of such concentrate and of the mash or juice from which such concentrate is produced, as the Secretary or his delegate may by regulations prescribe as necessary for the protection of the revenue.

"SEC. 5512. CONTROL OF PRODUCTS AFTER MANUFACTURE.

"For applicability of all provisions of this chapter pertaining to distilled spirits and wines, including those requiring payment of tax, to volatile fruit-flavor concentrates sold, transported, or used in violation of law or regulations, see section 5001 (a) (7).

"PART III—MANUFACTURING BONDED WAREHOUSES

"Sec. 5521. Establishment and operation.

"Sec. 5522. Withdrawal of distilled spirits to manufacturing bonded warehouses.

"Sec. 5523. Special provisions relating to distilled spirits and wines rectified in manufacturing bonded warehouses.

"SEC. 5521. ESTABLISHMENT AND OPERATION.

"(a) ESTABLISHMENT.—All medicines, preparations, compositions, perfumery, cosmetics, cordials, and other liquors manufactured wholly or in part of domestic spirits, intended for exportation, as provided by law, in order to be manufactured and sold or removed, without being charged with duty and without having a stamp affixed thereto, shall, under such regulations as the Secretary or his delegate may prescribe, be made and manufactured in warehouses similarly constructed to those known and designated in Treasury regulations as bonded warehouses, class six. The manufacturer shall first give satisfactory bonds to the Secretary or his delegate for the faithful observance of all the provisions of law and the regulations as aforesaid, in amount not less than half of that required by the regulations of the Secretary or his delegate from persons allowed bonded warehouses.

"(b) SUPERVISION.—All labor performed and services rendered under this section shall be under the supervision of an officer of the customs, and at the expense of the manufacturer.

“(c) MATERIALS FOR MANUFACTURE.—

“(1) EXPORTABLE FREE OF TAX.—Any manufacturer of the articles specified in subsection (a), or of any of them, having such bonded warehouse, shall be at liberty, under such regulations as the Secretary or his delegate may prescribe, to convey therein any materials to be used in such manufacture which are allowed by the provisions of law to be exported free from tax or duty, as well as the necessary materials, implements, packages, vessels, brands, and labels for the preparation, putting up, and export of such manufactured articles; and every article so used shall be exempt from the payment of stamp and excise duty by such manufacturer. Articles and materials so to be used may be transferred from any bonded warehouse under such regulations as the Secretary or his delegate may prescribe, into any bonded warehouse in which such manufacture may be conducted, and may be used in such manufacture, and when so used shall be exempt from stamp and excise duty; and the receipt of the officer in charge shall be received as a voucher for the manufacture of such articles.

“(2) IMPORTED MATERIALS.—Any materials imported into the United States may, under such regulations as the Secretary or his delegate may prescribe, and under the direction of the proper officer, be removed in original packages from on shipboard, or from the bonded warehouse in which the same may be, into the bonded warehouse in which such manufacture may be carried on, for the purpose of being used in such manufacture, without payment of duties thereon, and may there be used in such manufacture. No article so removed, nor any article manufactured in said bonded warehouse, shall be taken therefrom except for exportation, under the direction of the proper officer having charge thereof, whose certificate, describing the articles by their mark or otherwise, the quantity, the date of importation, and name of vessel, with such additional particulars as may from time to time be required, shall be received by the collector of customs in cancellation of the bond, or return of the amount of foreign import duties.

“(d) REMOVALS.—

“(1) GENERAL.—Such goods, when manufactured in such warehouses, may be removed for exportation under the direction of the proper officer having charge thereof, who shall be designated by the Secretary or his delegate, without being charged with duty and without having a stamp affixed thereto.

“(2) TRANSPORTATION FOR EXPORT.—Any article manufactured in a bonded warehouse established under subsection (a) may be removed therefrom for transportation to a customs bonded warehouse at any port, for the purpose only of being exported therefrom, under such regulations and on the execution of such bonds or other security as the Secretary or his delegate may prescribe.

“SEC. 5522. WITHDRAWAL OF DISTILLED SPIRITS TO MANUFACTURING BONDED WAREHOUSES.

“(a) AUTHORIZATION.—Under such regulations and requirement as to stamps, bonds, and other security as shall be prescribed by the Secretary or his delegate, any manufacturer of medicines, preparations, compositions, perfumery, cosmetics, cordials, and other liquors, for export, manufacturing the same in a duly constituted manufacturing bonded warehouse, shall be authorized to withdraw, from the bonded premises of any distilled spirits plant, so much distilled spirits as he may require for such purpose, without the payment of the internal revenue tax thereon.

“(b) ALLOWANCE FOR LOSS OR LEAKAGE.—

“For provisions relating to allowance for loss of distilled spirits withdrawn under subsection (a), see section 5008 (f).

"SEC. 5523. SPECIAL PROVISIONS RELATING TO DISTILLED SPIRITS AND WINES RECTIFIED IN MANUFACTURING BONDED WAREHOUSES.

"Distilled spirits and wines which are rectified in manufacturing bonded warehouses, class six, and distilled spirits which are reduced in proof and bottled or packaged in such warehouses, shall be deemed to have been manufactured within the meaning of section 311 of the Tariff Act of 1930 (19 U. S. C. 1311), and may be withdrawn as provided in such section, and likewise for shipment in bond to Puerto Rico, subject to the provisions of such section, and under such regulations as the Secretary or his delegate may prescribe, there to be withdrawn for consumption or be rewarehoused and subsequently withdrawn for consumption. No internal revenue tax shall be imposed on distilled spirits and wines rectified in class six warehouses if such distilled spirits and wines are exported or shipped in accordance with such section 311. No person rectifying distilled spirits or wines in such warehouses shall be subject by reason of such rectification to the payment of special tax as a rectifier.

46 Stat. 691.

"Subchapter I—Miscellaneous General Provisions

- "Sec. 5551. General provisions relating to bonds.
- "Sec. 5552. Installation of meters, tanks, and other apparatus.
- "Sec. 5553. Supervision of premises and operations.
- "Sec. 5554. Pilot operations.
- "Sec. 5555. Records, statements, and returns.
- "Sec. 5556. Regulations.
- "Sec. 5557. Officers and agents authorized to investigate, issue search warrants, and prosecute for violations.
- "Sec. 5558. Authority of enforcement officers.
- "Sec. 5559. Determinations.
- "Sec. 5560. Other provisions applicable.
- "Sec. 5561. Exemptions to meet the requirements of the national defense.
- "Sec. 5562. Exemptions from certain requirements in cases of disaster.

"SEC. 5551. GENERAL PROVISIONS RELATING TO BONDS.

"(a) **APPROVAL AS CONDITION TO COMMENCING BUSINESS.**—No individual, firm, partnership, corporation, or association, intending to commence or to continue the business of a distiller, bonded warehouseman, rectifier, brewer, or winemaker, shall commence or continue the business of a distiller, bonded warehouseman, rectifier, brewer, or winemaker until all bonds in respect of such a business, required by any provision of law, have been approved by the Secretary or the officer designated by him.

"(b) **DISAPPROVAL.**—The Secretary or any officer designated by him may disapprove any such bond or bonds if the individual, firm, partnership, corporation, or association giving such bond or bonds, or owning, controlling, or actively participating in the management of the business of the individual, firm, partnership, corporation, or association giving such bond or bonds, shall have been previously convicted, in a court of competent jurisdiction, of—

"(1) any fraudulent noncompliance with any provision of any law of the United States, if such provision related to internal revenue or customs taxation of distilled spirits, wines, or beer, or if such an offense shall have been compromised with the individual, firm, partnership, corporation, or association on payment of penalties or otherwise, or

"(2) any felony under a law of any State, Territory, or the District of Columbia, or the United States, prohibiting the manufacture, sale, importation, or transportation of distilled spirits, wine, beer, or other intoxicating liquor.

“(c) **APPEAL FROM DISAPPROVAL.**—In case the disapproval is by an officer designated by the Secretary to approve or disapprove such bonds, the individual, firm, partnership, corporation, or association giving the bond may appeal from such disapproval to the Secretary or an officer designated by him to hear such appeals, and the disapproval of the bond by the Secretary or officer designated to hear such appeals shall be final.

“SEC. 5552. INSTALLATION OF METERS, TANKS, AND OTHER APPARATUS.

“The Secretary or his delegate is authorized to require at distilled spirits plants, breweries, and at any other premises established pursuant to this chapter as in his judgment may be deemed advisable, the installation of meters, tanks, pipes, or any other apparatus for the purpose of protecting the revenue, and such meters, tanks, and pipes and all necessary labor incident thereto shall be at the expense of the person on whose premises the installation is required. Any such person refusing or neglecting to install such apparatus when so required by the Secretary or his delegate shall not be permitted to conduct business on such premises.

“SEC. 5553. SUPERVISION OF PREMISES AND OPERATIONS.

“(a) **ASSIGNMENT OF INTERNAL REVENUE OFFICERS.**—The Secretary or his delegate is authorized to assign to any premises established under the provisions of this chapter such number of internal revenue officers as may be deemed necessary.

“(b) **FUNCTIONS OF INTERNAL REVENUE OFFICER.**—When used in this chapter, the term ‘internal revenue officer assigned to the premises’ means the internal revenue officer assigned by the Secretary or his delegate to duties at premises established and operated under the provisions of this chapter.

“SEC. 5554. PILOT OPERATIONS.

“For the purpose of facilitating the development and testing of improved methods of governmental supervision (necessary for the protection of the revenue) over distilled spirits plants established under this chapter, the Secretary or his delegate is authorized to waive any regulatory provisions of this chapter for temporary pilot or experimental operations. Nothing in this section shall be construed as authority to waive the filing of any bond or the payment of any tax provided for in this chapter.

“SEC. 5555. RECORDS, STATEMENTS, AND RETURNS.

“(a) **GENERAL.**—Every person liable to any tax imposed by this chapter, or for the collection thereof, or for the affixing of any stamp required to be affixed by this chapter, shall keep such records, render such statements, make such returns, and comply with such rules and regulations as the Secretary or his delegate may prescribe.

“(b) **AUTHORITY TO WAIVE.**—Whenever in this chapter any record is required to be made or kept, or statement or return is required to be made by any person, the Secretary or his delegate may by regulation waive, in whole or in part, such requirement when he deems such requirement to no longer serve a necessary purpose. This subsection shall not be construed as authorizing the waiver of the payment of any tax.

“(c) **PHOTOGRAPHIC COPIES.**—Whenever in this chapter any record is required to be made and preserved by any person, the Secretary or his delegate may by regulations authorize such person to record, copy, or reproduce by any photographic, photostatic, microfilm, microcard, miniature photographic, or other process, which accurately reproduces or forms a durable medium for so reproducing the orig-

inal of such record and to retain such reproduction in lieu of the original. Every person who is authorized to retain such reproduction in lieu of the original shall, under such regulations as the Secretary or his delegate may prescribe, preserve such reproduction in conveniently accessible files and make provision for examining, viewing, and using such reproduction the same as if it were the original. Such reproduction shall be treated and considered for all purposes as though it were the original record and all provisions of law applicable to the original shall be applicable to such reproduction. Such reproduction, or enlargement or facsimile thereof, shall be admissible in evidence in the same manner and under the same conditions as provided for the admission of reproductions, enlargements, or facsimiles of records made in the regular course of business under section 1732 (b) of title 28 of the United States Code.

"SEC. 5556. REGULATIONS.

"The regulations prescribed by the Secretary or his delegate for enforcement of this chapter may make such distinctions in requirements relating to construction, equipment, or methods of operation as he deems necessary or desirable due to differences in materials or variations in methods used in production, processing, or storage of distilled spirits.

"SEC. 5557. OFFICERS AND AGENTS AUTHORIZED TO INVESTIGATE, ISSUE SEARCH WARRANTS, AND PROSECUTE FOR VIOLATIONS.

"(a) **GENERAL.**—The Secretary or his delegate shall investigate violations of this subtitle and in any case in which prosecution appears warranted the Secretary or his delegate shall report the violation to the United States Attorney for the district in which such violation was committed, who is hereby charged with the duty of prosecuting the offenders, subject to the direction of the Attorney General, as in the case of other offenses against the laws of the United States; and the Secretary or his delegate may swear out warrants before United States commissioners or other officers or courts authorized to issue warrants for the apprehension of such offenders, and may, subject to the control of such United States Attorney, conduct the prosecution at the committing trial for the purpose of having the offenders held for the action of a grand jury. Section 3041 of title 18 of the United States Code is hereby made applicable in the enforcement of this subtitle.

"(b) CROSS REFERENCE.—

"For provisions relating to the issuance of search warrants, see the Federal Rules of Criminal Procedure.

"SEC. 5558. AUTHORITY OF ENFORCEMENT OFFICERS.

"For provisions relating to the authority of internal revenue enforcement officers, see section 7608.

"SEC. 5559. DETERMINATIONS.

"Whenever the Secretary or his delegate is required or authorized, in this chapter, to make or verify any quantitative determination, such determination or verification may be made by actual count, weight, or measurement, or by the application of statistical methods, or by other means, under such regulations as the Secretary or his delegate may prescribe.

"SEC. 5560. OTHER PROVISIONS APPLICABLE.

"All provisions of subtitle F, insofar as applicable and not inconsistent with the provisions of this subtitle, are hereby extended to and made a part of this subtitle.

"SEC. 5561. EXEMPTIONS TO MEET THE REQUIREMENTS OF THE NATIONAL DEFENSE.

"The Secretary or his delegate may temporarily exempt proprietors of distilled spirits plants from any provision of the internal revenue laws relating to distilled spirits, except those requiring payment of the tax thereon, whenever in his judgment it may seem expedient to do so to meet the requirements of the national defense. Whenever the Secretary or his delegate shall exercise the authority conferred by this section he may prescribe such regulations as may be necessary to accomplish the purpose which caused him to grant the exemption.

"SEC. 5562. EXEMPTIONS FROM CERTAIN REQUIREMENTS IN CASES OF DISASTER.

"Whenever the Secretary or his delegate finds that it is necessary or desirable, by reason of disaster, to waive provisions of internal revenue law with regard to distilled spirits, he may temporarily exempt proprietors of distilled spirits plants from any provision of the internal revenue laws relating to distilled spirits, except those requiring payment of the tax thereon, to the extent he may deem necessary or desirable.

"Subchapter J—Penalties, Seizures, and Forfeitures Relating to Liquors

"Part I. Penalty, seizure, and forfeiture provisions applicable to distilling, rectifying, and distilled and rectified products.

"Part II. Penalty and forfeiture provisions applicable to wine and wine production.

"Part III. Penalty, seizure, and forfeiture provisions applicable to beer and brewing.

"Part IV. Penalty, seizure, and forfeiture provisions common to liquors.

"Part V. Penalties applicable to occupational taxes.

"PART I—PENALTY, SEIZURE, AND FORFEITURE PROVISIONS APPLICABLE TO DISTILLING, RECTIFYING, AND DISTILLED AND RECTIFIED PRODUCTS

"Sec. 5601. Criminal penalties.

"Sec. 5602. Penalty for tax fraud by distiller.

"Sec. 5603. Penalty relating to records, returns, and reports.

"Sec. 5604. Penalties relating to stamps, marks, brands, and containers.

"Sec. 5605. Penalty relating to return of materials used in the manufacture of distilled spirits, or from which distilled spirits may be recovered.

"Sec. 5606. Penalty relating to containers of distilled spirits.

"Sec. 5607. Penalty and forfeiture for unlawful use, recovery, or concealment of denatured distilled spirits, or articles.

"Sec. 5608. Penalty and forfeiture for fraudulent claims for export drawback or unlawful relanding.

"Sec. 5609. Destruction of unregistered stills, distilling apparatus, equipment, and materials.

"Sec. 5610. Disposal of forfeited equipment and material for distilling.

"Sec. 5611. Release of distillery before judgment.

"Sec. 5612. Forfeiture of taxpaid distilled spirits remaining on bonded premises.

"Sec. 5613. Forfeiture of distilled spirits not stamped, marked, or branded as required by law.

"Sec. 5614. Burden of proof in cases of seizure of spirits.

"Sec. 5615. Property subject to forfeiture.

"SEC. 5601. CRIMINAL PENALTIES.

