

~~CONFIDENTIAL~~

CONFIRMATION OF GUY T. HELVERING

HEARINGS

BEFORE

THE COMMITTEE ON FINANCE

UNITED STATES SENATE

AND A

SUBCOMMITTEE THEREOF

SEVENTY-THIRD CONGRESS

FIRST SESSION

ON

THE NOMINATION OF GUY T. HELVERING TO BE
COMMISSIONER OF INTERNAL REVENUE.

MAY 5, 9, AND 15, 1933

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CONFIRMATION OF GUY T. HELVERING

FRIDAY, MAY 5, 1933

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to call, at 10 o'clock a.m., in executive session in room 312, Senate Office Building, Washington, D.C., Senator Pat Harrison presiding.

Present: Senators Harrison (chairman), George, King, Barkley Connally, McAdoo, Lonergan, Reed, Couzens, Keyes, La Follette, Metcalf, and Walcott.

The CHAIRMAN. Mr. Helvering, you have been nominated for Commissioner of Internal Revenue. The committee has called you and may have some questions. Give us the background of your active life. I served with you in the House. What happened after you left the House? You practiced law before the Treasury Department, and so forth?

STATEMENT OF GUY T. HELVERING

Mr. HELVERING. Yes; I practiced law before the Treasury Department.

The CHAIRMAN. Give us the background.

Mr. HELVERING. Well, I am a graduate of the University of Ann Arbor Law School, Michigan. Almost immediately after my graduation I was elected to the office of county attorney in my district. I was afterwards elected to Congress, where I served 6 years.

Senator COUZENS. What year were you elected to Congress?

Mr. HELVERING. In 1912. After that I practiced law in various capacities.

Senator KING. In your own State?

Mr. HELVERING. Yes; and here in Washington. For about 5 years I practiced, and after those 5 years opportunity presented itself to go into the general banking and milling business in my State, which is a big industry in the State, the milling business, and for the last 10 years that has been my occupation, except the holding of some offices in the State, as mayor of my city and general director of highway construction in the State, and matters of that kind, which were not positions that took all of my time.

Senator COUZENS. When did you open up an office in Washington?

Mr. HELVERING. In 1920.

Senator COUZENS. Since then you have practiced before the Treasury Department, especially the Bureau of Internal Revenue; is that correct?

Mr. HELVERING. Well, several departments, but a good many cases the last part of 1919, and in 1919 and 1921 before the Internal Revenue Department.

Senator COUZENS. You haven't practiced before the Internal Revenue Department since 1921?

Mr. HELVERING. There may be some cases, Senator, that hung over, that were handled through the office that I represented, that lasted since that period, but the latter part of 1921 I went into the banking and milling business in Salina, Kans., and have taken no active part in any case myself since that time.

Senator COUZENS. Were you associated with any Washington firm?

Mr. HELVERING. No.

Senator COUZENS. Did you have an office of your own here?

Mr. HELVERING. Yes.

Senator COUZENS. When did you abandon your office here?

Mr. HELVERING. I think the name, "Helvering, Carter & Co." appeared on the office until some time in 1922.

Senator COUZENS. Since then you have had no Washington connection?

Mr. HELVERING. No.

Senator COUZENS. Have you sent any cases from Kansas City or elsewhere to attorneys in Washington to be tried before the Bureau of Internal Revenue?

Mr. HELVERING. I may have referred, in 1923 or 1924, along about that time, some cases, but I don't recall right now any specific case.

Senator COUZENS. What firm did you refer them to here in Washington?

Mr. HELVERING. Well, I think I referred one minor case to a young man by the name of Jones, who practiced here, who had been my secretary in the office when I had it here. I have had no general connection with any firm in Washington since that time.

Senator COUZENS. Did you organize or purchase or have control of any bank anywhere in this neighborhood?

Mr. HELVERING. Some time in 1918 or 1919 I took a small amount of stock in a bank at—I really can't recall the name—it was right outside of Washington here.

Senator COUZENS. In Maryland?

Mr. HELVERING. Yes.

Senator COUZENS. How long since have you been connected with that bank?

Mr. HELVERING. I was only connected with it a short time. Mr. Dent, the man who was associated with me here, took over my stock.

Senator COUZENS. Did you control it?

Mr. HELVERING. No.

Senator COUZENS. Were you an officer?

Mr. HELVERING. No. Wait a minute—I believe I was on the board of directors the short time I was in there.

Senator COUZENS. When did you leave here to return to Kansas?

Mr. HELVERING. I purchased into the Planters' Bank in Salina, Kans., December 1920, but had some unfinished business and did not become active or take active charge of that bank until 1922, January.

Senator COUZENS. Were you elected or appointed route commissioner or highway commissioner?

Mr. HELVERING. I was appointed by the commissioner.

Senator COUZENS. In what year was that?

Mr. HELVERING. In 1931.

Senator COUZENS. For how long a period?

Mr. HELVERING. Two years.

Senator COUZENS. And that time has expired?

Mr. HELVERING. April 1.

Senator COUZENS. Were you head of the highway commission or was it a single commissioner?

Mr. HELVERING. There were six commissioners. I was director of highways, in charge of personnel and in a general advisory capacity to the commission.

Senator COUZENS. You were not one of the commissioners, then?

Mr. HELVERING. No; I had no vote in the commission. I simply acted in an advisory capacity to the commission.

Senator COUZENS. Have you had any connections with a man by the name of Haskell, in the Oklahoma oil fields?

Mr. HELVERING. No, sir.

Senator COUZENS. You never heard of him?

Mr. HELVERING. I know ex-Governor Haskell, and knew who he was and all that, but I was never associated with him.

Senator COUZENS. You were never associated with him?

Mr. HELVERING. No.

Senator COUZENS. You never had anything to do with the oil fields in Oklahoma?

Mr. HELVERING. I appeared as attorney for the Mid-Continent Association in the tax question of depletion of oil properties.

Senator COUZENS. What year was that?

Mr. HELVERING. I think that was in 1920.

Senator COUZENS. Did you play any part in the formation of the Department's rules with regard to depletion and recovery values, and those matters?

Mr. HELVERING. Well, as I said, I represented Mr. Hardin's case in Wichita, Tex., as a base on which to appeal to the Attorney General for a decision on depletion. I represented what was called the Mid-Continent Field Association, as I remember the name. I was on the Ways and Means Committee of the House when the bill was written. The proposition of depletion was discussed in our committee at the time the bill was enacted.

Senator BARKLEY. What bill do you have reference to?

Mr. HELVERING. The 1916 bill, where the income tax was advanced over the old law.

Senator CONNALLY. You don't mean 1916; you mean 1918. 1916 was the original income tax law, but oil and gas were not brought in until 1918, were they?

Senator BARKLEY. 1913 was the original law.

Senator CONNALLY. I beg your pardon; that's right.

Senator COUZENS. What I was trying to get at is; what part, if any, did you play in formulating the Treasury Department's rules on the depletion of oil or discovery values?

Mr. HELVERING. Senator, up to the time of the J. G. Hardin case decision, for which I was attorney, there had been no depletion allowed for oil wells. In that case we brought up the question of depletion. It was ruled against us in the Bureau. The question was certified over to the Attorney General's office for a decision. I prepared the brief for the statement which was filed with the Attorney General, and on which a ruling was made and certified back to the Treasury

Department, and from that time on depletion has been considered in the adjustment of these cases.

Senator COUZENS. There was a ruling having to do with the discovery value of these oil wells. Did you play any part in that?

Mr. HELVERING. None whatever.

Senator KING. Your activity in that was confined to a preparation of a statement which was submitted to the Attorney General, upon which he made his decision.

Mr. HELVERING. Well, Senator, it was taken through the Department first, and adverse ruling was had upon it. Then I prepared a statement of this appeal to the Attorney General for a decision.

Senator CONNALLY. The statement was in the nature of a brief, wasn't it, for your side? It was not the original certification?

Mr. HELVERING. It was a statement pointing out what I considered the law, just the same as a brief in a law suit.

Senator KING. You gave your interpretation of the statute in your brief which you prepared, or the statement?

Mr. HELVERING. Yes.

Senator COUZENS. And since then you have had nothing to do with the question of discovery values or depreciation with respect to oil wells?

Mr. HELVERING. No, sir.

Senator COUZENS. What political activity have you been in since you went back to Kansas?

Mr. HELVERING. Well, I have been politically active in every campaign we have had. That is, more or less. I played a very important part 2 years ago last election, in electing Governor Woodring as Governor of our State. Well, I have taken more or less interest in each campaign in my State.

Senator KING. Were you a candidate in any of these elections?

Mr. HELVERING. No, sir.

Senator KING. Just the general interest you had in the Democratic Party?

Mr. HELVERING. Yes.

Senator CONNALLY. You were State chairman at one time, were you not?

Mr. HELVERING. I am State chairman at the present time, and have been for the last 3 years.

The CHAIRMAN. Who is W. A. White? Is that William Allen White of Emporia, Kans.?

Mr. HELVERING. Yes. He is at Emporia.

The CHAIRMAN. I have a telegram here from W. A. White, which reads as follows:

Speaking as a Kansan of the opposite political faith I would like to attest to the sound business judgment, brains, and high standing as a citizen of Guy T. Helvering.

We thank you, Mr. Helvering. It may be that Senator Couzens will want to ask you some questions later on. If he does, we will let you know.

Mr. HELVERING. Yes, sir; I will be very glad to answer anything you want to ask.

Whereupon the committee adjourned at 11 o'clock, a.m.)

CONFIRMATION OF GUY T. HELVERING

TUESDAY MAY 9, 1933

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to call, at 10:15 a.m., in executive session, in room 312, Senate Office Building, Senator Pat Harrison presiding.

Present: Senators Harrison (chairman), Reed, King, Walsh, Couzens, Barkley, Connally, La Follette, Gore, Clark, McAdoo, Hastings, Byrd, Lonergan, Metcalf, and Walcott.

CONFIRMATION OF GUY T. HELVERING AS COMMISSIONER OF INTERNAL REVENUE

The CHAIRMAN. Gentlemen, there was a matter here yesterday, Mr. Helvering's nomination. Senator Couzens had to go to lunch, but I think it was understood by the committee that we were ready to act on that, and at the suggestion of Senator Hastings, who wanted to get some data, I would like to have that brought up. Senator Couzens has left. He doesn't want it decided on today, but it seems to me this matter ought to be decided one way or another.

Senator BARKLEY. In order to bring the matter up, I would move that he be reported favorably.

Senator GEORGE. I second that.

The CHAIRMAN. I want to say, Senator Hastings, I have had Mr. Helvering come here in case you have any questions to ask him.

Senator HASTINGS. I think this a matter that ought not be decided offhand. I have had a great many complaints made to be about this appointment, and about this man's record, and I was informed that the Treasury Department had a record that any Senator looking at would hesitate about approving this nomination. I finally got the record, after being referred from one to another in the Treasury Department, and I have gone over it. I showed it to Senator Couzens this morning, because he was right on my floor, and close by, and he was of the very definite opinion that there ought to be some hearings on it and the matter thoroughly discussed. It is a pretty long record.

Senator REED. Can you summarize it?

Senator HASTINGS. I can call your attention to the most difficult thing involved in it.

Senator GEORGE. Is it a tax matter?

Senator HASTINGS. Yes.

Senator CLARK. Ought not Mr. Helvering be given an opportunity to be present and hear this?

Senator HASTINGS. Senator, what I am going to propose is that there be a hearing upon this subject, either by the full committee or the subcommittee. I am just now pointing out, and hope to do it briefly, what these facts are, and let the committee decide what it wants to do with respect to it.

The CHAIRMAN. Senator, let us see about this phase of the thing. I had that matter brought to my attention, and I had the head of the investigating branch come up with the record, and I talked to him about it. I had Mr. Helvering, and I asked him questions with reference to it, and as I understand the thing, it is a rather involved proposition, a tax case of some kind, of some magnitude. It seems to me the better way to do it is to have Mr. Helvering in, ask him any questions in the world about it, and have him explain the situation. As I understand it from Mr. Helvering, what happened in that case is that he knew nothing about the facts that the figures were padded. He was acting in good faith. Then a motion was made to reopen the case, the Government lost out. There then came again the same people who had employed him and who told him this motion had been made. They wanted him to represent them, but he found out they had padded it, and he told them he would have absolutely nothing to do with the case and withdrew from it.

Senator HASTINGS. If that is the answer, can't we show that?

The CHAIRMAN. That is what he says is the explanation, and I think that we could get along very easily on the proposition by having him make that explanation to the committee. The head of the investigation department does not contradict a thing that Mr. Helvering says in reference to this matter. All we are trying to do is to get to the end of it.

Senator WALSH. I understand the Senator appears before our committee for the purpose of claiming he can make out a prima facie case. If so, I think we ought to hear him.

Senator LONGERGAN. I move that Mr. Helvering be invited to come into the committee room to hear this statement.

Senator REED. Is he here?

The CHAIRMAN. Yes; I asked him to come up.

Senator BARKLEY. I would like to hear what this case is. I would like to know what it is all about.

Senator HASTINGS. That is what I was going to do in the first place.

Senator KING. I think Senator Hastings ought to be permitted to make his statement.

Senator CLARK. I think Mr. Helvering ought to be permitted to hear it.

Senator HASTINGS. Undoubtedly before you act unfavorably on it he ought to be permitted to hear this and be given opportunity to explain.

This is a report by the special investigators of the Internal Revenue, dated September 14, 1921, and the subject is this: Washington, Henry & Co., Wichita, Kans., and J. S. Morgan & Co., Wichita, Kans., and Guy T. Helvering, Washington, D.C., so-called tax specialists; unethical and objectionable methods and alleged collusion with Bureau officials and employees.

I will just quote a few sentences from it.

On the same day and within a few hours of the time we received this report, which was about November 18, 1920, we were visited by a representative (whose name I do not now recall) of Washington, Henry & Co., accountants and tax

experts, who told me that he had learned that he was to be assessed additional tax in an amount of \$12,000, and asserted that if he would employ his company on the basis of a percentage of the amount saved, that they could obtain an abatement of all or a considerable portion of the additional tax. He said they were represented in Washington by Mr. Helvering, a former Member of Congress from the Fifth Kansas District and spoke of the influence that Mr. Helvering had in Washington and the fact that they had been successful in getting various other claims allowed. I asked him how he knew anything about our tax assessment, and he replied that his company had indirect means of getting such information.

Senator LA FOLLETTE. Who is this speaking?

Senator HASTINGS. This is Arthur M. Cowan, of Long, Cowan & Depuy, one of the leading law firms of Wichita, Kans.

Here is the most serious charge there is, with reference to the settlement of the case of the Trapshooters Oil & Gas Co., Eldorado, Kans. Mr. C. R. Edgecomb made affidavit as follows, and this is not the case Mr. Helvering referred to when he talked to you, Mr. Chairman:

I was acting as secretary and treasurer of the Trapshooters Oil Co. at Eldorado, Kans. We sold out in October 1918, for \$50,000 and were practically defunct. In the spring of 1918, Revenue Inspector Fred Stuckey, of Little Rock, Ark., checked our books from an income tax standpoint. When he finished he did not advise me or anybody else as far as I know whether he had found any additional tax. At the time the company quit business we laid aside the sum of \$25,817.50 to take care of any taxes which might be found due. I never heard anything more about taxes until in February 1920, I wrote the department at Washington, D.C., to know why they did not arrange a settlement of our taxes. About two weeks later I received a letter from Mr. G. V. Newton, deputy commissioner, in which he advised us that our taxes were \$152,216. Shortly after receiving this letter I was called on the phone by Del Travis, a stockholder of the Trapshooters Oil Co., and who is a great friend of Earle Brooks, who is connected with Washington, Henry & Co., public accountants, and stated this, this firm of accountants was in a position to adjust our taxes on a fair basis; that they had gotten a good settlement for the Slim Jim Oil Co. I went over to Wichita, Kans, and took the books of the company and saw Mr. Washington. Earle Brooks and Washington were there. I left the books with them and while they were working on the books Guy Helvering came down from Washington on the campaign speeches.

They wired me to come over and see him, but I did not go. Later Travis phoned me and told me that they had made a deal with Washington, Henry & Co. by which they paid them \$2,500 retainer, which was raised by F. N. Luther, Jr., vice president of the Trapshooters Co., Ed. O'Bryan and E. W. Arnold and D. W. Travis on a personal note discounted at the First National Bank of Wichita, and I agreed over the phone to stand my share of the note. Later Harry Washington wired me that he had a date with the Department in Washington, D.C., and wanted me to go along. At first I refused to go as I was not in favor of the funds of the company being used in this manner. They insisted on my going and I finally agreed to go if they, the oil company, would stand my expenses which they did. I went to Washington, D.C., accompanied by Harry Washington and my wife and we stopped at the Washington Hotel. On our arrival there Sunday morning in April 1920, we were met at this hotel by Guy Helvering, who also had a room in this hotel. Harry Washington, Helvering and myself had a conference in Helvering's room in the hotel and almost immediately Helvering put up the proposition that I would have to advance \$10,000 to secure a physical appraisal of the company's property and that they had a man in New York who was recognized as an authority by the Department who would sign the necessary affidavits. I resented this proposition and told them I might look easy but I could not be taken over like that. I finally made a written contract with Helvering, a copy of which I have furnished Agents Young and Nolan. The next day I was taken before a Mr. Powell in the Income Tax Department and had a little hearing in which I was asked about the condition of the company and I left for New York. About the 1st of June 1920, I received a letter from Mr. Newton, Deputy Commissioner stating our tax was \$7,258.27. We made a final settlement through Washington, Henry & Co. as per receipt which I have delivered to Agents Young and Nolan in which they received the difference between the \$25,817.50 and the \$7,258.27 as their fee for services:

"I will skip part of it there.

Immediately following the hearing held before Mr. Powell in the Commissioner's office in Washington, D.C., some time in April 1920, and while I was walking along the streets of Washington, D.C., in company with Harry Washington, I stated to him that he shouldn't take me for a fool; that I realized there was something crooked about the demands made on me for \$10,000 and other amounts by him and Mr. Guy Helvering, and that he might as well tell me the whole truth about their scheme instead of trying to hoodwink me. To this Mr. Washington only answered, "Forget it, I don't care what you think of me personally, the matter is all settled now", or words to that effect.

Senator BARKLEY. Was that man the partner of Helvering, the man who said he didn't care, "what you think of me"?

Senator HASTINGS. No, no.

Senator BARKLEY. What relation has he in this thing?

Senator HASTINGS. He was the auditor in Kansas, of Washington, Henry & Co. And their representative, it appears all through here, was Guy Helvering in Washington. They had no right to appear before the Department themselves, and Helvering represented them here.

Senator CLARK. They were a firm of accounts and Helvering represented them here in Washington; is that correct?

Senator HASTINGS. That is right. That is the comment of Partidge and the other inspector. They say:

The foregoing is another fishy transaction, comment upon which would seem to be superfluous. The taxpayer corporation at the time of dissolution set aside \$25,000 to pay the income and excess profits tax believed to be due, and after the lapse of months urged the Department to take the entire amount and close the case. An examination had been made by an internal revenue agent who recommended \$160,365.35 tax, but the result of his examination was not made known to the taxpayer at the time. Presumably the field agent's report was audited and carefully reviewed in the Bureau by men qualified to pass upon cases of that character. Some time after the corporation offered the Government the \$25,000 it received notice that the tax due from it was something over \$152,000. The officers of the corporation then retained Harry Washington and Guy Helvering who, after getting the secretary-treasurer to come to Washington for the purpose of a hearing, brazenly attempted to hold him up for \$10,000 in addition to the retainer agreed upon. Failing in this purpose, and with full knowledge that the Bureau had fixed the tax at more than \$152,000, Helvering drew up a contract which he and Mr. Edgecomb, the secretary-treasurer of the corporation signed, under the terms of which Helvering was to receive "an amount equal to the amount by which the tax finally assessed against the said Trapshooters Oil & Gas Co. is less than the sum of \$25,817.50", and then had a hearing before Mr. Powell, natural resources section, as the result of which the tax was reduced to \$7,258.27. That is what the Government ultimately received out of an original claim of \$160,000. Counting their retainer, the "tax experts", Washington and Helvering, received about \$19,000.

That is all of that affidavit.

Another statement:

He had a bunch of abatement forms and wanted us to fill one out, but I refused to do so.

Senator McADOO. Whom does it refer to as "he"?

Senator HASTINGS. Additional testimony as to Washington, Henry & Co. as contained in the affidavit of J. A. Meyers.

Senator CLARK. Who is J. A. Meyers? Does the record disclose

Senator HASTINGS. The report reads:

Internal Revenue Inspector Clark examined the books of the Mulberry Coal Co., Pittsburg, Kans., of which I am secretary and treasurer, and found certain

taxes due for the year 1917, and although we did not agree with his findings we paid taxes for that year amounting to \$17,961 in two payments, the first of which was something over \$8,000.

That has nothing to do with reference to Helvering. It says further:

He had a bunch of abatement forms and wanted us to fill one out, but I refused to do so. While I can not recall Ransom's exact language I remember that he told me about their organization; that Don Henry was formerly with the Bureau of Internal Revenue, and that they were represented in Washington by Guy Helvering; and he gave me to understand that their organization was in shape to get in touch with parties in the department who could do things for us.

The report goes on at another place:

An interesting statement bearing on the unscrupulous methods of Harry M. Washington in securing information with respect to the results of examination made by Internal Revenue officers and the amounts of additional taxes reported against taxpayers, is that of Gus V. Winston, who was associated with Washington before the firm of Washington, Henry & Co. was established.

On or about August 29, 1918, I entered into a partnership agreement with Harry M. Washington to engage in business as auditors and income-tax specialists and I financed the establishment of our Wichita (Kans.) office, which was conducted under the name of H. M. Washington & Co. I severed my connection as a member of the firm in June 1919. From the beginning of my association with Harry Washington he told me that he had a friend in Congress who understood the tax business and who could get information before anyone else could. He did not mention the name of the Congressman at that time, but from subsequent developments, particularly the retention of the services in Washington, D.C., of Guy Helvering, whose term in Congress expired March 4, 1919, I reached the conclusion that Helvering was the man to whom he referred. I do not know the financial arrangement which existed between Harry Washington and Guy Helvering.

Then, another statement by the same man:

In January 1917 the Slim Jim Oil Co., Wichita, Kans., was sold to the Magnolia Co., Dallas, Tex., at the same time that the McCann Oil Co. was acquired by the Magnolia Co. I know that to be true from having made a partial examination of the books of the Slim Jim Co. after Harry Washington said that he had their case (1917 tax) and expected to make some money out of it. He said he would have to put through a claim some day for Jim Titus (president of the Slim Jim Co.) and remarked that he had a friend in Washington (meaning Guy Helvering) and that I knew Senator Gore and Congressman Ferris of Oklahoma, and that we ought to be able to put it through. This and other similar remarks and frequent confidential conferences between Harry Washington and Jim Titus caused me to believe that it was their intention to pull off some crooked deal, and this was one of the principal reasons I severed my connection with Washington.

Following an examination of the Oil & Gas Co. of Eldorado, Kans., made by Revenue Agent W. A. Seigal, in November 1920, as the result of which additional tax of \$211,000 was set up, the company gave me the case to try to effect an adjustment. I went to see Bert Halvern, the revenue agent in charge at Wichita, who, after I had shown him the records admitted that the report was wrong, but stated that it was too late for him to do anything as all the papers had been sent to Washington, D.C. He said when I got to Washington, D.C., I should see Guy Helvering, who he said would be glad to take the case, and he even wrote to Helvering, without any suggestion on my part, and told him about the case, and that I would probably be in Washington to see him. Bert Halvern told me later that he had received a reply from Guy Helvering to the effect that he would be glad to help me out. When I went to Washington, D.C., I took the case up with the department myself and did not go to Helvering because I knew he would want a percentage for securing abatement of the \$211,000 additional tax, whereas the Oil & Gas Co. is not only unable to pay anything additional but feels that it is entitled to a refund of part of the tax already paid for 1917.

Somewhere in here it appears the revenue agent in charge of that district—I think the language used was "said to be a cousin of Guy Helvering."

The CHAIRMAN. Now, Senator, why not have Helvering come in and let us ask him questions?

Senator WALSH. Who initiated the investigation into the alleged unethical conduct?

Senator HASTINGS. It grew out of some sensational newspaper stories appearing in Henry Allen's paper in Kansas.

Senator WALSH. What department of the Government instituted that investigation, the Internal Revenue Department?

Senator HASTINGS. The Internal Revenue Department, and these reports were made by the investigators.

Senator WALSH. Who were the investigators?

Senator HASTINGS. This report is signed by Everett Partridge, who is still with the Department, and A. Oftedal.

Senator WALSH. They are investigators in this Department of the Government?

Senator HASTINGS. Special agents.

Senator WALSH. What recommendations did they make as a result of the investigation, and what action was taken?

