

EXTENDING THE PROVISIONS OF THE ACT ENTITLED "AN ACT TO INCREASE THE INTERNAL REVENUE, AND FOR OTHER PURPOSES," APPROVED OCTOBER 22, 1914, TO DECEMBER 31, 1916.

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DECEMBER 17, 1915.—Ordered to be printed.

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

## REPORT.

[To accompany H. J. Res. 59.]

The Committee on Finance, to whom was referred House joint resolution 59, to extend the emergency revenue law, having had the same under consideration, report thereon with a recommendation that it do pass.

The report of the Ways and Means Committee is appended hereto and made a part hereof.

[House Report No. 5, Sixty-fourth Congress, first session.]

The Committee on Ways and Means, to whom was referred House joint resolution 59, to extend the emergency revenue law, having had the same under consideration, report it back to the House without amendment and recommends that the resolution do pass.

### THE NECESSITY FOR THIS RESOLUTION.

Section 24 of the emergency revenue act of October 22, 1914, provides "that on the day after the thirty-first day of December, nineteen hundred and fifteen, the taxes levied under this act shall no longer be levied and collected, but all taxes arising or accruing before said date shall continue to be collectible under the terms of this act." This act was enacted as an emergency measure to cover the reduction of revenue due mainly to the loss of customs receipts caused by the disturbed conditions resulting from the war in Europe. At the time the law was enacted it was thought that the European war would probably not be of longer duration than January 1, 1916, and that there would be no necessity for this additional taxation beyond that date, but the end of the war is still beyond sight and the Treasury will need the additional revenue contemplated by the extension of the act.

## THE IMPORTS.

During the fiscal year ending June 30, 1914, the total imports amounted to \$1,893,925,657, as compared with \$1,674,169,740 for the fiscal year 1915, thus indicating a falling off in importations in 1915 of \$219,755,917.

The following table shows the importations by groups for the fiscal years 1914 and 1915:

*Imports during the fiscal years 1914 and 1915, by groups.*

Groups.	Twelve months ending June—			
	1914		1915	
<b>Free of duty:</b>		<i>Per cent.</i>		<i>Per cent.</i>
Crude materials for use in manufacturing.....	\$549,061,406	48.70	\$505,874,813	48.95
Foodstuffs in crude condition and food animals.	201,888,045	17.90	196,702,824	19.04
Foodstuffs partly or wholly manufactured.....	37,201,700	3.30	50,958,753	4.93
Manufactures for further use in manufacturing.	200,925,040	17.82	162,142,604	15.69
Manufactures ready for consumption.....	127,508,103	11.31	107,411,372	10.39
Miscellaneous.....	10,938,345	.97	10,376,309	1.00
<b>Total free of duty.....</b>	<b>1,127,502,699</b>	<b>100.00</b>	<b>1,033,526,675</b>	<b>100.00</b>
<b>Dutiable:</b>				
Crude materials for use in manufacturing.....	83,804,454	10.93	69,268,257	10.81
Foodstuffs in crude condition and food animals.	40,079,576	6.01	27,024,421	4.22
Foodstuffs partly or wholly manufactured.....	190,442,629	24.85	234,011,593	36.53
Manufactures for further use in manufacturing.	118,350,448	15.44	75,803,712	11.83
Manufactures ready for consumption.....	321,810,051	41.99	228,852,086	35.72
Miscellaneous.....	5,935,800	.78	5,682,096	.89
<b>Total dutiable.....</b>	<b>766,422,958</b>	<b>100.00</b>	<b>640,643,065</b>	<b>100.00</b>
<b>Free and dutiable:</b>				
Crude materials for use in manufacturing.....	632,865,860	33.42	575,143,070	34.35
Foodstuffs in crude condition, and food animals.	247,947,621	13.09	223,787,245	13.37
Foodstuffs partly or wholly manufactured.....	227,644,329	12.02	284,970,346	17.02
Manufactures for further use in manufacturing..	319,275,488	16.86	237,940,316	14.21
Manufactures ready for consumption.....	449,318,214	23.72	336,263,458	20.09
Miscellaneous.....	16,874,145	.89	16,059,305	.96
<b>Total imports of merchandise.....</b>	<b>1,893,925,657</b>	<b>100.00</b>	<b>1,674,169,740</b>	<b>100.00</b>

