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**THE
BUREAU OF INTERNAL REVENUE
ITS HISTORY, ACTIVITIES
AND ORGANIZATION**

THE INSTITUTE FOR GOVERNMENT RESEARCH

Washington, D. C.

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INSTITUTE FOR GOVERNMENT RESEARCH

SERVICE MONOGRAPHS .
OF THE
UNITED STATES GOVERNMENT
No. 25

THE BUREAU OF INTERNAL
REVENUE

ITS HISTORY, ACTIVITIES
AND ORGANIZATION

BY
LAURENCE F. SCHMECKEBIER
AND
FRANCIS X. A. EBLE

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FOREWORD

The first essential to efficient administration of any enterprise is full knowledge of its present make-up and operation. Without full and complete information before them, as to existing organization, personnel, plant, and methods of operation and control, neither legislators nor administrators can properly perform their functions.

The greater the work, the more varied the activities engaged in, and the more complex the organization employed, the more imperative becomes the necessity that this information shall be available—and available in such a form that it can readily be utilized.

Of all undertakings, none in the United States, and few, if any, in the world, approach in magnitude, complexity, and importance that of the national government of the United States. As President Taft expressed it in his message to Congress of January 17, 1912, in referring to the inquiry being made under his direction into the efficiency and economy of the methods of prosecuting public business, the activities of the national government "are almost as varied as those of the entire business world. The operations of the government affect the interest of every person living within the jurisdiction of the United States. Its organization embraces stations and centers of work located in every city and in many local subdivisions of the country. Its gross expenditures amount to billions annually. Including the personnel of the military and naval establishments, more than half a million persons are required to do the work imposed by law upon the executive branch of the government.

"This vast organization has never been studied in detail as one piece of administrative mechanism. Never have the foundations been laid for a thorough consideration of the relations of all of its parts. No comprehensive effort has been made to list its multifarious activities or to group them in such a way as to present a clear picture of what the government is doing. Never has a complete description been given of the agencies through which these activi-

ties are performed. At no time has the attempt been made to study all of these activities and agencies with a view to the assignment of each activity to the agency best fitted for its performance, to the avoidance of duplication of plant and work, to the integration of all administrative agencies of the government, so far as may be practicable, into a unified organization for the most effective and economical dispatch of public business."

To lay the basis for such a comprehensive study of the organization and operations of the national government as President Taft outlined, the Institute for Government Research has undertaken the preparation of a series of monographs, of which the present study is one, giving a detailed description of each of the fifty or more distinct services of the government. These studies are being vigorously prosecuted, and it is hoped that all services of the government will be covered in a comparatively brief space of time. Thereafter, revisions of the monographs will be made from time to time as need arises, to the end that they may, as far as practicable, represent current conditions.

These monographs are all prepared according to a uniform plan. They give: first, the history of the establishment and development of the service; second, its functions, described not in general terms, but by detailing its specific activities; third, its organization for the handling of these activities; fourth, the character of its plant; fifth, a compilation of, or reference to, the laws and regulations governing its operations; sixth, financial statements showing its appropriations, expenditures and other data for a period of years; and finally, a full bibliography of the sources of information, official and private, bearing on the service and its operations.

In the preparation of these monographs the Institute has kept steadily in mind the aim to produce documents that will be of direct value and assistance in the administration of public affairs. To executive officials they offer valuable tools of administration. Through them, such officers can, with a minimum of effort, inform themselves regarding the details, not only of their own services, but of others with whose facilities, activities, and methods it is desirable that they should be familiar. Under present conditions services frequently engage in activities in ignorance of the fact that the work projected has already been done, or is in process of execution by other services. Many cases exist where one service could

make effective use of the organization, plant or results of other services had they knowledge that such facilities were in existence. With the constant shifting of directing personnel that takes place in the administrative branch of the national government, the existence of means by which incoming officials may thus readily secure information regarding their own and other services is a matter of great importance.

To members of Congress the monograph should prove of no less value. At present these officials are called upon to legislate and appropriate money for services concerning whose needs and real problems they can secure but imperfect information. That the possession by each member of a set of monographs such as is here projected, prepared according to a uniform plan, will be a great aid to intelligent legislation and appropriation of funds can hardly be questioned.

To the public, finally, these monographs will give that knowledge of the organization and operations of their government which must be had if an enlightened public opinion is to be brought to bear upon the conduct of governmental affairs.

These studies are wholly descriptive in character. No attempt is made in them to subject the conditions described to criticism, nor to indicate features in respect to which changes might with advantage be made. Upon administrators themselves falls responsibility for making or proposing changes which will result in the improvement of methods of administration. The primary aim of outside agencies should be to emphasize this responsibility and facilitate its fulfillment.

While the monographs thus make no direct recommendations for improvement, they cannot fail greatly to stimulate efforts in that direction. Prepared as they are according to a uniform plan, and setting forth as they do the activities, plant, organization, personnel and laws governing the several services of the government, they will automatically, as it were, reveal, for example, the extent to which work in the same field is being performed by different services, and thus furnish the information that is essential to a consideration of the great question of the better distribution and coordination of activities among the several departments, establishments, and bureaus, and the elimination of duplications of plant, organization and work. Through them it will also be possible to

subject any particular feature of the administrative work of the government to exhaustive study, to determine, for example, what facilities, in the way of laboratories and other plant and equipment, exist for the prosecution of any line of work and where those facilities are located; or what work is being done in any field of administration or research, such as the promotion, protection and regulation of the maritime interests of the country, the planning and execution of works of an engineering character, or the collection, compilation and publication of statistical data, or what differences of practice prevail in respect to organization, classification, appointment, and promotion of personnel.

To recapitulate, the monographs will serve the double purpose of furnishing an essential tool for efficient legislation, administration and popular control, and of laying the basis for critical and constructive work on the part of those upon whom responsibility for such work primarily rests.

Whenever possible the language of official statements or reports has been employed, and it has not been practicable in all cases to make specific indication of the language so quoted.

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THE BUREAU OF INTERNAL REVENUE

ITS HISTORY, ACTIVITIES, AND ORGANIZATION

CHAPTER I

HISTORY¹

The Internal Revenue Service is a branch of the Treasury Department whose duties are, in the main, confined to the collection of all federal taxes other than those levied on imports and to the enforcement of certain regulatory laws pertaining to the sale of alcoholic liquors and narcotic drugs, the manufacture of white phosphorus matches, etc.

The Bureau of Internal Revenue is the most important fiscal agency of the national government. During the fiscal year 1922 it collected \$3,208,158,308 or 78 per cent of the ordinary receipts. Its importance as a fiscal agency has greatly increased during recent years, the proportion of ordinary receipts raised by means of internal taxes having increased from 41 per cent in the fiscal year 1909 to 47 per cent in 1912, to 52 per cent in 1914, to 60 per cent in 1915, to 66 per cent in 1916, to 72 per cent in 1917, to 89 per cent in 1918, to 83 per cent in 1919, to 81 per cent in 1920, to 82 per cent in 1921 and to 78 per cent in 1922. A statement showing the customs receipts, internal revenue receipts, and total ordinary receipts for each year beginning with 1792 is given on pages 244 to 246. The receipts from internal revenue taxes in the fiscal year 1920, in which this source yielded the largest revenue, were almost nine times the total ordinary receipts for the fiscal year 1909. On account of the large debt resulting from the World War, it is not likely that the importance of the Bureau of Internal

¹In this history the several tax measures are considered merely as they have affected the administration and organization of the Bureau of Internal Revenue. No attempt is made to write a history of internal taxation.

Revenue, as a source of income, will be materially less for many years.

The office of Commissioner of Internal Revenue was created by the act of July 1, 1862 (12 Stat. L., 432), which imposed a new class of taxes in order to provide additional funds needed by the government as a result of the Civil War. While the organization is generally referred to as the Bureau of Internal Revenue or the Internal Revenue Service, neither of these terms is specifically authorized by law. While there are in several laws incidental references to the "Bureau" or "Bureau of Internal Revenue," all powers and duties are conferred upon the Commissioner, and the organization is built up from the powers conferred on him. The official designation carried on the publications and letterheads of the organization is "Office of Commissioner of Internal Revenue," which is the term used in the act of July 1, 1862.

Post Revolutionary Period, 1791-1802. The first period in which internal taxes were used for the support of the government extended from 1791 to 1802. These taxes were on distilled spirits (March 3, 1791), carriages (May 8, 1792), retail dealers in distilled spirits, refined sugar, and snuff (June 5, 1794), property sold at auction (June 9, 1794), snuff mills (March 2, 1795), legal instruments, bonds, etc. (July 6, 1797), and direct tax on real property (July 9 and 14, 1798).³ The tax on snuff was in effect only from September 30, 1794, to March 3, 1795, when it was succeeded by a tax on snuff mills. The tax on snuff mills was collected only to June 1, 1796, it was suspended three times during this period and finally repealed by the act of April 24, 1800. The direct tax on property was levied only once during this period. The total tax levied was \$2,000,000, apportioned among the states as provided by the Constitution. This act provided for a progressive tax on dwellings and the lot on which erected according to value, and a tax of fifty cents on every slave. The amount of the tax on dwellings and slaves was to be deducted from the sum apportioned to each state and the remainder assessed upon land. All of the remaining internal taxes were repealed by the act of

³ The dates given are those of the first act relating to the particular tax; there were later amendments to practically all the acts.

April 6, 1802 (2 Stat. L., 148), which went into effect on June 30 of that year.

The first internal revenue act, that of March 3, 1791 (1 Stat. L., 202), on distilled spirits, provided for the creation of fourteen revenue districts, one for each state, and the appointment of a supervisor in each one for the collection of the taxes. The act also authorized the subdivision of the revenue districts into inspection districts. The President was authorized to fix the salaries of the supervisors and inspectors, with the proviso that the aggregate salaries should not exceed 7 per cent of the taxes collected and in no event to be more than \$45,000.

One result of the tax on distilled spirits was the "Whiskey insurrection" in Western Pennsylvania in 1794. The ultimate outcome of this insurrection was to demonstrate that the federal government could command sufficient power to enforce its laws. While the tax was not of great importance as a fiscal measure, it had far-reaching political consequences.

The act of July 9, 1798 (1 Stat. L., 580), set up machinery for the valuation of lands and dwellings and the enumeration of slaves, but did not levy the tax. Each state was divided into divisions consisting of several counties, and a commissioner was provided for each division. The commissioners for each state, acting as a board, divided the state into assessment districts, appointed assessors, and made regulations. In addition there were surveyors of the revenue, appointed not by the commissioners, but by the supervisors. The assessment lists were turned over to the surveyors, who enumerated the slaves, kept a record of new buildings, computed the tax, and delivered the statement of taxes due "to the persons who may be appointed to receive the same."

Collectors of internal revenue were first authorized by the act of July 16, 1798 (1 Stat. L., 599), levying a direct tax. These collectors were appointed by and subordinate to the supervisors, they were fiscal agents only, and did not have the duties and powers of the present collectors, who combine in one office the work of supervisors and collectors under the acts of 1791 and 1798. This act did not provide any central supervising agency, the direction of the district supervisors apparently being left to the Secretary of the Treasury. About a year later, on May 8, 1792, there was created

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the office of "Commissioner of the Revenue" to take the place of the assistant to the Secretary of the Treasury (1 Stat. L., 280). A general stamp office, in charge of a superintendent of stamps was created by the act of April 23, 1800 (2 Stat. L., 40). This officer was in charge of the stamped vellum, parchment, and paper used for the paper taxed under the act of July 6, 1797, and later laws amending this act.

The act of April 6, 1802, which abolished the internal taxes, also abolished all offices having to do with them. It provided that the office of superintendent of stamps be discontinued on April 30, 1802, and that the duties of that officer should be performed by the commissioner of the revenue until such times as all the outstanding taxes were collected or the President should abolish the office and transfer its duties to some other officer of the Treasury Department. The supervisors and collectors were also continued in office until the collection of the taxes should be completed.

During this period the receipts from customs and internal revenue (including the direct tax) and the total ordinary receipts, exclusive of postal revenue, were as follows:

RECEIPTS FROM CUSTOMS AND INTERNAL REVENUE, 1792 TO 1801

Fiscal year	Receipts from customs	Receipts from internal revenue ¹	Total ordinary receipts exclusive of postal revenue
1792	\$ 3,443,070.85	\$ 208,942.81	\$ 3,669,960.31
1793	4,255,306.56	337,705.70	4,652,923.14
1794	4,801,065.28	274,089.62	5,431,904.87
1795	5,588,461.26	337,755.36	6,119,334.59
1796	6,567,987.04	475,289.60	8,420,329.65
1797	7,549,649.65	575,491.45	8,688,780.09
1798	7,106,061.93	644,357.95	7,979,170.80
1799	6,610,449.31	779,136.44	7,546,813.31
1800	9,080,932.73	1,543,620.52	10,848,749.10
1801	10,750,778.93	1,582,376.81	12,945,455.95

¹ Including the direct tax.

War of 1812 Period, 1813 to 1817. The War of 1812 again made it necessary to have recourse to internal taxes, and the following were levied during this period: Refined sugar, carriages, distillers, sales at auction (July 24, 1813), direct tax, license tax on retail liquor dealers and retailers of foreign merchandise, bank notes, legal instruments (August 2, 1813), distilled spirits (December 21, 1814), manufactured articles, household furniture, and watches

(January 18, 1815), gold, silver, and plated ware and jewelry (February 27, 1815).^a

The taxes on manufactured articles, gold, silver, and plated ware and jewelry were abolished by the act of February 22, 1816 (3 Stat. L., 254); the taxes on household furniture and watches were abolished by the act of April 9, 1816 (3 Stat. L., 264); all the remaining taxes were abolished by the act of December 23, 1817 (3 Stat. L., 401), which took effect on December 31, 1817. The act of August 2, 1813 (3 Stat. L., 53), reviving the direct tax, provided for a single levy of \$3,000,000 which was apportioned not only by states but by counties. The act of January 9, 1815 (3 Stat. L., 164), levied a direct tax of \$6,000,000 for 1816 and every year thereafter; this act was repealed by the act of March 5, 1816 (3 Stat. L., 255), and a tax of \$3,000,000 was levied for 1816 only.

As internal taxes had not been levied for over ten years it was necessary again to create machinery for their collection. The act of July 22, 1813 (3 Stat. L., 22), which supplied machinery for the collection of the direct tax and the excise taxes but did not levy the tax, provided for the division of states into collection districts and the appointment of a collector and principal assessor in each district. Two days later, on July 24, the office of commissioner of the revenue was revived (3 Stat. L., 39). This officer was placed in charge of the collection of the direct and internal taxes, and the Secretary of the Treasury was authorized to transfer the collection of customs duties from the comptroller to the commissioner of the revenue. The several acts levying excise taxes provided that returns should be made to the collectors authorized by the direct tax act of July 22, 1813, and the act of August 2, 1813 (3 Stat. L., 82), provided that these collectors should also collect the excise taxes. The collectors under these laws had practically the same duties as at present.

With the discontinuance of the internal taxes by the act of December 23, 1817 (3 Stat. L., 401), the office of commissioner of the revenue was abolished after December 31, 1817, and the offices of collectors were abolished after the outstanding taxes had been collected.

^a The dates given are those of the first act, practically all were amended.

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From 1814 to 1818 the receipts from customs and internal revenue (including the direct tax), and the total ordinary receipts, exclusive of postal revenues, were as follows:

RECEIPTS FROM CUSTOMS AND INTERNAL REVENUE, 1814 TO 1818

Fiscal year	Receipts from customs	Receipts from internal revenue ¹	Total ordinary receipts exclusive of postal revenue
1814	\$ 5,998,772.08	\$3,882,482.18	\$11,181,710.95
1815	7,282,942.22	6,840,732.48	15,708,458.56
1816	36,306,874.88	9,378,343.40	47,745,650.82
1817	26,283,348.49	4,512,287.81	33,366,868.88
1818	17,176,385.00	1,219,603.56	21,585,583.66

¹ Including the direct tax.

The act of May 29, 1830 (4 Stat. L., 414), established the office of "Solicitor of the Treasury," who was also charged with such duties pertaining to the office of the commissioner or acting commissioner of revenue as related to the superintendence of the collection of outstanding direct and internal duties.

Civil War Period. No internal taxes of any character were levied by the United States from 1817 until the outbreak of the Civil War, consequently there was no machinery for the collection of the additional revenues needed for war purposes.

Direct Tax of 1861. The first internal revenue act of this period was that of August 5, 1861 (12 Stat. L., 292), which provided for a direct tax of \$20,000,000, apportioned among the states, and an income tax, in addition to increasing the customs duties on certain classes of imports. This act provided for a "Commissioner of Taxes" to supervise the collection of the direct tax and income tax, a principal collector and a principal assessor in each state and territory, and a collector and an assessor in each of the collection districts into which the several states and territories might be divided by the President. The law provided that each state might assume, assess, collect, and pay its quota of the direct tax, and as all the loyal states except Delaware had taken this action by the second Tuesday in February, 1862, the earliest date fixed for the appointment of collectors and assessors, these officers were never appointed under this law. The act of June 7, 1862 (12 Stat. L., 422), provided for the appointment of a board of three tax-commissioners to collect the direct tax in the states in rebellion. These commissioners, however, were not to enter upon their duties or

receive compensation until the military authority of the United States was reestablished throughout county, parish, or district.⁴

Act of July 1, 1862—The Foundation of the Present System. The act of July 1, 1862 (12 Stat. L., 432), is the basis of the present internal revenue system, both as regards objects taxed and organization for collecting the taxes. While changes have been made in the details from time to time, internal taxation has never reached more subjects and the general organization has not materially changed.

