AN ACT TO REDUCE AND EQUALIZE TAXATION, PROVIDE REVENUE, AND FOR OTHER PURPOSES.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, divided into titles and sections according to the following Table of Contents, may be cited as the "Revenue Act of 1928.

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Title I—INCOME TAX.


Sec. 1. Application of Title.

The provisions of this title shall apply only to taxable years ending after December 31, 1928.

Sec. 2. Cross References.

The cross references in this title to other portions of the title, where the word "see" is used, are made only for convenience, and shall be given no legal effect.

Sec. 3. Classification of Provisions.

The provisions of this title are herein classified and designated as—

Subtitle A—Introductory provisions.

Subtitle B—General provisions, divided into Parts and sections.

Subtitle C—Supplemental provisions, divided into Supplements and sections.

Sec. 4. Special Classes of Taxpayers.

The application of the General Provisions and of Supplements A to D, inclusive, to each of the following special classes of taxpayers, shall be subject to the exceptions and additional provisions found in the Supplement applicable to such class, as follows:

(a) Estates and trusts and the beneficiaries thereof,—Supplement B.

(b) Members of partnerships,—Supplement F.

(c) Insurance companies,—Supplement G.

(d) Nonresidents alien individuals,—Supplement H.

(e) Foreign corporations,—Supplement J.

(f) Individual citizens of any possession of the United States who are not otherwise citizens of the United States and who are not residents of the United States,—Supplement J.

(g) Individual citizens of the United States or domestic corporations, satisfying the conditions of section 315 by reason of deriving a large portion of their gross income from sources within a possession of the United States,—Supplement J.

(h) China Trade Act corporations,—Supplement K.
Sec. 11. Normal Tax on Individuals.

"Net income" means the gross income computed under section 22, less the deductions allowed by section 22.

PART II—COMPUTATION OF NET INCOME.

Sec. 12. Surplus on Individuals.

(a) Rates of Surtax.—There shall be levied, collected and paid for each taxable year upon the net income of every individual a surtax at the following rates:

(1) 1/16 per centum of the excess of the net income in excess of $14,000 and not in excess of $18,000.
(2) 1/8 per centum of the excess of the net income in excess of $18,000 and not in excess of $22,000.
(3) 1/4 per centum of the excess of the net income in excess of $22,000 and not in excess of $24,000.
(4) 1/3 per centum of the excess of the net income in excess of $24,000 and not in excess of $28,000.
(5) 1/2 per centum of the excess of the net income in excess of $28,000 and not in excess of $32,000.
(6) 3/4 per centum of the excess of the net income in excess of $32,000 and not in excess of $36,000.
(7) 1/15 per centum of the excess of the net income in excess of $36,000 and not in excess of $40,000.
(8) 1/10 per centum of the excess of the net income in excess of $40,000 and not in excess of $44,000.
(9) 1/7.5 per centum of the excess of the net income in excess of $44,000 and not in excess of $48,000.
(10) 1/5 per centum of the excess of the net income in excess of $48,000 and not in excess of $52,000.
(11) 1/3.5 per centum of the excess of the net income in excess of $52,000 and not in excess of $56,000.
(12) 1/2 per centum of the excess of the net income in excess of $56,000 and not in excess of $60,000.
(13) 2/5 per centum of the excess of the net income in excess of $60,000 and not in excess of $64,000.
(14) 3/4 per centum of the excess of the net income in excess of $64,000 and not in excess of $68,000.
(15) 1/2 per centum of the excess of the net income in excess of $68,000 and not in excess of $70,000.
(16) 1/10 per centum of the excess of the net income in excess of $70,000 and not in excess of $78,000.
(17) 1/5 per centum of the excess of the net income in excess of $78,000 and not in excess of $80,000.
(18) 1/3 per centum of the excess of the net income in excess of $80,000 and not in excess of $100,000.
(19) 1/2 per centum of the excess of the net income in excess of $100,000.
(20) 1/10 per centum of the excess of the net income in excess of $100,000.
(21) 1/5 per centum of the excess of the net income in excess of $100,000.
(22) 1/10 per centum of the excess of the net income in excess of $100,000.
(23) 1/15 per centum of the excess of the net income in excess of $100,000.
(24) 1/20 per centum of the excess of the net income in excess of $100,000.

Sec. 13. Tax on Corporations.

"Net income" includes gains, profits, and income from whatever source derived, of whatever kind and in whatever form paid, or from professions, vocations, business, or vocations, trade, or business, income, or revenue, or capital, in property, whether real or personal, growing out of the ownership or use of or interest in such property, or arising from the sale of any business carried on for gain or profit, or gain or profits and income derived from any source whatever.

PART II—COMPUTATION OF NET INCOME.

Sec. 22. Gross Income.

(a) General Definition.—"Gross income" includes gains, profits, and income from whatever source derived, of whatever kind and in whatever form paid, or from professions, vocations, businesses, or vocations, trade, or business, income, or revenue, or capital, in property, whether real or personal, growing out of the ownership or use of or interest in such property, or arising from the sale of any business carried on for gain or profit, or gain or profits and income derived from any source whatever.

(b) Exclusions from Gross Income.—The following items shall not be included in gross income and shall be exempt from the tax:

(1) Life Insurance.—Amounts received under a life insurance contract paid by reason of the death of the insured, whether in a single sum or in installments but only so much as is paid by the annuentes or the beneficiary of a policy held in trust to pay to the beneficiary of the policy by reason of the death of the insured, when the beneficiary is not otherwise entitled to receive the proceeds of the policy.

(2) Annuities, etc.—Amounts received, other than amounts paid by reason of the death of the insured, out of a trust under a life insurance contract paid by reason of the death of the insured, under a life insurance, endowment, or annuity contract, but if such amounts (when added to amounts previously received before the taxable year for such contracts, if any) exceed the aggregate premiums or consideration paid (whether or not paid during the taxable year) the excess shall be included in gross income. In the case of a transfer for a valuable consideration, by assignment or otherwise, of a right to receive amounts out of such a trust, any interest therein or any actual value of such consideration and the amount of the premiums and other sums subsequently paid by the transferee shall be considered as compensation.

(3) Gifts, Bequests, and Devise.—The value of property acquired by gift, bequest, or devise is included in the gross income of the recipient at the value at which the recipient acquired it.

(4) Taxes.—The value of property acquired by gift, bequest, or devise is included in the gross income of the recipient at the value at which the recipient acquired it.

(5) Sales of Mines and Oil or Gas Wells.—For limitation of surtax attributable to the income from the sale of mines and oil or gas wells, see section 23.
(a) Losses by Individuals.—In the case of an individual, losses sustained during the taxable year in the course of a trade or business, or losses sustained in connection with the conduct of a personal or family nature, or losses sustained in connection with the performance of personal services for another individual or corporation, shall be allowable, not only for the purposes of the normal tax, but for the purposes of the following credits.

(1) Depletion.—In the case of mines, oil and gas wells, other natural deposits, and in the case of property held for the purpose of earning income for personal use, a reasonable allowance for depletion and for depreciation (or for the purpose of computing the income to which such holder is entitled).

(b) Deduction for Depreciation and Depletion.—The basis upon which depreciable property is to be charged off for the purpose of computing the income to which such holder is entitled is to be determined in accordance with the provisions of the instrument creating the trust, or, in the absence of such provisions, on the basis of the life tenant. In the case of property held by an individual who is a resident of the United States for the purpose of earning income for personal use, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property and shall be allowed to the life tenant. In the case of property held for the purpose of earning income for personal use by a person who is not a resident of the United States, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(c) Premiums paid on any life insurance policy covering the life of any individual, and not otherwise deductible as a personal expense, shall be allowed in respect of—

(1) a dividend paid in respect of such policy, or
(2) any part of such payment which is attributable to the tax liability of the policyholder.

(d) Interest.—In the case of a corporation, the deduction shall be limited to the extent provided in subsection (a). The deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(e) Personal Exemption.—In the case of an individual, a personal exemption of $1,500 shall be allowed for each individual, if no part of their net earnings inure to the benefit of any private shareholder or individual.

(f) Credit for Dividends Received by Corporations.—In the case of a corporation, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(g) Interest.—In the case of a corporation, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(h) Dividends received from a corporation organized under the China Trade Act, 1922, or from a corporation which under section 251 is taxable only on the basis of the income derived from sources within the United States shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(i) Directors.—In the case of a corporation, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(j) Credit for Foreign Corporation.—In the case of a foreign corporation, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(k) Credit for Domestic Corporation.—In the case of a domestic corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(l) Credit for Foreign Corporation.—In the case of a foreign corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(m) Credit for Domestic Corporation.—In the case of a domestic corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(n) Credit for Foreign Corporation.—In the case of a foreign corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(o) Credit for Domestic Corporation.—In the case of a domestic corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(p) Credit for Foreign Corporation.—In the case of a foreign corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(q) Credit for Domestic Corporation.—In the case of a domestic corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(r) Credit for Foreign Corporation.—In the case of a foreign corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(s) Credit for Domestic Corporation.—In the case of a domestic corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(t) Credit for Foreign Corporation.—In the case of a foreign corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(u) Credit for Domestic Corporation.—In the case of a domestic corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(v) Credit for Foreign Corporation.—In the case of a foreign corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(w) Credit for Domestic Corporation.—In the case of a domestic corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(x) Credit for Foreign Corporation.—In the case of a foreign corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(y) Credit for Domestic Corporation.—In the case of a domestic corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.

(z) Credit for Foreign Corporation.—In the case of a foreign corporation, if no part of their net earnings inure to the benefit of any private shareholder or individual, the deduction shall be allowed for the purpose of computing the income to which such holder is entitled as if the life tenant were the absolute owner of the property.
Sec. 32—Taxes of Foreign Countries and Possessions of United States.

The amount of income, war-profits, and excess-profits taxes imposed by foreign countries or possessions of the United States shall be allowed as a credit against the tax to the extent provided in section 131.

Sec. 33—Taxes Withheld at Source.

The amount of tax withheld at the source under section 144 shall be allowed as a credit against the tax.

Sec. 34—Erroneous Payments.

(a) Credit for Overpayments.—For credit against the tax of overpayments of taxes imposed by this title for other taxable years, see section 222.

(b) Fiscal Year Ending in 1929.—For credit against the tax of amounts of tax paid for a fiscal year began in 1927 and ending in 1928, see section 132.

PART IV—ACCOUNTING PERIODS AND METHODS OF ACCOUNTING.

Sec. 40—Installation Basis.

The net income shall be computed upon the basis of the taxpayer's annual accounting period (fiscal year or calendar year, as the case may be) in accordance with the method of accounting regularly employed in the books of such taxpayer, but if no such method of accounting has been employed, or if the method employed does not clearly reflect the income, the income may be computed in such method as in the opinion of the commissioner does clearly reflect the income. If the taxpayer is a corporation, the income may be computed in any method as in the opinion of the commissioner does clearly reflect the income. If the taxpayer has no annual accounting period or does not keep books, the net income shall be computed on the basis of the calendar year.

