Calendar No. 54

69TH CONGRESS, 1st Session | SENATE | REPORT No. 52

INTERNAL REVENUE BILL OF 1926

JANUARY 16 (calendar day, JANUARY 22), 1926.—Ordered to be printed

Mr. SMOOT, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 1]

The Committee on Finance, to whom was referred the bill (H. R. 1) to reduce and equalize taxation, to provide revenue, and for other purposes, having had the same under consideration, report favorably thereon, with certain amendments, and as amended recommend that the bill do pass.

TREASURY SURPLUS

According to the estimates submitted in the annual report of the Secretary of the Treasury for the fiscal year 1925, the excess of ordinary receipts over total expenditures chargeable against ordinary receipts were, for the fiscal year 1925, $250,505,238. For the fiscal year 1926 the surplus is estimated at $262,041,756, and for the fiscal year 1927 $330,307,895.

These figures show that notwithstanding the substantial reductions in taxes contemplated by the revision of 1924 more revenue will be obtained than the needs of the Government demand and justify a revision of the internal revenue laws in order to afford the country a further reduction in the burden of taxation.

The surplus for the fiscal year past and the estimated surpluses for the immediate future are largely the result of the functioning of the Government, through both the legislative and executive branches, on a basis of sound economy. They are due, also, to the unprecedented business prosperity enjoyed in the year past and foreseeable for the immediate future.

The justification for the contemplated reduction in taxes finds its basis in the report of the Secretary of the Treasury as follows:

The Treasury's accounts for the fiscal year ended June 30, 1925, showed a surplus of $250,505,238. Total ordinary receipts aggregated $3,780,148,684, and

expenditures chargeable against such receipts were $3,529,643,446. This surplus is about one-half the size of the 1924 surplus, but is considerably larger than had been anticipated at the beginning of the year, in view of the substantial tax reductions effected in the revenue act of 1924. The estimated surplus for 1925 which appeared in my previous annual report was about $68,000,000, and the actual surplus as shown by the daily Treasury statement was approximately $182,000,000 in excess of this estimate. The increased surplus is due largely to heavier receipts than anticipated. Expenditures were $4,440,000 under estimates, but receipts were $178,000,000 in excess of the estimate which was made before the effects of the new revenue act on collections could be observed.

Income taxes, which were $100,000,000 in excess of the estimate, aggregated $1,760,000,000, although substantial reductions were made in the rates. This compares with $1,842,000,000 collected during the fiscal year 1924 and $1,678,000,000 during the fiscal year 1923 under higher rates, and is a clear indication of the growing improvement in the country's business structure and the advantages flowing from a reduction in excessive rates of tax.

Customs receipts aggregating $547,561,226 and miscellaneous internal revenue aggregating $828,638,068 were almost identical with estimates, although numerous changes had been made in the internal revenue rates, the influence of which had to be appraised in making the estimates. In the miscellaneous receipts of $643,411,567 there were also increases over estimates, the principal of which were $34,000,000 on account of the railroads, $2,500,000 from sale of other securities owned by the Government, $15,000,000 from Army costs receipts, $3,500,000 from river and harbor improvements, $6,400,000 from sale of clothing and small stores account of the Navy Department, and $11,500,000 on account of Indian moneys.

ESTIMATED REVENUE

The following table shows the estimated revenue to be collected under existing law during the calendar year 1926, and the estimated revenue to be collected for the calendar year 1926 under the bill as it passed the House and as it is reported to the Senate from the Finance Committee, together with the reductions proposed in the bill as reported to the Senate compared with the estimated collections for the calendar year 1926 under existing law:

Estimated revenue, calendar year 1926, under the following provisions

Source of revenue	1924 act	House bill	Finance committee bill	Reduction from present law under committee bill
Income tax	$1,880,000,000	$1,681,500,000	$1,747,000,000	$133,000,000
Miscellaneous internal revenue:				
Estate tax	110,000,000	110,000,000	90,000,000	20,000,000
Gift tax	2,000,000			2,000,000
Capital-stock tax	93,500,000	93,500,000	25,000,000	68,500,000
Tobacco—				
Cigars	43,000,000	31,000,000	26,000,000	17,000,000
All other	330,000,000	330,000,000	330,000,000	
Spirits	25,000,000	21,000,000	25,000,000	
Automobiles—				
Trucks	9,000,000		6,000,000	3,000,000
Other, etc	116,000,000	69,600,000	69,600,000	46,400,000
Tires, parts, etc	25,000,000			25,000,000
Cameras and lenses	700,000			700,000
Photographic films and plates	750,000			750,000
Firearms and ammunition	3,850,000			3,850,000
Smokers' articles	50,000			50,000
Automatic slot machines	650,000			650,000
Mah-jongg sets	1,000			1,000
Works of art	650,000			650,000
Jewelry	8,000,000			8,000,000
Brokers	2,000,000			2,000,000
Bowling alleys, pool and billiard tables	2,100,000			2,100,000

Estimated revenue, calendar year 1926, under the following provisions—Continued

Source of revenue	1924 act	House bill	Finance committee bill	Reduction from present law under committee bill
Miscellaneous internal revenue—Contd.				
Shooting galleries and riding academies	$28,000			$28,000
Automobiles for hire	1,750,000			1,750,000
Tobacco manufacturers	1,120,000			1,120,000
Use of yachts	300,000			300,000
Opium dispensers	312,000			312,000
Deeds and conveyances	4,000,000			4,000,000
Other stamp taxes	46,000,000	$46,000,000	$43,500,000	2,500,000
Admissions and dues	33,000,000	29,000,000	24,000,000	9,000,000
All other	10,239,000	10,239,000	10,239,000	
Total miscellaneous	869,000,000	740,339,000	649,339,000	
Total of above	2,749,000,000	2,421,839,000	2,396,339,000	
Reduction from 1924		327,161,000	352,661,000	352,661,000

TAX REDUCTIONS

The bill provides for two general sources of revenue, income taxes and miscellaneous internal revenue taxes. The tax reductions enjoyed by the country in the past, through the provisions of the two revenue acts of 1921 and 1924, are shown by the following table:

Actual receipts

Fiscal year	Income and profits taxes	Miscellaneous internal revenue
1921	$3,206,046,157.74	$1,390,379,823.28
1922	2,068,128,192.68	1,145,125,064.11
1923	1,678,607,428.22	945,865,332.61
1924	1,842,144,418.46	953,012,617.62
1925	1,760,537,823.68	828,638,067.90

Notwithstanding a reduction in the present annual tax burden upon the country of over $2,000,000,000 during this five-year period, a third revision of our revenue laws, within the period of six years, now is made possible.

The substantial reduction of $219,000,000 in individual taxes results from increased personal exemptions, larger credits for earned income and the lowering of the normal and surtax rates.

The personal exemptions have been increased from $1,000 for a single person to $1,500, and from $2,500 for a married person to $3,500. The exemption of $400 for each dependent remains as provided in the present law. The effect will be to remove over 2,000,000 persons from the category of taxpayers under the income-tax provisions.

The earned income credit has been extended from a possible base of $10,000 under the existing law to $20,000 under the proposed bill. This provision alone means a saving of $200 to every person having earned income of $20,000 and over.

The benefit to taxpayers who have net taxable incomes of less than $15,000 is shown clearly in the following table. For comparative

purposes a married person with two dependents has been used and the taxes under the proposed bill compared with those payable under the two pre-war revenue acts of 1913 and 1916. It has been assumed that the entire income is earned.

Taxes imposed upon married persons with two dependents under the revenue acts of 1913 and 1916 and the proposed bill

Net income	Tax under act of 1913	Tax under act of 1916	Tax under committee bill
$1,000	No tax.	No tax.	No tax.
$2,000	No tax.	No tax.	No tax.
$3,000	No tax.	No tax.	No tax.
$4,000	No tax.	No tax.	No tax.
$5,000	$10.00	$20.00	$7.88
$6,000	20.00	40.00	19.13
$7,000	30.00	60.00	30.38
$8,000	40.00	80.00	41.63
$9,000	50.00	100.00	60.75
$10,000	60.00	120.00	83.25
$11,000	70.00	140.00	113.25
$12,000	80.00	160.00	143.25
$13,000	90.00	180.00	183.75
$14,000	100.00	200.00	228.75

The foregoing table shows the material reduction in taxes accruing to those individuals having dependents and the benefit which particularly applies to such persons by reason of the earned income provision and the deduction for dependents.

The following table shows the benefits accruing to an intermediate comparative situation (married man without dependents), the comparison being made with the high tax rates prevailing under the act of 1918. Recognizing that the Government is still subject to large expenditures on account of the war, it will be noted that although the present Budget requirements are over three times those prior to the war, there has been a reduction in all of these personal taxes since 1918 of over 50 per cent.

Tax paid on specified incomes of married persons without dependents under the revenue act of 1918 and the proposed bill

Net income	Tax under act of 1918	Tax under committee bill	Net income	Tax under act of 1918	Tax under committee bill
$3,000	$60.00	No tax.	$30,000	$4,930.00	$1,778.75
$4,000	120.00	$5.63	$32,000	5,450.00	2,038.75
$5,000	180.00	16.88	$34,000	5,990.00	2,318.75
$6,000	250.00	28.13	$36,000	6,550.00	2,598.75
$7,000	390.00	39.38	$38,000	7,130.00	2,898.75
$8,000	530.00	56.25	$40,000	7,730.00	3,198.75
$9,000	680.00	78.75	$45,000	9,320.00	4,008.75
$10,000	830.00	101.25	$50,000	11,030.00	4,878.75
$11,000	990.00	131.25	$55,000	12,870.00	5,808.75
$12,000	1,150.00	168.75	$60,000	14,830.00	6,798.75
$13,000	1,320.00	213.75	$70,000	19,130.00	8,958.75
$14,000	1,490.00	258.75	$80,000	23,930.00	11,258.75
$15,000	1,670.00	311.25	$90,000	29,230.00	13,658.75
$16,000	1,850.00	363.75	$100,000	35,030.00	16,058.75
$18,000	2,230.00	483.75	$150,000	67,030.00	28,558.75
$20,000	2,630.00	618.75	$200,000	101,030.00	41,058.75
$22,000	3,050.00	818.75	$250,000	137,030.00	53,558.75
$24,000	3,490.00	1,038.75	$500,000	323,030.00	116,058.75
$26,000	3,950.00	1,278.75	$1,000,000	703,030.00	241,058.75
$28,000	4,430.00	1,518.75			

SURTAX

The committee was unanimous in its approval of the 20 per cent maximum surtax rate. That, with the 5 per cent normal rate, requires a contribution to the Government of one-fourth of all amounts in excess of $100,000 net taxable income. Such incomes have borne excessively high taxes for the seven years past. The committee has not approached the matter from the standpoint of benefiting the extremely wealthy as it has from that of sound economics and with the expectation of thereby accomplishing several desired results. To the extent that the larger incomes are relieved from excessive taxation, the money thereby left to the will of the individual must find its way into investment in business and industry with resulting benefit to the large majority of the people. To the extent that such investment is encouraged, business will be stimulated and business income will increase, thereby affording a source of additional revenue to the Government through the application of the tax rates stated in the proposed bill.

The maximum surtax rate has been reduced intentionally to the lowest practicable rate, consistent with a revenue return, that will compel investment in productive industrial enterprises rather than to encourage investment in tax-exempt securities. It is apparent that the result of these rates will be that a 6 per cent industrial security (in any case where the hazard is slight) will yield with the 25 per cent tax a greater return than a 4 per cent tax-exempt; a similar 7 per cent, than a 5 per cent tax-exempt; or, to mention exact comparatives, a 7 per cent return upon a safe industrial security would be the equivalent of a 5¼ per cent tax-exempt; a 6 per cent industrial would be comparable with a 4½ per cent tax-exempt; a 6½ per cent industrial with a 4⅞ per cent tax-exempt. Any purchase at a discount from par would afford a proportionate advantage one way or the other.

With the expectation of effecting a greater revenue return from the larger incomes through the reductions in surtax rates the committee approves the rates proposed in the bill.

The following table shows the surtax rates under the committee bill as compared with the House bill and present law:

Surtax rates imposed under the revenue act of 1924, the House bill, and the bill as reported to the Senate

Net incomes	Present law	House bill	Committee bill	Net incomes	Present law	House bill	Committee bill
	Per ct.	*Per ct.*	*Per ct.*		*Per ct.*	*Per ct.*	*Per ct.*
$10,000 to $14,000	1	1	1	$58,000 to $60,000	21	16	15
$14,000 to $16,000	2	2	2	$60,000 to $62,000	21	17	16
$16,000 to $18,000	3	3	3	$62,000 to $64,000	22	17	16
$18,000 to $20,000	4	4	4	$64,000 to $66,000	23	17	17
$20,000 to $22,000	5	5	5	$66,000 to $68,000	24	17	17
$22,000 to $24,000	6	6	6	$68,000 to $70,000	25	17	17
$24,000 to $26,000	7	7	7	$70,000 to $74,000	26	18	18
$26,000 to $28,000	8	8	7	$74,000 to $78,000	27	18	18
$28,000 to $30,000	9	9	8	$78,000 to $80,000	28	18	18
$30,000 to $32,000	10	10	8	$80,000 to $82,000	29	19	19
$32,000 to $34,000	10	10	9	$82,000 to $84,000	30	19	19
$34,000 to $36,000	11	11	9	$84,000 to $88,000	31	19	19
$36,000 to $38,000	12	12	10	$88,000 to $90,000	32	19	19
$38,000 to $40,000	13	13	10	$90,000 to $92,000	33	19	19
$40,000 to $42,000	13	13	11	$92,000 to $94,000	34	19	19
$42,000 to $44,000	14	14	11	$94,000 to $96,000	35	19	19
$44,000 to $46,000	15	14	12	$96,000 to $100,000	36	19	19
$46,000 to $48,000	16	15	12	$100,000 to $200,000	37	20	20
$48,000 to $50,000	17	15	13	$200,000 to $300,000	38	20	20
$50,000 to $52,000	18	16	13	$300,000 to $500,000	39	20	20
$52,000 to $56,000	19	16	14	Over $500,000	40	20	20
$56,000 to $58,000	20	16	15				

The following table shows the comparative amounts of surtaxes for specified net incomes under the present law, the House bill, and the committee bill:

Surtax payable on specified net incomes ($20,000 earned income)

Net income	1924 rates	House bill	Reduction in per cent from 1924	Committee bill	Reduction per cent from 1924
$24,000	$440	$385	12½	$385	12½
$26,000	580	525	9	525	9
$28,000	740	685	7	665	10
$30,000	920	865	6	825	[1] 10
$32,000	1,120	1,065	5	985	12
$34,000	1,320	1,265	4	1,165	12
$36,000	1,540	1,485	3½	1,345	13
$38,000	1,780	1,725	3	1,545	13
$40,000	2,040	1,985	2¾	1,745	[1] 14
$45,000	2,730	2,665	2½	2,305	16
$50,000	3,540	3,405	3¼	2,925	17
$55,000	4,470	4,205	6	3,605	19
$60,000	5,480	5,005	8	4,345	21
$70,000	7,780	6,705	14	6,005	23
$80,000	10,480	8,505	19	7,805	26
$90,000	13,540	10,405	23	9,705	28
$100,000	17,020	12,305	28	11,605	32

[1] Plus.