During the fiscal year ending June 30, 1914, the imports from the European countries now at war amounted to \$765,000,000. The importations from these same countries during the fiscal year 1915 fell to \$503,000,000, a decrease of \$262,000,000. The total entries of merchandise decreased in 1915 approximately 603,000 from the total number reported in 1914. The aggregate customs receipts for the fiscal year ending June 30, 1914, were \$292,320,014.51, and for the fiscal year 1915, \$209,786,672.21. The receipts from customs for this fiscal year to December 9, 1915, were \$86,259,626.28, as compared with \$96,610,506.45 for a like war period last year, thus indicating a continuing decline in this source of revenue.

## A DECLINE IN ORDINARY INTERNAL-REVENUE RECEIPTS.

The ordinary receipts from distilled spirits, tobacco, and fermented liquors for the fiscal year 1915, as compared with the receipts for the fiscal year 1914, show a decrease of \$25,906,291.58, as follows:

Distilled spirits.....	\$16,924,163.47
Tobacco.....	2,515,882.50
Fermented liquors.....	6,466,245.61
<b>Total.....</b>	<b>25,906,291.58</b>

The estimates of the Treasury Department of ordinary receipts from internal revenue in 1916 are \$272,000,000 as compared with \$283,398,760.85, the collection from this source in 1915, thus indicating a further anticipated reduction in revenues from this source of over \$11,000,000.

#### ADDITIONAL TAXATION NECESSARY.

The Treasury Department estimates that the receipts from all sources in 1916 will fail to meet all the disbursements, including a deficit of \$10,000,000 for the Postal Service, by \$81,525,500. It is therefore evident that some form of additional taxation is necessary in order to take care of the loss from customs and internal-revenue receipts and postal revenues.

#### THE EMERGENCY REVENUE LAW.

The receipts from the emergency revenue law from the date of enactment (Oct. 22, 1914) to the close of the fiscal year ending June 30, 1915, amounted to \$52,069,126.29 and the total receipts under the law up to November 1, 1915, were \$79,489,678.01. An itemized account of these receipts by months is made a part of this report and appears as Appendix A.

It is estimated that this law would yield \$82,000,000 during 1916, or a little more than \$6,800,000 per month during the time it is extended.

The committee therefore recommends that this law be extended for a period of one year to the end that the Treasury may have the benefit of these receipts. A further object to be accomplished by the extension of this law before it expires by limitation is the prevention of a complete reorganization of the Internal Revenue Department at a considerable additional expense should the present law expire and a new one be enacted in the immediate future.

#### NECESSITY FOR SECTION 2.

Section 2 provides that the appropriation for salaries and expenses of collectors of internal revenue and others employed in the Internal-Revenue Service for the fiscal year 1916 shall be available for all expenses arising under the joint resolution during the last half of the fiscal year 1916, or from January 1 to June 30, 1916, inclusive, including not exceeding \$6,050 for persons now employed in the Internal-Revenue Bureau at Washington.

The act of October 22, 1914, appropriated, for the period beginning that day for the balance of the fiscal year 1915 (eight months and nine days) for field salaries and expenses under that act, the sum of \$170,000 for additional collectors and other personal services.

For the current six months, ending December 31 next, there is appropriated \$315,000 for collectors and others required in the field and \$6,050 for clerks in the Washington office to carry out the emergency revenue act.

It is doubtful if the joint resolution in its terms would reappropriate the \$170,000 for field salaries and expenses carried by the act of October 22, 1914, and even if it did so the sum in question

would be manifestly insufficient, compared with the sum, \$315,000, granted for the current six months, and it would carry nothing to pay the persons now employed in the Internal-Revenue Bureau on this particular work after December 31 next.