This act was of the most sweeping character. It taxed incomes, estates, public utilities, occupations, liquors, tobacco, other specified commodities, banks, insurance companies, and advertisements, and provided stamp taxes on certain commercial papers, medicines, perfumery, cosmetics, and playing cards. David A. Wells, chairman of the U. S. Revenue Commission appointed by the Secretary of the Treasury in 1865, said of the internal tax system of the Civil War that "The only principle recognized—if it can be called a principle—was akin to that recommended to the traditional Irishman on his visit to Donnybrook Fair, 'whenever you see a head, hit it,' whenever you find an article, a product, a trade, a profession or a source of income, tax it."⁵ In the fiscal year 1864, the first full year in which it was in operation, it yielded \$116,965,578.26.

As almost half a century had elapsed since any internal taxes had been levied it was necessary to set up an entirely new organization to make the collections. The act created the office of Commissioner of Internal Revenue. The Commissioner, under the direction of the Secretary of the Treasury, was charged with the preparation of all instructions and regulations necessary to carry out its provisions, and his general duties are the same to-day.

The first Commissioner of Internal Revenue was George S. Boutwell, who entered upon his duties on July 17, 1862. He proceeded vigorously with the organization of the field and office

⁴The entire amount collected was \$15,387,233.76. One state did not pay any part of its quota, and twelve states and territories did not pay their entire apportionment. The last collection was not made until 1888. By the act of March 2, 1891 (26 Stat. L., 822), the moneys collected were returned to the states.

⁵Recent financial, industrial and commercial experiences of the United States, p. 17.

8 THE BUREAU OF INTERNAL REVENUE

force, made arrangements for the printing of revenue stamps by contract, prepared the regulations, and made the necessary decisions and interpretations. Before he had been in the office five months he had rendered over one hundred decisions relating to the general principles of the law and had made about twice as many rulings.* By January 1, 1863, the total force employed was 3882, divided as follows:

Field Service	
Collectors and Assessors	366
Deputy Collectors	898
Assistant Assessors	2,558
	-----3,822
Administrative	
Commissioner	1
Clerks (male)	51
Clerks (female)	8
	-----60
Total force	3,882

The most striking feature of this organization compared with the present time was the smallness of the force in Washington. During the Civil War 85 per cent of the operations of the Bureau of Internal Revenue, including the assessing and collection of taxes, the handling of appeals, and punishment for frauds, were carried on by the field force consisting of the assessors, assistant assessors, collectors, deputy collectors, clerks, storekeepers, inspectors, gaugers, supervisors, and revenue agents.

The President was authorized to divide the country into collection districts, which in any state should not exceed the number of Representatives, except in California, where the number of districts might equal the number of Representatives and Senators. The full number of districts authorized by law was established in each of the loyal states, the total being 185.⁷ For each district

* The decisions and rulings are given in Boutwell's *Manual of the direct and excise tax system of the United States, 1863*, pp. 220-283 and 300-362.

⁷ The number of districts has been changed by various later acts, at present being sixty-five. When first created the districts had the same numbers as the congressional districts. As the number of districts was reduced from time to time, those abolished were added to those remaining, which retained their old numbers. This explains the circumstance that at the present time the numbers in each state are not continuous; for instance, in Pennsylvania the three districts are known as the First, Twelfth, and Twenty-third.

The highest number of districts was 241 in 1860. On June 6, 1872 (17 Stat. L., 257), an act was passed reducing the number of districts to eighty

there were provided an assessor and a collector, with the necessary assistants and deputies.

The cornerstone of the internal revenue system of this period was the assessor whose duties were as follows:

1. He superintended the work of his assistants and saw that they were properly instructed in their duties, and that they were supplied with proper forms, books, and stationery to carry on their work.

2. He received and heard all appeals made to him from the assessments of his assistants upon their annual lists.

3. He returned to the collector certified copies of the annual, monthly, and special lists.

4. He was required to keep his office or principal place of business open at all hours, for the hearing of appeals by parties who voluntarily appeared before him.

5. He issued summons to all persons who refused or neglected upon notice to make required lists or returns or who were suspected of making false, fraudulent, or understated returns or valuations, and required such persons to produce books and give testimony, and in case of disobedience he made application to the proper authority for a warrant of attachment.

6. He was authorized to enter in the day time, any brewery, distillery, factory, or other place or building where articles of property or objects of taxation were made, produced, or kept, and to examine the premises and property and to inspect the accounts.

7. He approved the accounts of his assistants, which he duly certified to the collector, who was authorized upon this certificate to pay them. In case any assessor negligently approved an im-

on January 1, 1873; this reduction never took effect, as the section providing for it was repealed by the act of December 24, 1872 (17 Stat. L., 403). The act of August 15, 1876 (19 Stat. L., 152), reduced the number of districts to 131, and the act of March 3, 1877 (19 Stat. L., 303), further reduced them to 126. On June 25, 1883, President Arthur by Executive order reduced the number of districts to eighty-two. Several later orders in 1883 and 1884 increased the number to eighty-five. On May 21, 1887, President Cleveland by Executive order reduced the number of districts to sixty-two. Various changes between 1887 and 1914 brought the number of districts up to sixty-seven. By the act of July 16, 1914 (38 Stat. L., 475), the number was limited to sixty-four. The act of March 4, 1923 (Public 405, Sixty-Seventh Congress), authorized an additional district.

proper or exorbitant account, the amount of the payment was deducted from his compensation.

8. He was required to advertise in some newspaper published within his district and to post a written or printed notice in at least four different public places within each assessment district that the assessment lists were open to inspection, the period allowed for such examination being fifteen days.

While the assessor was responsible for the proper enforcement of the internal revenue laws of the Civil War period in his district, nevertheless the burden of carrying out the provisions fell heavily upon the assistant assessor. This officer was supposed to make himself familiar with the subdivisions of the various districts to which he was assigned. He was supposed to have a knowledge of all taxable persons and products and to make out monthly and annual assessments on proper forms which were forwarded to the assessors. In the assistant assessor was vested the authority to enter any home or upon any premises and make any necessary examination of taxable property, and likewise to examine books and accounts of persons rendering returns. He was supposed to be well informed as to the various provisions of the law and keep in touch with the assessor so as to receive instructions pertaining to important decisions. Like the assessor, his duties were onerous, and frequently very unpleasant.

Each person, firm, corporation or association liable for internal taxes was required to make an annual return to the assistant assessor on or before the first Monday in May. There were also the monthly returns, quarterly and special returns of manufacturers, and returns for distilleries. The lists were to contain every article or object subject to tax. The annual income was to be included in the annual list or return.

In case of failure by any person to make out the proper list, the assistant assessor was authorized to make the list from the information obtainable, and if the owner consented to such lists and verified it by his signature, he was exempt from any penalty. However, if he refused, the owner was liable to a 50 per cent increase in the assessed valuation of all taxable property.

The offices of assessors and assistant assessors were abolished on July 1, 1873, in accordance with the provisions of the act of December 24, 1872 (17 Stat. L., 401).

The assessors were paid three dollars a day while employed in giving instruction, five dollars a day while hearing appeals, revising valuations and making out lists, and \$1 for every hundred names in the tax lists submitted to the collector.⁹ The assistant assessor received three dollars per day for every day employed collecting lists and making valuations, and an allowance of one dollar for every hundred names delivered to the assessor.⁹

The collector was essentially a fiscal agent whose duty it was to collect the taxes according to the lists submitted by the assessors. Within twenty days after receiving his annual list from the assessor, the collector gave notice to all tax payers, by newspaper publications and posted notices, that the taxes were due and payable. In case of neglect to pay the tax due, the collector was required to serve a notice upon the delinquent, either personally or by mail, for which he demanded a payment of twenty cents or a travel fee

⁹ Commissioner Boutwell, in a letter to the Secretary of the Treasury, stated that an increase in the pay of assessors was very important if not absolutely necessary, as in many cities and populous districts the services of competent persons had been secured and retained only by the assurance that a recommendation for an increase in pay would be made to Congress. He pointed out that in many cases the expense of procuring a suitable office for the transaction of business and the proper furnishing of it had consumed the entire compensation which the assessor received. He recommended a basic salary of \$1500 per annum and also an allowance for office rent and clerk hire. Congress acted favorably upon the recommendation, and by the act of March 3, 1863 (12 Stat. L., 726), an allowance up to \$500 was made for the sum actually expended for office rent, with a salary allowance of \$1500 per year. The Secretary of the Treasury was also authorized to fix the rates of additional compensation as he saw fit for the various districts in Colorado, Oregon, and certain territories. Where the expense of travel and cost of living were found to be much higher than elsewhere. The Commissioner of Internal Revenue was authorized to provide the necessary clerks for each district. In addition to the salary allowance, the act of March 3, 1863, provided for a commission, graduated by the amount of collections in his district, the entire salary and commissions, however, not to exceed the sum of \$3000 per annum. This limitation was raised to \$4000 in 1866 and remained in force until 1872 when the office of assessor was abolished and all duties, books, records, etc., incidental to the office were transferred to the collector's office (17 Stat. L., 401).

⁹ Their pay was increased to \$4 a day in 1864 and \$3 was allowed for every hundred names forwarded to the assessors. Further increase to \$5 a day was made March 2, 1867 (14 Stat. L., 473). At the same time an allowance of \$300 a year was made for office rent, and \$1 extra for every day when employed outside of the town in which they resided. This act also allowed twenty-five cents for each permit issued to manufacturers of cigars, snuff, and tobacco.

of four cents per mile according to the nature of the notice. Upon non-payment of taxes the collector was supposed to make distraint and sale of the goods and effects of the delinquent. In cases of distraint the collector made a list of the goods or effects distrained and advertised the list in some newspaper, and posted a notice in the post office within the district stating that the distrained goods would be sold in not less than ten or not more than twenty days from date of first announcement.

Collectors had the discretionary power to designate, wherever necessary, one or more inspectors in each assessment district for the purpose of proper enforcement of the revenue laws pertaining to distilleries (act of July 1, 1862; 12 Stat. L., 447). They were likewise given authority to appoint acting inspectors, when necessary, and a later provision was made for the appointment of assistant inspectors (act of July 13, 1866; 12 Stat. L., 156). The foregoing inspectors confined their operations to the manufacture of distilled spirits. There were also tobacco inspectors appointed by the collector in districts wherever necessary, and also inspectors for refined petroleum and coal oil.

As early as 1866 there were 135 inspectors of all classes, and within a year this number was increased to 219. Sixty-five changes occurred among the various inspectors during the fiscal year 1867.²⁸ In a few years the total number of inspectors had risen to 1099. The appointment of these various inspectors was subject to the pleasure of the assessor or collector to whom they reported. Their compensation was in the nature of a fee which was paid by the manufacturer of the package inspected, and was a specified amount per gallon, barrel, or pound, varying with the constancy of employment. The act of June 30, 1864, gave them a compensation of \$4 per day and an allowance for traveling expenses (13 Stat. L., 224). The fee system was restored in 1866 (14 Stat. L., 155). It was one of the weakest features of the whole internal revenue system, and there is no doubt that this method of compensation was one of the principal avenues of temptation to dishonest distillers, who were extra generous with "fees" and thereby obtained the necessary protection which in later years led to the worst frauds in the history of the nation. Further attention will be given this subject in another section of this monograph.²⁹

²⁸ Commissioner of Internal Revenue, Annual Report, 1867, p. xiv.

²⁹ See *Whiskey Frauds*, page 27.

The collectors were allowed a commission of 4 per cent on all money collected up to \$100,000, and 2 per cent on all money collected above that amount, the commissions being limited to \$10,000 except in collection districts embracing more than one congressional district.¹³ Deputy collectors were to be paid by the collector.¹⁴

Acts of 1863 and 1864. The position of deputy commissioner of internal revenue was created by the act of March 3, 1863¹⁵ (12 Stat. L., 725), which also authorized the Secretary of the Treasury to appoint three revenue agents to aid in the prevention, detection, and punishment of fraud upon the revenues¹⁶ and fixed the salaries of the assessors.

¹³ Later changes in the method of compensation of collectors were as follows: The act of June 30, 1864 (13 Stat. L., 231), provided for the payment of a salary of \$1500 per annum, and in addition a commission of 3 per cent on the first one hundred thousand dollars, of 1 per cent upon all sums exceeding one hundred thousand dollars up to four hundred thousand dollars, and one-half of 1 per cent on all sums above four hundred thousand dollars. The act of March 3, 1865 (13 Stat. L., 469), further amended the above provisions by limiting the one-half of 1 per cent commission to collections up to one million dollars upon which amount and over the commission was one-eighth of 1 per cent. The act of March 1, 1879 (20 Stat. L., 329), further amended the method of compensation to collectors by fixing the minimum salary at \$2000 per annum where the annual collections amounted to twenty-five thousand dollars or less. The maximum limit of salary which any collector was allowed to receive was fixed at \$4500 per annum, which maximum was allowed only in such cases where the collections amounted to one million dollars or upward. No further change was made until 1919, when the act of February 24 (40 Stat. L., 1140), provided that "the salaries of collectors may be readjusted and increased under such regulations as may be prescribed by the Commissioner, subject to the approval of the Secretary, but no collector shall receive a salary in excess of \$6000 a year." See p. 178 for present method of fixing salaries.

¹⁴ Deputy collectors were paid in this manner until the passage of the act of March 1, 1879 (20 Stat. L., 329), which provided that their compensation should be fixed by the Secretary of the Treasury, on the recommendation of the Commissioner of Internal Revenue, and paid by the United States.

¹⁵ Later provisions for deputy commissioners were as follows: The act of July 13, 1866 (14 Stat. L., 170), provided for three deputy commissioners; the act of January 29, 1874 (18 Stat. L., 6), reduced the number to two; in 1876 (19 Stat. L., 151) the number was again reduced to one. In 1900 (31 Stat. L., 103) an additional deputy was authorized, and in 1913 (38 Stat. L., 180), a third was provided. The act of February 24, 1919 (40 Stat. L., 1140), provided for five deputies, which is the number at present (1923).

¹⁶ The number was increased by several later acts. The act of March 6, 1872 (17 Stat. L., 241), placed their appointment in the Commissioner of Internal Revenue, who was also given authority to fix their salaries.

On June 30, 1864 (13 Stat. L., 223), a new law relating to internal taxes was enacted. Many of the rates were changed and additional taxes imposed, but there were no marked changes in organization or administration. The most important change of administrative importance was the one providing for the payment to the collectors of a salary of \$1500 and in addition a commission of 3 per cent on the first \$100,000, of 1 per cent on collections from \$100,000 to \$400,000 and of one-half of 1 per cent on collections above \$400,000. The number of revenue agents originally provided by the act of March 3, 1863, was increased to five.

Revenue Commission of 1865. The act of March 3, 1865 (13 Stat. L., 469), made still further changes in the rates and objects taxed, but made no alteration in methods of administration except to limit the commissions of collectors to one-eighth of 1 per cent on all collections over \$1,000,000. The number of revenue agents was increased to ten. In response to the many objections voiced against the excise taxes, Congress authorized the appointment of a commission by the Secretary of the Treasury, the law reading as follows:

That the Secretary of the Treasury is hereby authorized to appoint a commission, consisting of three persons, to inquire and report at the earliest practicable moment upon the subject of raising by taxation such revenue as may be necessary in order to supply the wants of the government, having regard to and including the sources from which such revenue should be drawn, and the best and most efficient mode of raising the same, and to report the form of a bill; and that such commission have power to inquire into the manner and efficiency of the present and past methods of collecting the internal revenue, and to take testimony in such manner and under such regulations as may be prescribed by the Secretary of the Treasury.

The Revenue Commission was organized in June, 1865, with the following members: David A. Wells, Stephen Colwell, and Samuel Snowden Hayes. Thirteen special reports and a general report dealing with both customs duties and internal taxes were made by this commission. It is not within the province of this monograph to discuss the criticism on the objects to be taxed, but the following recommendations from the general report regarding methods of organization are worth noting, as many of them are as pertinent to-day as they were over a half a century ago.

In regard to the Internal Revenue department, the commission have no allegation of fraud to present; but at the same time are constrained to say that, in point of organization and administration, it is very far from what it should be. In proof of this, they have but to cite the opinion of the late Commissioner, before referred to as concurred in by the commission, that if the law, as it now stands could be fully and effectually executed, the receipts from it would not fall short of \$500,000,000 per annum; or, in other words, that a complete administration of the law would justify wiping out more than one-half of the excise tax from the statute-book.* If we admit the truth of this statement, even in an approximate degree, the commission might here rest their argument in favor of the necessity of reorganization. They will, however, briefly call attention to some of the leading imperfections of the present system.

One of the most prominent of these is a lack of power and authority in this department to control itself, especially in the matter of expenditures. In regard to this latter, the law itself allows but little discretion; and what little there is, is vested in officers of the Treasury Department, who, although they may be the most faithful and vigilant guardians of the public moneys, have little or no experience in connection with the collection of internal revenue, or practical knowledge of its workings. It therefore, undoubtedly, often happens that in an honest desire to prevent the waste of public money, a small sum may be saved at an expense of one of much greater magnitude.