Senator HASTINGS. They said:

Throughout our investigation we looked forward to the certainty that one of the results of it which would be of far reaching importance would be the disbarment before the Department of Washington, Henry and Co., and the individual members of the firm, and Guy T. Helvering, the Washington representative of the firm, and the giving of wide publicity to such actions. It was not until this report was partially prepared that we learned to our surprise that Helvering is the only one who is enrolled as an agent or attorney, although on various occasions Harry Washington and Don Henry have appeared before the Bureau as the representatives of taxpayers from whom they received liberal and sometimes exorbitant fees for effecting reductions in taxes. There is no doubt that the evidence we have gathered and submitted is sufficient to justify the disbarment of Harry M. Washington, Don N. Henry, and the firm of Washington, Henry & Co., had they ever been enrolled, yet in the circumstances the most we can do is to offer the puerile recommendation that a circular be issued warning heads of units and others not to recognize them as agents or attorneys of taxpayers inasmuch as they have not been enrolled. We refer to this as puerile because in the face of the issuance of such an order they can continue to do business by the same unethical methods and upon as large a scale as heretofore, merely by having the Washington end of their business looked after by Helvering, concerning whose activities in effecting settlements which are highly advantageous to his clients we entertain considerable suspicion, but against whom we have not sufficient evidence at this time, upon which to base a recommendation of disbarment.

We were of the opinion that a thorough reexamination of the tax cases enumerated in our previous report would disclose practices on the part of Helvering which would warrant his disbarment, at least, and possibly criminal prosecution. However, we have been advised today by Deputy Commissioner Batson that an examination of several of these cases has been made in the Bureau by men selected because of their technical knowledge of the matters to which the cases relate and that they have reported to him that the adjustments appear to have been made in accordance with the law and regulations. Therefore, there would seem to be no occasion to make the field examination which we suggested.

Senator WALSH. How many cases did Helvering have?

Senator HASTINGS. I do not know.

Senator WALSH. Or the amount?

Senator HASTINGS. No; all through here there are statements of this Washington, Henry & Co., about what Helvering could do. That may have been made by them, without his knowledge. As for him, the most serious thing is this affidavit in which they insisted he put up \$10,000.

Senator BLACK. What action was ever taken on that report, if any?

Senator HASTINGS. I don't think I know. I don't think it shows what action was taken. The man in Kansas in charge of the district was demoted, I remember, to a position as field agent.

Senator CLARK. That was because he was a Democrat, wasn't it?

Senator HASTINGS. It doesn't say that.

Senator GORE. What is the date of that report?

Senator HASTINGS. Date returned, September 14, 1921.

Senator WALSH. Is there intimation throughout that report that Helvering had associated his people in the Department favorable to him, in adjusting each tax change?

Senator HASTINGS. There are intimations of it.

Senator WALSH. How could a man be collector of internal revenue and perform his duties, if in that Department there are men who have been in collusion with him in bringing about settlements? That is what troubles me about this case.

Senator HASTINGS. It seems to me, Mr. Chairman, that this is not a thing that could be, even if everybody agreed that these statements were not sufficient to warrant turning him down—it seems to me that the committee could not afford, in view of all these rumors floating around, and in view of this report, to ignore it and say, "We had a talk with him, and we were satisfied with his explanation of it." I don't see how you are going to avoid a public hearing on the thing, and let him make whatever explanation he can. Maybe he can make a thorough explanation, so far as I know.

The CHAIRMAN. Is it the opinion of the committee we want to have Mr. Helvering in to inquire into this matter?

Senator LA FOLLETTE. I would like to suggest that no one has sufficiently gone over this report in detail to make an intelligent examination of Mr. Helvering. Senator Hastings has merely skimmed it through and picked out certain salient points in it, but if the matter is to be gone into at all, I should think that the proper procedure and the only way you could get the thing thrashed out generally, is to appoint a subcommittee and let them go into it.

The CHAIRMAN. Senator La Follette, before you came in, probably, I said I had talked to the chief of the investigation department. I have just sent for him to come up here. I have seen this report and have heard Mr. Helvering's explanation of the whole proposition. I think the full committee ought to hear his explanation of it. Then if the committee wants to have a subcommittee appointed, well and good.

Senator LA FOLLETTE. Have you had sufficient time, Senator Hastings, to go over this matter so that you think you can examine Mr. Helvering intelligently about it?

Senator HASTINGS. Not as carefully as I would like to, but I have got in my mind some questions I would like to ask him. I would like to know how long he practiced law here, and when he left here.

Senator REED. He told us all that.

Senator HASTINGS. When, yesterday?

Senator REED. A few days ago, when he was before the committee.

Senator GORE. Did he have an associate with him here?

Senator HASTINGS. I don't know.

Senator KING. He practiced here about 2 years ago.

Senator REED. He left about 1921 or 1922 and went out to take charge of some bank in Salina, Kans.

Senator KING. And milling interests there.

Senator GORE. Has he been in the bank all that time?

Senator HASTINGS. I think so, Senator Gore.

Senator WALSH. What was the volume of his business?

Senator KING. He had a number of cases here during the 2 years he practiced.

Senator HASTINGS. The point is, I should suppose a man ought to be able to practice that kind of law before one commissioner and one group of officials, just as well as he could another. The point is, it seems to me, that he left Washington shortly after the new administration came in, when he no longer could have this kind of influence, if he did have influence enough to put across this kind of settlements. That is the inference to be drawn from his practicing law here such a short while.

Senator KING. Senator, is there any evidence in that which you have read that shows that any settlements were made that were improper? The conclusions reached by those persons was that they had made an investigation by competent persons, and that they found the settlements were proper?

Senator HASTINGS. There isn't any doubt about this; there isn't any doubt that Washington, Henry & Co., had some connection with the bureau whereby they got advance information as to what was to be done with certain taxable income. They got that information sometimes, the report shows, just as quickly as the taxpayer himself got it, and they solicited that business, and that Helvering undoubtedly was their representative here. It may be that he was innocent of wrong doing in most of those things as anybody could possibly be, but in this one affidavit, in the first instance, he wanted them to put up \$10,000 for an appraisal, and the appraiser he was going to recommend was one that stood in with the Department and who would sign the necessary affidavit.

Senator GORE. Was that Helvering, Senator, or this firm?

Senator HASTINGS. This was Helvering himself, according to this affidavit, in his own bedroom or sitting room at the hotel, and knowing that there were \$152,000 assessment against them, he made an agreement with them to take the case on condition he could have whatever amount he could save below the amount they had set up, \$25,817.50.

Senator REED. Had the case actually been settled at the time he was trying to get those agreements out of them?

Senator HASTINGS. No, no; I think not, because the affidavit shows that while that secretary-treasurer was here he went with Helvering to the Department and, as he put it, had a little hearing, and about a week afterward he got notice that his tax had been reduced from \$25,000 to \$7,000 and odd.

Senator WALSH. Do you infer from that case where a contract was made to give him the difference saved between \$25,000 and \$7,000 that he knew and was tipped off that the amount of settlement would be \$7,000?

Senator HASTINGS. Maybe not that, but it seems to me he must have been reasonably certain that the claim of \$152,000 could not be

sustained, and he had a good chance of getting it below \$25,000, or he would not have made the contract at all.

Senator KING. Let me make one observation, if I may; Senator Couzens and I were two of a committee to investigate these settlements and the conduct of the Treasury Department in matters of Internal Revenue assessments and collections, and the evidence showed—

The CHAIRMAN. It is not necessary to put all this in the record, is it?

Senator KING. No.

(There ensued discussion off the record.)

FURTHER STATEMENT OF GUY T. HELVERING, NOMINEE FOR COMMISSIONER OF INTERNAL REVENUE

The CHAIRMAN. Mr. Helvering, there has been presented to the committee an investigation that was made by the department with reference to certain transactions in which you are alleged to have been interested. Senator Hastings has brought that before the committee, and we would like you to be frank with the committee and tell us the facts about the proposition. Mr. Hastings, you ask him the questions.

Senator HASTINGS. Your term as a Member of Congress expired March 4, 1919?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. How soon after that did you begin the practice of law in Washington?

Mr. HELVERING. Well, within that year.

Senator HASTINGS. How soon that year, do you remember?

Mr. HELVERING. Well, I can't recall just exactly. I remember I went out to Salina, Kans., and organized a bank out there, and after that was over I came down here on a case. I think it was perhaps in September or October.

Senator HASTINGS. Did you have an office in Washington?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. Do you remember when you opened your office?

Mr. HELVERING. I can't tell you the exact date now.

Senator HASTINGS. Was it in the summertime or in the fall?

Mr. HELVERING. I think it was in September, but I wouldn't want to say about that.

Senator HASTINGS. How long did you maintain that office in Washington?

Mr. HELVERING. About 3 years.

Senator HASTINGS. You didn't leave here until about 1922?

Mr. HELVERING. Well, I had cases pending that had been filed the latter part of 1921, that ran, some of them, as long as 1926.

Senator HASTINGS. When did you move back to Kansas?

Mr. HELVERING. In December 1921, I think it was.

Senator HASTINGS. In December 1921?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. Did you specialize in tax matters?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. Did you have any other practice except tax matters?

Mr. HELVERING: Oh, I had a few matters before the departments. The only legal propositions I had were mostly income-tax matters.

Senator HASTINGS: Were you acquainted with Washington, Henry & Co.?

Mr. HELVERING: Yes, sir.

Senator HASTINGS: When did you become acquainted with them?
Mr. HELVERING: Well, shortly after I established my office here they brought me a case to adjust that they had in the Department.

Senator HASTINGS: Had you known them before that?

Mr. HELVERING: I knew Don Henry for several years.

Senator HASTINGS: Did you know Mr. Washington before that?

Mr. HELVERING: No.

Senator HASTINGS: What position had Henry occupied before he joined this firm?

Mr. HELVERING: They were accountants with an office at Wichita, Kans.

Senator HASTINGS: Before they became accountants, what were their positions?

Mr. HELVERING: I think Mr. Henry, and I think Mr. Washington, too, had been employed in the Internal Revenue office years before that.

Senator BARKLEY: You mean in Washington, or out in Kansas?

Mr. HELVERING: I think they were in the office at Wichita, Kans. Mr. Washington lived at Wichita.

Senator HASTINGS: And he was in the Internal Revenue Department out there?

Mr. HELVERING: Yes, sir.

Senator HASTINGS: And had been for some years before he organized this auditing firm?

Mr. HELVERING: Well, I can't say, Senator, how many years. I know he had been in the department.

Senator WALSH: Did he resign from the department?

Senator HASTINGS: Do you know whether he resigned from the department?

Mr. HELVERING: I don't know as to that.

Senator HASTINGS: You don't know whether he resigned or not?

Mr. HELVERING: No.

Senator KING: They were not in the department when you became acquainted with them in connection with your tax work?

Mr. HELVERING: No; they were a firm of accountants in Wichita, Kans.

Senator HASTINGS: Who was in charge of the Kansas internal-revenue district at that time?

Mr. HELVERING: Mr. W. H. L. Pepperill.

Senator HASTINGS: Was there a man by the name of Helvern in charge there at one time?

Mr. HELVERING: There was a cousin of mine who was revenue agent in charge; yes.

Senator HASTINGS: Was he in charge during 1918, 1919, and 1920?

Mr. HELVERING: Yes, sir.

Senator HASTINGS: Was he in charge at the time the department investigated Washington, Henry & Co.?

Mr. HELVERING: I can't say as to that.

Senator HASTINGS: Did he send you any business?

Mr. HELVERING. No, sir.

Senator HASTINGS. Did he write you letters about any business?

Mr. HELVERING. No; I don't think so. I don't remember ever getting any letter about any business from him.

Senator HASTINGS. Are you quite certain of that?

Mr. HELVERING. Yes; I believe I am.

Senator HASTINGS. What was this first case that Washington, Henry & Co. turned over to you?

Mr. HELVERING. The first case that Washington, Henry & Co. turned over to me was a case for the Emery, Byrd, Thayer Dry Goods Co., Kansas City, Mo.

Senator HASTINGS. What was the question involved in it?

Mr. HELVERING. Consolidated return.

Senator HASTINGS. And how much was involved?

Mr. HELVERING. Well, I can't say as to that, Senator.

Senator HASTINGS. Well, approximately how much? Was it in the thousands?

Mr. HELVERING. Oh, yes. It was a big case, because the question in the case we had was whether or not this company should be allowed to file a consolidated return. They had two companies, a mercantile company and a building company. The mercantile company made lots of money and the building company did not.

Senator HASTINGS. You haven't any idea how much was involved?

Mr. HELVERING. I have \$67,000 in my mind. I don't know whether that is the total of the years, or whether that was the amount every year.

Senator HASTINGS. What settlement did you make for them?

Mr. HELVERING. The only thing ruled on in that case was the allowance by the department of the filing of a consolidated return on account of joint ownership.

Senator HASTINGS. And did you save them the \$67,000?

Mr. HELVERING. Yes, sir. I think so. I wouldn't say that was the exact amount.

Senator HASTINGS. I mean whatever the amount was.

Mr. HELVERING. Yes.

Senator HASTINGS. Did you take it on a contingent basis, or upon a straight fee?

Mr. HELVERING. The Emery, Byrd, Thayer Co., that was on a fee basis.

Senator HASTINGS. Do you remember how much?

Mr. HELVERING. No; I don't. I have got in mind \$4,000, but I may be wrong.

Senator HASTINGS. Do you know what Washington, Henry & Co. got out of it?

Mr. HELVERING. No, I don't.

Mr. HASTINGS. Did you have anything to do with the amount they charged?

Mr. HELVERING. No, sir.

Senator HASTINGS. Did they pay you, or did the firm pay you?

Mr. HELVERING. The firm paid me.

Senator HASTINGS. Did they make an arrangement with you, or did Washington, Henry & Co. make it?

Mr. HELVERING. The first talk I had was with Mr. Hawkins, the treasurer of the company, when he belabored me about the bill we

passed in Congress imposes these taxes. Then afterwards they retained this firm to make an audit, and I came down here for them.

Senator HASTINGS. What was the next case you had for them?

Mr. HELVERING. I don't recall, Senator. I had perhaps a hundred cases.

Senator HASTINGS. Did you have any cases except those which came through Washington, Henry & Co.?

Mr. HELVERING. Oh, yes; many of them.

Senator HASTINGS. What proportion of the cases that you had came through Washington, Henry & Co.?

Mr. HELVERING. Well, I had all their cases that they had before the Department, up to a certain time.

Senator HASTINGS. What time was that?

Mr. HELVERING. I think in 1921.

Senator HASTINGS. What time in 1921?

Mr. HELVERING. That is pretty hard for me to tell you, exactly what time.

Senator HASTINGS. Have you any idea what time?

Mr. HELVERING. Well, I can say positively I had no case for them after 1922.

Senator BARKLEY. You mean after the first of 1922 or the end of 1922?

Mr. HELVERING. I was not here at the end of 1922 at all.

Senator HASTINGS. Do you remember the Trapshooters Oil & Gas Co. case?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. Do you know Mr. Edgecomb?

Mr. HELVERING. I don't recall that name particularly.

Senator HASTINGS. Do you remember the secretary-treasurer of that concern came to Washington to visit you with Harry Washington?

Mr. HELVERING. Those officers were here, yes, with Mr. Washington.

Senator HASTINGS. Do you remember your first conference with them here, where it was? Was it at the Washington Hotel?

Mr. HELVERING. Well, it is hard for me to say after all this time, Senator, whether it was at the Washington Hotel or not. I had an office in the Southern Building, and generally all my business was transacted there.

Senator HASTINGS. Do you remember them seeing you on a Sunday morning in April 1920?

Mr. Edgecomb says:

Upon our arrival on Sunday morning in April 1920 we were met at the hotel by Guy Helvering, in his room at the hotel.

Do you remember that?

Mr. HELVERING. Yes; I remember I lived at the Washington Hotel at that time.

Senator HASTINGS. Do you remember that conference you had with them?

Mr. HELVERING. No; I don't recall the details of that conference.

Senator HASTINGS. Do you remember the questions involved in that case?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. What were the questions involved?

Mr. HELVERING. The Trapshooters Oil Co. was a company that brought in the biggest gusher that was produced in Kansas. It was a surprise to them, as everybody else, and they had no pipe-line connections. They made temporary receptacles out of earthwork for the oil, ran the well for some 40 days, and than had to shut it down. After shutting it down the oil well went to salt water, and that was the end of this big gusher. There was an adjustment of taxes on the matter of what they had actually taken out of the well and what they had paid for expenses.

Senator HASTINGS. Do you remember what the controversy was at the time they came to see you?

Mr. HELVERING. Well, that was the question. They had \$180,000 tax—

Senator HASTINGS. One hundred and sixty thousand, wasn't it?

Mr. HELVERING. Well, I know it was a hundred and some thousand.

Senator HASTINGS. One hundred and sixty thousand was approximately the amount.

Senator COUZENS. Was that the case that was settled for \$7,000, Senator Hastings?

Senator HASTINGS. Yes.

Mr. HELVERING. Yes.

Senator HASTINGS. Did they pay you a fee or a retainer in that case?

Mr. HELVERING. They paid a fee.

Senator HASTINGS. What arrangement did you make with them about the fee?

Mr. HELVERING. It was a case involving an engineering survey, a setting up of values, and, as I recall, I think I told them I would charge them \$10,000 for the engineering survey, handling the case, and so forth.

Senator HASTINGS. Did they pay you the \$10,000?

Mr. HELVERING. As I recall they did. You mean at this time?

Senator HASTINGS. Yes; at that time.

Mr. HELVERING. Oh, no.

Senator HASTINGS. Did you arrange for a survey?

Mr. HELVERING. Oh, yes.

Senator HASTINGS. Who made that survey?

Mr. HELVERING. Mr. Cummins, my engineer in the office.

Senator HASTINGS. Did you have an engineer in your office?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. When did you employ that engineer?

Mr. HELVERING. Well, I don't recall the exact date. I could perhaps find out the time exactly. I think it was about this time.

Senator HASTINGS. How long was that engineer with you?

Mr. HELVERING. Until I left here.

Senator HASTINGS. And you think you employed him about that time?

Mr. HELVERING. Yes.

Senator WALSH. Had he been employed by the Federal Government?

Mr. HELVERING. He had previously; yes, sir.

Senator HASTINGS. In what capacity?

Mr. HELVERING. I think he was a valuation engineer, in the oil section of the Federal Government.

NOMINATION OF GUY T. HELVERING

Senator WALSH. What section?

Mr. HELVERING. Oil section.

Senator WALSH. Of the Internal Revenue Department?

Mr. HELVERING. Yes.

Senator HASTINGS. Mr. Edgecomb, in his affidavit, states that "Harry Washington, myself"——

Senator WALSH. Did he resign to go into your office?

Mr. HELVERING. No, sir; he went out and had a valuation office here himself, on his own.

Senator HASTINGS. In Washington?

Mr. HELVERING. Yes.

Senator HASTINGS. In this affidavit, Edgecomb says:

Harry Washington, Helvering, and myself had a conference in Helvering's room in the hotel, and almost immediately Helvering put up the proposition that I would have to advance \$10,000 to secure an appraisal of the company's property and that they had a man in New York who was recognized as an authority by the Department who would sign the necessary affidavits.

Do you remember making that statement to him?

Mr. HELVERING. That was not my policy at all.

Senator HASTINGS. Did you make that statement to him?

Mr. HELVERING. No, sir.

Senator HASTINGS. You did make a proposition to him that he put up \$10,000.

Mr. HELVERING. No, sir; I told him the case would cost him \$10,000.

Senator HASTINGS. Did he agree to pay \$10,000?

Mr. HELVERING. Yes; we took the case. I am sure he did.

Senator HASTINGS. Didn't you enter into an agreement with him?

Mr. HELVERING. Yes, I entered into an agreement with him that I would handle the case.

Senator HASTINGS. Wasn't this the substance of the agreement?

It says here—you knew that the tax was something like \$152,000. He says it was \$152,000 at that time. Your recollection is that it was \$180,000.

Mr. HELVERING. I know it was a hundred and some thousand dollars.

Senator HASTINGS. He says, "Helvering drew up a contract which he and Edgecomb, secretary-treasurer of the corporation, signed."

Do you remember that?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. And he says:

Under the terms of which Helvering was to receive "an amount equal to the amount by which the tax finally assessed against the said Trapshooters Oil & Gas Co. is less than the sum of \$25,817.50."

Do you remember that as a part of the contract?

Mr. HELVERING. No, I do not. It may have been, but I do not recall that. My fee in that was \$10,000 for the engineering and my work.

Senator HASTINGS. But did you make a contract depending entirely upon getting the tax reduced below \$25,817.50 before you could recover your \$10,000?

Mr. HELVERING. No, I don't recall that I did.

Senator HASTINGS. This is supposed to be a quotation from the contract.

Mr. HELVERING. Yes.

Senator HASTINGS. What do you say as to that part which says:

The Secretary-Treasurer of the corporation signed a contract under which Helvering was to receive "an amount equal to the amount by which the tax finally assessed against the said Trapshooters Oil & Gas Co. is less than the sum of \$25,817.50."

You don't remember that language definitely?

Mr. HELVERING. Well, I remember that they had been assessed—that might possibly be the amount they had been assessed.

Senator HASTINGS. What I am anxious to find out is whether you and your engineer agreed—why you and your engineer would agree—to do this work depending upon getting your fee out of the amount of an assessment that should be sufficiently below that \$25,817.50 to pay your fee.

Mr. HELVERING. As I recall now—I wouldn't want to have this taken as a sworn statement—as I recall, this company had set aside some money for the taxes.

Senator HASTINGS. That is right, \$25,817.50. That is what the testimony is.

Mr. HELVERING. Yes.

Senator GORE. They returned that as their income, didn't they?

Senator HASTINGS. They had set it aside.

Senator BARKLEY. They had sold their property for \$50,000, and out of that \$50,000 set aside \$25,817.50 for possible taxes, and they were afterward assessed \$152,000, and they claimed that your contract was that you would take as your fee all that you saved below the \$25,817.50.

Mr. HELVERING. I don't think I ever made that contract. I think I charged them \$10,000.

Senator WALSH. Does the signer of that affidavit declare that the \$10,000 proposal was rejected?

Senator HASTINGS. He does.

Senator WALSH. And later this contract was made?

Senator HASTINGS. I will read the language of the affidavit:

Thereupon Washington, Helvering, and myself had a conference in Helvering's room at the hotel, and almost immediately Helvering put up the proposition that I would have to advance \$10,000 to secure an appraisal of the company's property, and that they had a man in New York who was recognized as an authority by the Department and who would sign the necessary affidavits. I resented this proposition and told them I might look easy, but I could not be taken over like that. I finally made a written contract with Helvering, copy of which I have furnished to Agents Young and Nolan.

Senator WALSH. Now Mr. Helvering says they accepted that \$10,000 understanding.

Mr. HELVERING. No, that is what I charged in the case.

Senator WALSH. At the end?

Mr. HELVERING. Yes.

Senator WALSH. Then you had no contract with them?

Mr. HELVERING. I wouldn't say that, because it has been 13 or 14 years ago. I don't remember the circumstances as to this particular thing. I know no one has ever asked me any questions about this.

Senator WALSH. But you never got \$19,000, as they allege?

Mr. HELVERING. If that contract made by Washington, Henry & Co. took all below that, I suppose they paid it.

Senator HASTINGS. But the contract was made with you, wasn't it?

Mr. HELVERING. All of them were.

Senator HASTINGS. All of the contracts were made with you?

Mr. HELVERING. Yes.

Senator HASTINGS. Then did you take care of Washington, Henry & Co. out of that contract?

Mr. HELVERING. They always made a certification of their audit fees and those were paid.

Senator COUZENS. Have you got a copy of that contract in your office, Mr. Helvering?

Mr. HELVERING. I haven't seen one of those contracts, Senator, for 10 or 11 years. I don't know whether I would have this one or not. If I do, it is in an old file at home.

Senator HASTINGS. Mr. Edgecomb says:

The next day I was taken before a Mr. Powell in the Income Tax Department.

Do you remember that?

Mr. HELVERING. Well, now——

Senator HASTINGS (continuing):

And had a little hearing, in which I was asked about the condition of the company, and I left for New York.

Mr. HELVERING. That was before Mr. Darnell, as I recall. I don't remember now.

Senator HASTINGS. He says this was on a Sunday morning in April 1920. He says:

About the 1st of June 1920, I received a letter from Mr. Newton, deputy commissioner, stating our tax was \$7,258.27.

As a matter of fact, was any physical examination made by your engineer of the property?

Mr. HELVERING. A valuation of—when we got out there we found the only circumstances were these: The only thing we could take into consideration was the seepage into these temporary reservoirs and things of that nature in this oil, getting the amount of oil that was pumped out and which they had sold, taking the expense and deducting that and getting what would be the income that was made by them clear of all expense.

Senator HASTINGS. Did you actually go out there in this case?

Mr. HELVERING. I suppose Mr. Cummins did.

Senator HASTINGS. You didn't go?

Mr. HELVERING. Oh, no.

Senator HASTINGS. Did you know whether Mr. Cummins went?