Estimated tax on specified net incomes, and the corresponding reduction made by the House bill and by the committee bill

Net income	Married man with no dependents			$20,000 earned income, reduction in tax—		
				From 1924 act		From House bill by committee bill
	1924 act	House bill	Committee bill	House bill	Committee bill	
$3,000	$7.50			$7.50	$7.50	
$4,000	22.50	$5.63	$5.63	16.87	16.87	
$5,000	37.50	16.88	16.88	20.62	20.62	
$6,000	52.50	28.13	28.13	24.37	24.37	
$7,000	75.00	39.38	39.38	35.62	35.62	
$8,000	105.00	56.25	56.25	48.75	48.75	
$9,000	135.00	78.75	78.75	56.25	56.25	
$10,000	165.00	101.25	101.25	63.75	63.75	
$11,000	225.00	131.25	131.25	93.75	93.75	
$12,000	295.00	168.75	168.75	126.25	126.25	
$13,000	365.00	213.75	213.75	151.25	151.25	
$14,000	435.00	258.75	258.75	176.25	176.25	
$15,000	515.00	311.25	311.25	203.75	203.75	
$16,000	595.00	363.75	363.75	231.25	231.25	
$18,000	775.00	483.75	483.75	291.25	291.25	
$20,000	975.00	618.75	618.75	356.25	356.25	
$22,000	1,195.00	818.75	818.75	376.25	376.25	
$24,000	1,435.00	1,038.75	1,038.75	396.25	396.25	
$26,000	1,695.00	1,278.75	1,278.75	416.25	416.25	
$28,000	1,975.00	1,538.75	1,518.75	436.25	456.25	$20
$30,000	2,275.00	1,818.75	1,778.75	456.25	496.25	40
$32,000	2,595.00	2,118.75	2,038.75	476.25	556.25	80
$34,000	2,915.00	2,418.75	2,318.75	496.25	596.25	100
$36,000	3,255.00	2,738.75	2,598.75	516.25	656.25	140
$38,000	3,615.00	3,078.75	2,898.75	536.25	716.25	180
$40,000	3,995.00	3,438.75	3,198.75	556.25	796.25	240
$45,000	4,985.00	4,368.75	4,008.75	616.25	976.25	360
$50,000	6,095.00	5,358.75	4,878.75	736.25	1,216.25	480
$55,000	7,325.00	6,408.75	5,808.75	916.25	1,516.25	600
$60,000	8,635.00	7,458.75	6,798.75	1,176.25	1,836.25	660
$70,000	11,535.00	9,658.75	8,958.75	1,876.25	2,576.25	700
$80,000	14,835.00	11,958.75	11,258.75	2,876.25	3,576.25	700
$90,000	18,495.00	14,358.75	13,658.75	4,136.25	4,836.25	700
$100,000	22,575.00	16,758.75	16,058.75	5,816.25	6,516.25	700
$150,000	44,075.00	29,258.75	28,558.75	14,816.25	15,516.25	700
$200,000	65,575.00	41,758.75	41,058.75	23,816.25	24,516.25	700
$250,000	87,575.00	54,258.75	53,558.75	33,316.25	34,016.25	700
$500,000	199,575.00	116,758.75	116,058.75	82,816.25	83,516.25	700
$1,000,000	429,575.00	241,758.75	241,058.75	187,816.25	188,516.25	700

CORPORATION INCOME TAX

The majority of the committee do not approve any reduction in the corporation income tax at this time. To the contrary, the rate has been increased slightly as an offset for the repeal of the capital-stock tax. Past history has shown that at least 40 per cent of the corporations annually have no net income. The application of the net loss provision, counteracting or reducing the taxable net income of a subsequent year, will effect a saving in the capital-stock tax under the committee bill, for a period of possibly two or more years. That benefit can not be denied. Those corporations that consistently enjoy prosperity well can bear the proposed tax, in view of the relief from the burdens of the capital-stock tax. There are bound to be instances of inequality in the light of a comparison with the reduction in the individual rates. In many cases such inequalities can be avoided through the means of reorganization into partnerships or other business forms.

The committee contemplates a thorough study of the situation through the joint committee proposed in the bill and that some method will be devised later whereby inequalities between the different business methods may be obviated. For the present the large return of revenue from this source does not justify any experiment. The total reduction in revenue under the proposed bill, affording such material relief to corporate stockholders among all others, has exceeded the surplus according to the Treasury estimates, and any further reduction, however merited, would be unwise.

The indirect benefit to be enjoyed by corporations through the substantial reduction in the individual taxes of the investing public, and particularly in the taxes payable by the stockholders of the respective corporations, constitutes an equivalent of tax reduction for the corporations measured in terms of the financial advantages which such corporations will receive. Consideration of relief from the tax burden can not be confined fairly to a mere reduction in specific rates.

The existing law in sections 243 and 246 imposes upon insurance companies the same rate of income tax as is imposed upon other corporations. It did not seem to the committee that these companies should bear the extra 1 per cent placed on corporate income to balance the repeal of the capital-stock tax, since insurance companies are not subject to the capital-stock tax. The bill therefore provides for the retention of the 12½ per cent rate on insurance companies.

PUBLICITY OF RETURNS

With no evidence before it of any useful purpose served, the committee recommends the repeal as proposed in the House bill.

ESTATE TAX

The committee recommends the repeal of this tax. The House bill provides for a possible 80 per cent credit for taxes paid to any State or States in place of the 25 per cent credit provided under existing law. The 80 per cent provision, in effect, constitutes an admission that but 20 per cent of the revenue proposed to be raised by

this measure is, in fact, required by the Government. The application of the 80 per cent provision, together with the cost to the Government of collecting the remaining 20 per cent does not justify the retention of this tax.

The committee is mindful of the statement made by the then chairman of this committee (Mr. Simmons) when reporting the 1917 bill to the Senate:

> Such a tax, when used as an emergency measure, is necessarily unequal in operation * * *. If levied as a war tax, that is, as a temporary emergency measure, it falls only upon the estates of those who happen to die during the period of the emergency * * *. On the other hand, as a permanent measure, such a tax, even at the rates already fixed by existing law, trenches in considerable degree on a sphere which should be reserved to the States.

The committee agrees with the statement of its then chairman, made in 1917. This is peculiarly a form of taxation which should be within the province of the several States to such extent as they upon their own volition and choice desire to exercise it. It should be resorted to by the Federal Government only in emergency, and the adoption by the House of the 80 per cent provision constitutes an admission, with which the committee agrees, that the emergency no longer exists. Accordingly, the committee recommends the entire repeal.

The committee also recommends that the rates fixed by the revenue act of 1924 be repealed retroactively and that the rates fixed by the revenue act of 1921 apply to the taxes on estates of all decedents who have died since the enactment of the 1921 law, and up to the effective date of the repeal of the 1924 act as stated in the proposed bill as amended by the committee. This revision of rates with retroactive application is estimated to mean a loss in revenue of $20,000,000 for the calendar year 1926, $25,000,000 for 1927, $25,000,000 for 1928, and $15,000,000 for 1929. The committee also recommends the repeal of the credit provision of the revenue act of 1924.

In contemplation of the repeal of the estate tax as to its application to estates of decedents who die hereafter, the committee deems it inequitable to apply the high rates of the 1924 law merely to those estates where the decedent happened to die while the 1924 law was in operation. Therefore it is recommended that the 1921 rates apply to those situations, with proper refunds to be made to those estates which have already paid taxes under the 1924 law, in excess of taxes otherwise payable under the schedule of rates fixed by the revenue act of 1921.

Paragraph (3) of subdivision (a) and paragraph (3) of subdivision (b) of section 303 of the revenue act of 1924 provides as follows:

"If the tax imposed by section 301, or any estate, succession, legacy, or inheritance taxes, are, either by the terms of the will, by the law of the jurisdiction under which the estate is administered, or by the law of the jurisdiction imposing the particular tax, payable in whole or in part out of the bequests, legacies, or devises otherwise deductible under this paragraph, then the amount deductible under this paragraph shall be the amount of such bequests, legacies, or devises reduced by the amount of such taxes."

The effect of this provision in the case of a charitable bequest is to impose a tax upon a tax. In view of this fact it is recommended that this sentence of the revenue act of 1924 be repealed.

GIFT TAX

The gift tax was adopted into the revenue act of 1924 as correlative to the estate tax. Its administrative difficulties are numerous; the revenue return is small; and it is easily evaded. The House bill proposed its repeal. Such repeal is necessarily contemporaneous with the repeal of the estate tax. Provision has been made by the committee bill whereby there will be retroactive reduction in the rates to correspond with the reduction in the estate-tax rates on the basis of the act of 1921.

TAX ON CIGARS, TOBACCO, AND MANUFACTURES THEREOF

The House bill proposed a reduction in the tax on cigars as follows:

Weighing not more than 3 pounds per 1,000, from $1.50 to 75 cents per thousand.

On cigars weighing more than 3 pounds per 1,000, if to retail at not more than 5 cents each, from $4 to $2.50 per thousand.

If to retail at more than 5 cents each and not more than 8 cents each, from $6 to $4.50 per thousand.

If to retail at more than 8 cents each and not more than 15 cents each, from $9 to $7 per thousand.

If to retail at more than 15 cents each and not more than 20 cents each, from $12 to $10.50 per thousand.

If to retail at more than 20 cents each, from $15 to $13.50 per thousand.

In lieu of the taxes proposed in the House bill, the committee recommends that the corresponding and respective taxes be: 75 cents, $2, $3, $5, $10.50, and $13.50 per thousand.

TAX ON ADMISSIONS

The House bill afforded exemption from tax for the "legitimate spoken drama." The committee recommends that the tax apply to all admissions without differentiation by reason of the character of the amusement, but that the present exemption for a charge of 50 cents or less be increased to 75 cents. The increase in the amount of exemption will leave $20,000,000 in revenue still to be derived from this source of taxation.

In the opinion of the committee it seems unfair to afford full exemption to the "legitimate spoken drama" and not to afford a like complete exemption to musical concerts, musical plays, and similar performances of an at least equally educational and enlightening character. To deny exemption to vaudeville theaters which might contain on their programs several "legitimate spoken dramas" of less than 1 hour and 45 minutes duration, can not be justified. Nor can there be any defense for imposing a tax upon a drama which happens to last less than 1 hour and 45 minutes and to make such tax free that exceeded that time limit.

The administrative difficulties would be numerous. Just what would fall within the designation of "revue, burlesque, or extravaganza," and so be taxable under the House bill, the committee was unable to determine.

In view of the Government needs for the $20,000,000 to be derived as revenue, the committee deems it more proper to afford a reduction in the tax based upon the price paid for admission and to have the tax apply, within that limitation, to all forms of theatrical and other amusements without differentiation or discrimination.

EXCISE TAXES

The House bill repealed the 3 per cent tax for automobile trucks selling for over $1,200. The large number of protests made by manufacturers of taxicabs, ambulances, sight-seeing busses and other commercial vehicles against the imposition of any tax upon their sales of somewhat similar articles, if heeded, would equally justify the removal of the automobile tax from all sales of automobiles which are used for commercial or business purposes. The present revenue needs of the Government do not permit such an all-inclusive repeal. Furthermore, trucks cause great damage to the highways, toward the construction of which the Government annually expends large sums of money. It is quite fitting that there should be some direct contribution toward that expense by means of the tax on the sale of trucks. The committee recommends the retention of the tax at a 2 per cent rate in place of the 3 per cent rate provided under existing law.

The House bill reduced the tax upon other automobiles and motorcycles from 5 per cent to 3 per cent. The committee recommends the adoption of the 3 per cent tax.

The committee recommends the repeal of the tax upon tires, inner tubes, parts and accessories, as proposed in the House bill.

The annual loss in revenue by the adoption of the above recommendations will aggregate $74,400,000 and constitutes about 20 per cent of the total reduction contemplated by the bill. The repeal of the tax upon tires, tubes, parts, and accessories (commonly called "misfortune taxes") will afford a merited relief to the present owners of the 17,000,000 automobiles which are now in operation.

The application of the taxes upon automobiles, trucks, and motor cycles is entirely a matter dependent upon future purchases. The remarkable prosperity enjoyed by the automobile industry during the imposition of the 5 per cent tax upon passenger automobiles and 3 per cent tax upon trucks makes it evident that the taxes have not hindered sales. The reduction in rates under the proposed bill will act as a stimulant, to that extent at least. It should be noted that small trucks and delivery trucks, falling within the $1,200 limitation, and largely used by farmers, will be exempt under the proposed bill as under existing law.

The proposed bill repeals the taxes upon the sale of cameras; photographic films and plates; firearms (other than pistols and revolvers); shells, and cartridges; cigar or cigarette holders and pipes; coin-operated devices and machines; mah-jongg, pung chow, and similar tile sets; sculpture, paintings, statuary, art porcelains, and bronzes; jewelry, pearls, precious and semiprecious stones and imitations thereof; articles made or ornamented, mounted, or fitted with precious metals or imitations thereof or ivory; watches, clocks, opera glasses, lorgnettes, marine glasses, field glasses, and binoculars. The loss in annual revenue by these repeals will be about $18,000,000.

REFUND OF AUTOMOBILE TAX

Section 1204: This section of the House bill provides for a refund to the manufacturers of passenger automobiles equal to 2 per cent of the price for which the automobiles are sold, in the case of all automobiles that are held by automobile dealers on the date the reduction in the rate upon passenger automobiles becomes effective. Provision is made in the House bill for the remission of such refund by the manufacturer to the automobile dealer. The committee recommends that the words "to a dealer" on page 332, line 1, shall be stricken out in the interest of certainty. In view of the fact that the tax is imposed under existing law, in the case of complete automobile bodies, upon the body manufacturer, and in view of the fact that the House bill limits the refund to the tax imposed upon the article sold by the manufacturer to the dealer it has been suggested that under a strict interpretation of this section of the House bill, since the automobile manufacturer sells direct to the dealer a refund could not be allowed to the dealer of the tax imposed upon the body and reimbursed by him to the manufacturer. The amendment to this section is made in order to make certain that the dealers shall be entitled to a refund based upon the tax paid upon the selling price of both the body and the chassis.

CAPITAL STOCK TAX

The committee recommends the repeal of the capital stock tax. In order to avoid loss in revenue, by this repeal, of the $93,500,000 estimated to be received annually from this source, the committee recommends an additional income tax on corporations of 1 per cent to be applied against the income of 1925 and subsequent years.

Many of the objections to the excess-profits tax are equally applicable to the capital-stock tax. Any tax that depends upon the element of valuation as a basis is fraught with difficulties that should be avoided whenever possible. The capital-stock tax is such a tax. The administration of it requires an annual valuation of all of the assets of over 300,000 corporations, an obviously difficult task. Furthermore, corporations are annoyed with the necessity of filing returns upon the basis of an accounting period different from that upon which their income-tax returns are filed. In addition, there is a duplication of assets and resulting tax in all cases where corporations have other subsidiary corporations, since consolidated returns are not permitted.

The statistics of internal revenue for all of the years from 1916 to 1923, inclusive, show that at least 40 per cent of the corporations have no annual net income. Yet under the existing law they have been obliged to pay a capital-stock tax. In all such cases that tax has constituted a capital levy.

To measure the value of the privilege of doing business as a corporation by the value of the corporate assets (as the present capital-stock tax does) has no basis as a reasonable theory. It is unsound in economics and unfair in practice. Many individuals prefer to do business either as partners or as sole proprietors rather than under the corporate form. In most cases such decision is made because they deem the sole proprietorship and partnership privileges of

greater value than the privilege of being a corporation and doing business as such.

There is no proper justification for the discrimination which necessarily results as to one form of business compared with another. So far as the individual surtaxes have offset such discrimination in the past, the lower rates on individuals under the proposed bill but emphasize the discrimination.