"(a) OFFENSES.—Any person who—

"(1) UNREGISTERED STILLS.—has in his possession or custody, or under his control, any still or distilling apparatus set up which is not registered, as required by section 5179 (a) ; or

"(2) FAILURE OF DISTILLER OR RECTIFIER TO FILE APPLICATION.—engages in the business of a distiller or rectifier without having filed application for and received notice of registration, as required by section 5171 (a) ; or

"(3) FALSE OR FRAUDULENT APPLICATION.—engages, or intends to engage, in the business of distiller, bonded warehouseman, rectifier, or bottler of distilled spirits, and files a false or fraudulent application under section 5171 ; or

"(4) FAILURE OR REFUSAL OF DISTILLER OR RECTIFIER TO GIVE BOND.—carries on the business of a distiller or rectifier without having given bond as required by law ; or

"(5) FALSE, FORGED, OR FRAUDULENT BOND.—engages, or intends to engage, in the business of distiller, bonded warehouseman, rectifier, or bottler of distilled spirits, and gives any false, forged, or fraudulent bond, under subchapter B ; or

"(6) DISTILLING ON PROHIBITED PREMISES.—uses, or possesses with intent to use, any still, boiler, or other utensil for the purpose of producing distilled spirits, or aids or assists therein, or causes or procures the same to be done, in any dwelling house, or in any shed, yard, or inclosure connected with such dwelling house (except as authorized under section 5178 (a) (1) (C)), or on board any vessel or boat, or on any premises where beer or wine is made or produced, or where liquors of any description are retailed, or on premises where any other business is carried on (except when authorized under section 5178 (b)) ; or

"(7) UNLAWFUL PRODUCTION, REMOVAL, OR USE OF MATERIAL FIT FOR PRODUCTION OF DISTILLED SPIRITS.—except as otherwise provided in this chapter, makes or ferments mash, wort, or wash, fit for distillation or for the production of distilled spirits, in any building or on any premises other than the designated premises of a distilled spirits plant lawfully qualified to produce distilled spirits, or removes, without authorization by the Secretary or his delegate, any mash, wort, or wash, so made or fermented, from the designated premises of such lawfully qualified plant before being distilled ; or

"(8) UNLAWFUL PRODUCTION OF DISTILLED SPIRITS.—not being a distiller authorized by law to produce distilled spirits, produces distilled spirits by distillation or any other process from any mash, wort, wash, or other material ; or

"(9) UNAUTHORIZED USE OF DISTILLED SPIRITS IN MANUFACTURING PROCESSES.—except as otherwise provided in this chapter, uses distilled spirits in any process of manufacture unless such spirits—

"(A) have been produced in the United States by a distiller authorized by law to produce distilled spirits and withdrawn in compliance with law ; or

"(B) have been imported (or otherwise brought into the United States) and withdrawn in compliance with law ; or

"(10) UNLAWFUL RECTIFYING OR BOTTLING.—engages in or carries on the business of a rectifier, or a bottler of distilled spirits—

"(A) with intent to defraud the United States of any tax on the distilled spirits rectified or bottled by him ; or

“(B) with intent to aid, abet, or assist any person or persons in defrauding the United States of the tax on any distilled spirits; or

“(11) UNLAWFUL PURCHASE, RECEIPT, RECTIFICATION, OR BOTTLING OF DISTILLED SPIRITS.—purchases, receives, rectifies, or bottles any distilled spirits, knowing or having reasonable grounds to believe that any tax due on such spirits has not been paid or determined as required by law; or

“(12) UNLAWFUL REMOVAL OR CONCEALMENT OF DISTILLED SPIRITS.—removes, other than as authorized by law, any distilled spirits on which the tax has not been paid or determined, from the place of manufacture or storage, or from any instrument of transportation, or conceals spirits so removed; or

“(13) CREATION OF FICTITIOUS PROOF.—adds, or causes to be added, any ingredient or substance (other than ingredients or substances authorized by law to be added) to any distilled spirits before the tax is paid thereon, or determined as provided by law, for the purpose of creating fictitious proof; or

“(14) DISTILLING AFTER NOTICE OF SUSPENSION.—after the time fixed in the notice given under section 5221 (a) to suspend operations as a distiller, carries on the business of a distiller on the premises covered by the notice of suspension, or has mash, wort, or beer on such premises, or on any premises connected therewith, or has in his possession or under his control any mash, wort, or beer, with intent to distill the same on such premises;

shall be fined not more than \$10,000, or imprisoned not more than 5 years, or both, for each such offense.

“(b) PRESUMPTIONS.—

“(1) UNREGISTERED STILL.—Whenever on trial for violation of subsection (a) (1) the defendant is shown to have been at the site or place where, and at the time when, a still or distilling apparatus was set up without having been registered, such presence of the defendant shall be deemed sufficient evidence to authorize conviction, unless the defendant explains such presence to the satisfaction of the jury (or of the court when tried without jury).

“(2) FAILURE OR REFUSAL OF DISTILLER OR RECTIFIER TO GIVE BOND.—Whenever on trial for violation of subsection (a) (4) the defendant is shown to have been at the site or place where, and at the time when, the business of a distiller or rectifier was so engaged in or carried on, such presence of the defendant shall be deemed sufficient evidence to authorize conviction, unless the defendant explains such presence to the satisfaction of the jury (or of the court when tried without jury).

“(3) UNLAWFUL PRODUCTION, REMOVAL, OR USE OF MATERIAL FIT FOR PRODUCTION OF DISTILLED SPIRITS.—Whenever on trial for violation of subsection (a) (7) the defendant is shown to have been at the place in the building or on the premises where such mash, wort, or wash fit for distillation or the production of distilled spirits, was made or fermented, and at the time such mash, wort, or wash was there possessed, such presence of the defendant shall be deemed sufficient evidence to authorize conviction, unless the defendant explains such presence to the satisfaction of the jury (or of the court when tried without jury).

“(4) UNLAWFUL PRODUCTION OF DISTILLED SPIRITS.—Whenever on trial for violation of subsection (a) (8) the defendant is shown to have been at the site or place where, and at the time when, such distilled spirits were produced by distillation or any other process from mash, wort, wash, or other material, such presence of the

defendant shall be deemed sufficient evidence to authorize conviction, unless the defendant explains such presence to the satisfaction of the jury (or of the court when tried without jury).

"SEC. 5602. PENALTY FOR TAX FRAUD BY DISTILLER.

"Whenever any person engaged in or carrying on the business of a distiller defrauds, attempts to defraud, or engages in such business with intent to defraud the United States of the tax on the spirits distilled by him, or of any part thereof, he shall be fined not more than \$10,000, or imprisoned not more than 5 years, or both. No discontinuance or nolle prosequi of any prosecution under this section shall be allowed without the permission in writing of the Attorney General.

"SEC. 5603. PENALTY RELATING TO RECORDS, RETURNS, AND REPORTS.

26 U.S.C. 5351-5392, 5401-5416.

"(a) **FRAUDULENT NONCOMPLIANCE.**—Any person required by this chapter (other than subchapters F and G) or regulations issued pursuant thereto to keep or file any record, return, report, summary, transcript, or other document, who, with intent to defraud the United States, shall—

"(1) fail to keep any such document or to make required entries therein; or

"(2) make any false entry in such document; or

"(3) cancel, alter, or obliterate any part of such document or any entry therein, or destroy any part of such document or any entry therein; or

"(4) hinder or obstruct any internal revenue officer from inspecting any such document or taking any abstracts therefrom; or

"(5) fail or refuse to preserve or produce any such document, as required by this chapter or regulations issued pursuant thereto; or who shall, with intent to defraud the United States, cause or procure the same to be done, shall be fined not more than \$10,000, or imprisoned not more than 5 years, or both, for each such offense.

"(b) **FAILURE TO COMPLY.**—Any person required by this chapter (other than subchapters F and G) or regulations issued pursuant thereto to keep or file any record, return, report, summary, transcript, or other document, who, otherwise than with intent to defraud the United States, shall—

"(1) fail to keep any such document or to make required entries therein; or

"(2) make any false entry in such document; or

"(3) cancel, alter, or obliterate any part of such document or any entry therein, or destroy any part of such document, or any entry therein, except as provided by this title or regulations issued pursuant thereto; or

"(4) hinder or obstruct any internal revenue officer from inspecting any such document or taking any abstracts therefrom; or

"(5) fail or refuse to preserve or produce any such document, as required by this chapter or regulations issued pursuant thereto; or who shall, otherwise than with intent to defraud the United States, cause or procure the same to be done, shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both, for each such offense.

"SEC. 5604. PENALTIES RELATING TO STAMPS, MARKS, BRANDS, AND CONTAINERS.

"(a) GENERAL.—Any person who shall—

"(1) transport, possess, buy, sell, or transfer any distilled spirits, required to be stamped under the provisions of section 5205 (a) (2), unless the immediate container thereof has affixed thereto a stamp as required by such section; or

"(2) with intent to defraud the United States, empty a container stamped under the provisions of section 5205 (a) (1) or (2) or section 5235 without destroying the stamp thereon as required by section 5205 (a) (3) or regulations prescribed pursuant thereto; or

"(3) empty, or cause to be emptied, any distilled spirits from any immediate container (other than a container stamped under section 5205 (a) or section 5235) bearing any stamp, mark, or brand required by law without effacing and obliterating such stamp, mark, or brand as required by section 5205 (g); or

"(4) with intent to defraud the United States, falsely make, forge, alter, or counterfeit any stamp required under section 5205 or section 5235; or

"(5) use, sell, or have in his possession any forged or fraudulently altered stamp, or counterfeit of any stamp, required under section 5205 or section 5235, or any plate or die used or which may be used in the manufacture thereof; or

"(6) with intent to defraud the United States, use, reuse, sell, or have in his possession any stamp required to be destroyed by section 5205 (a) (3) or regulations prescribed pursuant thereto; or

"(7) remove any stamp required by law or regulations from any cask or package containing, or which had contained, distilled spirits, without defacing or destroying such stamp at the time of such removal; or

"(8) have in his possession any undestroyed or undefaced stamp removed from any cask or package containing, or which had contained, distilled spirits; or

"(9) have in his possession any cancelled stamp or any stamp which has been used, or which purports to have been used, upon any cask or package of distilled spirits; or

"(10) make, use, sell, or have in his possession any paper in imitation of the paper used in the manufacture of any stamp required under section 5205 or section 5235; or

"(11) reuse any stamp required under section 5205 (a) or section 5235, after the same shall have once been affixed to a container as provided in such sections or regulations issued pursuant thereto; or

"(12) place any distilled spirits in any bottle, or reuse any bottle for the purpose of containing distilled spirits, which has once been filled and stamped under the provisions of this chapter, without removing and destroying the stamp so previously affixed to such bottle; or

"(13) affix any stamp issued pursuant to section 5205 (a) (2) and (3) to any container containing distilled spirits on which any tax due is unpaid or undetermined; or

"(14) make any false statement in any application for stamps under section 5205; or

"(15) possess any stamp prescribed under section 5205 or section 5235 obtained by him otherwise than as provided by such sections or regulations issued pursuant thereto; or

"(16) willfully and unlawfully remove, change, or deface any stamp, mark, brand, label, or seal affixed to any case of distilled spirits, or to any bottle contained therein; or

"(17) with intent to defraud the United States, purchase, sell, receive with intent to transport, or transport any empty cask or package having thereon any stamp, mark, or brand required by law to be affixed to any cask or package containing distilled spirits; or

"(18) change or alter any stamp, mark, or brand on any cask or package containing distilled spirits, or put into any cask or package spirits of greater strength than is indicated by the inspection-mark thereon, or fraudulently use any cask or package having any inspection-mark or stamp thereon, for the purpose of selling other spirits, or spirits of quantity or quality different from the spirits previously inspected therein; or

"(19) affix, or cause to be affixed, to or on any cask or package containing, or intended to contain, distilled spirits, any imitation stamp or other engraved, printed, stamped, or photographed label, device, or token, whether the same be designed as a trade mark, caution notice, caution, or otherwise, and which shall be in the similitude or likeness of, or shall have the resemblance or general appearance of, any internal revenue stamp required by law to be affixed to or upon any cask or package containing distilled spirits;

shall be fined not more than \$10,000, or imprisoned not more than 5 years, or both, for each such offense.

"(b) OFFICERS AUTHORIZED TO ENFORCE THIS SECTION.—Any officer authorized to enforce any provision of law relating to internal revenue stamps is authorized to enforce this section.

"SEC. 5605. PENALTY RELATING TO RETURN OF MATERIALS USED IN THE MANUFACTURE OF DISTILLED SPIRITS, OR FROM WHICH DISTILLED SPIRITS MAY BE RECOVERED.

"Any person who willfully violates any provision of section 5291 (a), or of any regulation issued pursuant thereto, and any officer, director, or agent of any such person who knowingly participates in such violation, shall be fined not more than \$1,000, or imprisoned not more than 2 years, or both.

"SEC. 5606. PENALTY RELATING TO CONTAINERS OF DISTILLED SPIRITS.

"Whoever violates any provision of section 5301, or of any regulation issued pursuant thereto, or the terms or conditions of any permit issued pursuant to the authorization contained in such section, and any officer, director, or agent of any corporation who knowingly participates in such violation, shall, upon conviction, be fined not more than \$1,000, or imprisoned not more than 1 year, or both, for each such offense.

"SEC. 5607. PENALTY AND FORFEITURE FOR UNLAWFUL USE, RECOVERY, OR CONCEALMENT OF DENATURED DISTILLED SPIRITS, OR ARTICLES.

"Any person who—

"(1) uses denatured distilled spirits withdrawn free of tax under section 5214 (a) (1) in the manufacture of any medicinal preparation or flavoring extract in violation of the provisions of section 5273 (b) (1), or knowingly sells, or offers for sale, any such medicinal preparation or flavoring extract in violation of section 5273 (b) (2); or

"(2) knowingly withdraws any denatured distilled spirits free of tax under section 5214 (a) (1) for beverage purposes; or

"(3) knowingly sells any denatured distilled spirits withdrawn free of tax under section 5214 (a) (1), or any articles containing such denatured distilled spirits, for beverage purposes; or

"(4) recovers or attempts to recover by redistillation or by any other process or means (except as authorized in section 5223 or in section 5273 (c)) any distilled spirits from any denatured distilled spirits withdrawn free of tax under section 5214 (a) (1), or from any articles manufactured therefrom, or knowingly uses, sells, conceals, or otherwise disposes of distilled spirits so recovered or redistilled;

shall be fined not more than \$10,000, or imprisoned not more than 5 years, or both, for each such offense; and all personal property used in connection with his business, together with the buildings and ground constituting the premises on which such unlawful acts are performed or permitted to be performed shall be forfeited to the United States.

"SEC. 5608. PENALTY AND FORFEITURE FOR FRAUDULENT CLAIMS FOR EXPORT DRAWBACK OR UNLAWFUL RELANDING.

"(a) **FRAUDULENT CLAIM FOR DRAWBACK.**—Every person who fraudulently claims, or seeks, or obtains an allowance of drawback on any distilled spirits, or fraudulently claims any greater allowance or drawback than the tax actually paid or determined thereon, shall forfeit and pay to the Government of the United States triple the amount wrongfully and fraudulently sought to be obtained, and shall be imprisoned not more than 5 years; and every owner, agent, or master of any vessel or other person who knowingly aids or abets in the fraudulent collection or fraudulent attempts to collect any drawback upon, or knowingly aids or permits any fraudulent change in the spirits so shipped, shall be fined not more than \$5,000, or imprisoned not more than 3 years, or both, and the ship or vessel on board of which such shipment was made or pretended to be made shall be forfeited to the United States, whether a conviction of the master or owner be had or otherwise, and proceedings may be had in admiralty by libel for such forfeiture.

"(b) **UNLAWFUL RELANDING.**—Every person who intentionally relands within the jurisdiction of the United States any distilled spirits which have been shipped for exportation under the provisions of this chapter, or who receives such relanded distilled spirits, and every person who aids or abets in such relanding or receiving of such spirits, shall be fined not more than \$5,000, or imprisoned not more than 3 years, or both; and all distilled spirits so relanded, together with the vessel from which the same were relanded within the jurisdiction of the United States, and all vessels, vehicles, or aircraft used in relanding and removing such distilled spirits, shall be forfeited to the United States.