Mr. HELVERING. He was out in that country, and there is where he was instructed to go.

Senator CLARK. You don't profess to be an engineer yourself, do you, Mr. Helvering?

Mr. HELVERING. Oh, no.

Senator CLARK. And Cummins was instructed to make this survey?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. He said he went to the Department the next day, and I gather from what he says that is the only time he was before the Department.

Mr. HELVERING. Well, I think this case was discussed with the Department some 30 days, back and forth.

Senator WALSH. I was going to ask you how many days was it between the time you signed this contract and when you got a decision? The signer of this affidavit seems to intimate it was a matter of 2 or 3 days, does he not?

Senator HASTINGS. He says they had a hearing the next day and he went on to New York. This was in April and he says the 1st of June they got a notice of an assessment of \$7,258.27.

Senator KING. You were in the Department after his departure from Washington, is that your understanding?

Mr. HELVERING. Well, of course, you gentlemen understand, we had a hearing, and that was referred to a committee, which I appeared before afterwards. I don't recall how many hearings I had in that particular case. Maybe a half dozen.

Senator WALCOTT. It was referred by Mr. Powell or Mr. Keenan, whoever it was.

Mr. HELVERING. My impression is that it was before a man named Darnell. Mr. Powell was a man in that section, I remember.

Senator WALCOTT. And did they refer cases to some board or committee before whom the claimants appeared, or their attorneys?

Mr. HELVERING. At that time—I don't know just what the set up is now—they had an oil section. This oil section had its auditors and a chief to make a final determination of these oil taxes.

Senator HASTINGS. Was Mr. Cummins instructed by you or Mr. Washington to go out and make a physical examination with a view to determining just what tax might be valid or legal?

Mr. HELVERING. I suppose we followed the same procedure in this, Senator, as we did in other cases of a like nature. Mr. Cummins was employed by me and did all that work. Of course, this was a small case beside some we worked on.

Senator HASTINGS. Did he work on a fee basis, or on a salary?

Mr. HELVERING. No; on a salary, in my office.

Senator HASTINGS. He had nothing to do with your charging of a fee?

Mr. HELVERING. No.

Senator HASTINGS. You paid him a monthly or annual salary?

Mr. HELVERING. Yes, sir.

Senator KING. Did you pay him out of the \$10,000, do you recall?

Senator BARKLEY. He said he was on an annual salary.

Senator KING. I beg your pardon.

Senator BARKLEY. Did you have an engineer in New York to whom you referred this matter?

Mr. HELVERING. No, sir.

Senator BARKLEY. Or any engineer with whom you had to get in touch?

Mr. HELVERING. No, sir.

Senator BARKLEY. Did you say anything about an engineer in New York in that connection?

Mr. HELVERING. I don't know what would make me. I never had

one.
Senator WALSH. Did the Government make any survey, or employ an engineer or send anybody out to verify the statements made by those seeking a reduction in this tax, that you know of?

Mr. HELVERING. Not that I know of.

Senator WALSH. So far as you know, the Government relied upon the presentation made by you?

Mr. HELVERING. I don't know—they have their field reports on it. I don't know what that was. I don't recall now.

Senator KING. The Government had, at that time, did it not, as it has had right along, field experts, surveyors, and appraisers, and so on, in the field of make the appraisals?

Mr. HELVERING. Yes, sir.

Senator KING. I know they did in the copper fields.

Mr. HELVERING. Yes, sir.

Senator KING. And my recollection is they had in the oil fields as well.

Senator WALCOTT. Mr. Helvering, how did you come to meet this man Edgecomb in the hotel that morning?

Mr. HELVERING. Well, Washington called me.

Senator WALCOTT. Who is Mr. Washington?

Mr. HELVERING. Washington, Henry & Co., the firm of accountants.

Senator WALCOTT. They called you here, and told you to meet him there?

Mr. HELVERING. I was living in the hotel.

Senator CLARK. You had already been employed in the case prior to that time, had you not? They had discussed the matter of employment with you prior to that time?

Mr. HELVERING. No; I never had known the facts in the case.

Senator WALCOTT. How did you identify Mr. Edgecomb? You met him in the hotel?

Senator McADOO. Mr. Washington accompanied him, as I understand it. He knew Washington.

Senator WALCOTT. Washington brought him down to the hotel and called you?

Mr. HELVERING. Yes.

Senator CLARK. There is nothing unusual for a lawyer to meet a prospective client by appointment, I take it.

Senator WALSH. How long was this case pending?

Senator HASTINGS. They sold the property in 1918.

Senator WALSH. What year was the assessment?

Senator HASTINGS. They say—

We sold out in 1918, for \$50,000, and were practically defunct. In the spring of 1918 Revenue Inspector Fred Stuckey checked our books from an income-tax standpoint. When he finished he did not advise me or anybody else so far as I know whether he found any additional tax. At the time the company quit business we laid aside the sum of \$25,817.50 to take care of any tax that might be found due.

Did you represent the Slim Jim Oil Co. in a tax controversy?

Senator WALCOTT. Have you got it clear now as to what the contract finally was and whether there was a written contract or not?

Mr. HELVERING. I suppose there was a written contract, Senator, because I made one in every case.

Senator WALCOTT. All right, if there was a written contract, did it abandon the \$10,000 contract or flat charge which you said that you made?

Mr. HELVERING. As I recall, without ever having thought about this case since, I told them my fee would be \$10,000.

Senator WALCOTT. That is not my question. I want to know if that was ever abandoned.

Mr. HELVERING. If this contract was written with them that they would not pay \$10,000, thinking they owed more money, and I agreed to take it for the balance below what was set aside, I suppose that was the contract that was made.

Senator WALCOTT. The point is, you do not deny the accuracy of that statement?

Mr. HELVERING. No; I don't, because I don't recall.

Senator BARKLEY. Let me ask this in that connection; there is an insinuation in that report that you were employed not only in this case, but in other cases, because you had some official influence over somebody in the Treasury Department by which you could get these cases settled at a nominal sum. Did you have any such connection or anything to give you any advantage over any other attorney practicing down there in cases of this kind?

Mr. HELVERING. Well, Senator, if you had known the fight I had to get these hearings, extending over weeks and weeks.

Senator BARKLEY. That is not the question.

Mr. HELVERING. I had nothing, and did nothing except to file these cases. I knew what the law was. I thought I did. I helped write the law, and I thought I was right in my grounds, in insisting on those hearings, insisting on those decisions.

Senator BARKLEY. Was there anybody in the Department who gave you advance information of probable cases, with a view of having you employed in them?

Mr. HELVERING. No, sir. My cases all came from the field, every one of them.

Senator WALCOTT. Your cases came through this firm, did they not?

Mr. HELVERING. Yes, sir.

Senator WALSH. You were a member of the Ways and Means Committee when you were in Congress?

Mr. HELVERING. Yes.

Senator WALCOTT. Your cases amounted into the hundred through this firm, as I understand you.

Mr. HELVERING. No; perhaps 15 or 20.

Senator WALCOTT. Through this firm?

Mr. HELVERING. Senator, I had one case that in itself was worth more than all the Washington, Henry cases.

Senator WALCOTT. That was not my point.

Mr. HELVERING. Whatever cases they had, I got.

Senator WALCOTT. Let us get this; there were some cases came through this firm?

Mr. HELVERING. Yes.

Senator WALCOTT. And this firm had been in the Department, had it not?

Mr. HELVERING. The members of the firm.

Senator WALCOTT. Yes.

Mr. HELVERING. Yes, sir; in years past.

Senator WALCOTT. How long since?

Mr. HELVERING. I think they went into the Department somewhere along about 1913, 1914, or 1915.

Senator WALCOTT. There weren't any tax cases then, only excise taxes in 1914 and 1915.

Mr. HELVERING. I think Mr. Henry had been with the Department—

Senator WALSH. The income tax started in 1916.

Senator McADOO. The income tax started in 1913.

Senator WALCOTT. That was excise tax.

Senator McADOO. Income tax.

Senator BARKLEY. The first income tax was made a part of the tariff act in 1913.

Mr. HELVERING. The big increase came in the law of 1916.

Senator McADOO. I put them in operation so I know it was 1913.

Senator WALCOTT. Wasn't that excise tax?

Senator McADOO. No; it covered the tariff act of that year.

The CHAIRMAN. They kept increasing them during the war.

Senator WALCOTT. I think perhaps I have not made it clear. I mean the tax litigation arose because of the 1918 act.

Mr. HELVERING. 1916, Senator.

Senator WALCOTT. The litigation I am talking about. I know we had a tax in 1916; but when the big increase came in 1918, it was retroactive in its character and was passed February 19, 1919.

Senator McADOO. That was the excess-profits tax.

Senator WALCOTT. That is the big one. That is the one from which most of these tax cases arose.

Mr. HELVERING. It had to do with the income tax of the 1916 law, and also the excess-profits tax.

Senator WALCOTT. You state that these men left the Department about 1913, 1914, or 1915?

Mr. HELVERING. No.

Senator WALSH. He said they entered them.

Senator WALCOTT. What time did they leave? That was my question.

Mr. HELVERING. The first intimation I had that they were out of the Department was when they talked to me about handling cases for them.

Senator WALCOTT. So you don't know when they left?

Mr. HELVERING. No; I don't know the exact date.

Senator HASTINGS. Would that be 1919?

Mr. HELVERING. Possibly.

Senator KING. That was when they had their auditing firm in Wichita, Kans.?

Mr. HELVERING. Yes, sir.

Senator KING. Where both of them formerly lived?

Mr. HELVERING. Well, Washington lived there. Then they branched out and put a firm in Kansas City.

Senator BARKLEY. Were they in the Department here in Washington at one time prior to their connection with you?

Mr. HELVERING. No, sir. I don't think so.

Senator BARKLEY. They were out in Kansas, under the internal-revenue collector?

Mr. HELVERING. Yes, sir.

Senator BARKLEY. They didn't have any connection at Washington. Did they hold any official position in the Department at Washington?

Mr. HELVERING. No, sir.

Senator WALCOTT. They were revenue agents in charge, were they not? That was their title?

Mr. HELVERING. I think they were examiners or deputies in some way.

Senator WALCOTT. You don't know about that?

Mr. HELVERING. No; I don't know what their position was in the Department.

Senator HASTINGS. Do I understand you, Mr. Helvering, to say you always made a contract with your clients, and then Washington, Henry & Co. rendered their bill for auditing service? Is that correct? Is that correct in all the cases they sent you?

Mr. HELVERING. Sometimes it was taken on a contingent basis.

Senator HASTINGS. Contingent basis between you and Washington, Henry & Co.?

Mr. HELVERING. Some cases were taken on a straight contract, like the largest case I had that I referred to. That was taken on straight contract.

Senator REED. What do you mean by straight contract?

Mr. HELVERING. So much for handling the case.

Senator REED. Win, lose, or draw?

Mr. HELVERING. Yes, sir. Some were taken on a contingent basis, as to what the tax could be reduced.

Senator HASTINGS. Then what division did you make with Washington, Henry & Co. as to those cases taken on a contingent basis? That is where they sent the cases to you.

Mr. HELVERING. Sometimes I would charge them a fee, and sometimes I would split it 50-50.

Senator WALCOTT. What is the name of the man who made that affidavit?

Senator HASTINGS. Edgecomb.

Senator WALCOTT. Do you know him, Mr. Helvering?

Mr. HELVERING. If he was an officer of this company, I do. I met the officers of the company.

Senator WALCOTT. Did you ever have any trouble with him?

Mr. HELVERING. Not that I know of.

Senator WALCOTT. Do you know of any reason why he would make an affidavit to any such statement?

Mr. HELVERING. No; I do not.

Senator COUZENS. Senator Hastings, what started this investigation?

Senator HASTINGS. There was what was described as sensational newspaper articles out in Kansas about the way the taxpayers were being defrauded by having false assessments made against them. That was observed by the Internal Revenue Department, and these agents were sent out and interviewed the newspaper and got started on the case.

Do you remember a man by the name of H. F. Ferry, of Eldorado, Kans.? Do you remember handling a case for him?

Mr. HELVERING. I handled a case for—I don't recall that name. I remember a man by the name of Adams and a man by the name of Knox in an oil company.

Senator HASTINGS. It says:

Prior to the year 1910 H. F. Ferry, of Eldorado, Kans., was not required to pay income tax. During that year he made some money and secured the assistance of some one in the office of the collector of internal revenue at Wichita, in

making out his return. During the year 1917 he made considerable money in the oil business, and in the preparation of his return for that year he was assisted by Fred H. Stuckey, internal-revenue agent, temporarily assigned to duty in the collector's office. Mr. Stuckey went over his books and prepared a return showing total tax, including excess-profits tax, which he insisted Mr. Ferry should pay, of \$16,655.74.

When Mr. Ferry objected to the amount Mr. Stuckey told him to pay it and file a claim for refund. Mr. Ferry says that he did this, but his claim for refund was not accepted at the Wichita office. He later learned that some of his associates had gone to Harry Washington, of Washington, Henry & Co., who ruled that they did not have to pay excess profits tax. He then called upon Harry Washington and was informed that he should have to pay \$1,056.31. They then prepared an amended return and applied for refund, on the ground that his income was not subject to excess profits tax. In December 1919, while the application for refund was pending, an examination of his return for 1917 was made by Internal Revenue Agent Hickman, who reported that neither Mr. Stuckey nor Harry Washington was right, but that there should be paid \$18,853.86 in addition to the amount shown in the return prepared by Agent Stuckey. This amount was assessed on the next list after March 17, 1920. Mr. Ferry took the matter up with Harry Washington, who arranged for a hearing in Washington, D.C., in May 1920. Harry Washington called upon Guy Helvering to assist him and Ferry made a contract with Helvering, under the terms of which Helvering was to receive \$3,500 for taking care of the last additional tax reported by Agent Hickman, and 40 percent of any refund on the \$16,655.74 originally paid for 1917. At the appointed time Ferry went to Washington, D.C., and appeared with Mr. Helvering before Mr. Powell of the natural resources section, and afterward before Deputy Commission Newton and two members of the board abatements.

Q Do you remember that case?

A Mr. HELVERING: No, sir; I don't remember that case at all, at the present time.

Q Senator HASTINGS: Do you remember the Slim Jim Oil Co. case?

A Mr. HELVERING: Yes, sir.

Q Senator HASTINGS: Did you handle that?

A Mr. HELVERING: Yes, sir.

Q The CHAIRMAN: What is the first name of this man Knox you mentioned? You mentioned a Mr. Knox.

A Mr. HELVERING: I can't tell you offhand, Senator Harrison.

Q The CHAIRMAN: He lives where?

A Mr. HELVERING: In Eldorado; also a man by the name of Adams. Ferry may be a man who is associated with Adams in a certain case there.

Q Senator HASTINGS: Did Washington, Henry & Co. have the Slim Jim Oil Co. case?

A Mr. HELVERING: Yes, sir.

Q Senator HASTINGS: What was the controversy in that case, as you remember it?

A Mr. HELVERING: I don't recall what the controversy was about the tax.

Q Senator HASTINGS: Do you remember that James Titus, the president, had retained the law firm of Holmes, Yanke, Holmes & Eaton, to look after their interests?

A Mr. HELVERING: I do not.

Q Senator HASTINGS: And this statement says:

The senior Holmes made several trips to Washington without being able to effect a settlement. Suddenly and without giving any reason therefor, Titus paid Holmes for services already rendered, withdrew the case from that firm and turned it over to Washington, Henry & Co., through whom a settlement was effected in Washington, D.C., for \$459,282.17.

Q Mr. HELVERING: Yes, sir; I remember the case.

Senator HASTINGS: What are the facts in that case?

Mr. HELVERING. We had a hearing on the basis of an audit made by this company.

Senator HASTINGS: The firm of Washington, Henry & Co.?

Mr. HELVERING. Yes, sir; that audit revealed a tax liability of \$450,000. We fought that through the department, through the advisory committee and it was fixed at a certain amount along about that figure. A year or so afterward they called me and wanted me to go back to fight that case over.

The CHAIRMAN. Who called you?

Mr. HELVERING. Washington, Henry & Co. They said there had been a reaudit down there. They came up, and of course I intended to continue to fight the case out for them, but they came up and admitted to me that the original audit which they had set up, and on which I had depended to make this settlement, had, with the cooperation of certain officers of the company, been padded, and I refused to have anything more to do with the case from that time on.

Senator HASTINGS. You had already had a settlement, hadn't you?

Mr. HELVERING. Oh, yes; and it had gone some two and a half years.

Senator REED. Did you call the attention of the Government to that fact?

Mr. HELVERING. How is that?

Senator REED. Did you call the attention of the Government to that fact?

Mr. HELVERING. No; I never knew about this audit until the Government representative had reinvestigated the case and found it, and I never took another case for Washington, Henry & Co.

Senator CLARK. In other words, the Government found out about it before you did?

Mr. HELVERING. Yes.

Senator CLARK. That is in response to Senator Reed's question.

Senator HASTINGS. When was it that they came back to you and wanted you to take the case?

Mr. HELVERING. I think about 2 years after this.

Senator HASTINGS. As a matter of fact, didn't this report that was filed in 1921 put Washington, Henry & Co. out of business anyway?

Mr. HELVERING. Yes.

Senator HASTINGS. So they did not have any opportunity to send any more cases to you after that, did they?

Mr. HELVERING. Well, Mr. Henry, I think, was reinstated, or something. I don't recall all those facts, but this investigation revealed they had done those things and they were disbarred. I don't know whether they were both admitted or not. I think they were. At least one of them was admitted to practice before the Department.

Senator WALSH. What was the fee that was collected in that case?

Mr. HELVERING. I think \$25,000.

Senator HASTINGS. Do you know anything about a dispute with some persons who claimed they had a right to examine the books of the Slim Jim Oil & Gas Co. and have an accounting? This statement says:

A few months ago Judge F. C. Wilson, attorney at law, Wichita, as counsel for a client who had brought suit against the Slim Jim Oil Co. for an accounting.

reached an oral agreement with James Titus for an audit of the company's books for the year, 1917, by Clinton, Montgomery & Co., certified accountants.

Do you know anything about that?

Mr. HELVERING. No, sir; I never heard of it. There was a good deal of complication about that case, down among them there. The officers were trying to get away with everything, as I understand it.

The CHAIRMAN. This concern out there that was doing this auditing, you had confidence in them?

Mr. HELVERING. Oh, absolutely, at first, until this matter came up.

The CHAIRMAN. But when it was revealed they had padded it, you refused to have anything more to do with them?

Mr. HELVERING. I refused even to go to the Department to try to get them reinstated.

Senator HASTINGS. That was after they had admitted to you they had made false statements?

Mr. HELVERING. Yes. They both came to me and wanted me to go over to the Department and make a plea for them to be reinstated, or have the right to appear before the Department.

Senator HASTINGS. When did they make that application to you?

Mr. HELVERING. I think it was shortly after this Slim Jim Oil Co. case was revealed.

Senator HASTINGS. Now, Mr. Helvering, there is one other matter I want to take up. I have some correspondence from people in Kansas, and, of course, I don't know anything about it. What political position did you hold in Kansas? Were you chairman of the Democratic State committee, or national committeeman?

Mr. HELVERING. Well, I am chairman of the State committee and vice chairman of the national committee.

Senator HASTINGS. How long have you been chairman of the State committee?

Mr. HELVERING. I was elected before the campaign 2 years ago.

Senator HASTINGS. You have been managing that committee since that time?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. Was it the practice of your committee to assess the office holders of your State for campaign contributions?

Mr. HELVERING. It was the policy of our department to collect. We never assessed anybody.

Senator HASTINGS. How did you collect it?

Mr. HELVERING. We asked the various people in the employ of the State to help support the campaign.

Senator HASTINGS. Did you point out the amount that each of them ought to give?

Mr. HELVERING. That was generally based on about 2½ percent.

Senator HASTINGS. It was not an actual assessment?

Mr. HELVERING. Oh, no. There were hundreds of them that were paid a salary.

Senator HASTINGS. Did they keep their jobs just the same?

Mr. HELVERING. Yes, sir; every one of them.

Senator HASTINGS. Did any of them pay as much as 5 percent?

Mr. HELVERING. Well, there may have been some of the fellows on the board of administration or something. They were all voluntary contributions.

Senator HASTINGS. Was that turned over to you or paid directly into the Treasury?

Mr. HELVERING. It was paid into the Treasury.

Senator HASTINGS. Not handled by you at all?

Mr. HELVERING. Well, I did most of the work.

Senator HASTINGS. And did most of the collecting?

Mr. HELVERING. Yes.

Senator HASTINGS. And made your report to your treasurer?

Mr. HELVERING. Yes.

Senator CLARK. Had this method of soliciting funds from State employees been customary in previous administrations in Kansas, Mr. Helvering?

Mr. HELVERING. Yes; it had.

Senator BARKLEY. You might include all the other 47 States, too, Senator.

Senator CLARK. What I meant was, whether it had been customary in previous Republican administrations in Kansas to solicit funds from State employees.

Mr. HELVERING. Oh, yes; we have a complete list of what had been done for 6 years before.

Senator CLARK. In other words, they did the same thing you did.

Senator GORE. You didn't develop much experience along that line.

Senator WALSH. Have you the newspaper reports that led to this investigation, Senator?

Senator HASTINGS. I just glanced over them.

Senator WALSH. Was there any intimation in those reports that these auditors had resigned their Federal positions with knowledge of pending tax claims and had set up this office for the purpose of engaging in the business, through their knowledge of it?

Senator HASTINGS. It may be in here. I didn't read them over very carefully, because I did not assume that newspaper reports could be considered as evidence.

Senator WALSH. I just wanted to know if that was the charge.

Senator HASTINGS. The whole scheme is set out here, but no names are mentioned. The whole plan is here.

Senator WALSH. Was the scheme, in effect, that these Federal officials, who had been employed by the Federal Government, and who had knowledge of litigation over tax matters, resigned their positions and started an office for the purpose of soliciting those cases?

Senator HASTINGS. There is no doubt about this whole record showing that Washington, Henry & Co. were engaged, and successfully engaged, in that kind of business, and had some inside information.

Senator WALSH. Using the knowledge that they had obtained as Federal officials.

Senator CLARK. Let me ask this, Senator; do I understand you to say that this record discloses that these men were using the knowledge they had obtained? I understood you to say you didn't know they had been officials.

Senator WALSH. I was asking about the newspaper reports that led to the investigation. Am I correct? Did you understand me?

Senator HASTINGS. Yes; I think so.

Senator WALSH. Did these auditors employ any other attorney than Mr. Helvering?

Senator McADOO: You mean this accounting firm?

Mr. HELVERING. I don't know that they did.

Senator WALSH. Was this setting up of this establishment by them at the time and in conjunction with your employment as an attorney?

Mr. HELVERING. You mean—

Senator WALSH. Did they resign their office, start in the business of being accountants for the purpose of adjusting tax claims against the Government, at the time you were employed?

Mr. HELVERING. Oh, no. They had been in business before that.

Senator WALSH. How long had they been in business before you were employed?

Mr. HELVERING. Oh, I think a year or two. I don't remember.

Senator WALSH. That is quite important, in my judgment. If they resigned their offices and entered into an understanding or agreement with you to act as their attorney, that is one thing. If they resigned to enter this business and looked around 6 months or so afterward for an attorney and then employed you, that is a different thing.

Mr. HELVERING. That is an exact statement, the last statement you made. They were looking for an attorney and came down and employed me.

Senator WALSH. There was no other attorney employed that you know of before you were employed?

Mr. HELVERING. I don't know of any. I think the first case they brought down here for determination was the Emery, Byrd, Thayer Co. case.

Senator HASTINGS. I don't think there is anything in the record that justifies any conclusion that an arrangement was originally made when these people went in business, along with Mr. Helvering.

The CHAIRMAN. It does show that this firm acted badly. This firm, or some of the members, were disbarred.

Senator HASTINGS. You can't read that record without reaching the conclusion that they were a lot of crooks.

Senator COUZENS. Were they employed at Wichita for the Government, Senator Hastings?

Senator HASTINGS. I don't know whether it appears definitely that they were employed at Wichita or not, but they were employed somewhere as field agents, as I recollect it, and they got their knowledge of the business there.

Senator WALSH. From pending cases? And the possibilities of litigation.

Senator HASTINGS. Yes.

Senator CLARK. Let me ask you, Mr. Helvering, did you have any connection with this firm of accountants, except handling certain cases they sent down to Washington to you? You handled them in Washington?

Mr. HELVERING. Absolutely. All my work was done in Washington.

Senator CLARK. You had no connections with the firm whatever, except you handled certain cases they sent you.

Mr. HELVERING. I might say the total amount of the cases Washington, Henry & Co. sent me was not a big part of my total business.

Senator WALCOTT. You took the cases one at a time?

Mr. HELVERING. Yes.

Senator WALCOTT. And upon an express contract each time?

Mr. HELVERING: Yes.

Senator GORE: What were the initials of these men, Washington & Henry?

Mr. HELVERING: Don Henry and Harry Washington.

Senator BARKLEY: Did you know these men while they were in the Government service?