The present revenue needs of the Government do not permit the repeal of the capital-stock tax without providing an offsetting means for raising the revenue which otherwise would be lost. The effect of the small increase in the corporation income tax is to continue the capital-stock tax upon those corporations which have a net income but to base the tax upon income (as a proper criterion of the value of the privilege) rather than upon the corporate assets. Such corporations thereby are relieved from the necessity of filing two returns and of keeping separate accounting records. Also, in cases of affiliated corporations entitled to file a consolidated return, there is afforded relief from the necessity of filing a separate return for each company in the group. As to all affiliated corporations the saving will be very great. In addition, the many corporations which have no net income are afforded the two-fold benefit of the same saving in their administrative and accounting expense and receive a reduction in their taxes as well.

The committee was unanimous in its action on the repeal of this tax; the majority of the committee approved the increase in the corporation income tax as a substitute for the loss of revenue which, otherwise, would have resulted.

MISCELLANEOUS OCCUPATIONAL TAXES

The bill proposes the repeal of the special taxes on brokers, pawnbrokers, ship brokers, customhouse brokers, proprietors of bowling alleys and billiard rooms, proprietors of shooting galleries, proprietors of riding academies, persons carrying on the business of operating or renting passenger automobiles for hire, and on tobacco manufacturers. The annual loss in revenue will be approximately $7,000,000.

SPECIAL TAX ON THE USE OF YACHTS

The House bill repealed the present annual tax on the use of American-built yachts, but retained the like tax upon foreign-built yachts and boats. The committee recommends rates of twice the amount fixed in the House bill, and that the tax do not apply to such foreign-built yachts and boats as were owned on January 1, 1926, by citizens of the United States or by domestic partnerships or corporations.

TAX ON NARCOTICS

The proposed bill reduces the tax under existing law of $3 per annum to $1 per annum upon dispensers of drugs.

STAMP TAXES

The House bill repealed the stamp taxes on deeds of conveyance, proxies, and powers of attorney. The committee recommends the

approval of those repeals and that, in addition, there be a repeal of like taxes upon the entry of goods at customs, entry for withdrawal of goods from customs bonded warehouses, and passage tickets. The additional loss in revenue will be about $2,500,000.

ALCOHOL TAX

The House bill provided for a reduction in the tax on distilled spirits to be effective from January 1, 1927, the reduction being to $1.65 a proof gallon for 1927 and to $1.10 on and after January 1, 1928. Alcohol has a legitimate use in the industrial arts and is a necessity in certain lines of medicinal preparations. The committee is not convinced that any reduction in tax would act to the benefit of the consuming public through a corresponding reduction in the prices paid for the articles in connection with which the alcohol is legitimately used. It is not apparent that any industry is adversely affected, in a financial way, by the imposition of the tax. There are other places to which the loss in revenue from the standpoint of the Government could be applied more fittingly.

From the position of prohibition enforcement, industrial alcohol does to a limited extent find its way into illegal uses. The same is more true of denatured alcohol, but the use of the latter with its possible poisonous or deleterious effects is, to that extent, a deterrent to the violation of the prohibition law. A reduction in the tax on alcohol would result in the displacing of the use of denatured alcohol for illegitimate purposes by the use of grain alcohol for a similar purpose. The price of each to the illegitimate consumer would, to that extent, reach a point of equality, with the inevitable consequence that the proper enforcement of prohibition proportionately would be interfered with.

With no evidence before the committee that the public would benefit by such a tax reduction, or that any industry legitimately using the alcohol is adversely affected by the tax, and with the further statement from the Treasury Department that the retention of the tax is desirable in connection with prohibition enforcement, it is the opinion of the committee that there should be relief from taxation for other persons and industries prior to any reduction in the tax on alcohol.

The House bill proposes a small tax of one-tenth of 1 cent per gallon on cereal beverages. The amount of revenue derived therefrom while small will compensate to that extent for the supervision by the Government over the cereal beverage plants. Whether the cereal beverages are manufactured with an alcoholic content of less than one-half of 1 per cent can be ascertained only through direct supervision by the Government over all cereal beverage plants.

The majority of the committee recommends the adoption of this provision.

JOINT COMMITTEE ON TAXATION

The House bill provided for the establishment of a commission to be known as the joint commission on taxation and to be composed of 15 members: Five to be Members of the Senate, five to be Members of the House, and five to be selected from the general public. Such commission was to investigate and report upon the operation, effects,

and administration of the Federal system of income and other internal revenue taxes and upon any proposals or measures which in the judgment of the commission might be employed to simplify or improve the operation or administration of such systems of taxes. It was contemplated that the work of such commission would be completed within two years. All members were to serve without special compensation. A fund of $25,000 was provided for clerical and traveling expenses.

One of the results of the work performed by the Select Committee on Investigation of the Bureau of Internal Revenue, appointed under Senate Resolution 168, Sixty-eighth Congress, first session, adopted March 12, 1924, was to emphasize the need for the institution of a procedure by which the Congress could be better advised as to the systems and methods employed in the administration of the internal-revenue laws with a view to the needs for legislation in the future, simplification and clarification of administration, and generally a closer understanding of the detailed problems with which both the taxpayer and the Bureau of Internal Revenue are confronted. It is more properly the function of the Senate Finance Committee and the House Ways and Means Committee, jointly, to engage in such an activity.

A large part of the difficulties in administration disclosed by the majority report of that select committee obviously were due to the haste with which the revenue act of 1917 necessarily was prepared in the war emergency. The revenue act of 1918 included many of the imperfections, or at least broad provisions, of the earlier act. Some of them have been continued even into the more recent laws.

The committee is of the opinion that the joint committee which it proposes as an amendment to the House bill accordingly will fill a two-fold need. Such a joint committee, comprised of five members from each of the two committees that deal with revenue measures, will have direct charge of the situation. It will employ the necessary experts and assistants through whom it will be in direct contact with taxpayers for the purpose of obtaining all needed information to assist in the framing of future revenue legislation; through whom it will be in direct contact with the Bureau of Internal Revenue for the purpose of a closer insight into the problems of administration; and through whom that committee can gather such facts, data, and information as Congress, or the individual members, may deem desirable, so far as the same has any bearing upon revenue legislation.

GENERAL COUNSEL FOR THE BUREAU OF INTERNAL REVENUE

The proposed bill (sec. 1201 (a)) provides for the creation in the Treasury Department of the office of general counsel for the Bureau of Internal Revenue, that the general counsel shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive a salary at the rate of $10,000 per annum. The general counsel shall perform such duties as are now required under the internal revenue laws to be performed by the Solicitor of Internal Revenue or as may be prescribed by the Secretary or required by law. The section provides that as soon as the general counsel is appointed under this section and qualifies and takes office the office of the Solicitor of Internal Revenue under the Department of Justice shall cease

to exist. The general counsel will be under this section, as is the case of the Solicitor of Internal Revenue, the responsible legal adviser of the Commissioner of Internal Revenue, and will be at the head of an office which passes upon legal problems involving more millions of dollars in the aggregate than are passed upon by any other legal office in the country. It is self-evident that the salary proposed is hardly sufficient compensation to any person undertaking such responsibility and is none too large to enable the Government to obtain and retain the services of one duly qualified for such an important task.

The committee unanimously approves this provision.

The committee recommends an amendment to section 1201(b) to provide for the appointment of six assistants to the general counsel at salaries of $8,000 each to enable the general counsel to secure and retain the services of competent men in the key positions in his office.

GOVERNMENT ACTUARY

Section 1206: In view of the exceptional and efficient service rendered at all times to the Treasury Department and the congressional committees by Joseph McCoy, the present Government Actuary, it is recommended that his salary be increased to $10,000 a year and this provision fixes the salary of the Government Actuary at $10,000 a year so long as the position is held by the present incumbent.

TECHNICAL AND ADMINISTRATIVE AMENDMENTS

PARTIAL LIQUIDATION

Section 201 (g): It has been contended that under existing law a corporation, especially one which has only a few stockholders, might, without resorting to the device of a stock dividend, be able to make a distribution to its stockholders which would have the same effect as a taxable dividend. For example: Assume that two men hold practically all the stock in a corporation, for which each had paid $50,000 in cash, and the corporation had accumulated a surplus of $50,000 above its cash capital. It is claimed that under existing law the corporation could buy from the stockholders, for cash, one-half of the stock held by them and cancel it without making the stockholders subject to any tax. Yet this action, in all essentials, would be the equivalent of a distribution through cash dividends of the earned surplus. The subdivision as rewritten by the House bill is intended to make clear that such a transaction is taxable and the committee approves the provision, which obviously does not apply in cases of complete liquidation of all the stock of the corporation.

The House bill provided that the amendment should be retroactive to January 1, 1925. The committee recommends that the provisions of the 1924 act in this respect remain in effect during the calendar year 1925 and that the change in the law should become effective only as of January 1, 1926.

DETERMINATION OF AMOUNT OF GAIN OR LOSS

Section 202 (b): When property was acquired prior to March 1, 1913, the present law provides that in the case of a sale of such property the

basis for determining gain or loss shall be cost or March 1, 1913, value, whichever is higher; and also provides that in making adjustments for depreciation, etc., proper adjustment shall be made for depreciation, etc., "previously allowed." Owing to the fact that there was no income tax prior to March 1, 1913, in cases where property was acquired prior to that date no depreciation has been "allowed," and the taxpayer may receive too large a basis for determining gain or loss. The amendment proposed provides that the deductions for depreciation, etc., to be made in such cases shall be such deductions as were actually sustained with respect to such property, which would include such depreciation as had occurred prior to that date.

Under existing law in the case of determining gain from the sale or other disposition of property, the cost or March 1, 1913, value of such property is required to be reduced by the amount of depreciation or depletion allowed under prior income tax laws. It has been claimed that the effect of this provision is to allow a taxpayer to elect to take no depreciation or depletion against his annual income and to permit him to write off the entire cost or March 1 value at time of sale. The bill as passed by the House provides that the cost or March 1, 1913, value in the case of sale shall be reduced by the amount of depreciation or depletion allowable under prior income tax acts in computing the gain subject to tax. It is believed that the rule stated by the House bill is the correct rule and that all taxpayers should be required to take proper annual deductions for depreciation and depletion.

Section 202 (b) (2) as written by the House provides that in no case shall the amount of the reduction of the basis by reason of depletion exceed a depletion deduction computed without reference to discovery value. Inasmuch as the depletion in the case of oil and gas wells, as recommended by the committee by its amendment to section 204 (c) of the bill, is to be based on a percentage of gross income instead of on discovery value, the committee recommends that section 202 (b) of the bill be amended by inserting a provision that in no case shall the amount of the diminution for depletion exceed a depletion deduction computed without reference to an allowance based on a percentage of gross income.

DISTRIBUTIONS BY HOLDING COMPANIES

Section 203 (c): The existing law provides in section 203 (c) that if on a reorganization there is distributed to the shareholders stock or securities in a corporation a party to the reorganization no gain to the distributee from such receipt shall be recognized. The committee recommends that this provision be broadened so that where one corporation owns at least a majority of the voting stock and at least a majority of the total numbers of shares of all other classes of stock of another corporation and distributes such stock to its shareholders, then no gain to the distributee shall be recognized even though there is no reorganization. This is done on the theory that there is no actual income to the distributee until he sells the stock, since his interest in the assets is exactly the same as it was before.

BASIS FOR DETERMINING GAIN OR LOSS

Section 204 (a) (3) and (5): Paragraphs (3) and (5) of subdivision (a) of section 204 are amended so as to make it clear that where prop-

erty is transferred by a grantor in revocable trust and subsequently sold by the trustee the amount of the gain or loss should be determined as if the property had been sold by the grantor himself.

DISCOVERY VALUE

Section 204 (c) and (d): The basic changes made in the discovery depletion provision by the House were explained in a report of the Ways and Means Committee, as follows:

"The committee feels that the deduction for discovery depletion should be limited somewhat further than it was limited in the revenue act of 1924, and in addition that there should be incorporated in the act the Treasury regulation defining a proven area. Under the existing law, discovery depletion is allowable to one who brings in a well upon property proven at the time the well is brought in, if at the time it was purchased by the taxpayer it was not proven. Obviously the benefits of discovery depletion, the purpose of which was to encourage the wildcatter or pioneer, should be limited to those who make an actual discovery. Furthermore, in the interest of certainty and clarity, it is thought advisable to incorporate in the law a definition of what is a proven area. With these two objects in mind the committee recommends the amendments of the discovery provision contained in the bill. The new subdivision provides that in the case of oil and gas wells discovered by the taxpayer on and after January 1, 1925, in an area not proven at the date of such discovery, where the fair market value of the property is materially disproportionate to cost, the basis for depletion shall be the fair market value at the date of discovery or within 30 days thereafter of the property proven by such discovery and included within the taxpayer's tracts or leases. The subdivision further provides that in the case of oil or gas wells, each well producing oil or gas in commercial quantities shall be considered as having proven at least that portion of the productive sand, zone, or reservoir which is included in the square surface area of 160 acres having as its center the mouth of such well. The amendment further provides that in case two or more persons enter into an agreement whereby the cost of the well shall be shared if oil or gas in commercial quantities is not found, such well shall not be considered as having proven any part of the tract or lease held by such other persons. The discovery depletion deduction limitation of an amount not in excess of 50 per cent of the net income of the taxpayer from the property upon which the discovery was made, provided in existing law, is retained in this provision."

The amendment proposed by your committee makes only one basic change in the discovery depletion provision of existing law so far as such provision relates to mines. It enlarges the present discovery provision in the case of mines by permitting a deduction for discovery value in the case of discoveries of minerals discovered or proven in an existing mine or mining tract after February 28, 1913, not included in any prior valuation.

The administration of the discovery provision of existing law in the case of oil and gas wells has been very difficult because of the

discovery valuation that had to be made in the case of each discovered well. In the interest of simplicity and certainty in administration your committee recommends that in the case of oil and gas wells the allowance for depletion shall be 25 per cent of the gross income from the property during the taxable year. The provision of existing law limiting this amount to an amount not in excess of 50 per cent of the net income of the taxpayer from the property is retained.

NET LOSSES

Section 206 (a) (5): The committee in section 206 (a) (5) proposes a clerical amendment made necessary by the action of the committee in striking out section 214 (c). The reasons for striking out section 214 (c) are explained later in this report.

CAPITAL GAINS AND LOSSES

Section 208 (a) (8): The 12½ per cent capital gain and loss provisions apply only to the sale or exchange of capital assets which have been held by the taxpayer for two years. Under the reorganization provisions many transactions are exempt from tax until the stockholder disposes of his stock received as a result of the reorganization. As a result of this fact the question frequently arises as to whether the period that the taxpayer held the stock which he exchanged for new stock should be added to the period for which he held his new stock, in order to determine whether or not he has held it for two years. The House bill incorporates in the law the present regulation of the Treasury and provides that these two periods shall be added for the purpose of determining the period during which the property sold was held for the purpose of determining both gain and loss under this section. The same question arises in the case of property received by gift after December 31, 1920. The House bill provides that the period for which the property was held by the donor shall be added to the period for which the property was held by the donee in determining whether or not the property so received falls within the capital gain or loss section.

The committee recommends a further provision that in determining the period for which the taxpayer has held stock or securities received upon a distribution where no gain is recognized to the distributee under section 203 (c) of this bill or the revenue act of 1924 there shall be included the period for which he held the stock or securities in the distributing corporation. Inasmuch as section 203 (c) in this bill and in the revenue act of 1924 is broad enough to include the case of stock dividends, the committee amendment takes care of the determination of the two-year period in the case of stock dividends, as to which the present Treasury regulations apply the same rule.

EARNED INCOME

Section 209: The revenue act of 1924 provided that no income in excess of $10,000 shall be considered as earned net income. The House bill provides that the $10,000 limitation be increased to $20,000, and this is concurred in by the committee.