By making the general appropriation for internal-revenue collectors and others for 1916 available during the next six months to carry out this joint resolution makes it certain that nothing would be authorized to be expended under the \$170,000 in the original act, because of the well-settled rule laid down in decisions of the Comptroller of the Treasury, that where express provision or appropriation is made for a given service no other or general fund can be used for that purpose.

CLAUDE KITCHIN, *Chairman.*  
H. T. RAINEY.  
LINCOLN DIXON.  
CORDELL HULL.  
J. N. GARNER.  
J. W. COLLIER.  
CLEMENT C. DICKINSON.  
M. F. CONRY.  
W. A. OLDFIELD.  
D. J. MCGILLICUDDY.  
ALFRED G. ALLEN.  
C. R. CRISP.  
JOHN J. CASEY.  
GUY T. HELVERING.

## VIEWS OF THE MINORITY.

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The majority members of the Committee on Ways and Means, by unanimous vote, report back to the House this resolution (H. J. Res. 59), which provides for the extension of the emergency revenue law for one year after December 31, 1915, without amendment, and recommend that it do pass.

The necessity for this resolution assigned by the majority members in their favorable report is, in part as follows:

Section 24 of the emergency revenue act of October 22, 1914, provides "that on the day after the thirty-first day of December, nineteen hundred and fifteen, the taxes levied under this act shall no longer be levied and collected, but all taxes arising or accruing before said date shall continue to be collectible under the terms of this act." This act was enacted as an emergency measure to cover the reduction of revenue due mainly to the loss of customs receipts caused by the disturbed conditions resulting from the war in Europe. At the time the law was enacted it was thought that the European war would probably not be of longer duration than January 1, 1916, and that there would be no necessity for this additional taxation beyond that date, but the end of the war is still beyond sight and the Treasury will need the additional revenue contemplated by the extension of the act.

They then set forth a table comparing total imports and customs receipts for the fiscal years ending June 30, 1914, and June 30, 1915.

We, the minority members of the Ways and Means Committee, agree with the majority that the Treasury of the United States is in a distressing condition, and that additional revenues must be raised to meet the current expenses of the Government. We deny the statement of the majority that the necessity for an emergency revenue law is due mainly to conditions resulting from the war in Europe, and we assert that the deficit is due mainly to reduced rates of duty on imports provided for in the Underwood Tariff Act.

On September 4, 1914, when the President of the United States delivered his message to Congress urging the immediate enactment of additional revenue legislation, he compared customs receipts for the month of August, 1913, when the Payne Tariff Act was in effect, with the month of August, 1914, when the Underwood Tariff Act was in effect, and showed a loss in customs receipts of some \$10,000,000. However, during the eight months preceding the war in Europe customs receipts averaged but \$22,200,000 per month, while the month of August, 1913, produced \$30,934,952. The loss in customs receipts was, therefore, very evident prior to the war in Europe.

Contrary to the impression conveyed by the majority report, imports at this time are not below normal. Imports for the eight months ended November 1, 1915, amount to \$1,203,452,698, an increase of \$56,000,000 over the corresponding eight months of 1913, when adequate customs receipts were being collected by the Government. In the table presented by the majority, imports for the recent months are ignored completely. During this eight-month period showing an increase of imports of \$56,000,000 the customs revenue receipts have declined to the extent of \$77,000,000. The average ad valorem rate of duty collected on imports during the 1913 period was 18.4 per cent, and during the 1915 period it was 11.1 per cent. This is due to the change

in revenue laws and not the war in Europe. It is interesting and instructive to compare importations and customs receipts for the month of August, 1913 (the month on which the President based his calculations showing the necessity of additional revenue), with the month of August, 1915.