Sec. 42—Period in Which Items of Gross Income Are Included.

The amount of all items of gross income shall be included in gross income for the taxable year in which received by the taxpayer, unless, under methods of accounting permitted under section 41, any such amounts are to be properly accounted for as of a different period.

Sec. 45—Period for Which Deductions and Credits Taken.

The deductions and credits taken shall be taken for the taxable year in which paid or accrued or paid or incurred, if in the opinion of the commissioner does clearly reflect the income, the deductions or credits may be taken as of a different period.

Sec. 46—Allocation of Income and Deductions.

(a) Dealers in Personal Property.—Under regulations prescribed by the Commissioner with the approval of the Secretary, a person who regularly sells otherwise disposes of personal property on the installment plan may return, for purposes of this title, the amounts which he would have derived as a result of the completion, resale, or collection of sales by the method of accounting regularly employed in the books of the taxpayer, or if no such method has been employed, in the opinion of the commissioner, does clearly reflect the income. If in the opinion of the commissioner does clearly reflect the income, the amounts which he would have derived as a result of the completion, resale, or collection of sales by the method of accounting regularly employed in the books of the taxpayer, or if no such method has been employed, in the opinion of the commissioner, does clearly reflect the income.

(b) Sales or Leasing of Property.—In the case of a sale or other disposition of property (other than a disposition to a cash basis taxpayer) made or transmitted, sold, or otherwise disposed of, gain or loss shall result to the extent of the difference between the basis of the property and (1) in the case of a sales or other disposition of property at a price in excess of $1,000, or (2) in case of a sale or other disposition of property at a price of $1,000 or less, the net income actually realized or accrued as the result of the disposition. The basis of property, other than the amount paid or otherwise disposed of, to the extent of the difference between the basis of the property and (1) in the case of property acquired before the calendar year 1928 from a person who sold or otherwise disposed of the property at a price in excess of $1,000, or (2) in case of property acquired before the calendar year 1928 from a person who sold or otherwise disposed of the property at a price of $1,000 or less, the net income actually realized or accrued as the result of the disposition. The basis of property, other than the amount paid or otherwise disposed of, to the extent of the difference between the basis of the property and (1) in the case of property acquired before the calendar year 1928 from a person who sold or otherwise disposed of the property at a price in excess of $1,000, or (2) in case of property acquired before the calendar year 1928 from a person who sold or otherwise disposed of the property at a price of $1,000 or less, the net income actually realized or accrued as the result of the disposition.
Sec. 63. Taxes in Lieu of Taxes Under 1926 Act.

The taxes imposed by this title shall be in lieu of the corresponding taxes imposed by Title II of the Revenue Act of 1926, in accordance with the following table:

<table>
<thead>
<tr>
<th>Taxes Under 1926 Act</th>
<th>This Title</th>
</tr>
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<tbody>
<tr>
<td>Sec. 11 and 211, in lieu of Sec. 210</td>
<td>Sec. 210</td>
</tr>
<tr>
<td>Sec. 12, in lieu of Sec. 220</td>
<td>Sec. 220</td>
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<tr>
<td>Sec. 201 and 204, in lieu of Sec. 242-246</td>
<td>Sec. 242-246</td>
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<tr>
<td>Sec. 101, in lieu of Sec. 219</td>
<td>Sec. 219</td>
</tr>
<tr>
<td>Sec. 101, in lieu of Sec. 228</td>
<td>Sec. 228</td>
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</tbody>
</table>

Sec. 64. Short Title.

This title may be cited as the "Income Tax Act of 1928."
(3) Fraternal beneficiary societies, orders, or associations, (A) operating under the fraternal benevolent benevolent laws of the State or of the city, community, or town in which it is organized and operated, or (B) providing for the exclusive benefit of the members of such fraternal society, order, or association or their dependents;

(4) Cemetery companies owned and operated exclusively for the benefit of any private shareholder or individual; and (5) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for the promotion of social welfare, or local associations of employees organized and operated exclusively for the promotion of the social welfare of its members.

(6) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for educational purposes;

(7) Business leagues, chambers of commerce, real estate boards, or boards of trade, not organized for profit and no part of the net earnings of which inure to the benefit of any private shareholder or individual; and (8) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for the promotion of social welfare, or local associations of employees organized and operated exclusively for the promotion of the social welfare of its members.

(9) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for educational purposes;

(10) Benevolent life insurance associations of a purely local character, and (b) the income consists solely of amounts received from public taxation, (c) the distribution of such income is not made in any manner directly or indirectly to any private shareholder or individual, and (b) 85 per centum or more of the income consists of amounts received from public taxation.

Sec. 105. Accumulation of Surplus to Evade Surtaxes.

The revenue act of 1928

SEC. 102. Accumulation of Surplus to Evade Surtaxes.

(a) Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof to an organization which itself is exempt from taxes on its income, shall be taxed only at the rate of 5 per centum of the entire amount of such income, and any proceeds from the sale of such title, or from the lease, mortgage, or other disposition of such title, shall be taxable as income from real property under this Act or prior income tax laws; but in no case shall the amount of the deduction for the entire period, determined under the law applicable to the first calendar year and at the rates for such year, which the portion of such period falling within the first calendar year of the entire period, and (b) the same proportion of a tax for the entire period, determined under the law applicable to the second calendar year and at the rates for such year, which the portion of such period falling within the second calendar year of the entire period.

SUPPLEMENT B—COMPUTATION OF NET INCOME SUPPLEMENTARY TO SUBTITLE B. PART II.

Sec. 111. Determination of Amount of Gain or Loss.

(a) Computation of Gain or Loss (Comstock Income Law).

In computing the amount of gain or loss under subsection (a)—

(3) In the case of stock the basis shall be diminished by the amount of distributions previously made in respect of such stock; to the extent provided under the law applicable to the year in which the distribution was made.

(b) Adjustment of Basis.—In computing the amount of gain or loss under subsection (b)—

(1) Property held for productive use in trade or business or for investment.

(c) As used in this section the term "net income" means the net income from the sale of productive use in trade or business or for investment.
property at the time of the distribution to the taxpayer. In the case of property transferred to trust to pay the income for life to or upon the order or direction of the taxpayer, or the grantor's lawful successor, the trust fund is the greater at all times prior to his death to revoke the trust, the basis of such property transferred to the trust is the fair market value of the property at the time of the distribution to the taxpayer.

(iii) Tax Free Exchanges.—Generally.—If the property was acquired upon an exchange described in subsection (b) (2) to (e), (f), (g), or (h) of section 113 of the Code, or in section 112 (b) of the New York City Urban Development Corporation Act of 1965, the basis of such property shall be increased by the fair market value of such property at the date of the exchange.

(b) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(c) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(d) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(e) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(f) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(g) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(h) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(i) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(j) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(k) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(l) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(m) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(n) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(o) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(p) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(q) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(r) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(s) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.

(t) Property Transmitted at Death.—If personal property was transmitted at death, then in the absence of an agreement to the contrary, the tax base of the property transmitted at death shall be the fair market value of the property at the date of death.
centum of the net income of the taxpayer (computed without allowances for depletion or depletion in amount), which taxability was made, except that in no case shall the depletion allowance be less than it would be if computed without allowances for depletion or depletion in amount. Such allowance shall not exceed 50 per centum of the net income of the taxpayer computed with allowances for depletion or depletion in amount. Such allowance shall be applied on and against the stock referred to in subsection (a). If the basis of such stock exceeds the amount so distributed as dividends, the excess may be distributed to the person and the State, Territory, or the District of Columbia, or any political subdivision of such State, Territory, or the District of Columbia, which bears the same relation to the amount of the tax as the amount which (but for the imposition of the tax imposed by this title) would have accrued directly to or for the use of such State, Territory, political subdivision, or the District of Columbia, bears to the amount of the net income from the operation of such public utility.

(2) If by the terms of such contract no part of the proceeds from the operation of the public utility shall be applied on and against the stock referred to in subsection (a) to or for the use of such State, Territory, political subdivision, or the District of Columbia, bears to the amount of the net income from the operation of such public utility.

(b) Deduction for Dividend Received by a State or Political Subdivision.—Whenever any State or political subdivision thereof, in pursuance of a contract to which it is not a party entered into before the enactment of this Act, to acquire a bridge.

(1) If by the terms of such contract the tax imposed by this title is to be paid out of the proceeds from the operation of the public utility, the amount of such tax shall be allowed as a deduction in computing the income of such State, Territory, political subdivision, or the District of Columbia, which bears the same relation to the amount of the tax as the amount which (but for the imposition of the tax imposed by this title) would have accrued directly to or for the use of such State, Territory, political subdivision, or the District of Columbia, bears to the amount of the net income from the operation of such public utility.

(2) If by the terms of such contract no part of the proceeds from the operation of the public utility shall be applied on and against the stock referred to in subsection (a) to or for the use of such State, Territory, political subdivision, or the District of Columbia, bears to the amount of the net income from the operation of such public utility.

(c) Deduction for Dividends from "China Trade" Corporation.—In the case of a person, a tax imposed by this title on any dividends received as dividends from a corporation organized under the China Trade Act, 1922, shall be exempt from tax, after the earnings and profits accumulated after February 28, 1913, and the most recently accumulated earnings, if any, distributed in partial liquidation of a corporation to its shareholders is not made unless the entire amount of the refund is to be applied in payment for the acquisition of stock in the corporation.

(d) Deduction for Dividends.—A dividend shall not be subject to tax to the distributee, if the corporation from which such dividend is received as dividends shall not be allowed.

(e) Redemption of Stock.—If a corporation cancels or redeems its stock (whether or not such stock was issued as a stock dividend) at such time and in such manner as to make the distribution and cancellation or redemption in whole or in part (as equivalently determined in the distribution of a tax dividend, the amount so distributed in redemption or cancellation of the stock, to the extent that it represents a distribution of earnings or profits accumulated after February 28, 1913 shall be treated as a taxable dividend.

(f) Stock Dividends.—A stock dividend shall not be subject to tax to the distributee.

(2) Capital Net Gain.—If in the second year the taxpayer (other than a corporation) sustains a net loss, the amount thereof shall be allowed as a deduction in computing the net income of the taxpayer for the succeeding taxable year (hereinafter in this section called "second year"); and if such net loss is in excess of such net income (computed without such deduction), the amount of such excess shall be allowed as a deduction in computing the net income for the following taxable year (hereinafter in this section called "third year"); the deduction in all cases to be made under regulations prescribed by the Commissioner with the approval of the Secretary.

(g) Shipowners' Protection and Indemnity Associations.—The receipts of any shipowners' protection and indemnity association organized for profit, and no part of the earnings of which inures to the benefit of any private shareholder, and no part of the income thereof accruing to any State, Territory, political subdivision, or the District of Columbia, or any political subdivision of such State, Territory, or the District of Columbia, shall be treated as in part or full payment in exchange for the stock. If any such association were to distribute directly or to the use of or would be applied for the benefit of such State, Territory, political subdivision, or the District of Columbia, or any political subdivision thereof, the amount so distributed in redemption or cancellation of the stock, and amounts distributed in partial liquidation of a corporation to its shareholders is not made unless the entire amount of the refund is to be applied in payment for the acquisition of stock in the corporation.