INSTALLMENT SALES

Section 212 (d): The revenue act of 1924 and prior acts have specifically provided two bases only for reporting income—first, cash receipts and disbursements, and, second, accrual. Since the enactment of the revenue act of 1921, however, section 202 (f) and its successors have impliedly recognized the existence of a third basis, the installment basis, without in any wise defining the situations and businesses to which such basis might be applied. The Commissioner of Internal Revenue has in his regulations provided, in pursuance of his authority to require a method of computation that will clearly reflect income, the installment basis for reporting income in certain cases. For instance, Regulations 65, as issued under the revenue act of 1924, provides that all dealers in personal property sold on the installment plan, whether or not title remains in the vendor until payment is completed, may return as income that proportion of the total cash collections received in the taxable year from installment sales which the annual gross profits on the total sales made during such year bear to the gross contract prices of all such sales. Vendors in isolated sales of personal property or in sales of real property on deferred-payment plans may return as income as of the year of actual receipt that proportion of each payment which the profit upon completion of all payments bears to the contract price, subject to the limitation, however, that the initial payment must not exceed 25 per centum of the contract price.

However, recent decisions of the Board of Tax Appeals (see appeal of 650 West End Ave. Co., appeal of Manomet Cranberry Co., and appeal of B. B. Todd (Inc.)—all decided during the past year) have held that similar regulations under earlier acts were invalid and that the commissioner under the law could authorize no basis other than the cash receipts and disbursements basis or the accrual basis, except for certain minor departures. The committee amendment, in order to meet the situation resulting from the decisions, places the principles of the commissioner's regulations in the law and thereby validates the regulations for all periods after January 1, 1925.

Deferred-payment contracts other than installment contracts are not affected by the committee amendment. When the initial payment exceeds 25 per cent of the price in the case of an isolated sale of personal property, or in the case of sales of real property, the obligations that are received in addition to the initial payment are to be regarded as the equivalent of cash if such obligations have a fair market value. In consequence that portion of the initial payment and of the fair market value of such obligations which represents profit is to be returned as income as of the taxable year of the sale.

The application of the installment basis as provided in the committee amendment should eliminate necessity for appraisals of the obligations of the purchaser in deferred-payment sales, as required under the Board of Tax Appeals decisions, save in those cases where, because of a large initial payment, i. e., one in excess of 25 per cent of the price, the property sold and serving as security for the unpaid balance has a value adequate to give the obligations a market value.

PROCEEDS OF LIFE-INSURANCE POLICIES

Section 213 (b) (1): Under existing law, the proceeds of life-insurance policies "paid upon the death" of the insured are exempt. The House bill, in order to prevent any interpretation which would deny the exemption in the case of installment payments, amended this provision so that proceeds "paid by reason of the death" of the insured would be exempt. In order to prevent an exemption of earnings, where the amount payable under the policy is placed in trust, upon the death of the insured, and the earnings thereon paid, the committee amendment provides specifically that such payments shall be included in gross income. Inasmuch as there is no intended distinction between "life-insurance policies," as used in paragraph (1) of existing law, and "life-insurance contracts," as used in paragraph (2), a uniform phraseology is adopted in both paragraphs.

ANNUITY PAYMENTS

Section 213 (b) (2): Under the present law a return of premiums paid under a life insurance, endowment, or annuity contract are exempt only when returned to the insured. The proposed amendment grants to the various persons to whom the payments are made an exemption of an amount equal to their proportionate shares of the premiums paid.

In the case of an assignment for a valuable consideration, the exemption under paragraph (1) or (2) is limited to the consideration and the premiums paid by the assignee.

EXEMPTION OF PROPERTY ACQUIRED BY INHERITANCE

Section 213 (b) (3): This bill provides that the value of property acquired by gift, bequest, devise, or descent shall be exempt from tax. The committee recommends that the word "descent" be changed to "inheritance" as more appropriately including both real and personal property.

BUILDING AND LOAN ASSOCIATION DIVIDENDS OR INTEREST

Section 213 (b) (10): The revenue act of 1924 provided for the exclusion from gross income to January 1, 1927, of amounts received as dividends or interest from domestic building and loan associations not in excess of $300 each year. The House bill removes the January 1, 1927, limitation and permits the exclusion of such dividends and interest not in excess of $300 without any time limitation.

FOREIGN TRADE EXEMPTION

Section 213 (b) (14): The House bill in this paragraph provides that there shall be excluded from gross income, in cases of our citizens employed abroad in selling our merchandise, amounts received as salary or commission for the sale for export of tangible personal property produced in the United States in respect of such sales made while they are actually employed outside the United States, if so employed for more than six months during the year. The committee

sees no reason for such an exemption, inasmuch as a citizen so employed abroad, if required to pay any income tax to the foreign country on his salary, receives a credit against his United States tax of the amount of tax paid to the foreign country.

INTEREST DEDUCTION OF INDIVIDUALS

Section 214 (a) (2): The committee recommends that there be restored in section 214 (a) (2) language in the present law omitted in the House bill by reason of the insertion in the House bill of section 214 (c) which latter subdivision is recommended by the committee to be stricken out. The amendment to section 214 (a) (2) is dependent on the action taken in regard to section 214 (c) and the merits of the question are discussed in connection with that subdivision.

DEPRECIATION IN CASE OF LIFE TENANT AND REMAINDERMAN

Section 214 (a) (8): The present law allows depreciation as a deduction. The committee recommends that it be made clear that in the case of improved real estate held by one person for life with remainder to another the depreciation deduction shall be equitably apportioned between the life tenant and the remainderman.

TAX-EXEMPT INTEREST

Section 214 (c) and section 214 (a) (2): The House bill provided for the deduction of all interest paid or accrued within the taxable year on indebtedness but limited the deduction in the case of interest on non-business indebtedness to the excess over tax-exempt interest received. The indirect effect was to impose a tax upon interest which otherwise would be tax exempt. The reduction in the surtax rates will, to a large degree, discourage the investment in tax-exempt securities and will counteract the avoidance of taxes which otherwise would result. Accordingly, the committee recommends the restoration to the bill of the provisions of the existing law.

ALLOCATION OF INCOME BETWEEN THE UNITED STATES AND ITS POSSESSIONS

Section 217 (e): The revenue act of 1924 provided that gains derived from the purchase of personal property within and its sale without the United States, or from the purchase of personal property without and its sale within the United States, should be treated as derived entirely from sources within the country in which sold. Porto Rico, for example, taxes the income from the sale of its tobacco in the United States and the United States also taxes the income from such sale. The result is that income taxes are imposed upon 200 per cent of such income. After negotiations with the representatives of the Porto Rican government, the Treasury Department agreed to recommend to Congress that a provision should be enacted permitting the allocation of income from such transactions between the United States and Porto Rico for the purpose of the imposition of income taxes. In subdivision (e) the House bill carries out this recom-

mendation, and extends the same to cover such transactions between the United States and any of its possessions.

Your committee recommends that the proposed amendment in the House bill be stricken out on the ground that the duplicate taxation of income in the case of Porto Rico and other possessions and the United States is no different than the similar taxation of income in the case of the States imposing income taxes and the United States.

EVASION OF SURTAXES BY INCORPORATION

Section 220 (e): The existing law, in the case of corporations formed or availed of for the purpose of preventing the imposition of a surtax by failure to distribute the earnings, imposes upon the net income of such corporations a tax of 50 per cent in addition to the regular corporation income tax. The committee recommends the addition of a provision that this tax shall not apply in any year if all the stockholders include in their gross income, and pay surtax upon, their entire distributive share, whether distributed or not, of the earnings of the corporation for such year. If the surtax is thus paid the failure to distribute the earnings has not resulted in any avoidance of tax and the reason for the imposition of the 50 per cent tax on the corporation no longer exists. The amendment also provides that upon any subsequent distribution by the corporation out of its earnings and profits for the year in which the shareholders have thus paid the surtax, the amounts distributed to the same shareholder who paid a tax on his distributive share shall be exempt from tax.

RETURNS

Section 223: Under this provision no income-tax returns will be required of single persons having an income of less than $1,500. This provision increases the exemption from the requirement to file returns, in the case of single persons, from $1,000 to $1,500. In the case of married persons returns will be required of such persons only in cases of those having incomes of $3,500 or over. This provision increases the exemption in this case from $2,500 to $3,500. However, if either of the above classes of taxpayers have a gross income of $5,000, they will be required to make a return the same as under existing law.

Section 227: Under existing law if a taxpayer is unable to make a complete return at the time specified in the law, in order to get an extension of time it is necessary for the taxpayer to write a letter to the Commissioner of Internal Revenue, requesting such extension, and stating fully the reasons therefor. Last year over 28,000 requests of this nature were received by the department. Whenever extension is granted the taxpayer is required to file a tentative return and to agree to pay interest at the rate of 6 per cent a year upon any deficiency in the first installment payment. Experience has demonstrated that the period of two and a half months from the close of the taxpayer's calendar or fiscal year is too short a time for thousands of taxpayers to have their books properly closed in order to enable them to file a complete return upon the required date. The present practice results in causing the taxpayer and the Treasury Department a great amount of unnecessary expense without any re-

sulting benefit. The provision has been changed by the House bill to permit the commissioner to grant a reasonable extension of time for filing returns under such rules and regulations as he shall prescribe with the approval of the Secretary of the Treasury. It is believed that this provision for extensions of time can be provided for by regulation, and the taxpayer can be permitted to file a tentative return upon the payment of the estimated first installment and required to pay interest on any deficiency in that installment at the rate of 6 per cent at the time of filing the complete return.

The general effect of this amendment is to restore the provisions of the revenue act of 1921, in this respect, but leaves the matter as to detail for rules and regulations to be prescribed by the Commissioner with the approval of the Secretary.

FARMERS' INSURANCE COMPANIES

Section 231: The House bill amended subdivision (10) of section 231 of existing law by taking out of this subdivision "farmers' or other mutual hail, cyclone, casualty, or fire insurance companies," and adding a new subdivision, to read as follows:

(11) Farmers' or other mutual hail, cyclone, casualty, or fire insurance companies or associations the income of which is used or held for the purpose of paying losses or expenses.

It was believed that the provision of existing law exempted this class of corporations from the necessity of making income-tax returns, but experience has shown that such was not the case. An examination of subdivision (10) will show that the various corporations named therein are exempt only if 85 per cent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses. It so happens that in the case of insurance companies of a type covered by the new subdivision (11) of this section the losses vary from year to year, and consequently in certain years the assessments collected are not used up in the payment of losses and expenses and no additional money is required to be collected for the payment of losses in the succeeding year. It is only natural that these companies should keep these assessments in banks and obtain from 3 to 4 per cent interest thereon. It is clear that if no assessments are required to be made in any year that the company is not exempt for such year. In order to clear up this situation, assessments of the type mentioned are exempted by the House bill in a separate subdivision, without the 85 per cent limitation imposed by subdivision (10).

The committee recommends that the complete exemption be confined to farmers' or other mutual hail, cyclone, or casualty companies or associations, and that fire insurance companies enjoy such benefits only as now are provided under the existing law.

COOPERATIVE MARKETING ASSOCIATIONS

Section 231 (12): The existing law, strictly construed, allows exemption only to those farmers', fruit-growers', or like associations which act as sales or purchasing agents for producer members and which return to such members the entire proceeds of their operations, except necessary sales or purchasing expenses. However, in order

that any such association, not operated for profit, and which is a true cooperative association, shall get the benefit of this exemption, the Treasury Department in its regulations has construed the existing law with great liberality, enlarging the term "member" to mean any producer whether or not a member, if treated by such an association on the same basis as a member; exempting such an association not acting as an agent, but taking title to products or supplies; allowing such associations to have outstanding capital stock and to pay dividends on such stock (subject to certain limitations); permitting such associations to build up reserves for State requirements or other necessary purposes; and allowing such associations to manufacture their products, to change the form of raw materials, and in some cases to operate subsidiaries, so long as the operations are not conducted on an ordinary profit-making basis.

The committee amendment does not broaden the scope of nor even include all the provisions of the Treasury regulations but only incorporates certain provisions adopted by the department as fundamental in allowing exemptions to cooperative marketing and purchasing associations. The amendment will assure associations, now exempt, that the liberal construction, by the department, of existing law is sanctioned by Congress and if enacted will prevent a valid, but perhaps sudden or drastic, restriction upon exemptions, such as is now possible under existing law. It will also permit a considerable number of cooperative agricultural associations, organized under general corporation laws, with capital stock, and not now exempt, to attempt to obtain exemption by changing their organization and operations to meet the requirements of permanent law rather than merely of impermanent regulations.

The committee amendment exempts not only associations acting as sales or purchasing agents but any association organized and operated on a cooperative basis, and specifically includes other producers as well as member producers. A capital stock association is not to be denied exemption if substantially all the stock is owned by producers marketing or purchasing through the association; if its annual dividend rate is limited so as not to exceed the legal rate of interest in the State of incorporation, on the value of the consideration for which the stock was issued, or 8 per cent per annum of the par value (or if without a par value then of the value of the consideration for which issued), whichever is the greater; or if it accumulates and maintains a reserve required by State law or for any necessary purpose. The commissioner is given power to prescribe the extent of marketing and purchasing operations for nonmembers, but there is a specific provision permitting a purchasing association in purchasing agricultural supplies and equipment for members and other producers to make purchases of agricultural supplies for nonproducers up to 15 per cent of the total value of all purchases.

PAYMENT OF CORPORATION INCOME TAX AT SOURCE

Section 237: This section as amended requires the withholding of a tax of 12½ per cent in respect of all payments of income made before the enactment of this act and 13½ per cent in respect of such payments made after the enactment of this act to foreign corporations specified below. In view of the fact that the corporation

income tax rate has been increased to 13½ per cent, it is necessary to amend the withholding provision to require the withholding in the case of foreign corporations subject to the income tax and not engaged in trade or business within the United States, and not having any office or place of business therein, at the rate of 13½ per cent. Because the persons making payments to such corporations during the calendar year 1925 and the early part of 1926 had no notice that the corporation income tax would be increased, the withholding rate is not increased with respect to payments made before the enactment of this act.

INFORMATION AT SOURCE

Section 256: The revenue act of 1924 provided that all persons in whatever capacity acting, including lessees or mortgagors of real or personal property, fiduciaries, and employers, making payment to another person of interest, rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable gains, profits, and income of $1,000 or more in any taxable year should furnish information relative to such payments if required to make returns in regard thereto by regulations prescribed by the commissioner. This section does not require this information in any case unless the salary or other payment amounts to at least $1,500, which amount corresponds with the minimum personal exemption under the proposed bill.

DATE OF PAYMENT OF TAX

Section 270: The present law provides for the payment of income tax "on or before" the 15th day of certain months, dependent upon the citizenship and residence of the taxpayer and whether or not the return is filed on the basis of a fiscal or calendar year. The committee by a series of amendments in this section prescribes the 15th day of such month as the definite day for the payment of the tax, but permits the taxpayer at his election to pay the tax at any time before such fixed date. In other parts of the bill references are made at various places to "the date prescribed for the payment of the tax," and unless the committee amendments are adopted there may be some uncertainty as to the proper fixing of that date.

PROCEDURE IN CASE OF DEFICIENCY

Under the existing law after the commissioner has determined the deficiency and mailed notice thereof to the taxpayer, the taxpayer may appeal to the Board of Tax Appeals, but if the board finds that there is a deficiency the taxpayer must pay the tax and proceed before the department and the courts for a refund. The House bill institutes a system of appeals from the decisions of the board to the circuit courts of appeals and from there on certiorari to the Supreme Court. The House bill also provides in section 281 (d) that when the deficiency letter has been sent to the taxpayer, whether or not he takes the case to the Board of Tax Appeals, his right to claim or sue for a refund for the year to which the deficiency letter relates is forever barred. This provision seems to the committee too drastic,

and it is accordingly proposed in section 284 (d) of the bill that the taxpayer's right to claim and sue for refund shall be barred only if he takes the case to the board, thus preserving to him the option of paying the tax and then proceeding before the department and the courts to recover any excess payments by a claim or suit for refund.

