

(prior to its amendment by such Act) with respect to such property. If the property was acquired in a taxable year beginning after December 31, 1941, in any manner described in section 372 (other than subsection (a) (2)) after its amendment by such Act, the basis shall be that prescribed in such section (after its amendment by such Act) with respect to such property."

Ante, p. 882.

Stamp tax exemption.
Post, p. 961.

(i) **CROSS REFERENCE.**—For exemption from stamp tax on certain transactions described in this section, see section 507 of this Act.

"SEC. 172. TEMPORARY INCOME TAX ON INDIVIDUALS.

53 Stat. 4.
26 U. S. C., ch. 1;
Supp. I, ch. 1.

(a) The Internal Revenue Code is amended by inserting at the end of Chapter 1 the following new subchapter:

"SUBCHAPTER D—VICTORY TAX ON INDIVIDUALS

"Part I—Rate and Computation of Tax

"SEC. 450. IMPOSITION OF TAX.

53 Stat. 75.
26 U. S. C. § 211 (a);
Supp. I, § 211 (a).
Ante, pp. 807, 861.

"There shall be levied, collected, and paid for each taxable year beginning after December 31, 1942, a victory tax of 5 per centum upon the victory tax net income of every individual (other than a nonresident alien subject to the tax imposed by section 211 (a)).

"SEC. 451. VICTORY TAX NET INCOME.

53 Stat. 50.
26 U. S. C. § 117;
Supp. I, § 117.
Ante, pp. 843-847.
53 Stat. 17.
26 U. S. C. § 25 (a)
(2).
Ante, pp. 811, 825.
53 Stat. 10.
26 U. S. C. § 22 (b)
(5).
Ante, pp. 811, 826.
Ante, p. 819.

"(a) **DEFINITION.**—The term 'victory tax net income' in the case of any taxable year means (except as provided in subsection (c)) the gross income for such year (not including gain from the sale or exchange of capital assets as defined in section 117, or interest allowed as a credit against net income under section 25 (a) (1) and (2), or amounts received as compensation for injury or sickness which are included in gross income by reason of the exception contained in section 22 (b) (5)) minus the sum of the following deductions:

53 Stat. 12.
26 U. S. C. § 23 (b).

"(1) **EXPENSES.**—The expenses allowable as a deduction by section 23 (a) (1) and (2).

"(2) **INTEREST.**—Interest allowable as a deduction by section 23 (b), if the indebtedness in respect of which such interest is allowed was incurred in carrying on any trade or business, or was incurred for the production or collection of income, or for the management, conservation, or maintenance of property held for the production of income.

53 Stat. 12.
26 U. S. C., Supp.
I, § 23 (c).
Ante, pp. 806, 820,
857.

"(3) **TAXES.**—Amounts allowable as a deduction by section 23 (c), to the extent such amounts are paid or incurred in connection with the carrying on of a trade or business, or in connection with property used in the trade or business, or in connection with property held for the production of income.

53 Stat. 13.
26 U. S. C. § 23 (e)
(1), (h).
Ante, p. 820.
Ante, p. 819.

"(4) **LOSSES.**—Losses (other than losses from the sale or exchange of capital assets) allowable as a deduction under section 23 (e) (1), subject to the limitation provided in section 23 (h).

53 Stat. 14.
26 U. S. C. § 23 (m),
(n).
Ante, p. 863.

"(5) **BAD DEBTS.**—The amount allowable by section 23 (k) (1).

"(6) **DEPRECIATION.**—The amount allowable by section 23 (l).

"(7) **DEPLETION.**—The amount allowable by section 23 (m) and (n).

"(8) **PENSION TRUSTS.**—The amount allowable by section 23 (p).

53 Stat. 867.
26 U. S. C. § 23 (s).

"(9) **NET OPERATING LOSS.**—The net operating loss deduction allowable by section 23 (s).

54 Stat. 998.
26 U. S. C. § 23 (t).
Ante, p. 817.

"(10) **AMORTIZATION.**—The amount allowable by section 23 (t).

"(11) **ALIMONY.**—The amount allowable by section 23 (u).

“(12) SPECIAL DEDUCTION.—The amount allowable by section 120.

“(13) ESTATES AND TRUSTS.—In the case of an estate or trust, the amount allowable by subsection (a) of section 162 in addition to the amounts allowable by subsections (b) and (c) of such section.