Thus, as illustrations of this character brought to the notice of the commission, they might cite cases where vigilant officers, who have devised plans at slight expense for simplifying returns, or detecting fraud, have been obliged after the government has adopted their recommendation, and been benefited by their services, to have the small expenditures thus incurred deducted from their salaries—a course equivalent, in fact, to offering a premium for continued inefficiency and want of method. Again: officers who have been detailed on special service, and have performed such service, bringing back thousands of dollars to the treasury, have had their accounts for small expenditures, even when approved by the Commissioner, disallowed or reduced by the auditing officers. The commission would not be understood as intending

* Thus a committee of the Association of Journeymen Boot and Shoemakers of the city of New York, in a return to the commission, estimate the value of the boot and shoe industry in that city as being \$16,867,200 per annum. Deducting 50 per cent, from this to represent the exemptions of \$1000 to each manufacturer, allowed by law, and for overestimates, the amount of revenue which ought to have accrued to the government from this source, under the 6 per cent manufacturing tax, would be \$506,016, while the amount actually collected was less than \$100,000.

to censure the auditing officers for the course pursued by them, as it was undoubtedly in strict accordance with the law; but they would say that they do not think it is for the interest of the government or the country to allow the revenue system to be curtailed of its usefulness, either by reason of such laws, or by any special interpretation placed upon them.

Another cause of imperfection in the internal revenue system is undoubtedly due to a limitation in the number of highly competent and responsible officers, and to the inadequacy of the salaries paid to them. Starting less than four years since with one Commissioner and one clerk, the business of the internal revenue has increased to such an extent that probably it now exceeds in magnitude the entire Treasury Department previous to the war, and is at present receiving more money every quarter than the whole annual revenue of the government prior to 1860. The amount of available matter which leaves the office is reported to average one and a half tons daily.

With all this labor and responsibility, the internal revenue is but a bureau of the Treasury Department, and, with the exception of the Commissioner, deputy commissioner, and cashier, no provision has been made for clerical assistance independent of the department.

With the present organization of the office, the commission believe that no one man can be found mentally or physically competent to faithfully discharge all the duties devolving upon and expected from the Commissioner; while the clerk in charge of the division of accounts is required to possess as high an order of qualifications, and to perform more intricate, responsible, and laborious duties than any employee of any private firm or corporation in the country. The salary of the former of these officials is now fixed by law at \$4,000 per annum, and that of the latter at \$1,800.

The operations of the internal revenue, and also of the customs, affect the character of nearly every industrial and moneyed interest in the country; and all experience has shown that great numbers of designing persons are ever on the alert to take advantage of imperfections in the law, and of the inexperience of officials, to evade the law and defraud the government.

The only counter-check, therefore, for government to rely upon is the integrity, faithfulness, capacity, and experience of its agents; and for the government to endeavor to procure and retain the services of men competent to discharge responsible trusts at less salaries than is paid by leading banks, or private mercantile firms or corporations, will not only, probably, be impossible, but will result in very poor economy.

The system under which drawbacks are allowed on products of American industry exported from the country which have previ-

ously been subjected to excise is also represented as being very imperfect and complicated, and as presenting an obstacle to the resuscitation and development of our trade with foreign nations, impaired by the events of the last four years.

With the adoption, however, of the policy recommended by the commission, viz: of removing the excise from nearly all products of industry, many of these difficulties will undoubtedly be obviated.

The present system of the allowance of moieties of forfeitures and penalties to informers is also undoubtedly exercising a very demoralizing influence. In a mere pecuniary point of view, however, no expenditures of the government probably produce so large a return, both direct and indirect, as flow from the distribution of these moieties, and so long as the present organization of the revenue is retained the commission find it difficult to devise a better arrangement.

Attention should also be called to the fact that the chief business of the office of the internal revenue at Washington, and the chief depository of its records and papers, are located in a building which is not fire-proof, and that at any moment the whole machinery of the department is liable to be thrown into great confusion, with the infliction of irreparable losses, by reason of circumstances against which there is now no adequate provision.

But an imperfection in our whole revenue policy more serious and radical than any yet adverted to, and which affects alike both the customs and the excise, is that of making the appointment, retention, and promotion of officers of the revenue dependent on other circumstances than qualifications of good behavior. So long as this policy prevails—a policy never adopted by any private firm or corporation having a due regard to their own interests, and one entirely ignored by all the leading states of Europe—a thoroughly efficient and economical administration of the revenue, coupled with the education of a competent corps of officials, cannot reasonably be expected. Under the present system, inspectors of spirits have been appointed who were entirely ignorant of the hydrometer and disregarded its use; and inspectors of tobacco, who require to be instructed as to the nature of the different varieties of this article when manufactured, previous to entering upon the discharge of their duties.

The commission are also informed that efforts for the removal of competent officers have, in some instances, undoubtedly been made for the sole reason that in the faithful discharge of their duties they have interfered with the private interests of wealthy and influential individuals.

The commission consider it imperative that some action should be speedily taken by Congress on this subject; and that the necessities of the country should override any advantages that now may accrue in the distribution of patronage in the revenue department

of the government. Good men, honest, competent, and efficient, should be sought out and placed in all the positions requiring tact, skill, and judgment, and on such salaries as will enable them to live and continue honest; they should, moreover hold their situations by such assured tenure as to induce application and faithfulness. Thus would the government have the benefit of experience, every year growing more and more valuable.

To remedy the imperfections of the existing revenue system, which the commission have thus briefly alluded to, an entire reorganization of the whole machinery and policy of its administration seems necessary; but, before offering any suggestions on the subject, they would call attention to some of the peculiarities of the administration of the British revenue.

The leading features of the British administrative system consist in placing the customs and excise under the charge of separate and distinct boards of commissioners, each consisting of five members and a secretary. To each is also attached a law officer of great ability and large salary,* which are respectively known as the solicitor of the customs and solicitor of the excise. To these separate boards of commissioners (which the commission understand it is now contemplated to unite) very large powers are intrusted to make and amend the regulations under which the revenues are to be assessed and collected; and in respect to the appointment of all subordinate officials, who, before receiving such appointments, are required to undergo strict examinations as to education, business qualifications, health, and moral character. No distribution of moieties of fines and forfeitures to informers is allowed, but the boards of commissioners are empowered, at discretion, to pay for information, to distribute rewards, and to promote in office for good service.

Superannuated and faithful officers are also allowed pensions on retirement from office. To such an extent, moreover, is the British revenue, in all its departments, divorced from party and politics, that all officers and employees of the revenue are even deprived of the right of suffrage while in service, though otherwise qualified; while it is understood that no influence on any part of any member of parliament, or even of the chancellor of the exchequer, will avail for the securement of an appointment under the revenue, unless the candidate receive, at the same time, the approval of a majority of the board of commissioners, under whose supervision his duties are to be discharged. The consequence of this is, that the administration of the British revenue law is constantly improving, while frauds and defalcations on the part of the officials are rarely, if ever, heard of.

* The salary of the solicitor of customs is £2000 (\$10,000 in gold), and the appointment is for life.

The responsibility of the collection, preparation, and publication of statistics of British revenue, trade, and commerce—to the accuracy and clearness of which we would bear testimony—is divided between the respective boards of commissioners and the board of trade. The decision of all law points connected with the revenue, and the publication and legal enforcement of the same, appear to devolve upon the respective revenue solicitors.

Whether a plan analogous to the British system, as thus presented, could be advantageously carried out in detail in the United States, and whether the same would be in all respects in accordance with the spirits of our institutions, is a question upon which the commission are not prepared to express an opinion, but they have no doubt that some of its leading features must form the basis of any sound national revenue policy.

In proposing a plan of change, however, they would suggest that the work of a reorganization should commence in the office of the Secretary of the Treasury itself. This office, with the exception of that of the Executive, is now undoubtedly the most responsible and important of any under the government; and the position of its occupant, as respects the future condition of the country, is not unlike that sustained by the commander-in-chief of the army during the most critical period of the war—a position in which the nation cannot afford to allow any risks of mistakes in judgment. With far more power than is intrusted to the British chancellor of the exchequer, or the French minister of finance, the office of the Secretary of the Treasury is at the same time, by long usage and custom, in many respects merely clerical. He is called upon, at one hour, as a member of the cabinet, to participate in the decisions of grave political questions, and in the next to decide upon the transactions of his lowest subordinate. Intrusted with the supervision of the expenditure of hundreds of millions annually, he is also the final arbiter for the settlement of the most insignificant disbursements. It is also the assumed privilege of nearly every individual in the country to address him on all subjects connected with either public or private interests; and courtesy and usage demand that, in all instances, a reply of some nature should be given. The demands thus made at present upon the time and attention of the Secretary of the Treasury are wholly inconsistent with a proper consideration of these great questions of finance submitted to his decision, upon the wise determination of which the future welfare of the nation is inevitably dependent. To impose, therefore, any subordinate and trivial duties on this great officer of state is both to degrade his office and to imperil the financial interests of the country.

The business of the Treasury Department as at present constituted, may be classified under three heads: First, the collection of the revenue; second, the supervision of its expenditures; and,

third, the management of the public debt and the national currency.

The commission would suggest that the first of these—the collection of the revenue—be transferred from the immediate responsibility of the Secretary of the Treasury, and, subject only to his general supervision, be placed under the charge of a new officer, subordinate only in rank and in amount of salary to the Secretary, who shall be styled the Under-Secretary of the Treasury in Charge of the Revenue; and that to this officer should be assigned the general oversight and direction of the collection of the revenues, and the preparation of an annual exhibit of the condition of the revenue, trade, commerce, and industry of the country.

If it were also allowed to the Secretary and the Under-Secretary of the Treasury to participate, on the floor of the House of Representatives, in all debates on revenue questions, the business of legislation might, probably, be greatly facilitated.

The commission would also propose that, in connection with this new department of the Treasury, there should be appointed a commissioner of the customs, and a commissioner of the excise; with a solicitor of the customs and a solicitor of the excise; and that these five officers should constitute a board, to be known as the board of commissioners of the revenue, of which the Under-Secretary of the Treasury should be the chairman.

To this board should be referred the determination of all rules and regulations relating to the collection of the revenue; the expenditures to be incurred in respect to the same; the management of all revenue processes at law; and the distribution of all moieties, received from forfeitures and penalties, in reward for good service and for valuable information. They would also propose that no subordinate officer of the revenue should receive a commission until his qualifications for the proper discharge of his duties had been examined into and approved of by the board of commissioners.

In the departments of the commissioners of customs and excise, they would further propose that each of the leading sources of revenue be recognized as a division of the revenue, and that the same be placed in charge of an officer, to whom the incentive of a permanent position and a good salary should be offered as an inducement for the attainment of a thorough acquaintance with, and efficient management of, his special trust.

This plan, which the commission have merely presented in outline, seems to them susceptible of being carried out in a manner which would remedy nearly all the imperfections of the present system, and greatly conduce to the best interests of the country; and if, in the judgment of Congress, it may seem expedient, and sufficient time be allowed for a careful study and examination of the whole subject, the commission will be prepared to submit a bill in accordance with the above suggestions.

If Congress should concur in the opinion that a reorganization of the revenue system, either according to the plan proposed, or some other, be expedient, the commission recommend that the change should be made as soon as practicable, especially before, in the Internal Revenue department, custom has developed into routine, and usage has acquired, through time, the binding effect of law. It required the best efforts of the most enlightened ministers of finance in France (Count Mollier, the Marquis d'Audiffret, and others) for thirty or forty years to replace the cumbrous and awkward system of finance which prevailed in that country at the commencement of the present century with the existing system which is now acknowledged to be one of the best, if not the very best, in Europe. It ought also to be borne in mind that no revenue system, its details, can or ought to be considered permanent. As resources develop, as forms of industry and commerce modify or change, and as revenue receipts, from particular sources, increase or diminish, the rate of taxes and the method of assessing them will need to be correspondingly modified. To prepare the bases for such changes by legislation would seem to require that the industry, commerce, and the revenue of the country should be made the subject of special and continued study and investigation by some competent persons.

The commission feel certain such labor, properly executed, would be of immense service, if not indispensable, to Congress.

The discharge of such service, however, does not seem to properly devolve upon congressional committees, to whom should be assigned the duty of examining and passing judgment, rather than of preparing material and digesting statistics.

The commission, therefore, would commend this subject to the special attention of Congress, and recommend that some arrangements for continued inquiry and investigation, of the nature indicated, should be provided for, either in connection with or independent of the regular administration of the revenue.

In the meantime, in order to provide for a more perfect administration of the law in certain respects, the commission present the following forms of bills, which they would recommend to the attention of Congress:

First. A form of bill authorizing the Secretary of the Treasury to appoint, in such one or more collection districts as he may deem advisable, "*solicitors of the revenue*," who shall discharge the duties, now developing on United States district attorneys, in all cases relating to frauds or violations of the revenue laws.

The commission believe that the experience of the last three years, in the administration of the internal revenue, warrants the adoption of such a measure. In the British system this plan has been found to work very advantageously.

Secondly. A form of bill, authorizing the Secretary of the Treasury to appoint officers, to be known as supervisors of the revenue, who shall discharge such general and specific duties as are therein enumerated.

Thirdly. A form of bill, authorizing commissioners of the courts of United States, under certain circumstances, to take cognizance of cases of forfeitures and frauds committed under the revenue laws of the United States, and to give judgment in respect to the same, in accordance with the laws, subject to appeal to the district courts of the United States.²⁴

Period between Civil and Spanish American Wars. In the fiscal year 1866 the collections of internal revenue amounted to over \$310,000,000, which was the high point in internal taxation until 1911.

Reorganization of 1866. Prior to 1866 the only positions specifically recognized by law in the office of the Commissioner of Internal Revenue were the Commissioner, the deputy commissioner, and a cashier, all of the clerical assistance being drawn from the force assigned to the Secretary of the Treasury. The act of July 13, 1866 (14 Stat. L., 98), reduced many of the internal revenue taxes and provided a definite personnel. There were authorized two deputy commissioners in addition to the one already provided, a solicitor, seven heads of division, thirty-four clerks of class four (\$1800), forty-five clerks of class three (\$1600), fifty clerks of class two (\$1400), thirty-seven clerks of class one (\$1200), fifty-five female clerks (\$900), five messengers (\$700), three assistant messengers (\$700), and fifteen laborers (\$600). This made a total personnel of 256 for the Washington office compared with sixty on January 1, 1863. This act also required the tax on fermented liquors to be paid by stamps and marked the beginning of the stamp tax on alcoholic liquors.

Special Commissioner of the Revenue. In addition to creating additional administrative positions, the act of July 13, 1866, also provided for the appointment by the Secretary of the Treasury of a "Special Commissioner of the Revenue" whose office was to terminate four years from June 30, 1866. It was the duty of the special revenue commissioner

To inquire into all the sources of national revenue, and the best methods of collecting the revenue; the relations of foreign trade

²⁴ Report of a commission appointed for a revision of the revenue system, 1866, pp. 46-51.

to domestic industry; the mutual adjustment of the systems of taxation by customs and excise, with the view of insuring the requisite revenue with the least disturbance or inconvenience to the progress of industry and the development of the resources of the country; and to inquire, from time to time, under the direction of the Secretary of the Treasury, into the manner in which officers charged with the administration and collection of the revenues perform their duties. And the said special commissioner of the revenue shall from time to time report, through the Secretary of the Treasury, to Congress either in the form of a bill or otherwise such modifications of the rates of taxation or of the methods of collecting the revenues, and such other facts pertaining to the trade, industry, commerce, or taxation of the country, as he may find, by actual observation of the operation of the law, to be conducive to the public interest; and, in order to enable the special commissioner of the revenue to properly conduct his investigations, he is hereby empowered to examine the books, papers and accounts of any officer of the revenue, to administer oaths, examine and summon witnesses, and take testimony; and each and every such person falsely swearing or affirming shall be subject to the penalties and disabilities prescribed by law for the punishment of corrupt and wilful perjury; and all officers of the government are hereby required to extend to the said commissioner all reasonable facilities for the collection of information pertinent to the duties of his office. And the said special commissioner shall be paid an annual salary of \$4000, and the traveling expenses necessarily incurred while in the discharge of his duty; and all letters and documents to and from the special commissioner relating to the duties and business of his office shall be transmitted by mail free of postage.

The Secretary appointed Mr. David A. Wells, who had been chairman of the Revenue Commission under the act of March 3, 1865, Special Commissioner of the Revenue. Mr. Wells made four annual reports and his investigations cover almost every aspect of the financial, industrial, and monetary disorders induced by the war.

Legislation from 1867 to 1883. The act of March 2, 1867 (14 Stat. L., 471), further reduced the internal taxes, but made no changes in methods of administration except to increase the salaries of assistant assessors. The next act, that of July 20, 1868 (15 Stat. L., 125), devoted entirely to distilled spirits and tobacco, developed the stamp taxes on liquor and tobacco to practically the method under which they are used at present. By this time these taxes had

become the backbone of the system of internal taxes, and additional officers were authorized to enforce the provisions of the law.

As a further aid to the Commissioner of Internal Revenue in the prevention of fraud upon the government and to assist in the enforcement of the collection of taxes, the Secretary of the Treasury, on recommendation of the Commissioner was given authority to appoint twenty-five supervisors of internal revenue, who were assigned to certain districts usually consisting of one or more judicial districts and territories.