Mr. HELVERING: I had known Don Henry ever since he was a boy. I did not know Harry Washington.

Senator BARKLEY: What was his position?

Mr. HELVERING: I can't tell you, Senator.

Senator BARKLEY: If he was a field agent, that is a civil service job, is it not?

Mr. HELVERING: He might have been in the collector's office.

The CHAIRMAN: Mr. Irey is here. He can give us all this information. He is the investigator for the Department.

STATEMENT OF ELMER L. IREY, HEAD OF THE INVESTIGATION DEPARTMENT, BUREAU OF INTERNAL REVENUE

The CHAIRMAN: Will you explain to the committee anything about this report that connects Mr. Helvering with it?

Mr. IREY: The report, as Senator Hastings knows, is a 27-page carbon report, and it relates particularly and principally to Washington, Henry & Co. I drew off a memorandum, just for the Senator, of about three pages, which contains all I could find in the way of facts relating to Mr. Helvering.

Senator HASTINGS: You left out one, from my point of view, very important thing, and that was the fact that after this claim was made of \$152,000 Mr. Helvering made an agreement with the taxable, a written agreement, whereby he agreed to accept as his fee all that he could save over and above the amount that had been set aside for the tax.

Mr. IREY: Yes.

Senator McADOO: You mean all that he succeeded in reducing the amount of the tax?

Mr. IREY: Below the \$25,000.

Senator HASTINGS: I think that was a very important thing which you did not include in your report, your synopsis.

Mr. IREY: Senator, there was nothing intentional about it, because I left the report with you. I had no idea of not conveying to you all the information there was.

This case was based on a complaint that came to us primarily from a man named Crockett, an accountant in Kansas, addressing the former Deputy Commissioner, who, in turn, sent the matter in to the bureau, and we started an investigation. Following that there were some newspaper articles in Governor Allen's paper in Kansas, which bore on questionable practices on the part of tax consultants in Kansas. There was nothing in these original complaints with respect to Mr. Helvering. The only matter developing with respect to him came out in the course of the investigation of Washington, Henry & Co. Washington, Henry & Co. were former revenue agents in the service, located in Kansas, and they left the service.

Senator BARKLEY: Were they civil-service employees?

Mr. IREY. Yes. I have telephoned the office to find out just when they left, and that information ought to be here at any minute. They had been conniving with employees of the revenue service, both in the revenue agent's office and the collector's office, and had been getting information improperly from them and had been soliciting cases improperly from taxpayers. They were neither admitted to practice before the Treasury Department. You will notice in the report that we were very much surprised that that fact existed. That was away back in the beginning of the building up of the organization, and such things as that were probably a little more loosely handled than they are now. These men had been appearing before employees of the Bureau in tax cases, but were not at liberty to practice. We settled the report on to what is known as the enrollment committee, and when they made application to be admitted in 1922, one of them was rejected, and the records show the other was admitted to practice, and so far as I know is still entitled to practice.

Senator McADOO. Who was admitted?

Mr. IREY. Henry was admitted. Washington was rejected. That is the history of Washington, Henry & Co., and I think that memorandum, except for the suggestion the Senator made, contains all there is with respect to Mr. Helvering.

Senator HASTINGS. Of course, as I pointed out to the committee, there is all over the record when they were soliciting this business, Emean, Washington, Henry & Co., constant references to the fact that Mr. Helvering represented them in Washington and they talked about his influence. Of course that is not binding upon Mr. Helvering.

Senator CLARK. Is there anything in the record to show Mr. Helvering had any knowledge of that practice?

Senator HASTINGS. Not at all.

Senator BARKLEY. Did you have any personal knowledge of these matters at the time they were being transacted in the Department; these cases in which Mr. Helvering represented the taxpayers?

Mr. IREY. No; because there are two different organizations. Our organization had nothing to do with the settlement of tax cases. During the course of the investigation we took up with the unit the question of reviewing these cases and letting us know whether or not they had been properly or improperly settled. They said that they put their most efficient men on and found there was nothing in these cases to show they had been improperly settled.

Senator KING. Was there anything in them to show that Mr. Helvering had sought to overreach the commissioners or examiners who had heard the cases?

Mr. IREY. Nothing was shown in that connection.

Senator KING. And although a meticulous examination of the cases was made, the report shows no settlement had been made of the cases with which Mr. Helvering was connected that was improperly made?

Mr. IREY. No. The only instance that might be mentioned in this connection was the Slim Jim Oil case, in which Mr. Helvering stated he represented the taxpayer in the beginning, and from which he afterward divorced himself, and after that the case was reexamined and additional tax found.

Senator BARKLEY. Was it collected?

Mr. IREY. It was not, because at that time they were insolvent to the extent of not being able to pay all the money. They paid \$250,000, I think, in addition to the \$450,000 they had already paid.

The CHAIRMAN. Are there any other questions?

Senator CONNALLY. There is nothing in the record to show Mr. Helvering ever had a case in which he represented people that were themselves of shady reputation, to his knowledge?

Mr. IREY. No, sir.

Senator CONNALLY. I suppose every lawyer in every court that ever had a case would be guilty of about the same thing.

The CHAIRMAN. Thank you very much, Mr. Irey. The committee will now go into executive session on other matters.

(Whereupon, at 3:05 p. m., the committee proceeded to a consideration of other matters in executive session.)

CONFIRMATION OF GUY T. HELVERING

MONDAY, MAY 15, 1933

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON FINANCE,
Washington, D.C.

The subcommittee met, pursuant to call, at 11 o'clock a.m., in room 437, Senate Office Building, Senator Alben W. Barkley presiding.

Present: Senators Barkley, Hastings, and Byrd.

Senator BARKLEY: Mr. Helvering, you might go ahead and make whatever statement you want to make with reference to the matter before us.

FURTHER STATEMENT OF GUY T. HELVERING

Mr. HELVERING: I gathered from the discussion before the committee the other day there were two or three things upon which you wanted information. I will say to Senator Hastings that when he jerked out this report and commenced asking me questions as to whether I said \$5 and \$6 to a certain fellow in 1920, I was rather nonplussed, because I could not recall. In fact, I do not recall the names of some of the men. I take it that some of the Senators felt there had been collusion or something to that effect between myself and those men. This man Washington, who was investigated by the department—I want to clear that up with just a statement that I have prepared.

Following the expiration of my term as a Member of Congress on March 4, 1919, I returned immediately to Kansas and completed the organization of the Reserve State Bank at Salina, Kans., securing the charter in April of that year. I took a majority of the capital stock, was elected president of the bank, and fully intended to devote myself to the banking business at Salina. I had no Washington connection, had not considered remaining in Washington, D.C., or reentering the practice of law either in Kansas or Washington.

In July 1919, I was in Kansas City, Mo., and happened to meet a representative of the Emory-Bird-Thayer Department Store. Knowing I had been on the committee which considered the 1916 income tax law, he complained to me of its unfairness. This company and an affiliated building company had been refused permission to file a consolidated return. Under the facts as he related them, I was certain they were entitled to file such a return and offered to look into the matter when in Washington. A short time later I took the case up with the bureau and had no difficulty in correcting the very evident error that had been made.

A few weeks later Mr. Harry Washington, who conducted the Wichita, Kans., office of the firm of Washington, Henry & Co., had

a case which he desired presented to the department. Mr. Henry, who was the auditor for the Emery-Bird-Thayer Co., advised him of my success in the Emery-Bird-Thayer Co. matter and suggested that he retain me to present the matter to the department. It was in July or August, 1919, that I first met Mr. Harry Washington in connection with any tax matter and we presented the tax problem of the Slim Jim Oil Co. It was at this time, while in Washington, that I became interested in the question of allowance of deductions for oil reserve depletion. This matter had been discussed in the committee before the passage of the 1916 law and I was convinced that such deductions could be made under the law as enacted. I was retained by Mr. Hardin of Wichita Falls, Tex., to try out this particular question before the bureau. The bureau held adversely to our contention, but upon presentation to the Attorney General upon an agreed statement of facts, by the solicitor of the bureau and myself, an opinion was obtained sustaining my contention.

As a result of this case I was employed by other oil producers and decided to open a Washington office. This I did and maintained an office and my residence in Washington until January 1922. I then returned to Kansas and the banking business. My Washington office was handled by Mr. Milton Carter for me until August 1922, at which time I gave him a power of attorney to wind up all my cases before the Bureau. After August 1922, my practice before the Bureau was very limited, being largely confined to finishing matters that were pending and some minor cases.

During my practice in Washington I received several cases through the firm of Washington, Henry & Co., but the major part of my business came directly as a result of the depletion cases. I had no connection with this auditing firm and received business from them in exactly the same manner as from a dozen other firms. I never at any time solicited business through this or any other firm. I did not handle any business for Washington, Henry & Co. after the disclosures of the methods used by Washington in securing cases. Prior to this time I had no notice, intimation, or knowledge of any irregularities in the methods used by Mr. Washington in obtaining business. Later I handled some matters for Mr. Henry after he had severed his connections with Mr. Washington.

My attention has been called to a statement by Mr. Edgecomb, who was connected with the Trapshooter Oil Co., concerning a conversation had with him 12 years ago in a hotel in this city. This statement is false. The contract to which he refers was made with the board of directors of the Trapshooter Oil Co. in Wichita, Kans., and was completed before I ever met Mr. Edgecomb. One of the stockholders and acting directors of the company is now in Washington and is available if the committee wish to interrogate him concerning this contract.

SENATOR BYRD. You left Congress on March 4, 1919?

MR. HELVERING. Yes. I want to say in connection with the settlement of the case of the Slim Jim Oil Co., the complete record is in the files. That case was settled under what was known as section 210 of the revenue act of that year. I will say that after I presented the case the whole matter was conducted in the bureau and adjustments made exactly under that section of the law which was in effect at that time.

Senator BARKLEY. Is that the case where the first claim for taxes was \$1,211,000, and which they finally settled for \$449,000?

Mr. HELVERING. Yes. If you will look in your files there—you told me you had the Slim Jim Oil Co. here—you will see the settlement of that case.

Senator BYRD. What was your compensation?

Mr. HELVERING. My compensation in that case was \$25,000, \$14,500 to me after I paid all my expenses. My income tax return for that year shows \$14,500. The whole complete file is in the case. The people in charge of the department made all the orders and settled it under that particular provision of the law which was in existence at that time, which provided that arbitrary amounts, percentages, could be fixed for unusual profits in that year as the result of sales. That was the regular practice.

I have a copy of the power of attorney which I gave to Mr. Carter, of which the original is filed with the bureau. That is dated the 12th day of August 1922. That can be made a part of the record. (The power of attorney referred to is as follows:)

SUBSTITUTION POWER OF ATTORNEY

STATE OF KANSAS,
Saline County, ss:

Guy T. Helvering declares that by virtue of the power in him granted by a power of attorney of _____ he does by these presents appoint and substitute in his place and stead Milton E. Carter of Washington, D. C., to be the true and lawful agent and attorney in fact of the said _____ for all the purposes mentioned in said power of attorney, including that of substitution and revocation, hereby giving and by these presents granting unto the said Milton E. Carter full power and authority to do, perform, and execute all and every such act, matter or thing contained in said power of attorney, as fully as he the said appearer himself might or could do by virtue thereof, hereby ratifying and confirming all that the said substitute may do or cause to be done by virtue hereof.

GUY T. HELVERING.

Subscribed and sworn to before me this 12th day of August, 1922.

[SEAL]

C. R. BROWN, Notary Public.

Senator BYRD. When did you terminate your connection with Washington, or have any business connections there?

Mr. HELVERING. That is covered in my statement.

There were two parts of this Washington-Henry Co., one at Kansas City, one at Wichita. Mr. Henry had charge of the one at Kansas City and Mr. Washington at Wichita. Mr. Henry, it developed on the hearing was allowed to remain in practice and Mr. Washington was not.

The thing the Senator was questioning more particularly about was the statement by Mr. Edgcomb. One of the directors of the property is here.

Senator HASTINGS. What is his name?

Mr. HELVERING. Luther.

Senator HASTINGS. Where does he live?

Mr. HELVERING. Cimarron, Kans.

Senator HASTINGS. Where is he in Washington?

Mr. HELVERING. Right out here in the office.

Senator HASTINGS. How long has he been here?

Mr. HELVERING. He came last night.

Senator HASTINGS. For this purpose?

Mr. HELVERING: I called Travis and could not find him; and then I called Little because he was one of the directors, and asked him to come here if the committee cared at all to interrogate him on this subject.

Senator BARKLEY: Have you refreshed your recollection in any way as to the fee actually received in that Trapshooter's Oil case?

Mr. HELVERING: Yes, sir.

Senator BARKLEY: Do you know what you actually received?

Mr. HELVERING: Yes, sir.

Senator BARKLEY: What was it?

Mr. HELVERING: I think about \$18,000.

Senator BARKLEY: I mean your fee.

Mr. HELVERING: Well, I have no way of telling just how that was divided. I have not my working papers or my income tax returns for that year.

Senator BARKLEY: But \$18,000 was the difference between the \$25,000 that was set aside and the \$7,000 that was actually paid.

Mr. HELVERING: I would rather that you got this direct from Mr. Luther, but he tells me that the contract with us was that they were to pay me \$2,500 no matter what happened.

I have no copy of that contract in my files. He tells me that I did request them to pay me \$10,000. One of the directors said that they did not want to send good money after bad but they would take a chance and give me anything I could have in addition to the \$2,500 out of the money they had on hand.

Senator HASTINGS: What is it that is false about Edgcomb's statement?

Mr. HELVERING: The fact that he said in his statement that he met me in a Washington Hotel and I told him I had to hire some engineer in New York, whose statement would be accepted by the Department.

I never had any connection with an attorney or engineer in the city of New York, never hired an engineer from the city of New York, never used an engineer in the Trapshooter's Oil Co. case.

Senator HASTINGS: You stated the other day that part of it could not have been true that you did not have an engineer in New York, but the balance of it, with respect to the substance of the contract, is true; isn't it?

Mr. HELVERING: Yes, but the intimation, as you read it, as I remember, Senator, was that I tried to mulct him out of \$10,000.

Senator HASTINGS: That is true. You denied that the other day.

Mr. HELVERING: Yes.

Senator HASTINGS: What light can be thrown on it by this stockholder out here?

Mr. HELVERING: The only thing that he can tell you is that the contract was completed out in Wichita, Kans.

Senator HASTINGS: Well, the treasurer says—I think he left the intimation, at least, that he drew up the contract and it was signed here.

Mr. HELVERING: Yes. Now, I do not know where the contract was signed. Mr. Luther tells me that it is his recollection that the contract was all agreed upon and ordered by the board of directors of this company at the meeting in Wichita, Kans.

To verify my statement about the other proposition, Senator, one of the intimations was that I was trying to—well, I find that the bank

charter was issued in April 1919. I was elected a director of the Planters on January, 1920, vice president of the Planters, January 1922. In other words, I went into the Planters' Bank out there in 1922, in January. I left Congress in 1919. I was looking for a place to start a bank, and started in business out there.

Senator BARKLEY: You stated that up to the time you went out of Congress you never met Washington?

Mr. HELVERING: I knew Henry, but I never met Washington.

Senator BARKLEY: What connection did Henry have with this department store at Kansas City?

Mr. HELVERING: He was the auditor for them.

Senator BARKLEY: Do you know how long he had been auditor?

Mr. HELVERING: I don't think he was the general treasurer. I think he was the man who set up their tax case, did the auditing in that manner.

Senator BARKLEY: How long had you known him?

Mr. HELVERING: I have known him since he was a boy.

Senator BARKLEY: Did you know he and Washington were partners when you left Congress and went out to Salina?

Mr. HELVERING: No, I did not know it then. I knew it shortly after that.

Senator BARKLEY: All through this record there is very considerable evidence to show that Washington made statements out there to the effect that he had a friend in Washington who evidently was you, who stood in with the Department and could get results.

Mr. HELVERING: Yes.

Senator BARKLEY: Do you know anything about those representations that he made, or did you approve of them, or have any part in them?

Mr. HELVERING: No, sir. I knew of them later.

Senator BARKLEY: I mean at the time they were made?

Mr. HELVERING: No, sir; I did not. I took particular pains—the business they sent me was not a big part of my business at all. Here are a few of the companies and auditing firms and lawyers I represented, many of whom sent me more business than Washington did.

R. B. McKinley, Chicago; Henry M. Snyder, St. Louis; Stuart James, Kansas City; R. C. Birmingham, Charlotte, N.C.; the Durham Southern Railroad; Scott Ferris Co. from Oklahoma; more business than I got from Washington.

Senator BARKLEY: And Scott Ferris had at one time been a Member of the House?

Mr. HELVERING: Yes.

Senator BARKLEY: He was nominee for Senator out there once, is that right?

Mr. HELVERING: Yes.

Senator BARKLEY: Was there anybody in the Department in Washington or out in Kansas that gave you any inside information with reference to probable tax levies that were going to be assessed against people?

Mr. HELVERING: No, sir; I never heard of a single tax case or the amount assessed until the case was presented to me. I never knew anything about it. After I opened my office in the Southern Building in 1920, for a couple of years, nearly 2 years, I was very, very busy, had all the business I could handle there. Never in my whole experience did I contact anybody in the field except meeting the directors

of the Trapshooters Oil Co. and the receiver for a bank in Kansas City. Those are the only times I can recall that I ever met anybody in the field, and there was no solicitation by me at any time, no representation made by me, no basis for any representation by me that I had any influence with the Department. I heard afterward Mr. Washington said I had inside information, not so much inside information, but that I had a way of getting around the Treasury Department and getting things done, but if you will question some of the people down in Oklahoma, you will find that they said there that they had some influence with Members of the Senate and with Mr. Roper, and things like that.

Senator BARKLEY. Of course, a man who is unethical enough to go out and solicit business is probably going to represent to the people he solicits from that he has got some special influence with somebody. Did your decision to abandon your office in Washington and return to Kansas have any connection with the Republican victory in 1920, or the change of administration?

Mr. HELVERING. I understand that a certain Senator—this is hearsay—said I made \$200,000 in a few months. There is nothing further from the truth than that. I have not been able to find my working papers and tax returns back in those years. That is the working papers I made up the tax returns on, but I have secured the information that I reported a net income in 1919 of \$11,783; that I reported in 1920, a net income of \$41,825; that I reported in 1921, a net income of \$20,866. I can't find this net income—this was after Mr. Carter took charge of the office, and he tells me the amount I received from fees in 1922 was \$31,758. The year 1921 and 1922 was after the Republican administration came in, and I had absolutely no more trouble adjusting cases after the Republican administration came in than I had beforehand. It was just a matter of getting them up in the proper shape and presenting them. In 1923 I reported from these fees \$21,217.

Senator BYRD. That is roughly \$123,000 in 5 years?

Mr. HELVERING. \$123,000 in 5 years, and I will say to you that that large McMahon Oil Co. case, one of the largest cases presented before the Bureau, was in 1920.

Senator BYRD. What proportion of your employment was on a contingent basis? Was it all on fixed fees?

Mr. HELVERING. No, there was part on contingent. The situation at that time was, especially in 1919 and 1920, that very few people kept proper records. The Department in levying these taxes allowed deductions they could absolutely prove, just from the records they had. It was a big job to go out and set up a valuation of their properties, and all that thing, in order to get at the correct tax liabilities. They got these letters from the Government, and they thought that was the last word, but they wanted to have it threshed out, and many of them made the proposition, "We will give you a contingent fee, 10, 15, or 20 percent."

Senator BYRD. And you paid the expenses of these investigations out of that?

Mr. HELVERING. Yes. Of course, there were a great number of these cases I handled right through my own office.

Senator BYRD. What date was Washington disbarred from practice before the Department?

Mr. HELVERING. I don't know, Senator. I think the examination was concluded some time in 1921.

Senator BYRD. Did you have any further relations with him after he was disbarred?

Mr. HELVERING. No, sir. He couldn't practice anyhow. But here is what did happen. He tried to get his brother to practice, tried to send the cases through his brother. But some of my good friends in Washington told me it would give me a black eye, and after I found that out, I discontinued any connections with him at all.

Senator BYRD. He is in Kansas now?

Mr. HELVERING. I don't know. I think he is in Kansas City, Mo. I think he has a brother in Wichita.

Senator BARKLEY. The latest report I have is he is in Texas. The matter of this investigation out in Kansas of the roads department has been brought to our attention. What are the facts about that?

Mr. HELVERING. The facts are these—2 years ago the legislature passed a resolution for an investigation of the highway department.

Senator BARKLEY. Under what governor?

Mr. HELVERING. Governor Woodring. He vetoed it, but ordered a thorough audit of the books of the Department.

Senator BARKLEY. Was Woodring governor 4 years?

Mr. HELVERING. No; 2 years.

Senator BARKLEY. He just went out in January of this year?

Mr. HELVERING. Yes.

Senator BARKLEY. So that 2 years ago the investigation must have covered the Reid administration.

Mr. HELVERING. Oh, yes.

Senator BARKLEY. You said it was an investigation of the road department under Woodring, but it was actually an investigation of the administration of the previous 2 years, under Governor Reid?

Mr. HELVERING. Yes.

Senator BARKLEY. And that is the one Woodring vetoed?

Mr. HELVERING. Yes. He ordered an audit of the whole system. That audit was conducted by the firm of Scoville, Wellington & Co. At this last legislature they passed a like resolution. Congressman McGuigan can tell you about that. That was signed by the Government. That audit is now in progress.

Senator HASTINGS. An audit or investigation?

Mr. HELVERING. The resolution provided for an investigation.

Senator BARKLEY. Both resolutions covering the last 2 years or 4 years?

Mr. HELVERING. That resolution covers the last 6 years.

Senator BARKLEY. How long have you had a road department?

Mr. HELVERING. Since 1915 or 1917. The State Department as now constituted went into effect April 1, 1920.

Senator BYRD. And you were chairman of it?

Mr. HELVERING. Yes; in 1931 and 1932.

Senator BARKLEY. This investigation covers the whole period of the present highway commission?

Mr. HELVERING. Yes; and 2 years previous.

Senator BYRD. What is the status of that investigation now? How far have they gone and what have they disclosed?

Mr. HELVERING. They are having the books audited now.

Senator BYRD: They have not had any hearings.

Mr. HELVERING. No; I would like to say in connection with the road proposition, the records of the highway department, during the time I was with them—the records here in Washington, show that it was the most constructive road building of any 2 years. I can say that without fear of contradiction.

Senator BARKLEY: You mean in proportion to the money spent or the mileage?

Mr. HELVERING: Yes.

Senator BYRD. How much did you spend during that period?

Mr. HELVERING. We spent for construction some \$7,000,000; for maintenance, \$3,250,000.

Senator BARKLEY. Per annum?

Mr. HELVERING. Yes; a total of about \$13,500,000.

Senator BYRD. That was raised by current revenue; it was not raised by bonds.

Mr. HELVERING. It was raised by gas and motor vehicle tax and Federal aid. That is, we had Federal aid in connection with it.

Senator HASTINGS. Mr. HELVERING; how did you get these figures about the amount of money you received in the Slim Jim Oil Co. case?

Mr. HELVERING. Well, I have got a notation on my return for that here; first I have Bird-Thaayer, \$1,250, Slim Jim, \$14,500, and a couple of other cases, some smaller amounts, making a total of some \$16,000, and the expenses deducted left \$11,793.

Senator HASTINGS. Did you keep a fee book, a book of the fees collected by you?

Mr. HELVERING. I did not that first year, and I don't know about—I have got the books, the absolute books of the company, after Mr. Carter came in and took charge of the work.

Senator HASTINGS. What do you mean by company? Did you organize a company?

Mr. HELVERING. Well, I called Helvering-Carter Co. He came in as my assistant on a one-quarter basis, in 1922.

Senator HASTINGS. How long did that continue?

Mr. HELVERING. Until he finished up the business here in 1925.

Senator HASTINGS. What sort of books did you keep during 1920, 1921, and 1922?

Mr. HELVERING. I had a memorandum book with all these things written down in it. I wired and had them send in all the papers with reference to the bank, with reference to the 1928 income tax. The only thing they sent me is the income-tax report.

Senator HASTINGS. You did have a book showing in detail the amount of fees collected by you during those years, 1920, 1921, and 1922?

Mr. HELVERING. Yes; I think I have. I don't know where it is. I have not been able to locate it yet. My returns for the year 1920 show total fees collected, whatever they are, but it did not detail on the return what those returns were.

Senator HASTINGS. But your book would show—your book that you kept would show, wouldn't it?

Mr. HELVERING. I should think it would, yes.

Senator HASTINGS. You think you have that book in your possession?

Mr. HELVERING. As I say, I wired to the bank to send me the 1920 or 1921 return, and the only thing they sent me was the report I filed with the department.

Senator HASTINGS. Were you admitted to practice general law here in the District?

Mr. HELVERING No, sir.

Senator HASTINGS. You never were admitted to practice law here?

Mr. HELVERING. No, sir; I never made an application.

Senator HASTINGS. And you were a practicing lawyer before you came to Congress? Where?