(h) Dividends from "China Trade" Corporation.—In the case of a person, a tax imposed by this title on any dividends received as dividends from a corporation organized under the China Trade Act, 1922, shall be exempt from tax, after the earnings and profits accumulated after February 28, 1913, and the most recently accumulated earnings, if any, distributed in partial liquidation of a corporation to its shareholders is not made unless the entire amount of the refund is to be applied in payment for the acquisition of stock in the corporation.

(i) Deduction for Dividends.—A dividend shall not be subject to tax to the distributee, if the corporation from which such dividend is received as dividends shall not be allowed.

(j) Redemption of Stock.—If a corporation cancels or redeems its stock (whether or not such stock was issued as a stock dividend) at such time and in such manner as to make the distribution and cancellation or redemption in whole or in part (as equivalently determined in the distribution of a tax dividend, the amount so distributed in redemption or cancellation of the stock, to the extent that it represents a distribution of earnings or profits accumulated after February 28, 1913 shall be treated as a taxable dividend.

(k) Stock Dividends.—A stock dividend shall not be subject to tax to the distributee.

(2) Capital Net Gain.—If in the second year the taxpayer (other than a corporation) sustains a net loss, the amount thereof shall be allowed as a deduction in computing the net income of the taxpayer for the succeeding taxable year (hereinafter in this section called "second year"); and if such net loss is in excess of such net income (computed without such deduction), the amount of such excess shall be allowed as a deduction in computing the net income for the following taxable year (hereinafter in this section called "third year"); the deduction in all cases to be made under regulations prescribed by the Commissioner with the approval of the Secretary.

(l) Net Loss Not to Produce Net Loss.—In computing the net loss for any taxable year a net loss for a prior year shall not be allowed as a deduction.

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

(m) Capital Gains.—If in the second year the taxpayer (other than a corporation) has a capital gain, the capital gain, the deduction allowed by subsection (b) of this section shall be allowed as a deduction in computing the net income of the taxpayer for the succeeding taxable year (hereinafter in this section called "second year"); and if such capital gain is in excess of the ordinary net income for such year, the amount of such excess shall be allowed as a deduction in computing the net income for the following taxable year (hereinafter in this section called "third year"); the deduction in all cases to be made under regulations prescribed by the Commissioner with the approval of the Secretary.

(n) Capital Gains.—If in the second year the taxpayer (other than a corporation) has a capital gain, the capital gain, the deduction allowed by subsection (b) of this section shall be allowed as a deduction in computing the net income of the taxpayer for the succeeding taxable year (hereinafter in this section called "second year"); and if such capital gain is in excess of the ordinary net income for such year, the amount of such excess shall be allowed as a deduction in computing the net income for the following taxable year (hereinafter in this section called "third year"); the deduction in all cases to be made under regulations prescribed by the Commissioner with the approval of the Secretary.

(o) Net Loss Not to Produce Net Loss.—In computing the net loss for any taxable year a net loss for a prior year shall not be allowed as a deduction.

(p) Net Loss as a Deduction.—If, for any taxable year, it appears upon the return of income filed by the taxpayer that any taxpayer has sustained a net loss, the amount thereof shall be allowed as a deduction in computing the net income of the taxpayer for the succeeding taxable year (hereinafter in this section called "second year"); and if such net loss is in excess of such net income (computed without such deduction), the amount of such excess shall be allowed as a deduction in computing the net income for the following taxable year (hereinafter in this section called "third year"); the deduction in all cases to be made under regulations prescribed by the Commissioner with the approval of the Secretary.
Sec. 115.—Income from Sources within United States. 

(a) Gross Income from Sources in United States.—The following items of gross income shall be treated as income from sources within the United States: 

(1) Interest.—Interest on bonds, notes, or other interest-bearing obligations. 

(2) Dividends.—The amount received as dividends, including as dividends any item other than a corporate entity entitled to the benefits of section 251, and other than a corporation less than 20 per centum of the voting stock of which is held by citizens of the United States or residents of the United States; or a resident alien individual, a resident of a foreign country, corporation, or a domestic corporation, when it is shown to the satisfaction of the Commissioner that less than 25 per centum of the gross income of such corporation has been derived from sources within the United States; as determined under the provisions of this section, for the three-year period ending with the close of the taxable year of such corporation preceding the declaration of such dividends; or for such part of such period as the corporation has been in continuous existence. 

(3) From a foreign corporation unless less than 50 per centum of the beneficial ownership of such foreign corporation is held by United States citizens or residents; or a resident alien, or a domestic corporation, when the amount of any such tax paid or accrued during the taxable year to any foreign country or to any possession of the United States; and 

(4) Business.—Business carried on within the United States or, if the business is not carried on within the United States, for the three-year period ending with the close of the taxable year of such corporation preceding the declaration of such dividends; or for such part of such period as the corporation has been in continuous existence. 

(b) Personal Services.—Compensation for personal services performed in the United States; and 

(c) Gross Income from Sources Without United States.—The following items of gross income shall be treated as income from sources without the United States: 

(1) Interest.—Interest on bonds, notes, or other instruments is treated as income from sources without the United States. 

(2) From a foreign corporation unless less than 15 per centum of the beneficial ownership of such foreign corporation is held by United States citizens or residents; or a resident alien, or a domestic corporation, when the amount of any such tax paid or accrued during the taxable year to any foreign country or to any possession of the United States; and 

(3) From a foreign corporation unless less than 50 per centum of the beneficial ownership of such foreign corporation is held by United States citizens or residents; or a resident alien or individual, a resident of a foreign country, corporation, or a domestic corporation, when the amount of any such tax paid or accrued during the taxable year to any foreign country or to any possession of the United States; and 

(d) Business.—Business carried on without the United States or, if the business is not carried on without the United States, for the three-year period ending with the close of the taxable year of such corporation preceding the declaration of such dividends; or for such part of such period as the corporation has been in continuous existence. 

(e) Gross Income from Sources Within and Without United States.—Items of gross income, expenses, losses and deductions, other than those specifically treated under paragraphs (a) and (c) of this subsection which can not definitely be allocated to some item or class of gross income, shall be treated as income from sources within the United States, under rules and regulations prescribed by the Secretary. Where items of gross income are separately allocated to sources within the United States, there shall be deducted, for the purpose of computing the net income therefore the expenses, losses and other deductions which can not definitely be allocated to some item or class of gross income. The remainder, if any, shall be included in full as net income from sources within the United States, under rules and regulations prescribed by the Secretary.
corporation to any foreign country or to any possession of the United States, net of the amount of taxes in respect to the accumulated profits of such foreign corporation from which such dividends were paid, which amount is equal to the total tax upon the basis of the accumulated profits of such foreign corporation: Provided, That the credit allowed to any domestic corporation under this subsection shall be counted upon the basis of the income, excess-profits taxes, and accumulated profits which may be shown to have been imposed upon or with respect to such profits by the foreign country in which such foreign corporation is located, or the Commonwealth of Puerto Rico, or any of the possessions of the United States, in reference to a foreign corporation or to any possession of the United States, upon or with respect to the accumulated profits of such foreign corporation, whether or not such foreign corporation is engaged in trade or business within the United States. Provided further, That the term "accumulated profits" when used in this subsection shall mean the accumulated profits of such foreign corporation, without regard to the character or form of the tax assessed upon the basis of such accumulated profits, and that the provisions of this subsection shall be construed to mean such accounting period.

Corporations treated as foreign corporations under the provisions of the China Trade Act of 1922, as amended by the China Trade Act of 1930, shall, subject to the provisions of this section, have the privilege of making a consolidated return for the taxable year 1929 or any subsequent taxable year. Any return shall be upon the condition that all the corporations which have been members of the affiliated group at any time during the taxable year for which the return is made consent to all the regulations under subsection (b) of this section with respect to the making of such return; and the income, excess-profits taxes, and accumulated profits of each such corporation in the affiliated group shall be determined, computed, assessed, collected, and adjusted in such manner as clearly to reflect the income and to prevent avoidance of the tax.

(d) Regulations.—The Commissioner, with the approval of the Secretary of the Treasury, shall prescribe regulations in order that the provisions of this §251 may be construed as intended.

SUPPLEMENT—D—RETURNS AND PAYMENT OF TAX.

(1) At least 95 per centum of the stock of each of the corporations (ex-cept the common stock) of each affiliated group at any time during the taxable year for which the return is made shall be owned by the domestic corporations which have been members of the affiliated group at any time during the taxable year; for an accounting period of less than one year, the word "year" as used in this section shall be construed to mean such accounting period.

(2) Corporations constituted as foreign corporations under the provisions of the China Trade Act of 1922, as amended by the China Trade Act of 1930, shall be treated as foreign corporations.

(3) Every individual having a gross income for the taxable year of $1,500 or over, and who is not married and not living with husband or wife; and

(4) Every individual having a gross income for the taxable year of $5,000 or over, and married and living with husband or wife; and

(5) Every estate or trust of which any beneficiary is a nonresident alien, who is in the United States and is subject to the income tax in the United States, as defined in section 7701(a)(31) of the Internal Revenue Code of 1954, shall not be deemed to be affiliated with any other estate or trust.

(6) Law Applicable to Foreigners.—Any foreigner required to make a return under this title shall be subject to all the provisions of law which apply to individuals.

Sec. 144. Withholding of Tax at Source.

(a) Tax-free Covenant Bonds.—In any case where bonds, mortgage, or deeds of trust, or other similar obligations of a corporation contain a covenant or provision by which the obligor agrees to pay any portion of the tax imposed by this title upon the obligation, or to reimburse the obligee for any portion thereof, or to indemnify the obligee for any portion thereof, or in the case of a nonresident alien in the United States, to pay the interest without deduction for any tax therefrom under any law of the United States, the obligor shall deduct and withhold from the payment of interest thereon the amount of the tax required to be deducted and withheld therefrom under any law of the United States.

(b) Definitions of "Affiliation .—For the purpose of this section two or more corporations shall be deemed to be affiliated if (1) one corporation is at least 95 per centum of the stock of the other or of any of the others; or (2) if at least 95 per centum of the stock of both or of any of the others is owned by the same individual or individuals; or (3) if a nonresident alien owns or controls 10 per centum or more of the stock of either or both of the corporations.

(c) Definition of "Affiliated Group."—As used in this section an "affili- ated group" means one or more chains of corporations connected through ownership, control, receipt, custody, disposal, or payment of interest (except interest on deposits with banks) or depository, reorganization, composition, readjustment, or liquidation, partnerships, or a foreign corporation not engaged in trade or business within the United States, the obligor shall deduct and withhold the tax required to be deducted and withheld therefrom under any law of the United States; and

(4) Incomes of Obligor and Obligee.—The obligor shall not be allowed a deduction for the portion of the interest paid on the bond, mortgage, or deed of trust by which the obligor is required to deduct and withhold therefrom the tax imposed by this title.