Each supervisor was charged with the enforcement of all laws and regulations relating to the collection of internal taxes. He was supposed to examine into the efficiency of all officers of internal revenue within his district; to examine persons, books, papers, accounts, and premises and to administer oaths and to summon any person to produce books and papers, and had the power to compel compliance of summons such as rested in the assessors. Supervisors were expected to report in writing to the Commissioner of Internal Revenue any neglect of duty, incompetency, delinquency, or malfeasance in office of any internal revenue officer within his district. Supervisors were given power to transfer from one collection district to another any inspector, storekeeper, or gauger within their respective districts and were also given power to suspend from duty any storekeeper, inspector, or gauger.¹⁷

Section 50 of the act of July 20, 1868, gave the Commissioner of Internal Revenue authority whenever in his judgment the necessity of the service required, to employ not exceeding twenty-five detectives for duty under the direction of any supervisor of internal revenue or for such special duty as he may have deemed necessary.¹⁸

¹⁷ By the act of June 6, 1872 (17 Stat. L., 241), the number of supervisors was reduced from twenty-five to ten, and the power of appointment which had rested in the Secretary of the Treasury was vested in the President, subject to the confirmation of the Senate. The act of August 15, 1876 (19 Stat. L., 152), abolished these offices, and the powers of transfer and suspension which had been conferred on the supervisors were transferred to the Commissioner of Internal Revenue, and all other powers to the collectors.

¹⁸ The designation "detectives of internal revenue" was abolished by the act of June 6, 1872 (17 Stat. L., 241), which amended Section 50 of the act of July 20, 1868, appointing detectives, by striking out the word "detective" and substituting the word agent.

As a further aid to the Commissioner of Internal Revenue to prevent frauds, the Secretary of the Treasury was authorized, by the act of July 20, 1868, upon the recommendation of the assessor of the district, to appoint internal revenue gaugers. These officers were appointed and assigned to duty in the various collection districts under the supervision and direction of the collectors. It was their duty to determine the number of gallons of distilled spirits produced and drawn into casks or containers to be put upon the market by the various distillers, and to make record by marks, brands, and stamps upon the casks or containers and also upon reports which they were required to submit. The act provided for the payment of these officers by fees, which were fixed by the Commissioner. The fees were limited to \$3000 a year. The act also provided that the fees of gaugers were to be paid to the collector at the close of each month by the firm or person for whom the gauging was done. The collectors in turn paid the gaugers for their services.¹⁰

The same act also provided for the appointment by the Secretary of the Treasury of storekeepers who were assigned to distillery warehouses. Storekeepers were paid at the rate of four dollars per day, excepting in a certain number of instances when upon the recommendation of the collector the pay of storekeepers was made five dollars per day.

From time to time further reductions were made in the internal taxes, and the act of March 3, 1883 (22 Stat. L., 488), repealed all the internal taxes with the exception of those on tobacco products, distilled spirits, and fermented liquors, and on dealers in these commodities.

During this period there were also some changes in administration. The act of March 6, 1872 (17 Stat. L., 241), increased the number of revenue agents to twenty-five, reduced the number of supervisors of internal revenue to ten, and provided that gaugers should be paid by the government and not by the firm for which the gauging was done. An important change was made by the act of December 24, 1872 (17 Stat. L., 401), which abolished the office of assessor and transferred his duties to the collector, whose

¹⁰ The fee system of paying gaugers was changed in 1872 (17 Stat. L., 238), and from that year on the gaugers were paid by the government.

duties then became practically what they are to-day. The decrease in the business of the office resulted in the number of deputy commissioners being reduced to two in 1874 (18 Stat. L., 6), and to one in 1876 (19 Stat. L., 151). The act last cited also abolished the supervisors of internal revenue, transferred their powers of transfer and suspension to the Commissioner and all other powers to the collectors, and provided that at small distilleries the positions of storekeeper and gauger could be filled by one person. The number of districts was reduced to 131 in 1876 (19 Stat. L., 152), and to 126 in 1877 (19 Stat. L., 303). In 1879 (20 Stat. L., 329) the number of revenue agents was increased to thirty-five, provision was made for the payment of the salaries of deputy collectors by the government, and a change was made in the collector's salaries by fixing the minimum at \$2000 if the annual collections were \$25,000 or less and the maximum at \$4500 if the annual collections amounted to \$1,000,000 or more. This provision for collectors' salaries remained in force until the passage of the act of February 24, 1919 (40 Stat. L., 1140).

Following the reduction in collections as a result of the repeal of all the internal taxes except those on manufactured tobacco, distilled spirits, and fermented liquors, influential people of the country, including many legislators, appealed to President Arthur to exercise his prerogative and reduce the number of districts by Executive order, which authority was given him under Section 3141 of the Revised Statutes. This authority does not, however, carry any power to increase the number of districts. No doubt, President Arthur was very much in sympathy with the idea because in his annual message of December 4, 1882, although he made no recommendation regarding the reduction of internal revenue districts, he did mention the reduction of the number of employees and further reduction of internal revenue taxes.

It is doubtful whether the Commissioner of Internal Revenue or the Secretary of the Treasury was in great sympathy with the contemplated move to reduce the number of districts. There is no record of any communication in the files of the Secretary's office or in the Department of State where all original copies of Executive orders are retained. We must assume, therefore, that President Arthur reduced the number of internal revenue collection dis-

tricts to eighty-two by the Executive order of June 25, 1883, upon his own initiative.²

On June 30, 1883, five days after the President had issued the first executive order, he modified it upon recommendation of the Secretary of the Treasury and increased the number of districts to eighty-three; again on October 13 and December 5, 1883, he modified his previous orders and fixed the number of districts at eighty-four.

Whiskey Frauds, 1864 to 1875. One of the most serious problems confronting the officers of the Bureau of Internal Revenue from its very inception was that of fraud and evasion. Scarcely six months had elapsed from the date on which the first law went into effect when Congress passed the act of March 3, 1863 (12 Stat. L., 737), to prevent and punish frauds upon the revenue, and directed the solicitor of the treasury to assume general supervision over the measures for their prevention and detection and for the prosecution of persons charged with the commission thereof. No special appropriation of any money to defray expenses was made, excepting that the Secretary of the Treasury was authorized to employ and assign not more than three additional clerks to the office of the solicitor of the treasury. The first definite appropriation for this purpose was made by the act of July 25, 1868, when \$25,000 was provided for detecting violators of the law and bringing them to punishment. Frauds and evasions continued to a deplorable degree, especially in cases where the tax rates, as on tobacco and whiskey, were excessive. Persons engaged in other branches of business and all departments of industry who paid their taxes honestly were astounded at the magnitude of the frauds perpetrated by dishonest distillers who had as their tools government officers to aid them in their evasion of the tax on their products. The period of the whiskey frauds extends from 1864 to 1875, and the amount of revenue lost to the government during that period

² This assumption is somewhat substantiated by the following extract from an editorial which appeared in the *New York Tribune*, Friday, June 1, 1883: "In Washington dispatches to *The Tribune* published shortly after the adjournment, the fact became known that influential Republican Senators and Representatives had advised the President to reduce the number of Internal Revenue districts very considerably. Since that time the same course has been frequently urged by them upon both the President and the Secretary of the Treasury as wise and expedient."

has been estimated by various Commissioners of Internal Revenue and students of taxation at from \$200,000,000 to \$1,000,000,000.

From 1864 to 1868 the causes of the evasion and fraud may be laid to two factors: First, the fee system of paying inspectors; second, the extraordinary high rate of two dollars per gallon on whiskey, which placed a premium upon fraud and evasion. In 1865 the cost of grain and labor necessary to make a gallon of whiskey was thirty-five cents,²² and in 1867 and 1868 with the tax of two dollars a gallon, whiskey was sold in the open market in the large cities at one dollar and fifty cents per gallon.²³ Many honest distillers were forced into bankruptcy, as they could not pay the tax and compete with the illicit manufacturers. In many of the country districts where the tax was imposed more or less efficiently by honest officers, the distillation of spirits almost ceased, while in all the large cities the manufacture increased. In the city of New York the number of distilleries increased from twelve in 1860 to several hundred shortly after the close of the Civil War.²⁴

The frauds became so alarming that a special committee was appointed by the House of Representatives to investigate them.²⁵ The committee recommended a speedy reduction in the tax on distilled spirits, which recommendation was adopted, and the tax on whiskey was reduced to fifty cents a gallon by the act of July 20, 1868 (15 Stat. L., 125). The results of the change were astonishing. Receipts increased with surprising rapidity, and illicit distillation of whiskey ceased almost entirely. During the fiscal year 1868, the last one of the two-dollar rate, the receipts were a little over thirteen millions, while in the following year they increased to over forty-five millions.²⁶

The effect of the change in the rate of taxation on distilled spirits is illustrated in the following table, which shows the rates of the tax, the annual production, and the total receipts from 1863 to 1870 inclusive:

²² *Internal Revenue Record*, Vol. 3, p. 107.

²³ *Ibid.*, Vol. 7, p. 91.

²⁴ *Ibid.*, Vol. 7, p. 91.

²⁵ This includes receipts from all sources, such as licenses to distillers, etc.

TAX ON DISTILLED SPIRITS, PRODUCTION AND RECEIPTS, 1863 TO 1870

Fiscal year	Tax per gallon	Production gallons	Receipts ¹
1863	\$0.20	16,149,954	\$3,229,990
1864	0.20 and \$0.60	85,295,391	28,431,797
1865	1.50 and 2.00	16,936,778	15,995,701
1866	2.00	14,599,289	29,198,578
1867	2.00	14,148,132	28,296,264
1868	2.00	6,709,546	13,419,092
1869 .....	.50	66,450,424	33,225,212
1870 .....	.50	77,266,368	38,633,184

¹ Receipts from tax on distilled spirits only from materials other than apples, peaches, or grapes, and does not include receipts from distillers' income tax, dealer's license, or rectifier's tax.

The yield of the distillers' special tax, which was only \$196,057.37 in the fiscal year 1868, rose to \$4,030,683.33 in the following year and to \$6,493,974.15 in the fiscal year 1870, or about thirty-three times greater than in the last year of the two-dollar tax on whiskey.

The country had scarcely recovered from the shock it received through the whiskey frauds of 1864 to 1868 when it received another in a situation uncovered in 1875. The act of July 20, 1868, reducing the tax on distilled spirits, also provided for the stamp system for collecting the whiskey tax. In 1875 there was uncovered a most serious attempt to defeat the revenue stamp system whereby the government had been defrauded of millions of dollars. That a well-organized band of conspirators known as the "Whiskey Ring" existed at the time, is evinced in the following charge to the jury made by Judge Dillon in the case of *United States vs. McKee at St. Louis* ":

According to the testimony, this conspiracy originated in September, 1871, and, with a brief interval in the fall of 1872 and the early part of 1873, continued until May, 1875, when the distilleries were seized, and afterwards many of the conspirators arrested and indicted. Some of the conspirators have been convicted, and others have pleaded guilty, and the property of some of the distillers and rectifiers has since been condemned as forfeited to the United States. A shameful feature in the conspiracy is, that it seems to have originated, not with distillers and rectifiers, but with the revenue agents of the government. Mr. Megrue testifies that he came here in September, 1871, at the instance of John A. Joyce, a revenue agent, to take charge of the illegal organization; that the distillers who first went into it were Bevis & Frazer, Macklot Thompson, and Peter Curran. In 1872 Ulrici, who had

² *Internal Revenue Record*, Vol. 22, p. 58.

first refused to enter it, and who continued to refuse until he saw his business ruined by his inability to make "straight" compete with "crooked" whiskey, joined the conspiracy. Afterwards other distillers—Teuscher, Busby, and the Bingham Brothers—became members of the illegal organization.

The tax on proof spirits was then seventy cents per gallon, and the agreement was that this tax should, as far as possible, be systematically evaded by removing the spirits from the government warehouse without the payment of the tax, by undermarking the real proof, and by the removal and reuse of stamps once used before. One half of these illicit gains, about thirty-five cents per gallon, was to be retained by the distiller for his share, and the other thirty-five cents per gallon was to be received and retained by the revenue officers or other conspirators for their share of the unlawful profits.

These collections from the distillers were made with systematic and business-like regularity every Saturday, when the distilleries were in operation. The ring had its collector and its disburser. The first collector was Megrue; he had an office for the transaction of that business. He remained with the organization until the fall of 1872, collecting for himself and for his confederates from the four distilleries named, on an average, as he states, of about \$2500 per week. Some idea of the magnitude of the fraud may be formed from the fact that Megrue admits that his one-fifth of less than one-half amounted, in about fourteen months, to the sum of \$50,000 or \$60,000, showing that during that period the government was defrauded at these four distilleries of from \$600,000 to \$800,000. Peter Curran states that he, on his own account, paid to the different collectors of the ring, from the first to the last, about \$60,000 or \$70,000. From June, 1873, to August, 1874, Fitzroy was the collector for the ring; then Everest and others. There can be no doubt that from 1871 to 1875 the government was defrauded by this conspiracy, in the single city of St. Louis, of revenues to the extent of millions of dollars. No honest distiller who paid the tax upon his productions could continue in business in competition with the dishonest who were systematically evading the tax.

It seems astonishing that a conspiracy so enormous in its proportions, and which was depleting the revenue of such vast sums, should so long remain undiscovered by the uncorrupted officers of the government. Some explanation of this is found, however, in the testimony in this case. At different times revenue agents were sent here or visited here, and it is painful to see that the large resources of the conspirators were sufficient to corrupt many of these in their turn. In 1872 Brashear, a revenue agent, visited this place; \$5000 were raised by Megrue and paid to him, and that came all from Bevis. In 1873, \$10,000 were raised from the

distillers and paid to the same agent with the knowledge and consent of McDonald, the supervisor of internal revenue, and of Joyce, the revenue agent, for a false report as to the condition of the distilleries in this city. In 1874, \$10,000 were raised and paid to Hogue, another agent, for a like purpose.

In the spring of 1875, \$10,000 were raised by the distillers and given to McDonald to be used as a corruption fund in Washington to stop threatened proceedings. But this was unavailing, and the apprehended seizures and arrests were made. In every instance knowledge of the visits of the government agents and detectives seems in some way to have been discovered by the conspirators in time to enable the distillers to "straighten up" before the official visitation was made. There is every reason to believe, without going beyond the testimony in this case, that the conspiracy here was not an isolated one, but only a link in a chain of frauds of like character in many states, thus enabling the leading conspirators in different places to cooperate with each other in ways and means to avoid detection and escape punishment.

Collection by Contract, 1872-1874. In addition to the ordinary machinery for collecting the internal revenue taxes, the extraordinary method of collecting by contract was also resorted to. Collecting revenue by contract is an ancient method, very sparingly made use of, however, by our government until 1873. The act of June 6, 1872 (17 Stat. L., 256), repealed all laws which provided for the payment of moieties to informers, so far as related to internal revenue taxes, but earlier in the same session an amendment had been added to the legislative, executive, and judicial appropriation bill, which contained a provision so seemingly unimportant and of such little significance as to pass without scarcely any notice. The Secretary of the Treasury was empowered to employ not more than three persons to assist the proper officers of the government in discovering and collecting any money belonging to the United States whenever the same was withheld by any person or corporation, upon such terms and conditions as he deemed best for the interests of the United States (17 Stat. L., 69).

No compensation was to be paid such persons excepting out of the money or property secured by them. Neither were they allowed to make collection of any money due the government without first making application in the form of a sworn statement addressed to the Secretary of the Treasury, in which they were supposed to set forth the character of the claim they proposed to recover.

If the statement was satisfactory to the Secretary of the Treasury, he was empowered to enter into an agreement with the party making application to collect the money due the government. On June 8, 1872, the Secretary of the Treasury signed a contract granting 50 per cent of the gross amount collected to the person named in the agreement.²²

On August 13, 1872, a similar contract was made with John D. Sanborn of Massachusetts, for the collection of taxes illegally withheld by thirty-nine distillers, rectifiers, and purchasers of whiskey.²³ In the following October, Sanborn made application for a contract to collect taxes, which he alleged were withheld by 760 persons, in legacies, successions, and incomes. His request was granted five days after he made his application. On March 19, 1873, he applied to have a list of about 2,000 names added to his previous contract, which was also granted.²⁴ This latter list included 350 foreign residents. On February 3, 1873, the Secretary of the Treasury issued the following order to all supervisors and collectors of internal revenue:

You are requested to assist John D. Sanborn, Esq., of Boston, in the examination of official records, in reference to such cases of alleged violation of the internal revenue laws as he may ask for your cooperation.

Mr. Sanborn is acting under an appointment from me, and may need some information from the offices of collectors and assessors for the purpose of verifying his claims.²⁵

The Commissioner of Internal Revenue protested against this manner of collecting delinquent taxes, stating that the Bureau of Internal Revenue was possessed of a full knowledge of the laws relating to the collection of the revenue, that the organization contained all the machinery necessary for a full and complete enforcement of the law, and that any other method of collecting taxes than those imposed upon the Bureau was a reflection on the Department charged with that duty.

The Commissioner's protest was of no avail, and on July 7, 1873, Sanborn was granted authority to collect from 592 railroad com-

²² Cong. 1st sess., H. rep. 559, p. 4.

²³ *Ibid.*

²⁴ *Ibid.*, p. 2.

²⁵ *Ibid.*, p. 5.

panies alleged to be indebted to the United States "for taxes upon dividends and interest paid upon bonds."

The Secretary of the Treasury in issuing his orders to the collectors and supervisors relative to Sanborn, virtually placed the entire machinery of the government for the collection of taxes at his disposal. It seems that instead of his being appointed to assist in collecting money due the government, the machinery of the government was being used to assist him. No doubt much assistance was rendered because he collected \$427,000.