"SEC. 5609. DESTRUCTION OF UNREGISTERED STILLS, DISTILLING APPARATUS, EQUIPMENT, AND MATERIALS.

"(a) **GENERAL.**—In the case of seizure elsewhere than on premises qualified under this chapter of any unregistered still, distilling or fermenting equipment or apparatus, or distilling or fermenting material, for any offense involving forfeiture of the same, where it shall be impracticable to remove the same to a place of safe storage from the place where seized, the seizing officer is authorized to destroy the same. In the case of seizure, other than on premises qualified under this chapter or in transit thereto or therefrom, of any distilled spirits on which the tax has not been paid or determined, for any offense involving forfeiture of the same, the seizing officer is authorized to destroy the distilled spirits forthwith. Any destruction under this subsection

shall be in the presence of at least one credible witness. The seizing officer shall make such report of said seizure and destruction and take such samples as the Secretary or his delegate may require.

“(b) **CLAIMS.**—Within 1 year after destruction made pursuant to subsection (a) the owner of, including any person having an interest in, the property so destroyed may make application to the Secretary or his delegate for reimbursement of the value of such property. If the claimant establishes to the satisfaction of the Secretary or his delegate that—

“(1) such property had not been used in violation of law; or

“(2) any unlawful use of such property had been without his consent or knowledge,

the Secretary or his delegate shall make an allowance to such claimant not exceeding the value of the property destroyed.

“SEC. 5610. DISPOSAL OF FORFEITED EQUIPMENT AND MATERIAL FOR DISTILLING.

“All boilers, stills, or other vessels, tools and implements, used in distilling or rectifying, and forfeited under any of the provisions of this chapter, and all condemned material, together with any engine or other machinery connected therewith, and all empty barrels, and all grain or other material suitable for fermentation or distillation, shall be sold at public auction or otherwise disposed of as the court in which such forfeiture was recovered shall in its discretion direct.

“SEC. 5611. RELEASE OF DISTILLERY BEFORE JUDGMENT.

“Any distillery or distilling apparatus seized on any premises qualified under this chapter, for any violation of law, may, in the discretion of the court, be released before final judgment to a receiver appointed by the court to operate such distillery or apparatus. Such receiver shall give bond, which shall be approved in open court, with corporate surety, for the full appraised value of all the property seized, to be ascertained by three competent appraisers designated and appointed by the court. Funds obtained from such operation shall be impounded as the court shall direct pending such final judgment.

“SEC. 5612. FORFEITURE OF TAXPAID DISTILLED SPIRITS REMAINING ON BONDED PREMISES.

“(a) **GENERAL.**—No distilled spirits on which the tax has been paid or determined shall be stored or allowed to remain on the bonded premises of any distilled spirits plant, under the penalty of forfeiture of all spirits so found.

“(b) **EXCEPTIONS.**—Subsection (a) shall not apply in the case of—

“(1) distilled spirits which have been bottled in bond under section 5233, and which are returned to bonded premises for rebottling, relabeling, or restamping in accordance with the provisions of section 5233 (d); or

“(2) distilled spirits in the process of prompt removal from bonded premises on payment or determination of the tax; or

“(3) distilled spirits returned to bonded premises in accordance with the provisions of section 5215; or

“(4) distilled spirits, held on bonded premises, on which the tax has become payable by operation of law, but on which the tax has not been paid.

“SEC. 5613. FORFEITURE OF DISTILLED SPIRITS NOT STAMPED, MARKED, OR BRANDED AS REQUIRED BY LAW.

“(a) **UNMARKED OR UNBRANDED CASKS OR PACKAGES.**—All distilled spirits found in any cask or package required by this chapter or any regulation issued pursuant thereto to bear a mark, brand, or identification, which cask or package is not marked, branded, or identified in

compliance with this chapter and regulations issued pursuant thereto, shall be forfeited to the United States.

“(b) **UNSTAMPED CONTAINERS.**—All distilled spirits found in any container required by this chapter or any regulations issued pursuant thereto to bear a stamp, which container is not stamped in compliance with this chapter and regulations issued pursuant thereto, shall be forfeited to the United States.

“**SEC. 5614. BURDEN OF PROOF IN CASES OF SEIZURE OF SPIRITS.**

“Whenever seizure is made of any distilled spirits found elsewhere than on the premises of a distilled spirits plant, or than in any warehouse authorized by law, or than in the store or place of business of a wholesale liquor dealer, or than in transit from any one of said places; or of any distilled spirits found in any one of the places aforesaid, or in transit therefrom, which have not been received into or sent out therefrom in conformity to law, or in regard to which any of the entries required by law, or regulations issued pursuant thereto, to be made in respect of such spirits, have not been made at the time or in the manner required, or in respect to which any owner or person having possession, control, or charge of said spirits, has omitted to do any act required to be done, or has done or committed any act prohibited in regard to said spirits, the burden of proof shall be upon the claimant of said spirits to show that no fraud has been committed, and that all the requirements of the law in relation to the payment of the tax have been complied with.

“**SEC. 5615. PROPERTY SUBJECT TO FORFEITURE.**

“The following property shall be forfeited to the United States:

“(1) **UNREGISTERED STILL OR DISTILLING APPARATUS.**—Every still or distilling apparatus not registered as required by section 5179, together with all personal property in the possession or custody or under the control of the person required by section 5179 to register the still or distilling apparatus, and found in the building or in any yard or inclosure connected with the building in which such still or distilling apparatus is set up; and

“(2) **DISTILLING APPARATUS REMOVED WITHOUT NOTICE OR SET UP WITHOUT PERMIT.**—Any still, boiler, or other vessel to be used for the purpose of distilling which is removed without notice having been given as required by section 5105 (a) or which is set up without permit first having been obtained as required by such section; and

“(3) **DISTILLING WITHOUT GIVING BOND OR WITH INTENT TO DEFRAUD.**—Whenever any person carries on the business of a distiller without having given bond as required by law or gives any false, forged, or fraudulent bond; or engages in or carries on the business of a distiller with intent to defraud the United States of the tax on the distilled spirits distilled by him, or any part thereof; or after the time fixed in the notice declaring his intention to suspend work, filed under section 5221 (a), carries on the business of a distiller on the premises covered by such notice, or has mash, wort, or beer on such premises, or on any premises connected therewith, or has in his possession or under his control any mash, wort, or beer, with intent to distill the same on such premises—

“(A) all distilled spirits or wines, and all stills or other apparatus fit or intended to be used for the distillation or rectification of spirits, or for the compounding of liquors, owned by such person, wherever found; and

“(B) all distilled spirits, wines, raw materials for the production of distilled spirits, and personal property found in the distillery or in any building, room, yard, or inclosure con-

nected therewith and used with or constituting a part of the premises; and

“(C) all the right, title, and interest of such person in the lot or tract of land on which the distillery is situated; and

“(D) all the right, title, and interest in the lot or tract of land on which the distillery is located of every person who knowingly has suffered or permitted the business of a distiller to be there carried on, or has connived at the same; and

“(E) all personal property owned by or in possession of any person who has permitted or suffered any building, yard, or inclosure, or any part thereof, to be used for purposes of ingress or egress to or from the distillery, which shall be found in any such building, yard, or inclosure; and

“(F) all the right, title, and interest of every person in any premises used for ingress or egress to or from the distillery who knowingly has suffered or permitted such premises to be used for such ingress or egress; and

“(4) UNLAWFUL PRODUCTION AND REMOVALS FROM VINEGAR PLANTS.—

“(A) all distilled spirits in excess of 15 percent of alcohol by volume produced on the premises of a vinegar plant; and

“(B) all vinegar or other fluid or other material containing a greater proportion than 2 percent of proof spirits removed from any vinegar plant; and

“(5) FALSE OR OMITTED ENTRIES IN RECORDS, RETURNS, AND REPORTS.—Whenever any person required by section 5207 to keep or file any record, return, report, summary, transcript, or other document, shall, with intent to defraud the United States—

“(A) fail to keep any such document or to make required entries therein; or

“(B) make any false entry in such document; or

“(C) cancel, alter, or obliterate any part of such document, or any entry therein, or destroy any part of such document, or entry therein; or

“(D) hinder or obstruct any internal revenue officer from inspecting any such document or taking any abstracts therefrom; or

“(E) fail or refuse to preserve or produce any such document, as required by this chapter or regulations issued pursuant thereto; or

“(F) permit any of the acts described in the preceding subparagraphs to be performed;

all interest of such person in the distillery, bonded warehouse, or rectifying or bottling establishment where such acts or omissions occur, and in the equipment thereon, and in the lot or tract of land on which such distillery, bonded warehouse, or rectifying or bottling establishment stands, and in all personal property on the premises of the distillery, bonded warehouse, or rectifying or bottling establishment where such acts or omissions occur, used in the business there carried on; and

“(6) UNLAWFUL REMOVAL OF DISTILLED SPIRITS.—All distilled spirits on which the tax has not been paid or determined which have been removed, other than as authorized by law, from the place of manufacture, storage, or instrument of transportation; and

“(7) CREATION OF FICTITIOUS PROOF.—All distilled spirits on which the tax has not been paid or determined as provided by law to which any ingredient or substance has been added for the purpose of creating fictitious proof.

"PART II—PENALTY AND FORFEITURE PROVISIONS APPLICABLE TO WINE AND WINE PRODUCTION

"Sec. 5661. Penalty and forfeiture for violation of laws and regulations relating to wine.

"Sec. 5662. Penalty for alteration of wine labels.

"Sec. 5663. Cross reference.

"SEC. 5661. PENALTY AND FORFEITURE FOR VIOLATION OF LAWS AND REGULATIONS RELATING TO WINE.

"(a) **FRAUDULENT OFFENSES.**—Whoever, with intent to defraud the United States, fails to pay any tax imposed upon wine or violates, or fails to comply with, any provision of subchapter F or subpart C of part I of subchapter A, or regulations issued pursuant thereto, or recovers or attempts to recover any spirits from wine, shall be fined not more than \$5,000, or imprisoned not more than 5 years, or both, for each such offense, and all products and materials used in any such violation shall be forfeited to the United States.

26 U.S.C. 5351-
5416, 5041-5045.

"(b) **OTHER OFFENSES.**—Any proprietor of premises subject to the provisions of subchapter F, or any employee or agent of such proprietor, or any other person, who otherwise than with intent to defraud the United States violates or fails to comply with any provision of subchapter F or subpart C of part I of subchapter A, or regulations issued pursuant thereto, or who aids or abets in any such violation, shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both, for each such offense.

"SEC. 5662. PENALTY FOR ALTERATION OF WINE LABELS.

"Any person who, without the permission of the Secretary or his delegate, so alters as to materially change the meaning of any stamp, mark, brand, or label required to appear upon any wine upon its removal from premises subject to the provisions of subchapter F, or from customs custody, or who, after such removal, represents any wine, whether in its original containers or otherwise, to be of an identity or origin other than its proper identity or origin as shown by such stamp, mark, brand, or label, or who, directly or indirectly, and whether by manner of packaging or advertising or any other form of representation, represents any still wine to be an effervescent wine or a substitute for an effervescent wine, shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both, for each such offense.

"SEC. 5663. CROSS REFERENCE.

"For penalties of common application pertaining to liquors, including wines, see part IV, and for penalties for rectified products, see part I.

"PART III—PENALTY, SEIZURE, AND FORFEITURE PRO- VISIONS APPLICABLE TO BEER AND BREWING

"Sec. 5671. Penalty and forfeiture for evasion of beer tax and fraudulent noncompliance with requirements.

"Sec. 5672. Penalty for failure of brewer to comply with requirements and to keep records and file returns.

"Sec. 5673. Forfeiture for flagrant and willful removal of beer without taxpayment.

"Sec. 5674. Penalty for unlawful removal of beer.

"Sec. 5675. Penalty for intentional removal or defacement of brewer's marks and brands.

"Sec. 5676. Penalties relating to beer stamps.

"SEC. 5671. PENALTY AND FORFEITURE FOR EVASION OF BEER TAX AND FRAUDULENT NONCOMPLIANCE WITH REQUIREMENTS.

"Whoever evades or attempts to evade any tax imposed by section 5051 or 5091, or with intent to defraud the United States fails or refuses to keep and file true and accurate records and returns as required by section 5415 and regulations issued pursuant thereto, shall be fined not more than \$5,000, or imprisoned not more than 5 years, or both, for each such offense, and shall forfeit all beer made by him or for him, and all the vessels, utensils, and apparatus used in making the same.

"SEC. 5672. PENALTY FOR FAILURE OF BREWER TO COMPLY WITH REQUIREMENTS AND TO KEEP RECORDS AND FILE RETURNS.

"Every brewer who, otherwise than with intent to defraud the United States, fails or refuses to keep the records and file the returns required by section 5415 and regulations issued pursuant thereto, or refuses to permit any internal revenue officer to inspect his records in the manner provided, or violates any of the provisions of subchapter G or regulations issued pursuant thereto shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both, for each such offense.

26 USC 5401-5416.

"SEC. 5673. FORFEITURE FOR FLAGRANT AND WILLFUL REMOVAL OF BEER WITHOUT TAXPAYMENT.

"For flagrant and willful removal of taxable beer for consumption or sale, with intent to defraud the United States of the tax thereon, all the right, title, and interest of each person who knowingly has suffered or permitted such removal, or has connived at the same, in the lands and buildings constituting the brewery shall be forfeited by a proceeding in rem in the District Court of the United States having jurisdiction thereof.

"SEC. 5674. PENALTY FOR UNLAWFUL REMOVAL OF BEER.

"Any brewer or other person who removes or in any way aids in the removal from any brewery of beer without complying with the provisions of this chapter or regulations issued pursuant thereto shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both.

"SEC. 5675. PENALTY FOR INTENTIONAL REMOVAL OR DEFACEMENT OF BREWER'S MARKS AND BRANDS.

"Every person other than the owner, or his agent authorized so to do, who intentionally removes or defaces any mark, brand, or label required by section 5412 and regulations issued pursuant thereto shall be liable to a penalty of \$50 for each barrel or other container from which such mark, brand, or label is so removed or defaced.

"SEC. 5676. PENALTIES RELATING TO BEER STAMPS.

"If stamps or other devices, evidencing the tax on beer or indicating compliance with the provisions of this chapter, are required by the Secretary or his delegate under section 5054, the following paragraphs shall apply—

"(1) **PENALTY FOR SALE, REMOVAL, OR RECEIPT WITHOUT PROPER STAMP OR DEVICE.**—Any brewer, or other person who sells, removes, receives, or purchases, or in any way aids in the sale, removal, receipt, or purchase of, any beer contained in any hogshead, barrel, keg, or other container from any brewery upon which the stamp, or device, in case of removal, has not been affixed, or on which a false or fraudulent stamp, or device, in case of removal is affixed with knowledge that it is such, or on which a stamp, or device, in case of removal, once cancelled, is used a second time,

shall be fined not more than \$1,000, or imprisoned for not more than 1 year, or both.

“(2) **PENALTY FOR WITHDRAWAL FROM IMPROPERLY STAMPED CONTAINERS OR WITHOUT DESTROYING STAMPS OR DEVICES.**—Any person who withdraws or aids in the withdrawal of any beer from any hogshead, barrel, keg, or other container, without destroying or defacing the stamp or device affixed thereon, or withdraws or aids in the withdrawal of any beer from any hogshead, barrel, keg, or other container, upon which the proper stamp or device has not been affixed or on which a false or fraudulent stamp or device is affixed, shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both.

“(3) **PENALTY FOR COUNTERFEITING STAMPS AND DEVICES AND TRAFFICKING IN USED STAMPS OR DEVICES.**—Every person who makes, sells, or uses any false or counterfeit stamp or device of the kind mentioned in section 5054 or regulations issued pursuant thereto, or who makes, sells, or uses any die for printing or making any such false or counterfeit stamp or device, or who procures the same to be done, and every person who shall remove, or cause to be removed, from any hogshead, barrel, keg or other container of beer, any stamp or device required by regulations issued pursuant to section 5054, with intent to reuse such stamp or device, or who, with intent to defraud the revenue, knowingly uses, or permits to be used, any stamp or device removed from another hogshead, barrel, keg, or other container, or receives, buys, sells, gives away, or has in his possession any such stamp or device so removed, or makes any fraudulent use of any such stamp or device for beer, shall be fined not more than \$5,000, or imprisoned not more than 5 years, or both.