“(b) ITEMS NOT DEDUCTIBLE.—The deductions allowable by subsection (a) shall be subject to the limitations contained in section 24 and Supplement J and, in the case of nonresident aliens subject to the victory tax, shall be subject to the limitations contained in Supplement H.

“(c) SUPPLEMENT T TAXPAYER.—If for any taxable year a taxpayer makes his return and pays his tax under Supplement T, the term ‘victory tax net income’ means the gross income for such year.

“(d) BASIS FOR DETERMINING LOSS.—The basis for determining the amount of deduction for losses sustained, to be allowed under paragraph (4) of subsection (a), and for bad debts, to be allowed under paragraph (5) of subsection (a), shall be the adjusted basis provided in section 113 (b) for determining the loss from the sale or other disposition of property.

“(e) RULE APPLICABLE TO PARTICIPANTS IN A COMMON TRUST FUND.—In the case of a participant in a common trust fund, he shall in respect of the common trust fund income include in computing his victory tax net income, whether or not distributed and whether or not distributable, only his proportionate share of the ordinary net income or the ordinary net loss of the common trust fund, computed as provided in section 169 (d).

“(f) RULE APPLICABLE TO PARTNERS.—In the case of an individual carrying on business in partnership, he shall in respect of the partnership income include in computing his victory tax net income, whether or not distribution is made to him, only his distributive share of the ordinary net income or the ordinary net loss of the partnership, computed as provided in section 183 (b).

“SEC. 452. SPECIFIC EXEMPTION.

“In the case of every individual there shall be allowed as a credit against the victory tax net income a specific exemption of \$624. In the case of a husband and wife filing a joint return under section 51 (b), if the victory tax net income of one spouse is less than \$624, the aggregate specific exemption of both spouses shall be limited to \$624 plus the victory tax net income of such spouse.

“SEC. 453. CREDIT AGAINST VICTORY TAX.

“(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the victory tax for each taxable year:

“(1) The amount paid by the taxpayer during the taxable year as premiums on life insurance, in force on September 1, 1942, upon his own life, or upon the life of his spouse, or upon the life of any dependent of the taxpayer specified in section 25 (b) (2) (A); and the amount paid during the taxable year as premiums on life insurance which is a renewal or conversion of such life insurance in force on September 1, 1942, to the extent that such premiums do not exceed the premiums payable on such life insurance in force on September 1, 1942.

“(2) The amount by which the smallest amount of indebtedness of the taxpayer outstanding at any time during the period beginning September 1, 1942, and ending with the close of the preceding taxable year, exceeds the amount of indebtedness of the taxpayer outstanding at the close of the taxable year.

53 Stat. 56.
26 U. S. C. § 120.

53 Stat. 66, 67.
26 U. S. C. § 162
(a), (c).
Ante, p. 809.

53 Stat. 16, 79, 75.
26 U. S. C. §§ 24,
251, 252, 211-219; Supp.
I, §§ 251, 211, 214.
Ante, pp. 819, 826,
827, 828, 800, 861, 807,
808, 875.

55 Stat. 689.
26 U. S. C., Supp. I,
§§ 400-404.
Ante, pp. 803, 805.

53 Stat. 44.
26 U. S. C. § 113 (b).
Ante, pp. 824, 827.

53 Stat. 60.
26 U. S. C. § 169 (d).
Ante, p. 845.

Ante, p. 845.

53 Stat. 27.
26 U. S. C. § 51 (b).

55 Stat. 697.
26 U. S. C., Supp. I,
§ 25 (b) (2) (A).
Ante, pp. 818, 828.

"Owned by the taxpayer."

"Obligations of the U. S."

"Amount of obligations of the U. S."

Infra.

Post, p. 892.

53 Stat. 27.
26 U. S. C. § 51 (b).

53 Stat. 18; 55 Stat. 697.
26 U. S. C. § 25 (b);
Supp. I, § 25 (b).
Ante, pp. 818, 827, 828.

55 Stat. 689.
26 U. S. C., Supp. I,
§§ 400-404.
Ante, pp. 803, 805.

"(3) The amount by which the amount of obligations of the United States owned by the taxpayer on the last day of the taxable year exceeds the greater of (A) the amount of such obligations owned by the taxpayer on December 31, 1942, or (B) the highest amount of such obligations owned by the taxpayer on the last day of any preceding taxable year ending after December 31, 1942. As used in this paragraph (i) the term 'owned by the taxpayer' shall include the amount of the obligations owned solely by the taxpayer and one-half of the amount of the obligations owned jointly by the taxpayer with one other person, but shall not include such obligations acquired by the taxpayer by gift, or inheritance, or otherwise than by purchase; (ii) the term 'obligations of the United States' means such obligations of the United States as the Secretary may by regulations prescribe, and as are purchased in such manner and under such terms and conditions as he may specify; and (iii) the term 'amount of obligations of the United States' means the amount paid for such obligations.