Mr. HELVERING. In Marysville, Kans.

Senator HASTINGS. You said the Slim Jim Oil Co. case was settled under section 210, did you not?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. Just what do you mean by that?

Mr. HELVERING. Well, there was a section no. 210—if I had the law, I could explain it better—that provided that where unusual income was received as a result of a sale, or under any other unusual circumstances, that the department in reviewing the case, in order to get at the proper tax, could take the tax of like concerns and fix an arbitrary figure.

Senator HASTINGS. And that was done in this case?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. I understood you to say the other day when you were testifying that that case was based upon false statements made by Washington and some of the officials of the company.

Mr. HELVERING. No. Well, I may have said that, but what happened, as developed in the rehearing of that case, is that Mr. Washington and the auditor for the department, in order to reach this sum which the committee had said in that case should be the tax, had changed back into 1916 part of the income and 1917 part of the income, in order to make the total tax what that figure should be under the provisions of the committee.

Senator HASTINGS. As a matter of fact, wasn't this case settled by shifting the 1917 income back to 1916, and wasn't that the only way in which it could be settled?

Mr. HELVERING. No, sir.

Senator HASTINGS. You say no, to which part of my question?

Mr. HELVERING. It should have been settled under the percentage that the Unit had decided it should be settled under, under the 22 percent tax on the income. That is the way it should have been settled, and that is the way I understood it would be settled when I left the case. At that time the Department did not send to the Department a final determination. They sent it direct to the taxpayers. I have a letter from the Slim Jim people later saying the tax was \$459,000 and they were going to pay it.

Senator HASTINGS. Do you remember Titus being at the hotel where you were when that matter was being considered?

Mr. HELVERING. Well, he was here several times; yes.

Senator HASTINGS. Don't you remember he was at the hotel at the time it was concluded?

Mr. HELVERING. Well, I don't know about that, Senator.

Senator HASTINGS. You don't know about that?

Mr. HELVERING: No, sir.

Senator HASTINGS: Do you know Mr. J. T. McDonald?

Mr. HELVERING: I know a fellow they call Ted McDonald, who was in this company.

Senator HASTINGS: A stockholder of this company?

Mr. HELVERING: Yes, sir.

Senator HASTINGS: Are you familiar with the statement he made to the investigators about it?

Mr. HELVERING: No, sir; I never saw it.

Senator HASTINGS: In order that I may refresh your recollection about it, I want to read you this report of the investigator, Revenue Agent Penning:

On May 8, 1922, as part of the investigation of the Slim Jim Oil Co., Mr. J. T. McDonald, a stockholder of the company, was interviewed and questioned at his home in Wichita, Kans. Being the only known official of the company now resident in Wichita, he was presented with the commissioner's letter authorizing a reinvestigation of the corporation, and a demand was made on him for the books of the company. Being off his guard he stated that upon the return of Mr. J. C. Titus, then president of the corporation, from Washington, D.C., immediately following a conference with the Income Tax Unit, wherein a settlement was reached as to the tax liability of the corporation, that said Titus informed him that there was no one present at the conference except himself, Titus, and a Government official; that Mr. E. Mr. Washington, and Mr. Guy Helvering, who were his attorneys, were not present at the conference but remained at the hotel.

Do you remember such a conference with Titus and Washington at the hotel in which Titus went alone to the department?

Mr. HELVERING: No; I don't remember that conference at all.

Senator HASTINGS: Continuing, he says:

Mr. Titus at the conference explained to the Income Tax Unit the operations and transactions of the corporation with reference to the amount of the tax paid; that he, Titus, then returned to the hotel and secured a new amended return which Mr. Washington had prepared and ready; that with this Titus returned to the second conference, at which time the amended returns were approved. He was further informed by Titus that the Income Tax Unit asked him, Titus, if such a settlement was entirely satisfactory to him, and the Income Tax Unit also informed him that nothing was said regarding the manner or method or the amount of the settlement.

Mr. HELVERING: Well, it was an open and shut case. I was not in the department when they computed the tax, or anything like that.

Senator HASTINGS: What do you mean, it was an open and shut case?

Mr. HELVERING: Indeed, the hearings were there. I got the case allowed. We had a hearing on it and agreed with the head of the section that they would assess this under section 210.

Senator HASTINGS: Didn't you say a moment ago you did not know about that until they notified you?

Mr. HELVERING: I did not know about it then. They got a letter from the Department afterwards stating the amount of the tax.

Senator HASTINGS: Were you present when they agreed on the amount of the tax?

Mr. HELVERING: No, sir; I was not.

Senator HASTINGS: When you first ascertained they had agreed on the tax.

Mr. HELVERING: I got it through Mr. Titus, or the secretary of the company. He wrote me a letter saying they had received a

60-day letter, as it was called, that the tax was \$459,000, and they were going to pay it.

Senator HASTINGS. Was it necessary to make an amended return?

Mr. HELVERING. Yes, sir; it was.

Senator HASTINGS. Who made out that return?

Mr. HELVERING. I suppose Mr. Washington made it. I don't recall about the circumstances. I didn't make it. I never made a return in my life.

Senator HASTINGS. Was it made under your supervision.

Mr. HELVERING. No, sir.

Senator HASTINGS. Do you know whether it was made in your hotel, with Washington present?

Mr. HELVERING. I don't recall that it was; no, sir.

Senator HASTINGS. That was the time before you opened up your office?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. On March 21, 1917.

Senator BARKLEY. Let me ask a question in connection with that. If I understand it, you were contending before the Department that this case ought to be settled according to section 210?

Mr. HELVERING. Yes, sir.

Senator BARKLEY. And after they agreed to settle it on that basis, it was a question then of calculation?

Mr. HELVERING. Yes, sir.

Senator BARKLEY. As to what the tax amounted to?

Mr. HELVERING. Yes, sir.

Senator BARKLEY. And that later you got information that that calculation had been made and that the tax was \$459,000, or whatever it was?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. Suppose you look at this statement, dated December 9, 1919, and see if that refreshes your recollection with respect to it.

Mr. HELVERING. No; this is the regular 60-day letter that was sent out, by the Assistant Commissioner.

Senator HASTINGS. Is that statement made under section 210?

Mr. HELVERING. I can't tell you. It looks as though they divided up the income here. I never saw this before; never in my life.

Senator HASTINGS. You mean you never saw that letter?

Mr. HELVERING. No, sir.

Senator HASTINGS. Wasn't that the regular letter that came to the company?

Mr. HELVERING. Yes; this is the regular letter.

Senator HASTINGS. Isn't that the one fixing the \$459,000?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. You mean as counsel you never saw that letter?

Mr. HELVERING. The company advised me that they had a letter, what they called a 60-day letter, computing the tax, and they were going to pay it.

Senator HASTINGS. I think that should be made a part of the record.

(The letter is as follows:)

DECEMBER 9, 1919.

The SLIM JIM OIL & GAS Co.,
Wichita, Kans.

SIRS: An examination of the information submitted in connection with your income and excess profits tax returns for the years 1916 and 1917 has resulted in certain changes.

The corrected net income for the year 1916 is \$1,628,886.52, and the correct computation of tax is as follows:

2 percent income tax	\$32,437.73
Tax previously paid	24,399.71
Additional tax due	8,038.02

The correct net income for the year 1917 is \$1,067,129.61, and the correct computation of the tax is as follows:

Net income	\$1,067,129.61
Less excess profits tax	411,934.08

Amount subject to 2 percent and 4 percent tax	655,195.58
2 percent income tax	13,103.91
4 percent income tax	26,207.82
Excess profits tax	411,934.08

Total tax assessable	451,245.76
Summary of taxes due:	
1916 income tax	8,038.02
1917 income and excess profits tax	451,245.76
Total	459,283.78

The tax as noted above will be assessed at an early date and notice as to place and time of payment will be sent you by the collector of internal revenue for your district.

Respectfully,

G. V. NEWTON,
Acting Assistant to the Commissioner.

Senator HASTINGS, Washington was in the Department, as you know, at one time.

Mr. HELVERING: Yes.

Senator HASTINGS: Are you familiar with this report that he made on July 21, 1917? Attached to his report was this statement:

On March 21, 1917, the company, Slim Jim, sold its undivided one-half interest for \$1,750,000. After reviewing all these transactions and the book entries with the officers of the Slim Jim Oil & Gas Co, it is quite evident to us that this company now proposes to include these amounts for income for the year 1916 in an effort to evade an increase in the rate of income tax as well as the excess profits tax which it will quite likely have to pay if the profit is properly returned in the year 1917.

Mr. HELVERING: I don't know a thing about that.

Senator HASTINGS: Did you ever talk to Washington about the report he made on this when he was in the Bureau?

Mr. HELVERING: I don't recall of ever having—I didn't know Mr. Washington in 1917.

Senator HASTINGS: I understand, but when he came to you and brought you this case didn't he tell you that he had handled this case in the Bureau for that year?

Mr. HELVERING: I don't recall that he did. He may have, but I don't recall that conversation.

Senator HASTINGS: When did you first learn that there was about to be a reinvestigation of this Slim Jim Oil Co. case, or when did he approach you asking you to take the case?

Mr. HELVERING: As I recall, it was in 1921, or along about that time. They didn't ask me—what they said was that there was to be a rehearing of that case. I fully intended to have a rehearing until I found out that Washington and Titus had indulged in a juggling of this income.

Senator HASTINGS: What do you mean by juggling this income?

Mr. HELVERING: Well, just what I said awhile ago, that over in the Department, instead of settling it under the order of Mr. Darnell, the head of that section, under section 210 of the law, they went further, and with the men in the Department, put some of this income back in 1916 and some in 1917, so as to cut this tax down.

Senator HASTINGS: Wasn't that perfectly open and aboveboard, and didn't everybody know that was what was being done?

Mr. HELVERING: I didn't know it.

Senator HASTINGS: Wasn't it known in the Department?

Mr. HELVERING: I don't know whether it was known or not. You have in the records of the Department the order of Mr. Darnell, the head of that section—I read it just the other day—ordering the case settled under section 210, and after that order was received, I appeared no more in that case.

Senator HASTINGS: After what?

Mr. HELVERING: After that letter was received and agreed upon, I appeared no more in that case. It was simply a matter of auditing from then on. In the meantime, these stories had come to me about Washington, just about this time, that he had gone out there and received cases, representing a way which he had of getting in the Department through me.

Senator HASTINGS: When did you say that was?

Mr. HELVERING: I think in the latter part of 1921.

Senator HASTINGS: Who first told you about this investigation out there being made?

Mr. HELVERING: I don't recall now, Senator, who it was.

Senator HASTINGS: Did you talk to either Washington or Henry about it?

Mr. HELVERING: I have an idea Mr. Washington did come here to see me about it, but I don't recall the details of that now.

Senator HASTINGS: When did you hear about Washington being under investigation, do you remember?

Mr. HELVERING: I think it was the first part of 1921, the first part of the year.

Senator HASTINGS: You only did business with them about a year; is that correct?

Mr. HELVERING: No, 1919 and 1920, until some time in 1921. Of course, I only had a few cases in 1919.

Senator HASTINGS: Mr. Henry, in testifying before the Committee on Enrollment and Disbarment, under date of February 7, 1922, says that it was about October 1 when you notified him that he had better come down here, that the matter was getting rather serious. Is that right?

Mr. HELVERING: Yes, sir; I wired Mr. Henry that I had been advised by the Department that he was under investigation about a case that I had for some concern that he represented, and I told him to come down here and get the matter straightened up.

Senator HASTINGS: What did you tell me the other day was your arrangement with them about fees?

Mr. HELVERING: In some cases, like the Slim Jim case, it was a straight fee; other cases, the fees were about 33% percent, or a 40 percent basis, according to the size of the case.

Senator HASTINGS: You mean 33% percent or 40 percent with the client?

Mr. HELVERING: No, no. I mean a division of whatever fee or contract they made; that I received for handling it 33% percent, or 40 percent, in smaller cases.

Senator HASTINGS: The other day—has your recollection been refreshed since the other day with respect to that?

Mr. HELVERING: Well, I know this; that I checked up some of these cases and found my fees were so much, and I knew Mr. Henry had a conversation with me in which he said he was going to take some of these cases on a contingent basis, and wanted to know what I would charge him to handle those cases before the Department.

Senator HASTINGS: Have you seen this testimony that Henry gave before the enrollment committee within the last few days?

Mr. HELVERING: Is it in this report?

Senator BARKLEY: No; he hasn't seen it, because I have had it in my possession ever since you sent it up here.

Mr. HELVERING: I saw this report here.

Senator BARKLEY: It isn't in there.

Senator HASTINGS: I am talking about the report. That is the testimony of Henry.

Mr. HELVERING: No; I don't know anything about that.

Senator HASTINGS: The other day I asked you the question as to what division you made with Washington, Henry & Co. as to these cases taken on a contingent basis. That is, where they sent the cases to you.

You said, "Sometimes I would charge them a fee, and sometimes I would split it 50-50."

Mr. Henry testifies they had a definite agreement with you whereby all the business they sent you—he was asked this question:

Mr. SMITH: In the cases which he handled for you, or for the firm of Washington, Henry & Co., what was your fee arrangement?

Mr. HENRY: The fee arrangement started with was a division of 33% percent and 66% percent, he to get 33% percent, and we to get 66%. Later, the division was 40 and 60.

Mr. HELVERING: Yes; I think that was the arrangement at first.

Senator HASTINGS: And all through, wasn't it?

Mr. HELVERING: No; the first case I had, the Slim Jim Oil Co., my fee in that was \$14,500, and the amount I paid them was \$10,500.

Senator HASTINGS: The amount you paid them was \$10,500?

Mr. HELVERING: It must have been, because I reported in my income tax \$14,500.

Senator BARKLEY: Was that the gross, and out of that you paid them?

Mr. HELVERING: No; \$25,000 was the gross fee.

Senator HASTINGS. In the report made by Partridge & Oftdall, under date of August 26, they say:

To what extent Washington, Henry & Co. figured in the adjustment of this matter, we are unable to say, except that their books showed that they received as their fee \$2,500 from Helvering, and they insisted that this is all they received. Undoubtedly Helvering is the man that engineered this settlement, and received the big end of the fee.

Mr. HELVERING. What I received and what I returned was \$14,500 of that fee.

Senator HASTINGS. Do you know whether they returned all that you paid them?

Mr. HELVERING. I don't know anything about that. I know Mr. Washington later got into a great deal of trouble about the way he made his returns to the department.

Senator HASTINGS. But, Mr. Helvering, in 1920, your income tax statement shows that you paid Henry and Washington \$1,000, Washington, Henry & Co., \$17,157.30. Can you give us any details as to what those items were?

Mr. HELVERING. No, sir; I can't at this time, Senator.

Senator HASTINGS. Do you know whether—

Mr. HELVERING. I do when I made them, at that time.

Senator HASTINGS. Do you know upon what basis you were dealing with them at that time, whether it was one third and two thirds, or 40 and 60 percent?

Mr. HELVERING. Mr. Henry approached me on the proposition, as I recall it, on the train one day, when I was coming back to Washington. I don't know about that. But I remember I talked to him about it, and he said they were going to charge a contingent basis fee, according to the size of the case, and asked me what I would charge them after they got it all ready to present to the Department.

Senator HASTINGS. And did you make an agreement with them?

Mr. HELVERING. I am not sure about it.

Senator HASTINGS. Was there any written agreement with them?

Mr. HELVERING. Yes, I think there was. I called Mr. Carter, at Kansas City, who was my partner, and he tells me that we had a written agreement with them, and those cases were on a 33½ percent basis.

Senator HASTINGS. That is where you got this information at the last hearing; you got it from your partner?

Mr. HELVERING. Correct.

Senator HASTINGS. He says they were on a 33½ percent basis.

Mr. HELVERING. That is the general understanding. Of course, there was a difference in the cases. A lot of times the cases were made on—

Senator HASTINGS. Is this tax return of five items, marked "W. E. Carter, bonus, \$1,615.45"?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. Was that a partner of yours?

Mr. HELVERSON. Yes, sir.

Senator HASTINGS. What does that bonus mean?

Mr. HELVERING. I agreed with him if the total amount of the business received in the office exceeded a certain amount, I would give him 5 percent bonus on that amount.

Senator HASTINGS. Who was J. B. Lauer, who received \$2,500, and E. R. Corey, and E. J. Stewart? Lauer and Corey received the larger amount, \$2,500 and \$1,125. Do you remember who those men were?

Mr. HELVERING. No, I don't remember that. Is it a company?

Senator HASTINGS. No, just J. B. Lauer and E. R. Corey.

Mr. HELVERING. Oh, E. R. Corey was a woman working in our office.

Senator HASTINGS. I should get a bonus of \$1,125.

Mr. HELVERING. Yes.

Senator HASTINGS. And J. B. Lauer, was he an employee of the office too?

Mr. HELVERING. No, sir, I can't right now place J. B. Lauer at all. I have a doubt to last just a minute.

Senator HASTINGS. You stated you had an engineer in your office.

Mr. HELVERING. Yes, sir, Mr. E. T. Cummins; also Mr. Don Reed, in my employ at the time of the Trapshooter's Oil Co. case, from what I said to you.

Senator HASTINGS. I did, definitely.

Mr. HELVERING. I find he was not employed by me until the year following, in my office.

Senator HASTINGS. Then, who were you going to charge the \$10,000 for engineering for?

Mr. HELVERING. It was not going to charge that.

Senator HASTINGS. You stated that you were going to charge them \$10,000, which was for engineering.

Mr. HELVERING. Oh, no.

Senator HASTINGS. Your original testimony.

Mr. HELVERING. No, sir, I was going to charge them \$10,000 to settle the Trapshooter's case.

Senator HASTINGS. But you certainly said that was for engineering, didn't you?

Mr. HELVERING. Well, if I did—

Senator BARKLEY. What he said was, he was charging a straight \$10,000 fee, and out of that he would pay for whatever engineering there was.

Senator HASTINGS. I think that may be correct. Is that correct?

Mr. HELVERING. Yes, but it developed there was no engineering necessary in that case.

Senator, I would like to refresh your recollection with respect to that, because we are asking particularly with respect to that engineering. You were asked these questions.

Will your attention be what he says happened in the hotel, which is as follows:

Henry, Washington, Helvering, and myself had a conference in Helvering's room in the hotel. Almost immediately, Helvering put up the proposition I would have to advance \$10,000 to secure an appraisal of the company's property, and they had a man in New York who was recognized as an authority by the department, who would sign the necessary affidavits. Do you remember making that statement to him?

Mr. HELVERING. That was not my policy at all.

Senator HASTINGS. Did you make that statement to him?

Mr. HELVERING. No.

Senator HASTINGS. You did make a proposition to him that he put up \$10,000?

Mr. HELVERING. No, sir, I told him the case would cost him \$10,000.

Senator HASTINGS. Did he agree to pay \$10,000?

Mr. HELVERING. Yes. We took the case, I am sure we did.

Senator HASTINGS: Didn't he enter into an agreement with you?

Mr. HELVERING: Yes; I entered into an agreement with him that I would handle the case.

Further on he says:

Under the terms of which Helvering was to receive an amount equal to the amount by which the tax finally assessed against the Trapshooter's Oil & Gas Co. is less than the sum of \$25,817.50.

Do you remember that as part of the contract?

Mr. HELVERING: No; I don't. It may have been, but I don't recall that. My fee in that was \$10,000 for the engineering and my work.

Senator HASTINGS: What I am anxious to find out is whether you and your engineer agreed—why you and your engineer would agree to do this work, depending upon getting your fee out of an amount of an assessment that would be sufficiently below that \$25,817.50 to pay your fee.

Mr. HELVERING: As I recall it now—I wouldn't want to have it taken as a sworn statement—as I recall, this company has set aside some money for taxes * * * I don't think I ever made that contract. I think I charged them \$10,000.

And then, on page 37 of the record, you were asked:

Senator HASTINGS: As a matter of fact, was any physical examination made by your engineer of the property?

Mr. HELVERING: The valuation—when he got out there, we found the only circumstances were these; the only thing we could take into consideration was the seepage into these temporary reservoirs and things of that nature, in this oil, getting the amount that was pumped out and which they had sold, taking the expenses and deducting that and getting what would be the income that was made by them clear of all expenses.

Senator HASTINGS: Did you actually go out there in this case?

Mr. HELVERING: I suppose Mr. Cummins did.

Senator HASTINGS: You didn't go?

Mr. HELVERING: Oh, no.

Senator HASTINGS: Do you know whether Mr. Cummins went?

Mr. HELVERING: He was out in that country, and there is where he was instructed to go.

Mr. HELVERING: That is a mistake, that part of it, because Mr. Cummins was not hired by me until after that date.

Senator HASTINGS: Was there any engineer hired by you at all on that job?

Mr. HELVERING: No, sir.

Senator HASTINGS: Did you tell Edgecomb that it would be necessary to have an engineer on that job?

Mr. HELVERING: No, sir; I did not.

Senator HASTINGS: Are you sure of that?

Mr. HELVERING: Absolutely, because since I have investigated the whole thing, I recall it now. I went to Wichita, Kans.—

Senator BARKLEY: This is the Trapshooter's case you are talking of now?

Senator HASTINGS: Yes; that is right.

Mr. HELVERING: (Mr. Washington) told me he had the directors of the Trapshooter's company there and he wanted me to meet them. The proposition was made at that time. I don't recall this in detail myself, but I have been told this morning by one of the directors, the proposition was made there that they would pay me \$2,500, as he put it, win, lose, or draw; that I, in reply to that, told them I wanted \$10,000 to try this case. They said something about they didn't want to send good money after bad, and they said they had this money set aside for the tax. I think they said they had the money in the treasury, that if they could get out for that amount of money,

rather than have three or four of them have to pay this \$152,000, they would give me anything I would save out of that, and that was the basis of the contract that was made at that time. I want to state this, that as Senator Hastings, in asking these questions the other day confronted me with a record made 12 years ago, that I never heard about, did not know anything about, did not know the investigation was made—I knew I never had such a conversation with Mr. Edgecomb as was detailed there, because Mr. Edgecomb came here simply to represent the company in presenting the case to the department.

Senator BARKLEY. Regardless of the conversation and negotiations and the backing and filling with reference to what you were to be paid, what were you actually paid in that case?

Mr. HELVERING. \$18,000.

Senator BARKLEY. In the Trapshooter's case.

Mr. HELVERING. Yes.

Senator BARKLEY. And out of that, what proportion did Washington, Henry & Co. get?

Mr. HELVERING. I can't tell you, Senator. I suppose they received 60 per cent, or something like that. I don't know. I can't tell you. I returned all I received in that year.

Senator BYRD. But you received that. They didn't get any part of what you received?

Mr. HELVERING. The contract was made with me, as I understand it.

Senator BARKLEY. In other words, what actually happened is that you and Washington and Henry did what you did together.

Mr. HELVERING. No; Henry wasn't in this at all. Just Washington.

Senator BARKLEY. You and Washington, or whoever else represented these people, got the difference between \$25,000 and the \$7,000.

Mr. HELVERING. Yes.

Senator BARKLEY. It was actually paid in cash?

Mr. HELVERING. Yes.

Senator BARKLEY. Which would amount to \$18,000, as the fee?

Mr. HELVERING. Yes.

Senator BARKLEY. And you got whatever proportion of it was yours and Washington got his share?

Mr. HELVERING. Yes.

Senator BARKLEY. You don't recall what your share was?

Mr. HELVERING. No; I had a lot of business that year. I think the total fees I collected—well, the net income I reported was \$41,000, while I think the fees I collected were \$80,000.

Senator HASTINGS. Doesn't this payment to Washington, Henry & Co. indicate that a large portion of those fees you got from that firm?

Mr. HELVERING. In the year 1920?

Senator HASTINGS. Yes.

Mr. HELVERING. Yes; in the years 1919 and 1920; it was a big part of the business.

Senator HASTINGS. It was a big part of the business?

Mr. HELVERING. Yes.

Senator HASTINGS. Well, now, in 1921 the records show that you paid Carter \$6,520.85. That was your partner, wasn't it?

Mr. HELVERING. Yes, sir.

Senator BARKLEY. What is this you are reading from?

Senator HASTINGS. Income tax return for 1921.

Senator BARKLEY. Whose income tax return?

Senator HASTINGS. Mr. Helvering's. You paid Washington, Henry & Co. \$7,150?

Mr. HELVERING. Yes—I don't remember those figures.

Senator HASTINGS. Jewett Souse, \$10,000. Do you remember that case, the Shouse case?

Mr. HELVERING. Yes.

Senator HASTINGS. Washington, Henry, did they have anything to do with that?

Mr. HELVERING. No, sir. That was the McMahon Oil Co. case. Mr. Shouse associated himself with me in that year.

Senator HASTINGS. E. R. Carey, \$5,125. Do you remember who Carey was?

Mr. HELVERING. I don't recall now.

Senator HASTINGS. The total amount of your salaries and fees was \$40,760, out of a total income of \$58,548.84.

Mr. HELVERING. What year was this?

Senator HASTINGS. 1921. I will show it to you.