A resolution was passed on February 13, 1874, by the House of Representatives asking the Secretary of the Treasury to transmit "copies of all contracts made under authority of the Treasury Department, in pursuance to one of the provisions of the legislative, executive, and judicial appropriation act of May 8, 1872, and also copies of all correspondence relating to the contracts together with the amount of money paid under the contracts and by whom and under which contract paid." These were referred to the Committee on Ways and Means, which reported in part as follows:

The committee feeling alarmed at the apparent looseness with which the law had been administered, were desirous of ascertaining where the responsibility rested, where it would seem to belong, somewhere in the Treasury Department. They have had before them the Secretary, Assistant Secretary Sawyer, and the Solicitor of the Treasury. The Secretary gave but little information and exhibited an entire want of knowledge as to the manner of making the contracts, administering the law or of the provisions of the law itself. His only connection, so far as he could remember, with these transactions was in affixing his signature to the various papers presented to him as a mere matter of office routine, without knowledge of their contents. The Assistant Secretary disclaims any particular knowledge of the law and contract and he in like manner affixed his signature as a matter of office routine. . . . The Solicitor in turn testified . . . that he had consulted in every instance with the Secretary or Assistant Secretary of the Treasury: that he had in all cases simply obeyed the directions of his superior officers, and that the contracts and the various orders of the department were well known to the Secretary and the Assistant Secretary."

The committee looked with serious apprehension upon the ap-

¹⁰ *Ibid.*, p. 8.

parent attempt of each of these gentlemen to transfer the responsibility from himself to others. Nevertheless the investigation developed no evidence that either of these officers had been influenced by corrupt motives. The transaction is the more singular because the Secretary had been so careful previous to the enacting of the law of 1870 in making contracts for collecting revenue from delinquents. The duties of his office were extremely arduous, and these contracts were regarded by him at the time they were made as small affairs as compared with many others which daily engaged his attention. The report also cleared the Commissioner of Internal Revenue. These contracts were made without even consulting the Commissioner and the first knowledge this officer had of the law was after the contracts had been made.

The committee also made it quite evident that a large percentage, if not all, of the \$427,000 of taxes collected by Sanborn were not a proper subject of contract under the law, and that these taxes should and would have been collected by the Bureau of Internal Revenue in the ordinary discharge of its duty. It recommended a repeal of the law under which these contracts were made, stating that the contractors had been exorbitantly rewarded. Congress immediately repealed the law authorizing the collection of money by contract.

Oleomargarine Tax, 1886. The next important piece of legislation pertaining to internal revenue was the act of August 2, 1886 (24 Stat. L., 209), imposing a tax on oleomargarine. The law was not primarily designed as a revenue producer, but was passed to prevent oleomargarine from competing with butter. The act defined butter, and imposed a tax upon the manufacture, sale, importation, and exportation of oleomargarine. The rate of the tax was two cents per pound, or fraction thereof, while special license taxes of \$600 were imposed upon manufacturers, \$480 upon wholesale dealers, and \$48 upon retail dealers.²⁴ The tax on the imported article was fifteen cents per pound in addition to the duty.

The tax on oleomargarine was imposed through the efforts of the House Committee on Agriculture, which in recommending passage of the bill, stated that "the power to tax was not limited

²⁴ These rates were changed by the act of May 9, 1902.

alone to the necessities of the government for the amount of revenue derived and that it had been invoked in more than one instance to provide for the general welfare." The committee's report also said

That there are from four to five million American citizens engaged in the dairy business and that they must all abandon it and be driven into some other already overworked branch of industry unless they can be relieved from the present ruinous competition with cheap imitations of butter and cheese."

Prior to the passage of the act of 1886 oleomargarine was frequently sold to consumers as butter. Of 131 samples supposed to be butter collected shortly after the passage of the act in many different states, twenty-one were found to be oleomargarine.⁴⁹ The law had a decided regulatory effect, but the hope of the framers of the bill or those who urged its passage that the tax would prevent the manufacture of imitation butter was not realized, as the business has grown and the production of oleomargarine has steadily increased. From 1888 to 1893 the amount produced increased from 34,000,000 to 67,000,000 pounds, almost doubling in five years. The receipts the first year the tax was in operation were less than \$50,000 short of a million dollars.

⁴⁹ *Reduction in Number of Districts, 1887*. By Executive order of May 21, 1887, the number of collection districts was decreased from eighty-five to sixty-three.

Analytical and Chemical Division, 1886-1888. Section 14 of the act of August 2, 1886, provided for the appointment by the Secretary of the Treasury of an analytical chemist and a microscopist, each to receive an annual salary of \$2500. The Commissioner of Internal Revenue was also authorized to employ additional chemists and microscopists whenever in his judgment the necessities of the service so required. The activities of this division were at first confined to analyzing samples for evidence of violation of the oleomargarine law.

Section 14 also gave the Commissioner of Internal Revenue power to decide whether any substance made in imitation of

⁴⁹ 49 Cong. 1 sess., H. rep. 2028, p. 2.

⁵⁰ Commissioner of Internal Revenue, Annual Report, 1887, p. cxliii.

butter and intended for human consumption contained ingredients injurious to the public health. In case of doubt or contest his decision in cases of this kind may be appealed to a board composed of the surgeon general of the army, the surgeon general of the navy, and the Secretary of Agriculture, whose decision was to be final. All oleomargarine found deleterious to health was to be forfeited.

Under the provisions of Sections 11 and 12 of the act to prevent the manufacture and sale of adulterated food or drugs in the District of Columbia, approved October 12, 1888 (25 Stat. L., 549), any purchaser of food or drugs, or health officer, inspector of nuisances, or food inspector of the District was authorized to submit samples of food or drugs to the Bureau of Internal Revenue for analysis. This increased the activities of the Chemical Division as it was then known.*

With the passage of the Pure Food and Drugs Act of 1906 (34 Stat. L., 768), the analytical activities of the Division of Chemistry were transferred to the Bureau of Chemistry, Department of Agriculture. With the passage of the Prohibition Act and the Narcotic Act, the Industrial Alcohol and Chemical Division, as it is now called, has developed into an important adjunct of the Internal Revenue Service, and branch laboratories have been established in many of the important cities of the country. *

The McKinley Act of 1890. The next legislation of any importance to the Bureau of Internal Revenue was the McKinley Tariff Act of October 1, 1890 (26 Stat. L., 567). This act, which introduced many changes in the laws relating to internal revenue, affected the procedure but not the organization of the Bureau. An internal revenue tax of ten dollars a pound was levied on all opium manufactured in the United States for smoking purposes and all manufacturers of smoking opium were required to conduct their business under the surveillance of the Commissioner of Internal Revenue. This was a regulatory and not a revenue

* This law was practically repealed by the act relating to the adulteration of foods and drugs in the District of Columbia, approved February 17, 1898 (30 Stat. L., 246).

measure. It was unsuccessful, and considerable fraud and evasion were discovered every year.²⁴

The most important feature of the McKinley Act, as regards the Bureau of Internal Revenue, was the provision of Sections 231-241, allowing a bounty on sugar obtained from beets, sorghum, or sugar cane grown in the United States, and providing that the bounty should be determined by the Bureau of Internal Revenue.

The Commissioner of Internal Revenue protested to Congress against the duty being imposed upon him, as it related in no way to the duties with which the bureau was ordinarily charged, and recommended that the law be so amended that the bounty might be ascertained and paid by the Secretary of Agriculture.²⁵ Congress paid no attention to the suggestion, and the bounty provisions were administered by the Bureau until the repeal of the law, August 28, 1894 (28 Stat. L., 521).

Many additional employees were required to carry the sugar bounty provisions into effect. Upon these devolved the duty of weighing, sampling, pulverizing, and classifying every pound of domestic sugar produced. Twelve sugar inspectors were appointed, and many deputy collectors of internal revenue were assigned to the special duty of acting as sugar weighers. During the fiscal year 1894, the last year the law was in effect, a total of 409 employees were engaged on sugar bounty matters, while the total administrative expense for the year for this purpose was \$130,140.85.²⁶ The sugar bounty was effective for three years, and during that time a total of \$29,783,603.40 was paid as bounties to producers of domestic sugar, while the total additional expenses incurred by the Bureau of Internal Revenue amounted to \$422,744.32.²⁷

Registration of Chinese Laborers, 1892. One of the provisions of the acts of May 5, 1892 (27 Stat. L., 25), and November 3, 1893 (28 Stat. L., 7), required all Chinese laborers in the United States at the time of the passage of the acts to apply to the collector of internal revenue of their respective districts for a certificate of residence.

²⁴ This portion of act relating to opium was repealed by the act of January 7, 1914 (38 Stat. L., 277), and a new law enacted.

²⁵ Eldridge, *Internal Revenue Tax System*, p. 29.

²⁶ Commissioner of Internal Revenue, *Annual Report*, p. 182.

²⁷ *Ibid.*, p. 194.

The Income Tax of 1894. The Wilson Tariff Act of 1894 (28 Stat. L., 508-570), like its predecessor, contained many interesting features pertaining to the internal revenue. It revived the income tax which had last been imposed in 1861. It also revived the tax on playing cards, extended the bonded period of distilled spirits to eight years, provided a system of general bonded warehouses for the deposit of spirits removed from distillery warehouses, and allowed a rebate for the tax on alcohol used in the arts or in medicinal compounds. The last provision opened the door to extensive frauds, and it was repealed two years later (29 Stat. L., 195).

The act of January 25, 1895 (28 Stat. L., 637), appropriated \$245,095.00 to defray the expenses of collecting the income tax, and an Income Tax Division was organized in the Bureau of Internal Revenue. On April 8, 1895, the work of the Income Tax Division was interrupted by a decision of the Supreme Court of the United States, which decided that the provisions of the law taxing incomes derived from real estate, and from state and municipal bonds were unconstitutional.¹⁵⁷ All returns were immediately sent back to collectors with instructions to revise them in accordance with this decision. The work of the entire Income Tax Division was terminated May 20, 1895, when upon a rehearing of the income tax case before a full bench of the Supreme Court it was finally decided that the whole income tax law was unconstitutional on the ground that it was a direct tax, and was not apportioned among the states in conformity with the Constitution.¹⁵⁸

Tax on Filled Cheese, 1896. Another tax designed to be prohibitory was that on filled cheese and manufacturers and dealers in this commodity imposed by the act of June 26, 1896 (29 Stat. L., 253). Filled cheese is defined as any substance made of milk or skimmed milk, with the admixture of butter, animal fats or oils, vegetable or any other oils or compounds foreign to milk, and made in imitation or semblance of cheese. Although this law still remains in force, no collections have been reported since 1912 when they amounted to \$630.31, of which \$300 was a license tax on a single manufacturer. As a prohibitive measure the law has been a success, even though the collections have been insignificant.

¹⁵⁷ U. S., 429.

¹⁵⁸ U. S., 601.

Spanish-American War Period. From 1896 to the outbreak of the Spanish American War, no legislation of any importance was enacted.^a Then Congress was once more called upon to resort to extraordinary methods to provide for increased revenues.

The act of June 13, 1898 (30 Stat. L., 448), increased the tax on fermented liquors and tobacco products, imposed taxes on legacies, mixed flour, and occupations, and provided for a number of stamp taxes on documents and proprietary preparations. While this act was of importance as a revenue producer, it did not involve any material changes in the organization and procedure of the Bureau. By the fiscal year 1901 the internal revenue receipts had increased to \$306,871,669.42, compared with \$170,866,819.36 in the fiscal year 1897. At the end of the fiscal year 1897, the administrative force consisted of 202 persons and the field force of 3656 persons; at the end of the fiscal year 1901, there were 283 persons employed in Washington and 3553 in the field. The cost of collection for each one hundred dollars dropped from \$2.62 in 1897 to \$1.55 in 1901. A second deputy commissioner was authorized by act of April 17, 1900 (31 Stat. L., 103).

The tax on mixed flour, imposed by the act of 1898 and still in force, was intended to be a regulatory and not a revenue tax. Mixed flour is defined by the law to be the " food product resulting from the grinding or mixing together of wheat, or wheat flour as the principal constituent in quantity, with the product of any other grain." There is a license tax on the manufacturer and a stamp tax on the product. The revenues from this tax have been insignificant.

Some of the taxes were reduced and others abolished by the act of March 2, 1901 (31 Stat. L., 938), and all of the other new taxes except the one on mixed flour were repealed by the act of April 12, 1902 (32 Stat. L., 96), which took effect on July 1, 1902.

Period Between the Spanish-American and the World War. After the repeal of the Spanish-American War taxes, there was little legislation of consequence until the passage of the denatured alcohol act of 1906.

^a The only legislation during this period was the act of March 3, 1897 (29 Stat. L., 605), authorizing the sale of forfeited opium and Sections 9 and 10 of the Dingley Tariff Act of July 24, 1897 (30 Stat. L., 206), making minor changes in the tax on tobacco products and fermented spirits.

Denatured Alcohol Act of 1906. This act, which was passed on June 7, 1906 (34 Stat. L., 217), and which took effect January 1, 1907, provided for the withdrawal from bond, tax free, of domestic alcohol which had been rendered unfit for beverage or liquid medicinal use by mixing it with suitable denaturing materials. The act provided that the denaturing process should be made under the direction of a government officer. It was amended by the act of March 2, 1907 (34 Stat. L., 1250), which provided for central denaturing bonded warehouses other than at distilleries and for denaturing at distilleries having a daily capacity of less than one hundred gallons and making alcohol from waste products. The office of the Commissioner made a special effort to promote the production of denatured alcohol by issuing circulars describing the methods that might be used by farmers or fruit growers who might desire to manufacture these products. At the end of the fiscal year 1907 there were employed in the administration of this act 53 persons at an annual salary of \$73,885.

Corporation Tax of 1909. The need for additional revenue to defray the growing expenses of the government led Congress to include in the tariff act of August 5, 1909 (36 Stat. L., 112), a tax of 1 per cent on the net income in excess of \$5000 of corporations. This law continued in force until 1913. A Corporation Tax Division was organized to supervise the collection of the tax, which does not seem to have given rise to any particular problems of administration.

Tax on White Phosphorus Matches, 1912. On April 9, 1912 (37 Stat. L., 81), an act was passed levying a tax on white phosphorus matches, which was successfully designed to be prohibitive of their manufacture. Every manufacturer of white phosphorus matches was required to register with the collector of internal revenue, and the tax was collected under the direction of the Commissioner of Internal Revenue, who was authorized to make the necessary regulations. The portion of the act regulating the manufacture of matches took effect July 1, 1913, while the part laying a tax on the sale of matches became effective on January 1, 1915.

Income Tax of 1913. Economists, party leaders, legislators, and others, who for many years advocated an income tax, and who were disappointed in the Supreme Court's decisions invalidating

the tax of 1894, came to the conclusion that if Congress did not have the power to tax incomes the next best thing to do was to ask the people of the United States to grant them the power. This was accomplished through the adoption of the Sixteenth Amendment to the Constitution, which went into effect February 25, 1913. The amendment states "that Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several states, and without regard to any census or enumeration."

The amendment opened the way for new legislation in this direction and on October 3, 1913 (38 Stat. L., 166), Congress enacted the income tax law, which imposed a tax on the net income of both individuals and corporations. This law repealed the 1909 excise tax on corporations and imposed a special excise tax on all corporate organizations for the months of January and February, 1913, while the income tax became effective March 1, 1913, for the remaining ten months of the year. It also provided for a third deputy commissioner.

Immediately after the passage of the act of October 3, 1913, the work of organizing the Personal Income Tax Division was begun. A correspondence unit consisting of thirty clerks was one of the first sections to be created to handle the large volume of correspondence relating to the enforcement of the provisions of the law, for although corporations had had four years' experience under the excise tax law, the new law brought to the surface many problems, so that the first few months were devoted largely to carrying on a campaign of education.

Once more the Bureau of Internal Revenue was called upon at short notice to provide necessary regulations and forms and to train its clerical force in a new procedure; this time in the limited period from October 4, 1913, when the law was passed, to December 31, 1913, when it was to go into effect.

The collection of corporation returns continued to be under the direction of the Corporation Income Tax Division. The increased duties resulting from the passage of the income tax law of 1913 was reflected in the growth of the personnel of the Bureau. At the end of the fiscal year 1913 the administrative force in Washington consisted of 277 persons, while the field force numbered 3723. This personnel had been steadily decreasing from the high point of

1902, when there were 317 in Washington and 3794 in the field. By the end of the fiscal year 1915 the personnel had increased to 530 in Washington and 4200 in the field.

Appointment of Deputy Collectors, 1913. A step backward in the administration of the service was taken when the act of October 22, 1913 (38 Stat. L., 208), authorized the appointment of bonded deputy collectors of internal revenue and bonded deputy marshals without reference to civil service rules.

Narcotic Laws of 1914. For many years efforts had been made to curb the domestic and international trade in opium and other narcotic drugs. In 1909 a survey developed the fact that the United States was importing 200,000 pounds of opium a year, while 50,000 pounds was all that was needed for legitimate medical purposes. This resulted in the passage of the act of February 9, 1909 (35 Stat. L., 614), which prohibited the importation of opium except for medicinal use. About this time there had convened at Shanghai, China, the International Opium Commission, which recommended an international conference looking to the control of the international trade in this drug. On the invitation of the Netherlands Government the first International Opium Convention assembled at The Hague on December 1, 1911. This convention recommended the prohibition of the export of opium to countries which prohibit its entry, as well as domestic legislation looking to the control of the production and use of opium within national boundaries. On January 17, 1914, two acts were passed relating to opium. One (38 Stat. L., 275) regulated the importation of opium, absolutely prohibited the exportation of smoking opium, and allowed the exportation of opium and cocaine and their derivatives only to countries regulating their entry and in accordance with the regulations of the several countries. The second act (38 Stat. L., 277) repealed the portion of the McKinley Act relating to smoking opium produced in the United States, and enacted a new law which increased the tax from \$10 to \$300 a pound and raised from \$5000 to not less than \$100,000 the bond required of manufacturers. On the convening of the third session of the Sixty-third Congress in December, 1914, the first law passed was the Harrison Act of December 17 (38 Stat. L., 785), which regulated the domestic use of opium and coca and their derivatives. This act, which went into effect on March 1, 1915, provided for

the registration of persons authorized to deal in those products and restricted the dealings to persons so registered. Its enforcement was placed in the hands of the Commissioner of Internal Revenue, and provision was made for the payment of a fee of one dollar by every person registered.* This act was essentially regulatory, although in the fiscal year 1916, the first complete year in which it was in operation, it yielded \$227,452.02 from licenses and \$17,445.05 from the sale of order blanks.