But if he does elect to file a petition with the board his entire tax liability for the year in question (except in case of fraud) is finally and completely settled by the decision of the board when it has become final, whether the decision is by findings of fact and opinion, or by dismissal, as in case of lack of prosecution, insufficiency of evidence to sustain the petition, or on the taxpayer's own motion. The duty of the commissioner to assess the deficiency thus determined is mandatory, and no matter how meritorious a claim for abatement of the assessment or for refund he can not entertain it, nor can suit be maintained against the United States or the collector. Finality is the end sought to be attained by these provisions of the bill, and the committee is convinced that to allow the reopening of the question of the tax for the year involved either by the taxpayer or by the commissioner (save in the sole case of fraud) would be highly undesirable.

The bill provides in section 274 (a) that except in certain enumerated cases the commissioner can take no action to assess and collect a deficiency until he has mailed to the taxpayer a notice of the deficiency, and if the taxpayer has taken the case to the board, until the decision of the board has become final. Such decision becomes final: (1) on the expiration of the time allowed for appealing to the circuit court of appeals, or (2) where such an appeal has been taken, when the appellate courts have disposed of the case. The bill, therefore, contains in section 274 (a) a provision that despite section 3224 of the Revised Statutes (which prohibits injunctions to restrain the assessment or collection of the tax) the taxpayer may in a proper case go into court for an injunction to restrain the commissioner from assessing or collecting a deficiency until the procedure outlined in the bill has been completed.

It is the purpose of the bill that all questions arising prior to the time the decision of the board has been rendered as to the right of the commissioner to assess and collect the tax, including the question as to whether or not the statute of limitations has run before the mailing of the deficiency letter, shall be determined by the board, and by the courts on appeal from the board.

The House bill provides that in case the commissioner believes that the assessment or collection of the tax will be jeopardized by delay, he may make a jeopardy assessment at any time before the taxpayer has taken an appeal to the circuit court of appeals from the decision of the board, and upon the making of such jeopardy assessment the jurisdiction of the board and the courts shall cease. If the jeopardy assessment is made after the decision of the board is rendered, but before the appeal is taken, the procedure in the House bill would necessitate, in order to obtain the determination of the board, the filing of a claim in abatement, which, when denied by the commissioner, would form the basis of a new right to take the case to the board. This procedure seemed to your committee unnecessary, and there is accordingly provided in section 279 a system of jeopardy assessments which does not interfere in any manner with

the regular course of procedure of deficiency letters, petitions to the board, and appeals therefrom to the circuit court of appeals. Upon the making of the jeopardy assessment, the taxpayer, if so desiring, may stay the collection of the tax by filing a bond. If he does not elect to file a bond, the commissioner may collect the tax, but the right of the taxpayer to have the correct amount of the deficiency determined by the board and the appellate courts is not interfered with, and if in the course of such procedure it is decided that he has overpaid the tax a refund will be made to him. It should be observed that the board and the appellate courts have no authority to examine into the question as to whether the jeopardy determined by the commissioner in fact exists.

The law provides that where a deficiency is assessed there shall be assessed at the same time interest at the rate of 6 per cent from the time the deficiency should have been paid to the date of assessment. In order to permit the taxpayer to pay the tax and stop the running of interest, the committee recommends in section 274 (d) of the bill that the taxpayer at any time be permitted to waive in writing the restrictions on the commissioner against assessing and collecting the tax, but without taking away the right of the taxpayer to take the case to the board. It is provided in such cases that the 6 per cent interest stops running on the thirtieth day after the filing of such waiver unless assessment is made before such time.

Under the existing law if the commissioner desires to collect a deficiency greater than the amount determined by the board, he may bring suit against the taxpayer, in which suit the findings of the board shall be prima facie evidence. The House bill takes away this right and confines the commissioner to an appeal from the board to the circuit court of appeals and from there by certiorari to the Supreme Court. The committee concurs in this provision. If the commissioner collects more than the amount determined by the decision of the board which has become final, the taxpayer has a right to sue for refund of the excess amount, but has no right to an injunction to restrain the assessment or collection.

The House bill in section 274 (f) provides that if after the enactment of this bill the commissioner has notified the taxpayer of a deficiency, he shall have no further right to determine an additional deficiency except in case of fraud. The committee recommends that this provision be confined to cases where the taxpayer has appealed to the board. If he does not appeal to the board, he has a right to file suit for refund at any time within the statutory period of limitations, and there seems no reason why in such cases the commissioner should not have equal right to assess any further deficiency he may find within the statute of limitations imposed on the Government. It should be noted that this restriction on the commissioner applies only in cases where a deficiency letter has been mailed after the enactment of this bill.

Under the existing law and the House bill the 5 per cent and 50 per cent additions to the tax in case of negligence or fraud are to be assessed and collected in the same manner as if they were a deficiency, i. e., can only be assessed after the taxpayer has been sent a notice by registered mail. It sometimes occurs that after the deficiency letter has been sent out fraud or negligence is for the first time discovered by the commissioner. In order to avoid the necessity

of sending out a second notice to the taxpayer in such cases and other similar cases, it is provided in section 274 (e) that the board shall have jurisdiction upon the appeal from the original deficiency letter to determine whether any penalty, additional amount, or addition to the tax should be assessed, whether or not the commissioner has asserted such claim in the deficiency letter or in his pleadings. If the fraud is discovered after the board's decision, the commissioner can send notice thereof, on which the taxpayer can appeal to the board.

INTEREST ON DEFICIENCIES

Section 274 (j): The 6 per cent interest upon deficiencies which runs up to the date of assessment begins to run under the present law on March 15 if the taxpayer paid his tax in full; but if the tax is paid in installments, interest on one-fourth of the deficiency begins to run on March 15, one-fourth on June 15, one-fourth on September 15, and one-fourth on December 15. This is apparent discrimination between taxpayers based on the manner in which they elect to pay their tax, and also imposes a burden on the collector's offices in figuring out the interest. It is therefore recommended that in all cases interest begin to run from the date of the first installment, whether on that date one installment is paid or the entire tax.

STATUTE OF LIMITATIONS ON ASSESSMENTS AND COLLECTIONS

Section 277 (a) (4): This section provides that if a corporation makes no return of the tax imposed by this bill, but each of the shareholders includes in his return his distributive share of the net income of the corpo ation, then the tax of the corporation shall be assessed within four year; after the last date on which any such shareholder's return was filed. This provision is limited to taxes imposed under this bill, and it is incorporated in the bill to make certain that if in the future the beneficiaries of a trust or the members of an association include their distributive share in their income-tax return, and if at a later date it should be held that the trust or association is subject to the corporation tax and should have made the return, the statute of limitations as applied to the trust or association shall run from the dates above specified.

Section 277 (b): The House bill in section 277 (b) provides that the running of the statute of limitations upon the making of assessments or collections shall be suspended for the period during which the commissioner is prohibited from making the assessment or collection. The committee recommends that a provision be added that in no event shall the commissioner have less than 60 days after the decision of the board has become final in which to make the assessment, and also that in cases where no petition is filed with the board he shall have at least 90 days after the mailing of the notice in which to make the assessment.

CLAIMS AGAINST TRANSFERRED ASSETS

Section 280: There are a number of situations in which the assets of the taxpayer have, subsequent to the accrual of his tax liability, been disposed of in whole or in part with the result that the Govern-

ment can not successfully distrain or otherwise collect the full amount of the tax originally returned or found due as a deficiency. For example:

(1) Corporation A may distribute its assets to its stockholders and thereupon either dissolve or continue undissolved.

(2) Corporation A may sell its assets to corporation B for a fair consideration either in cash or property or in stock of B. The proceeds are transmitted directly by corporation B to the shareholders of corporation A or indirectly to them through corporation A. Corporation A thereupon either dissolves or continues undissolved.

(3) Corporation A may reorganize into a partnership.

(4) Corporation A may reorganize into corporation B by a mere change of name or State of incorporation or by an amendment of the financial provisions of its charter.

(5) Corporation A may impair its capital but have what are in effect distributed assets in the form of unpaid subscriptions of its shareholders.

(6) A husband may make a gift of the whole or part of his property to his wife.

(7) Personal property of a decedent may be transferred to the beneficiaries without prior settlement of taxes accruing during the life of the decedent.

(8) A decedent's estate with a claim for unpaid taxes accruing during the life of the decedent may be composed of real estate and pass directly by descent to the heirs.

In most of the above cases it is probable that under existing law the Government may proceed in equity by suit against the transferee if the transferor no longer exists (that is, in the case of a corporation, is dissolved, or in the case of an individual, is dead), and if the liability of the transferor has not been judicially established by action against the taxpayer before dissolution or death.—Updike *v.* United States, decided Circuit Court of Appeals, eighth circuit, December 1, 1925. If, however, the transferee is still in existence the Government must proceed to obtain judgment against the transferor in an action at law and then proceed against the transferee in equity by a creditor's bill to satisfy the judgment. The creditor's bill is also available if the taxpayer has ceased to exist, but his tax liability was liquidated by judicial action prior to the dissolution or death.—Swan Land and Cattle Co. *v.* Frank, 148 U. S. 603. In all the above cases the transferee is not liable for the tax of the transferor, but is by reason of the receipt of the assets subject to an independent liability in his own person and payable out of his own estate, arising under the trust fund doctrine or some similar theory.

Again there are a number of situations in which, without reference to any principle of the trust fund doctrine or similar theory, an independent liability arises in respect of a person other than the taxpayer by reason of failure to pay from the taxpayer's estate the tax due from the taxpayer. An example of this is section 3467, Revised Statutes, under which every executor, administrator, or assignee, or other person, who pays any debt due by the person or estate from whom or for which he acts, before he satisfies and pays the debts due to the United States from such person or estate, shall become answerable in his own person or estate for the debts due to the United States, or for so much thereof as may remain due and unpaid.

Under existing law proceedings for the enforcement of liabilities such as those heretofore discussed are solely by court proceedings. No proceeding before the board for the redetermination of a deficiency and for the ultimate enforcement by assessment and distraint may be had.

It is the purpose of the committee's amendment to provide for the enforcement of such liability to the Government by the procedure provided in the act for the enforcement of tax deficiencies. It is not proposed, however, to define or change existing liability. The section merely provides that if the liability of the transferee exists under other law then that liability is to be enforced according to the new procedure applicable to tax deficiencies. Thus, upon notice of the liability sent by registered mail, the transferee may make payment and bring claim and suit for refund or may with or without payment petition the board for redetermination with right to appeal to the higher courts. In either case the transferee has the opportunity to go before a court. If he chooses the option of petition to the board and review by the higher courts the liability may be enforced, in case of a decision favorable to the commissioner, by assessment and seizure in distraint proceedings by the officers of the Treasury Department, in place of similar summary proceedings by a United States marshal through the execution of a judgment in cases of other liability for debt.

The liability which arises in the transferee in respect of the receipt of the assets is normally to be measured by the liability of the transferor at the time of the transfer. This would include the amount of the tax due plus all interest, additional amounts, and additions to the tax provided by law, up to the time of such transfer. The section, however, provides that the liability of the transferee in this amount shall not in turn be subject to interest, additional amounts, or additions to tax, save that in case the transferee petitions the board for a redetermination of his liability, the amount so determined shall draw interest at the rate of 1 per cent a month commencing with notice and demand for payment following the final decision of the board.

FIDUCIARIES

Section 281: The term "fiduciary" is defined in section 200 (b) to mean a guardian, trustee, executor, administrator, receiver, conservator, or any person acting in any fiduciary capacity for any person. The right of the commissioner to assess and distrain and otherwise proceed for the collection of tax depends, for instance, upon giving notice of the deficiency to and making demand upon the proper person. It, therefore, becomes necessary to make certain that there shall be some individual to whom the notice may be mailed and upon whom the demand may be made, in the case of, for example, an incompetent, a decedent's estate, or an estate in the hands of a receiver or trustee in bankruptcy.

To accomplish this purpose, the section provides that if the Commissioner of Internal Revenue has been notified as to the identity of the fiduciary, notice is to be mailed to and demand made on the fiduciary. In case the commissioner has not been notified of the fiduciary, notice is to be mailed to and demand made on the taxpayer at his last known address. In case of a change of fiduciary, notice is

to be mailed to and demand made on the last fiduciary of whom the commissioner has been notified.

Under subdivision (b) of the section the above principles are made applicable in the case of the liability of a transferee under section 280.

BANKRUPTCY AND RECEIVERSHIP

Section 282: During bankruptcy proceedings or State or Federal receivership proceedings, the assets of the taxpayer are placed within the control of the bankruptcy court or the court of equity in which the receivership proceedings are instituted, whenever the taxpayer has been finally adjudicated a bankrupt or the receiver has been finally appointed. If during the pendency of the bankruptcy or receivership proceeding, a proceeding is pending before the board or on appeal therefrom for the redetermination of a deficiency, the Commissioner of Internal Revenue would, despite a favorable decision for the Government, be unable to assess and distrain upon the assets under the control of the bankruptcy or equity court. The section therefore provides, in case of determination of deficiency, that if petition for redetermination therefor has not been presented to the board, the deficiency shall be assessed and the claim presented to the bankruptcy or equity court. If petition for a redetermination has been presented to the board but is not on appeal therefrom, the proceedings shall be dismissed and the deficiency assessed and claim therefor presented to the bankruptcy or equity court. If proceedings for determination of a deficiency are on appeal before the Circuit Courts of Appeal or the United States Supreme Court, the committee deems it advisable to permit these courts finally to determine the deficiency rather than dismiss the proceeding. Pending such final decision on appeal, claim for the amount of the deficiency may be presented to the bankruptcy or equity court in the amount allowed by the board, or if decision is reached by such appellate courts prior to the termination of the receivership or bankruptcy proceedings, then such claim may be modified to accord with the decision.

The bankruptcy and receivership proceedings do not foreclose any unsatisfied portion of the claim of the United States and such portion may be collected by distraint or otherwise within six years after the termination of the bankruptcy or receivership proceedings. In case the final decision on appeal from the board in a proceeding for redetermination of deficiency is reached after termination of the bankruptcy or equity proceedings, such portion of the deficiency allowed as has not already been satisfied may likewise be collected by distraint or otherwise within six years after the termination of the bankruptcy or receivership proceedings.

TAXES UNDER PRIOR ACTS

(1) *Deficiencies not assessed before passage of bill.*—Section 283 (a) provides that if after the enactment of this bill the commissioner determines that any assessment should be made of any income, war-profits, or excess-profits tax imposed by the revenue act of 1916 or subsequent revenue acts (including the revenue act of 1924) the procedure to be followed shall be exactly the same as in the case of the income tax imposed by this bill, except that the amount

which should be assessed shall be computed without regard to the provisions of this bill.

Section 283 (b) covers cases pending before the Board of Tax Appeals at the time of the enactment of the bill and gives the board jurisdiction over those cases, together with the new right of appeal to the circuit court of appeals, and prevents the commissioner from taking any steps to assess or collect the tax until the decision of the board has become final. But it should be noted that the taxpayer, despite his appeal to the board, is not barred from suit for refund. If he takes advantage of the appeal to the court it is not likely that he will bring suit for refund if the Supreme Court has decided against him on his appeal from the board.

