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(C O P Y)

Matt Rens Hemp Company  
Millers of Hemp Fibre  
Growers of Pure Seed Corn  
Brandon, Wisconsin.

July 6, 1937.

Mr. H. T. Edwards,  
Division of Cotton and Other Fiber Crops and Diseases,  
Bureau of Plant Industry,  
Washington, D. C.

Dear Sir:

We as processors and producers of hemp in Wisconsin have prepared an interpretation of H. R. 6906, Marihuana Hemp Bill, together with suggested changes and reasons for these changes. A copy of same is herewith attached and we would appreciate it very much if you would look this over and let us have your comments on same.

Yours very truly,

MATT RENS HEMP CO

By (Signed) Matt Rens

MR:JV

# INTERPRETATION OF H. R. 6906

## (Marihuana (Hemp) Bill)

This attempt to interpret H. R. 6906 is intended to help legitimate hemp producers and processors to understand those provisions in H. R. 6906 that directly affect them.

### RELATION TO PRODUCERS

There are in the United States two rather distinct classes of hemp producers; one produces hemp for seed; and the other produces hemp for the fiber that is in the stalks. The same person may produce for both purposes, yet the usual situation is for persons to produce for one or the other purpose only. The bill, H. R. 6906, affects each class of producers alike so far as taxes and registrations are concerned.

Occupational Registration of Producers. Each producer of hemp, regardless of whether he is producing for seed or for fiber, is required to register with the Internal Revenue Collector in the district in which the producer is located. While the specific procedure is not stated in the bill, it is assumed that the producer will obtain the required forms for occupational registration, and that he will execute these forms and deliver them to the Collector of Internal Revenue; that when this is done, and the required tax is paid, the producer is then registered (Sec. 2a-5e).

There is nothing in H. R. 6906 to indicate the exact procedure; such as whether the forms must be purchased; whether the producer himself must make application for the forms; whether they may be obtained by mail; or whether they must be obtained in person. Neither is there any indication of the specific information that must be supplied; such as acreage grown, or to be grown; intended disposition of the harvested crop; or the like.

Transfer Registration of Producers. The producer of hemp seed can transfer the seed which he produced to any other registered producer without additional registration or tax, or without an order from the purchaser (Sec. 6b-5). The producer of hemp seed can also transfer to any non-producer, who is a registered dealer, upon the presentation of an official (written) order form; or he may sell to an unregistered dealer on the presentation of a properly executed official order form (Sec. 6a).

The producer can deliver his mature hemp straw (stalks) to any person without any additional registration or tax and without any order on an official form from the purchaser of the straw (stalks) (Sec. 1b).

Producer's Taxes. Any person who grows hemp plants, regardless of the purpose for which they are grown—whether for seed or for fiber—must pay a tax (Sec. 2a-2).

The tax is paid to the Collector of Internal Revenue of the district in which the crop is grown and the amount as now provided in the bill is \$5.00 per year for each producer (Sec. 2a-2).

## RELATION TO DEALERS

There are several classes of dealers including registered producer dealers, registered dealers, who are not producers, and dealers who are neither registered as producers nor registered as dealers. Also there are dealers in seed, and dealers in hemp straw (mature stalks). Dealers in hemp seed will be affected by the proposed legislation, while dealers in hemp straw (mature stalks) are exempted.

Occupational Registration of Dealers. A dealer in hemp seed who is also a registered producer of hemp seed, is not required to register (re-register) as a dealer (Sec. 2a-5). Those not registered as producers, who wish to deal in hemp seed, must register as a dealer (Sec. 2a-5).

Transfer Registration of Dealers. All dealers who purchase hemp seed, except registered producers, are required to use official order forms (register each purchase) (Sec. 6b-5).

The foregoing means that if anyone, who is not a registered producer, wishes to purchase seed, he must execute an official blank for each purchase which he makes (and pay a tax in each case). This applies, regardless of whether or not the person from whom the seed is purchased is a registered producer. The official forms (order blanks) are bought from the Collector of Internal Revenue and must be prepared (filled out) by the Collector (not by the dealer) (Sec. 6d).

The foregoing indicates that dealers, not registered as producers, who wish to purchase hemp seed, must visit the Internal Revenue Collector, supply him with whatever information is required, and the Collector must enter this information on the order form.

Dealer's Occupational Tax. Any person dealing in hemp seed, who is not a registered producer, pays a transfer tax. This is in addition to his occupational tax. The amount of the transfer tax is \$1.00 per ounce.

The foregoing means that anyone, who is not a registered producer and who wishes to purchase (transfer) hemp seed, is required to pay a tax of \$1.00 per ounce.

It is also provided in the Bill that any person, who is not registered either as a producer or as a dealer, can purchase hemp seed from a registered producer or dealer by presenting an official and properly executed order form, and by paying a tax of \$100.00 per ounce.