Cotton Futures Act of 1914. Another attempted regulatory measure of 1914 was the Cotton Futures Act of August 18 (38 Stat. L., 693). This act levied a tax on every sale of cotton for future delivery in case the contract did not comply with certain specified conditions. This law was declared unconstitutional by the district court of the Southern District of New York by reason of it being a revenue act which did not originate in the House of Representatives.† It was reenacted on August 11, 1916 (39 Stat. L., 476). It is of no significance from the standpoint of revenue.

The World War Period and After. During the World War the receipts from internal revenue taxation were greater than ever before in the history of the country.

Emergency Revenue Act of 1914. For a period of nearly fifty years, distilled spirits, fermented liquors, and tobacco were the main sources of revenue, but immediately after the outbreak of the war, it became evident that Congress would be called upon to enact emergency legislation to provide for additional internal revenue. On September 4, 1914, scarcely one month after the outbreak of the war, Congress was addressed by the President on the necessity of providing additional revenue to meet the deficit which would be created by the falling off of imports from the countries affected by the war. An emergency revenue bill was introduced in the House of Representatives on September 21, 1914, which provided for the raising of \$105,000,000 additional revenue from internal sources. The bill became a law on October 22, 1914 (38 Stat. L., 745), and was a temporary measure, being virtually

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† 226 Fed. Rep., 135.

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a reenactment of the Spanish-American War Revenue Act. Among its important provisions were the following: The tax on beer was raised from \$1.00 to \$1.50 per barrel; the taxes on wines, champagnes, and all products of a similar nature were increased; special occupational taxes were provided, including an annual tax of \$30 on stockbrokers, \$50 on pawnbrokers, \$20 on commercial brokers, and \$20 on commission merchants. Proprietors of theatres were taxed from \$25 to \$100, according to the seating capacity of their houses. Circuses were taxed \$100, while all other shows and exhibitions (excepting educational and agricultural) were taxed \$10 each. Proprietors of bowling and billiard rooms were taxed \$5 for each alley or table. Tobacco dealers and manufacturers were taxed on a graduated scale on their annual sales and output.

There were imposed also documentary stamp taxes and the one-cent tax on all telephone calls and telegrams costing fifteen cents or over. Passage tickets sold in the United States for abroad, costing over \$10 and not more than \$30 were taxed \$1, while those costing from \$30 to \$60 were taxed \$3, and upon those costing more than \$60 a tax of \$5 was levied.

The receipts under this act for the fiscal year 1915, with the law in operation for eight months, amounted to \$415,681,023.86. The act caused an increase in the use of internal revenue stamps, and although the burden of enforcing this act together with the narcotic law fell heavily upon the Bureau during the fiscal year 1915, the activities of the organization at that time did not cover the wide scope entrusted to its care by the act of September 8, 1916 (39 Stat. L., 756), and one year later by the war revenue act approved October 3, 1917 (40 Stat. L., 300), and finally by the 1918 war revenue measure approved February 24, 1919 (40 Stat. L., 1057). The act of October 22, 1914, was repealed September 8, 1916, excepting Sections 3 and 4, imposing special taxes, which remained in force until January 1, 1917.

Omnibus Revenue Act of 1916. Although the United States was not at war, government expenditures were growing at a rapid pace, and to meet them Congress enacted an omnibus revenue measure which was approved September 8, 1916.

In addition to repealing the act of October 22, 1914, it amended the income tax law by imposing a surtax and doubling the normal tax rate, and modified some of the minor and administrative measures without disturbing the fundamental features of the

previous income tax law. It reenacted the act of 1914 relating to theatres, bowling alleys, and places of amusement, tobacco manufacturers and dealers; levied an estate tax; imposed a munition manufacturer's tax; and provided a capital stock tax. Dealers in tobacco were relieved from special taxes on and after January 1, 1917, and new rates were imposed upon manufacturers of cigars, tobacco, and cigarettes.

The act of 1916 did not affect the administrative features of the act of 1913 as regards the income tax, but new machinery had to be created in order to administer the estate tax, the capital stock tax, and the munition manufacturers tax.

The tax on inheritances or legacies, called the estate tax, was one of the most important features of the 1916 revenue act. The law provided for a tax on the transfer of the whole estate, after deducting the necessary administration expenses, debts, and other charges and providing for an exemption of \$50,000 for residents of the United States.* An Estate Tax Division was organized in the Bureau of Internal Revenue shortly after the law was passed, and a field force of investigators secured to investigate returns and enforce the various provisions of the law.

The Revenue Act of September 8, 1916, by Title III, provided that every person manufacturing munitions or war implements should pay, in addition to the income tax imposed by Title I of the same act, for each taxable year an excise tax of "12½ per cent upon the net profits actually received or accrued from the sale or disposition of such articles manufactured within the United States." The tax applied to few manufacturers in 1916, and the returns for the fiscal year ending June 30, 1917 (1916 taxable year), showed a total of 498 manufacturers, most of them engaged under contracts with foreign governments. The tax was originally restricted to a period ending one year after the close of the war, but the act of October 3, 1917, which reduced the tax from 12½ to 10 per cent, provided that the tax should cease on and after January 1, 1918. The receipts during the fiscal year 1917, amounted to \$27,663,939.63, and the following year a total of

* The estate tax law was amended March 3, 1917, by increasing the rates 50 per cent (39 Stat. L., 1002). The rates were again increased by the act of October 3, 1917 (40 Stat. L., 324), and modified by the war revenue act of 1918 (40 Stat. L., 1096).

\$13,296,927.32 was collected. These were the only collections under the act. The number of manufacturers increased considerably during 1917, after the United States declared war, and 2248 returns were filed, although the collections for the fiscal year 1918 were less than half of those of the previous year.

The capital stock tax, levied by the act of September 8, 1916, is still on the statutes. The rate was fifty cents for each \$1000 of fair value of capital stock in excess of the specific exemption of \$99,000. No exemption was allowed in the case of foreign corporations, the measure of the tax being the average amount of capital employed in the transaction of business in the United States. Title III provides that munitions manufacturers should not be subject to the capital stock tax and also the munitions tax, but should pay the tax which provided the greater revenue to the government.*

The act of September 8, 1916, first made definite provision for the publication of statistics relating to the income tax. The annual reports of the Commissioner had always contained statistics relating to collections, but the detailed analysis of the income tax returns included in the annual publication entitled "Statistics of Income" is specifically authorized by this act.

Excess Profits Tax, 1917. Scarcely had provision been made for administering the new taxes levied by the act of 1916 when on March 3, 1917 (39 Stat. L., 1000), an act imposing an excess profits tax was enacted in order to provide revenue to defray the expenses of the increased appropriations for the Army and Navy. In addition to the taxes imposed by the then existing laws, this act levied a tax of 8 per cent on so much of the net income of corporations, joint stock companies, etc., as was in excess of \$5000, plus 8 per cent of the actual capital invested in the property or business. The act was made effective January 1, 1917, and for that year applied only to those corporations which made returns on a properly established fiscal year ending with the last day of some month in 1917 prior to December 31. Because of the short time intervening between the date of the passage of the act (March 3, 1917), and the end of the fiscal year (June 30, 1917) the amount of tax assessed against corporations prior to the

* The act of February, 1919, increased the rate to one dollar for each \$1000 and lowered the exemption to \$5000.

close of the fiscal year was negligible, the sum collected being only \$2,953.42.⁴

Internal Revenue Situation in 1917. When the United States declared war the administrative responsibilities of the Bureau of Internal Revenue rested upon the Commissioner and his three deputies. The office force in Washington consisted of 524 persons, while the force in the field numbered 4529, making a total of 5053 in the service. The strain on the administrative force of the Bureau of Internal Revenue during this period was very great. Indications pointed to the enactment of such legislation as would modify the entire internal revenue system, thus creating the necessity for administrative reorganization and expansion.

The Commissioner of Internal Revenue had to maintain close contact with Congress so as to keep his force well informed on the major features of contemplated legislation. This confidential advance information had to be carried to every internal revenue collection district in the United States. Tentative forms and instructions were prepared in advance of the passage of the 1917 act to keep field officers and others in close touch with the situation, so that no time should be lost in starting the law in motion, once passed. How effectively this was accomplished is demonstrated in the collection of the "floor taxes" levied in the 1917 act. In addition to the taxes levied on the sale by the manufacturer, producer, or importer of certain articles and goods, such as automobiles, sporting goods, etc., the law also provided for the assessment and collection of a tax on the amount of stock on hand of these articles, which were held or intended for sale, by persons other than manufacturers, producers, or importers. The act of 1917 was approved on the night of October 3, and before midnight final telegraphic instructions pertaining to the collection of "floor taxes," were issued to collectors of internal revenue and internal revenue agents in every part of the country, so that on the morning of October 4 the work was commenced of securing returns of inventories of stocks on hand from all persons required by law to make them.

From 1917 to 1919 the new laws affecting the Bureau of Internal Revenue were both revenue-producing and regulatory, and both share almost equally in responsibility for the creation of the Bureau

⁴ The excess profits tax law was amended by the acts of October 3, 1917, and February 24, 1919; it was repealed by the act of November 23, 1921.

of Internal Revenue as it exists to-day, which is a combination of tax gathering forces to collect the internal revenues and the policing forces to enforce prohibition and other prohibitory and non revenue producing measures.

War Revenue Act of 1917. The act which was approved October 3, 1917 (40 Stat. L., 300), was the first revenue measure after the declaration of war against Germany. It was amendatory and supplementary of the acts of October 3, 1913, September 8, 1916, and March 3, 1917. The act was divided into thirteen parts dealing with the following subjects: (1) Income; (2) excess profits; (3) beverages; (4) cigars, tobacco and tobacco manufacturers; (5) public utilities and insurance; (6) excises; (7) admission and dues; (8) stamp taxes; (9) estate taxes; (10) administrative provisions; (11) postal rates; (12) income tax amendments; and (13) administrative provisions. It was particularly difficult to administer, because it amended and continued in force parts of many earlier acts. When the conference report was under discussion in the House of Representatives ex-Speaker Cannon made the following criticism of the defects of the act:

I put in an anxious day yesterday. I did not say my prayers or read a chapter of the Bible or go to church. I tried to get outside the conference report. I went to bed at one o'clock this morning. I did not have any help present on Sunday, nor did I have any of the acts of Congress to which I could refer, but I arrived at the conclusion that I did not know how many law suits were to grow out of this bill, and that I did not know in many respects what it is to do. I hope it will produce a large amount of money, and I believe it will. I hope when another bill comes—and God knows, if this war does not close inside of twelve months another bill will come—I hope that that bill will be such that all of us experts and non experts can see what it does. This bill harks back and refers to provisions in the Payne Tariff law, the Underwood Tariff law, the law of 1916, which is not repealed except in spots, the law of last March, which was repealed very largely, if not entirely, although I think not quite entirely. And I confess that I do not believe that, unaided, I could get outside of it in three months. I wish that there had been time so that this bill could tell its own story on its face, disregarding the law of 1916, the Underwood Tariff law, the Payne Tariff law, and the law of last March, repealing here and there a section or a clause or modifying it or amending it."

²⁴ *Congressional Record*, 65 Cong. 1 sess., vol. 55, p. 7594.

Long before the passage of the act of October 3, 1917, the Commissioner of Internal Revenue realized the importance of the careful analysis of the excess profits tax provision of the law so that the proper interpretation could be given thereto. The Secretary of the Treasury was asked to select a group of prominent business and professional men, whose training and experience served especially to qualify them to become excess profits tax advisers. Among these advisers were men who possessed extensive knowledge and experience in agriculture, manufacturing, trading, finance, accountancy, and economics. The solicitor of internal revenue and members of the Bureau's legal staff and the administrative officers of the Bureau were closely coordinated with the excess profits tax advisers in their work.

The act of October 3, 1917, caused a complete reorganization of the administrative forces of the Bureau. New offices and divisions were created and others consolidated. The field forces operating under the immediate supervision of the sixty-four internal revenue collectors and the thirty-one internal revenue agents were placed under the control and direction, respectively, of a supervisor of collectors and the chief revenue agent, who were made coordinate in rank with the deputy commissioners.

The force of administrative and executive officers was augmented, and the personnel of the Washington office was increased in the fiscal year 1918 from 585 to 2245; while the force in the field was increased from 4529 to 7352, making a total of 9597 employees at the end of the fiscal year 1918.⁴ The annual appropriations also rose from \$8,065,870 for the fiscal year 1917 to \$14,660,870 for the fiscal year 1918.

According to the Commissioner's annual report the total amount received from income and excess profits taxes from April 1, 1917, to June 30, 1918, was \$3,166,132,814. The internal revenue receipts from all sources for the fiscal year 1918 amounted to \$3,694,619,638 as compared with \$809,393,640 for the fiscal year 1917. There were 2,319,929 income tax returns on incomes of \$3000 and less and 665,623 on incomes in excess of that amount filed for the calendar year 1917.

⁴ Commissioner of Internal Revenue, Annual Report, 1918, p. 5.

War Revenue Act of 1918. On June 6, 1918, the Secretary of the Treasury recommended that an additional eight billion dollars be raised, of which a third was to be obtained through additional taxation. A bill was under discussion in the House of Representatives at the time, and the President had already personally addressed Congress, urging that immediate measures be taken to provide additional funds by taxation for the prosecution of the war. A revised bill introduced on September 3, 1918, and designed to provide taxes which would produce a revenue of over \$8,000,000,000, passed the House on September 20, 1918. Before it was acted upon by the Senate, the Armistice was signed and a change in the financial policy was necessary. It was suggested that a revenue of \$6,000,000,000 for 1919 and \$4,000,000,000 for 1920 be provided by taxation. Considerable time was consumed by Congress in discussing the ways and means to provide additional revenue and to enact a measure that would not impose too much of a burden on capital or punish business success. The year 1918 was rapidly drawing to a close and the slow progress Congress was making caused the Commissioner of Internal Revenue on November 30 to write a letter to the Secretary of the Treasury, setting forth the serious situation confronting the Bureau of Internal Revenue because Congress had not acted in time to enable the Bureau to prepare the necessary forms and regulations and to organize its forces to put the law in motion without causing serious delay. In this letter he said:

I am impelled by the imperative necessity of setting in motion immediately the administrative machinery for the collection of internal revenue taxes for the current taxable year to bring to your attention the serious dilemma that confronts us.

Only one month remains before the commencement of the period prescribed by law for the filing of income and excess profits tax returns. Return forms, instructions, and regulations must be constructed and millions of copies printed and distributed through the country. Thousands of internal revenue officers and employees must be mobilized and intensively drilled so that they may go forth properly equipped to disseminate among the tax-paying public correct information as to tax procedure. The law now in effect is unnecessarily complex and contains provisions which conflict with other provisions or are otherwise incapable of satisfactory administration.

During the past year by the exercise of a wide degree of administrative discretion it has been possible to bridge the gap created by the inadequacy of the present law, but it must be recognized that the satisfactory results of last year's administration were made possible in no small way by the patriotic spirit of accommodation of the people. This attitude was induced by war emergencies and by the same feeling of assurance I have possessed that the act of October 3, 1917, would not remain in force another year, but would be superseded by a new law embodying adequate and intelligible taxing provisions and authority for reasonably flexible administration.

Toward this end I have endeavored consistently to guide the tax administration of the last year. But now, with the time for taking action already at hand, I am appalled by the necessity of proceeding in accordance with the existing revenue law.

The horns of my dilemma are (1) whether to proceed with the administration of the present law without regard to pending legislation, but with the knowledge that a new law relating to the current taxable year may be enacted at any time, completely disarranging the entire administrative procedure and nullifying the effect of the work accomplished up to the time of its enactment, or (2) whether to ignore the plain mandate of the existing statutes and await the enactment of pending legislation before shaping our course for the collection of taxes for the current year.

For more than a year, since September 26, 1917, under your inspiring leadership, I have labored constantly to effectuate the real intent and purpose of the war revenue act of October 3, 1917. My efforts have been directed toward two definite objectives—(1) the assessment and collection, with the least possible disturbance to business and industry, of the amount of money the act was designed to produce during the fiscal year, and (2) to assist in drafting a new revenue act consistent with the broad and constructive principles of the administration and clear and unmistakable in its terms.

From analysis of the experience gained in the administration of the last year we have developed and assembled constructive proposals for the improvement of the law. These were transmitted to the Ways and Means Committee of the House and the Finance Committee of the Senate. These committees have accorded to our experts full opportunity to collaborate in framing the provisions of the bill, which is now pending before the Senate committee and have incorporated therein practically all of the proposals submitted. Seven months have been consumed in bringing the bill to its present form. All this effort will be of no avail unless the bill is very speedily enacted into law.