Mr. HELVERING. Well, this is the year I had the eighty-some thousand total, wasn't it?

Senator HASTINGS. No; I think that was the year 1920. Here is the 1920 return; 1920 was the best year you had out of the five you have given us.

Mr. HELVERING. Yes, sir.

Senator HASTINGS. It was practically twice as much as it was in 1921. You have stated that one was \$41,825 and the other \$21,866.

Mr. HELVERING. I think if you will look on this return I had a \$30,000 loss in 1921 relative to my investment in a bank in Kansas City.

Senator HASTINGS. 1921?

Mr. HELVERING. Let me see, was that 1920 or 1921? Yes; it was in 1921, this loss of \$30,000 in this bank.

Senator HASTINGS. But your total from your profession was shown to be \$58,548.84.

Mr. HELVERING. Yes.

Senator BYRD. How much was deducted from that for expenses incident to the same work?

Senator HASTINGS. There is deducted \$40,768.90.

Senator BYRD. Is that for expenses on that particular work?

Senator HASTINGS. It is headed, "Schedule of salaries, fees, and so forth." Then there is a schedule of interest paid, traveling expenses, hotel and so forth of agents, employees and myself, amounting to \$4,586.24. Now, in 1923, you do not show any fees divided with anybody. It shows here Helvering, Carter & Co., \$17,221.25.

Mr. HELVERING. Yes, sir.

Senator HASTINGS. I suppose the income tax of Helvering, Carter & Co. will show the details of that?

Mr. HELVERING: Yes, sir. Well, no; these were two individual returns. At this time I had advanced Mr. Carter to partner. His return will show the same amount.

Senator HASTINGS: Received from Helvering, Carter & Co.?

Mr. HELVERING: Yes, sir.

Senator HASTINGS: Was Helvering, Carter & Co. just a partnership?

Mr. HELVERING: Partnership.

Senator HASTINGS: And you made individual returns?

Mr. HELVERING: Mr. Carter did. I never made a return in my life.

Senator BARKLEY: He means it was made for you.

Mr. HELVERING: Oh, yes.

Senator HASTINGS: This \$17,221.25 comes from that partnership?

Mr. HELVERING: Yes, sir.

Senator HASTINGS: And that was this same kind of work, tax work?

Mr. HELVERING: Well, as I say, we had some—yes, I think it was all practically tax work. We had some cases for railroad companies that came in just before I left, that he finished, that there was a considerable fee in, but I don't remember just what it was.

Senator HASTINGS: Who is Mr. Carter?

Mr. HELVERING: Mr. Carter is now the branch manager of Scoville Wellington & Co., located in Kansas City, Mo.; Scoville Wellington & Co. is a national organization of auditors, engineers, and accountants.

Senator HASTINGS: He was not a lawyer?

Mr. HELVERING: No, sir.

Senator HASTINGS: He was just an auditor?

Mr. HELVERING: Well, he was a pretty good lawyer, too, but he never—

Senator HASTINGS: I mean he was not admitted to the bar?

Mr. HELVERING: No, sir.

Senator HASTINGS: When did he come with you?

Mr. HELVERING: In June 1920, on a salary, and a bonus afterwards.

Senator HASTINGS: Mr. Helvering, I have a letter from Mr. M. Brown, which I am going to ask to be put into the record, dated May 10, and among other things he says: "I was employed in the Kansas State School for Blind at the time Mr. Helvering collected campaign funds, and here is what happened there: 'We received a slip of paper that read like this: 'Name, M. M. Brown, amount suggested by committee, \$49.50. Make all checks payable to Guy T. Helvering, Jayhawk Hotel, Topeka, Kans.' My slip called for 5 percent of my year's salary. We were employed for only 9 months of the year and my salary was \$110 per month. At that time the school employed 10 blind people. Not all of them were totally blind, and they collected the same as we did.'"

"We received a slip of paper that read like this: 'Name, M. M. Brown, amount suggested by committee, \$49.50. Make all checks payable to Guy T. Helvering, Jayhawk Hotel, Topeka, Kans.'"

My slip called for 5 percent of my year's salary. We were employed for only 9 months of the year and my salary was \$110 per month. At that time the school employed 10 blind people. Not all of them were totally blind, and they collected the same as we did. Have you any explanation to make of that?"

Mr. Helvering: Well, there was a notice sent out that we wanted campaign contributions. I suggested we put on 2 1/2 percent of the salary. I don't know anything about this slip that was sent around to the superintendent of that school, if that is what he was, but it was not sent by me.

Senator HASTINGS: Didn't you send any slips?

Mr. HELVERING. No, sir.

Senator HASTINGS: To anybody?

Mr. HELVERING. No, sir.

Senator HASTINGS: How did you arrange it?

Mr. HELVERING: I suggested to the county chairman, where we had employees, that they get in touch with the employees and suggest to them that these contributions be made.

(Here is inserted letter from Mr. Brown:)

KANSAS CITY, KANS., May 10, 1933.

Senator DAVID HASTINGS,

Washington, D. C.

DEAR SENATOR: I am glad to see the fight you are waging against Guy T. Helvering. I was employed in the Kansas State School for Blind at the time Mr. Helvering collected campaign funds and here is what happened there.

We received a slip of paper that read like this:

"Name, M. M. Brown. Amount suggested by committee, \$49.50.

"Make all checks payable to Guy T. Helvering, Jayhawk Hotel, Topeka, Kans."

My slip called for 5 percent of my year's salary. We were employed for only 9 months of the year and my salary was \$110 per month. At that time the school employed 10 blind people (not all of them were totally blind) and they too received slips the same as we did.

There are enough good men in either part to fill these positions so battle hard, remembering we even turned down Harry Woodring to get rid of Helvering.

Respectfully yours,

M. M. BROWN.

Senator HASTINGS: Did you have them made payable to you?

Mr. HELVERING. Yes, sir.

Senator BYRD: You were chairman of the State committee?

Mr. HELVERING. Yes, sir.

Senator HASTINGS: Didn't you state the other day they were made payable to the treasurer, and the account was made with the treasurer?

Mr. HELVERING: I want to say, Senator, we had a treasurer of our State committee, prior to the time of the meeting of the State central committee, by the name of Stott, who I ascertained had been using money that had come into the committee for his own personal use, and I kicked him out. When the committee met they elected Mr. T. J. Sweeney, of Lawrence, Kans., treasurer, and after that time for the rest of the period the money was sent to him, but this was only for a couple of months after the meeting of our party council in August before the election.

Senator HASTINGS: In August of 1932?

Mr. HELVERING: Yes. Didn't we have a party council in August?

Mr. McGUIGAN: August, the latter part of August.

Senator HASTINGS: When was Stott kicked out?

Mr. HELVERING: When I found he had refused to turn in certain checks made payable to the committee for campaign purposes.

Senator HASTINGS: What did he do with them?

Mr. HELVERING: Well, I can show you a couple of checks sent to me. When I got after the county chairmen to raise some money, they told me they had paid it, and sent in the canceled checks which had been sent to Mr. Stott but never turned in to the account.

Senator HASTINGS: Did you check his books to find out whether they had been turned in?

Mr. HELVERING. I knew they had not, because the books were in my office.

Senator HASTINGS. How did you keep those books? Were the books always kept in your office?

Mr. HELVERING. Yes, sir; because that was the headquarters. We rented some rooms in the hotel for headquarters.

Senator HASTINGS. How did you spend this money? Did he sign the checks for it?

Mr. HELVERING. No, sir; Mr. Sweeney signed them afterwards.

Senator BARKLEY. Before you kicked Stott out, while he was treasurer.

Mr. HELVERING. Oh, yes, he signed all the checks before he was out.

Senator HASTINGS. Didn't you have any audit of his books or anything?

Mr. HELVERING. Well, the books were kept, Senator, in my office, which were the headquarters, in the hotel.

Senator HASTINGS. At the Jay Hawk Hotel?

Mr. HELVERING. Yes, sir; and I have got every detail of that, card indexes and everything else.

Senator HASTINGS. You mean of all the money that was collected?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. And all the money that was expended?

Mr. HELVERING. Yes, sir; every cent of it.

Senator HASTINGS. I have several letters here, and practically all of them say that no accounting at all was made by you to anybody, that the money was collected by you and spent by you?

Mr. HELVERING. Senator, we have to file within 30 days of the election, with the county clerk of the county where the headquarters are located, a detailed statement of every cent received and every cent expended.

Senator HASTINGS. That is what I supposed, and you say that was done?

Mr. HELVERING. Absolutely.

Senator HASTINGS. That was done by the treasurer or by you?

Mr. HELVERING. Done by me.

Senator HASTINGS. Isn't that to be done by the treasurer?

Mr. HELVERING. No, it can be done by any officer of the association. Some of these funds came in before Mr. Sweeney was elected. We didn't call any special meeting to elect Mr. Sweeney or anybody else treasurer until we had a party council.

Senator BARKLEY. In the meantime, while Scott was treasurer, you were the chairman?

Mr. HELVERING. Yes, sir.

Senator BARKLEY. You made a request on certain counties for campaign contributions and they replied they had already paid them to Scott.

Mr. HELVERING. Yes.

Senator BARKLEY. And sent the canceled checks by which they had paid them to Scott.

Mr. HELVERING. Yes.

Senator BARKLEY. Scott had not turned that money into the committee, and he was fired.

Mr. HELVERING. That is it.

Senator BARKLEY. Between that time and the appointment of Sweeney, was how long?

Mr. HELVERING. I think perhaps right after the first of the year, 1931.

Senator BARKLEY. Up to what time?

Mr. HELVERING. Up to the meeting of the party council in 1932.

Senator BARKLEY. That was for nearly 2 years that you had no treasurer?

Mr. HELVERING. No; nobody I recognized as treasurer.

Senator BARKLEY. Did you begin to collect these contributions prior to the appointment of Sweeney as treasurer?

Mr. HELVERING. Yes.

Senator HASTINGS. When was Scott elected treasurer?

Mr. HELVERING. At the party council in 1930.

Senator HASTINGS. Before the election in 1930?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. And he continued during that campaign of 1930?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. When did you first discover these irregularities in Scott's statement?

Mr. HELVERING. We had a deficit of some \$12,000, and I was trying to collect that. I knew there were county chairmen who had not contributed. That year we had county assessments. I received these letters about this man saying they had sent in their contributions. There was no record of them on our books.

Senator HASTINGS. Were they large sums or small sums?

Mr. HELVERING. Oh, no; one was \$100, I remember; another \$75, as I recall it, and other amounts.

Senator HASTINGS. How were those checks endorsed?

Mr. HELVERING. By Emery Scott.

Senator HASTINGS. As treasurer?

Mr. HELVERING. Yes.

Senator HASTINGS. Did you ask him about them?

Mr. HELVERING. Oh, yes.

Senator HASTINGS. What did he say?

Mr. HELVERING. He never made any explanation. He tried to give one to the hotel.

Senator HASTINGS. Did you talk with him about it?

Mr. HELVERING. No; I wrote him a letter and demanded the money.

Senator HASTINGS. What answer did you get?

Mr. HELVERING. I never got an answer from him at all, and I discontinued having anything to do with him, and notified all county chairmen to send money direct to me.

Senator HASTINGS. That was immediately after the 1930 election?

Mr. HELVERING. Some time before part of 1931, when I was trying to collect this deficit.

Senator HASTINGS. When was the treasurer elected for your party?

Mr. HELVERING. At the next party council.

Senator HASTINGS. When was the next party council?

Mr. HELVERING. August 1932.

Senator HASTINGS. And you had no treasurer in the meantime?
Mr. HELVERING. No.

Senator HASTINGS. Well, here is a letter from Scott, that I want to put in the record.

Senator BARKLEY. I suppose Mr. Helvering ought to be allowed to see it, if it goes in?

Senator HASTINGS. Well, I will read it and hand it to the reporter.
(The letter is as follows:)

MAY 10, 1933.

Senator DANIEL HASTINGS, has in your name
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: We Democrats of Kansas are following intensely the proceedings before your committee on the appointment of Guy T. Helvering to be Commissioner of Internal Revenue. More than a hundred thousand Kansas Democrats assisted me during the last campaign in a successful effort to defeat the reelection of Harry Woodring as governor, and our principal object was the retirement of Guy T. Helvering to private life for what we thought was the best interests of good government through the State and the welfare of our party.

During the campaign in which Mr. Woodring was elected governor, I consented, against my will, to the demand that I serve as treasurer of the State committee, accepting this post on the implicit promises by the gubernatorial candidate that there would be an open accounting of all funds received for campaign purposes, and this agreement was carried out until after election. However, almost immediately after the election, Mr. Helvering, who was State chairman, proceeded to receive and disburse State campaign funds without the approval or consideration of the treasurer of the State committee and these tactics were pursued during the 2-year term of Governor Woodring and during the last campaign, and there was no accounting of any funds or expenditures except an account by Mr. Helvering in which he said, he had received and he had expended certain sums of money.

During the term of Governor Woodring, Mr. Helvering served as director of the State Highway Department, and many ugly rumors were constantly circulated throughout the State of the assessment made against employees and others. These rumors gained such proportions that the last legislature enacted a law affecting assessments of employees for campaign purposes and appointed a legislative committee, which is now investigating the acts of Mr. Helvering as chairman of the Highway Commission and Woodring's campaign manager, and we feel that Mr. Helvering is not the man for this most important position as head of the Revenue Department of the Nation and that his appointment should at least be held up until the legislative investigation committee has completed its work and made its report.

Sincerely yours,

ELMER E. SCOTT.

of Mr. HELVERING. Well, Senator, I know, as a practical politician, you have some difficulties with somebody in your State. This man Scott is the man I have had the difficulties with in my State in my party. If that is to go into the record, I want a chance to file, as quick as I can get it, at least one of these checks. I know it is in my files. It shows the money received from this one man I remember distinctly, and I can get a hundred thousand Democrats out in Kansas to tell you about the situation. I can also produce you the records of the meeting where the accounting was made of every cent and approved by your State committee of 100 members.

Senator HASTINGS. Don't you think it would be well, if it is not too much trouble, to get that for us, in view of these charges?

Mr. HELVERING. I know that.

Senator HASTINGS. Don't you think it would be well to get those and put it in this record?
Mr. HELVERING. I will say to you, the State accountant of the State of Kansas kept all these records.

Senator BARKLEY. Let me ask this in that connection. He states in his letter that "Although he had been a former Democratic treasurer of the committee, he fought the reelection of Woodring, the Democratic nominee for governor." You know that is true?

Mr. HELVERING. You are darned right he did.

Senator BYRD. Did he support the presidential nominee?

Mr. HELVERING. I can't say as to that.

Senator BARKLEY. Did he support McGill?

Mr. HELVERING. I think he did.

Senator HASTINGS. What is his business; what kind of a man is he? What is his reputation?

Mr. HELVERING. I would rather not be quoted on that, Senator.

Senator HASTINGS. All right, you needn't answer.

Senator BYRD. I would like to ask about these assessments. Is that on a yearly basis, 2½ percent per year?

Mr. HELVERING. No; the basis was they would be assessed 2½ percent for the time they had their jobs. That was 2 years. I don't know what procedure was used by the superintendent of this blind school. I know we got some contributions there.

Senator BYRD. In other words, what you probably did was to say to the head of this department that they were expected to contribute a certain portion; and they then communicated with those under them. Isn't that the customary procedure? Hasn't that been done in the Republican administration?

Mr. HELVERING. It has been done for years.

Senator HASTINGS. When you say 2½ percent, do you mean 2½ percent annually?

Mr. HELVERING. Yes.

Senator HASTINGS. That makes 5 percent for the election year?

Mr. HELVERING. Oh, no; 5 percent for 1 year, yes.

Senator HASTINGS. Do you undertake to collect from them every year, or collect from them only for the election year?

Mr. HELVERING. No; we collect campaign contributions—well, for instance—

Senator HASTINGS. Take 1932.

Mr. HELVERING. Well, we collect what amounts to 5 percent of 1 year's salary.

Senator BYRD. That covers the 2 years?

Mr. HELVERING. Yes.

Senator BYRD. And that is voluntary; and as a matter of fact, I imagine many of them, from conditions I know of elsewhere, did not contribute anything.

Mr. HELVERING. Oh, yes.

Senator BYRD. There was no coercion?

Mr. HELVERING. No.

Senator BYRD. (There was no punishment of any kind in the event they did not make a contribution?)

Mr. HELVERING. No.

Senator HASTINGS. This letter I read from Mr. Brown relative to the blind shop, is probably in accordance with that custom and practice; wasn't it, because this appears: "My slip called for 5 percent of my year's salary." If he had been employed there for 2 years, that would be according to your system; isn't that correct?

Mr. HELVERING. Yes.

Senator HASTINGS. So that there isn't anything improbable about what Mr. Brown writes, is there?

Mr. HELVERING. No, I don't think so, although I don't know anything about that particular case.

Senator BARKLEY. In other words, you didn't collect anything at all from them, except in campaign years?

Mr. HELVERING. That is all.

Senator BARKLEY. Then, your committee meets, in accordance with the practice which exists in many States, and assesses on the theory that those enjoying appointments under the Administration are under greater obligation to make contributions to the campaign fund than private citizens, and proceeds to collect contributions from those appointed to office under the administration. I suppose the campaign committee itself doesn't have any direct contact with the contributor, but leaves it to the head of each institution; is that correct?

Mr. HELVERING. Yes.

Senator BARKLEY. To collect the amount. If a man who is employed didn't pay would that affect in any way his continuance in the job?

Mr. HELVERING. Oh, no. We had hundreds of them that did not pay.

Senator BYRD. Wouldn't it be interesting, if Senator Hastings is interested in it, to get a record of what percent was collected? For instance, take the total pay roll, and I imagine it would show a very small percent, less than half, as a matter of fact.

Mr. HELVERING. I can tell you what that is.

Senator HASTINGS. What is it?

Mr. HELVERING. 1.8 percent.

Senator HASTINGS. 1.8 percent of the pay roll?

Mr. HELVERING. For 1 year is the amount collected.

Senator BARKLEY. That would be 0.8 percent spread over 2 years—or 0.9 percent, if you put it over a 2-year period.

Senator BYRD. Only about one third on that basis contributed; is that true?

Senator HASTINGS. Let us be certain that is true. What does this 1.8 percent represent?

Mr. HELVERING. I will tell you, Senator. Congressman McGugin can tell you. In the campaign that was waged out there the opposition forces said I collected a million dollars for campaign contributions, and things of that nature. The paper that was most vitriolic in its attack was the Kansas City Journal-Post, owned by Henry L. Dougherty. The Henry L. Dougherty Co. was the company that I tried to force, in the State administration—and you can ask Senator Gardner or Congressman McGugin, or any of them—to reduce their pay roll to what we thought they ought to be. They had them on the pre-war basis. Mr. Henry L. Dougherty bought a controlling interest in the Kansas City Journal-Post for the purpose of fighting me, that is, where those articles appeared. I was charged with collecting a million dollars. I collected actually \$69,000 and odd.

Senator BYRD. \$69,000?

Mr. HELVERING. Yes.

Senator HASTINGS. What was the percentage? You said 1.8 percent—of what?

Mr. HELVERING. This is just as I recall it, and I think they make specific charges about the highway department, because I was the head of it. I believe that was the largest department of the State. I believe that this 1.8 represents the percent of 1 year's salary of the highway department I collected.

Senator HASTINGS. And not all employees of the whole State?

Mr. HELVERING. Oh, well, the employees of the whole State, was a very small percent of those.

Senator HASTINGS. I got a distinct impression that the 1.8 percent applied to all of the employees in Kansas.

Mr. HELVERING. No; I don't believe that. I didn't want to convey that impression.

Senator HASTINGS. Is it true or not? What does that 1.8 percent refer to?

Mr. HELVERING. I think that refers to the people under my direct charge.

Senator HASTINGS. Why did you mention this 1.8 percent?

Mr. HELVERING. On account of these charges. I wanted you to see what it really was.

Senator HASTINGS. Who worked it up for you?

Mr. HELVERING. The State accounting force.

Senator HASTINGS. Do you remember now just what that was?

Mr. HELVERING. Well, the figure he computed was 1.8 percent—

Senator HASTINGS. Of what?

Mr. HELVERING. One year's salary.

Senator HASTINGS. And of what?

Mr. HELVERING. I think it had reference to the highway department.

Senator HASTINGS. Only?

Mr. HELVERING. Yes.

Senator BARKLEY. Well, if that percentage held throughout the different departments of the State—

Mr. HELVERING. Oh, it wasn't that much through the other departments, because there were many hundreds in the other departments that did not pay.

Senator BARKLEY. Assuming that it was 1.8 percent of the whole State pay roll for the whole period of 1 year, that would calculate an average of about 0.9 percent per year, if you put it on a 2-year basis.

Senator HASTINGS. Are all the employees of the highway department Democrats?

Mr. HELVERING. No, sir.

Senator BARKLEY. One of the letters I have here protesting against Mr. Helvering's appointment is based on the fact that he kept a lot of Republicans in office.

Senator HASTINGS. That is a good objection.

Mr. HELVERING. Well, Senator—

Senator HASTINGS. Just a minute on that. What proportion of them are Democrats?

Mr. HELVERING. On the highway department?

Senator HASTINGS. Yes. I mean approximately.

Mr. HELVERING. In my immediate office there was a very small percent, because that was a technical office. The dragmen, and so forth, were perhaps 65 percent Democrats; the laborers, and so forth.

Senator HASTINGS. I want to know whether this 1.8 percent was figured upon the salary of the whole department or whether it was figured on the salary of the Democrats of that department.

Mr. HELVERING. No; figures on the salary of the department.

Senator HASTINGS. Well, if half of them were Republicans, who I assume did not contribute to the Democratic campaign—

Mr. HELVERING. A lot of them did; yes.

Senator HASTINGS. A lot of them did?

Mr. HELVERING. Yes.

Senator HASTINGS. And you still call them Republicans?

Mr. HELVERING. I think we treated them so fairly they felt like continuing the administration.

Senator HASTINGS. You mean the Republicans in the highway department contributed to the campaign fund?

Mr. HELVERING. Yes, sir; a great many of them.

Senator HASTINGS. Is that department under the Democrats? Is it controlled by the Democrats?

Mr. HELVERING. It was then; yes.

Senator HASTINGS. Tell me, if you can, why a Republican in that department would contribute to the Democratic campaign fund.

Mr. HELVERING. Simply because of the fair way we treated everybody in that department.

Senator HASTINGS. Wasn't it for the sole purpose of keeping his job?

Mr. HELVERING. Let me state to you—

Senator HASTINGS. Just answer that question, won't you? Wasn't it for the sole purpose of keeping his job?

Mr. HELVERING. I don't know what his mental reaction was.

Senator HASTINGS. Did you give these men all a notice such as Mr. Brown mentioned here in this letter?

Mr. HELVERING. The supervisors of the various sections of our department were advised to collect the campaign funds, and that they give a notice or advice to everybody to contribute.

Senator HASTINGS. And the notices were sent to everybody, whether Democrats or Republicans?

Mr. HELVERING. Yes; I think so.

Senator BARKLEY. These Republicans that were retained had already been retained for 2 years under Democratic administration before this contribution was collected?

Mr. HELVERING. Practically.

Senator BARKLEY. Practically 2 years?

Mr. HELVERING. I just want to make a statement in connection with that. I went into the highway department with a firm determination to build roads. I fully intended when I went into the highway department to discharge the chief engineer on account of the rumors that I had heard about him. Everybody in our State knows that he is a very abrupt sort of a fellow, one who won't make friends. After I had been in their 60 days I found out he was absolutely honest, that he had one ambition, which was to build roads, that he knew his business and being a technical man. I told him I wanted him to stay with the department. The fact of the matter is, I only changed one man in the technical department of our office, and this man I am referring to never contributed a cent to the campaign.

Senator HASTINGS. Mr. Helvering, have you a brother that worked for the highway department or contracted with the highway department?

Mr. HELVERING. No.

Senator HASTINGS. Isn't he in a corporation that does?

Mr. HELVERING. No, sir. I have a brother who is a lawyer.

Senator HASTINGS. Haven't you a brother that is engaged in some form of contracting with the highway department?

Mr. HELVERING. No, sir; not at all.

Senator HASTINGS. You have only one brother?

Mr. HELVERING. Only one brother in Kansas; yes.

Senator HASTINGS. And he is a practicing lawyer?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. Who is Mr. A. K. Van Hook, Topeka, Kans.?

Mr. HELVERING. I don't know. I haven't the least idea.

Senator HASTINGS. Here is a letter from him, which reads:

TOPEKA, KANS., May 10, 1933.

Senator DANIEL C. HASTINGS,
The Shoreham, Washington, D.C.

DEAR SENATOR: In reference to confirmation of appointment of Guy T. Helvering as internal revenue collector, may I state that in Kansas this man has a very unsavory reputation because of the general knowledge of his rank dishonesty in our political affairs in the late campaign and as director of our highway construction. His appointment would be a blow to the higher minded Democrats of Kansas and a reflection on the national administration.