Imports, August, 1913 ..	\$137, 651, 553	Customs receipts .....	\$30, 934, 952
Imports, August, 1915..	141, 804, 202	Customs receipts .....	15, 780, 540
Gain in imports...	4, 152, 649	Loss in revenue...	15, 154, 412

The majority members in their report point to the decreasing percentage of total imports that are dutiable and infer that it is due to the European war. They compare the fiscal year of 1914 (which is partly under the Payne Tariff Act) with the fiscal year of 1915 (entirely under the Underwood Tariff Act). In fairness it should be stated that many imports which were on the dutiable list during a portion of the fiscal year of 1914 were on the free list during the fiscal year of 1915. The following is a partial list of imports on the free list during the nine months ending October 1, 1915, which were on the dutiable list under the Payne Tariff Act:

Food animals .....	\$12, 189, 000
Corn .....	2, 731, 000
Bituminous coal .....	3, 092, 000
Flax .....	2, 192, 000
Fish .....	6, 661, 000
Beef and veal .....	7, 892, 000
Milk and cream .....	2, 650, 000
Lumber, lath, and shingles .....	17, 245, 000
Wool .....	68, 016, 000
Total .....	127, 157, 000

The majority report shows a loss in dutiable imports during the fiscal year of 1915, compared with the fiscal year of 1914, amounting to \$125,779,000. It is unfair to make no mention of the large quantities of imports formerly on the dutiable list which are now on the free list, which is the chief cause for the decline of dutiable imports.

We assert that the direct taxes levied in the emergency revenue law are burdensome and uncalled for, that the necessary revenue can be raised by means of an adequate tariff law, and that the Underwood tariff law has failed completely, both as a producer of revenue and a means of fostering American industries. Further, we assert that the party in power is concealing the fact that imports are in an almost normal condition at the present time, and that they are using the war in Europe as a cloak to cover the inefficiency of existing revenue laws. Further, that had the party in power lived up to its pledge of economy, solemnly made at Baltimore, the necessity for the proposed legislation, or that for which it is to be an extension, burdensome as it has been and will be upon the people, would not have arisen.

JOS. W. FORDNEY.  
 AUGUSTUS P. GARDNER.  
 J. HAMPTON MOORE.  
 WILLIAM R. GREEN.  
 CHARLES H. SLOAN.  
 EBENEZER J. HILL.  
 NICHOLAS LONGWORTH.  
 GEORGE W. FAIRCHILD.



APPENDIX A.

Collections of internal revenue under the emergency revenue law of Oct. 22, 1914.