"(b) LIMITATION ON CREDIT.—The amount of such credit for the taxable year shall not exceed the amount of the post war credit or refund allowed by section 454 for such taxable year.

"SEC. 454. POST WAR CREDIT OR REFUND OF VICTORY TAX.

"(a) ALLOWANCE OF CREDIT.—As soon as practicable after date of cessation of hostilities in the present war (as defined in section 475 (b)), the following amount of the victory tax paid for each taxable year beginning after December 31, 1942, shall be credited against any income tax or installment thereof then due from the taxpayer, and any balance shall be refunded immediately to the taxpayer:

"(1) In the case of a single person or a married person not living with husband or wife, 25 per centum of the victory tax or \$500, whichever is the lesser.

"(2) In the case of the head of a family, 40 per centum of the victory tax or \$1,000, whichever is the lesser. In the case of a married person living with husband or wife where separate returns are filed by each spouse, 40 per centum of the victory tax or \$500, whichever is the lesser. In the case of a married person living with husband or wife where a separate return is filed by one spouse and no return is filed by the other spouse, or in the case of a husband and wife filing a joint return under section 51 (b), only one such credit shall be allowed and such credit shall not exceed 40 per centum of the victory tax or \$1,000, whichever is the lesser.

"(3) For each dependent specified in section 25 (b), excluding as a dependent, in the case of a head of a family, one who would be excluded under section 25 (b) (2) (B), 2 per centum of the victory tax or \$100, whichever is the lesser.

"(b) CHANGE OF STATUS.—If for any taxable year the status of the taxpayer (other than a taxpayer who makes his return and pays his tax under Supplement T) with respect to his marital relationship or with respect to his dependents, changed during the taxable year, the amount of the credit or refund provided by this section for such taxable year shall be apportioned, under rules and regulations prescribed by the Commissioner with the approval of the Secretary, in accordance with the number of months before and after such change. For the purpose of such apportionment a fractional part of a month shall be disregarded unless it amounts to more than half a month in which case it shall be considered as a month.

“(c) STATUS OF SUPPLEMENT T TAXPAYER.—If for any taxable year a taxpayer makes his return and pays his tax under Supplement T, for the purpose of the credit or refund provided by this section, his status for such year with respect to his marital relationship or with respect to his dependents shall be determined in accordance with the provisions of section 401.

55 Stat. 689.
26 U. S. C., Supp. I,
§§ 400-404.
Ante, pp. 803, 805.

Ante, p. 805.

“(d) PERIOD OF LIMITATION.—No post war credit or refund of any part of the victory tax provided in this section shall be allowed or made after 7 years from the date of cessation of hostilities in the present war, unless claim for credit or refund is filed before the expiration of such date. No interest shall be allowed on such credits or refunds.

“(e) LIMITATION OF CREDIT.—The post war credit or refund allowed by this section shall be reduced by the amount of any credit allowed under section 453.

Ante, p. 885.

“SEC. 455. RETURNS.

“(a) INDIVIDUAL RETURNS.—Every individual having a gross income in excess of \$624 for the taxable year, shall make, under regulations prescribed by the Commissioner with the approval of the Secretary, a return, which shall contain or be verified by a written declaration that it is made under the penalties of perjury, stating specifically the items of his gross income and the deductions and credits allowed under this subchapter.

“(b) FIDUCIARY RETURNS.—Every fiduciary (except a receiver appointed by authority of law in possession of part only of the property of an individual) shall make, under regulations prescribed by the Commissioner with the approval of the Secretary, a return under oath, for any individual, estate, or trust for which he acts, if the gross income of such individual, estate, or trust is in excess of \$624 for the taxable year, stating specifically the items of gross income and the deductions and credits allowed under this subchapter. The provisions of section 142 (b) shall be applicable with respect to any return required to be made under this subsection.

53 Stat. 60.
26 U. S. C. § 142 (b).

“SEC. 456. LIMITATION ON TAX.

“The tax imposed by section 450 (victory tax), computed without regard to the credits provided in sections 453, 454, and 466 (e), shall not exceed the excess of 90 per centum of the net income of the taxpayer for the taxable year over the tax imposed by sections 11 (normal tax) and 12 (surtax), computed without regard to the credits provided in sections 31, 32, and 466 (e).