In the late national election in the Western States, Kansas alone elected a Republican governor by a small majority due to the action of many Democrats, of whom the writer is one. This because of the domination of the said Helvering and of his dishonesty and unfitness to perform the duties of this office, which may afford unlimited opportunities to perpetuate his grafting proclivities.

Sincerely,

A. K. VAN HOOK.

Mr. HELVERING. Well, Senator—

Senator HASTINGS. Do you know Mr. Van Hook?

Mr. HELVERING. I don't know Mr. Van Hook. I never heard of him.

Senator HASTINGS. Do you know Mrs. Edward L. Griffin, Ottawa, Kans., No. 412 Fifth Street?

Mr. HELVERING. No, sir.

Senator HASTINGS. This is directed to the committee, attention of Senator Hastings:

OTTAWA, KANS., May 10, 1933.

SENATE FINANCE COMMITTEE,
Washington, D.C.

(Attention: Senator Hastings, of Delaware.)

GENTLEMEN: I object; together with many others, that such a man as Guy T. Helvering be considered for any post whatever, connected with the Government of the United States and especially one as important as that of Commissioner of Internal Revenue.

There is at least one incident which will illustrate my objection. The Kansas State Highway Commission, as far as the employees are concerned, is supposed to be a nonpolitical organization. Helvering, at least during the past 2 years, held the positions of State highway director and chairman or treasurer of the Kansas Democratic State Committee. During the last campaign, word was sent out to all State highway employees that there were to contribute, according to their salary, to the Democratic campaign fund. The State highway division officials, at State expense, met with the employees, collected the money in cash which was then forwarded with a list of the contributors. The money was in the form of a

draft made payable to simply "Guy T. Helvering" and the address on the envelope was the same. Naturally, there is no record. No receipts or acknowledgments of any money was ever made to any donor.

I repeat, I object to a man of this type being appointed to any post with the Government of the United States.

Yours very truly,

BLANCHE H. GRIFFIN
(Mrs. Edw. L.).

Mr. HELVERING. There was no money sent me in cash. Everything was by check.

Senator HASTINGS. This says draft.

Senator BARKLEY. Well, that is a check.

Senator HASTINGS. A draft.

Mr. HELVERING. There was no secrecy to the manner in which I handled that proposition, absolutely none.

Senator HASTINGS. Here is one from Mrs. Lena W. Brown, Lawrence, Kans.:

LAWRENCE, KANS., May 12, 1933.

Senator HASTINGS, Washington, D. C.

DEAR SIR: I note that you are one of the committee to investigate the activities of Guy Helvering of this State, who has been appointed, subject to confirmation by the Senate, collector of internal revenue.

The appointment of such a man as Helvering to this post is a slap at the decent citizens of this State. I voted for Mr. Woodring the first time he ran for governor, but became so disgusted with his administration that I would vote for him again for no office, whatever. He was simply the tool of Mr. Helvering and his puppet, Mr. Woodring, were defeated in spite of their desperate attempts to buy the office of governor with patronage.

This appointment of Mr. Helvering would be no credit to Mr. Roosevelt in this State. It would do him a great deal of harm. I hope your committee will uncover enough of Mr. Helvering's crooked work to prevent him from taking this important office. We should have honest men in office, if such are to be found, especially at this critical time.

While you are investigating, I hope you will look up Mr. Helvering's record when he was serving as Representative in Congress from the Fifth District of this State. I have been told on good authority that he sold postoffices at that time—third-class post offices for \$360 each, and others at the way up to \$2,500, which was paid for the post office at Concordia, Kans.

I hope your committee will find out the truth about this man, and will not allow him to be whitewashed and permit him to receive this important post. We have good Democrats in this State, but this man will surely bring disgrace on the administration. His highway department, while he served under Woodring, smells to heaven and is to be investigated. If not whitewashed, and it will not be, although every effort will be made to hinder the investigation, it alone will be sufficient to cause embarrassment to Mr. Roosevelt.

I have written this especially to call your attention to the postoffice deals reported to me, which I have every reason to believe are true.

Respectfully yours,

Mrs. LENA W. BROWN.

Mr. HELVERING. I don't know who she is or anything about her. Anything in her letter there relative to postoffice matters is absolutely false. Nothing like that was ever indulged in.

Senator HASTINGS. Were there ever any charges or investigation made?

Mr. HELVERING. No, sir. Not until now. That is 20 years ago, Senator, that I appointed those postmasters. It was in 1913 and 1914.

Senator HASTINGS. Here is a telegram from F. D. Lamb, postmaster at Manhattan. He states he made a report on it in 1919.

Mr. HELVERING. He made a report on it?

Senator HASTINGS. Yes.

Mr. HELVERING. I know Mr. Lamb is postmaster there, but he never paid me any money.

Senator HASTINGS. He says:

Might assist you to look up Guy Helvering's record appointment F. D. Lamb postmaster Manhattan, Kans. Charges filed with Assistant Postmaster General Koons late summer 1919. My report also report post office inspector should be on file.

F. D. LAMB, *Manhattan, Kans.*

The telegram comes from Phillipsburg, Kans.

Mr. HELVERING. You know who that is, don't you?

Mr. MCGUGIN. No.

Mr. HELVERING. Boyd.

Senator HASTINGS. What is that, Mr. Helvering?

Mr. HELVERING. Phillipsburg, Kans., is where a man by the name of Boyd lives, who has fought me very strenuously because I would not appoint him to the highway commission.

Senator HASTINGS. And probably sent this telegram?

Mr. HELVERING. That is from Phillipsburg, you say, and that is his home.

Senator HASTINGS. What are his initials?

Mr. HELVERING. Frank Boyd.

Senator HASTINGS. Do you know a man by the name of J. S. Swanger, Jr., it looks like?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. Is that his name, Swanger?

Mr. HELVERING. Yes, sir.

Senator HASTINGS. At Topeka, Kans. He directs his letter to Senator Clark. I think the other members of the committee have a copy of it.

Senator BARKLEY. Senator who?

Senator HASTINGS. Senator Clark.

Senator BARKLEY. I haven't received it.

Senator BYRD. I haven't received one.

Senator HASTINGS. Here is a letter directed to Clark, copy of which was sent me.

TOPEKA, KANS., *August 10, 1933.*

HON. BENNETT C. CLARK,
United States Senate.

DEAR SENATOR: As former chairman of the Kansas Democratic State Central Committee, and having the interests of my party at heart, I feel it my duty to write to you since nothing in the public press the committee's activities relative to the confirmation of Mr. Guy T. Helvering, of this State, for the post of collector of internal revenue.

I am quite certain that nothing can hurt the Democratic cause, or the Roosevelt Administration, more in Kansas than the confirmation of this appointment. To substantiate this statement a number of leading Democrats, through their antagonism for Mr. Helvering, were responsible for the defeat of a Democratic governor, Harry M. Woodring, for his second term in an election in which the Democratic national ticket carried Kansas by 75,000.

It is common talk in Kansas that while Mr. Helvering was State chairman, and while he was serving as State highway director at the same time, he built up, through assessments laid on State employees and on firms doing business with the State, a private fund of what the former Mr. Elmer E. Scott, former treasurer of the State committee, says approximates a million dollars. And there has never been any public accounting of this fund.

If you are interested I can personally give you the details of the collection of a part of this fund for which there was no accounting, and can give you the names

NOMINATION OF GUY T. HELVERING

of business men and road contractors doing business with the State who have voluntarily made the statement to me that demands were made upon them for payment to this fund and that they were compelled to meet the demands.

Kansas was so aroused over the many charges of graft and corruption in the State highway department that the recent legislature felt called upon to create a special committee to make an investigation of the charges, and I am sure that in due time enough of these charges will be substantiated to make it plain that Mr. Helvering is not suitable for such a job of public trust.

Hoping you will give this matter your earnest attention, and assuring you that any further information I can give will be forwarded upon your request, I am,

Most sincerely yours,

J. F. SWANGER, Jr.

Senator BYRD. Is the house and senate Republican or Democratic in Kansas?

Mr. HELVERING. Republican. Well, I want to make a statement about Mr. Swanger. Mr. Swanger has been charged in our State by the fire marshal with burning down his printing office in order to collect the insurance; he has been charged with burning up hay in stacks—this can all be substantiated, and I will put against him any man of responsibility in the State. What he says about these contractors I don't know anything about. If he can give you the name of any contractor in the State who has paid me anything to give him a contract, I will face him right here in this room.

Senator HASTINGS. How long was he chairman of the State committee?

Mr. HELVERING. Swanger was chairman of the State committee somewhere about 1920.

Senator HASTINGS. For how long?

Mr. HELVERING. For 2 years.

Senator HASTINGS. What is his business?

Mr. HELVERING. Well, I think he is running a little restaurant in Topeka at the present time. I might say to you after the election of Governor Woodring, he came out, on account of having been State chairman at one time, and wanted to be State highway director, and has been mad at me ever since, because Governor Woodring insisted I take it. We investigated him and found out about all these matters, and the Governor refused to give him anything.

Senator HASTINGS. Mr. Chairman, here is a copy of a report which I think should go into the record.

Senator BARKLEY. This is about the Slim Jim case. Have you read it, Mr. Helvering?

(The reports are as follows:)

TREASURY DEPARTMENT,
INTERNAL REVENUE SERVICE,
Wichita, Kans., May 29, 1922.

INTERNAL REVENUE AGENT IN CHARGE,
Wichita Division:

In accordance with your instructions to Collector Motter by wire under date of May 24, 1922, the accompanying report on reinvestigation of the Slim Jim Oil & Gas Co. of Wichita, Kans., by Revenue Agents L. D. Hickman and Roy J. Jennings, is transmitted herewith, to be personally handed to you by the first named officer.

It will be noted that the information received through Mr. Gus Winston was of doubtful value, if any, aid in disclosing the additional tax liability recommended for assessment, but it is more than probable that, without his activities, the matter would not have been again brought before the Department and he should on that account be given some recognition in the case.

Many indications of effort to evade payment of the proper amount of tax due are apparent on the part of the taxpayer and its agents, but I am unable to judge whether they are sufficient conclusive to prove fraud under the statute. Agent Hickman will add, orally, to the evidence submitted in this report, as a number of suspicious circumstances, pointing toward interference, in this investigation by emissaries of the taxpayer or its agents, exist, which are not embodied in the report, as well as others indicating possible collusion on the part of bureau officials in making the original adjustment.

This information is not considered proper to include in the report, for the reason that it has no direct bearing on the tax liability of the corporation.

On account of Agent Hickman's intimate knowledge of the case, as obtained during the course of both this and the original investigation, as well as his long and successful experience as an investigating officer, it was deemed advisable by Collector Motter and myself that you should have the opportunity to hear his statements in connection with the case and to question him in regard to such points as, in your estimation, require further elucidation.

It is important that an early decision on this case should be given, to enable this office to investigate the returns of stockholders of this company, as instructed in a recent bureau letter, with proper information at hand in regard to liquidating dividends.

No copy of this report has yet been furnished the former officers of the corporation, pending your instructions thereupon.

GEORGE RUEDE,
Internal Revenue Agent in Charge.

TREASURY DEPARTMENT,
INTERNAL REVENUE SERVICE,
Wichita, Kans., August 26, 1921.

CHIEF SPECIAL INTELLIGENCE UNIT,
Bureau of Internal Revenue, Washington, D.C.:

There is returned herewith the correspondence you forwarded concerning the Slim Jim Oil & Gas Co., Wichita, Kans. There appears to be some misunderstanding in respect of the action desired in this case. As has been reported, the original field investigation of the 1917 return was made by Internal Revenue Agent L. D. Hickman who found something like \$1,211,000 additional tax. It is our understanding that almost immediately after the report was sent to the Bureau the case was taken up by Guy T. Helvering, representing the taxpayer, with the result that the tax was reduced to something like \$459,000. There is nothing whatever in the files of the Internal Revenue Agent in Charge at Wichita to indicate the basis upon which the Bureau made this settlement. To what extent Washington, Henry & Co. figured in the adjustment of this matter we are unable to say, except that their books show that they received as their fee \$2,500 from Helvering and they insist that this is all that they received. Undoubtedly Helvering is the man who engineered this settlement and received the big end of the fee. It is not so important to know what he received, whether it was \$10,000 or \$100,000, as it is to know how he succeeded in bringing about a settlement so advantageous to the taxpayer.

It is common talk in this section that James Titus, who was president of the Slim Jim Oil & Gas Co. skinned the Government alive in this adjustment. We have also heard the rumors about the destruction of the books, but it is our information that as recently as about six months ago they were in the custody of the father-in-law of Mr. Titus, here in Wichita. In this connection it may be stated that subsequently to the examination Agent Hickman put Titus on notice that the books should be preserved because of the probability that for several years it might be necessary to refer to them in making examination of the returns of stockholders of the company. This does not mean, however, that we are at all sure that the books are still in existence.

What we desired and what we again urge is that this case be reopened and inquired into very thoroughly from every angle, first in Washington to ascertain whether the settlement was sound in basis and warranted by the facts, and then, if necessary, by another field examination by an agent of demonstrated ability. Inasmuch as the original examination was made by Agent Hickman it is our view that he should not conduct the next examination, if one is made, but that whoever makes it should confer with him freely. It is our understanding that the Bureau has no doubt of Agent Hickman's ability or conscientiousness. If he erred in

charging a corporation \$700,000 or \$800,000 more tax than it owed, he is entitled to know wherein he erred. On the other hand, if some one in the Department erred, either unintentionally or for a consideration, then James Titus and the other stockholders should be required to pay what is legitimately due the Government. There has been more talk of alleged "crookedness" in the settlement of this case than in any other case which has come to our attention; and we believe that it should be determined definitely whether there is any foundation for such talk.

We know that you are ever ready to lend the cooperation of the Special Intelligence Unit in the investigation of matters of this kind, but this is primarily an income tax inquiry and should be initiated there as such, although it would be well to have one of the special agents participate in it.

At present James Titus is away from Wichita, but it is expected that he will return in September.

EVERETT PARTRIDGE,
ALF OFTEDAL,
Special Agents.

[Extracts from report made by L. D. Hickman, internal revenue agent, and Roy J. Hennings, internal revenue agent, directed to the internal revenue agent in charge at Wichita, Kans., dated May 18, 1922. Page 12, the Slim Jim Oil & Gas Co., Wichita, Kans.]

On May 8, 1922, as part of the investigation of the Slim Jim Oil Co., Mr. T. J. McDonald, a stockholder of the company, was interviewed and questioned at his home in Wichita, Kans. Being the only known official of the company now resident in Wichita, he was presented with the commissioner's letter authorizing a reinvestigation of the corporation, and a demand was made on him for the books of the company. Being off his guard, he stated that upon the return of Mr. I. C. Titus, the former president of the corporation, from Washington, D.C., immediately following the conference with the income tax unit, wherein a settlement was reached as to the tax liability of the corporation, that said Titus informed him that there was no one present at the conference except himself (Titus) and the Government officials; that Mr. H. M. Washington and Mr. Guy Helvering, who were his attorneys, were not present at the conference, but remained at the hotel.

That Mr. Titus, at the conference, explained to the Income Tax Unit, the operations and transactions of the corporation with a reference to the amount of taxes paid; that he (Titus) then returned to the hotel and secured the new amended returns, which Mr. Washington had prepared and ready; that with these (Titus) returned to a second conference, at which time the amended returns were approved. He was further informed by Titus that the Income Tax Unit asked him (Titus) if such a settlement was entirely satisfactory to him; that the Income Tax Unit also informed him that nothing was to be said regarding the manner or method or the amount of the settlement.

You are advised further that your examiners received from this conversation the impression that the whole matter was cut and dried before the conference took place.

INFORMATION AS TO SALE OF ASSETS

The cause of the greatest difference in the amount of taxes as shown by the revenue agent's report, dated September 30, 1919, and the amended return of the taxpayer, as approved by the Department, was changing the sale of assets from the year 1917 to the year 1916. We hold that such action by the Department was in error for the following reasons:

1. The date of the contract of sale was March 16, 1917.
2. The effective date of the sale was January 2, 1917.
3. First payment on contract, \$200,000, was received March 20, 1917. Final payment, \$1,668,045.13, was received April 20, 1917.
4. The Department, at a prior time, ruled that the sale was closed and title transferred in 1917, and all profits realized in that year.
5. We can see no evidence in the documents which would cause the Department to reverse its ruling.
6. Deputy Collector H. W. Washington, in his report, July 21, 1917, attached, states as follows:

On March 21, 1917, the company (Slim Jim) sold its undivided one-half interest for \$1,750,000.

After reviewing all these transactions and book entries with the officers of the Slim Jim Oil & Gas Co., it is quite evident to us that this company now

proposes to include these amounts as income for the year 1916, in an effort to evade the increase in the rate of income tax, as well as the excess-profits tax, which it will quite likely have to pay, if the profit is properly returned in the year 1917."

For your information we will add that the former officer H. M. Washington, together with Guy Helvering, posing as income-tax experts, handled this case before the Department receiving therefor, as we understand, \$25,000 for their services, at which time, final settlement was made, and the tax was reduced to \$451,245.76 for the year 1917, and \$8,039.02 for the year 1916.

REASONS WHY TAXPAYER IS NOT ENTITLED TO ANY RELIEF WHATEVER

1. That since making their original return for 1916, the corporation have made six or seven amended returns for the purpose of evading a part of their legitimate tax.

2. That these efforts were being made at a time, when other corporations and individuals were cheerfully paying their proportion of the tax, and all the people of the United States, were making sacrifices, both in comfort and life, in order to raise money and food to prosecute the war.

3. This corporation, immediately upon the sale of its assets, sent a telegram to their Congressman requesting information as to what date the new 1917 income tax law, which was being talked of, would be made effective. From that date (the date of the sale), the taxpayer bent every energy and much money in an attempt to throw its profits from oil on hand and the sale of these assets, back into the year 1916, not withstanding, they had previously, on March 26, 1917, made their income tax return for the year of 1916, on a cash basis, and had made no mention of the sale, or contemplated sale, of its assets to the Utilities Gas & Electric Co.

4. In these efforts, referred to above, lawyers were hired with large retainers fees, accountants were employed and supposed income tax experts were paid enormous bonuses, all to the end that they might secure, not a just assessment of taxes, but favorable adjustments.

5. Many times the taxpayers have approached the department with amended returns and propositions which have been rejected.

6. The profits made by this corporation was not the result of any labor, anxiety, prudence, or any other particular quality that stimulates commercial activity. The entire profits were the result of ordinary luck and the war. In the opinion of your examiners this class of taxpayers, which Congress particularly desired to reach by law enacted in 1917, should not be allowed to evade their proportion of the tax.

For the above reasons and other incidents which have come under the observation of the original investigation, and the reinvestigation now in process, your examiners both concur in the opinion that these taxpayers are not entitled to any relief whatever. The majority of the stockholders of this corporation are now retired.

We, your examiners, suggest that if an A-2 letter is sent out on the basis of this report, that same would be fought by the taxpayer in the courts; that evidence would be adduced during this trial, which would show that the taxpayer, or their agents have been guilty of fraud.

L. D. HICHMAN,
ROY J. HENNINGS,
Internal Revenue Agents.

TESTIMONY ON DON A. HENRY BEFORE COMMITTEE ON ENROLLMENT AND DISBARMENT, FEBRUARY 7, 1922

Says he entered the Government service in 1915 and resigned in 1919, and formed a partnership with Washington.

Washington resigned from the Government service in 1917, after a service of 2 years as inspector.

Mr. SMITH. Mr. Chairman, may I ask one or two questions? When, Mr. Henry, did you first learn of these objections or the result of an investigation which showed possible misconduct on the part of Mr. Washington?

Mr. HENRY. I think that I learned of the seriousness of the charges about November 1 last. I asked Mr. Helvering to see the chairman of the committee, Mr. Angell, and he talked with him. Mr. Helvering wrote me a letter telling

me of the talk he had. I immediately came to Washington and met you in Mr. Angell's office.

Mr. SMITH. When was the first time you became familiar with the fact that the Bureau of Internal Revenue had issued a bureau memorandum to all of its employees calling attention to the fact that you and Mr. Washington were not enrolled and would not be recognized?

Mr. HENRY. October 1.

Mr. SMITH. What would that suggest to your mind?

Mr. HENRY. I came to Washington and talked with Mr. Helvering. He told me at that time what his thought was and that it was probably a general order all over the country to any one who had not been enrolled. I never considered this before then because I had never practiced before a collector or before the Department.

Mr. SMITH. You say it came to your knowledge about October 1? As I recall you filed your application about October 10, and then you later learned of the seriousness of the charges about November 1. When did you first intimate to Mr. Washington that you intended to dissolve partnership?

Mr. HENRY. I intimated to him for the first time when the general order came out about the 1st of October that we could not be recognized in practice.

Mr. SMITH. What did you say to him?

Mr. HENRY. That we were going to dissolve partnership. I was not satisfied with the men he had on his staff. I wanted to dissolve partnership because we could not get together on a partnership matter. He suggested that we sell out the partnership, but I said that this was my life's work and I wanted to stay with it. He was very extravagant, buying everything for the Wichita office. He bought about \$8,000 or \$10,000 worth of furniture for his office, while in Kansas City and Topeka we had very ordinary furniture, not more than \$2,000 worth in both places at that time. I was not getting any money either, to be honest about it. It was the financial end of it that was worrying me. I did not realize until I went into the books that I was not getting the money due me; money that was coming into the office.

Mr. JACOBS. What use did you make of your acknowledgment card when you returned?

Mr. HENRY. I have never shown it. I placed it on my desk and left it there. I took sick in New Orleans and went to bed. As soon as I got back home, I received notice from Mr. Helvering that things were serious, and he wanted me to come down for a general conference. He thought my matter could be cleared up quickly.

Mr. SMITH. You made no use whatever of that acknowledgment card?

Mr. HENRY. I do not think, Mr. Smith, I ever showed it. It is in my desk at home now. I had no occasion to use it because I had no matters coming before the Department or any investigations, with the exception of possibly one. I did not appear in that case. One of the members of my company did.

Mr. SMITH. How long have you known Guy T. Helvering?

Mr. HENRY. About 10 years, I think.

Mr. SMITH. Have you had intimate business relations with him during that time?

Mr. HENRY. Principally in politics in Kansas. I would meet him once or twice a year at some meeting. I became intimately acquainted with him about 1920.

Mr. SMITH. As I recall, he represented Harry M. Washington before you became associated with Washington?

Mr. HENRY. He did not represent Washington. I do not think he had a case for Washington until I met him. I was going on the train to Washington, as I had some matters before the Department. He suggested that he might possibly help me. He was on the Ways and Means Committee that drafted the bill. I assume from his knowledge of income tax that he would be able to handle matters for me.

Mr. SMITH. In the case which he handled for you, or for the firm of Washington, Henry & Co., what was your fee arrangement?

Mr. HENRY. The fee arrangement to start with was a division of 33½ and 66½; he to get 33½ and we to get 66½. Later the division was 40-60.

Mr. SMITH. What was the usual fee charged to clients?

Mr. HENRY. They varied. They were carried both ways. If not on a flat fee basis, they were from 5 percent up.

Mr. SMITH. You never had any 50 percent contingent fees?

Mr. HENRY. Perhaps one or two little ones. I do not recall any case, probably not more than \$100 or \$200.

Mr. HELVERING. Senator, I received a telegram from Mrs. Harrison Parkman, vice chairman of our State committee, reading as follows:

TOPEKA, KANS., May 12, 1933.

GUY T. HALVERING,
Mayflower Hotel, Washington, D. C.:

Trying prevent telegram bombardment Senator Barkley your favor from Democrats stirred by newspaper publicity. Shouse opposition and action of purely fictitious Lawrence Club. Senator Barkley should understand effort of headquarters is to prevent telegraph campaign your behalf unless you authorize. Wire here and Broderick and Garber if authorized.

Mrs. HARRISON PARKMAN,
Vice Chairman State Committee.

I understand you also received a telegram from the East Side Democratic Club in Lawrence, Kans.

Senator BARKLEY. Yes. Frank McDonald, county chairman—no, Ralph H. Irwin, secretary.

Mr. HELVERING. The chairman wired me he had wired you in answer to that.

Senator BARKLEY. This is a telegram from the secretary at Lawrence, Kans. It reads:

LAWRENCE, KANS., May 11, 1933.

Senator ALVIN T. BARKLEY,
Washington, D. C.:

We commend delay on Helvering appointment until investigation is complete regarding misuse of Kansas highway funds and tax refund cases. We deplore his collection of campaign funds and their disbursement in a manner to give him personal advantage in appointment. This appointment would be no reward to true Kansas Democracy.

DOUGLAS COUNTY EAST SIDE DEMOCRATIC CLUB,
RALPH IRWIN, Secretary

Senator HASTINGS. Was that directed to you?

Senator BARKLEY. Yes, sir.

Here is one from Frank M. McDonald, county chairman of Douglas County, which reads:

The Democratic Central Committee of Douglas County, Kans., wish to endorse wholeheartedly the candidacy of Guy T. Helvering as collector of internal revenue. We know his outstanding qualifications and assure you his appointment will meet the approval of the Democrats of this community.