Section 283 (c) provides for the cases where the deficiency letter has been mailed to the taxpayer before the enactment of this bill, if the time for appeal to the board has not yet expired. In such cases he is given 60 days after the enactment of this bill to file a petition with the board. Whether or not he files his petition the respective rights and duties of the commissioner and of the taxpayer are determined in exactly the same manner as if the controversy were in respect of a tax imposed by the new bill. Thus, for example, if the taxpayer takes the case to the board and the board decides against the Government, the commissioner must take the case up to the circuit court of appeals and, if necessary, to the Supreme Court before he may make any assessment. So, also, the taxpayer, if he avails himself of his right to take the case to the board, is forever barred from any claim or suit for refund in respect of the year to which the deficiency letter related.

(2) *Deficiencies assessed before passage of bill.*—Section 283 (e) covers cases where a deficiency in income, war-profits, or excess-profits taxes under the revenue acts of 1916, 1917, 1918, or 1921 was assessed before the enactment of the revenue act of 1924, but was not paid in full before the passage of this bill, and where the commissioner, after the passage of this bill, finally determines the amount of the deficiency. In such cases the collection of the deficiency is to be made in exactly the same manner as provided for in case of income taxes imposed by this bill; that is, the commissioner can take no steps until he has sent a deficiency letter, thus giving the taxpayer an opportunity to have the case tried before the board and the appellate courts.

Section 283 (f) relates to cases like those described in the preceding paragraph but which are pending before the board at the time of the enactment of this bill. In such cases the jurisdiction of the board is preserved and the case proceeds in exactly the same manner as in the case of an income tax in the new bill, except that the taxpayer is not barred from his right to claim a refund if the decision of the board is against him.

Section 283 (g) covers the same taxes assessed before the enactment of the revenue act of 1924 where the deficiency letter has been mailed to the taxpayer before the enactment of this bill and where the 60 days for appeal to the board has not yet expired. In such cases the taxpayer is given 60 days after the enactment of the bill to take the case to the board, and, whether or not he takes advantage of this right, the case is treated the same in all respects as in the case of an income tax imposed by this bill.

(3) *Jeopardy distraint.*—Section 283 (i) provides that in case of one of the taxes assessed before the enactment of the revenue act of 1924, where the commissioner finally determines, after the enactment of the revenue act of 1924, the amount of the deficiency, and where he, after the enactment of this bill, believes that the collection of the deficiency will be jeopardized by delay, he may proceed to enforce payment despite the provisions which otherwise would restrict his action. The same provisions are made for stay of collection by the filing of a bond as in the case of a jeopardy assessment of a tax assessed after the passage of this bill.

INTEREST UNDER ACTS PRIOR TO REVENUE ACT OF 1921

Under the revenue act of 1921 and the revenue act of 1924, as in the case of this bill, interest on a deficiency runs from the date prescribed for the payment of the tax up to the date of assessment, but in the case of the revenue acts prior to the 1921 act no such interest was provided for. It seems to the committee that no reason exists for this discrimination in favor of the taxpayers under these earlier acts, but it did not seem fair at this late date to equalize the situation entirely. It is therefore provided in section 283 (d) that in the case of deficiencies under the acts prior to 1921 interest at the rate of 6 per cent shall begin to run on the date of the enactment of this bill up to the time of assessment in cases where the assessment has not already been made.

It is also provided in section 283 (h) that in cases where the assessment was made before June 2, 1924, the interest shall begin to run from the date of the enactment of this bill and continue up to the date of notice and demand from the collector, which will be made after the commissioner is freed from the restrictions on making the collection. In certain of these cases, however, where notice and demand was made at the time of the assessment, interest has been running ever since and section 283 (h) therefore provides that the 6 per cent interest shall not be collected in such cases.

STATUTE OF LIMITATIONS ON CLAIMS FOR REFUND

Owing to the inability of the department to audit all the complicated returns for the years during and after the war period, the department early instituted a system of waivers of the statute of limitations against the Government. Under such waivers the Treasury could assess the tax, and meanwhile in some cases the statute had run against the taxpayer for filing a claim for refund. Congress has at various times recognized this situation by providing that where a waiver has been filed for a certain year then a reciprocal extension of the time for filing claims for credit or refund would be recognized. The committee recommends further extension of this system to take care of the taxable years 1920 and 1921. The statute of limitations for assessing 1920 taxes being five years and for 1921 taxes four years, the statute expired on the same day in the case of both years. It is provided in section 284 (g) that if the taxpayer before June 15, 1926, files a waiver for the years 1920 or 1921 then credit

or refund for such years may be made if claim is filed before April 1, 1927, or within four years from the date the tax was paid.

WITHDRAWAL OF REIMPORTED SPIRITS

Section 900: Section 900 adds a new paragraph (5) to section 600 of the revenue act of 1918 regarding an allowance for loss on reimported spirits. In the case of the reimportation of spirits a customs duty equal to the internal-revenue tax imposed upon distilled spirits is imposed upon the amount of distilled spirits shown upon the gauge at the time of reimportation. This amendment is intended to provide for an allowance for loss after reimportation and provides that in such cases an allowance for leakage shall be made in an amount that would have been allowed if such spirits had remained continuously in an internal revenue bonded warehouse from date of manufacture until date of withdrawal.

TITLE X—BOARD OF TAX APPEALS

The Board of Tax Appeals was created by the provisions of the revenue act of 1924. The House bill continues the existence of the board, but made numerous amendments relating to the composition of the board, its jurisdiction, its procedure, and the review of its determinations. The committee recommends the adoption of the provisions of the bill relating to the Board of Tax Appeals substantially as formulated by the House, with the few amendments hereinafter noted.

The board constitutes an impartial tribunal of experts, independent of the Treasury Department, readily available for the determination of tax liabilities as between the Government and the taxpayer. The work of the board has been uniformly praised by taxpayers, tax attorneys, and the Treasury Department. Representatives of the American Bar Association testified before the Ways and Means Committee that the board functions speedily and definitely, is untrammeled by questions of administrative expedience, and renders decisions that are uniformly independent.

Number of members.—Since its organization in July, 1924, there have been 8,417 appeals filed with the board up to October 24, 1925, involving an aggregate amount of $134,000,000. Of this number, 3,627, amounting to approximately $60,000,000, had been disposed of by the board. Appeals continue to be filed averaging about 250 per week. Under existing law the board will be limited after June 2, 1926, to 7 members, though prior to that time a maximum of 28 members are permitted to be appointed. The membership of the board has at no time exceeded 16. In view of the work pending before the board, the committee finds it necessary to provide 16 in lieu of 7 members after June 2, 1926. In order to expedite the collection of the income and estate taxes, a greater number might well be urged. The committee, however, is of the opinion that the great value of the board lies in its practice in meeting regularly for common discussion and consideration of opinions prepared and proposed to be issued. The committee doubts whether any number in excess of 16 could continue to meet informally and avoid getting into the dangerous realm of requiring a formal procedure,

thereby turning its judicial discussions into a form of parliamentary meeting conducted under artificial rules.

Whenever he determines it to be necessary the President is authorized (at any time more than two years after the enactment of the act) to maintain the membership of the board at a less number than 16 by failing to fill vacancies. Should the number of cases presented to the board be materially reduced in the future, this authority will permit the reduction of the number of members of the board to correspond with the amount of work requiring the board's consideration.

Salary and tenure.—The present salary of the members of the board is $7,500. The committee has recommended an increase to $10,000 as the minimum at which experts in the field of tax law can be attracted to membership on the board. While this amount is considerably less than the members of the board could obtain in private practice, the committee believes that, coupled with the provision for terms of 10 years competent men can be retained. No other tribunal in the world tries cases which in the aggregate involve such great amounts. Members of the Board of General Appraisers (an agency which occupies in the field of customs duties a position somewhat similar to that which the Board of Tax Appeals has as to income and estate taxes) hold office during good behavior, and receive a salary of $9,000. In the judges' increased salary bill reported to the House at the last session of the Congress the Judiciary Committee recommended an increase of this amount to $14,000. Members of the Interstate Commerce Commission, United States Shipping Board, and Federal Reserve Board receive $12,000 a year, while members of the Federal Trade Commission, Federal Farm Loan Board, and the Railway Labor Board receive a salary of $10,000, the same as that proposed to be given to members of the board. Under the new appellate procedure from the board (hereinafter discussed) the jurisdiction of the board in tax matters is similar to that heretofore held by the judges of the Federal district courts. Under the judges' increased salary bill, above referred to, the Judiciary Committee, following the recommendations of the American Bar Association, reported proposed rates of salary from $10,000 to $14,000 for the district court judges, depending upon the particular district.

The provision of existing law that members of the board may be removed, after hearing, for neglect of duty, malfeasance in office, or inefficiency, but for no other cause, is retained as necessary to the independence of the board. A similar provision is now applicable to members of the Board of General Appraisers and of the Railway Labor Board. An even more restricted removal provision is applicable to the Comptroller General. The term of the members of the board as specified in the bill as passed by the House was 14 years. The committee recommends the reduction of this term to 10 years.

Dismissal of cases.—Under the existing law the board is required to make findings of fact in all cases heard by it. These provisions are amended to relieve the board of this duty in instances in which a case before the board is not decided upon the merits but is dismissed on motion on the ground that the proof is clearly insufficient to sustain the allegations of the petition or to entitle the petitioner

to any relief or that there has been a failure to prosecute or to conform to the rules of the board and the like. Under the bill as passed by the House in case such dismissal is by a division on the ground that the proof is clearly insufficient to sustain the allegations of the petition or to entitle the petitioner to any relief, the decision was required to be reviewed by the board. The committee finds no necessity for this restriction in view of the fact that the committee has also eliminated the provision in the House bill barring the board from granting rehearings to a taxpayer, and in view of the provision that all decisions of a division may be directed by the chairman to be reviewed by the full board. The bill does not propose any change in the burden of proof as it now rests in proceedings before the board.

Frivolous appeals.—In order to prevent advantage being taken of review proceedings before the board for the purposes of delaying payment of taxes, the board is authorized to award damages to the United States in an amount not in excess of $500 where it finds that the proceedings have been instituted merely for delay. Similarly, the circuit court of appeals and the Supreme Court are given authority to impose damages for frivolous appeals from the board. Such courts now have this power in the cases coming from the district courts. (R. S., § 1010.)

Court review—Venue.—Under the House bill, in cases of corporations, a decision of the board was to be reviewed, in case no return was made, by the circuit court of appeals for the circuit in which is located the office of the collector to whom the corporation should have made the return. Because of the indefiniteness of the law prescribing where a return should be filed, the committee amendment provides that in such case the decision may be reviewed by the Court of Appeals of the District of Columbia. A provision is also inserted permitting the commissioner and the taxpayer, whether individual or corporation, to stipulate the court to which the review will be taken, in order that any doubt as to the proper court may be removed by stipulation, whether before or after the petition is filed.

Court review—Questions of fact and law.—The procedure for review of determinations of the board is made to conform as nearly as may be to the procedure in the case of an original action in a Federal district court. Inasmuch as the complicated and technical facts governing tax liability require a determination by a body of experts, the review is taken directly to an appellate court, just as, for instance, in the case of orders of the Federal Trade Commission, and orders of the Secretary of Agriculture under the Packers and Stockyards Act. In view of the grant of exclusive power to the board finally to determine the facts upon which tax liability is based, subdivision (b) of section 1003 limits the review on appeal to what are commonly known as questions of law. The court upon review may consider, for example, questions as to the constitutionality of the substantive law applied, the constitutionality of the procedure used, failure to observe the procedure required by law, the proper interpretation and application of the statute or any regulation having the force of law, the existence of at least some evidence to support the findings of fact, and the validity of any ruling upon the admissibility of evidence (see subdivision (a) of section 907 of the revenue act of 1924 as amended in the pending bill and subdivision (b) of section 1003 of

the pending bill). The court, therefore, may adequately control the action of the administrative officer or agency, but will not be burdened with the duty of substituting its opinion for that of the board upon the evidence.

In the view of the committee the decisions of the board are judicial and not legislative or administrative determinations. Review of judicial decisions may be had by direct appeal to the courts (which is the method provided in this bill), and such appeal may be (and is by this bill) made exclusive of other methods, such as by petitions to the courts for the enforcement of an administrative order, or by extraordinary remedy such as injunction, or by suits for refunds. Further, the review of the decision of the board may be limited to the record made before the board. The imposition upon the court of the duty of reviewing judicial decisions, such as those of the board, can not properly be urged as the imposition of a nonjudicial duty, by reason of the fact that the execution of the decision is dependent upon the administrative action of the commissioner in assessing and collecting the tax in accordance with the decision. The duty imposed upon the commissioner in respect of the deficiency decided is not discretionary but nondiscretionary, but its performance in accordance with law is mandatory. Such review of a judicial as distinguished from a legislative or administrative determination may be had as to either questions of law or of fact. The proposed procedure, however, for reasons of policy and not of law, limits court review solely to questions of law as heretofore described.

The principles discussed in the preceding paragraph are of general application and are not limited merely to matters over which Congress has peculiar control by reason of a proprietary interest, as in public lands or pensions, or by reason of an exclusive regulatory power, as in the importation of merchandise and the admission of aliens. In adhering to such principles the committee is of the opinion that it is establishing an appellate procedure that is unquestionably constitutional.

Jury trial need not be granted in the proposed procedure for the reason that the proceeding is not one at common law within the meaning of the provisions of the Constitution. It is of course true in addition that the taxpayer may, by paying his tax and suing the collector for a refund instead of petitioning the board, obtain a jury trial if he desires it.

Court review—Rules of procedure.—The proceedings on review will be conducted in accordance with rules adopted by the several courts of review. The committee is convinced that it is highly desirable that the rules be as uniform as possible. In a desire not to impose a further burden upon the Supreme Court of the United States, the committee has decided to rely upon the possibility of action by the conference of circuit judges and upon recommendations submitted to the circuit courts of appeals by the board to secure this uniformity.

Date on which decision becomes final.—Section 1005 prescribes the date on which a decision of the board (whether or not review thereof is had) is to become final. Inasmuch as the statute of limitations upon assessments and suits for collection, both of which are suspended during review of the commissioner's determination, commences to run upon the day upon which the board's decision becomes final,

it is of utmost importance that this time be specified as accurately as possible. In some instances in order to achieve this result the usual rules of law applicable in court procedure must be changed. For example, the power of the court of review to recall its mandate is made to expire 30 days from the date of issuance of the mandate.

DISTRAINT ON PROPERTY NOT IN POSSESSION OF TAXPAYER

Section 1114(e): The existing law permits distraint upon personal property of a delinquent taxpayer even though in possession of another person. The committee amendment specifically makes it the duty of the possessor to surrender the property upon which a levy is made, and imposes upon him, in addition to any criminal liability, a civil liability, if he fails to do so, equal to the value of the property, but not exceeding the amount of tax, a liability similar to that of an executor who pays debts before he pays a debt due the United States.

INTEREST ON REFUNDS AND CREDITS

Section 1116: The House bill reenacted without change the existing law relating to the payment of interest on refunds and credits. Under existing law, in the case of a credit taken against an additional assessment, the taxpayer is allowed interest from the date of his overpayment to the date of the additional assessment. In the case of taxes imposed by acts prior to the revenue act of 1921, the taxpayer pays no interest in the case of underpayment up to the date of assessment. Consequently, it frequently happens that a taxpayer who owes the Government money, upon which he is paying no interest, is collecting interest upon money which the Government owes him. This situation is remedied by allowing interest in the case of a credit under an act prior to the revenue act of 1921 only to the date on which the original tax against which the credit is taken was due.