“(4) **FORFEITURE OF UNSTAMPED CONTAINERS.**—The ownership or possession by any person of any beer in hogsheads, barrels, kegs, or other similar containers which do not bear the stamps or devices required by regulations issued pursuant to section 5054 shall render such hogsheads, barrels, kegs, and other similar containers, and the beer contained therein, liable to seizure wherever found and to forfeiture.

“(5) **PENALTY FOR REMOVAL OR DEFACEMENT OF STAMPS, DEVICES, OR LABELS.**—Every person who intentionally removes, alters, or defaces any stamp, device, or label required by section 5054 or regulations issued thereunder to be placed on containers of beer, other than in the manner and at the time required by law or regulations issued by the Secretary or his delegate, shall be liable to a fine of not more than \$500 for each such container from which the stamp, device, or label is removed, altered, or defaced.

“PART IV—PENALTY, SEIZURE, AND FORFEITURE PROVISIONS COMMON TO LIQUORS

“Sec. 5681. Penalty relating to signs.

“Sec. 5682. Penalty for breaking locks or gaining access.

“Sec. 5683. Penalty and forfeiture for removal of liquors under improper brands.

“Sec. 5684. Penalties relating to the payment and collection of liquor taxes.

“Sec. 5685. Penalty and forfeiture relating to possession of devices for emitting gas, smoke, etc., explosives and firearms, when violating liquor laws.

“Sec. 5686. Penalty for having, possessing, or using liquor or property intended to be used in violating provisions of this chapter.

“Sec. 5687. Penalty for offenses not specifically covered.

“Sec. 5688. Disposition and release of seized property.

“Sec. 5689. Penalty and forfeiture for tampering with a stamp machine.

“Sec. 5690. Definition of the term ‘person’.

"SEC. 5681. PENALTY RELATING TO SIGNS.

"(a) **FAILURE TO POST REQUIRED SIGN.**—Every person engaged in distilling, warehousing of distilled spirits, rectifying, or bottling of distilled spirits, and every wholesale dealer in liquors, who fails to post the sign required by section 5115 (a) or section 5180 (a) shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both.

"(b) **POSTING OR DISPLAYING FALSE SIGN.**—Every person, other than a distiller, warehouseman of distilled spirits, rectifier, or bottler of distilled spirits who has received notice of registration of his plant under the provisions of section 5171 (a), or other than a wholesale dealer in liquors who has paid the special tax (or who is exempt from payment of such special tax by reason of the provisions of section 5113 (a)), who puts up or keeps up any sign indicating that he may lawfully carry on the business of a distiller, bonded warehouseman, rectifier, bottler of distilled spirits, or wholesale dealer in liquors, as the case may be, shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both.

"(c) **PREMISES WHERE NO SIGN IS PLACED OR KEPT.**—Every person who works in any distillery, or in any rectifying, distilled spirits bottling, or wholesale liquor establishment, on which no sign required by section 5115 (a) or section 5180 (a) is placed or kept, and every person who knowingly receives at, or carries or conveys any distilled spirits to or from any such distillery, or to or from any such rectifying, distilled spirits bottling, or wholesale liquor establishment, or who knowingly carries or delivers any grain, molasses, or other raw material to any distillery on which said sign is not placed and kept, shall forfeit all vehicles, aircraft, or vessels used in carrying or conveying such property and shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both.

"(d) **PRESUMPTION.**—Whenever on trial for violation of subsection (c) by working in a distillery or rectifying establishment on which no sign required by section 5180 (a) is placed or kept, the defendant is shown to have been present at such premises, such presence of the defendant shall be deemed sufficient evidence to authorize conviction, unless the defendant explains such presence to the satisfaction of the jury (or of the court when tried without jury).

"SEC. 5682. PENALTY FOR BREAKING LOCKS OR GAINING ACCESS.

"Every person, who destroys, breaks, injures, or tampers with any lock or seal which may be placed on any room, building, tank, vessel, or apparatus, by any duly authorized internal revenue officer, or opens said lock, seal, room, building, tank, vessel, or apparatus, or in any manner gains access to the contents therein, in the absence of the proper officer, or otherwise than as authorized by law, shall be fined not more than \$5,000, or imprisoned not more than 3 years, or both.

"SEC. 5683. PENALTY AND FORFEITURE FOR REMOVAL OF LIQUORS UNDER IMPROPER BRANDS.

"Whenever any person ships, transports, or removes any distilled spirits, wines, or beer, under any other than the proper name or brand known to the trade as designating the kind and quality of the contents of the casks or packages containing the same, or causes such act to be done, he shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both, and shall forfeit such distilled spirits, wines, or beer, and casks or packages.

"SEC. 5684. PENALTIES RELATING TO THE PAYMENT AND COLLECTION OF LIQUOR TAXES.

"(a) **FAILURE TO PAY TAX.**—Whoever fails to pay any tax imposed by part I of subchapter A at the time prescribed shall, in addition to any other penalty provided in this title, be liable to a penalty of 5 percent of the tax due but unpaid.

“(b) FAILURE TO MAKE DEPOSIT OF TAXES.—Section 6656 relating to failure to make deposit of taxes shall apply to the failure to make any deposit of taxes imposed under part I of subchapter A on the date prescribed therefor, except that the penalty for such failure shall be 5 percent of the amount of the underpayment in lieu of the penalty provided by such section.

26 USC 6656.

26 USC 5001-5065.

“(c) APPLICABILITY OF SECTION 6659.—The penalties imposed by subsections (a) and (b) shall be assessed, collected, and paid in the same manner as taxes, as provided in section 6659 (a).

26 USC 6659.

“(d) CROSS REFERENCES.—

“(1) For provisions relating to interest in the case of taxes not paid when due, see section 6601.

“(2) For penalty for failure to file tax return, see section 6651.

“(3) For additional penalties for failure to pay tax, see section 6653.

“(4) For penalty for attempt to evade or defeat any tax imposed by this title, see section 7201.

“(5) For penalty for willful failure to file return, supply information, or pay tax, see section 7203.

“SEC. 5685. PENALTY AND FORFEITURE RELATING TO POSSESSION OF DEVICES FOR EMITTING GAS, SMOKE, ETC., EXPLOSIVES AND FIREARMS, WHEN VIOLATING LIQUOR LAWS.

“(a) PENALTY FOR POSSESSION OF DEVICES FOR EMITTING GAS, SMOKE, ETC.—Whoever, when violating any law of the United States, or of any Territory or possession of the United States, or of the District of Columbia, in regard to the manufacture, taxation, or transportation of or traffic in distilled spirits, wines, or beer, or when aiding in any such violation, has in his possession or in his control any device capable of causing emission of gas, smoke, or fumes, and which may be used for the purpose of hindering, delaying, or preventing pursuit or capture, any explosive, or any firearm (as defined in section 5848), except a machine gun, or a shotgun or rifle having a barrel or barrels less than 18 inches in length, shall be fined not more than \$5,000, or imprisoned not more than 10 years, or both, and all persons engaged in any such violation or in aiding in any such violation shall be held to be in possession or control of such device, firearm, or explosive.

“(b) PENALTY FOR POSSESSION OF MACHINE GUN, ETC.—Whoever, when violating any such law, has in his possession or in his control a machine gun, or any shotgun or rifle having a barrel or barrels less than 18 inches in length, shall be imprisoned not more than 20 years; and all persons engaged in any such violation or in aiding in any such violation shall be held to be in possession and control of such machine gun, shotgun, or rifle.

“(c) FORFEITURE OF FIREARMS, DEVICES, ETC.—Every such firearm or device for emitting gas, smoke, or fumes, and every such explosive, machine gun, shotgun, or rifle, in the possession or control of any person when violating any such law, shall be seized and shall be forfeited and disposed of in the manner provided by section 5862.

26 USC 5862.

“(d) DEFINITION OF MACHINE GUN.—As used in this section the term ‘machine gun’ means any weapon which shoots, or is designed to shoot, automatically or semiautomatically, more than one shot, without manual reloading, by a single function of the trigger.

“SEC. 5686. PENALTY FOR HAVING, POSSESSING, OR USING LIQUOR OR PROPERTY INTENDED TO BE USED IN VIOLATING PROVISIONS OF THIS CHAPTER.

“(a) GENERAL.—It shall be unlawful to have or possess any liquor or property intended for use in violating any provision of this chapter or regulations issued pursuant thereto, or which has been so used, and every person so having or possessing or using such liquor or property, shall be fined not more than \$5,000, or imprisoned not more than 1 year, or both.

“(b) CROSS REFERENCE.—

“For seizure and forfeiture of liquor and property had, possessed, or used in violation of subsection (a), see section 7302.

“SEC. 5687. PENALTY FOR OFFENSES NOT SPECIFICALLY COVERED.

“Whoever violates any provision of this chapter or regulations issued pursuant thereto, for which a specific criminal penalty is not prescribed by this chapter, shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both, for each such offense.

“SEC. 5688. DISPOSITION AND RELEASE OF SEIZED PROPERTY.

“(a) FORFEITURE.—

“(1) DELIVERY.—All distilled spirits, wines, and beer forfeited, summarily or by order of court, under any law of the United States, shall be delivered to the Administrator of General Services to be disposed of as hereinafter provided.

“(2) DISPOSAL.—The Administrator of General Services shall dispose of all distilled spirits, wines, and beer which have been delivered to him pursuant to paragraph (1)—

“(A) by delivery to such Government agencies as, in his opinion, have a need for such distilled spirits, wines, or beer for medicinal, scientific, or mechanical purposes, or for any other official purpose for which appropriated funds may be expended by a Government agency; or

“(B) by gifts to such eleemosynary institutions as, in his opinion, have a need for such distilled spirits, wines, or beer for medicinal purposes; or

“(C) by destruction.

“(3) LIMITATION ON DISPOSAL.—Except as otherwise provided by law, no distilled spirits, wines, or beer which have been seized under any law of the United States may be disposed of in any manner whatsoever except after forfeiture and as provided in this subsection.

“(4) REGULATIONS.—The Administrator of General Services is authorized to make all rules and regulations necessary to carry out the provisions of this subsection.

“(5) REMISSION OR MITIGATION OF FORFEITURES.—Nothing in this section shall affect the authority of the Secretary or his delegate, under the customs or internal revenue laws, to remit or mitigate the forfeiture, or alleged forfeiture, of such distilled spirits, wines, or beer, or the authority of the Secretary or his delegate, to compromise any civil or criminal case in respect of such distilled spirits, wines, or beer prior to commencement of suit thereon, or the authority of the Secretary or his delegate to compromise any claim under the customs laws in respect to such distilled spirits, wines, or beer.

“(b) DISTRAINT OR JUDICIAL PROCESS.—Except as provided in section 5243, all distilled spirits sold by order of court, or under process of distraint, shall be sold subject to tax; and the purchaser shall immediately, and before he takes possession of said spirits, pay the tax thereon, pursuant to the applicable provisions of this chapter and in accordance with regulations to be prescribed by the Secretary or his delegate.

“(c) RELEASE OF SEIZED VESSELS OR VEHICLES BY COURTS.—Notwithstanding any provisions of law relating to the return on bond of any vessel or vehicle seized for the violation of any law of the United States, the court having jurisdiction of the subject matter may, in its discretion and upon good cause shown by the United States, refuse to order such return of any such vessel or vehicle to the claimant thereof. As used in this subsection, the word ‘vessel’ includes every description of watercraft used, or capable of being used, as a means

of transportation in water or in water and air; and the word 'vehicle' includes every animal and description of carriage or other contrivance used, or capable of being used, as a means of transportation on land or through the air.

"SEC. 5689. PENALTY AND FORFEITURE FOR TAMPERING WITH A STAMP MACHINE.

"Whoever manufactures, procures, possesses, uses, or tampers with a tax-stamp machine which may be required under section 5061 (b) with intent to evade the internal revenue tax imposed on distilled spirits, rectified spirits, wines, or beer, and whoever, with intent to defraud, makes, alters, simulates, or counterfeits any stamp of the character imprinted by such stamp machines, or who procures, possesses, uses, or sells any forged, altered, counterfeited, or simulated tax stamp, or any plate, die, or device intended for use in forging, altering, counterfeiting, or simulating any such stamps, shall be fined not more than \$10,000, or imprisoned not more than 5 years, or both, and any machine, device, equipment, or materials used in violation of this section shall be forfeited to the United States and after condemnation shall be destroyed. But this provision shall not exclude any other penalty or forfeiture provided by law.

"SEC. 5690. DEFINITION OF THE TERM 'PERSON'.

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

"PART V—PENALTIES APPLICABLE TO OCCUPATIONAL TAXES

"Sec. 5691. Penalties for nonpayment of special taxes relating to liquors.

"Sec. 5692. Penalties relating to posting of special tax stamps.

"SEC. 5691. PENALTIES FOR NONPAYMENT OF SPECIAL TAXES RELATING TO LIQUORS.

"(a) GENERAL.—Any person who shall carry on the business of a brewer, rectifier, wholesale dealer in liquors, retail dealer in liquors, wholesale dealer in beer, retail dealer in beer, limited retail dealer, or manufacturer of stills, and willfully fail to pay the special tax as required by law, shall be fined not more than \$5,000, or imprisoned not more than 2 years, or both, for each such offense.

"(b) PRESUMPTION IN CASE OF THE SALE OF 20 WINE GALLONS OR MORE.—For the purposes of this chapter, the sale, or offer for sale, of distilled spirits, wines, or beer, in quantities of 20 wine gallons or more to the same person at the same time, shall be presumptive evidence that the person making such sale, or offer for sale, is engaged in or carrying on the business of a wholesale dealer in liquors or a wholesale dealer in beer, as the case may be. Such presumption may be overcome by evidence satisfactorily showing that such sale, or offer for sale, was made to a person other than a dealer, as defined in section 5112 (a).

"SEC. 5692. PENALTIES RELATING TO POSTING OF SPECIAL TAX STAMPS.

"For penalty for failure to post special tax stamps, see section 7273 (a)."

SEC. 202. AMENDMENT OF CHAPTER 52 OF THE INTERNAL REVENUE CODE OF 1954.

26 U.S.C. 5701-5763.

Chapter 52 of the Internal Revenue Code of 1954 is amended to read as follows:

“CHAPTER 52—TOBACCO, CIGARS, CIGARETTES, AND CIGARETTE PAPERS AND TUBES

“SUBCHAPTER A. Definitions; rate and payment of tax; exemption from tax; and refund and drawback of tax.

“SUBCHAPTER B. Qualification requirements for manufacturers of tobacco products and cigarette papers and tubes, export warehouse proprietors, and dealers in tobacco materials.

“SUBCHAPTER C. Operations by manufacturers and importers of tobacco products and cigarette papers and tubes and export warehouse proprietors.

“SUBCHAPTER D. Operations by dealers in tobacco materials.

“SUBCHAPTER E. Records of manufacturers of tobacco products and cigarette papers and tubes, export warehouse proprietors, and dealers in tobacco materials.

“SUBCHAPTER F. General provisions.

“SUBCHAPTER G. Penalties and forfeitures.

“Subchapter A—Definitions; Rate and Payment of Tax; Exemption From Tax; and Refund and Drawback of Tax

“Sec. 5701. Rate of tax.

“Sec. 5702. Definitions.

“Sec. 5703. Liability for tax and method of payment.

“Sec. 5704. Exemption from tax.

“Sec. 5705. Refund or allowance of tax.

“Sec. 5706. Drawback of tax.

“Sec. 5707. Floor stocks refund on cigarettes.

“Sec. 5708. Losses caused by disaster.

“SEC. 5701. RATE OF TAX.

“(a) TOBACCO.—On tobacco, manufactured in or imported into the United States, there shall be imposed a tax of 10 cents per pound.