(5) Withholding at Lower Rate.—Such deduction and withholding shall be at the rate of 5 per centum of the tax imposed by this title upon the portion of the obligation for which the withholding agent is liable under section 215.

(6) Income of Obligor and Obligee.—The obligor shall not be allowed a deduction for the portion of the interest paid on the bond, mortgage, or deed of trust the withholding agent is liable under section 215 for which the withholding agent is not required to deduct and withhold the tax imposed by this title.

(7) Withholding from Foreign Source.—If interest is paid on such obligation to a nonresident alien in the United States, the interest shall be subject to tax at a rate provided in section 25 (c) and (d); nor in the case of a nonresident alien in the United States, to pay the interest without deduction for any tax therefrom under any law of the United States, the obligor shall deduct and withhold the tax required to be deducted and withheld therefrom under any law of the United States.

(8) Withholding from Foreign Source.—If interest is paid on such obligation to a nonresident alien in the United States, the interest shall be subject to tax at a rate provided in section 25 (c) and (d); nor in the case of a nonresident alien in the United States, to pay the interest without deduction for any tax therefrom under any law of the United States, the obligor shall deduct and withhold the tax required to be deducted and withheld therefrom under any law of the United States.
Sec. 145. Payment of Corporation Income Tax at Source.

In the case of foreign corporations subject to taxation under this title not engaged in business within the United States and not having any office or place of business there, there shall be deducted and withheld at the source in the manner and upon the same percentage of income as is provided in section 144 a tax equal to 33 1/3 per centum in respect of all payments of income made after the enactment of this Act, and equal to 13 1/2 per centum in respect of all payments of income made after the enactment of the Act of February 26, 1913, which are due and payable before the enactment of the Act of February 26, 1913.

(a) Tax in Jeopardy.—If the Commissioner finds that a taxpayer designs to depart from the United States or to remove his property therefrom, the Commissioner, made as herein provided, whether made after notice to the taxpayer or not, shall be entitled to assess the amount due and to make and serve upon the officer, employee, or member a summons commanding such officer, employee, or member to appear before the Commissioner, render a correct return duly verified under oath, under such regulations, and to appear at any time and place named in the summons, and (2) in the case of collections of items (not payable in the United States) of interest upon the bonds of and dividends from foreign corporations by persons holding as a matter of business or for profit the collection of foreign payments of such interest or dividends by means of coupons, checks, or bills of exchange.

Sec. 146. Penalties.

(a) Any person required under this title to pay any tax, or required by law to hold any tax under his authority thereto to make a return, keep any records, or supply any information, for the purpose of the computation, assessment, or collection of any such tax, who willfully and knowingly fails to pay such tax, make such return, keep such records, or supply such information, shall be guilty of a misdemeanor, and, upon conviction thereof, be fined not more than $10,000, and imprisoned not for more than one year, or both, together with the costs of prosecution.

(b) Any person required under this title to collect, assess, or receive any tax, or to hold any tax under his authority thereto to make any return, keep any records, or supply any information, for the purpose of the computation, assessment, or collection of any such tax, who willfully and knowingly fails to collect such tax, fails to make such return, keep such records, or supply such information, shall be guilty of a misdemeanor, and, upon conviction thereof, be fined not more than $10,000, and imprisoned not for more than one year, or both, together with the costs of prosecution.

(c) Any person, firm, corporation, or association, or a member of any of the foregoing, who willfully and knowingly fails to collect, assess, or receive any such tax, or to make any return, keep any records, or supply any information, for the purpose of the computation, assessment, or collection of any such tax, and who fails to willfully and knowingly in any manner to evade or defeat any tax imposed by this title, or who willfully and knowingly fails to collect such tax, make such return, keep such records, or supply such information, shall be guilty of a felony, and, upon conviction thereof, be fined not more than $25,000, and imprisoned for not more than five years, and shall, in addition to the other penalties prescribed by law, be guilty of a misdemeanor, and, upon conviction thereof, be fined not more than $10,000, and imprisoned not for more than five years, or both.

Sec. 147. Closing by Commissioner of Taxable Year.

(a) Tax in Jeopardy.—If the Commissioner finds that a taxpayer designs quickly to depart from the United States or to remove his property therefrom, or who willfully and knowingly fails to pay such tax, or to make such return, keep such records, or supply such information, shall be guilty of a misdemeanor, and, upon conviction thereof, be fined not more than $10,000, and imprisoned not for more than one year, or both, together with the costs of prosecution.

Sec. 148. Information at Source.

(a) Payments of $1,500 or More.—All persons, in whatever capacity acting, including lessors, lessees, mortgagees of real or personal property, fiduciaries, and employers, making payment to another person, of interest, rent, salaries, wages, pensions, dividends, bonuses, deductions, gifts, or other income, war-profits, or excess-profits taxes due from him under any such income, war-profits, or excess-profits tax laws.

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

Sec. 148. Information at Source.

(a) Payments of $1,500 or More.—All persons, in whatever capacity acting, including lessors, lessees, mortgagees of real or personal property, fiduciaries, and employers, making payment to another person, of interest, rent, salaries, wages, pensions, dividends, bonuses, deductions, gifts, or other income, war-profits, or excess-profits taxes due from him under any such income, war-profits, and excess-profits tax laws.

Supplement E—Estates and Trusts.

Sec. 161—Imposition of Tax.

(a) Application of Tax.—The taxes imposed by this title upon individuals shall be imposed in the case of any estate or of any kind of property held in trust, including—

(1) Income accumulated in trust for the benefit of unborn or unascertained persons or persons with contingent interests, and income accumulated or held for future distribution, including the income allocable to the interest of the owner of the trust, and (2) in the case of collections of any tax imposed under this title there shall be added as part of the tax, together with interest at the rate of 1 per centum a month from the time the tax became due.

(b) Election of Commissioner for Foreign Purposes.—In the case of collections of any tax imposed under this title there shall be added as part of the tax, together with interest at the rate of 1 per centum a month from the time the tax became due.

Sec. 152. Returns of Brokers.

Every person doing business as a broker, shall, when required by the Commissioner, render a correct return, duly verified under oath, of the purchases and sales of any security made by him during the taxable year, or, in the case of such securities made during the taxable year for which the return is made, which have been distributed or ordered to be distributed, respectively, to its shareholdes.

Sec. 162—Net Income.

The net income of the estate or trust shall be computed in the same manner and on the same basis as if the estate or trust were an individual, so far as the terms of the will or deed creating the trust, or the terms of such trust, or the terms of any contract entered into by the trustee, permit the computation of the trust income or net income for the taxable year, and as if such income were derived from sources within the United States.
animals, or for the establishment, acquisition, maintenance or operation of a public cemetery or necropolis for profit.

(b) There shall be allowed as an additional deduction in computing the net income of the estate or trust for the taxable year which is to be distributed currently by the fiduciary to the beneficiary, and the amount of the income collected by a guardian of an infant which is to be held or distributed as the court may direct, shall be allowed as a deduction in computing the net income of the beneficiaries whether distributed to them or not. Any amount allocated under this paragraph shall be allowed as a deduction under subsection (c) of this section in the same manner and on the same basis as in the case of an individual, except that the so-called "charitable contribution" deduction provided in section 25 (a) and (b) shall not be allowed.

Sec. 156.—Credits Against Net Income.

(a) Credits of Retirement Trust.—For the purpose of the normal tax on the estate or trust shall be allowed the same personal exemption as is allowed to a single person under section 25 (c), and, if no part of the income of the estate or trust is included in computing the net income of any legatee, heir, or beneficiary, then in addition the same credits against net income for dividends and interest as are allowed by section 25 (a) and (b).

(b) Credits of Beneficiary.—If any part of the income of an estate or trust is included in computing the net income of any legatee, heir, or beneficiary, such legatee, heir, or beneficiary shall, for the purpose of the normal tax, be allowed credits against such part of the net income of the estate or trust which amounts to the income of the estate or trust for its taxable year which is properly paid or credited during such taxable year to any legatee, heir, or beneficiary, but the amount so allowed as a deduction shall be included in computing the net income of the legatee, heir, or beneficiary.

Sec. 158.—Net Losses.

In the case of an estate or trust, or of a beneficiary of an estate or trust, the proper part of each share of the net income which consists, respectively, of ordinary net income, capital net gain, or capital net loss, shall be determined in the manner provided in section 101 (a) and (b), relating to capital net gains and losses, and the capital net gain or capital net loss, shall be determined under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary, and shall be separately shown in the return of the partnership and shall be taxed to the member as provided in this Supplement.

Sec. 159.—Tax on Life Insurance Companies.

(a) General Rule.—There shall be included in computing the net income of such partner the distributive share, whether distributed or not, of the net income of the partnership for the taxable year. If the taxable year of such a partner is different from that of the partnership, the amount so included shall be based upon the income of the partnership for any taxable year of the partnership beginning within his taxable year which is different from that of the partnership.

(b) Partnership Year Embracing Calendar Years with Different Laws.—If a fiscal year of a partnership begins in one calendar year and ends in another calendar year, and the law applicable to the first calendar year is different from the law applicable to the first calendar year, then the rates for the calendar year during which such fiscal year begins shall apply to any part of each partner’s share of the income (determined under the law applicable to such calendar year) equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year; and (2) the rates for the calendar year during which such fiscal year ends shall apply to an amount of each partner’s share of the income (determined under the law applicable to such calendar year) equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year.

In such cases the part of such income subject to the rates in effect for the most recent calendar year shall be added to the other income of the taxpayer subject to such rates and the resulting amount shall be placed in the lower brackets of the rate schedule applicable to such year, and the part of such income subject to the rates in effect for the next preceding calendar year shall be placed in the next higher brackets of the rate schedule applicable to such year.

Sec. 160.—Computation of Partnership Income.

The net income of the partnership shall be computed in the same manner and on the same basis as in the case of an individual, except that the so-called "charitable contribution" deduction provided in section 25 (a) and (b) shall not be allowed.

Sec. 165.—Credits Against Net Income.

The partner shall, for the purpose of the normal tax, be allowed as a credit against his normal tax, in addition to the credits allowed to him under section 25 (b), his proportionate share of such amounts of dividends and interest specified in section 25 (a) and (b) as are, under this Supplement, required to be included in computing his net income.

Sec. 166.—Revolvable Trusts.

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

Sec. 167.—Income for Benefit of Grantor.

Where any part of the income of a trust may, in the discretion of the fiduciary, be held or distributed to the grantor, or any part of such income may, in the discretion of the fiduciary, be held or distributed for future distribution to him, or where any part of the income of a trust is or may be applied to the payment or reduction of annuities on the life of the grantor (except policies of insurance irrevocably assigned under section 25 (c), his proportionate share of such amounts of dividends and interest specified in section 25 (a) and (b) shall, for the purpose of the normal tax, be allowed as credits against net income.

Sec. 168.—Capital Gain and Losses.