In the case of refunds, interest is allowed "to the date of the allowance of the refund." In practice, the commissioner first signs a schedule of overassessments, which is sent to the collector, in order to determine whether the overpayment should be credited or refunded. The committee amendment proposes to fix as the date on which a refund is allowed the date on which the commissioner signs the schedule of overassessments.

INTEREST ON JUDGMENTS

Section 1117: Under the existing law the courts are authorized to allow interest on judgments against the United States. However, no uniform rate is prescribed, and in some cases no interest is allowed, while in others the maximum rate permissible under the State law is allowed. Frequently, in cases where an appeal is taken, interest is compounded. The committee amendment provides that simple interest at 6 per cent per annum shall be allowed. Inasmuch as judgments in suits against collectors, with practically no exception, are now being paid by the United States, this provision is also made applicable to suits against collectors.

DISTRAINT OUTSIDE COLLECTION DISTRAINT

Section 1129: Under section 3200 of the Revised Statutes a collector is authorized to seize real property outside of his collection district but within the State. This section is amended so as to permit seizure of personal as well as real property, except property exempt from distraint and sale.

DATE ON WHICH DISTRAINT IS BEGUN

Section 1130: Under existing law considerable difficulty is encountered by reason of the fact that no time is specified as the date on which distraint proceedings are begun. The amendment fixes a definite and readily ascertainable date, in the case of both personal and real property.

REED SMOOT,
GEORGE P. MCLEAN,
CHARLES CURTIS,
JAMES E. WATSON,
DAVID A. REED,
RICHARD P. ERNST,
ROBERT N. STANFIELD,
JAMES W. WADSWORTH,
WILLIAM B. MCKINLEY,
SAMUEL M. SHORTRIDGE.

Calendar No. 54

69TH CONGRESS, 1st Session } SENATE { REPORT 52, PART 2

INTERNAL REVENUE BILL OF 1926

JANUARY 16 (calendar day, JANUARY 28), 1926—Ordered to be printed

Mr. KING, from the Committee on Finance, submitted the following

MINORITY VIEWS

[To accompany H. R. 1]

The Republican members of the Committee on Finance have submitted a report to accompany H. R. 1, a bill to reduce and equalize taxation, to provide revenue, and for other purposes, which passed the House of Representatives in December last.

The report discusses the bill at considerable length and directs attention to the changes which have been made in the bill as it came from the House.

With many of the provisions of the bill as it came from the House, and as reported by the Committee on Finance, I am in accord, but there are a number of provisions of the bill, particularly in the Senate draft, that do not meet my approval, and I am, therefore, submitting a brief minority statement. I shall not attempt to discuss the bill or analyze in detail the provisions to which I am opposed. When the bill is under consideration in the Senate opportunity may be given to elaborate the points of opposition herein specified.

The majority report refers to the estimates submitted by the Secretary of the Treasury wherein it is estimated that the surplus for the fiscal year 1926 will be $262,041,756 and for the fiscal year 1927 $330,307,895.

Apparently it was the purpose of the Ways and Means Committee of the House to make reductions within the limits of the estimated surplus for 1927, and the report of the majority of the finance committee estimates that the reductions provided in the bill will total $352,661,000. It is apparently assumed that the bill as reported by the finance committee will raise sufficient revenue to meet the expenditures estimated by the Budget and by the Treasury Department. In view of the fact that former estimates of the Treasury Department have not been entirely accurate, and that taxes were collected in excess of the amount as estimated, or required to meet

the appropriations made by Congress, it is reasonable to assume that, if the appropriations are within the limits prescribed by the Budget, that there will be a surplus for the fiscal year 1927 and succeeding years.

The science of mathematics does not reign supreme in determining in advance the revenues and expenditures of governments, and there is always a measure of uncertainty in making predictions as to the sources and extent of revenue for the future. But applying the standards which have been accepted, it is reasonably certain that under existing law the revenues for the coming year will exceed those obtained for the calendar year 1925, or the fiscal year 1925–26. In my opinion, if the existing law is continued during the next calendar year, the revenue derived therefrom will be more than $100,000,000 in excess of that obtained in the calendar year 1925.

It is thought by some, who believe that larger tax reductions should be made than those indicated in the House or Senate bill, that it is the purpose of the administration that there shall be a considerable surplus arising from the bill which it is proposed to pass, in order that another revenue bill can be offered during the next Congress calling for a further reduction in the income and corporate profits taxes. An examination of the message of the President transmitting the Budget for the service of the fiscal year ending June 30, 1927, will demonstrate that large reductions could be made in the estimated appropriations for many of the departments and agencies of the Government, and that such reductions could be made without impairing the efficiency of the Government or denying appropriations required to meet the legitimate and proper demands of the Government.

In my opinion, the appropriations for the next fiscal year should be at least $200,000,000 less than for the fiscal year ending June 30, 1926. Therefore, instead of reductions in taxes amounting to $352,661,000, the estimate stated in the majority report, Congress should enact a law that would reduce taxes at least $500,000,000. It is true that the President in his Budget message under date of December 7, 1925, submits figures indicating that the appropriations for 1927, compared with appropriations for 1926, will be approximately increased $60,000,000. I repeat, however, that without any modification of existing law the revenue for the next calendar year or fiscal year will exceed that obtained for the present fiscal year and the last calendar year, and I reiterate the statement that to increase the appropriations for the next fiscal year over those provided for the fiscal year ending June 30, 1926, conclusively demonstrates the lack of economy and indicates the purpose upon the part of the administration to take no further steps to reduce governmental expenses.

Indeed, when President Coolidge states, as he did in his message, "We have about reached the point when the legitimate business of the Government can not be carried on with less expenditure than at the present time," it is notice to the country that the enormous appropriations now made to meet governmental expenditures are to be continued, and, indeed, increased. Notwithstanding this manifest purpose of the administration to increase the expenses of the Government, I believe that Congress owes it to the people to relieve them from taxes in excess of the amount provided in the bill reported

by the Senate Finance Committee. I submit that the Budget estimates and appropriations for the next fiscal year show no spirit of retrenchment and no evidence that proper economies are to be introduced into the administration of governmental affairs.

The estimates of appropriations for the next fiscal year show amounts for various departments in excess of all legitimate and proper demands if economy is to be practiced as it is so often preached. The estimates for the Departments of Agriculture, Commerce, Interior, Labor, Navy, and War negative all claims that economy is to govern in the administration of these departments; and, unfortunately, inordinately large appropriations are to be sought to meet the expenses of the departments and executive agencies. For the War and Navy Departments it is proposed that there shall be appropriated for the next fiscal year nearly $600,000,000. It is proposed that the appropriations for administration of the Bureau of Internal Revenue and the Veterans' Bureau will exceed $90,000,000 per annum.

Instead of economy in the departments of the Government there is manifest a determination upon the part of substantially all executive agencies to increase their personnel, expand their authority and power, and augment their expenditures. If Congress shall refuse to follow the recommendations of the Budget, as it has done in the past, and provide appropriations for sums in the aggregate, less than the Budget demands, there can be a reduction below the estimates of the Budget of approximately $200,000,000.

In view of this fact, and the further fact that the revenues for the next calendar year, under the provisions of either the House or Senate bills, will exceed the estimates indicated in the report of the Committee on Ways and Means of the House, or the majority report of the Committee on Finance in the Senate, it is manifest that there should be material modifications in the bill, and substantial reductions below the limits fixed by it.

The majority report of the Finance Committee attributes the surplus for the fiscal year past and the estimated surplus for the immediate future, largely to the result of the "functioning of the Government through both the legislative and executive branches of the Government on the basis of sound economy." This declaration is made although the report declares that the "present Budget requirements are over three times those prior to the war."

There has been persistent propaganda throughout the country to the effect that great economies have been effectuated in the executive department; that it has curbed the extravagance of Congress and wrought material reductions in the expenses of the Government; and in support of this propaganda statements have been made as to the expenses of the Government during the war and the expenses during the past three or four years. The fact is that the reductions in appropiations for 1923 were only $97,000,000; in 1924, only $91,000,000; and for 1925 there was an increase of $84,000,000.

The Secretary of the Treasury reports that the total ordinary receipts for the year ended June 30, 1925 amounted to more than $3,780,000,000 and that the expenses chargeable against such receipts were more than $3,529,000,000. In 1914 the appropriations of the Government, less postal revenues, were $812,000,000; in

1915, $905,000,000; in 1916, $800,000,000; and in 1917, though the war had then been entered upon, $1,301,000,000. During the years 1918 and 1919 the expenses of the war, of course, were stupenduous, totaling more than $40,000,000,000, including loans made to European nations. But in 1920, $6,000,000,000 covered the expenses of the Government, and in 1921, $4,257,000,000 met all its expenses, less postal revenues. I submit that during the past three years there has not been that measure of economy so loudly proclaimed and upon the part of many of the executive departments and agencies there has been opposition to a reduction of the personnel or a diminuition in the expenditures in their respective departments or agencies.

Prior to the World War the State revenues were approximately 70 per cent and the Federal revenues 30 per cent of all taxes collected. For the year 1925 the Federal revenues were 41 per cent of the entire amount collected for State and Federal taxes. The total of approximately $8,000,000,000 of taxes are a grievous burden to annually impose upon the American people, and every possible effort should be made to reduce this burden. Efforts to project the Federal Government into activities which belong to the States should be resisted, and the taxing power should be exercised with the utmost caution, and taxes taken from the people only when the imperative needs of the Government require. It is unwise to have an overflowing Treasury; indeed, it were better that its vaults should hold no surplus.

Seven years have passed since the World War ended. We should be in a position to determine the general lines to be followed in raising revenues for the Federal Government. So far as possible, the revenue measure which we now frame should possess the important and principal features to be found in future revenue bills. For years there was great opposition to a personal income tax, and many opposed an income or profits tax upon corporate business.

The American people, in my opinion, believe that the principal sources from which national revenues are to be drawn are personal income taxes, corporate profits taxes, customs duties, and internal-revenue taxes upon tobacco in its various forms; and a considerable part of the people regard estate taxes as a legitimate spring from which revenue may be derived even in peace times. Doctor Seligman affirms with great earnestness that an estate tax is the result of the modern democratic movement and that wherever we have democracy there is an income tax and an inheritance tax, and the arguments in favor of the one are as potent as those in favor of the other.

Wealth has generally resisted revenue systems which sought to impose income and estate taxes. Sales taxes have been favored by the rich though confessedly this system bears oppressively upon the consumer and is unquestionably inequitable in its operations and discriminatingly burdensome to the poor and those of moderate means. Sales taxes may be justified in time of war as excise taxes which comprehend multitudes of articles and commodities important in the lives of the people; but a rational, scientific, and democratic revenue system rejects the proposition to impose a sales tax, and it seeks to remove substantially all excise taxes.

In the existing law there are excise taxes upon many commodities. They were laid during the war and should be repealed.

The House bill makes important reductions but does not, in my opinion, go far enough. The bill as it came to the Senate carried taxes on admissions and dues, automobiles, capital stock, customhouse entries, customhouse withdrawals, passenger tickets, and policies of insurance. The repeal of miscellaneous taxes made by the House of Representatives did not, in my opinion, go far enough. Accordingly, on January 7, after the bill came to the Senate, I offered amendments designed to repeal all of the above enumerated taxes. The bill as reported by the Finance Committee repeals all of these taxes except the tax on admissions and dues, the tax on automobiles, and the tax upon policies of insurance. The revenue estimated from the tax on automobiles at the House rate is $69,600,000, and the estimated revenue from the tax on admissions and dues at the House rate is $29,000,000. The total revenues anticipated by the Treasury from these two taxes at the House rates amount to $98,600,000 for the calendar year 1926.

The stamp tax on policies of insurance carried in the bill amounts to 3 cents on each dollar of the premium charged upon any policy which is not signed or countersigned by an officer or agent of the insurer within the United States. The tax was never designed for revenue purposes. The revenue derived from this tax is negligible. The tax applies only to the premium on policies of insurance which are not written by agents or officers in this country. It is a proposition which has no proper place in the revenue act or in any other Federal legislation. If a State government were to pass such a statute, applying it to the contracts of insurance companies which did not maintain agents within the State, the law would be repugnant to the commerce clause of the Constitution. This law interferes with international commerce in a discriminating manner which is not applied to any other international commercial contract. The tax is both useless and improper and ought to be repealed.

The automobile trade and the multitude of people who use automobiles, the theatrical profession, and the patrons of the theater are demanding the repeal of the automobile tax and the tax upon theater tickets. Instead of repealing these taxes, the bill as reported by the majority of the Finance Committee, repeals the Federal tax on estates, from which the revenues are somewhat in excess of those estimated to be derived from the taxes retained on automobiles and theater tickets. I adhere to my view that these taxes upon automobiles, theater tickets, and policies of insurance ought to be repealed and that the pretermitted revenues should be covered by corresponding economies in expenditure, which I am confident can be made when the appropriation bills are before the Senate. If this be done the Budget will be balanced notwithstanding the repeals.

ESTATE TAX

As I understand, most of the members of the Finance Committee favor the repeal of the Federal estate taxes. I dissent from the position which they have taken. Under existing law the estate taxes will yield approximately $110,000,000 in taxes for the calendar year 1926. The House reduced the maximum rate of the tax on estates of de-

cedents from 40 to 20 per cent. The rates were progressively fixed from 1 per cent on the second $50,000 of the gross estate to 20 per cent on the excess above $10,000,000. The present law allows a credit upon any estate or inheritance tax paid to any State up to 25 per cent of the Federal tax. The House bill increases the credit to 80 per cent of the Federal tax.

The Finance Committee not only recommend the repeal of the law, but also recommend that the rates fixed by the revenue act of 1924 be repealed retroactively so that the rates provided by the revenue act of 1921 shall apply to the taxes on all estates of decedents who have died since the enactment of the 1921 law and be effective to the date of the repeal of the 1924 act as proposed in the amendment offered by the majority of the Finance Committee. It is conceded that this revision of rates with retroactive application will mean a loss of $20,000,000 of revenue for the calendar year of 1926, and of course all revenue derived from estate taxes would soon cease. Moreover, the Finance Committee recommends that the 1921 rates apply to those estates which have already paid taxes under the 1924 law and that refunds be made of payments which exceed the taxes which in these cases would have been paid under the rates prescribed by the revenue act of 1921.

The majority of the Finance Committee bluntly declare that the Federal Government shall no longer regard the estates of decedents as a legitimate source of revenue for the Federal Government. Undoubtedly persuasive reasons may be urged in support of that view, but I do not believe that it is opportune or prudent to repeal the estate tax at the present time, and there are substantial reasons why this form of taxation should, at least under present economic conditions, be retained by the Federal Government. It was urged before the Ways and Means Committee by various persons that the States should have an exclusive right to collect taxes upon the estates of decedents and upon gifts and also upon the distributive shares of estates. It was argued that because States controlled the devolution of property that it was improper for the Federal Government to invade this field for revenue.

Doctor Adams testified before the committee and combated the views of those who insisted that the Federal Government should leave to the States the exclusive right to tax estates. He argued in favor of a Federal tax with a maximum of from 12 to 15 per cent. Doctor Seligman, who is recognized as one of the great political economists of our country and an authority on taxation, opposed the withdrawal of the Federal Government from the field of estate taxation.

Undoubtedly there is a powerful propaganda in favor of the position taken by the Finance Committee. There are those who are opposing a Federal tax upon estates upon the theory that the States alone should possess this field of revenue. But back of this movement to repeal the Federal estate act there is a determined purpose to have the States repeal existing statutes which levy taxes upon estates or distributive shares of estates.