Ante, pp. 884-886.
Post, p. 890.

Ante, pp. 802, 846.
53 Stat. 5, 24.
26 U. S. C. §§ 12, 31,
32; Supp. I, § 12.
Post, p. 890.

“Part II—Collection of Tax at Source on Wages

“SEC. 465. DEFINITIONS.

“As used in this part—

“(a) PAY-ROLL PERIOD.—The term ‘pay-roll period’ means a period for which a payment of wages is ordinarily made to the employee by his employer.

“(b) WAGES.—The term ‘wages’ means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include remuneration paid (1) for services performed as a member of the military or naval forces of the United States, other

Services excepted.

53 Stat. 1336.
26 U. S. C. § 1426
(h).

53 Stat. 469.
26 U. S. C. § 3797
(a) (9).

Infra.

than pensions and retired pay, (2) for agricultural labor (as defined in section 1426 (h)), (3) for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, (4) for casual labor not in the course of the employer's trade or business, (5) for services as an employee of a nonresident alien individual, foreign partnership, or foreign corporation, if such individual, partnership, or corporation is not engaged in trade or business in the United States, (6) for services as an employee of a foreign government or any wholly owned instrumentality thereof, or (7) for services performed as an employee while outside the United States (as defined in section 3797 (a) (9)), unless the major part of the services performed during the calendar year by such employee for his employer are performed within the United States.

“(c) **WITHHOLDING AGENT.**—The term ‘withholding agent’ means any person required to withhold, collect, and pay the tax under section 466.

“(d) **EMPLOYEE.**—The term ‘employee’ includes an officer, employee, or elected official of the United States, a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing. The term ‘employee’ also includes an officer of a corporation.

“(e) **EMPLOYER.**—The term ‘employer’ includes any person for whom an individual performs any service, of whatever nature, as the employee of such person.

“**SEC. 466. TAX COLLECTED AT SOURCE.**

53 Stat. 60.
26 U. S. C. § 143;
Supp. I, § 143.
Ante, pp. 808, 860,
861.

“(a) **REQUIREMENT OF WITHHOLDING.**—There shall be withheld, collected, and paid upon all wages of every person, to the extent that such wages are includible in gross income, a tax equal to 5 per centum of the excess of each payment of such wages over the withholding deduction allowable under this part. **This subsection and subsection (c) shall not be applicable in any case provided for in section 143, except in the case of wages paid to residents of a contiguous country who enter and leave the United States at frequent intervals.**

“(b) **WITHHOLDING DEDUCTION.**—

“(1) In computing the tax required to be withheld under subsection (a), there shall be allowed as a deduction against the wages paid for each pay-roll period an amount determined in accordance with the following schedule:

Pay-roll period	Withholding deduction
Weekly	\$12
Biweekly	24
Semimonthly	26
Monthly	52
Quarterly	156
Semiannually	312
Annually	624

If period less than one week.

Period not specifically provided for.

“(2) If a pay-roll period in respect of any wages is less than one week, the excess of the aggregate of the wages paid during each calendar week over the deduction allowed by this subsection for a weekly pay-roll period shall be used in computing the tax required to be withheld.

“(3) If a pay-roll period in respect of any wages, or any other period with respect to which wages are paid, is not otherwise specifically provided for in this subsection, the deduction allowable against each payment of such wages shall be the deduction

allowable in the case of an annual pay-roll period divided by 365 and multiplied by the number of days in such period, including Sundays and holidays.

“(4) In any case in which wages are paid by an employer without regard to any pay-roll period or other period, the deduction allowable against each payment of such wages shall be the deduction allowable in the case of an annual pay-roll period divided by 365 and multiplied by the number of days (including Sundays and holidays) which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

Wages paid without regard to any period.

“(5) The deduction allowable under this subsection in respect of any individual for any calendar year shall not exceed the total deduction which would have been allowable under paragraph (1) if the only pay-roll period of such individual had been an annual pay-roll period.

Limitation.