In the case of an estate or trust, or of a beneficiary of an estate or trust, the amount which he is required, under section 162 (b), to include in his gross income for the taxable year shall be distributed or credited during such year to any legatee, heir, or beneficiary, but the amount so allocated as a deduction shall be included in computing the net income of the legatee, heir, or beneficiary.

Sec. 169.—Net Losses.

The benefit of the special deduction for net losses allowed by section 117 shall be allowed to the members of a partnership under regulations prescribed by the Commissioner with the approval of the Secretary.

Sec. 170.—Taxes of Foreign Countries and Possessions of the United States.

The amount of income, war-profit, and excess Profits taxes imposed by foreign countries or possessions of the United States shall be allowed as credits against the tax of the member of a partnership to the extent provided in section 131.

Sec. 181.—Net Income of Life Insurance Companies.

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

(b) Rates of Tax.—In lieu of the tax imposed by section 13, there shall be levied, collected, and assessed for each taxable year upon the net income of every life insurance company a tax as follows: (1) in the case of a domestic life insurance company, 12 per centum of its net income; (2) in the case of a foreign life insurance company, 12 per centum of its net income from sources within the United States.

Sec. 203.—Cross Income of Life Insurance Companies.

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

(b) "Reserve funds required by law" includes, in the case of assessment insurance companies of the United States, the sums which may be deposited by such state or territorial officers pursuant to law as quartly or reserve funds, and any funds which may be required, under the charter or rules of incorporation of the company or association excluding the payments of claims under certificates of membership or policies issued upon the assessment plan and not subject to any other use.

Sec. 204.—Net Income of Life Insurance Companies.

(a) General Rule.—In the case of a life insurance company the term "net income" means the gross income less—
(1) Tax-free Interest.—The amount of interest received during the taxable year on obligations of the United States issued after Sept. 24, 1917, and originally subscribed for by the United States shall be exempt from taxation under this title; and

(2) Interest.—All interest paid or accrued within the taxable year on its indebtedness, except on indebtedness incurred or continued to purchase or refund the obligations of any corporation (other than obligations of the United States issued after Sept. 24, 1917) shall be exempt from taxation under this title; and

(3) Specific Exemption.—In the case of a domestic life insurance company, the net income of which (computed without the benefits of subsection (a) of this paragraph) is $25,000 or less, the sum of $3,000; but if the net income is more than $25,000, the tax imposed by section 201 shall not exceed the tax which would be payable if the $3,000 credit were allowed, plus the amount of the net income in excess of $25,000.

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

(c) Foreign Life Insurance Companies.—In the case of a foreign life insurance company the amount of its net income for any taxable year from sources within the United States shall be the same proportion of its net income for the taxable year from sources within the United States, which the reserve funds required by law and held by such company in the United States for the taxable year for the protection of its policyholders bear to the reserve funds held by it at the end of the taxable year upon all business transacted.

Sec. 204.—Insurance Companies Other than Life or Mutual.

(a) By the end of the year, but not later than at the end of the taxable year, the assets of the United States shall be required to make premium deposits to provide a net income (after deducting taxes, depreciation, and all other expenses) at the rate of 4 per centum per annum of the book value at the end of the taxable year of the real estate so owned or occupied by the insurance company.

(b) Definition of Income, Etc.—In the case of an insurance company subject to the tax imposed by this title,

(1) Gross Income.—"Gross income" means the sum of (A) the combined gross amount earned during the taxable year from interest, dividends, and rents received during the taxable year, and (B) the premium deposits required by law and held by the insurance company in the United States for the protection of its policyholders, but not included in the taxable year in which the deposit was made.

(2) Net Income.—"Net income" means the gross income as defined in paragraph (1) of this subsection, less (A) the combined gross amounts of all expenses incurred during the taxable year in earning such income, and (B) the unpaid losses outstanding at the end of the taxable year.

(3) Ordinary and Non-Resident Individuals.—In the case of an individual resident in a foreign country, the amount of the net income of such individual shall be subject to the tax imposed by section 201 or 204, to the extent provided in the case of a domestic corporation in section 131, and in such case "net income" as used in that section shall be construed to mean the net income as defined in this Supplement.

Sec. 205. Computation of Gross Income.

Sec. 207. Computation of Gross Income.

The gross income of insurance companies subject to the tax imposed by section 201 or 204 shall not be determined in the manner provided in section 119.

Sec. 208. Mutual Insurance Companies Other Than Life.

Sec. 209. Mutual Insurance Companies Other Than Life.

Sec. 211. Normal Tax.

Sec. 212. Normal Tax.—In the case of nonresident aliens who are not a resident of a country whose national government has concluded a treaty or arrangement for the mutual benefit of the citizens or residents of the United States and such other country, the amount of the net income of such individual shall be subject to the tax imposed by section 201 or 204.

Sec. 213. Alien Individuals in a Foreign Country.—In the case of an alien individual resident in a foreign country, the amount of the net income of such individual shall be subject to the tax imposed by section 201 or 204 for the taxable year.
Sec. 215. Allowance of Deductions and Credits.

(2) A domestic corporation entitled to the benefits of this section shall have the same deductions as are allowed by Supplement I in the case of a foreign corporation.

(3) Citizens of the United States entitled to the benefits of the section shall have the same deductions as are allowed by Supplement II in the case of a foreign corporation.

Sec. 216. Credits Against Tax.

A nonresident alien individual shall not be allowed the credits against the United States against income taxes of any foreign country or possessions of the United States allowed by section 131.

Sec. 217. Returns.

In the case of a nonresident alien individual the return, in lieu of the time prescribed in section 33 (a) (1), shall be made on or before the fifteenth day of the sixth month following the close of the fiscal year, or on or before the fifteenth day of June following the close of the calendar year, or, if the return is made on the basis of any year other than a fiscal year then on or before the fifteenth day of the sixth month following the close of the fiscal year.

Sec. 218. Payment of Tax.

(1) Any individual who is a citizen of any possession of the United States (but not otherwise a citizen of the United States) who is taxable only as to income derived from such sources shall be subject to the same conditions as in the case of other persons who are taxable only as to income derived from such sources.

(2) Ships Under Foreign Flag.—The income of a foreign corporation, or, in the case of a nonresident alien individual, which consists exclusively of earnings derived from the operation of a ship or ships documented under the laws of a foreign country which grants an exemption from taxation of such earnings to citizens of the United States, or to corporations organized in the United States, shall be included in gross income and shall be exempt from taxation under this title.

Sec. 219. Dedications.

In the case of a nonresident alien individual the deductions shall be allowed only if and to the extent that they are connected with income from sources within the United States; and the proper apportionment and allocation of the deductions with respect to sources of income without and within the United States shall be determined as provided in section 119, under rules and regulations prescribed by the Commissioner with the approval of the Secretary.
section 26, a credit against the net income of an amount equal to the pro-

in a similar manner to that provided in section 119) which the par value

sions of the United States, and (2) individual citizens of the United States

ble year by (1) persons resident in China, the United States, or posses-

session owned by each; except that if the corporation has more than one class

payable or to be payable to such persons or for their benefit, by reason of

their interest in the corporation; and

(2) That such special dividend was in addition to all other amounts.

in accordance with the method so provided.

poration provide a method for the apportionment of such special dividend

the equitable right to the income from such shares is in good faith vested.

have the same meaning as when used in the China Trade Act, 1922.

A corporation organized under the China Trade Act, 1922, shall not be

exclusions of dividends from gross income, see section 116.

Subsec. (c) of this section relating to assertion of greater deficiencies before the Board, and the taxpayer files a petition with the Board within the meaning of subsection (e) of this section. relating to assertion of greater deficiencies before the Board, for the mathematical error, such notice shall not be considered (for the purpose of this subsection, or of subsection (a) of this section), prohibiting payment and collection until notice of deficiency has been mailed, or of section 221 (b), providing that notice in respect of the tax to which the jeopardy assessment relates has been mailed under section 271 (a), then the Commissioner shall mail notice under such subsection within sixty days after the making of such assessment.
nearly notice and demand to the date of notice and demand upon this subsection. 

(b) Waiver of Stay.—Upon the filing of the bond the collection of so much of the tax as is covered by the bond shall be stayed. The taxpayer shall have the right to waive such stay at any time in re-

spect of any part of the amount covered by the bond, and at the request of the taxpayer, be propor-

tionately reduced. If the Board determines that the amount assessed is greater than the amount actually assessed, then when the decision of the Board is rendered the bond shall, at the request of the taxpayer, be proportionately reduced. 

When the petition has been filed with the Board and when the amount which should have been assessed has been reduced, the filing of the petition, which has become final, then any unpaid portion, the collection of which has been stayed by the bond, shall become due and payable, and demand and demand from the collector, and any remaining portion of the assessment shall be abated. If the amount of the collected portions of the amount assessed as the amount which should have been assessed is greater than the amount actually assessed, then the difference shall be assessed and shall be collected as part of the tax upon notice and demand from the collector. 

(1) Claims in any shareholder's return in abatement shall be filed in respect of any assessment in respect of any tax imposed by this title. 

Sec. 276—Bankruptcy and Receiverships. 

(a) Immediate Assessment.—Upon the adjudication of bankruptcy of any corporation, or by a corporation, the tax shall be assessed, and no one-

ee for any taxpayer in any receivership proceeding before the expiration of any period of limitation shall be extended by subsequent agreements in writing made before the expiration of the period of limitation agreed upon. 

(b) Waivers.—Where before the expiration of the time prescribed in section 272 (a) upon assessment of such tax shall be made before the Board, and may be collected by distraint or in court without assessment. 

If the time for the payment of any part of a deficiency is extended, there shall be collected, as a part of the tax, interest upon the unpaid amount at the rate of 1 per centum a month from such date until it is paid. 

If the time for the payment of the amount determined as a deficiency is placed on the docket of the Board, until the decision of the Board becomes final, and for 60 days thereafter. 

SUPPLEMENT M—INTEREST AND ADDITIONS TO THE TAX. 

Sec. 291—Failure to File Return. 

In case of any failure to make and file a return required by this title, within the time prescribed by law or prescribed by the Board, and Notwithstanding the provisions of the act of 25 per centum of the tax shall be added to the tax, except that when the amount assessed is greater than the amount which should have been assessed, such excesses shall be credited or refunded to the taxpayer as provided in section 292, without the filing of a claim for refund. The provisions of this subsection shall not apply to the amount of any deficiency in a tax imposed by this title. 

Sec. 292—Additions to the Tax in Case of Nonpayment. 

(a) Tax Shown on Return.—In the case of income received during the lifetime of a decedent, or by his estate during the period of administration, any unpaid amount shall be stayed as part of the tax, and any such unpaid amount in respect of any tax imposed by this title shall, if the time for the payment of the same shall be extended, be charged to the estate and charged to the estate and such unpaid amount shall be stayed as part of the tax, and any such unpaid amount in respect of any tax imposed by this title shall, if the time for the payment of the same shall be extended, be charged to the estate and charged to the estate and charged to the estate and charged to the estate and charged to the estate and charged to the estate and charged to the estate. 

Sec. 275—Period of Limitation Upon Assessment and Collection. 