“(b) CIGARS.—On cigars, manufactured in or imported into the United States, there shall be imposed the following taxes:

“(1) SMALL CIGARS.—On cigars, weighing not more than 3 pounds per thousand, 75 cents per thousand;

“(2) LARGE CIGARS.—On cigars, weighing more than 3 pounds per thousand;

“(A) If removed to retail at not more than 2½ cents each, \$2.50 per thousand;

“(B) If removed to retail at more than 2½ cents each and not more than 4 cents each, \$3 per thousand;

“(C) If removed to retail at more than 4 cents each and not more than 6 cents each, \$4 per thousand;

“(D) If removed to retail at more than 6 cents each and not more than 8 cents each, \$7 per thousand;

“(E) If removed to retail at more than 8 cents each and not more than 15 cents each, \$10 per thousand;

“(F) If removed to retail at more than 15 cents each and not more than 20 cents each, \$15 per thousand;

“(G) If removed to retail at more than 20 cents each, \$20 per thousand.

In determining the retail price, for tax purposes, regard shall be had to the ordinary retail price of a single cigar in its principal market, exclusive of any State or local taxes imposed on the retail sale of cigars.

Cigars not exempt from tax under this chapter which are removed but not intended for sale shall be taxed at the same rate as similar cigars removed for sale.

“(c) CIGARETTES.—On cigarettes, manufactured in or imported into the United States, there shall be imposed the following taxes:

“(1) SMALL CIGARETTES.—On cigarettes, weighing not more than 3 pounds per thousand, \$4 per thousand until July 1, 1959, and \$3.50 per thousand on and after July 1, 1959;

“(2) LARGE CIGARETTES.—On cigarettes, weighing more than 3 pounds per thousand, \$8.40 per thousand; except that, if more than 6½ inches in length, they shall be taxable at the rate prescribed for cigarettes weighing not more than 3 pounds per thousand, counting each 2¾ inches, or fraction thereof, of the length of each as one cigarette.

“(d) CIGARETTE PAPERS.—On each book or set of cigarette papers containing more than 25 papers, manufactured in or imported into the United States, there shall be imposed a tax of ½ cent for each 50 papers or fractional part thereof; except that, if cigarette papers measure more than 6½ inches in length, they shall be taxable at the rate prescribed, counting each 2¾ inches, or fraction thereof, of the length of each as one cigarette paper.

“(e) CIGARETTE TUBES.—On cigarette tubes, manufactured in or imported into the United States, there shall be imposed a tax of 1 cent for each 50 tubes or fractional part thereof, except that if cigarette tubes measure more than 6½ inches in length, they shall be taxable at the rate prescribed, counting each 2¾ inches, or fraction thereof, of the length of each as one cigarette tube.

“(f) IMPORTED TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES.—The taxes imposed by this section on tobacco products and cigarette papers and tubes imported into the United States shall be in addition to any import duties imposed on such articles.

“SEC. 5702. DEFINITIONS.

“When used in this chapter—

“(a) MANUFACTURED TOBACCO.—‘Manufactured tobacco’ means tobacco (other than cigars and cigarettes) prepared, processed, manipulated, or packaged, for removal, or merely removed, for consumption by smoking or for use in the mouth or nose, and any tobacco (other than cigars and cigarettes), not exempt from tax under this chapter, sold or delivered to any person contrary to this chapter or regulations prescribed thereunder.

“(b) CIGAR.—‘Cigar’ means any roll of tobacco wrapped in tobacco.

“(c) CIGARETTE.—‘Cigarette’ means any roll of tobacco, wrapped in paper or any substance other than tobacco.

“(d) TOBACCO PRODUCTS.—‘Tobacco products’ means manufactured tobacco, cigars, and cigarettes.

“(e) MANUFACTURER OF TOBACCO PRODUCTS.—‘Manufacturer of tobacco products’ means any person who manufactures cigars or cigarettes, or who prepares, processes, manipulates, or packages, for removal, or merely removes, tobacco (other than cigars and cigarettes) for consumption by smoking or for use in the mouth or nose, or who sells or delivers any tobacco (other than cigars and cigarettes) contrary to this chapter or regulations prescribed thereunder. The term ‘manufacturer of tobacco products’ shall not include—

“(1) a person who in any manner prepares tobacco, or produces cigars or cigarettes, solely for his own personal consumption or use; or

“(2) a proprietor of a customs bonded manufacturing warehouse with respect to the operation of such warehouse; or

"(3) a farmer or grower of tobacco with respect to the sale of leaf tobacco of his own growth or raising, if it is in the condition as cured on the farm; or

"(4) a bona fide association of farmers or growers of tobacco with respect to sales of leaf tobacco grown by farmer or grower members, if the tobacco so sold is in the condition as cured on the farm, and if the association maintains records of all leaf tobacco, acquired or received and sold or otherwise disposed of, in such manner as the Secretary or his delegate shall by regulations prescribe.

"(f) CIGARETTE PAPER.—'Cigarette paper' means paper, or any other material except tobacco, prepared for use as a cigarette wrapper.

"(g) CIGARETTE PAPERS.—'Cigarette papers' means taxable books or sets of cigarette papers.

"(h) CIGARETTE TUBE.—'Cigarette tube' means cigarette paper made into a hollow cylinder for use in making cigarettes.

"(i) MANUFACTURER OF CIGARETTE PAPERS AND TUBES.—'Manufacturer of cigarette papers and tubes' means any person who makes up cigarette paper into books or sets containing more than 25 papers each, or into tubes, except for his own personal use or consumption.

"(j) EXPORT WAREHOUSE.—'Export warehouse' means a bonded internal revenue warehouse for the storage of tobacco products and cigarette papers and tubes, upon which the internal revenue tax has not been paid, for subsequent shipment to a foreign country, Puerto Rico, the Virgin Islands, or a possession of the United States, or for consumption beyond the jurisdiction of the internal revenue laws of the United States.

"(k) EXPORT WAREHOUSE PROPRIETOR.—'Export warehouse proprietor' means any person who operates an export warehouse.

"(l) TOBACCO MATERIALS.—'Tobacco materials' means tobacco other than manufactured tobacco, cigars, and cigarettes.

"(m) DEALER IN TOBACCO MATERIALS.—'Dealer in tobacco materials' means any person who receives and handles tobacco materials for sale, shipment, or delivery to another dealer in such materials, to a manufacturer of tobacco products, or to a foreign country, Puerto Rico, the Virgin Islands, or a possession of the United States, or who receives tobacco materials, other than stems and waste, for use by him in the production of fertilizer, insecticide, or nicotine. The term 'dealer in tobacco materials' shall not include—

"(1) an operator of a warehouse who stores tobacco materials solely for a qualified dealer in tobacco materials, for a qualified manufacturer of tobacco products, for a farmer or grower of tobacco, or for a bona fide association of farmers or growers of tobacco; or

"(2) a farmer or grower of tobacco with respect to the sale of leaf tobacco of his own growth or raising, or a bona fide association of farmers or growers of tobacco with respect to sales of leaf tobacco grown by farmer or grower members, if the tobacco so sold is in the condition as cured on the farm: *Provided*, That such association maintains records of all leaf tobacco acquired or received and sold or otherwise disposed of by the association, in such manner as the Secretary or his delegate shall by regulation prescribe; or

"(3) a person who buys leaf tobacco on the floor of an auction warehouse, or who buys leaf tobacco from a farmer or grower, and places the tobacco on the floor of such a warehouse, or who purchases and sells warehouse receipts without taking physical possession of the tobacco covered thereby; or

"(4) a qualified manufacturer of tobacco products with respect to tobacco materials received by him under his bond as such a manufacturer.

"(n) REMOVAL OR REMOVE.—'Removal' or 'remove' means the removal of tobacco products or cigarette papers or tubes from the factory or from internal revenue bond, as the Secretary or his delegate shall by regulation prescribe, or release from customs custody, and shall also include the smuggling or other unlawful importation of such articles into the United States.

"(o) IMPORTER.—'Importer' means any person in the United States to whom nontaxpaid tobacco products or cigarette papers or tubes manufactured in a foreign country, Puerto Rico, the Virgin Islands, or a possession of the United States are shipped or consigned; any person who removes cigars or cigarettes for sale or consumption in the United States from a customs bonded manufacturing warehouse; and any person who smuggles or otherwise unlawfully brings tobacco products or cigarette papers or tubes into the United States.

"SEC. 5703. LIABILITY FOR TAX AND METHOD OF PAYMENT.

"(a) LIABILITY FOR TAX.—

"(1) ORIGINAL LIABILITY.—The manufacturer or importer of tobacco products and cigarette papers and tubes shall be liable for the taxes imposed thereon by section 5701.

"(2) TRANSFER OF LIABILITY.—When tobacco products and cigarette papers and tubes are transferred, without payment of tax, pursuant to section 5704, the liability for tax shall be transferred in accordance with the provisions of this paragraph. When tobacco products and cigarette papers and tubes are transferred between the bonded premises of manufacturers and export warehouse proprietors, the transferee shall become liable for the tax upon receipt by him of such articles, and the transferor shall thereupon be relieved of his liability for such tax. When tobacco products and cigarette papers and tubes are released in bond from customs custody for transfer to the bonded premises of a manufacturer of tobacco products or cigarette papers and tubes, the transferee shall become liable for the tax on such articles upon release from customs custody, and the importer shall thereupon be relieved of his liability for such tax.

"(b) METHOD OF PAYMENT OF TAX.—The taxes imposed by section 5701 shall be determined at the time of removal of the tobacco products and cigarette papers and tubes. Such taxes shall be paid on the basis of a return, except that the taxes shall continue to be paid by stamp until the Secretary or his delegate provides, by regulations, for the payment of the taxes on the basis of a return. The Secretary or his delegate shall, by regulations, prescribe the period or event for which such return shall be made, the information to be furnished on such return, the time for making such return, and the time for payment of such taxes. Any postponement under this subsection of the payment of taxes determined at the time of removal shall be conditioned upon the filing of such additional bonds, and upon compliance with such requirements, as the Secretary or his delegate may, by regulations, prescribe for the protection of the revenue. The Secretary or his delegate may, by regulations, require payment of tax on the basis of a return prior to removal of the tobacco products and cigarette papers and tubes where a person defaults in the postponed payment of tax on the basis of a return under this subsection or regulations prescribed thereunder. All administrative and penal provisions of this title, insofar as applicable, shall apply to any tax imposed by section 5701.

“(c) **STAMPS TO EVIDENCE THE TAX.**—If the Secretary or his delegate shall by regulation provide for the payment of tax by return and require the use of stamps to evidence the tax imposed by this chapter or to indicate compliance therewith, the Secretary or his delegate shall cause to be prepared suitable stamps to be issued to manufacturers and importers of tobacco products, to be used and accounted for, in accordance with such regulations as the Secretary or his delegate shall prescribe.

“(d) **USE OF GOVERNMENT DEPOSITARIES.**—The Secretary or his delegate may authorize Federal Reserve banks, and incorporated banks or trust companies which are depositaries or financial agents of the United States, to receive any tax imposed by this chapter, in such manner, at such times, and under such conditions as he may prescribe; and he shall prescribe the manner, time, and condition under which the receipt of such tax by such banks and trust companies is to be treated as payment for tax purposes.

“(e) **ASSESSMENT.**—Whenever any tax required to be paid by this chapter is not paid in full at the time required for such payment, it shall be the duty of the Secretary or his delegate, subject to the limitations prescribed in section 6501, on proof satisfactory to him, to determine the amount of tax which has been omitted to be paid, and to make an assessment therefor against the person liable for the tax. The tax so assessed shall be in addition to the penalties imposed by law for failure to pay such tax when required. Except in cases where delay may jeopardize collection of the tax, or where the amount is nominal or the result of an evident mathematical error, no such assessment shall be made until and after the person liable for the tax has been afforded reasonable notice and opportunity to show cause, in writing, against such assessment.

“SEC. 5704. EXEMPTION FROM TAX.

“(a) **TOBACCO PRODUCTS FURNISHED FOR EMPLOYEE USE OR EXPERIMENTAL PURPOSES.**—Tobacco products may be furnished by a manufacturer of such products, without payment of tax, for use or consumption by employees or for experimental purposes, in such quantities, and in such manner as the Secretary or his delegate shall by regulation prescribe.

“(b) **TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES TRANSFERRED OR REMOVED IN BOND FROM DOMESTIC FACTORIES AND EXPORT WAREHOUSES.**—A manufacturer or export warehouse proprietor may transfer tobacco products and cigarette papers and tubes, without payment of tax, to the bonded premises of another manufacturer or export warehouse proprietor, or remove such articles, without payment of tax, for shipment to a foreign country, Puerto Rico, the Virgin Islands, or a possession of the United States, or for consumption beyond the jurisdiction of the internal revenue laws of the United States; and manufacturers may similarly remove such articles for use of the United States; in accordance with such regulations and under such bonds as the Secretary or his delegate shall prescribe.

“(c) **TOBACCO MATERIALS SHIPPED OR DELIVERED IN BOND.**—A dealer in tobacco materials or a manufacturer of tobacco products may ship or deliver tobacco materials, without payment of tax, to another such dealer or manufacturer, or to a foreign country, Puerto Rico, the Virgin Islands, or a possession of the United States; or, in the case of tobacco stems and waste only, to any person for use by him as fertilizer or insecticide or in the production of fertilizer, insecticide, or nicotine; in accordance with such regulations and under such bonds as the Secretary or his delegate shall prescribe.

"(d) **TOBACCO PRODUCTS, CIGARETTE PAPERS AND TUBES, AND TOBACCO MATERIALS RELEASED IN BOND FROM CUSTOMS CUSTODY.**—Tobacco products, cigarette papers and tubes, and tobacco materials, imported or brought into the United States, may be released from customs custody, without payment of tax, for delivery to a manufacturer of tobacco products or cigarette papers and tubes and such tobacco materials may be similarly released for delivery to a dealer in tobacco materials, in accordance with such regulations and under such bond as the Secretary or his delegate shall prescribe.

"SEC. 5705. REFUND OR ALLOWANCE OF TAX.

"(a) **REFUND.**—Refund of any tax imposed by this chapter shall be made (without interest) to the manufacturer, importer, or export warehouse proprietor, on proof satisfactory to the Secretary or his delegate that the claimant manufacturer, importer, or export warehouse proprietor has paid the tax on tobacco products and cigarette papers and tubes withdrawn by him from the market; or on such articles lost (otherwise than by theft) or destroyed, by fire, casualty, or act of God, while in the possession or ownership of the claimant.

"(b) **ALLOWANCE.**—If the tax has not yet been paid on tobacco products and cigarette papers and tubes proved to have been withdrawn from the market or lost or destroyed as aforesaid, relief from the tax on such articles may be extended upon the filing of a claim for allowance therefor in accordance with such regulations as the Secretary or his delegate shall prescribe.

"(c) **LIMITATION.**—Any claim for refund of tax under this section shall be filed within 6 months after the date of the withdrawal from the market, loss, or destruction of the articles to which the claim relates, and shall be in such form and contain such information as the Secretary or his delegate shall by regulations prescribe.

"SEC. 5706. DRAWBACK OF TAX.

"There shall be an allowance of drawback of tax paid on tobacco products and cigarette papers and tubes, when shipped from the United States, in accordance with such regulations and upon the filing of such bond as the Secretary or his delegate shall prescribe.

"SEC. 5707. FLOOR STOCKS REFUND ON CIGARETTES.

"(a) **IN GENERAL.**—With respect to cigarettes, weighing not more than 3 pounds per thousand, upon which the tax imposed by subsection (c) (1) of section 5701 has been paid, and which, on July 1, 1959, are held by any person and intended for sale, or are in transit from foreign countries or insular possessions of the United States to any person in the United States for sale, there shall be credited or refunded to such person (without interest), subject to such regulations as shall be prescribed by the Secretary or his delegate, an amount equal to the difference between the tax paid on such cigarettes and the tax made applicable to such articles on July 1, 1959, if claim for such credit or refund is filed with the Secretary or his delegate before October 1, 1959.

"(b) **LIMITATIONS ON ELIGIBILITY FOR CREDIT OR REFUND.**—No person shall be entitled to credit or refund under subsection (a) unless such person, for such period or periods both before and after July 1, 1959 (but not extending beyond 1 year thereafter), as the Secretary

or his delegate shall by regulation prescribe, makes and keeps, and files with the Secretary or his delegate, such records of inventories, sales, and purchases as may be prescribed in such regulations.