“(c) WAGE BRACKET WITHHOLDING.—

“(1) At the election of the employer, if his pay-roll period with respect to an employee is weekly, biweekly, semimonthly, or monthly, there shall be withheld, collected, and paid upon the wages of such employee a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be withheld under subsection (a):

For weekly pay-roll period			For biweekly pay-roll period		
If the wages are over	But not over	The amount of tax to be withheld shall be	If the wages are over	But not over	The amount of tax to be withheld shall be
\$12	\$16	\$0. 10	\$24	\$30	\$0. 10
16	20	. 30	30	40	. 50
20	24	. 50	40	50	1. 00
24	28	. 70	50	60	1. 50
28	32	. 90	60	70	2. 00
32	36	1. 10	70	80	2. 50
36	40	1. 30	80	100	3. 30
40	50	1. 60	100	120	4. 30
50	60	2. 10	120	140	5. 30
60	70	2. 60	140	160	6. 30
70	80	3. 10	160	180	7. 30
80	90	3. 60	180	200	8. 30
90	100	4. 10	200	220	9. 30
100	110	4. 60	220	240	10. 30
110	120	5. 10	240	260	11. 30
120	130	5. 60	260	280	12. 30
130	140	6. 10	280	300	13. 30
140	150	6. 60	300	320	14. 30
150	160	7. 10	320	340	15. 30
160	170	7. 60	340	360	16. 30
170	180	8. 10	360	380	17. 30
180	190	8. 60	380	400	18. 30
190	200	9. 10	400	420	19. 30
200	-----	\$9.40 plus 5% of the excess over \$200.	420	440	20. 30
			440	460	21. 30
			460	480	22. 30
			480	500	23. 30
			500	-----	\$23.80 plus 5% of the excess over \$500.

For semimonthly pay-roll period			For monthly pay-roll period		
If the wages are over	But not over	The amount of tax to be withheld shall be	If the wages are over	But not over	The amount of tax to be withheld shall be
\$26	\$30	\$0. 10	\$52	\$60	\$0. 20
30	40	. 40	60	80	. 90
40	50	. 90	80	100	1. 90
50	60	1. 40	100	120	2. 90
60	70	1. 90	120	140	3. 90
70	80	2. 40	140	160	4. 90
80	100	3. 20	160	200	6. 40
100	120	4. 20	200	240	8. 40
120	140	5. 20	240	280	10. 40
140	160	6. 20	280	320	12. 40
160	180	7. 20	320	360	14. 40
180	200	8. 20	360	400	16. 40
200	220	9. 20	400	440	18. 40
220	240	10. 20	440	480	20. 40
240	260	11. 20	480	520	22. 40
260	280	12. 20	520	560	24. 40
280	300	13. 20	560	600	26. 40
300	320	14. 20	600	640	28. 40
320	340	15. 20	640	680	30. 40
340	360	16. 20	680	720	32. 40
360	380	17. 20	720	760	34. 40
380	400	18. 20	760	800	36. 40
400	420	19. 20	800	840	38. 40
420	440	20. 20	840	880	40. 40
440	460	21. 20	880	920	42. 40
460	480	22. 20	920	960	44. 40
480	500	23. 20	960	1, 000	46. 40
500	-----	\$23. 70 plus 5% of the excess over \$500.	1, 000	-----	\$47. 40 plus 5% of the excess over \$1,000.

“(d) **TAX PAID BY RECIPIENT.**—If any tax required under this part to be withheld and collected is paid by the recipient of the income, it shall not be re-collected from the withholding agent; but such payment shall in no case relieve the withholding agent from liability for interest or additions to the tax otherwise applicable in respect of the tax imposed by this chapter.

“(e) **CREDIT FOR TAX WITHHELD AT SOURCE.**—The tax withheld and collected under this part shall not be allowed as a deduction either to the withholding agent or to the recipient of the income in computing net income; but the amount of the tax so withheld and collected shall be allowed as a credit against the tax imposed by this chapter upon the recipient of the income. Such credit shall be allowed first against the victory tax imposed by section 450 (adjusted for the credit allowed by section 453) and the excess of such credit, if any, over the victory tax, so adjusted, shall be allowed against the tax imposed by sections 11 and 12 or section 400, as the case may be.

“(f) **REFUNDS.**—Where there has been an overpayment of tax under this part, any refund or credit made under the provisions of section 322 shall be made to the recipient of the income; but, in any case in which such tax was not so withheld by the withholding agent, such refund or credit shall be made to the withholding agent.

“(g) **INCLUDED AND EXCLUDED WAGES.**—If the remuneration paid by an employer to an employee for services performed during one-half or more of any pay-roll period constitutes wages, all the remuneration paid by such employer to such employee for such period shall be deemed to be wages; but if the remuneration paid by an employer to an employee for services performed during more than

Ante, pp. 884, 885.