(a) General Rule—The amount of income taxes imposed by this title shall be assessed within two years after the return was filed, and no pro-

ceeding in court without assessment for the collection of such taxes shall be begun after the expiration of such period. 

(b) Request for Prompt Assessment.—In the case of income received during the lifetime of a decedent, or by his estate during the period of administration, any unpaid amount shall be stayed as part of the tax, and any such unpaid amount in respect of any tax imposed by this title shall, if the time for the payment of the same shall be extended, be charged to the estate and charged to the estate and charged to the estate and charged to the estate and charged to the estate and charged to the estate and charged to the estate. 

Sec. 293—Additions to the Tax in Case of Deficiency. 

(a) Tax Shown on Return.—In the case of income received during the lifetime of a decedent, or by his estate during the period of administration, any unpaid amount shall be stayed as part of the tax, and any such unpaid amount in respect of any tax imposed by this title shall, if the time for the payment of the same shall be extended, be charged to the estate and charged to the estate and charged to the estate and charged to the estate and charged to the estate and charged to the estate and charged to the estate. 

(b) Deficiency.—Where a deficiency, or any interest or additional amounts assessed in connection with such bank-

ruptcy or receivership proceeding which is unpaid shall be paid by the taxpayer upon notice and demand from the collector after the termination of such proceeding, and may be collected by distraint or in court without assessment. 

Extensive period of time for such payment may be had in the same manner and subject to the provisions and limitations as prescribed in sections 271 (j) and section 297 in the case of a deficiency in a tax imposed by this title. 

Sec. 276—Same—Exceptions. 

(a) False Return or no Return.—In the case of a false or fraudulent return with intent to evade tax or of a failure to file a return the tax may be assessed, or a proceeding in court for the collection of such tax may be begun after the expiration of such period. 

(b) Waivers.—Where before the expiration of the time prescribed in section 275 for the assessment of the tax, both the Commissioner and the taxpayer shall have agreed in writing to its assessment after such time, tax may be assessed at any time prior to the expiration of the period prescribed for the assessment of any such tax for collection agreed upon in writing by the Commissioner and the tax-

payer, and such tax shall be collected by distraint or in court without assessment. 

Sec. 294—Additions to the Tax in Case of Nonpayment. 

(a) Tax Shown on Return.—In the case of income received during the lifetime of a decedent, or by his estate during the period of administration, any unpaid amount shall be stayed as part of the tax, and any such unpaid amount in respect of any tax imposed by this title shall, if the time for the payment of the same shall be extended, be charged to the estate and charged to the estate and charged to the estate and charged to the estate and charged to the estate and charged to the estate and charged to the estate. 

Sec. 277—Suspension of Running of Statute. 

The running of the statute of limitations provided for in sections 274 or 275 on the making of a return and the beginning of distraint or in proceeding in court without assessment shall not be suspended (w) by the making of a return, or by a proceeding in court, but only if begun (1) within six years after the expiration of the period of limitation after which any such tax may be assessed upon agreement in writing made before the expiration of the period of limitation agreed upon, and (2) in any other case. 

Sec. 295—Time Extended for Payment of Tax Shown on Return. 

If the time for payment of the amount determined as the tax by the taxpayer, or any installment thereof, is extended under the authority of section 295 (a), there shall be collected as a part of such instalment, interest thereon at the rate of 6 per centum per annum from the date when such payment should have been made if no extension had been granted, until the expiration of the period of the extension. 

Sec. 296—Time Extended for Payment of Deficiency. 

If the time for payment of any part of a deficiency is extended, there shall be collected, as a part of the tax, interest upon unpaid amount at the rate of 1 per centum a month from such date until it is paid. 

If the time for payment of any part of a deficiency is extended, there shall be collected, as a part of the tax, interest thereon at the rate of 6 per centum per annum from the date when such payment should have been made if no extension had been granted, until the expiration of the period of the extension.
Sec. 339—Removal of Property or Departure from United States.  
For additions to tax in case of leaving the United States or concealing property in such manner as to hinder collection of the tax, see section 144A.

SUPPLEMENT N—CLAIMS AGAINST TRANSFEREES AND FIDUCIARIES.
Sec. 311—Transferred Assets.  
(a) Method of Assessment.—The amount of any liabilities hereinafter provided, or paid in the same manner and subject to the same provisions and limitations as in the case of a deficiency in a tax imposed by this title (including the provisions in case of delinquency in payment after notice and demand, the provisions authorizing district and court proceedings for collection, and the provisions prohibiting claims and suits for refund), shall, unless as hereinafter in this section provided, be assessed, collected, and paid into the Treasury of the United States within 10 days from the date of notice and demand from the collector, then there shall be a sum of interest upon the unpaid portion thereof at the rate of 1 cent per annum from the date of such notice and demand until it is paid.

(b) Period of Limitation.—The period of limitation for assessment of any such deficiency in a tax on the transferor or transferee of property shall be as follows:—

(1) Transferees.—The liability, at law or in equity, of a transferee of property for the tax (including interest, additional amounts, and additions to the tax provided by law) imposed upon the transferee by this title, for any tax which is a transfer tax, shall be suspended for the period during which the Commissioner is prohibited from making the assessment in respect of the liability of the transferee or fiduciary (and in any event, if the period of limitation for assessment of the liability of the transferee has expired before the notice of deficiency was mailed, shall be suspended for the period during which the Commissioner is prohibited from making the assessment in respect of the liability of the transferee or fiduciary), until the decision of the Board becomes final; and

(2) Fiduciaries.—The liability of a fiduciary under section 3467 of the Revised Statutes in respect of any such tax from the estate or trust of the fiduciary, shall be suspended for the period during which the Commissioner is prohibited from making the assessment in respect of the liability of the transferee or fiduciary (and in any event, if the period of limitation for assessment of the liability of the transferee has expired before the notice of deficiency was mailed, shall be suspended for the period during which the Commissioner is prohibited from making the assessment in respect of the liability of the transferee or fiduciary), until the decision of the Board becomes final; and

(c) Manner of Notice.—Notice under subsection (a) or (b) shall be given by registered or certified mail at his last known address, or if the person is acting in a fiduciary capacity such fiduciary shall assume the powers, rights, duties, and privileges of the taxpayer, in respect of a tax upon the estate of the taxpayer, or upon the net income or earned income of the estate, until such time as its existence, the period of limitation for assessment against the transferee or fiduciary (and in any event, if the period of limitation for assessment of the liability of the transferee has expired before the notice of deficiency was mailed, the period of limitation for assessment against the fiduciary), shall be suspended for the period during which the Commissioner is prohibited from making the assessment in respect of the liability of the transferee or fiduciary, until the decision of the Board becomes final; and for 60 days thereafter.

(d) Overpayment Found by Board.—If the Board finds that there is no deficiency and further finds that the taxpayer is entitled to a credit or refund of tax in respect of the taxable year in which the deficiency was determined, the Board shall have jurisdiction to determine the amount of such overpayment, and such amount shall, when the decision of the Board has become final, be credited to or refunded to the taxpayer.  
No such credit or refund shall be made if any portion of the tax paid more than two years before the filing of the claim or the filing of a petition, whichever is the later.

(e) Tax Withheld at Source.—For refund or credit in case of excessive withholding of the tax, see section 144A of the Revenue Act of 1926.

TITLE II—MISCELLANEOUS TAXES.

PART I—ESTATE TAX.

Sec. 401—Deductions in Case of Non-resident Decedents.  
(a) Section 305 (b) (1) of the Revenue Act of 1925 (relating to deductions from the gross estate) is amended to read as follows:

(b) The running of the statute of limitations provided in this section or in section 311 on the excising of assets and the beginning of distraint or a proceeding in court for collection, in respect of any deficiency, shall, (after the mailing of the notice under subdivision (a) of section 308 to the transferee or fiduciary, or the notice provided for in section 327 (a), be suspended for the period during which the Commissioner is prohibited from making the assessment or beginning distraint or a proceeding in court for collection, and the making the assessment in respect of the liability of the transferee or fiduciary, and in any event, if the period of limitation for assessment of the liability of the transferee has expired before the notice of deficiency was mailed, shall be suspended for the period during which the Commissioner is prohibited from making the assessment in respect of the liability of the transferee or fiduciary), until the decision of the Board has become final, and for 60 days thereafter.

 Sec. 402—Suspension of Running of Statute of Limitations.  
(a) Section 310 (b) of the Revenue Act of 1926 is amended to read as follows:

(b) Subsection (a) of this section shall apply in all cases where the period of limitation has not expired prior to the date of enactment of this Act.

 Sec. 403—Same.—Transferor Cases.  
(a) Section 316 (c) of the Revenue Act of 1925 is amended to read as follows:

(b) Subsection (a) of this section shall apply in all cases where the period of limitation has not expired prior to the date of enactment of this Act.

 Sec. 404—Credit of Gift Tax.  
Section 322 of the Revenue Act of 1924 (relating to the credit of gift tax against the estate tax where the amount of the credit is required to be included in the gross estate of the decedent) is revised as of January 1, 1929 (the effective date of its repeal by the Revenue Act of 1928), and the provision shall also be applied in case of the estate tax imposed by Title III of the Revenue Act of 1926, in the same manner and to the same extent as in the case of the estate tax imposed by Title III of the Revenue Act of 1924.

PART II—TAX ON ADMISSIONS AND DUES.

Sec. 411—Admissions Tax.  
(a) The first two paragraphs of section 500 of the Revenue Act of 1926 are amended to read as follows:

(b) Subsection (a) shall be levied, assessed, collected, and paid—

(c) A tax of 1 cent for each 10 cents or fraction thereof of the amount paid for admission to any place, including admission by season ticket or subscription, to be paid by the person paying for such admission, except that in case the amount paid for admission is $3 or less, no tax shall be paid, and no amount, if any, of the amount paid for admission, exceeds the amount determined to be the correct amount of such installment, the overpayment shall be credited or refunded as provided in section 322.

Sec. 383—Refunds and Credits.  
(a) Authorization.—There has been an overpayment of any tax imposed by this title, the amount of such overpayment shall be assessed, collected, and paid against any income, war-profits, or excess-profits tax or installment thereof thereon, due from the taxpayer, and any balance shall be refunded immediately to the taxpayer.

(b) Limitation on Allowance.—

(c) Limit on Amount of Credit or Refund.—The amount of the credit or refund of the taxpayer shall be suspended for the period during which the Commissioner is prohibited from making the assessment in respect of the taxable year in which the Commissioner has determined the deficiency shall be allowed or made and no suit by the taxpayer for the recovery of any part of such tax shall be instituted in any court except—

(d) Overpayment Found by Board.—If the Board finds that there is no deficiency and further finds that the taxpayer is entitled to a credit or refund of tax in respect of the taxable year in which the deficiency was determined, the Board shall have jurisdiction to determine the amount of such overpayment, and such amount shall, when the decision of the Board has become final, be credited to or refunded to the taxpayer.  
No such credit or refund shall be made if any portion of the tax paid more than two years before the filing of the claim or the filing of a petition, whichever is the later.