"(c) **PENALTY AND ADMINISTRATIVE PROCEDURES.**—All provisions of law, including penalties, applicable in respect of internal revenue taxes on cigarettes shall, insofar as applicable and not inconsistent with this section, be applicable in respect of the credits and refunds provided for in this section to the same extent as if such credits or refunds constituted credits or refunds of such taxes.

"SEC. 5708. LOSSES CAUSED BY DISASTER.

64 Stat. 1109.

"(a) **AUTHORIZATION.**—Where the President has determined under the Act of September 30, 1950 (42 U. S. C., sec. 1855), that a 'major disaster' as defined in such Act has occurred in any part of the United States, the Secretary or his delegate shall pay (without interest) an amount equal to the amount of the internal revenue taxes paid or determined and customs duties paid on tobacco products and cigarette papers and tubes removed, which were lost, rendered unmarketable, or condemned by a duly authorized official by reason of such disaster occurring in such part of the United States on and after the effective date of this section, if such tobacco products or cigarette papers or tubes were held and intended for sale at the time of such disaster. The payments authorized by this section shall be made to the person holding such tobacco products or cigarette papers or tubes for sale at the time of such disaster.

"(b) **CLAIMS.**—No claim shall be allowed under this section unless—

"(1) filed within 6 months after the date on which the President makes the determination that the disaster referred to in subsection (a) has occurred; and

"(2) the claimant furnishes proof to the satisfaction of the Secretary or his delegate that—

"(A) he was not indemnified by any valid claim of insurance or otherwise in respect of the tax, or tax and duty, on the tobacco products or cigarette papers or tubes covered by the claim, and

"(B) he is entitled to payment under this section.

Claims under this section shall be filed under such regulations as the Secretary or his delegate shall prescribe.

"(c) **DESTRUCTION OF TOBACCO PRODUCTS OR CIGARETTE PAPERS OR TUBES.**—Before the Secretary or his delegate makes payment under this section in respect of the tax, or tax and duty, on the tobacco products or cigarette papers or tubes condemned by a duly authorized official or rendered unmarketable, such tobacco products or cigarette papers or tubes shall be destroyed under such supervision as the Secretary or his delegate may prescribe, unless such tobacco products or cigarette papers or tubes were previously destroyed under supervision satisfactory to the Secretary or his delegate.

"(d) **OTHER LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect of internal revenue taxes on tobacco products and cigarette papers and tubes shall, insofar as applicable and not inconsistent with this section, be applied in respect of the payments provided for in this section to the same extent as if such payments constituted refunds of such taxes.

“Subchapter B—Qualification Requirements for Manufacturers of Tobacco Products and Cigarette Papers and Tubes, Export Warehouse Proprietors, and Dealers in Tobacco Materials

“Sec. 5711. Bond.

“Sec. 5712. Application for permit.

“Sec. 5713. Permit.

“SEC. 5711. BOND.

“(a) **WHEN REQUIRED.**—Every person, before commencing business as a manufacturer of tobacco products or cigarette papers and tubes, as an export warehouse proprietor, or as a dealer in tobacco materials, shall file such bond, conditioned upon compliance with this chapter and regulations issued thereunder, in such form, amount, and manner as the Secretary or his delegate shall by regulation prescribe. A new or additional bond may be required whenever the Secretary or his delegate considers such action necessary for the protection of the revenue.

“(b) **APPROVAL OR DISAPPROVAL.**—No person shall engage in such business until he receives notice of approval of such bond. A bond may be disapproved, upon notice to the principal on the bond, if the Secretary or his delegate determines that the bond is not adequate to protect the revenue.

“(c) **CANCELLATION.**—Any bond filed hereunder may be canceled, upon notice to the principal on the bond, whenever the Secretary or his delegate determines that the bond no longer adequately protects the revenue.

“SEC. 5712. APPLICATION FOR PERMIT.

“Every person, before commencing business as a manufacturer of tobacco products or as an export warehouse proprietor, and at such other time as the Secretary or his delegate shall by regulation prescribe, shall make application for the permit provided for in section 5713. The application shall be in such form as the Secretary or his delegate shall prescribe and shall set forth, truthfully and accurately, the information called for on the form. Such application may be rejected and the permit denied if the Secretary or his delegate, after notice and opportunity for hearing, finds that—

“(1) the premises on which it is proposed to conduct the business are not adequate to protect the revenue; or

“(2) such person (including, in the case of a corporation, any officer, director, or principal stockholder and, in the case of a partnership, a partner) is, by reason of his business experience, financial standing, or trade connections, not likely to maintain operations in compliance with this chapter, or has failed to disclose any material information required or made any material false statement in the application therefor.

No person subject to this section, who is lawfully engaged in business on the date of the enactment of the Excise Tax Technical Changes Act of 1958, shall be denied the right to carry on such business pending reasonable opportunity to make application for permit and final action thereon.

“SEC. 5713. PERMIT.

“(a) **ISSUANCE.**—A person shall not engage in business as a manufacturer of tobacco products or as an export warehouse proprietor without a permit to engage in such business. Such permit, conditioned upon compliance with this chapter and regulations issued thereunder, shall be issued in such form and in such manner as the Secretary

or his delegate shall by regulation prescribe, to every person properly qualified under sections 5711 and 5712. A new permit may be required at such other time as the Secretary or his delegate shall by regulation prescribe.

“(b) **REVOCATION.**—If the Secretary or his delegate has reason to believe that any person holding a permit has not in good faith complied with this chapter, or with any other provision of this title involving intent to defraud, or has violated the conditions of such permit, or has failed to disclose any material information required or made any material false statement in the application for such permit, or has failed to maintain his premises in such manner as to protect the revenue, the Secretary or his delegate shall issue an order, stating the facts charged, citing such person to show cause why his permit should not be suspended or revoked. If, after hearing, the Secretary or his delegate finds that such person has not in good faith complied with this chapter or with any other provision of this title involving intent to defraud, has violated the conditions of such permit, has failed to disclose any material information required or made any material false statement in the application therefor, or has failed to maintain his premises in such manner as to protect the revenue, such permit shall be suspended for such period as the Secretary or his delegate deems proper or shall be revoked.

“Subchapter C—Operations by Manufacturers and Importers of Tobacco Products and Cigarette Papers and Tubes and Export Warehouse Proprietors

“Sec. 5721. Inventories.

“Sec. 5722. Reports.

“Sec. 5723. Packages, marks, labels, notices, and stamps.

“SEC. 5721. INVENTORIES.

“Every manufacturer of tobacco products or cigarette papers and tubes, and every export warehouse proprietor, shall make a true and accurate inventory at the time of commencing business, at the time of concluding business, and at such other times, in such manner and form, and to include such items, as the Secretary or his delegate shall by regulation prescribe. Such inventories shall be subject to verification by any internal revenue officer.

“SEC. 5722. REPORTS.

“Every manufacturer of tobacco products or cigarette papers and tubes, and every export warehouse proprietor, shall make reports containing such information, in such form, at such times, and for such periods as the Secretary or his delegate shall by regulation prescribe.

“SEC. 5723. PACKAGES, MARKS, LABELS, NOTICES, AND STAMPS.

“(a) **PACKAGES.**—All tobacco products and cigarette papers and tubes shall, before removal, be put up in such packages as the Secretary or his delegate shall by regulation prescribe.

“(b) **MARKS, LABELS, NOTICES, AND STAMPS.**—Every package of tobacco products or cigarette papers or tubes shall, before removal, bear the marks, labels, notices, and stamps, if any, that the Secretary or his delegate by regulation prescribes.

“(c) **LOTTERY FEATURES.**—No certificate, coupon, or other device purporting to be or to represent a ticket, chance, share, or an interest in, or dependent on, the event of a lottery shall be contained in, attached to, or stamped, marked, written, or printed on any package of tobacco products or cigarette papers or tubes.

“(d) **INDECENT OR IMMORAL MATERIAL PROHIBITED.**—No indecent or immoral picture, print, or representation shall be contained in, attached to, or stamped, marked, written, or printed on any package of tobacco products or cigarette papers or tubes.

“(e) **EXCEPTIONS.**—Tobacco products furnished by manufacturers of such products for use or consumption by their employees, or for experimental purposes, and tobacco products and cigarette papers and tubes transferred to the bonded premises of another manufacturer or export warehouse proprietor or released in bond from customs custody for delivery to a manufacturer of tobacco products or cigarette papers and tubes, may be exempted from subsections (a) and (b) in accordance with such regulations as the Secretary or his delegate shall prescribe.

“Subchapter D—Operations by Dealers in Tobacco Materials

“Sec. 5731. Shipments and deliveries restricted.

“Sec. 5732. Inventory, and statement of shipments and deliveries.

“SEC. 5731. SHIPMENTS AND DELIVERIES RESTRICTED.

“Every dealer in tobacco materials shall make all shipments or deliveries of tobacco materials in accordance with such regulations as the Secretary or his delegate shall prescribe. Tobacco materials shipped or delivered in violation of such regulations shall be subject to tax as manufactured tobacco and the dealer shipping or delivering the same shall be subject as a manufacturer of tobacco to the provisions of this chapter.

“SEC. 5732. INVENTORY, AND STATEMENT OF SHIPMENTS AND DELIVERIES.

“A dealer in tobacco materials shall make, upon demand of any internal revenue officer, a true and accurate inventory of all such materials held by the dealer, and shall, upon similar demand, furnish a true and complete statement of the quantity of such materials shipped or delivered to any person named in such demand.

“Subchapter E—Records of Manufacturers of Tobacco Products and Cigarette Papers and Tubes, Export Warehouse Proprietors, and Dealers in Tobacco Materials

“Sec. 5741. Records to be maintained.

“SEC. 5741. RECORDS TO BE MAINTAINED.

“Every manufacturer of tobacco products or cigarette papers and tubes, every export warehouse proprietor, and every dealer in tobacco materials shall keep such records in such manner as the Secretary or his delegate shall by regulation prescribe.

“Subchapter F—General Provisions

“Sec. 5751. Purchase, receipt, possession, or sale of tobacco products and cigarette papers and tubes, after removal.

“Sec. 5752. Restrictions relating to marks, labels, notices, stamps, and packages.

“Sec. 5753. Disposal of forfeited, condemned, and abandoned tobacco products, cigarette papers and tubes, and tobacco materials.

"SEC. 5751. PURCHASE, RECEIPT, POSSESSION, OR SALE OF TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES, AFTER REMOVAL.

"(a) RESTRICTION.—No person shall—

"(1) with intent to defraud the United States, purchase, receive, possess, offer for sale, or sell or otherwise dispose of, after removal, any tobacco products or cigarette papers or tubes—

"(A) upon which the tax has not been paid or determined in the manner and at the time prescribed by this chapter or regulations thereunder; or

"(B) which, after removal without payment of tax pursuant to section 5704, have been diverted from the applicable purpose or use specified in that section; or

"(2) with intent to defraud the United States, purchase, receive, possess, offer for sale, or sell or otherwise dispose of, after removal, any tobacco products or cigarette papers or tubes, which are not put up in packages as required under section 5723 or which are put up in packages not bearing the marks, labels, notices, and stamps, as required under such section; or

"(3) otherwise than with intent to defraud the United States, purchase, receive, possess, offer for sale, or sell or otherwise dispose of, after removal, any tobacco products or cigarette papers or tubes, which are not put up in packages as required under section 5723 or which are put up in packages not bearing the marks, labels, notices, and stamps, as required under such section. This paragraph shall not prevent the sale or delivery of tobacco products or cigarette papers or tubes directly to consumers from proper packages, nor apply to such articles when so sold or delivered.

"(b) LIABILITY TO TAX.—Any person who possesses tobacco products or cigarette papers or tubes in violation of subsection (a) (1) or (a) (2) shall be liable for a tax equal to the tax on such articles.

"SEC. 5752. RESTRICTIONS RELATING TO MARKS, LABELS, NOTICES, STAMPS, AND PACKAGES.

"No person shall, with intent to defraud the United States—

"(a) destroy, obliterate, or detach any mark, label, notice, or stamp prescribed or authorized, by this chapter or regulations thereunder, to appear on, or be affixed to, any package of tobacco products or cigarette papers or tubes, before such package is emptied; or

"(b) empty any package of tobacco products or cigarette papers or tubes without destroying any stamp thereon to evidence the tax or indicate compliance with this chapter, prescribed by this chapter or regulations thereunder to be affixed to such package; or

"(c) detach, or cause to be detached, from any package of tobacco products or cigarette papers or tubes any stamp, prescribed by this chapter or regulations thereunder, to evidence the tax or indicate compliance with this chapter, or purchase, receive, possess, sell, or dispose of, by gift or otherwise, any such stamp which has been so detached; or

"(d) purchase, receive, possess, sell, or dispose of, by gift or otherwise, any package which previously contained tobacco products or cigarette papers or tubes which has been emptied, and upon which any stamp prescribed by this chapter or regulations thereunder, to evidence the tax or indicate compliance with this chapter, has not been destroyed.

"SEC. 5753. DISPOSAL OF FORFEITED, CONDEMNED, AND ABANDONED TOBACCO PRODUCTS, CIGARETTE PAPERS AND TUBES. AND TOBACCO MATERIALS.

"If it appears that any forfeited, condemned, or abandoned tobacco products, cigarette papers and tubes, or tobacco materials, when offered for sale, will not bring a price equal to the tax due and payable thereon, and the expenses incident to the sale thereof, such articles and tobacco materials shall not be sold for consumption in the United States but shall be disposed of in accordance with such regulations as the Secretary or his delegate shall prescribe.

"Subchapter G—Penalties and Forfeitures

"Sec. 5761. Civil penalties.

"Sec. 5762. Criminal penalties.

"Sec. 5763. Forfeitures.

"SEC. 5761. CIVIL PENALTIES.

"(a) OMITTING THINGS REQUIRED OR DOING THINGS FORBIDDEN.—Whoever willfully omits, neglects, or refuses to comply with any duty imposed upon him by this chapter, or to do, or cause to be done, any of the things required by this chapter, or does anything prohibited by this chapter, shall, in addition to any other penalty provided in this title, be liable to a penalty of \$1,000, to be recovered, with costs of suit, in a civil action, except where a penalty under subsection (b) or under section 6651 or 6653 may be collected from such person by assessment.

26 USC 6651,
6653.

"(b) FAILURE TO PAY TAX.—Whoever fails to pay any tax imposed by this chapter at the time prescribed by law or regulations, shall, in addition to any other penalty provided in this title, be liable to a penalty of 5 percent of the tax due but unpaid.

"(c) FAILURE TO MAKE DEPOSIT OF TAXES.—Section 6656 relating to failure to make deposit of taxes shall apply to the failure to make any deposit of taxes imposed under subchapter A on the date prescribed therefor, except that the penalty for such failure shall be 5 percent of the amount of the underpayment in lieu of the penalty provided by such section.

26 USC 6656.

26 USC 5001-
5149.

"(d) APPLICABILITY OF SECTION 6659.—The penalties imposed by subsections (b) and (c) shall be assessed, collected, and paid in the same manner as taxes, as provided in section 6659 (a).

26 USC 6659.

"SEC. 5762. CRIMINAL PENALTIES.