Ante, pp. 802, 846, 803.
53 Stat. 5.
26 U. S. C. § 12;
Supp. I, § 12.
53 Stat. 91.
26 U. S. C. § 322.
Ante, pp. 876, 877;
post, p. 893.

one-half of any such pay-roll period does not constitute wages, then none of the remuneration paid by such employer to such employee for such period shall be deemed to be wages.

“SEC. 467. WITHHOLDING AGENT.

“(a) **COLLECTION OF TAX.**—The tax required to be withheld by section 466 shall be collected by the person having control of the payment of such wages by deducting such amount from such wages as and when paid. As used in this subsection, the term ‘person’ includes officers and employees of the United States, or of a State, Territory, or any political subdivision thereof, or of the District of Columbia, or any agency or instrumentality of any one or more of the foregoing.

Ante, p. 888.

“Person.”

“(b) **INDEMNIFICATION OF WITHHOLDING AGENT.**—Every person required to withhold and collect any tax under this part shall be liable for the payment of such tax, and shall not be liable to any person for the amount of any such payment.

“(c) **ADJUSTMENTS.**—If more or less than the correct amount of tax is withheld or paid for any quarter in any calendar year, proper adjustments, with respect both to the tax withheld or the tax paid, may be made in any subsequent quarter of such calendar year, without interest, in such manner and at such times as may be prescribed by regulations made by the Commissioner, with the approval of the Secretary.

“SEC. 468. RETURN AND PAYMENT BY WITHHOLDING AGENT.

“In lieu of the time prescribed in sections 53 and 56 for the return and payment of the tax imposed by this chapter, every person required to withhold and collect any tax under section 466 shall make a return and pay such tax on or before the last day of the month following the close of each quarter of each calendar year. Every such person shall include with the final return for the calendar year a duplicate copy of each receipt required to be furnished under section 469. Every such person shall also keep such records and render under oath such statements with respect to the tax so withheld and collected as may be required under regulations prescribed by the Commissioner, with the approval of the Secretary.

53 Stat. 28, 31.
26 U. S. C. §§ 53, 56.
Post, p. 893.
Ante, p. 888.

Infra.

“SEC. 469. RECEIPTS.

“(a) **WAGES.**—Every employer required to withhold and collect a tax in respect of the wages of an employee shall furnish to each such employee in respect of his employment during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of wages is made, a written statement showing the period covered by the statement, the wages paid by the employer to such employee during such period, and the amount of the tax withheld and collected under this part in respect of such wages.

“(b) **REGULATIONS.**—The statements required to be furnished by this section shall be in lieu of the return required to be furnished by the employer with respect to his employee under section 147 and shall be furnished at such other times, shall contain such other information, and shall be in such form as the Commissioner, with the approval of the Secretary, may by regulations prescribe.

53 Stat. 64.
26 U. S. C. § 147;
Supp. I, § 147.
Ante, p. 828.

“(c) **EXTENSION OF TIME.**—The Commissioner, under such regulations as he may prescribe with the approval of the Secretary, may grant to any employer a reasonable extension of time (not in excess of 30 days) with respect to the statements required to be furnished to employees on the day on which the last payment of wages is made.

"SEC. 470. PENALTIES.*Ante, p. 891.*

"(a) **PENALTIES FOR FRAUDULENT RECEIPT OR FAILURE TO FURNISH RECEIPT.**—In lieu of any other penalty provided by law (except the penalty provided by subsection (b) of this section), any person required under the provisions of section 469 to furnish a receipt in respect of tax withheld pursuant to this part who wilfully furnishes a false or fraudulent receipt, or who wilfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 469, or regulations prescribed thereunder, shall for each such failure, upon conviction thereof, be fined not more than \$1,000, or imprisoned for not more than one year, or both.

Ante, p. 891.

"(b) **ADDITIONAL PENALTY.**—In addition to the penalty provided by subsection (a) of this section, any person required under the provisions of section 469 to furnish a receipt in respect of tax withheld pursuant to this part who wilfully furnishes a false or fraudulent receipt, or who wilfully fails to furnish a receipt in the manner, at the time, and showing the information required under section 469, or regulations prescribed thereunder, shall for each such failure be subject to a civil penalty of not more than \$50.

