

March 3, 1897 (29 Stat. 626), or under said section 1, as variously amended, and may redeem or make allowance for unused strip stamps issued for bottles of distilled spirits bottled in bond under said section 1, as amended by the Act of July 9, 1937 (50 Stat. 487), or under subsection (d) of this section, by exchanging them for strip stamps for bottled-in-bond spirits, or by refunding moneys received therefor: *Provided*, That stamps may be exchanged or the value thereof refunded only in quantities of the value of \$5 or more: *And provided further*, That no claim under this subsection for redemption or allowance in respect of case or strip stamps shall be allowed unless presented within two years after the date on which such case or strip stamps were lawfully issued. There are hereby authorized to be appropriated annually, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out this provision."

26 U. S. C., Supp. V, § 2903.

26 U. S. C., Supp. V, § 2903.

Provisos.
Minimum quantity.

Time restriction on claims.

Appropriation authorized.

SEC. 3. Notwithstanding the limitations contained in sections 2803 (c) and 2903 (e), Internal Revenue Code, as amended and inserted, respectively, by this Act, as to the time within which claims under such sections must be presented, claims under such sections for the exchange of or refund for stamps lawfully issued prior to the date of enactment of this Act may be allowed if presented within two years from the date of enactment of this Act.

Certain claims allowable notwithstanding time limitation.

Approved, June 24, 1940.

[CHAPTER 417]

AN ACT

To eliminate the tax on brandy and wine spirits used in the fortification of wine; to increase the tax on wine; to compensate for the loss of revenue occasioned by the elimination of the tax on brandy and wine spirits used in the fortification of wine; and for other purposes.

June 24, 1940
[H. R. 9117]
[Public, No. 655]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, effective July 1, 1940, section 3030 (a) (1) (A), Internal Revenue Code, is amended to read as follows:

Internal Revenue Code, amendments. 53 Stat. 347. 26 U. S. C., Supp. V, § 3030 (a) (1) (A). Tax on still wines. Post, p. 525.

"(A) IMPOSITION.—Upon all still wines, including vermouth, and all artificial or imitation wines or compounds sold as still wine produced in or imported into the United States after June 30, 1940, or which on July 1, 1940, were on any winery premises or other bonded premises or in transit thereto or at any customhouse, there shall be levied, collected, and paid taxes at rates as follows, when sold or removed for consumption or sale:

Rates.

Alcoholic strength.

"On wines containing not more than 14 per centum of absolute alcohol, 5 cents per wine-gallon, the per centum of alcohol under this section to be reckoned by volume and not by weight;

"On wines containing more than 14 per centum and not exceeding 21 per centum of absolute alcohol, 15 cents per wine-gallon;

"On wines containing more than 21 per centum and not exceeding 24 per centum of absolute alcohol, 25 cents per wine-gallon;

"All such wines containing more than 24 per centum of absolute alcohol by volume shall be classed as distilled spirits and shall pay tax accordingly.

Higher strength classed as distilled spirits.

"Any such wines may, under such regulations as the Commissioner may prescribe, with the approval of the Secretary, be sold or removed tax-free for the manufacture of vinegar, or for the production of dealcoholized wines containing less than one-half of 1 per centum of alcohol by volume.

Sale, etc., tax-free in certain cases.

Dealcoholized wines.

Wines for family use of registered producer.

"The taxes imposed by this subparagraph (A) of this paragraph shall not apply to dealcoholized wines containing less than one-half of 1 per centum of alcohol by volume; nor, subject to regulations prescribed by the Commissioner, with the approval of the Secretary, to wines produced for the family use of the duly registered producer thereof and not sold or otherwise removed from the place of manufacture and not exceeding in any case two hundred gallons per year."

53 Stat. 347.
26 U. S. C., Supp.
V, § 3030 (a) (2).

Sparkling wines, liqueurs, and cordials.
Post, p. 525.

SEC. 2. Effective July 1, 1940, section 3030 (a) (2), Internal Revenue Code, is amended to read as follows:

"(2) SPARKLING WINES, LIQUEURS, AND CORDIALS.—Upon the following articles which are produced in or imported into the United States, after June 30, 1940, or which on July 1, 1940, are on any winery premises or other bonded premises or in transit thereto or at any customhouse, there shall be levied, collected, and paid, in lieu of the internal-revenue taxes imposed thereon by law prior to such date, taxes at rates as follows, when sold, or removed for consumption or sale:

Rates.

Champagne, etc.

"On each bottle or other container of champagne or sparkling wine, 2½ cents on each one-half pint or fraction thereof;

Artificially carbonated wines.

"On each bottle or other container of artificially carbonated wine, 1¼ cents on each one-half pint or fraction thereof;

Fortified liqueurs, etc.

"On each bottle or other container of liqueurs, cordials, or similar compounds, by whatever name sold or offered for sale, containing sweet wine, citrus-fruit wine, peach wine, cherry wine, berry wine, apricot wine, prune wine, plum wine, pear wine, or apple wine, fortified, respectively, with grape brandy, citrus-fruit brandy, peach brandy, cherry brandy, berry brandy, apricot brandy, prune brandy, plum brandy, pear brandy, or apple brandy, 1¼ cents on each one-half pint or fraction thereof.

Classification as distilled spirits; exceptions.