(e) Tax Withheld at Source.—For refund or credit in case of excessive withholding of the tax, see section 144A of the Revenue Act of 1926.
sec. 417—tax on sale of tickets by brokers.
(a) paragraph (2) of subdivision (a) of section 600 of the revenue act of 1926 is amended to read as follows:
(c) subsection (a) of this section shall take effect on the expiration of thirty days after the enactment of this act.
sec. 418—club dues tax.
(a) section 601 of the revenue act of 1926 is amended to read as follows:
(b) section 501 (a) of the revenue act of 1926 is amended to read as follows:
sec. 419—returns of admissions and dues tax.
(a) section 502 (a) of the revenue act of 1926 is amended by striking out "monthly returns" and inserting in lieu thereof "returns.
(b) section 502 (b) of such act is amended by striking out "monthly return" and inserting in lieu thereof "return.
part iii—excise taxes.
sec. 421—automobile tax.
section 600 (1) of the revenue act of 1926 is repealed.
sec. 422—refund of automobile tax to manufacturer, producer, or importer.
(a) where prior to the date of the enactment of this act any article subject to the tax imposed by section 600 (1) of the revenue act of 1926 has been sold by any manufacturer, producer, or importer, and in such case held by a dealer and intended for sale, there shall be refunded to the manufacturer, producer, or importer the amount of the tax, if the tax has not been paid, the tax shall be abated.
(b) as used in this section the term "dealer" includes a wholesaler, jobber, or distributor. for the purposes of this section, an article shall be considered as sold if it has been delivered to the purchaser or to a vendor, or if in the case of consumption, title to such article or possession thereof has not at any time been transferred to any person other than a dealer.
(c) under regulations prescribed by the commissioner, with the approval of the secretary, the refund provided by this section (1) may be applied as a credit against the tax shown by subsequent returns of the manufacturer, producer, or importer, but in no case shall such a refund exceed the amount paid by the dealer in excess of the amount properly payable upon the sale or lease of the article, as is evidenced by the affidavits of the dealer and receipts of the manufacturer, producer, importer, or from any other person the article was sold to for less than the amount paid by the dealer. for the purposes of this section the court shall include in any judgment in favor of the dealer in any suit for the recovery of such damages, costs of the suit and a reasonable attorney's fee to be fixed by the court.
sec. 423—refund of automobile accessories tax.
(a) no refund shall be made of any amount paid by or collected from any manufacturer, producer, or importer in respect of which a tax has been imposed by subdivision (b) of section 600 of the revenue act of 1926, or subdivision (c) of section 1900 of the revenue act of 1921 or of the revenue act of 1918, unless either:
(b) any refund by the vendor or lessee under subsection (a) shall be made at the time and in the manner provided for the refund of the vendor or lessee so as to be payable to the vendor or lessee or to the person entitled to the refund and recoverable for the payment thereof.
(c) the court shall include in any judgment in favor of the vendor or lessee in any such suit for the recovery of such damages, costs of the suit and a reasonable attorney's fee to be fixed by the court.
part iv—special taxes.
sec. 431—tax on use of foreign built boats.
section 702 of the revenue act of 1926 (imposed a tax on the use of certain foreign-built boats) is repealed, to take effect july 1, 1928.
sec. 432—tax on narcotics.
the fourth paragraph of section 1 of the act entitled "an act to provide for the registration of, with collectors of internal revenue, and to impose a special tax upon all persons who produce, import, manufacture, compound, deal in, dispense, sell, distribute, or give away opium or its compounds, or any derivative or preparation, and for other purposes," approved december 31, 1914, as amended, is amended to read as follows, effective july 1, 1928:
"importers, manufacturers, dealers, producers, or compounders, $50 a year; wholesale dealers, $30 a year; retail dealers, $5 a year; physicians, surgeons, dentists, and other practitioners lawfully entitled to prescribe or administer any of the aforesaid drugs to patients upon whom they in the course of their professional practice are bound to attend, to $40 a year; and a fraction thereof during which they engage in any of such activities."
part v—stamp taxes.
sec. 441—magnitudes of instruments of agricultural co-operative associations.
subsection (d) of section 801 of the revenue act of 1926 is amended by striking out the period at the end thereof and inserting a semicolon therefor and for the purposes, and subject to the conditions, prescribed in paragraph (12) of section 231."
(b) Subsection (a) of this section shall take effect on the expiration of thirty days after the enactment of this Act.

Sec. 443—Tax on Grape Brandy Used in Fortifying.

(a) Section 612 of the Revenue Act of 1918 (imposing tax on grape brandy or wine spirits used for the fortification of wines) is amended by striking out "90 cents per proof gallon" and inserting in lieu thereof "95 cents per proof gallon"; and by striking out "two new paragraphs to read as follows:

"(a) In case of dealcoholized wines containing less than one-half of 1 per centum of absolute alcohol, 40 cents per wine gallon; and "(b) In case of dealcoholized wines containing less than one-half of 1 per centum of absolute alcohol, 40 cents per wine gallon; and"

(7) If a notice under subdivision (c) of section 274 in respect of a deficiency for the taxable year 1921 or any previous taxable year has been mailed to a corporation, the suspension of the running of the statute of limitations, provided in subdivision (b) of section 277 and section 278 on the making of assessments and the beginning of distraint or proceedings in court for collection, in respect of any deficiency, shall (after the mailing of the notice under subdivision (a) of section 274) be suspended for the period during which the Commissioner is prohibited from making the assessment or proceeding in court (and in any event, if a proceeding in respect of the deficiency is placed on the docket of the Board, until the decision of the Board becomes final), and for 60 days thereafter.

(b) Subsection (a) of this section shall apply in all cases where the period of limitation has not expired prior to the enactment of this Act.

Sec. 505—Same—Transfer or Change of Name.

(a) Section 280 (d) of the Revenue Act of 1926 is amended to read as follows:

"(d) The running of the statute of limitations upon the assessment of the liability of a transferee or fiduciary shall, after the mailing of the notice under subdivision (a) of section 274 for the assessment of such tax, be suspended for the period during which the Commissioner is prohibited from making the assessment or beginning distraint or proceeding in court (and in any event, if a proceeding in respect of the liability is placed on the docket of the Board), until the decision of the Board becomes final, and for 60 days thereafter.

(b) Subsection (a) of this section shall apply in all cases where the period of limitation has not expired prior to the enactment of this Act.

Sec. 506—Wavers after Expiration of Period of Limitation.

(a) Section 278 (c) and (d) of the Revenue Act of 1925 are amended to read as follows:

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

"(d) The assessment of any income, excess-profits, or war-profit taxes imposed by this title or by prior titles of Congress in respect of a liability of a transferee or fiduciary shall, after the mailing of the notice under subdivision (a) of section 274 for the assessment of such tax, be suspended for the period during which the Commissioner is prohibited from making the assessment or beginning distraint or proceeding in court (and in any event, if a proceeding in respect of the liability is placed on the docket of the Board), until the decision of the Board becomes final, and for 60 days thereafter.

(b) Subsection (a) of this section shall apply in all cases where the period of limitation has not expired prior to the enactment of this Act.

Sec. 507—Overpayments Found by Board of Tax Appeals.

(a) Section 284 (a) of the Revenue Act of 1925 is amended to read as follows:

"(a) If the Board finds that there is no deficiency and further finds that the taxpayer has made an overpayment of tax in respect of the taxable year in respect of which the Commissioner determined the deficiency, the Board shall have jurisdiction to determine the amount of such overpayment, and any amount shall, when the decision of the Board has become final, be credited or refunded to the taxpayer as provided in subdivision (a). Unless claim for credit or refund, or the petition, was filed within the time prescribed in subdivision (a) no claim for credit or refund shall be made of any portion of the tax paid more than four years (or, in the case of a tax imposed by this title, more than three years) before the filing of the claim or the filing of the petition, whichever is earlier.

(b) Section 284 of the Revenue Act of 1925 shall be further amended by adding at the end thereof a new subdivision to read as follows:

Sec. 508—Resident of Foreign Country.

(a) Section 293 (E) of the Revenue Act of 1926 is amended by striking out "30 days" and inserting in lieu thereof "45 days"; and by striking out "the deficiency" and inserting in lieu thereof "the amount of the deficiency"; and by striking out "deficiency" and inserting in lieu thereof "amount of the deficiency"; and by striking out "1925" and inserting in lieu thereof "1929."
Sec. 605—Suit to Restrain Enforcement of Liability of Transferee or Fiduciary.

No suit shall be maintained for the purpose of restraining the assessment or collection of (1) the amount of the liability, at law or in equity, of a transferee of property of a taxpayer in respect of any income, war-profit, or excess-profits tax, or (2) the amount of the liability of a fiduciary under section 447 of the Revised Statutes in respect of any such tax.

Sec. 606—Recovery of Amounts Erroneously Refunded.

(a) Any portion of an internal-revenue tax (or any interest, penalty, additional amount, or addition to such tax) refunded after the enactment of this Act shall not be considered an overpayment if the refund was made on account of a death of the taxpayer or transferee before the enactment of this Act, or if the tax was erroneously refunded because a refund claim was filed after the expiration of the period of limitation therefor, or if the refund was made for the purpose of (1) reducing the amount of tax (or of any interest, penalty, additional amount, or addition to such tax) erroneously assessed and paid (whether before or after the enactment of this Act), or (2) reducing the amount of tax (or of any interest, penalty, additional amount, or addition to such tax) erroneously assessed, and such refund was made after the expiration of the period of limitation therefor.

Sec. 607—Closing Agreements.

(a) Authorization.—The Commissioner (or any officer or employee of the Bureau of Internal Revenue) or any authorized agent thereof may enter into an agreement with the taxpayer, or a transferee of property of a taxpayer, to whom a deficiency assessment has been made, in respect of any internal-revenue tax (other than estate and inheritance taxes) and any interest, penalty, additional amount, and addition to such tax, except upon a specific order of the Secretary of the Treasury, or the Undersecretary, within such time as may be stated in such agreement, or, if no such order is specified, except upon such order of the Commissioner of Internal Revenue as the Secretary of the Treasury may make with the approval of the Secretary, such subsequent regulation or Treasury decision having the effect of law, or, ifany time is therein provided, within such time as the Secretary of the Treasury may prescribe.
(a) Interest not allowed or paid upon any overpayment in respect of any internal-revenue tax, at the rate of 6 per centum per annum, as follows:
   (1) In the case of a credit, from the date of the overpayment to the due date of the amount against which the credit is taken, but if the amount against which the credit is taken is less than the total amount of the assessment, from the date of the overpayment to the date of the assessment.
   (2) In the case of a refund, from the date of the overpayment to a date not more than 30 days after such date to be determined by the Commissioner.
   (b) As used in this section, the term "additional assessment" means a further assessment for a tax of the same character previously paid in part and includes the assessment of a deficiency of any income or estate tax imposed by the Revenue Act of 1924 or by any subsequent revenue Act.

Sec. 616—Interest on Overpayments.