Item.	1914			1915										Total.
	October.	November.	December.	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	
Wines, domestic and imported.....		\$238,906.22	\$809,031.23	\$307,780.85	\$200,312.76	\$212,462.92	\$185,530.27	\$172,260.82	\$181,016.90	\$154,431.67	\$146,556.44	\$178,084.80	\$198,655.77	\$2,985,030.65
Grape brandy used in the fortification of sweet wines.....		89.98		5,598.85		12,167.86	9,992.10	106,013.36	4,531.41	15,963.26	7,850.32		800.26	162,697.40
Special taxes relating to tobacco:														
Manufacturers of cigars.....		69,439.00	123,441.75	27,799.14	1,786.16	1,631.39	1,501.18	937.76	72,490.77	72,767.66	4,246.68	2,511.05	767.91	379,321.05
Manufacturers of cigarettes.....		7,104.00	19,993.00	2,058.00	77.50	69.00	54.00	58.50	8,599.00	9,295.00	240.00	103.00		48,177.00
Dealers in leaf tobacco.....		13,792.00	21,058.00	3,300.75	1,060.35	1,208.80	947.11	503.25	14,465.45	10,943.00	3,677.00	1,752.85	1,009.25	73,717.81
Dealers in tobacco.....		335,285.32	764,178.53	175,995.53	87,758.94	69,259.87	49,637.66	34,061.18	542,443.97	389,799.04	68,870.41	46,232.78	44,529.39	2,608,052.62
Manufacturers of tobacco.....		6,092.00	13,904.00	4,959.50	225.50	240.00	116.50	81.75	9,002.25	8,718.75	316.50	130.75	119.00	43,906.50
Total special tobacco taxes.....		431,712.32	942,575.28	214,112.92	90,908.45	72,409.06	52,256.45	35,640.44	647,001.44	491,523.45	77,350.59	50,731.03	46,953.55	3,153,174.98
Fermented liquors (additional tax).....	982,880.22	1,955,270.50	2,116,368.52	1,843,556.97	1,817,054.70	2,087,198.77	2,523,139.01	2,465,593.66	2,922,617.53	3,067,945.77	2,870,774.36	2,801,813.33	2,284,167.22	29,738,380.56
Special taxes, including bankers, brokers, etc.:														
Bankers.....		644,441.57	883,199.04	841,971.70	267,981.74	45,694.72	84,331.38	8,482.22	52,643.75	936,958.63	352,030.18	513,116.94	134,113.37	4,764,966.14
Brokers, stock.....		31,725.84	59,671.67	10,791.25	5,125.00	5,009.17	3,660.43	2,982.50	42,519.17	29,417.92	5,013.72	4,627.26	6,394.75	207,538.68
Pawnbrokers.....		23,967.91	38,965.95	10,767.24	3,227.18	2,754.39	2,516.84	1,264.73	29,222.59	23,980.88	3,030.90	1,803.04	1,771.05	143,283.30
Brokers, commercial.....		29,279.77	47,930.18	9,718.06	5,102.69	3,687.30	3,196.77	2,131.82	32,424.30	23,000.48	4,643.67	3,028.83	4,742.11	168,885.98
Brokers, customhouse.....		1,900.25	2,341.96	447.14	348.40	285.83	157.55	123.33	2,177.52	1,165.00	184.17	147.08	83.74	9,361.97
Theaters, museums, and concert halls.....		123,938.62	313,307.27	78,230.47	30,046.49	28,234.44	21,972.70	17,247.02	177,020.06	185,658.85	40,378.84	38,790.77	27,620.66	1,091,446.19
Circuses.....		200.01	133.34	66.60	125.00	100.00	541.69	692.55	695.89	2,341.68	795.98	966.66	750.02	7,409.48
Exhibitions not otherwise provided for.....		660.25	2,928.77	1,819.33	1,252.63	1,341.33	1,682.74	2,251.08	3,478.23	6,122.28	3,394.62	5,003.30	2,813.57	32,748.13
Bowling alleys and billiard rooms.....		92,224.74	297,632.14	104,419.67	40,079.51	27,934.56	21,233.63	14,700.77	193,139.72	159,742.66	38,667.94	24,704.33	22,539.70	1,037,069.37
Commission merchants.....		13,615.39	56,524.76	9,166.04	3,518.13	2,603.27	1,915.71	1,826.89	34,455.93	19,870.96	4,944.01	3,885.48	5,073.08	157,399.65
Total special taxes, including bankers, brokers, etc.....		961,954.35	1,702,685.98	1,067,397.56	356,806.77	117,645.01	141,209.44	51,702.91	567,777.16	1,388,269.34	462,684.03	596,073.69	205,902.05	7,620,108.89
Schedules A and B, documentary and proprietary stamps, etc.:														
Schedule A, documentary.....		923,533.35	3,433,833.29	2,517,874.95	2,420,960.96	2,851,955.89	2,614,663.52	2,937,370.74	2,794,282.05	2,618,875.67	2,489,060.52	2,836,559.51	3,107,480.31	31,546,450.76
Schedule B, perfumery and cosmetics.....		233,663.60	752,124.96	359,238.77	331,909.78	327,680.56	323,855.73	306,381.60	326,635.59	329,495.57	301,661.65	333,047.42	357,239.54	4,283,534.77
Total Schedules A and B.....		1,147,196.95	4,185,958.25	2,877,113.72	2,752,870.74	3,179,636.45	2,938,519.25	3,243,752.34	3,120,917.64	2,948,371.24	2,790,722.17	3,170,208.23	3,464,719.85	35,820,985.53
Total.....	982,880.22	4,745,130.32	9,756,619.26	6,315,560.87	5,217,953.42	5,681,510.07	5,850,646.52	6,074,903.53	7,443,862.08	8,066,504.73	6,355,937.91	6,796,909.78	6,201,199.30	79,489,678.01