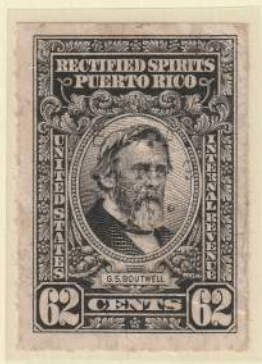


RECTIFIED SPIRITS TAX ON RUM DISTILLED IN PUERTO RICO FOR AMERICAN CONSUMPTION



Rectified Spirits Stamp
for a case of 12 fifths of
86 proof rum from Bacardi



Distilled spirits bottle stamp

The rectified spirits tax rate was 30¢ per proof gallon. To calculate the tax on a case of 12 fifth-gallon bottles (case of 2.4 gallons in volume) of 86 proof rum, multiply 2.4 (volume) x 86/100 (to convert to proof gallons) x 30¢ (rate per proof gallon) = 61.82¢, which required a 62¢ stamp.

These rectified spirits stamps were used only on rum that was distilled and bottled in Puerto Rico and exported to the United States! They were placed on the cases of rum. The tax moneys thus collected by U. S. Internal Revenue were forwarded directly to the Treasurer of Puerto Rico.

EXHIBIT OUTLINE

Provisional Stamps 1937

- Local produced provisionals

- BEP produced provisionals

The Boutwell Stamp Era (1941 - 61)

- 151 Proof Rum

- 89 Proof - Bacardi (1942 - 1946)

- 86 Proof Rum

- 80 Proof Rum 1957

- The End of Stamps - 1961

THE RECTIFIED SPIRITS TAX ON RUM DISTILLED AND BOTTLED IN PUERTO RICO FOR AMERICAN CONSUMPTION

This exhibit is groundbreaking in several respects. Until now this has been solely a U.S. possessions subject. It forms a significant part of Gregg Greenwald's magnificent "Catalogue of Puerto Rico Revenues" published in 2021. But personal research established that the tax is a U.S. tax, enacted by the U. S. Congress. Previous collectors and catalogers have ignored the United States Internal Revenue inscription on all the stamps!

THE TAX

Rectified spirits are produced in one of two ways, blending or multiple distillation. Probably because of the additional supervision required to supervise either the blending or redistillation process, spirits produced by rectification paid both the distilled spirits tax and a rectification tax. In the present case, multiple distillations are the reason why Puerto Rican rum, and rum in general, is subject to the rectified spirits tax.

The rectified spirits tax was a United States tax and was administered by Internal Revenue agents at Puerto Rico rum distilleries. If the rum was bottled in Puerto Rico, the rectified spirits tax was collected and forwarded directly to the Treasurer of Puerto Rico. These stamps are currently (and erroneously?) listed in the Scott *U.S. Specialized Catalogue* under Puerto Rico. Note that if the rum was shipped to the United States and bottled there, the tax was retained by the United States!

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TREATMENT

This is a fiscal history exhibit, a study of the application of the tax to various proof rums and different size cases and also a cancellation study of the single rectified spirits tax rate of 30¢ per proof gallon on rum produced and bottled in Puerto Rico for consumption in the mainland United States.

The period of time covered is from the advent of the provisional rectified spirits stamps which came into use in December, 1937 until the end of the use of stamps in 1961.

The Series of 1940 rectified spirits stamps portray the first Commissioner of Internal Revenue, George S. Boutwell. Although the Boutwell issue was printed in 1940, there is no evidence that the stamps were actually used until August, 1941.

The exhibit could be so much simpler if only the Boutwell stamps were used, but Internal Revenue employees filled the distillers' requests for stamps at times with old stamps and at other times with combinations of several stamps when a single denomination would have sufficed. Just to make it interesting and a little more complex, they continued to supply pre-Boutwell stamps occasionally as late as 1955!

In January, 1942 most of the distilleries began using cancellations which identified the user. With distilleries producing 151, 89, and 86 (and later 80) proof rum, it is possible only from this date to see how these stamps were used singly and in combination.

Beginning in 1942 the exhibit is arranged chronologically by proof and by distiller. By so doing we learn from the stamps that only Bacardi marketed 89 proof rum, subsequently confirmed by magazine ads from the early 1940's.

The exhibit is dominated with the cancellations of Bacardi, the largest producer of Puerto Rican rum during this period. Cancellations from other distilleries are included and some of these are not frequently encountered.

Finally, a few of the red bottle stamps, used to seal the bottles and assuring the purchaser that the U.S. distilled spirits tax has been paid, are included to round out the story of the taxation of alcohol and provide some variety within the exhibit itself.

KNOWLEDGE AND RESEARCH

Before this exhibit the rates were generally unknown. The work of the exhibitor on the rates enabled the debunking of the scant literature on the subject which declared that there was a rate change on January 1, 1958. There was no such rate change! The cancellation study shows that in May, 1956 the industry changed from the marketing of 86 proof to 80 proof rum resulting in the need to pay 58¢ rectified spirits tax per case of fifths rather than the previous 62¢. The tax rate was still the same, just the amount of tax per case was different.

Fellow researcher, the late David Nussmann, broke the mystery of why no cancellations have been found from December 1946 until December 1947. Rum had become popular during World War II as a replacement for whiskey when the production of the whiskey distillers was changed to alcohol for the war effort. As whiskey stocks dwindled people switched to rum. But when the war ended everyone (distillers and consumers) switched back to whiskey. With the glut of rum the Puerto Rican distillers stopped shipping bottled rum to the the United States!

The current Scott U.S. Specialized states that the 8¢ denomination was produced by

offset lithography; it was produced from an engraved plate!

RARITY AND CONDITION

The current catalog prices do not do justice to the scarcity of many of these stamps. There are no large stocks of many of the denominations from which to cherry pick the cancels. The fact that they have been listed under Puerto Rico has not attracted the attention of collectors of U.S. revenues. In the future when they are moved to the U.S. section of the catalog, their retail values probably will move upward substantially. Most of what is available in the marketplace are the unused remainder examples released from the holdings of the Smithsonian National Postal Museum.

These stamps were applied to the cases in Puerto Rico and were subject to adverse environmental conditions before philatelists were able to rescue them from the cases. Some distilleries applied a coat of shellac over the stamps to “preserve” them and make sure that they remained on the cases. Such examples are never found in pristine condition. In general don’t expect to see superb stamps with grading service 95’s!