It is claimed that any tax upon the property of decedents is a tax upon capital, and is therefore socialistic. This view is not supported by the best publicists and authorities upon taxation. Technically,

every tax upon property is a tax upon capital. Obviously this is true if the property is unproductive. All taxation affects capital accumulation, because a part, at least, of income or taxes would have been saved; that is, converted into capital. The tax on estates is not on property, as such, but a duty imposed on the intestate or testamentary succession of property. Congress has the same power to lay duties on the devolution of property from the dead to the living as it has to lay taxes on the transfer of property by deed to living persons. This point has been settled and is no longer open to controversy.

It appears that 46 of the States of the Union have heretofore imposed taxes in some form or other upon estates of deceased persons as such, or upon the distributive shares of such estates passing by inheritance, distribution, or testament. At the present time it is reported that all of the States have such taxes excepting only the States of Florida, Alabama, and Nevada. There is no local inheritance tax in the District of Columbia, but the estates of decedents domiciled within the District are subject to the existing Federal estate tax, which the pending bill, if passed as reported, will repeal.

There is neither uniformity nor consistency in the general tenor or the specific provisions of the various estate and inheritance taxes in force in the several States of the Union. There is great disparity in the rates. There is marked dissimilarity in the graduations of the tax as imposed upon the value of estates, or as imposed upon distributive shares. Some of the rates are graduated according to the amount of the shares and others according to the direct, remote, or collateral relation of the heirs and distributees who may take parts of the estate. There has been some exploitation of the alleged conflict between the Federal estate tax and the various State inheritance tax laws. But this conflict between the Federal and State laws is not nearly so great, either in substantive difference or in legal effect, as are the conflicts between the State laws themselves.

It is important in the formulation of revenue legislation that constancy and dependability in the revenues be attained if possible and, if impossible, that constancy and dependability be approximated to the greatest attainable degree. The territory comprised with the United States is divided into 48 separate territorial segments, within one of which is the domicile of every decedent whose estate becomes subject to the tax. If the tax be imposed by the domiciliary law as distinguished from the Federal law, the value of the estates subject to the tax will vary greatly from year to year according to the accidents of death and the variation in the value of the estates of those who may die within a particular domiciliary jurisdiction from one year to another.

But when all the inequalities and fluctuations of estate values arising separately in the several States are merged into one aggregate taxable estate value for the whole country and subject to the Federal tax, we may have an approximation to uniformity in the revenue, because the decreased estate-tax values in some States will be offset and averaged by the increased estate-tax values in other States within any given year.

The Federal estate tax is uniform throughout the country. It is applied without discrimination or exception to all estates large enough to come within the operation of the act. It does produce

uniformity in operation and equality in the incidence of the tax. There are some who oppose the Federal estate tax upon land because the States have the exclusive power to prescribe the law for the succession of such estates. It is true that the States have a peculiar and exclusive jurisdiction or rather sovereignty over the lands within their territorial confines and that the larger part of State revenues are obtained from the taxes upon lands.

It is the taxation of so-called intangibles, or rather of capital and debt securities which exist only in contemplation of law, which are legally attached to the person of the owner, the evidences of which may be transferred from place to place with the owner, and which are legally referred to the domicile of the owner; it is in this field of taxation that a Federal estate tax alone will operate with uniformity, constancy, and equality.

For the fiscal year 1925, which ended on June 30 last, the Commissioner of Internal Revenue reported that there was collected on the value of corporation capital stock, taxes to the amount of over $90,000,000. This tax was laid at the rate of one dollar per thousand on the value of the corporate capital. It follows that the tax was imposed upon capital values in the sum of $90,000,000,000. There was an exemption of $5,000 allowed each corporation which, for the approximately 400,000 corporations of the country, affords an additional capital value of $2,000,000,000. The value of the corporate capital of the country may therefore be taken conservatively at $92,000,000,000, which sum is independent of outstanding corporate shares, the par value of which is greatly in excess of this sum.

This capital value of $92,000,000,000 is also exclusive of outstanding corporate indebtedness whether funded or current. For the year 1923 the Commissioner of Internal Revenue reports that corporations were allowed interest deductions in the sum of $3,277,625,971. We do not have specific figures as to the amount of this capital indebtedness. But if this interest be capitalized at 6 per cent we produce a capital sum of $54,000,000,000, and if this interest be capitalized at 5 per cent, we produce a capital sum of $65,000,000,000.

The aggregate value of corporate capital therefore approaches $157,000,000,000, represented by innumerable shares, bonds, and other securities. The amount of Federal and State bonds, the current income from which is exempt from taxation, amount in the aggregate to $14,000,000,000 at the present time. Corporate and public capital must therefore approximate $170,000,000,000, without taking into account the large capital of privately owned mortgages.

A considerable proportion of these great intangible capital values passes each year by succession or distribution in the estates of deceased persons. These tremendous values have no fixed loci within the various States. They move about with the same facility with which the residence of the owner may be transferred from one State to another. The profits and interest which these tremendous capital values produce are derived from the work and consumption of all the inhabitants of the country without respect to State lines. The producing properties which sustain these capital values have their loci in every part of the country. The commerce of this country is not conscious of State lines. It draws its profits from every

corner of the country and from every community of the country and, indeed, from every inhabitant. This great wealth is concentrated in certain States, in great cities, in delightful climates, and is gravitating toward the States where there are no duties upon inheritances. Producing properties are in one State. The securities which drain off the profits of these properties are in other States.

It is impolitic in the highest degree that certain favored financial centers, certain favored climes, and certain favored communities should, by the residence of wealthy persons within them, give the States wherein such centers, communities, and climates exist the exclusive right to death duties upon the transmission of the capital stock and capital securities of which the real producing and profitable wealth of the country is constituted. It is reported that more than $162,000,000 of annual income is received from public stock or securities which is exempt from the Federal income taxes. The only effective way in which the capitalized value of such income may be taxed, the income itself not being taxable, is by the laying of a Federal duty upon such capital property in the estates of deceased persons.

Undoubtedly there are inequalities and some injustices arising out of the manner in which estate and inheritance taxes are now imposed in the United States. There is no uniformity, and a number of the States, as well as the District of Columbia, do not impose inheritance or estate taxes. They become isles of safety and encourage persons of wealth to establish their domiciles within their borders. Some States do not content themselves with taxing property within their territorial limits, but tax the personal and intangible property of decedents whose domiciles are without their borders. Many injustices and hardships undoubtedly exist by reason of the faulty inheritance and estate tax laws found upon the statute books of some of the States of the Union.

It has been suggested that to secure uniformity there should be but one agency employed to lay and collect estate taxes and that such agency should make proper distribution to all the States, based upon population or some other just and rational plan.

But we can not deal in academic or speculative questions now. Undoubtedly reforms in this field of taxation are imperative, but it can not be urged, in my opinion, that it would be a reform for the Federal Government to abandon the field entirely. It may be that when the States adopt a uniform and just system for the taxing of the property of decedents, the Federal Government may, with propriety, withdraw from this field of taxation. But so long as enormous assets escape taxation or make wholly inadequate returns for the maintenance of the economic and political life of the country, there will be a strong and valid reason for the Federal Government to assert its power to tax the accumulations of wealthy decedents.

The inheritance tax as a Federal policy is not new. It was adopted in the early days of the Republic. President Roosevelt in his annual messages to Congress in 1906–7, strongly advocated a Federal inheritance tax. In 1916 an estate tax was passed by Congress and signed by President Wilson. It provided a maximum rate of 10 per cent on estates. Our country was not then at war and while there are stronger reasons for a Federal estate tax in time of war,

than in time of peace, nevertheless, it may not be said that it is purely a war tax. Great Britain derives a large part of her revenue from estates. During the past eight years the Federal Government has collected approximately $750,000,000 from estates.

It may be said in passing that the Federal Government has, during the same period, appropriated approximately $600,000,000 to aid the States in the discharge of obligations which rest upon them. It is regrettable, but nevertheless it is true, that the States more and more are appealing to the Federal Government to aid them in performing purely State functions.

There is much criticism because billions of tax-exempt securities are issued which neither the States nor the Federal Government can reach for tax purposes. Many of these securities belong to the estates of decedents. Only by a Federal estate or inheritance tax can the Federal Government derive revenue from them.

I dissent from the action of the majority of the Finance Committee in recommending the repeal of the estate tax. In my opinion, the rates fixed in the House bill should be adopted but the large credit in the bill should be reduced. The House bill provides for a possible credit of 80 per cent for the taxes paid to any State. The existing law provides a 25 per cent credit. As an original proposition, I am opposed to allowing any credit for taxes paid to the States. The Federal estate tax should be temperate and so reasonable as not to call for remission of taxes imposed by the States. The provision permitting credits for taxes paid to the States, against the Federal estate tax, will be regarded as a scheme to compel the States to pass inheritance tax laws. It appears to be an indirect method of coercing the States with respect to their tax policies. Congress should not attempt to dictate to the States with respect to their internal affairs. The integrity of the States should not be attacked or their right to determine their own internal policies infringed upon.

I do not approve of the retroactive provisions of the Senate bill under which the 1921 rates are applied to the estates of those who come within the provisions of the 1924 estate tax law.

GIFT TAX

The gift tax found in the revenue act of 1924 was a proper correlative to the estate tax. In my opinion it should not be repealed. If a suitable provision is enacted which protects against gifts made to evade inheritance or estate taxes, then there would be some justification in the repeal of the gift tax.

SURTAX RATES

I do not approve the surtax rates reported in the bill on incomes between $22,000 and $100,000. I believe that the rates for the brackets comprising these incomes ought to have been revised downward to the amount at least of $44,000,000 in the revenues to be derived from surtaxes on these incomes as estimated for in the House bill. If there is to be real equality in surtax reductions, it is necessary that the reductions be more fairly distributed than was done in the House bill or is proposed to be done in the committee amend-

ment. The Democratic minority of the Finance Committee agreed upon a schedule of rates for these brackets which ought to have been accepted by the committee and which I recommend to the Senate as more acceptable than the rates carried by the committee amendment.

The reductions in the brackets comprising incomes between $22,000 and $100,000, as provided in the House bill, as made by the Republican majority of the Finance Committee, and as proposed by the Democratic minority of the Finance Committee, are set out in the following table:

Surtax payable on specified net incomes ($20,000 earned income)

Net income	1924 rates	House bill	Reduction in per cent from 1924	Committee bill	Reduction in per cent from 1924	Democratic rates	Per cent of reduction of Democratic rates from 1924 tax
$24,000	$440	$385	12½	$385	12½	$365	17
$26,000	580	525	9	525	9	485	16
$28,000	740	685	7	665	10	605	18
$30,000	920	865	6	825	[1] 10	745	19
$32,000	1,120	1,065	5	985	12	885	21
$34,000	1,320	1,265	4	1,165	12	1,045	21
$36,000	1,540	1,485	3½	1,345	13	1,205	22
$38,000	1,780	1,725	3	1,545	13	1,385	22
$40,000	2,040	1,985	2½	1,745	[1] 14	1,565	24
$45,000	2,780	2,665	2½	2,305	16	2,075	24
$50,000	3,540	3,405	3½	2,925	17	2,645	25
$55,000	4,470	4,205	6	3,605	19	3,275	27
$60,000	5,480	5,005	8	4,345	21	3,975	28
$70,000	7,780	6,705	14	6,005	23	5,485	29
$80,000	10,480	8,505	19	7,305	26	7,125	32
$90,000	13,540	10,405	23	9,705	28	8,940	34
$100,000	17,020	12,305	28	11,605	32	10,765	37

[1] Plus.

PUBLICITY OF INCOME TAXES

Section 257 of the revenue act of 1924 makes income-tax returns public records and provides that the Commissioner of Internal Revenue shall in each year prepare and make available for public inspection in each district lists containing the name and post-office address of each person making an income-tax return with a statement of the amount of the income paid by each person on the list. There has been a propaganda carried on against income-tax publicity which has been persistent enough to have induced the House to repeal this provision of the law. No adequate reasons have been advanced for this action.

It does not appear that the public interest is adversely affected by income tax publicity. I believe that the effect of publication is wholesome; certainly that the advantages of publicity to the Government outweigh the objections which interested persons have urged against it. There has not been sufficient experience in the operation of income tax publicity to warrant the making of any final conclusions upon the subject. It is unwise in my opinion for Congress to take precipitate action upon this subject upon the false assumption that the clamor of the propagandists is the voice of the people. I am opposed to the repeal of the income tax publicity provision of the present law.

INCREASE IN THE CORPORATE PROFITS TAX

In my opinion it is unnecessary in order to meet the legitimate expenses of the Government to increase the corporate tax rate to 13½ per cent. The Government actuary estimates that this increase in the tax rate will add $87,000,000 to the revenues. This increase will bear heavily upon many corporations whose income is limited and whose field of activities is narrow. It will particularly be burdensome to public-service corporations whose charges for services rendered to the public are limited by law or by regulations of public-utility commissions and boards, and whose profits are likewise limited by law or by regulation. A 13½ per cent tax upon the profits of many corporations could easily be borne by them. Indeed, by reason of many consolidations of corporations for the purpose of monopoly, and the successful exertion of power by many corporations against competition, the profits derived by them are enormous, and a tax at the per cent indicated could easily be met.

All tax measures must envisage the country as a whole and not segments, and this particular provision must comprehend all corporations and not merely the giant corporations whose earnings are inordinately large and unjustifiably great. In order to do full justice in the premises it might be wise to attempt differentiation between corporations and provide a fair graduation so that the taxes imposed upon corporations with large earnings might bear a higher rate than those imposed upon corporations which by reason of their small earnings naturally fall into a separate category. In my opinion there is no necessity for increasing the rate to 13½ per cent. It is sometimes necessary to compel economy and it were better to face a lean Treasury by reducing taxes and curtailing expenses than to encourage profligate expenditures by collecting taxes which would produce a surplus.

BOARD OF TAX APPEALS

I am opposed to the continuance of 16 members to sit on the Board of Tax Appeals. Twelve members and even a fewer number ought to be adequate for this board. I am opposed to the increase in the salaries from $7,500 to $10,000 per annum. I am certain that there will be no improvement in the effectiveness or service of the board by increasing their salaries. Out of 16 members now on the board, 11 were formerly employees in the Bureau of Internal Revenue, and all of them at salaries less than they are now receiving. Five members have been taken into the board from available men outside the bureau.

There is evidence tending to show that efforts were made to make this board a permanent adjunct to the revenue department and to give life positions to its members. The Senate greatly improved the provisions of the House bill dealing with this subject. In my opinion, the board should be reduced to 12 members with shorter terms of office and with specific provisions that within a period, not exceeding five years, its membership should be reduced to not exceeding 7 members.

I am also opposed to the creation of eight new positions under the title of assistants to the general counsel of internal revenue. This is

apparently a scheme to take care of eight men now in the bureau with higher salaries than they are now receiving. The Solicitor of Internal Revenue, even under the new title of general counsel, has no need for eight new assistants. He already has 162 lawyers under him. That ought to be assistants sufficient. If Congress would improve and rectify the definitive provisions of law which govern the income tax and the corporate profits tax, the service of the great legal staff of the bureau, as well as of the appeals board, would be very much curtailed. Conditions will not be rectified by multiplying staffs and benches of lawyers. Augmented appropriations will not cure the evils which are known to exist.

Congress must correct the substantive parts of the law to accomplish real reforms. The pending bill, like its predecessors, is a makeshift in its administrative provisions. This is admitted by the proposal to have a congressional commission re-form the revenue act.

The bill carries no sufficient provision to correct the evils found and reported by the select committee which has investigated the Bureau of Internal Revenue. The bill perpetuates the structural defects of the present law. The work of re-forming the revenue act will have to begin where this bill ends.

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