## GENERAL SUMMARY AND DISCUSSION

The utilization of hemp for fiber is an old, well established, and legitimate industry in the United States. Every person engaged in the hemp industry would be affected by the proposed legislation. The farmer-producer of hemp for fiber—the person who plants, grows, and harvests the fiber crops—would be obliged to register as a producer and to pay the producer's occupational tax. He would probably register and pay the tax at the time he obtains the seed. The seed would be distributed to him by the hemp milling company. The producer of hemp for fiber would be obliged to submit to no other registration, nor pay any additional tax, in order to distributed all of his hemp straw (mature stalks) to the hemp company; thus the procedure for growing and handling the crop for fiber is reasonably clear cut and understandable.

Hemp companies in order to obtain the seed and distribute it to the farmer-growers would be obliged either to qualify as a producer or as a dealer. To qualify as a producer, the hemp company would be obliged to grow hemp on its own account and to register as such and to pay the producer's occupational tax. To qualify as a dealer, a hemp company would be obliged to register and pay the dealer's occupational tax, and in addition sell only against properly executed order forms.

Relative to the requirements concerned with producing, distributing, and purchasing hemp seed, the proposals in the bill are decidedly complicated and involved. In an attempt to trace the procedure from the producer of hemp seed to the final consumer, who plants the seed for fiber purposes, we arrive at the following: The person who grew hemp seed would be obliged to register and pay an occupational tax of \$5.00. As a registered producer, he could sell seed to any other registered producer without any further registration, or payment of taxes for the crop year concerned. If he were to sell to any person other than a registered producer, then the person to whom he sells would be obliged to present a properly executed order form (a form filled out by the Collector of Internal Revenue). This purchaser would have to register and pay a dealer's occupational tax of \$3.00, and in addition pay a tax of \$1.00 per ounce for the seed purchased. This of course means that no-one, except those registered as producers, could do business in hemp seed. In other words, this means that the only persons, who could buy and sell hemp seed, would be those registered as producers; thus a registered fiber hemp grower in Illinois or Wisconsin would be obliged to buy his hemp seed from a registered hemp seed grower in Kentucky. This would exclude all legitimate dealers in hemp seed other than those who are producers as well as dealers. It would also exclude hemp milling companies from acting as dealers unless they were to qualify as producers.

Relative to the proposed tax on producers, there appears to be no good reason why the amount should be \$5.00 per year for each producer. Such a tax would force all small producers out of the business of growing hemp—and the proportion of small producers is considerable. The tax should not be more than \$1.00 per year for each grower.

#### SUGGESTED CHANGES IN H. R. 6906

These suggestions are proposed in the interests of those persons only who are connected with the legitimate hemp industry in the United States, including hemp fiber milling and processing companies, farmers who produce hemp seed, and farmers who produce hemp for fiber.

1. In every instance in which the term Marihuana is used in H. R. 6906, the term Cannabis should be substituted.
2. Viable hemp seed should be excluded from the definition of Cannabis (Marihuana); thus excluding all transfers of hemp seed, but not excluding producer of hemp for seed (Sec. 1b).
3. The definition of "Producer" should be clarified so that there can be no misunderstanding as to what persons are producers (Sec. 1c).
4. The occupational tax for producers should be reduced from \$5.00 per year to \$1.00 per year (Sec. 2-2).

REASONS FOR PROPOSED CHANGES

1. As used in the bill (H. R. 6906) the term "Marihuana" is synonymous with true hemp, the scientific name of which is Cannabis sativa L. The chemical substance found in hemp which produces the narcotic effect has been officially termed Cannabis indica, and is known throughout the world as Cannabis indica. Since botanists now recognize hemp as consisting of only one specie, the term "indica" should be discontinued; thus in referring to hemp in a narcotic sense, the term Cannabis is most appropriate and more universally understood. There can be no good reason for using the term Marihuana, which is purely a localized term of Mexican (Indian) origin, and has no more general significance and is no more universally recognized than Bhang, Hashish, and similar local terms. Furthermore, in all national narcotic acts and in all state narcotic acts the term Cannabis is used. Also in the Senate Bill (S-325), introduced in the Seventy Fifth Congress on January 25, 1937, the term Cannabis is used.
2. By excluding hemp seed from the definition of Cannabis (Marihuana) no registration or tax will be necessary by those who transfer, import, or otherwise deal in either viable or sterilized hemp seed. No evidence has been obtained, either by scientific investigation or by practical observation to indicate that hemp seed, as handled in the trade, contains an appreciable proportion of the chemical substances which cause the narcotic effect. The substances producing the narcotic effect have never been specifically isolated or discovered. No-one knows what specific chemical compound or compounds produce the narcotic effect. Biological tests on experimental animals are therefore necessary. A recent and thorough going inquiry indicates that there are no biological tests or other researches which show that narcotic producing substances are present in the seeds themselves in a sufficient proportion to be harmful, in fact, there is nothing that shows that true seeds cause any of the narcotic effects.