"(a) FRAUDULENT OFFENSES.—Whoever, with intent to defraud the United States—

"(1) ENGAGING IN BUSINESS UNLAWFULLY.—Engages in business as a manufacturer of tobacco products or cigarette papers and tubes, as an export warehouse proprietor, or as a dealer in tobacco materials without filing the bond and obtaining the permit where required by this chapter or regulations thereunder; or

"(2) FAILING TO FURNISH INFORMATION OR FURNISHING FALSE INFORMATION.—Fails to keep or make any record, return, report, inventory, or statement, or keeps or makes any false or fraudulent record, return, report, inventory, or statement, required by this chapter or regulations thereunder; or

"(3) REFUSING TO PAY OR EVADING TAX.—Refuses to pay any tax imposed by this chapter, or attempts in any manner to evade or defeat the tax or the payment thereof; or

"(4) REMOVING TOBACCO PRODUCTS OR CIGARETTE PAPERS OR TUBES UNLAWFULLY.—Removes, contrary to this chapter or regulations thereunder, any tobacco products or cigarette papers or tubes subject to tax under this chapter; or

"(5) PURCHASING, RECEIVING, POSSESSING, OR SELLING TOBACCO PRODUCTS OR CIGARETTE PAPERS OR TUBES UNLAWFULLY.—Violates any provision of section 5751 (a) (1) or (a) (2); or

"(6) AFFIXING IMPROPER STAMPS.—Affixes to any package containing tobacco products or cigarette papers or tubes any improper or counterfeit stamp, or a stamp prescribed by this chapter or regulations thereunder which has been previously used on a package of such articles; or

"(7) DESTROYING, OBLITERATING, OR DETACHING MARKS, LABELS, NOTICES, OR STAMPS BEFORE PACKAGES ARE EMPTIED.—Violates any provision of section 5752 (a); or

"(8) EMPTYING PACKAGES WITHOUT DESTROYING STAMPS.—Violates any provision of section 5752 (b); or

"(9) POSSESSING EMPTIED PACKAGES BEARING STAMPS.—Violates any provision of section 5752 (d); or

"(10) REFILLING PACKAGES BEARING STAMPS.—Puts tobacco products or cigarette papers or tubes into any package which previously contained such articles and which bears a stamp prescribed by this chapter or regulations thereunder without destroying such stamp; or

"(11) DETACHING STAMPS OR POSSESSING USED STAMPS.—Violates any provision of section 5752 (c);

shall, for each such offense, be fined not more than \$10,000, or imprisoned not more than 5 years, or both.

"(b) OTHER OFFENSES.—Whoever, otherwise than as provided in subsection (a), violates any provision of this chapter, or of regulations prescribed thereunder, shall, for each such offense, be fined not more than \$1,000, or imprisoned not more than 1 year, or both.

"SEC. 5763. FORFEITURES.

"(a) TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES UNLAWFULLY POSSESSED.—

"(1) TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES POSSESSED WITH INTENT TO DEFRAUD.—All tobacco products and cigarette papers and tubes which, after removal, are possessed with intent to defraud the United States shall be forfeited to the United States.

"(2) TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES NOT PROPERLY PACKAGED.—All tobacco products and cigarette papers and tubes not in packages as required under section 5723 or which are in packages not bearing the marks, labels, notices, and stamps, as required under such section, which, after removal, are possessed otherwise than with intent to defraud the United States, shall be forfeited to the United States. This paragraph shall not apply to tobacco products or cigarette papers or tubes sold or delivered directly to consumers from proper packages.

"(b) PERSONAL PROPERTY OF QUALIFIED MANUFACTURERS, EXPORT WAREHOUSE PROPRIETORS, AND DEALERS ACTING WITH INTENT TO DEFRAUD.—All tobacco products and cigarette papers and tubes, tobacco materials, packages, internal revenue stamps, machinery, fixtures, equipment, and all other materials and personal property on the premises of any qualified manufacturer of tobacco products or cigarette papers and tubes, export warehouse proprietor, or dealer in tobacco materials who, with intent to defraud the United States, fails to keep or make any record, return, report, inventory, or statement, or keeps or makes any false or fraudulent record, return, report, inventory, or statement, required by this chapter; or refuses to pay any tax imposed by this chapter, or attempts in any manner to evade or defeat the tax or the payment thereof; or removes, contrary to any provision of this chapter, any article subject to tax under this chapter, shall be forfeited to the United States.

“(c) **REAL AND PERSONAL PROPERTY OF ILLICIT OPERATORS.**—All tobacco products, cigarette papers and tubes, tobacco materials, machinery, fixtures, equipment, and other materials and personal property on the premises of any person engaged in business as a manufacturer of tobacco products or cigarette papers and tubes, export warehouse proprietor, or dealer in tobacco materials, without filing the bond or obtaining the permit, as required by this chapter, together with all his right, title, and interest in the building in which such business is conducted, and the lot or tract of ground on which the building is located, shall be forfeited to the United States.

“(d) **GENERAL.**—All property intended for use in violating the provisions of this chapter, or regulations thereunder, or which has been so used, shall be forfeited to the United States as provided in section 7302.”

26 USC 7302.

SEC. 203. TECHNICAL AMENDMENTS RELATING TO MACHINE GUNS AND CERTAIN OTHER FIREARMS.

(a) **OCCUPATIONAL TAX FOR CERTAIN DEALERS.**—Subsection (a) of section 5801 is amended by striking out “dealers, \$1 a year” and inserting in lieu thereof “dealers, \$1 a year or any part thereof”. Subsection (b) of such section is amended by adding at the end thereof the following new sentence: “This subsection shall not apply to the special tax imposed at the rate of \$1 a year or any part thereof.”

26 USC 5801.

(b) **TRANSFER TAX.**—Section 5811 (a) is amended by striking out “12 inches but less than 18 inches” and inserting in lieu thereof “12 inches or more but less than 18 inches”.

26 USC 5811.

(c) **DOCUMENTS TO ACCOMPANY TRANSFERS.**—Section 5814 is amended by striking out subsection (c) and relettering subsections (d) and (e) as (c) and (d), respectively.

26 USC 5814.

(d) **TAX ON MAKING CERTAIN FIREARMS.**—

(1) Section 5821 (a) is amended by striking out “that rate provided in section 5811 (a) which would apply to any transfer of the firearms so made” and inserting in lieu thereof “the rate of \$200 for each firearm so made”.

26 USC 5821.

(2) Subsection 5821 (b) (2) is amended by striking out “under either section 5811 (a) or”.

(e) **IDENTIFICATION OF FIREARMS.**—Section 5843 is amended to read as follows:

26 USC 5843.

“SEC. 5843. IDENTIFICATION OF FIREARMS.

“Each manufacturer and importer of a firearm shall identify it with a number and other identification marks approved by the Secretary or his delegate, such number and marks to be stamped or otherwise placed thereon in a manner approved by the Secretary or his delegate.”

(f) **DEFINITIONS.**—

(1) Paragraph (3) of section 5848 is amended by striking out “designed and made” and inserting in lieu thereof “designed or redesigned and made or remade”.

26 USC 5848.

(2) Paragraph (4) of section 5848 is amended by striking out “designed and made” and inserting in lieu thereof “designed or redesigned and made or remade”.

(3) Paragraph (7) of section 5848 is amended to read as follows:

“(7) **MANUFACTURER.**—The term ‘manufacturer’ means any person who is engaged within the United States in the business of manufacturing firearms, or who otherwise produces therein any firearm for sale or disposition.”

(g) **SHORT TITLE, ETC.**—

(1) Subchapter B of chapter 53 is amended by adding at the end thereof the following new section:

26 USC 5841-5848.

National Fire-
arms Act.

"SEC. 5849. CITATION OF CHAPTER.

"This chapter may be cited as the 'National Firearms Act' and any reference in any other provision of law to the 'National Firearms Act' shall be held to refer to the provisions of this chapter."

(2) The table of sections for subchapter B of chapter 53 is amended by adding at the end thereof the following:

"Sec. 5849. Citation of chapter."

(h) **UNLAWFUL POSSESSION OF FIREARMS.—**

(1) The first sentence of section 5851 is amended by striking out the period and inserting in lieu thereof a comma and the following: "or to possess any firearm which has not been registered as required by section 5841."

(2) The heading to section 5851 is amended to read as follows:

"SEC. 5851. POSSESSING FIREARMS ILLEGALLY."

(3) The first line of the table of sections for subchapter C of chapter 53 is amended to read as follows:

"Sec. 5851. Possessing firearms illegally."

(i) **CERTAIN UNLAWFUL ACTS.—**

26 USC 5851-
5854.

(1) Subchapter C of chapter 53 is amended by striking out section 5854 and inserting in lieu thereof the following new sections:

"SEC. 5854. FAILURE TO REGISTER AND PAY SPECIAL TAX.

26 USC 5802.

"It shall be unlawful for any person required to register under the provisions of section 5802 to import, manufacture, or deal in firearms without having registered and paid the tax imposed by section 5801.

"SEC. 5855. UNLAWFUL TRANSPORTATION IN INTERSTATE COMMERCE.

26 USC 5841.

"It shall be unlawful for any person who is required to register as provided in section 5841 and who shall not have so registered, or any other person who has not in his possession a stamp-affixed order as provided in section 5814 or a stamp-affixed declaration as provided in section 5821, to ship, carry, or deliver any firearm in interstate commerce."

(2) The table of sections for subchapter C of chapter 53 is amended by striking out the last line and inserting in lieu thereof the following:

"Sec. 5854. Failure to register and pay special tax.

"Sec. 5855. Unlawful transportation in interstate commerce."

SEC. 204. AMENDMENTS TO SUBTITLE F OF THE INTERNAL REVENUE CODE OF 1954.

26 USC 6001-
7852.

The following provisions of subtitle F, Procedure and Administration, are amended as follows:

(1) Subsection (b) of section 6071 is amended by deleting the period at the end thereof and inserting in lieu thereof "and section 5142."

(2) Paragraph (4) of section 6207 is amended to read as follows:

"(4) For assessment with respect to taxes required to be paid by chapter 52, see section 5703."

(3) Section 6207 is further amended by striking out paragraphs (6) and (7) thereof, and renumbering paragraphs (8) and (9) as paragraphs (6) and (7), respectively.

(4) Paragraph (14) of section 6422 is amended to read as follows:

26 USC 6422.

“(14) For special provisions relating to alcohol and tobacco taxes, see subtitle E.”

(5) Subsection (c) of section 7214 is amended to read as follows:

26 USC 7214.

“(c) CROSS REFERENCE.—

“For penalty on collecting or disbursing officers trading in public funds or debts or property, see 18 U. S. C. 1901.”

(6) Subsection (a) of section 7272 is amended by inserting after “person” the following: “(other than persons required to register under subtitle E, or persons engaging in a trade or business on which a special tax is imposed by such subtitle)”.

26 USC 7272.

26 U S C 5001-5862.

(7) Subsection (b) of section 7272 is amended by striking out “5802, 5841.”

(8) Subsection (e) of section 7301 is amended to read as follows:

26 USC 7301.

“(e) CONVEYANCES.—Any property (including aircraft, vehicles, vessels, or draft animals) used to transport or for the deposit or concealment of property described in subsection (a) or (b), or any property used to transport or for the deposit or concealment of property which is intended to be used in the making or packaging of property described in subsection (a), may also be seized, and shall be forfeited to the United States.”

(9) Section 7324 is amended by inserting after “section 7301” the words “or section 7302”.

26 USC 7324.

(10) Section 7325 is amended by striking wherever it appears therein, including the title, “\$1,000” and inserting in lieu thereof “\$2,500”.

26 USC 7325.

(11) The table of sections for part II of subchapter C of chapter 75 is amended by striking out “\$1,000” where it appears therein, and inserting in lieu thereof “\$2,500”.

26 U S C 7321-7329.

(12) Section 7325 (4) is amended to read as follows:

“(4) SALE IN ABSENCE OF BOND.—If no claim is interposed and no bond is given within the time above specified, the Secretary or his delegate shall give reasonable notice of the sale of the goods, wares, or merchandise by publication, and, at the time and place specified in the notice, shall, unless otherwise provided by law, sell the articles so seized at public auction, or upon competitive bids, in accordance with such regulations as may be prescribed by the Secretary or his delegate.”

(13) Section 7326 is amended to read as follows:

26 USC 7326.

“SEC. 7326. DISPOSAL OF FORFEITED OR ABANDONED PROPERTY IN SPECIAL CASES.

“(a) COIN-OPERATED GAMING DEVICES.—Any coin-operated gaming device as defined in section 4462 (a) (2) upon which a tax is imposed by section 4461 and which has been forfeited under any provision of this title shall be destroyed, or otherwise disposed of, in such manner as may be prescribed by the Secretary or his delegate.

26 USC 4461.

“(b) NARCOTIC DRUGS.—

“For provisions relating to disposal of forfeited narcotic drugs, see sections 4714, 4733, and 4745 (d).”

“(c) FIREARMS.—

“For provisions relating to disposal of forfeited firearms, see section 5862 (b).”

(14) Subchapter A of chapter 78 is amended by renumbering section 7608 as 7609, and by inserting after section 7607 the following new section:

26 U S C 7601-7607.

"SEC. 7608. AUTHORITY OF INTERNAL REVENUE ENFORCEMENT OFFICERS.

26 U S C 5001-5862.

"Any investigator, agent, or other internal revenue officer by whatever term designated, whom the Secretary or his delegate charges with the duty of enforcing any of the criminal, seizure, or forfeiture provisions of subtitle E or of any other law of the United States pertaining to the commodities subject to tax under such subtitle for the enforcement of which the Secretary or his delegate is responsible, may—

"(1) carry firearms;

"(2) execute and serve search warrants and arrest warrants, and serve subpoenas and summonses issued under authority of the United States;

"(3) in respect to the performance of such duty, make arrests without warrant for any offense against the United States committed in his presence, or for any felony cognizable under the laws of the United States if he has reasonable grounds to believe that the person to be arrested has committed, or is committing, such felony; and

"(4) in respect to the performance of such duty, make seizures of property subject to forfeiture to the United States."

(15) Section 7609 (as renumbered by paragraph (14)) is amended to read as follows:

"SEC. 7609. CROSS REFERENCES.

"(a) INSPECTION OF BOOKS, PAPERS, RECORDS, OR OTHER DATA.—

"For inspection of books, papers, records, or other data in the case of—

"(1) Wholesale dealers in oleomargarine, see section 4597.

"(2) Wholesale dealers in process or renovated butter or adulterated butter, see section 4815 (b).

"(3) Opium, opiates, and coca leaves, see section 4702 (a), 4705, 4721, 4773.

"(4) Marihuana, see sections 4742, 4753 (b), and 4773.

"(5) Wagering, see section 4423.

"(6) Alcohol, tobacco, and firearms taxes, see subtitle E.

"(b) SEARCH WARRANTS.—

"For provisions relating to—

"(1) Searches and seizures, see Rule 41 of the Federal Rules of Criminal Procedure.

"(2) Issuance of search warrants with respect to subtitle E, see section 5557.

"(3) Search warrants with respect to property used in violation of the internal revenue laws, see section 7302."

26 U S C 7601-7607.

(16) The table of sections for subchapter A of chapter 78 is amended by striking out

"Sec. 7608. Cross references."

and inserting in lieu thereof the following:

"Sec. 7608. Authority of internal revenue enforcement officers.

"Sec. 7609. Cross references."

26 USC 7652.

(17) Paragraph (1) of section 7652 (a) is amended by striking out "5318" and inserting "5314" in lieu thereof.

(18) Paragraph (1) of section 7652 (b) is amended by striking out "5318" and inserting "5314" in lieu thereof.

26 USC 7655.

(19) Subsection (a) of section 7655 is amended by striking out paragraph (5) and renumbering paragraph (6) as paragraph (5).

SEC. 205. REPEAL OF ACT OF MARCH 3, 1877, ETC.

The Act entitled "An Act relating to the production of fruit-brandy, and to punish frauds connected with the same", approved March 3, 1877 (ch. 114, 19 Stat. 393), and the Act entitled "An Act to provide for warehousing fruit brandy", approved October 18, 1888 (ch. 1194, 25 Stat. 560), are hereby repealed.

SEC. 206. EXTENSION OF BONDING PERIOD.

(a) Section 5006 (a) (2) is amended to read as follows:

“(2) DISTILLED SPIRITS DEPOSITED IN INTERNAL REVENUE BONDED WAREHOUSES.—The tax on distilled spirits entered for deposit in internal revenue bonded warehouses shall be determined at the time the same are withdrawn therefrom and within 8 or 20 years from the date of original entry for deposit therein, whichever may be required by the bond covering such spirits (except that distilled spirits which on July 26, 1936, were 8 years of age or older and which were in bonded warehouses on that date, may remain therein).”