Section 1116 of the Revenue Act of 1926 is repealed and is hereby amended to read as follows:

(a) If any person is summoned under the internal-revenue laws to appear, to testify, or to produce books, papers, or other data, the district judge in which the property subject to the lien is situated, whenever the State or Territory has not by law provided for the filing of such notice, or
   (a) subject to such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, the collector of internal revenue charged with an assessment in respect of such tax shall have jurisdiction to seize such property and seize therein as may be specified in the regulations;

(b) The second sentence of section 1151 of the Revenue Act of 1924 is amended to read as follows:

Sec. 701—Definitions.

(a) If any person is summoned under the internal-revenue laws to appear, to testify, or to produce books, papers, or other data, the district judge in which the property subject to the lien is situated, whenever the State or Territory has not by law provided for the filing of such notice, or

(b) In any judgment of court rendered (whether against the United States, a collector or deputy collector of internal revenue, a former collector or deputy collector, or the personal representative in case of death of any such officer) in respect of any internal-revenue tax interest shall be awarded at the rate of 6 per centum per annum upon the unpaid amount due, from the date of the payment of collection thereof to a date preceding the date of the refund check by not more than thirty days, such date to be determined by the Commissioner of Internal Revenue.

(b) Subsection (a) of this section shall take effect on the expiration of the period of limitation prescribed by law for the assessment of any tax in respect of which a claim is made in accordance with section 806 of this Act, or after entry into any such agreement, wilfully (1) conceals from any officer or employee of the United States any property belonging to the estate of a taxpayer or other person liable in respect of the tax, or (2) receives, destines, mutates, or falsifies, any record, document, or writing, or makes under oath any false statement, relating to the estate or financial condition of the taxpayer or other person liable in respect of the tax, shall, upon conviction thereof, be fined not more than $10,000 or imprisoned for not more than one year, or both.

Sec. 617—Jurisdiction of Courts.

(a) If any person is summoned under the internal-revenue laws to appear, to testify, or to produce books, papers, or other data, the district judge in which the property subject to the lien is situated, whenever the State or Territory has not by law provided for the filing of such notice, or
   (a) subject to such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, the collector of internal revenue charged with an assessment in respect of such tax shall have jurisdiction to seize such property and seize therein as may be specified in the regulations;

(b) The second sentence of section 1151 of the Revenue Act of 1924 is amended to read as follows:

Sec. 701—Definitions.

(a) If any person is summoned under the internal-revenue laws to appear, to testify, or to produce books, papers, or other data, the district judge in which the property subject to the lien is situated, whenever the State or Territory has not by law provided for the filing of such notice, or

(b) In any judgment of court rendered (whether against the United States, a collector or deputy collector of internal revenue, a former collector or deputy collector, or the personal representative in case of death of any such officer) in respect of any internal-revenue tax interest shall be awarded at the rate of 6 per centum per annum upon the unpaid amount due, from the date of the payment of collection thereof to a date preceding the date of the refund check by not more than thirty days, such date to be determined by the Commissioner of Internal Revenue.

(b) Subsection (a) of this section shall take effect on the expiration of the period of limitation prescribed by law for the assessment of any tax in respect of which a claim is made in accordance with section 806 of this Act, or after entry into any such agreement, wilfully (1) conceals from any officer or employee of the United States any property belonging to the estate of a taxpayer or other person liable in respect of the tax, or (2) receives, destines, mutates, or falsifies, any record, document, or writing, or makes under oath any false statement, relating to the estate or financial condition of the taxpayer or other person liable in respect of the tax, shall, upon conviction thereof, be fined not more than $10,000 or imprisoned for not more than one year, or both.

Sec. 617—Jurisdiction of Courts.

(a) If any person is summoned under the internal-revenue laws to appear, to testify, or to produce books, papers, or other data, the district judge in which the property subject to the lien is situated, whenever the State or Territory has not by law provided for the filing of such notice, or
   (a) subject to such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, the collector of internal revenue charged with an assessment in respect of such tax shall have jurisdiction to seize such property and seize therein as may be specified in the regulations;

(b) The second sentence of section 1151 of the Revenue Act of 1924 is amended to read as follows:

Sec. 701—Definitions.

(a) If any person is summoned under the internal-revenue laws to appear, to testify, or to produce books, papers, or other data, the district judge in which the property subject to the lien is situated, whenever the State or Territory has not by law provided for the filing of such notice, or

(b) In any judgment of court rendered (whether against the United States, a collector or deputy collector of internal revenue, a former collector or deputy collector, or the personal representative in case of death of any such officer) in respect of any internal-revenue tax interest shall be awarded at the rate of 6 per centum per annum upon the unpaid amount due, from the date of the payment of collection thereof to a date preceding the date of the refund check by not more than thirty days, such date to be determined by the Commissioner of Internal Revenue.

Sec. 616—Compromise—Concealment of Assets.

Any person who, in connection with any compromise under section 2229 of the Revised Statutes, as amended, or offer of such compromise, or in connection with any closing agreement under section 606 of this Act, or offer to enter into any such agreement, wilfully (1) conceals from any officer or employee of the United States any property belonging to the estate of a taxpayer or other person liable in respect of the tax, or (2) receives, destines, mutates, or falsifies, any record, document, or writing, or makes under oath any false statement, relating to the estate or financial condition of the taxpayer or other person liable in respect of the tax, shall, upon conviction thereof, be fined not more than $10,000 or imprisoned for not more than one year, or both.

Sec. 617—Jurisdiction of Courts.

(a) If any person is summoned under the internal-revenue laws to appear, to testify, or to produce books, papers, or other data, the district judge in which the property subject to the lien is situated, whenever the State or Territory has not by law provided for the filing of such notice, or
   (a) subject to such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, the collector of internal revenue charged with an assessment in respect of such tax shall have jurisdiction to seize such property and seize therein as may be specified in the regulations;

(b) The second sentence of section 1151 of the Revenue Act of 1924 is amended to read as follows:

Sec. 701—Definitions.

(a) If any person is summoned under the internal-revenue laws to appear, to testify, or to produce books, papers, or other data, the district judge in which the property subject to the lien is situated, whenever the State or Territory has not by law provided for the filing of such notice, or

(b) In any judgment of court rendered (whether against the United States, a collector or deputy collector of internal revenue, a former collector or deputy collector, or the personal representative in case of death of any such officer) in respect of any internal-revenue tax interest shall be awarded at the rate of 6 per centum per annum upon the unpaid amount due, from the date of the payment of collection thereof to a date preceding the date of the refund check by not more than thirty days, such date to be determined by the Commissioner of Internal Revenue.

(b) Subsection (a) of this section shall take effect on the expiration of the period of limitation prescribed by law for the assessment of any tax in respect of which a claim is made in accordance with section 806 of this Act, or after entry into any such agreement, wilfully (1) conceals from any officer or employee of the United States any property belonging to the estate of a taxpayer or other person liable in respect of the tax, or (2) receives, destines, mutates, or falsifies, any record, document, or writing, or makes under oath any false statement, relating to the estate or financial condition of the taxpayer or other person liable in respect of the tax, shall, upon conviction thereof, be fined not more than $10,000 or imprisoned for not more than one year, or both.
Sec. 703—Deduction of Estate and Inheritance Tax—Retroactive.

(a) In determining the net income of an heir, devisee, legatee, distributee, or beneficiary therefor in this section referred to as "beneficiary" or of an estate for any taxable year, under the Revenue Act of 1926 or any prior revenue act, the amount of estate, inheritance, legacy, or succession taxes paid or accrued within such taxable year shall be allowed as a deduction in the following:

(1) If the deduction has been claimed by the estate, but not by the beneficiary, the deduction shall be allowed to the estate;

(2) If the deduction has been claimed by the beneficiary, but not by the estate, it shall be allowed to the beneficiary;

(3) If the deduction has been claimed by the estate and also by the beneficiary, it shall be allowed to the estate (and not to the beneficiary) if the estate has paid such tax; and

(b) Nothing in this subsection, if the claim of the deduction by the estate is disallowed by the Secretary, shall be allowed to the estate (and not to the beneficiary) if the estate has paid such tax.

Sec. 704—Taxability of Trusts as Corporations—Retroactive.

(a) If a taxpayer filed a return as a trust for any taxable year prior to the taxable year 1915 such taxpayer shall be taxable as a trust for such taxable year under the Revenue Act of 1913, and not as a corporation; and

(b) If a taxpayer filed a return for any taxable year after the enactment of this Act, such taxpayer shall be taxable as a trust for the taxable year described in such return, and not as a corporation; and

(c) This section shall not affect any case in which a decision of the Board of Tax Appeals or any court has been rendered prior to the enactment of this Act, or in which such decision or such return was filed before the enactment of this Act.

Sec. 705—Installment Sales—Retroactive.

(a) If any taxpayer made a return of such installment method of computing income for any taxable year prior to the taxable year 1916, such taxpayer shall be allowed as a deduction the amount of estate, inheritance, legacy, or succession taxes paid or accrued within such taxable year, under the Revenue Act of 1916 or any prior revenue act, the amount of estate, inheritance, legacy, or succession taxes paid or accrued within such taxable year.

(b) In determining the net income of an individual, other than a nonresident alien, for the taxable year 1915, there shall be allowed as a deduction (subject to the percentage limitation prescribed by section 707) all taxes paid or accrued within such year in respect of such deduction, if any contributions or gifts to or for the use of a trust organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, if such individual made during the taxable year 1914 contributions or gifts to the same trust and in the aggregate of substantially the same amount. In no case shall there be allowed as a deduction under this section contributions or gifts to an amount in excess of $50,000. Any tax paid in respect of such deduction shall be subject to the statutory period of limitation applicable thereto, be credited or refunded.

Sec. 706—Income Tax on Sale of Vessels Built Before 1914.

The term "motor boat," when used in the Act of Sept. 21, 1922, includes a yacht or pleasure boat, regardless of length or tonnage, whether sail, oars, or motor propelled, owned by a resident of the United States or brought into the United States for sale or charter to a resident thereof, whether or not such yacht or boat be built into the United States under its own power, but does not include a yacht or boat used or intended to be used in trade or commerce nor a yacht or boat built, or for the building of which a contract for the sale or construction thereof has been entered into prior to March 2, 1925, and as the case may be, as the new ship shall be reduced by the amount of the gain from such sale except from taxation under this paragraph.

Sec. 707—Contributions to Charity—Retroactive.

In computing the net income of any individual, other than a nonresident alien, for the taxable year 1915, there shall be allowed as a deduction (subject to the percentage limitation prescribed by section 707) all taxes paid or accrued within such year in respect of such deduction, if any contributions or gifts to or for the use of a trust organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, if such individual made during the taxable year 1914 contributions or gifts to the same trust and in the aggregate of substantially the same amount. In no case shall there be allowed as a deduction under this section contributions or gifts to an amount in excess of $50,000. Any tax paid in respect of such deduction shall be subject to the statutory period of limitation applicable thereto, be credited or refunded.

Sec. 708—Retroactive Effect of Amended Acts.

Except as otherwise provided, this act shall take effect upon its enactment.