I need not remind you of the salutary effect which will be produced by a prompt decision with respect to the taxation program. Business men and all those who must participate in the solution of the grave economic problems incident to the period of reconstruction are beset in their calculations by doubt and uncertainties. Surely the government should not fail to dispose quickly of the important question of taxation, which vitally affects every business, and the determination of which awaits only the completion of the prescribed legislative procedure.

Despite the confusion, which it seems at the present moment will inevitably ensue, I feel that it is clearly our duty to shape our course for the application to the current year of the law now on the statute books unless the existing law is superseded by a new law before January 1, 1919.

Congress, however, continued its deliberations and made numerous changes, both in substance and in detail, in the measure. The 1916 and 1917 acts were passed in such haste that many corrections had to be made. It was because of the demand by the Bureau and also by the public for relief from many of the complex and burdensome administrative requirements, especially those relating to income and profits taxes, that Congress proceeded with less haste in enacting the 1918 war revenue measure. The House bill was rewritten in the Senate and passed that body on December 23. The Conference report was presented to the House on February 6 and agreed to on February 8. It was agreed to by the Senate on February 13. It was signed by the President on February 24, 1919 (40 Stat. L., 1057), and became effective the following day, although it was retroactive and some of its most important features related to income and profits realized in the calendar year 1918. It was officially called the Revenue Act of 1918.

While the act changed the rates for many taxes it was essentially a codification of existing law, as it repealed all the earlier acts and brought within a single law all the provisions for income, profits and excise taxes. This act was summarized by the Commissioner of Internal Revenue as follows *:

The new law, which repeals the income-tax title of the acts of September 8, 1916, and October 3, 1917, imposed as the normal

* Commissioner of Internal Revenue, Annual Report, 1919, pp. 10-12.

rate of tax on the incomes of individuals and corporations 12 per cent for the calendar year 1918, with the modification that 6 per cent only should apply to the first \$4000 of taxable income received by an individual citizen or resident alien, whereas for 1917 the normal tax for individuals was 4 per cent and for corporations 6 per cent.*

New provisions of the Revenue Act of 1918 include amortization allowance for special war equipment investments, limited taxation of income derived from sales of mining and oil properties by the prospectors, exemption of personal-service corporations as such, adjustment of losses sustained in 1919 by reason of depreciated 1918 inventory or of 1919 rebate payments on 1918 contracts and sales, credits against the tax for income and excess-profits taxes paid to other taxing authorities, and restricted allowance for net losses. Other new features are provisions relating to the following: Inventories, a specific exemption of \$2000 to corporations, an allowance to individuals of full losses in transactions entered into for profit outside of trade or business, the deduction by corporations of all interest paid on strictly business indebtedness, consolidated returns by affiliated corporations, permission to corporations to deduct dividends received, specific personal exemption and credits for dependents to non-resident aliens, individual returns on a fiscal-year basis, and payment of tax in installments. The act does away with the allocation, in applying the tax rates, of dividends from funds earned since March 1, 1913 (other than certain stock dividends), and materially changes certain administrative features.

The rates of tax imposed upon the transfer of the net estate of every decedent dying after February 25, 1919, are somewhat less upon small estates, under the Revenue Act of 1918, than they were in 1917, although they are the same on estates exceeding \$1,500,000. Dower, courtesy, property passing under a general power of appointment exercised by the decedent, and amounts received as insurance under policies taken out by the decedent upon his own life are expressly included in determining the value of the gross estate of the decedent under the new law. The tax does not apply to the transfer of any estate of any decedent dying while serving in the military or naval forces of the United States in the present war. The amounts of all gifts to charity are excluded in determining the value of the net estate, as is an amount equal to the value at the time of the decedent's death of any property received by the decedent from the estate of any person who died within

- * In the case of earned income the normal rate for individuals is actually no higher than for 1917, because of the application in that year of the 8 per cent excess-profits tax to professions and occupations in addition to the normal tax of 4 per cent.

five years of the death of the decedent if an estate tax was collected from such estate under the Revenue Act of 1917 or the Revenue Act of 1918. The tax is a lien upon the gross estate of the decedent, but the Commissioner has authority under this new law to release the lien in proper cases.

Under the Revenue Act of 1918 the rates upon the transportation of freight, express, and passengers remain the same; Pullman accommodations are reduced from 10 per cent to 8 per cent because of the new single-ticket arrangement; the rates upon transportation by pipe line are increased from 5 per cent to 8 per cent. Rates on wire or wireless messages are increased from 5 cents for 15-cent charge or more to 5 cents for 15-cent to 50-cent charge and 10 cents for charges over 50 cents, with the special 10 per cent charge for private wires.

The stamp-tax provisions of the new law are the same as they were in the 1917 act, except that under the new law policies of guaranty and fidelity insurance, including policies guaranteeing titles to real estate and mortgage guaranty policies, are taxed as bonds of indemnity and surety; issues and transfers of certificates of profits or of interest in property or accumulations in any corporation are taxed the same as issues and transfers of stock; and each policy of insurance or certificate, binder, covering note, memorandum, cablegram, letter, or other instrument by whatever name called, whereby insurance is made or renewed upon property within the United States, is now subject to a tax of 3 cents on each dollar or fractional part of the premium charged therefore. This last provision is wholly new.

There is also under the new law a tax of 10 per cent of the entire net profits of any mine, quarry, mill, cannery, workshop, factory or manufacturing establishment employing children under certain ages or outside of certain established hours of employment.

Under the new law the basis of the capital-stock tax remains the same as under the old law, namely, "carrying on or doing business." The rate of tax under the present law is \$1 for each \$1000 of the fair average value of the capital stock in excess of \$5000, instead of 50 cents for each \$1000 of the fair average value of the capital stock, with a specific exemption of \$99,000, as provided in the old law. The rate for a foreign corporation under the present law is \$1 for each \$1000 of the average amount of capital employed in the transaction of its business in the United States, whereas under the old law the rate was 50 cents for each \$1000 of the capital actually invested in the transaction of its business in the United States with an exemption of a proportionate part of \$99,000. Mutual insurance companies are taxed upon the sum of their surplus and reserves in excess of \$5000.

Changes have also been made in the taxes imposed upon spirits, tobacco, admissions and dues, and in special taxes on the sale of certain articles and on certain occupations.

The high rates, particularly those relating to incomes and profits, naturally enhanced the importance of providing an equitable basis of tax computation so that undue hardship might not be imposed on any taxpayer. This consideration not only resulted in a careful definition of the basis of assessment but also gave rise to the inclusion of certain special relief provisions, such as the provision for amortization of the cost of facilities provided for manufacturing articles contributing to the prosecution of the war; the inventory loss provision to cover anticipated shrinkage in values after the close of the year; the net loss provision for recomputing taxable incomes of 1918 to deduct therefrom net loss under certain conditions in 1919; and the provision for special treatment of certain corporations whose war profits and excess profits tax credits could not be satisfactorily determined as in ordinary cases and which are, therefore, to be taxed on the basis of the ratio between tax and income of representative concerns. The general purpose of these provisions are, first, to permit the taxpayer to deduct in determining taxable income amounts which are needed to recoup him for extraordinary losses of the taxable year, and second, to provide an alternative method of tax computation to be applied, at the discretion of the administrative authority, in cases in which abnormal conditions with respect to capital or income of a corporation would result under the ordinary method of tax computation provided by the law in exceptional hardship on account of a tax liability grossly disproportionate to the tax liability of other corporations engaged in the same line of business and similarly circumstanced with respect to business operations. Such conditions have been found in the cases of business conducted on abnormally small amounts of invested capital but large amounts of borrowed money; businesses realizing income arising out of intangible assets excluded under the ordinary items of income representing the reward of effort carried on through a number of prior years; and businesses sustaining losses on account of amortization, obsolescence, or depreciation of character not recognized by other provisions of the law. The effect of these several equitable provisions necessarily was to complicate the interpretation and administration of the law, because it became necessary, in the case of every return of income or profits, for the taxpayer to consider whether special circumstances warranted the application of the relief provisions. On the other hand, the Bureau was under the necessity of advising taxpayers as to their rights in these respects and of reviewing and passing upon the claims based on the relief provisions.

A new regulatory tax imposed¹⁰ by the Revenue Act of 1918 was one on the products of child labor. An act had been passed on September 1, 1916 (39 Stat. L., 675), prohibiting interstate commerce in the products of child labor. This act went into effect on September 1, 1917, but was declared unconstitutional on June 3, 1918.¹¹ Therefore it was decided to endeavor to effect a national regulation of child labor through the taxing power. Title XII of the act of February 24, 1919 (40 Stat. L., 1138), imposed a tax of 10 per cent on the net profits of any person, firm, or corporation employing child labor. This tax presented many novel administrative features, and accordingly a Child Labor Tax Division was organized for its enforcement. This act was in effect until May 15, 1922, when it was declared unconstitutional.¹²

There were also incorporated in the act of February 24, 1919, some amendments to the narcotic law of 1914. In the enforcement of this act, it early became evident that important amendments were needed, and with the view to improving the law the Secretary of the Treasury on March 25, 1918, appointed a special committee headed by Henry T. Rainey, a member of the House of Representatives, to investigate the traffic in narcotic drugs in the United States. This committee was engaged upon the investigation for approximately one year, and the result of its work was reported to the Secretary of the Treasury on April 15, 1919, and published in June, 1919, in pamphlet form under the title "Traffic in Narcotic Drugs." Prior to the completion of its work, this committee had obtained enough data to convince it that there was nationwide use of narcotic drugs for other than medicinal needs, and that such use for the satisfaction of addiction had materially increased in certain sections of the country, despite the vigorous efforts exercised in the enforcement of the Harrison Act as it existed. In view of the opportunity then presented by the pending revenue bill of 1918, a preliminary report was made suggesting amendments to the act which would materially aid in its enforcement. This resulted in the enactment of Sections 1006, 1007, and 1008 of the Revenue Act of 1918, which changed the special or occupational

¹⁰ Hammer *vs.* Dagenhart, 247 U. S., 251.

¹¹ Child Labor Tax Case, 259 U. S., 20.

tax (which had been one dollar per annum, without distinguishing among persons engaged in importing, manufacturing, dealing in, administering, or dispensing the drugs) into five separate annual taxes; namely, importers, manufacturers, producers, or compounders, \$24; wholesale dealers, \$12; retail dealers, \$6; practitioners, \$3; manufacturers of or dealers in those commodities specifically exempt from stamp tax by reason of their small narcotic content who did not pay a tax in a higher class, one dollar per annum. There was also a stamp or commodity tax of one cent per ounce or fraction thereof on narcotic products not specifically exempt by reason of their small narcotic content, to be paid by the importer, manufacturer, producer, or compounder, collected by means of stamps to be affixed to the container.

The act of February 24, 1919, created an Advisory Tax Board to be composed of six members to be appointed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury. It was provided that the board should cease to exist in two years or at such earlier time as might be designated by the Commissioner. The act provided that "The Commissioner may, and on request of any taxpayer directly interested shall, submit to the board any question relating to the interpretation of the income, war profits, or excess profits tax laws, and the board shall report its findings and recommendations to the Commissioner." This board was organized on March 13, 1919, and was dissolved on October 1.

The dissolution of the Advisory Tax Board was followed by the organization of the Committee on Appeals and Review as an independent unit of the Bureau of Internal Revenue, responsible only to the Commissioner. Its personnel embraces a chairman, vice-chairman, eight members, and a secretary, who have had legal or technical experience in the Bureau and training or experience outside the Bureau particularly qualifying them for the nature of the work involved. Those men give their entire time and attention to the hearing and consideration of cases which have been appealed by taxpayers and to questions upon which the advice of the committee is asked by the Income Tax Unit.

The act of February 24, 1919, also provided for five deputy commissioners as well as for a readjustment of the salaries of

collectors, with the proviso that no collector should receive more than \$6000 a year.

A "Sales Tax Division" had been organized in anticipation of the Revenue Act of 1918, but upon the enactment of that act a "Sales Tax Unit" was organized, and a deputy commissioner was assigned to its supervision. This unit was charged with the interpretation, administration, and collection of taxes on transportation, telegraph, telephone, radio, cable, and other facilities; insurance policies; soft drinks and other beverages sold in bottles or other closed containers; soft drinks, ice cream, and similar articles sold at soda fountains or similar places of business; admissions and dues; sales by manufacturers; works of art and jewelry; sales by the dealer of wearing apparel, etc.; motion-picture films; toilet and medicinal articles; businesses and occupations, the use of motor boats; and documentary and proprietary stamp taxes.

On December 1, 1919, the Tobacco and the Miscellaneous divisions were placed under the jurisdiction of the Sales Tax Unit, and on January 7, 1920, these two divisions were consolidated in the Tobacco and Miscellaneous Division. On April 12, 1921, the "Tobacco and Miscellaneous Division" was transferred from the Sales Tax Unit and installed in the Miscellaneous Unit. Another change was made on July 19, 1921, when the administrative supervision of the Cotton Futures Act, the stamp tax on issues, sales, and transfers of stocks and sales of products for future delivery, the stamp tax on documents, and special taxes upon businesses and occupations and upon the use of boats was transferred from the Sales Tax Unit to the Miscellaneous Division of the Supplies, Stamp and Information Unit. This last change consolidated the administrative supervision of the above taxes with the other miscellaneous taxes, such as oleomargarine, adulterated butter, renovated butter, filled cheese, mixed flour, and white phosphorus matches, and relieved the Sales Tax Unit from supervising the collection of any taxes except those which are regarded as purely sales taxes.

Increase in Personnel. By June 30, 1919, the personnel of the Bureau in Washington had increased to 3090 and that of the field force to 10,965, a total of 14,055, or an increase within a year of

845 in Washington and 3623 in the field. The expenditures rose from \$12,003,214 during the fiscal year 1918 to \$20,573,771.52 during the fiscal year 1919. The collections during the fiscal year 1919 amounted to \$3,850,150,078.56.

One of the important changes in the development of the Income Tax Unit occurred in 1920 when a Field Auditing Division, now known as the Field Division, was established. This division is charged with the field investigation of income and profits taxes. Before the Field Auditing Division was established the revenue agents and inspectors of the field force served all the various units of the Bureau and investigated cases involving internal tax matters of all kinds. They were responsible to the chief of the revenue agents, who in turn was directly responsible to the Commissioner. The great importance of the audit work of the Income Tax Unit is shown by the fact that during the year 1920 there were assessed \$376,977,667.49 additional taxes, while during the fiscal year 1921 the amount assessed was approximately \$350,000,000.

By the end of the fiscal year 1920 the Washington force had increased to 5912 and the field force to 12,528, a total of 18,440; of the field force 2134 were employed in connection with prohibition enforcement. A year later, at the end of the fiscal year 1921, the total force had increased to 20,159, of which 7014 were in Washington and 13,145 in the field. Of the Washington force, 5376 were employed in the Income Tax Unit, 503 in prohibition and narcotic enforcement, and 1203 in the other branches. The total expenditures were \$29,647,439.71 for the fiscal year 1920 and \$40,230,000 for the fiscal year 1921. The collections amounted to \$5,407,580,251.81 in the fiscal year 1920 and \$4,595,000,765.74 in the fiscal year 1921.

Revenue Act of 1921. On November 23, 1921, a new revenue act was passed which changed the rates on many items and abolished some of the taxes altogether. The taxes abolished were those on excess profits, transportation, soft drink sales at soda fountains, furs, toilet articles and patent medicines, and so-called luxuries. The most important administrative feature of this act is the one providing for the appointment of the Tax Simplification Board consisting of three members representing the public appointed by the President and three officers of the Bureau of Internal Rev-

enue designated by the Secretary of the Treasury. The duties of this board are "to investigate the procedure of and the forms used by the Bureau in the administration of the internal revenue laws, and to make recommendations in respect to the simplification thereof." It will cease to exist on December 31, 1924.

Control of Liquor Traffic, 1917-1922. The regulatory activities of the Bureau of Internal Revenue in relation to the liquor traffic began with the Executive order of September 2, 1917. As these activities form a distinct phase in the development of the Bureau the discussion has been deferred to this point in order to make it continuous.

The Food and Fuel Control Act of August 10, 1917 (40 Stat. L., 282), provided that within thirty days after its passage "no foods, fruits, food materials or feeds shall be used in the production of distilled spirits for beverage purposes," and the President was authorized to limit the use of foods in the production of malt or vinous liquors. On August 10 an Executive order was issued creating the Food Administration, to which was assigned all duties connected with the enforcement and administration of the act. On September 2, 1917, another Executive order was issued transferring to the Bureau of Internal Revenue the entire control over the production of distilled spirits. On December 8, 1917 (40 Stat. L., Pt. 2, 1728), a proclamation was issued providing that no food material should be used in the manufacture of malt liquor except by license from the Commissioner of Internal Revenue; this proclamation also restricted the amount of food material to be used for malt liquor and provided that malt liquor must not contain more than 2.75 per cent of alcohol by weight. On September 16, 1918, another proclamation was issued (40 Stat. L., Pt. 2, 1848) providing no food material should be used in the manufacture of malt liquor after December 1, 1918, regardless of whether such liquor was intoxicating or not.

The proclamation of January 30, 1919 (40 Stat. L., Pt. 2, 1930), allowed the use of grain in the manufacture of non-intoxicating malt beverages, and the proclamation of March 4, 1919, allowed the use of other food material for the manufacture of non-intoxicating beverages.