(b) Section 5232 (a) is amended to read as follows:

“(a) GENERAL.—The Secretary or his delegate shall, by regulations, prescribe the form and penal sums of bonds covering distilled spirits in internal revenue bonded warehouses and in transit to and between such warehouses: *Provided*, That the penal sums of such bonds covering distilled spirits shall not exceed in the aggregate \$200,000 for each such warehouse. Such bonds shall be conditioned (1) on the withdrawal of the spirits from the internal revenue bonded warehouse within 20 years (or, in the discretion of the person or persons furnishing any bond, within 8 years) from the date of original entry for deposit; (2) on payment of the tax on the spirits as determined on withdrawal from the internal revenue bonded warehouse; and (3) on compliance with all provisions of law and regulations relating to the business of warehousing distilled spirits.”

(c) The last sentence of section 5243 (b) (relating to bottling requirements of certain distilled spirits known commercially as gin) is amended by striking out “at any time within 8 years after entry in bond”.

(d) Section 5005 (d) (1) (relating to persons liable for tax) is amended to read as follows:

“(1) For provisions relating to bonds covering distilled spirits in internal revenue bonded warehouses and in transit to and between such warehouses, see section 5232 (a).”

(e) Section 5242 (b) (5) (relating to deposit of spirits in warehouses) is amended to read as follows:

“(5) For provisions requiring in certain cases that distilled spirits entered for deposit in internal revenue bonded warehouses be withdrawn within 8 years from date of entry for deposit, see section 5006 (a).”

(f) (1) The amendments made by this section shall apply with respect to:

(A) distilled spirits which on the date of the enactment of this Act are in internal revenue bonded warehouses or are in transit to or between such warehouses, and in respect of which the 8-year bonding period has not expired before the date of enactment of this Act; and

(B) distilled spirits which after the date of the enactment of this Act are entered for deposit in an internal revenue bonded warehouse.

(2) If the 8 years from the date of original entry of any distilled spirits for deposit in internal revenue bonded warehouses expires at any time during the 10-day period which begins on the date of the enactment of this Act, the amendments made by this section shall apply with respect to such spirits if (and only if) before the close of such 10-day period there is filed with the Secretary of the Treasury or his delegate either—

(A) a consent of surety which changes (for periods on and after the date of the enactment of this Act) the condition based

on the withdrawal of spirits from the internal revenue bonded warehouse within 8 years from the date of original entry for deposit to a condition based on the withdrawal of spirits from the internal revenue bonded warehouse within 20 years from the date of original entry for deposit, or

(B) a bond which applies to periods on and after the date of the enactment of this Act and which satisfies the requirements of the Internal Revenue Code of 1954, as amended by this section, and is conditioned on the withdrawal of spirits from the internal revenue bonded warehouse within 20 years from the date of original entry for deposit.

SEC. 207. BEER LOST BY REASON OF FLOODS OF 1951 OR HURRICANES OF 1954.

(a) **AUTHORIZATION.**—The Secretary of the Treasury or his delegates shall pay (without interest) to the person specified in subsection (b) an amount equal to the amount of the internal revenue tax paid under section 3150 (a) of the Internal Revenue Code of 1939 on any fermented malt liquor which was lost, rendered unmarketable, or condemned by a duly authorized health official of the United States or of a State, by reason of the floods of 1951 or the hurricanes of 1954.

(b) **CONDITIONS.**—The payment provided by subsection (a) shall be made only if—

(1) such fermented malt liquor was lost, rendered unmarketable, or condemned while in the possession of (A) the person who paid such tax, or (B) a dealer selling fermented malt liquor at wholesale or retail;

(2) the person paying the tax, or a dealer specified in paragraph (1) (B), files a claim for such payment with the Secretary of the Treasury or his delegate within 6 months after the effective date of this section; and

(3) the person filing such claim furnishes proof establishing to the satisfaction of the Secretary of the Treasury or his delegate (A) that the internal revenue tax on such fermented malt liquor was fully paid, (B) that such fermented malt liquor was lost, rendered unmarketable, or condemned, by reason of the floods of 1951 or the hurricanes of 1954, (C) in the case of fermented malt liquor rendered unmarketable or condemned, that such liquor has been destroyed, (D) that the claimant was not indemnified against loss of the tax by any valid claim of insurance or otherwise, and (E) if the claimant was not the possessor of the fermented malt liquor at the time it was so lost, rendered unmarketable, or condemned, (i) that such claimant has either reimbursed such possessor for the full cost of such fermented malt liquor, or has replaced for such possessor the full equivalent thereof, without receiving payment or credit of any kind in respect of the tax on such fermented malt liquor, and (ii) that such possessor was not indemnified against loss of the tax by any valid claim of insurance or otherwise (other than by such reimbursement or replacement by the claimant).

(c) **REGULATIONS.**—The Secretary of the Treasury or his delegate may prescribe such regulations as may be necessary to carry out the provisions of this section.

SEC. 208. LOSSES OF ALCOHOLIC LIQUORS CAUSED BY DISASTER.

(a) **AUTHORIZATION.**—Where the President has determined under the Act of September 30, 1950 (42 U. S. C., sec. 1855), that a "major disaster" as defined in such Act has occurred in any part of the United States, the Secretary of the Treasury or his delegate shall pay (without interest) to the person specified in subsection (b) an amount equal to the amount of the internal revenue taxes paid or determined and

26 USC app.
3150.

64 Stat. 1109.

customs duties paid on distilled spirits, wines, rectified products, and beer previously withdrawn, which were lost, rendered unmarketable, or condemned by a duly authorized official by reason of such disaster occurring in such part of the United States after December 31, 1954, and not later than the date of enactment of this Act, if such spirits, wines, rectified products, or beer were at the time of such disaster in the possession of—

(1) the person paying such tax, or such tax and duty, or obligated to pay a determined tax, on such spirits, wines, rectified products, or beer,

(2) a bottler of distilled spirits, wines, or rectified products, or a rectifier, or

(3) a wholesale or retail dealer in distilled spirits, wines, or beer,

all referred to in this section as the possessor or possessors.

(b) **TO WHOM MADE.**—Any payment authorized by this section may be made—

(1) to the possessor, or

(2) to any distiller, winemaker, brewer, rectifier, importer, wholesale liquor dealer, or wholesale beer dealer who replaced (or to any distiller, winemaker, brewer, rectifier, importer, or wholesale dealer who has given credit or made replacement to a wholesale dealer who replaced) for the possessor the full equivalent of distilled spirits, wines, rectified products, or beer so lost or rendered unmarketable or condemned, without compensation, remuneration, or credit of any kind in respect of the tax, or tax and duty, on such spirits, wines, rectified products, or beer.

(c) **CLAIMS.**—No claim shall be allowed under this section unless—

(1) filed within 6 months after the date of enactment of this Act, and

(2) the claimant furnishes proof to the satisfaction of the Secretary of the Treasury or his delegate that—

(A) neither the claimant nor any possessor was indemnified by any valid claim of insurance or otherwise in respect of the tax or tax and duty on the distilled spirits, wines, rectified products, or beer covered by the claim, and

(B) the claimant is entitled to payment under this section.

Claims under this section shall be filed under such regulations as the Secretary of the Treasury or his delegate shall prescribe.

(d) **DESTRUCTION OF DISTILLED SPIRITS, WINES, RECTIFIED PRODUCTS, OR BEER.**—When the Secretary of the Treasury or his delegate has made payment under this section in respect of the tax, or tax and duty, on the distilled spirits, wines, rectified products, or beer condemned by a duly authorized official or rendered unmarketable, such distilled spirits, wines, rectified products, or beer shall be destroyed under such supervision as the Secretary of the Treasury or his delegate may prescribe, unless such distilled spirits, wines, rectified products, or beer were previously destroyed under supervision satisfactory to the Secretary of the Treasury or his delegate.

(e) **PRODUCTS OF PUERTO RICO.**—The provisions of this section shall not be applicable in respect of distilled spirits, wines, rectified products, and beer of Puerto Rican manufacture brought into the United States and so lost or rendered unmarketable or condemned.

(f) **OTHER LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect of internal revenue taxes on distilled spirits, wines, rectified products, and beer shall, insofar as applicable and not inconsistent with this section, be applied in respect of the payments provided for in this section to the same extent as if such payments constituted refunds of such taxes.

SEC. 209. LOSSES OF TOBACCO PRODUCTS CAUSED BY DISASTER.

64 Stat. 1109.

(a) **AUTHORIZATION.**—Where the President has determined under the Act of September 30, 1950 (42 U. S. C., sec. 1855), that a "major disaster" as defined in such Act has occurred in any part of the United States, the Secretary of the Treasury or his delegate shall pay (without interest) to the person specified in subsection (b) an amount equal to the amount of the internal revenue taxes paid or determined and customs duties paid on tobacco products and cigarette papers and tubes removed, which were lost, rendered unmarketable, or condemned by a duly authorized official by reason of such disaster occurring in such part of the United States after December 31, 1954, and not later than the date of enactment of this Act, if such tobacco products or cigarette papers or tubes were at the time of such disaster in the possession of—

- (1) the person paying such tax, or such tax and duty, or obligated to pay a determined tax, on such tobacco products or cigarette papers or tubes,
- (2) the manufacturer or importer, or
- (3) a wholesale or retail dealer,

all referred to in this section as the possessor or possessors.

(b) **TO WHOM MADE.**—Any payment authorized by this section may be made—

- (1) to the possessor, or
- (2) to any manufacturer, importer, or wholesaler who replaced (or to any manufacturer or importer who has given credit or made replacement to a wholesaler who replaced) for the possessor the full equivalent of the tobacco products or cigarette papers or tubes so lost or rendered unmarketable or condemned, without compensation, remuneration, or credit of any kind in respect of the tax, or tax and duty, on such tobacco products or cigarette papers or tubes.

(c) **CLAIMS.**—No claim shall be allowed under this section unless—

- (1) filed within 6 months after the date of enactment of this Act, and
- (2) the claimant furnishes proof to the satisfaction of the Secretary of the Treasury or his delegate that—

(A) neither the claimant nor any possessor was indemnified by any valid claim of insurance or otherwise in respect of the tax, or tax and duty, on the tobacco products or cigarette papers or tubes covered by the claim, and

(B) the claimant is entitled to payment under this section.

Claims under this section shall be filed under such regulations as the Secretary of the Treasury or his delegate shall prescribe.

(d) **DESTRUCTION OF TOBACCO PRODUCTS OR CIGARETTE PAPERS OR TUBES.**—Before the Secretary of the Treasury or his delegate makes payment under this section in respect of the tax, or tax and duty, on the tobacco products or cigarette papers or tubes rendered unmarketable or condemned by a duly authorized official, such tobacco products or cigarette papers or tubes shall be destroyed under such supervision as the Secretary of the Treasury or his delegate may prescribe, unless such tobacco products or cigarette papers or tubes were previously destroyed under supervision satisfactory to the Secretary of the Treasury or his delegate.

(e) **OTHER LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect of internal revenue taxes on tobacco products and cigarette papers and tubes shall, insofar as applicable and not inconsistent with this section, be applied in respect of the payments provided for in this section to the same extent as if such payments constituted refunds of such taxes.

SEC. 210. EFFECTIVE DATE AND RELATED PROVISIONS.

(a) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by sections 201 and 205 shall take effect on July 1, 1959, except that any provision having the effect of a provision contained in such amendments may be made effective at an earlier date by the promulgation of regulations by the Secretary or his delegate to effectuate such provision, in which case the effective date shall be that prescribed in such regulations. The amendments made by paragraphs (17) and (18) of section 204 shall take effect on July 1, 1959. Except as provided in section 206 (f), all other provisions of this title shall take effect on the day following the date of the enactment of this Act.

(2) MINGLING OF DISTILLED SPIRITS.—Provisions having the effect of—

(A) section 5025 (e) (7) (exemption from laws pertaining to rectification), and

(B) section 5234 (a) (2) (permitting the mingling of distilled spirits for further storage in bond)

of the Internal Revenue Code of 1954 (as such sections are included in chapter 51 of such Code as amended by section 201 of this Act) shall be deemed to be included in the Internal Revenue Code of 1954, effective on the day following the date of the enactment of this Act. In applying the provisions of such sections 5025 (e) (7) and 5234 (a) (2) during the period beginning on the day following the date of the enactment of this Act and ending at the close of June 30, 1959, references to bonded premises shall be treated as references to internal revenue bonded warehouses.

(3) LOSSES CAUSED BY DISASTER.—Provisions having the effect of section 5064 of the Internal Revenue Code of 1954 (as such section is included in chapter 51 of such Code as amended by section 201 of this Act) shall be deemed to be included in the Internal Revenue Code of 1954, effective on the day following the date of the enactment of this Act, and shall apply with respect to disasters occurring after such date of enactment, and not later than June 30, 1959.

(b) EFFECT OF THIS TITLE ON EXISTING PROVISIONS OF THE INTERNAL REVENUE CODE OF 1954.—The amendment of any provision of the Internal Revenue Code of 1954 by this title shall not affect any act done or any right accruing or accrued, or any suit or proceeding had or commenced in any civil cause before such amendment; but all rights and liabilities under such code prior to such amendment shall continue, and may be enforced in the same manner, as if such amendment had not been made.

(c) CRIMES AND FORFEITURES.—All offenses committed, and all penalties or forfeitures incurred, under any provision of law amended by this title, may be prosecuted and punished in the same manner and with the same effect as if this title had not been enacted.

(d) REFERENCES TO OTHER PROVISIONS OF LAW.—For the purpose of applying any provision of this title to any occurrence on or after the effective date of such provision, any reference in this title to another provision thereof shall also be deemed to be a reference to the corresponding provision of prior law, when consistent with the purpose of the provision to be applied.

(e) RULES AND REGULATIONS IN EFFECT.—Until regulations are promulgated under any provision of this title which depends for its application upon the promulgation of regulations (or which is to be applied in such manner as may be prescribed by regulations) all

instructions, rules, or regulations which are in effect immediately prior to the effective date of such provision shall, to the extent such instructions, rules, or regulations could be prescribed as regulations under authority of such provision, be applied as if promulgated as regulations under such provision.

26 USC 5176.

(f) CONTINUATION OF DISTILLER'S NOTICE AND BOND.—Notwithstanding any provision of section 5175 or 5176 (a) of the Internal Revenue Code of 1954, the Secretary of the Treasury or his delegate may waive, as to registered distillers or registered fruit distillers qualified to operate under bond on April 30, 1959, requirements for filing notice and executing new bond on May 1, 1959, if the distiller and the surety have executed consent to continuation of the terms of the existing bond to cover operations from May 1, 1959, to June 30, 1959, both dates inclusive. Nothing in this subsection shall be construed as limiting the authority of the Secretary of the Treasury or his delegate under section 5176 (b) or (c) of the Internal Revenue Code of 1954.

26 USC 5304.

(g) CONTINUATION OF ALCOHOL PERMITS AND BONDS.—Notwithstanding any provision of section 5304 of the Internal Revenue Code of 1954, the Secretary of the Treasury or his delegate may extend any permit issued under such section 5304 to the close of June 30, 1959, if—

- (1) such permit is in effect on December 31, 1958,
- (2) the permittee makes application for such extension, and
- (3) where bond is required, the permittee and the surety have executed consent to continuation of the terms of the existing bond to cover operations from January 1, 1959, to June 30, 1959, both dates inclusive.

Any permit issued under such section 5304 after the date of the enactment of this title may be issued to expire at the close of June 30, 1959. Nothing in this subsection shall be construed to limit the authority of the Secretary of the Treasury or his delegate under the provisions of such section 5304.

Approved September 2, 1958.

Public Law 85-860

September 2, 1958
[S. 2117]

AN ACT

Directing the Secretary of the Army to transfer certain buildings to the Crow Creek Sioux Indian Tribe.

Crow Creek Sioux
Indian Tribe.
Transfer of
buildings.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Army is authorized and directed to transfer to the Crow Creek Sioux Indian Tribe, without compensation, title to those buildings which were a part of the Government improvements and facilities acquired by the Corps of Engineers on the original site of the Crow Creek Agency at Fort Thompson, South Dakota, within the taking area of the Fort Randall Dam and Reservoir project, and which were released by the Corps of Engineers to the Crow Creek Sioux Indian Tribe.

Reimbursement.

SEC. 2. The Secretary of the Army shall reimburse the Crow Creek Sioux Indian Tribe in the amount of any money received by him from the said tribe as payment for the buildings referred to in the first section of this Act: *Provided*, That such reimbursement shall not exceed the sum of \$6,000.

Approved September 2, 1958.