53 Stat. 88.
26 U. S. C. § 291.
Post, p. 893.

"(c) **FAILURE OF WITHHOLDING AGENT TO FILE RETURN.**—In case of any failure to make and file return required by this part, within the time prescribed by law or prescribed by the Commissioner in pursuance of law, unless it is shown that such failure is due to reasonable cause and not due to wilful neglect, the addition to the tax provided for in section 291 shall not be less than \$5.

"Part III—Expiration Date and Definitions**"SEC. 475. DEFINITIONS.**

"(a) **NET INCOME.**—When used in this title, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof, the term 'net income' shall be construed to mean 'victory tax net income' for the purposes of this subchapter.

"(b) **DATE OF CESSATION OF HOSTILITIES IN THE PRESENT WAR.**—As used in this subchapter, the term 'date of cessation of hostilities in the present war' means the date on which hostilities in the present war between the United States and the governments of Germany, Japan, and Italy cease, as fixed by proclamation of the President or by concurrent resolution of the two Houses of Congress, whichever date is earlier, or in case the hostilities between the United States and such governments do not cease at the same time, such date as may be so fixed as an appropriate date for the purposes of this subchapter.

"SEC. 476. EXPIRATION DATE.

"The taxes imposed by this subchapter shall not apply with respect to any taxable year commencing after the date of cessation of hostilities in the present war."

53 Stat. 4.
26 U. S. C. § 3.

(b) **CLASSIFICATION OF PROVISIONS.**—Section 3 is amended by adding at the end thereof the following new paragraph:

"Subchapter D—Victory tax on individuals, divided into parts and sections".

53 Stat. 36.
26 U. S. C. § 103.
Ante, p. 870.

(c) **RATES OF TAX ON CITIZENS OF CERTAIN FOREIGN COUNTRIES.**—Section 103 is amended by striking out "and 362" and inserting "362, and 450"; and by striking out "or 362" and inserting "362, and 450".

(d) FOREIGN TAX CREDIT.—

Section 131 is further amended by adding at the end thereof the following new subsection:

Ante, p. 858.

“(i) **TAX WITHHELD AT SOURCE.**—For the purposes of this supplement the tax imposed by this chapter shall be the tax computed without regard to the credit provided in section 32 and section 466 (e).”

53 Stat. 24.
26 U. S. C. § 32.

(e) REFUNDS AND CREDITS.—

Ante, p. 890.

(1) Section 322 (a) is amended to read as follows:

53 Stat. 91.
26 U. S. C. § 322 (a).

“(a) AUTHORIZATION.—

“(1) **OVERPAYMENT.**—Where there has been an overpayment of any tax imposed by this chapter, the amount of such overpayment shall be credited against any income, war-profits, or excess-profits tax or installment thereof then due from the taxpayer, and any balance shall be refunded immediately to the taxpayer.

“(2) **EXCESSIVE WITHHOLDING.**—Where the amount of the tax withheld at the source under Part II of Subchapter D exceeds the tax imposed by this chapter (after allowance of the credits provided by sections 31, 32, and 453), the amount of such excess shall be credited against any income tax or installment thereof then due from the taxpayer, and any balance thereof shall be refunded immediately to the taxpayer.”

Ante, p. 887.

53 Stat. 24.
26 U. S. C. §§ 31, 32.
Ante, p. 885.

(2) Section 322 (e) is amended to read as follows:

53 Stat. 92.
26 U. S. C. § 322 (e).

“(e) **PRESUMPTION AS TO DATE OF PAYMENT.**—For the purposes of this section, any tax actually withheld and collected at the source under Part II of Subchapter D shall, in respect of the recipient of the income, be deemed to have been paid by him on the fifteenth day of the third month following the close of his taxable year in which such tax was so withheld and collected; except that in the case of a nonresident alien individual, it shall be deemed to have been paid by him on the fifteenth day of the sixth month following the close of his taxable year.

Ante, p. 887.

“(f) **TAX WITHHELD AT SOURCE.**—For refund or credit in case of withholding agent, see sections 143 (f) and 466 (f).”

53 Stat. 62.
26 U. S. C. § 143 (f).
Ante, p. 890.

(f) CROSS REFERENCES.—

(1) **PAYMENT OF TAX.**—Section 56 (f) is amended to read as follows:

53 Stat. 32.
26 U. S. C. § 56 (f).

“(f) **TAX WITHHELD AT SOURCE.**—For requirement of withholding tax at source, see sections 143, 144, and Part II of Subchapter D.”