"Any of the foregoing articles containing more than 24 per centum of absolute alcohol by volume (except vermouth, liqueurs, cordials, and similar compounds made in rectifying plants and containing tax-paid sweet wine, citrus-fruit wine, peach wine, cherry wine, berry wine, apricot wine, prune wine, plum wine, pear wine, or apple wine, fortified, respectively, with grape brandy, citrus-fruit brandy, peach brandy, cherry brandy, berry brandy, apricot brandy, prune brandy, plum brandy, pear brandy, or apple brandy) shall be classed as distilled spirits and shall be taxed accordingly.

Refund of certain taxes on liqueurs, etc.

"The Commissioner, under regulations prescribed by him, with the approval of the Secretary, is authorized to remit, refund, and pay back the amount of all taxes on such liqueurs, cordials, and similar compounds paid by or assessed against rectifiers at the distilled spirits rate prior to June 26, 1936."

53 Stat. 348.
26 U. S. C., Supp.
V, § 3031 (a).

Withdrawal of spirits for fortification.

SEC. 3. Effective July 1, 1940, section 3031 (a), Internal Revenue Code, is amended to read as follows:

"(a) WITHDRAWAL OF SPIRITS FOR FORTIFICATION.—Under such regulations and official supervision and upon the giving of such notices and entries as the Commissioner, with the approval of the Secretary, may prescribe, any producer of wines defined under the provisions of this subchapter may withdraw from any fruit distillery or internal revenue bonded warehouse grape brandy (hereafter in this section included in the term 'brandy'), or wine spirits, for the fortification of such wines on the premises where actually made, and any producer of citrus-fruit wines, peach wines, cherry wines, berry wines, apricot wines, prune wines, plum wines, pear wines, or apple wines (hereafter in this section included in the term 'wines') may similarly withdraw citrus-fruit brandy, peach brandy, cherry brandy, berry brandy, apricot brandy, prune brandy, plum brandy, pear

brand, or apple brandy (hereafter in this section included in the term 'brandy') for the fortification of wines as set forth in section 3032, Internal Revenue Code, on the premises where actually made. The amounts of tax at the rate imposed by law on such brandy or wine spirits shall be charged immediately upon withdrawal against the producer withdrawing the same: *Provided*, That whenever such brandy or wine spirits shall be lawfully used in the fortification of wines and accounted for in the manner provided by law and regulations, the producer shall be credited in the amount of the internal-revenue tax on so much of the brandy or wine spirits so withdrawn as was so used. Every producer of wines who withdraws such brandy or wine spirits shall give bond to fully cover at all times the payment of the internal-revenue tax at the rate imposed by law due on such brandy or wine spirits, which bond shall be in such form as the Commissioner, with the approval of the Secretary, shall, by regulations, prescribe. On and after July 1, 1940, the internal-revenue tax on such brandy or wine spirits shall be assessed against the producer of such wines who has withdrawn brandy or wine spirits for use in the fortification of such wines when such brandy or wine spirits are not lawfully used in the fortification of wines, or when such brandy or wine spirits are not so accounted for in the manner provided by law and regulations as to warrant remission of the tax.

"Nothing contained in this section shall be construed as exempting any wines, cordials, liqueurs, or similar compounds from the payment of any tax provided for in this subchapter.

"Any such wines may, under such regulations as the Commissioner may prescribe, with the approval of the Secretary, be sold or removed tax-free for the manufacture of vinegar, or for the production of dealcoholized wines containing less than one-half of 1 per centum of alcohol by volume.

"The taxes imposed by this subchapter shall not apply to dealcoholized wines containing less than one-half of 1 per centum of alcohol by volume."

SEC. 4. Upon the filing of a claim therefor by the proprietor of any bonded winery or bonded storeroom in which there was stored on June 30, 1940, or to which there was in transit on that date, wine lawfully fortified with brandy or wine spirits, and containing more than 14 per centum of absolute alcohol by volume, and not exceeding 24 per centum of absolute alcohol by volume, the Commissioner of Internal Revenue is authorized to issue to such proprietor suitable documents entitling such proprietor to a credit of 5 cents per gallon in respect of each gallon of such fortified wine which the Commissioner shall find was on such proprietor's bonded winery or bonded storeroom premises on June 30, 1940, or in transit thereto. The amount of such credit shall be allowed in whole or in part in the purchase of wine stamps. The claim shall be supported by an inventory, prepared, and filed by the proprietor in such form and manner as the Commissioner of Internal Revenue shall prescribe by regulations, approved by the Secretary of the Treasury, and by such other proof as the Commissioner may from time to time require. The aforesaid credit to the proprietor may be transferred by the proprietor to whom issued to the proprietor of any other bonded winery or bonded storeroom. All claims under this section must be filed on or before October 1, 1940.

SEC. 5. The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe and publish all needful rules and regulations for the enforcement of this Act.

Approved, June 24, 1940.

53 Stat. 350.
26 U. S. C., Supp.
V, § 3032.
Tax.

Proviso.
Allowance for spirits
used in fortifying
wines.

Bond.

Tax on certain
brandy or wine spirits.

Wines, cordials, etc.,
not exempted.

Sale, etc., tax-free in
certain cases.

Dealcoholized wines
exempt.

Credits for fortified
wines in certain cases.

Credit per gallon.

Purchase of wine
stamps.

Inventory to support
claim.

Transfer of credits.

Time limitation.

Rules and regula-
tions.