FRANK M. McDONALD, County Chairman.

Senator BARKLEY. Here is one from Andrew Shearer, of Frankfort, Kans.

Have known Guy T. Helvering since boyhood. Helped him first start in politics. Began without a dollar. By sheer ability reached prominence. Master organizer. Well qualified revenue position. Of course will have detractors. As oldest active Democrat Kansas (past 83) vouch for his integrity. Reference, Senators McGill, Capper.

ANDREW SHEARER.

Senator HASTINGS. What has become of the investigation; how far has it gotten? Has it been made public?

Mr. HELVERING. They are on the audit right now.

Senator HASTINGS. Is it just a matter of audit?

Mr. HELVERING. I don't know, Senator.

Senator HASTINGS. Have they had any hearings or anything?

Mr. HELVERING. No. Two years ago they commenced the audit.

Senator HASTINGS. But that is different from this, isn't it?

Mr. HELVERING. Yes. The governor just authorized that audit.

Senator HASTINGS. And this is to be an investigation?

Senator BYRD. Didn't the Governor veto a bill 2 years ago providing for an investigation?

Mr. HELVERING. Yes, sir.

Senator BYRD. What was his reason for doing so?

Mr. HELVERING. The reason expressed to me was he thought—well, I might as well be perfectly candid. This investigation started out of a factional fight of the Republican Party. I don't want to ask Congressman McGugin to say a word—

Mr. MCGUGIN. I will make that same statement. I can tell you the whole story of the investigation, and wouldn't mind doing it.

Mr. HELVERING. Governor Woodring said there was no use of the two parties washing their dirty linen in an investigation of that kind.

Senator BARKLEY. This investigation was passed by the legislature, and was to investigate the highway administration by Governor Reed?

Mr. HELVERING. Yes.

Senator BARKLEY. Who was a Republican?

Mr. HELVERING. Yes.

Senator BARKLEY. They passed that resolution?

Mr. HELVERING. Yes.

Senator BARKLEY. And the Governor vetoed it?

Mr. HELVERING. Yes; in the senate there were 3 Democrats and 37 Republicans, and in the house forty-some Democrats and 125 Republicans.

Senator BYRD. That didn't apply to your administration of the highway department?

Mr. HELVERING. No.

Senator HASTINGS. When were you appointed?

Mr. HELVERING. April 7, 1921.

Senator BYRD. How long did you hold office?

Mr. HELVERING. Two years.

Senator BARKLEY. I have here, gentlemen of the committee, a statement signed by the four Republican Members of the House from Kansas, which I think ought to go in the record, and I will read it.

MAY 15, 1933.

RE: CONFIRMATION OF GUY T. HELVERING, AS COMMISSIONER OF INTERNAL REVENUE

HON. ALBEN W. BARKLEY,

*Chairman Subcommittee, Committee on Finance,
United States Senate, Washington, D.C.*

DEAR SENATOR BARKLEY: We, the undersigned four Republican Members of Congress from Kansas, have no interest in Democratic appointees to office. As members of the House of Representatives, we have no desire in any way to intrude upon the prerogatives of the Senate in the matter of confirmations.

As Representatives of the State of Kansas, we are interested in doing what we can to see to it that no citizen of Kansas, irrespective of politics, is unfairly and unjustifiably assailed as to character and ability.

We regard Hon. Guy T. Helvering as a man of high character and exceptional ability. He has been our political foe, but where personal character is concerned, we feel that party consideration should be cast aside.

Very truly yours,

U. S. GUYER.
CLIFFORD R. HOPE.
W. P. LAMBERTSON.
HARROLD MCGUGIN.

Senator HASTINGS. Is that all the Republican Congressmen?

Mr. McGUGIN. That is the entire Republican delegation from Kansas. I took it around to Senator Capper and showed it to him, and he said it met with his approval, and he says he is going to take the same position.

Senator BARKLEY. I have a telegram here also from Olathe, Kans., which reads:

I give my wholehearted support and endorsement to Guy Helvering.

That is signed George H. Hodges, former governor.

Do you know Mr. C. B. McVickar, Wichita? He has sent a long letter in here, in which he reiterates some of these charges that have been made against you by these letters read by Senator Hastings.

The letter follows:

WICHITA, KANS., May 11, 1933

Senator BARKLEY,

Chairman, of Investigating Committee, on Income Tax.

Reference: To Guy Helvering, that was nominated by the President as income tax collector and his nomination was held up by the investigating committee of the Senate.

Now Mr. Barkley, this letter is being written by C. B. McVicker, of Wichita, Sedgwick County, Kans. First I have five reasons why I am writing this letter to you. If you care to you can show this letter to Congressman Ayres, or Senator George McGill. I am personally acquainted with both of them. Reasons are as follows:

First. I can furnish you three or four hundred employees that was under Guy Helvering here in Kansas, from the Hutchinson Reformatory down to the man that shovels gravel and the sand haulders that hauled the sand and the stenographers that made out their time were all forced to pay to Guy Helvering from 5 to 12½ percent of their weekly and monthly salaries. This I can prove by men that was working on this work.

Second. He put the State of Kansas in the hole \$3,000,000. Where did the money go to? Who can answer that question? Nobody but Guy Helvering. If he was running for an office like Governor Woodring for reelection he would not get away from the quarter pole. It was Guy Helvering that defeated Woodring for governor the second time. Now Mr. Barkley, if you can show me where we have not got the best man in the Presidential chair that has ever been put in office then I will say put one of the biggest robbers and crooks, put him in the chair, Guy T. Helvering.

Third. It was very unfortunate that Helvering was Woodring's manager. The people of Sedgwick County and 103 other counties in the State of Kansas would have supported Woodring but they claim to vote for Woodring to maintain Helvering in the office. Therefore, he was defeated by a Republican candidate, Alf. L. Landon, who is Governor of the State of Kansas. A thing that is very unusual, to have a Republican governor in a Democratic State.

Fourth. I want you to take time and read this through and you can show this to George McGill or W. A. Ayres, whom I have known for years. I am an old painter and decorator; was here in Wichita for years and years. I am 74 years of age and past, and I am not asking any alms and I have no income tax to pay, but I have friends that do have, and to h——I with Helvering. We do not want him in the office. What did he do at El Dorado in the oil business? What did he do here in Wichita in the oil game; what would he do if he ever got in again? I say, keep him out.

Fifth. I, C. B. McVicker, of Wichita, Sedgwick County, State of Kansas, can furnish you with several hundred of affidavits to truth and veracity in regard to the assertions of the foregoing letter that is enclosed. There is no reason in my mind why he should ever be appointed to any office by the President of the United States or anyone else, as far as that goes. I don't think he is eligible for a dog catcher, for he would catch your dog, then come around, turn him loose to you for a dollar and go away, then come back and catch him the second time, and charge another dollar or two to get your dog back.

I sincerely believe that his past history and crookedness in the office that he held here in Kansas of which he put the State of Kansas over \$3,000,000 in the red ought to be sufficient evidence to keep the President or the Senate from okaying this nomination. We have plenty of good honest men in Sedgwick County, and plenty of them in the State of Kansas, who are fully qualified to handle the income-tax problems far better than this man Helvering, and it is a cinch that they are honest in their dealings. I am not any way alarmed if you would want to publish this foregoing letter. Shoot. For I, C. B. McVicker, am a Scotch-Irishman and thoroughbred Democrat and a square-shooter.

Thanking you for taking up so much of your valuable time in reading this letter, I am satisfied at these few lines; they might be more, but if I had the money to pay expenses with, I would get you three or four hundred names of former employees under Guy Helvering, that they had to come across with their cuts or donations to what he called a campaign fund or lose the job. Lots of them quit.

Would like to hear from you and see what you think of this letter. You can ask my two friends what they think of me—Congressman Ayres and Senator McGill; you know them both. I will now close by thanking you for your patience in reading this letter—if you are lucky enough to get it, which I see no reason why you shouldn't. Address all communications to 350 Riverview.

C. B. McVICKER.

Senator BARKLEY. Here is a letter from somebody named F. B. Hazens, in which he undertakes to go into the gubernatorial race out there between Woodring and Brinkley. I don't think that has anything to do with this matter, and would only clutter up the record. Do you know the Leavenworth Bridge Co.?

Mr. HELVERING. The Leavenworth Bridge Co.?

Senator BARKLEY. Yes.

Mr. HELVERING. No; I don't know them. I think there is a company of that name.

Senator BARKLEY. Here is a letter from the Leavenworth Bridge Co., which reads:

LEAVENWORTH, KANS., *May 11, 1933.*

HON. SENATOR BARKLEY,
Chairman Subcommittee, Washington, D.C.

MY DEAR SENATOR: While your honorable committee is investigating Mr. Helvering's fitness for the position he desires to be appointed, you might find among other causes for rejecting him, one of his questionable democracy.

Is it customary for a Democrat in power to maintain in one State department, to which he was appointed chairman, several thousand Republican employees who were holdovers of two previous successive Republican governors, such as was the case here in Kansas?

We don't think so, and that is what you will find happened here by this wonderful Democrat, who is now seeking the appointment as an internal revenue commissioner from this Democratic administration. To the victor belongs the spoils (as far as is consistent) but when we were victors here in Kansas two years ago, this gentleman who now seeks patronage from the Democratic Party gave the jobs in his department to all these thousands of Republicans—holdovers of former Republican administrations, when there were plenty of good competent Democrats to take these positions.

We sincerely hope your disclosures in this investigation will develop sufficient grounds to reject him from this appointment.

We have the pleasure to be very truly yours,

LEAVENWORTH BRIDGE CO.,
By A. ROHR.

Mr. HELVERING. I want to say about this East Side Club, Senator, that I have the following telegram:

Telegram left here last night addressed to Barkley signed by Irwin, secretary East Side Democratic Club, asking that they hold up your appointment was the result of secret meeting of members of club unknown.

I understand the directory there does not reveal the name of Irwin, and Mr. Swing, an old-time reliable Democrat, is making an investigation, of which he will wire me today, to find out who they are. I know there is no such club.

Senator BARKLEY. Is there anything else you want to state or put in the record?

Mr. HELVERING. Not at this time.

Senator BARKLEY. Congressman McGugin here says he is willing to make a statement with reference to Mr. Helvering in regard to these matters. Is there any statement you would like to put in the record outside of this letter you have submitted?

Mr. MCGUGIN. Well, my interest in the matter is simply in common with the other Republican Members of the House and in keeping with Senator Capper's views. We are not particularly interested in the appointment of Democrats to office, but we know they are going to be appointed, and we do not like to see a Democrat of Kansas assailed by nothing more than campaign argument. Our personal interest in it would be this: That Governor Woodring is a personal friend and constituent of mine, and any reflection on the character of Guy Helvering is of necessity a reflection upon the character of Woodring, and we would dislike very much to see a lot of innuendo and charges thrown in here against Guy Helvering, a citizen of Kansas, whom President Roosevelt has seen fit to appoint to this position.

I want to say as to the highway investigation you are talking about, ever since the highway department has been organized in Kansas, and I suppose it is the same in every other State in the Union, there was always a certain amount of charges and counter-charges as to the operation of a highway department; in the Republican primary back in 1930 there was a factional fight in the ranks of my party, and Governor Reed was defeated for renomination, and as the result of that factional fight in the Republican Party, Harry Woodring, a Democratic candidate, was elected governor the following election. There probably would have been identically the same situation if the other party had won in the primaries.

Then in the legislature, of 1931 there was a resolution passed for the investigation of the highway department. Governor Woodring vetoed the resolution, and of course that became more or less of a principal issue in the following campaign. Any investigation at that time would have been solely of the Republican administration. When this last session of the legislature met they again passed such a resolution, which includes an investigation not only of the Woodring administration, but back to the Reed administration and the previous one, which was Republican.

I think it is safe to say that leading Republicans, leading Democrats of Kansas, feel more or less they are on a cold trail so far as Mr. Helvering is concerned. Of course, it goes without saying that factional fights in the Democratic party, as well as our party, will bring out all sorts of charges, especially if they think there is some chance of blocking confirmation. This sort of thing grows out of State politics everywhere, I imagine.

Senator BARKLEY. With reference to these campaign collections from employees, what has been the custom in Kansas with reference to that?

Mr. McGUGIN. I would say it has been more or less the custom of both parties to collect these funds. I rather think, under the leadership of Mr. Helvering, it was handled more efficiently and more effectively and more practically than probably it had ever been done before. It is a policy that should be stopped by both parties, no doubt, and probably will.

Senator HASTINGS. Did or did not the legislature pass a law forbidding collections from employees?

Mr. McGUGIN. I have no knowledge of that. Our legislature has just adjourned. What they did or did not do, I do not know.

Senator HASTINGS. Do you know, Mr. Helvering?

Mr. HELVERING. No, I do not.

Senator HASTINGS. About how many employees are there on the Highway Department in Kansas?

Mr. HELVERING. About 1,500.

Senator HASTINGS. Whom did you succeed as chairman?

Mr. HELVERING. I succeeded a man by the name of Dole.

Senator HASTINGS. A Republican?

Mr. HELVERING. Yes.

Senator HASTINGS. Did the Republicans collect from employees of the Highway Department under him?

Mr. HELVERING. Yes.

Senator HASTINGS. You say they did?

Mr. HELVERING. Yes, sir.

Senator BARKLEY. I suppose we may ask Mr. Luther to come in and make whatever statement he might want to make about this case.

STATEMENT OF SETH M. LUTHER, CIMARRON, KANS.

Senator BARKLEY. What is your full name?

Mr. LUTHER. Seth M. Luther.

Senator BARKLEY. Where is your home?

Mr. LUTHER. The little town of Cimarron.

Senator BARKLEY. What is your business?

Mr. LUTHER. I am in the farming and livestock business, and have been in the real-estate business.

Senator BARKLEY. Did you ever have any connection with the Trap Shooters Oil Co?

Mr. LUTHER. Yes, sir.

Senator BARKLEY. In what capacity?

Mr. LUTHER. I was one of the stockholders of the Trap Shooters, and on the board of directors.

Senator BARKLEY. Do you remember the tax case that was handled here in the Treasury by Mr. Helvering?

Mr. LUTHER. Yes, sir.

Senator BARKLEY. Just give the committee the facts about that, as well as you recall them.

Mr. LUTHER. About Mr. Helvering's employment—our employment of Mr. Helvering?

Senator BARKLEY. Yes.

Mr. LUTHER. Well this Trap Shooters Oil Co., we had been doing—the first thing we knew about our income tax proposition was a notice we were going to be assessed, I think, \$150,000, if I

am not mistaken, or an amount something like that, income tax. A bunch of boys that had this Trap Shooters Oil Co. were mostly farmers; they knew nothing at all about the income-tax game, and didn't know much about the oil game. When we got this notice, Mr. Washington and Mr. Henry, at Wichita, who had done the accounting for our firm— we took up this tax matter with them, and I am not sure whether they referred us to Mr. Helvering, but Mr. Helvering was in Wichita at the time when we were discussing this income tax matter with Washington-Henry as to employment as attorney to take up the case for us. We were in Washington-Henry's office. We met Mr. Helvering there and employed Mr. Helvering to take this case for us.

Senator BARKLEY. Do you remember what the contract was?

Mr. LUTHER. Yes, sir.

Senator BARKLEY. What was it?

Mr. LUTHER. Well, Mr. Helvering, I don't know whether Mr. Helvering remembers part of that conversation or not, but we asked Mr. Helvering what he would take this case for, and he wanted \$10,000. We had something in the neighborhood of \$25,000 in the treasury of the oil company at that time. Mr. Helvering did not know what he would be able to do on the case. There was considerable discussion as to our paying \$10,000 to an attorney to look after this matter for us.

The thing finally wound up by us making Mr. Helvering what we called a sporting proposition, instead of paying him \$10,000, we would give him \$2,500 to take the case, and we would pay him that much, and we did pay him the \$2,500. We paid that to him the same day we made the contract with him, and as a further proviso of the case, if he won this case, he was to have any part— if the income tax was cut down below this \$25,000, Mr. Helvering was to have any part of the \$25,000 left after the case was settled.

Senator BARKLEY. In other words, you paid him a retainer of \$2,500 in cash?

Mr. LUTHER. Yes, sir.

Senator BARKLEY. And provided that he should have the amount by which the tax was reduced below \$25,000?

Mr. LUTHER. Yes, sir; if it was reduced below \$25,000. If it were not, he was to take the \$2,500 and that was to be his fee.

Senator BYRD. You actually paid about \$18,000 more.

Mr. LUTHER. We figured afterward we made a pretty bad bargain, so far as the money—

Senator BYRD. I mean you paid him about \$18,000 on that agreement?

Mr. LUTHER. Something like that.

Senator BARKLEY. In other words, you didn't think, then, when you made the contract he would be able to reduce it as much?

Mr. LUTHER. No, sir. All we knew was this, to be frank and honest, we knew we were going to be asked to dig up a lot of income tax and there was part of this bunch that couldn't pay it, and this \$25,000 was all the money we had available for that purpose. A deal was made there in Wichita, Kans., and there were five directors present at this meeting and the secretary.

Senator BARKLEY. Who was the secretary?

Mr. LUTHER. The secretary at that time was Mr. Edgecomb.

Senator BARKLEY. He was there at the time?

Mr. LUTHER. No, sir; he was not there. This bunch stayed around Wichita quite a bit. We called Mr. Edgecomb, but he couldn't come.

Senator BARKLEY. Where was he?

Mr. LUTHER. Well, he stayed out over Poplin or El Dorado at that time, but I don't remember where he was that day.

Senator BARKLEY. He was not present?

Mr. LUTHER. No.

Senator BARKLEY. Do you recall the date of that?

Mr. LUTHER. It was in 1920. That is as far as I can remember.

Senator BARKLEY. Where is Mr. Edgecomb now?

Mr. LUTHER. Mr. Edgecomb is—the last address where I knew of him was in Texas. He was at the big oil strike in Texas 7 years ago.

Senator BARKLEY. There is a memorandum in this file that he is in Pasadena, Calif. Do you know whether that is true or not?

Mr. LUTHER. That he is in Pasadena?

Senator BARKLEY. Yes.

Mr. LUTHER. No; the last I heard of Mr. Edgecomb he was in Texas.

Senator HASTINGS. Mr. Luther, you were the vice president, were you?

Mr. LUTHER. My brother was vice president of the company.

Senator HASTINGS. F. N. Luther, Jr.?

Mr. LUTHER. Yes, sir.

Senator HASTINGS. He was vice president?

Mr. LUTHER. Yes; my brother at that time was about 21 years old. My brother and I both had stock in the company, and I was carrying his properties, and I acted for him at the directors' meeting.

Senator HASTINGS. You acted for him at the directors' meeting?

Mr. LUTHER. Yes, sir.

Senator HASTINGS. Do you know Del Travis?

Mr. LUTHER. Yes, sir.

Senator HASTINGS. Where is he now?

Mr. LUTHER. He is dead now. He was our State fish and game commissioner.

Senator HASTINGS. Edgecomb says they wired him to come over and see him, meaning Mr. Helvering, "but I didn't go. Later Travis phoned me and said they had made a deal with Washington, Henry & Co. by which they paid them \$2,500 retainer, which was raised by F. N. Luther, Jr., vice president of the Trapshooters Oil & Gas Co., Brown, Arnold, and Travis on personal note discounted in the First National Bank of Wichita, and I agreed over the phone to stand my share of the net."

Is that correct?

Mr. LUTHER. Yes, sir; that is partially true, excepting the deal was not made with Washington, Henry & Co.

Senator HASTINGS. Was it made in Washington, Henry's office?

Mr. LUTHER. Yes, sir.

Senator HASTINGS. But with Mr. Helvering?

Mr. LUTHER. Yes, sir.

Senator HASTINGS. Did you pay Washington, Henry anything?

Mr. LUTHER. No, sir.

Senator HASTINGS. What did they do with it, do you know?

Mr. LUTHER. I don't know what their connection was with Mr. Helvering at the time. In fact, I don't know whether there was any

particular connection between the two. Mr. Henry had audited our books for us. He was the auditor. It started before I went down there.

Senator HASTINGS. Do you know whether Mr. Edgecomb came to Washington about the matter?

Mr. LUTHER. Yes, sir. We sent him to Washington. We sent him back here with his books.

Senator HASTINGS. You sent Edgecomb?

Mr. LUTHER. Yes, sir.

Senator HASTINGS. Do you know whether Washington came with him?

Mr. LUTHER. I don't know whether Washington did or not.

Senator HASTINGS. Edgecomb came here and said when he and Washington met Mr. Helvering in Mr. Helvering's room, Mr. Helvering made a proposition to put up \$10,000 to secure a physical appraisal of the company's property. Was that ever reported to you?

Mr. LUTHER. You mean by Mr. Edgecomb?

Senator HASTINGS. Yes.

Mr. LUTHER. No, sir. Mr. Edgecomb was tighter than a lot of the other boys, and he did not go along with the directors on a lot of different ways of handling business.

Senator HASTINGS. What kind of a man was Edgecomb?

Mr. LUTHER. A fine fellow.

Senator HASTINGS. A fine fellow?

Mr. LUTHER. Except he was flighty.

Senator HASTINGS. Except what?

Mr. LUTHER. Except he was flighty.

Senator HASTINGS. Would you say he would make an affidavit that was not true?

Mr. LUTHER. Well, I wouldn't say that he would.

Senator HASTINGS. Would you say that he wouldn't?

Mr. LUTHER. Well, no sir; I wouldn't say he wouldn't.

Senator HASTINGS. He states in this affidavit, when this proposition of \$10,000 was made to him:

I said I might look easy, but I could not be taken over like that. I finally made a written contract with Mr. Helvering, a copy of which I furnished Agents Young and Nolan.

Mr. LUTHER. He says that he did?

Senator HASTINGS. Yes. Wouldn't it be necessary for him, as secretary, to sign the contract?

Mr. LUTHER. Yes, sir; a contract was made long before he ever came back here.

Senator HASTINGS. Where did he sign the contract?

Mr. LUTHER. The contract was made there in the office at Wichita.

Senator HASTINGS. Where did Edgecomb, as secretary of the corporation, sign it?

Mr. LUTHER. Well, I don't know where he would have signed it, but he certainly would not have signed it in Washington. The instructions of the directors were that he and the president should sign the contract with Helvering.

Senator HASTINGS. Mr. Helvering, do you remember being paid the \$2,500?

Mr. HELVERING. Yes.

Senator HASTINGS. Where were you paid the \$2500?

Mr. HELVERING. As I remember, that was paid there to me in Wichita that day. I am not positive, but I think it was.

Mr. LUTHER. It was paid to you that day by Mr. Del Travis, who is the man who gave you the money.

Senator HASTINGS. Do you remember whether you contributed anything to Washington, Henry & Co.?

Mr. HELVERING. I paid them for all the audit work and sending those cases up and preparing them for the Department here.

Senator HASTINGS. Do you remember what you paid?

Mr. HELVERING. No; I do not.

Senator HASTINGS. You had an agreement with them that you would do the work for 33½ percent, didn't you?

Mr. HELVERING. I can't tell you the way we had that exact contract.

I think on the basis of those cases they prepared all the work in the field and forwarded up here for presentation to the Department; that was the agreement, 33 percent. But I remember distinctly some cases where 40 percent and some on straight fees.

Senator HASTINGS. You collected in addition to this, \$18,000?

Mr. HELVERING. Yes.

Senator HASTINGS. Who paid you that money?

Mr. HELVERING. As I recall it—I am not positive about this, but when the case was finished, I am of the opinion that the money was paid to Washington in Wichita, because he was located there. I don't know about that now. Do you remember about that, Mr. Luther?

Mr. LUTHER. No, I wouldn't remember, but that might be the logical conclusion. The fact that Washington-Henry stayed on the books a year after the settlement was made—

Senator HASTINGS. The secretary and treasurer had to sign this check, didn't they?

Mr. LUTHER. No, sir; the secretary was not there and the treasurer was not there.

Senator HASTINGS. When the final settlement was made, in order to get this \$25,000 out of the bank, didn't the secretary and treasurer have to sign?

Mr. LUTHER. Yes, sir.

Senator HASTINGS. Did he sign?

Mr. LUTHER. I really wouldn't know about that.

Senator HASTINGS. You don't know anything about the final settlement?

Mr. LUTHER. Not the final settlement, no.

Senator HASTINGS. You just heard it was settled?

Mr. LUTHER. Well, I know it was settled.

Senator HASTINGS. Did you have a meeting of your directors?

Mr. LUTHER. Well, not right away, we didn't have.

Senator HASTINGS. Did you have a meeting of your directors before you paid over this money?

Mr. LUTHER. I don't think so.

Senator HASTINGS. Do you know where your records are?

Mr. LUTHER. No, sir; I do not.

Senator BARKLEY. Is there anything else at this time? If not, we will adjourn the hearing.

(Whereupon, at 1:30 o'clock p.m., the hearing was adjourned.)

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