53 Stat. 60, 62.
26 U. S. C. § 143;
Supp. I, §§ 143, 144.
Ante, pp. 808, 860,
861, 887.

(2) **CREDITS AGAINST TAX.**—The Internal Revenue Code is amended by adding after section 33 the following new sections:

53 Stat. 24.
26 U. S. C. § 33.

“SEC. 34. CREDITS AGAINST VICTORY TAX.

“For credits against victory tax, see sections 453, 454, and 466 (e).”

Ante, pp. 885, 886,
890.

“SEC. 35. CREDIT FOR TAX WITHHELD ON WAGES.

“For credit against the tax for tax withheld on wages, see section 466 (e).”

Ante, p. 890.

(3) **PENALTIES.**—Section 145 (d) is amended by inserting “(1)” before the first paragraph and by adding the following new paragraph:

53 Stat. 63.
26 U. S. C. § 145 (d).
Ante, p. 836.

“(2) For additional penalties for fraudulent receipts or failure to furnish receipts required by section 469, see section 470.”

Ante, pp. 891, 892.

(4) **MINIMUM PENALTY FOR FAILURE TO FILE RETURN.**—Section 291 is amended by inserting “(a)” before the first paragraph and by adding the following new subsection:

53 Stat. 88.
26 U. S. C. § 291.

Ante, p. 887.
Ante, p. 892.
Ante, pp. 821, 848.

Ante, p. 887.
Ante, p. 893.

Ante, p. 887.

“(b) For minimum addition to the tax for failure of withholding agent to make and file return required by Part II of Subchapter D, see section 470 (c).”

(5) INTEREST ON OVERPAYMENTS.—Section 3771 is amended by adding at the end thereof the following new subsection:

“(e) TAX WITHHELD AT SOURCE.—For date of payment in respect of tax withheld at source under Part II of Subchapter D, see section 322 (e).”

(g) EFFECTIVE DATE.—The provisions of this section shall take effect on January 1, 1943, and shall be applicable to all wages (as defined in Part II of Subchapter D) paid on or after such date.

Part II—Personal Holding Companies

SEC. 181. RATES OF PERSONAL HOLDING COMPANY TAX.

Rate schedule.
 53 Stat. 104.
 26 U. S. C., Supp. I,
 § 500.

The rate schedule of section 500 (relating to tax on personal holding companies) is amended to read as follows:

“(1) 75 per centum of the amount thereof not in excess of \$2,000; plus

“(2) 85 per centum of the amount thereof in excess of \$2,000.”

SEC. 182. EXEMPTION OF CERTAIN CORPORATIONS FROM PERSONAL HOLDING COMPANY TAX.

53 Stat. 105.
 26 U. S. C. § 501 (b).

(a) EXEMPTION OF CERTAIN LOAN AND INVESTMENT CORPORATIONS.—Section 501 (b) (relating to exemptions from personal holding company tax) is amended to read as follows:

“(b) EXCEPTIONS.—The term ‘personal holding company’ does not include—

53 Stat. 33.
 26 U. S. C. § 101.
Ante, pp. 836, 872.
 53 Stat. 36.
 26 U. S. C. § 104;
 Supp. I, § 104.

“(1) A corporation exempt from taxation under section 101.

“(2) A bank as defined in section 104.

“(3) A life insurance company.

“(4) A surety company.

“(5) A foreign personal holding company as defined in section 331.

53 Stat. 92.
 26 U. S. C. § 331.

“(6) A licensed personal finance company under State supervision, at least 80 per centum of the gross income of which is lawful interest received from individuals each of whose indebtedness to such company did not at any time during the taxable year exceed \$300 in principal amount, if such interest is not payable in advance or compounded and is computed only on unpaid balances.

“(7) A loan or investment corporation, a substantial part of the business of which consists of receiving funds not subject to check and evidenced by installment or fully paid certificates of indebtedness or investment, and making loans and discounts, and the loans to a person who is a shareholder in such corporation during such taxable year by or for whom 10 per centum or more in value of its outstanding stock is owned directly or indirectly (including in the case of an individual, stock owned by the members of his family as defined in section 503 (a) (2)) outstanding at any time during such year do not exceed \$5,000 in principal amount.”

53 Stat. 106.
 26 U. S. C. § 503 (a)
 (2).

(b) TAXABLE YEARS TO WHICH AMENDMENT APPLICABLE.—The amendment made by this section shall be applicable to taxable years beginning after December 31, 1941, except that if a taxpayer, within the time and in the manner and subject to such regulations as the Commissioner with the approval of the Secretary prescribes, elects to have such amendments apply retroactively to all taxable years of the