The technical evidence given in the hearings on H. R. 6385 shows that the seed does not contain an appreciable proportion of the narcotic substances. The hearings also show that the seed was considered so harmless as to warrant omitting sterilized hemp seed from the definition of "Marihuana", thus in H. R. 6906 sterilized hemp seed is excluded (compare Sec. 1b-H. R. 6385 with Sec. 1b-H. R. 6906). There is also no evidence, either practical or technical, to show that hemp seed has ever been used to produce the drug effect.

All the foregoing indicates very clearly that hemp seed as such is not a source of "Marihuana". The requiring of registration and tax payment by producers who transfer hemp seed or dealers who trade in hemp seed must be construed as for the sole purpose of obtaining information concerning where and by whom hemp as a plant is being grown. It seems reasonable to assume that little or nothing would be accomplished by registering and taxing the transfer of hemp seed; that seed that would thus be registered and taxed is not the source from which illegitimate producers or handlers would obtain their supply; that those who use hemp for illicit use would not report transactions nor is it likely that any transactions that such persons would make would be detectable through the registering and taxing of legitimate dealers in hemp seed. Illicit producers and handlers either carry over the seed from year to year, or obtain it from others who deal in the same traffic, or obtain it from plants that grow in a wild state in practically all sections of the United States. Another thing, hemp plants are noticeably conspicuous. They are large and readily observable, and

thus wild patches and all other areas can be rather easily detected if any attempt is made to do so, and it seems reasonable to assume that the use of Cannabis as an illicit drug will not be controlled unless there is a thorough going surveillance of the growing plant.

In consideration of the foregoing, it is sincerely contended that any tax or registration required of those who transfer or deal in hemp seed to be used for legitimate purposes would not reduce to any extent whatever the use of hemp for producing Cannabis (Marihuana).

3. The term "Producer" as defined H. R. 6906 includes both the persons who cultivate and grow the plants as a crop, and also those who transfer (sell or deal in) use, compound, process, or consume Cannabis (Marihuana).

In the definition there is no distinction between a true producer and a dealer, yet the tax on a producer is different than that on a dealer and the whole set-up of the bill rather definitely distinguishes between the producer and the dealer.

It is urged therefore that the term "Producer" be limited to include only those persons who plant, cultivate, harvest, or in any way facilitate the natural growth of Marihuana. There should be no mention in connection with the term "Producer" of such functions as "Transferring", or "Making use of the plant". If it seems proper to include volunteer hemp (which grows without planting), then the definition should specifically include such hemp (Sec. 4b).

4. In H. R. 6906 it is proposed to tax each producer of hemp (Cannabis or Marihuana) \$5.00 per year. The tax proposed for dealers is \$3.00 per year, and the tax proposed for physicians, dentists, and the like is \$1.00 per year. Now there does not seem to be any good reason why a producer should be taxed any more than a physician, dentist, and the like. It cannot be contended that a tax of \$5.00 would be necessary in order to finance the enforcement of the bill because the income obtained, if producers were taxed \$5.00 per year, would not be greater than \$3500.00 per year. A reasonably accurate estimate of the number of producers in the United States in 1937 shows that there are approximately 300 in Illinois, 120 in Wisconsin, 50 in Minnesota, 200 in Kentucky, and 10 in Texas--a total of 680, which if taxed \$5.00 each, would provide an annual revenue of \$3400.00. Now this clearly indicates that, as a source of revenue, a tax of \$5.00 per grower would be of little consequence. On the other hand, individual growers would in many cases be severely taxed, for in some sections, it is common practice for farmers to grow very small acreages.

In the Kentucky River bottoms, where hemp is grown for seed, an acreage per grower of less than one acre, and as little as one-fourth acre, is not unusual. Also in Wisconsin, where hemp is grown for fiber only, farmers may grow as little as one acre and they frequently grow as little as four acres. For such small growers, the tax would amount to from \$1.25 per acre to as much as \$20.00 per acre. Thus this bill, if enacted, would eliminate all small growers. Thus it seems reasonable, fair, and in every way in keeping with the intention of the proposed legislation that the occupational tax for producers of hemp should not be more than \$1.00 per year per individual producer.

CONCLUDING STATEMENT

It is maintained that the foregoing proposed changes would in no wise defeat the purpose of the bill or weaken its effectiveness. Sufficient authority is contained in Sec. 10a to allow the Treasury Department to prescribe legislation covering reports, records, and the like. In addition the proposed changes if made would permit those now engaged in the legitimate phases of the hemp industry to continue as heretofore without any serious disturbance.