Neither the act of August 10, 1917, nor the several proclamations of the President prohibited the sale of distilled or malt liquors,

but the act of November 21, 1918 (40 Stat. L., 1045), contained a proviso that no food product should be used in the manufacture of malt or vinous liquor after May 1, 1919, and that no liquor should be sold for beverage purposes after June 30, 1919, except for export. This prohibition was to be in effect until the conclusion of the war and thereafter "until the termination of demobilization, the date of which shall be determined and proclaimed by the President."

On January 29, 1919, the Department of State issued a proclamation stating that as thirty-six states had ratified the constitutional amendment prohibiting the manufacture and sale of intoxicating beverages, the amendment would be in effect on January 16, 1920. On October 28, 1919, the National Prohibition Act (41 Stat. L., 305) became a law over the President's veto.

The act of October 28, 1919, places the primary police duty in connection with its enforcement on the Commissioner of Internal Revenue, although the actual prosecution in the courts is conducted by the district attorneys who are under the Department of Justice. The Commissioner of Internal Revenue was likewise given power to issue permits for the manufacture, sale, and transportation of alcoholic liquor for religious, medicinal, and industrial purposes so far as these are recognized by the law. The Commissioner also retained all the duties previously conferred upon him relative to the collection of taxes on the alcoholic liquor which was authorized to be manufactured and sold. The National Prohibition Act permits the appointment without regard to Civil Service rules of executive officers appointed by the Attorney General or the Commissioner of Internal Revenue to have immediate direction of the enforcement of the law, of persons authorized to issue permits, and of agents and inspectors in the field service.

As soon as the National Prohibition Act was passed the Commissioner of Internal Revenue appointed an organization committee which, on November 8, 1919, submitted a recommendation for the creation of a new unit in the Bureau of Internal Revenue one branch of which was to be charged with the enforcement of the penal and regulatory provisions of the law, and the other to supervise the administrative features of the law covering traffic in non-beverage liquors. The recommendations of the committee

were approved by the Commissioner of Internal Revenue and by the Secretary of the Treasury November 12, 1919.

On December 22, 1919, a permanent form of organization for the Prohibition Unit was put into effect. Section 38 of the National Prohibition Act provided for an appropriation of \$2,000,000 for the use of the Commissioner of Internal Revenue and \$100,000 for the use of the Department of Justice for the enforcement of the act. The organization plan adopted included a unit in charge of a prohibition commissioner, at an annual salary of \$7500 and an assistant commissioner at \$5000 per annum. A Legal Division, Executive Division, Field Force Division, Narcotic Division, Division of Technology, and a Division of Audit and Statistics constituted the original organization of the Prohibition Unit.

There was also organized a prohibition field force with two classes of supervisory officers, known as supervising federal prohibition agents and federal prohibition directors, each with a force of employees operating under their immediate control. The territory embracing the United States, Hawaii, and Porto Rico was divided into twelve departments, each in charge of a supervising federal prohibition agent. Each department had a mobile policing force of federal prohibition agents. There was also in each state, and in the territory of Hawaii and in Porto Rico, a federal prohibition director. On account of the immense quantity of spirits stored in bonded warehouses throughout the country, the act of March 6, 1920, authorized the appointment of guards to be stationed at these warehouses. Effective May 1, 1920, all unassigned storekeeper-gaugers who had been performing guard duty at such warehouses and who were qualified, were transferred to the position of warehouse agents.

A reorganization of the Prohibition Unit was effected in 1921. On August 1, 1921, the offices of the twelve supervising federal prohibition agents were abolished and their executive duties transferred to the federal prohibition directors.

Extent of Service at the End of the Fiscal Year 1922. During the fiscal year 1922, the total amount collected by the Bureau of Internal Revenue was \$3,197,451,083 divided as follows:

HISTORY

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COLLECTIONS BY BUREAU OF INTERNAL REVENUE, FISCAL YEAR 1922

Sources	
Distilled spirits, including wines, etc.	\$ 45,563,350.47
Fermented liquors	46,086.00
Tobacco manufactures	270,759,384.44
Oleomargarine	2,121,079.68
Capital-stock tax, including other special taxes....	90,544,039.59
Miscellaneous, including war excise taxes, etc., since 1917	686,881,719.02
Revenue stamps sold by postmasters	14,616,958.05
Income and profits taxes	2,086,918,464.85
Total	\$3,197,451,083.00

At the end of the fiscal year 1922 the number of employees was 21,388 distributed as follows:

In Washington	7,275
Collectors' offices	7,710
Internal revenue agents' force	3,251
Prohibition field forces, including narcotic officers.....	3,074
Assistant supervisors of collectors	51
Special agents (Special Intelligence Unit).....	52
Storekeeper-gaugers	575
	21,388

The total expense of administering the affairs of the Bureau during the fiscal year 1922, as far as it can be allocated, was \$41,946,155.54, of which \$101,042.26 was charged to the appropriation of the Treasury Department for printing and binding,¹⁰ \$267,738.80 to the appropriation of the Treasury Department for stationery,¹¹ and \$41,577,374.49 to the appropriations made to the Bureau of Internal Revenue.

The reports do not show the amount expended by the Bureau of Engraving and Printing for the manufacture of revenue stamps; this amount was almost \$700,000.00 during the previous fiscal year.

The amount charged to the several appropriations made to the Bureau was as follows:

¹⁰ In addition printing costing \$525,246.57 was charged to the appropriations made to the Bureau of Internal Revenue.

¹¹ In addition \$83,574.04 was charged to appropriations made to the Bureau of Internal Revenue.

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EXPENDITURES, BY BUREAU OF INTERNAL REVENUE, FISCAL YEAR 1922

Appropriation	Salaries	Travel expenses	Rent	Telephone and Telegraph
Salaries and expenses of collectors, etc.	\$ 3,772,238.65	\$ 315,407.34	.....	.....
Collecting the war revenue..	25,845,203.44	2,183,799.02	\$280,418.09	\$85,430.68
Enforcement of the narcotic and national prohibition acts (narcotic part).	4,846,775.16	183,525.45	928.50	2,513.43
Enforcement of the narcotic and national prohibition acts (prohibition part).		1,298,396.70	184,108.79	23,367.61
Salaries, office of Commissioner.	679,901.48	.....	.....	.....
Tax Simplification Board....	.....	1,211.20	.....	.....
Grand total	\$35,144,118.73	\$3,982,339.71	\$465,455.38	\$111,311.74

Appropriation	Supplies and equipment	All other miscellaneous	Total
Salaries and expenses of collectors, etc....	.....	\$13,944.16	\$4,101,590.15
Collecting the war revenue.....	\$285,143.91	911,953.45	29,591,948.59
Enforcement of the narcotic and national prohibition acts (narcotic part).....	1,545.02	12,384.22	658,728.77
Enforcement of the narcotic and national prohibition acts (prohibition part).....	56,827.80	592,350.37	6,543,994.30
Salaries, office of Commissioner.....	.....	.....	679,901.48
Tax Simplification Board.....	.....	.....	1,211.20
Grand total	\$343,516.73	\$1,530,632.20	\$41,577,374.49

¹ This does not include all salaries in the office of the Commissioner, as salaries in Washington are paid from all the other appropriations except the one for salaries and expenses of collectors.

CHAPTER II

ACTIVITIES

The activities of the Bureau of Internal Revenue fall into two general classes: (1) The collection of internal taxes, and (2) the regulation or prevention of traffic in certain commodities. Incidental to the two classes of principal activities are the collection of statistics and the making of chemical researches. In considering the activities it will be necessary to pay some attention to the procedure employed in order to obtain an idea of the extent of the work carried on.

Work Common to All Activities. An important part of each activity is the legal work connected with the interpretation of the laws, the drafting of regulations, and the prosecution of civil and criminal cases in the United States courts. The more important part of the legal work is carried on in the Office of the Solicitor of Internal Revenue, an office created by the act of July 13, 1866 (14 Stat. L., 170), although there are attorneys in the several units of the Bureau who pass on minor matters of legal import or prepare the case for submission to the solicitor.

The interpretive work may be separated into two general classes: (1) The preparation and revision of regulations relating to the laws administered by the Bureau, and (2) the preparation of opinions and informal memoranda, and a review of such recommendations and memoranda and letters prepared by the several units in which information is furnished with respect to matters under the jurisdiction of the Bureau.

The legal work also embraces the general oversight of all civil and criminal cases for offenses against the laws. While the United States attorneys are charged with the prosecution of both civil and criminal cases and the defense of all suits for all taxes illegally collected, the Bureau of Internal Revenue prepares the important cases for trial, both as regards law and fact, and sends

to the attorney a brief setting forth of all pertinent circumstances connected with the case.

An important part of the legal work is the compromising of violations of the law. The Commissioner of Internal Revenue is given specific authority by law to compromise both civil and criminal cases under the internal revenue laws and civil cases under the National Prohibition Act. A person who has violated any internal revenue law and become liable to any civil or criminal penalty may submit to the collector of internal revenue for the district in which the violation occurred an offer in writing, addressed to the Commissioner of Internal Revenue, accompanied by cash or a post office money order or certified check made payable to the collector in the amount he wishes to offer. The collector then deposits this amount to the credit of the Treasurer of the United States and prepares a letter setting forth the facts in the case, with his recommendation as to the advisability of accepting or rejecting the offer, and forwards it to the Commissioner of Internal Revenue, together with the written proposal of the person subject to penalty. Upon receipt of the offer in the office of the Commissioner of Internal Revenue, an investigation is made by the deputy commissioner in charge of the administration of the law alleged to have been violated, and, after all the facts are ascertained, a brief of the record is made, setting forth in substance the facts reported by the revenue agent, if any report has been made, and the explanation made by the proponent, together with a statement of the amount offered, accompanied by the recommendation of the deputy commissioner under whose jurisdiction it comes as to the advisability of accepting or rejecting the offer.

In making his investigation the deputy commissioner asks an opinion and recommendation from: (1) The revenue agent who reported the case, if it was reported by a revenue agent, and (2) the attorney in charge of the case, if prosecution has been instituted before the United States Commissioner. Often, but not uniformly, the recommendation of the attorney is asked even though proceedings before the United States Commissioner have not been begun.

If the offer is rejected an endorsement to that effect is made on the brief by the Solicitor of Internal Revenue and the file is

returned to the deputy commissioner, who gives notice of the rejection to the proponent and the collector of internal revenue in whose district the violation occurred. If it is thought that the case should be prosecuted, notice to that effect is included in the notice of rejection, while if the rejection is on account of the inadequacy of the amount offered, the proponent and the collector are notified of the minimum offer which may be accepted. Any additional offer made by a proponent goes through the same course.

When a compromise offer is accepted the opinion of the Solicitor, or officer acting as such, with his reasons therefor, together with a statement required by law (R. S. 3229) are endorsed upon the brief and placed on file in the office of the Commissioner. Thereupon the Commissioner certifies the case to the Secretary of the Treasury for his approval, and with his advice and consent the compromise is finally accepted by forwarding a written notice to the proponent and the collector, also to the United States attorney in cases in which he is interested.

The foregoing is the procedure in cases where no suit has been instituted. In cases where suit has been instituted after approval by the Secretary of the Treasury, the case is sent to the Attorney General, and if he concurs in recommending the acceptance of the offer, it is accepted.

The search for objects of taxation is one of the most important of all administrative duties of internal revenue officers. It is conducted along special lines according to the character of taxes involved.

It is upon the faithful and efficient administration of the affairs of this particular branch of the service that the entire system rests. Laxity, indifference, or weakness on the part of collectors, deputies, internal revenue agents, or other employees in the performance of their duties is generally reflected in an increasing tendency on the part of the taxpayers to evade the law, and a material reduction in the amount of revenue collected.

It will be shown later in the discussion of each of the tax collecting activities how additional assessments are levied on taxpayers following the discovery of errors by the verification and audit of returns both in the collectors' offices and at Washington. Many of the errors so discovered are due to ignorance of the law, some to wilful attempt at evasion. Instances of wilful attempts

at evasion are usually turned over to trained investigators, and if substantial proof of intent to defraud is available, all the evidence and facts of the case are furnished the Solicitor in order that a proper case for prosecution may be prepared.

Section 3172 of the Revised Statutes, as amended by the act of November 23, 1919 (42 Stat. L., 311), states that every collector shall, from time to time, cause his deputies to proceed through every part of his district and inquire concerning all persons therein who are liable to pay any internal revenue tax, and all persons owning or having the care and management of any objects liable to pay any tax. In order that various officers of the service may have the authority to enter premises when searching for objects of taxation, Section 3177 of the Revised Statutes provides that any collector, deputy collector, or inspector may enter in the daytime, any building or place where any articles or objects subject to tax are made, produced, or kept, within his district, so far as it may be necessary for the purpose of examining such articles or objects. When such premises are open at night, the officers may enter them while so open, in the performance of their official duties. Most of this work in the field is performed by deputy collectors. The success of a deputy in locating delinquents depends to a great extent upon his knowledge of the law and regulations relating to the tax on which he is working. Deputies are usually assigned to search for delinquents in one particular class of taxes, although deputies are supposed to be well informed on all matters of taxation. In order to assist the field officers in improving their qualifications there is a correspondence study department under an instructor who is well versed in all phases of internal revenue law and procedure. This department gives courses on the law and procedure relating to the individual income tax, corporation income taxes, special stamp taxes, excise taxes, and miscellaneous taxes. It also gives supplementary courses in commercial bookkeeping, accounting, and elementary law.

The adjustment of claims for taxes erroneously assessed is an important duty which is discharged by the Commissioner upon the recommendation of the collector or of the Solicitor. In the case of internal revenue taxes it is presumed that the assessment is correct, and the burden of proof in rebutting the presumption

and showing that it was improperly or illegally assessed, or that relief should be given under a remedial statute, rests upon the applicant for abatement. The applications must therefore contain full and explicit statements of all the material facts relating to the claim in support of which they are offered and to the proper consideration of which they are essential. The legality of the claim is to be determined by the Commissioner upon the facts presented by the affidavits. The filing of the claim for abatement does not necessarily operate as a suspension of the collection of the tax or make it any less the duty of the collector to exercise due diligence to prevent the collection of the tax being jeopardized. He should, if he considers it necessary, collect the tax and leave the taxpayer to his remedy by a claim for refund.

To facilitate the collection of taxes the United States is divided into sixty-five collection districts each of which is in charge of a collector of internal revenue. In each district are branch offices, which, under the direction of the collector for the district, sell stamps, receive returns, and collect taxes. All returns required to be submitted by the taxpayer are made to the collector of internal revenue or to one of his deputies in charge of a branch office. All payments are also made to these officers. Certain classes of returns are audited by the collectors' offices while other classes are audited by the central office in Washington. Any examination of the books necessary to verify the returns is made by traveling auditors working under the direction of the Washington office.

Collection of Internal Taxes. The activity for which the office of Commissioner of Internal Revenue was created, and which occupied all its energies for some years was the collection of internal taxes. As the procedure and methods of collection vary according to the character of the tax these activities may be considered under the following heads:

1. Individual, corporation, and partnership income taxes.
2. Estate tax.
3. Tax on the capital stock of corporations.
4. Taxes on sales of specified commodities or services.
5. Occupational or license taxes.
6. Stamp taxes.

Collection of Income Tax. Under income tax collections is included the work of assessing the taxes on the incomes of corporations and individuals, as well as the tax on excess profits. The excess profits tax was repealed by the act of November 23, 1921, which provided that it should be collected for the year 1921 but not thereafter. This tax is therefore not being collected at present, and after the returns are audited it will no longer figure in the activities of the Bureau, except as to action on the claims which may be filed for the refund of tax alleged to have been erroneously collected.

The first income tax was imposed by the act of August 5, 1861 (12 Stat. L., 309). This was superseded by the act of July 1, 1862 (12 Stat. L., 473), which was amended several times, and which was repealed to take effect at the end of 1871 (16 Stat. L., 261). An income tax law was included in the tariff act of 1894 (28 Stat. L., 553), but it was declared unconstitutional on May 20, 1895. The tariff act of August 5, 1909 (36 Stat. L., 112), imposed an excise tax on the net income of corporations in excess of \$5000. This tax remained in force until the passage of the act of October 3, 1913 (38 Stat. L., 166), which imposed a tax on the income of both individuals and corporations. This act was amended or superseded by the acts of September 8, 1916 (39 Stat. L., 756), October 3, 1917 (40 Stat. L., 329), February 24, 1919 (40 Stat. L., 1057) and November 23, 1921 (42 Stat. L., 227). The present tax on individuals is a normal tax of 4 per cent on net taxable incomes of less than \$4000 and 8 per cent on net taxable incomes in excess of \$4000, with a progressive surtax on net incomes in excess of \$6000. The present tax on corporations is 12½ per cent.

All income taxes are self assessed and are computed on the basis of returns rendered by persons or corporations except in the case of certain trust estates, for which a return is made by the fiduciary and in case of non-resident aliens, whose tax in certain cases is collected from the person making the payment. Under the present law a return is required from each individual having a gross income of \$5000 for the taxable period, a net income of \$1000 if single or if married and not living with husband or wife, or a net income of \$2000 if married and living with husband or wife, and from every corporation not expressly exempt from

the tax. This return must be filed before March 15 of each year with the collector of internal revenue, either directly or through the local deputy of the district in which the taxpayer resides or has his principal place of business. The taxpayer himself computes the amount of tax due, which may be paid in quarterly installments.

It has been the custom for collectors of internal revenue to mail a copy of the blank for income tax return to each person making a return for the previous year, but failure to receive a blank does not excuse the taxpayer from making the return. The local officers also give advice and assistance to taxpayers who need help in preparing their returns.

It is the duty of the collector to see that every person liable to tax makes a return. Section 3172 of the Revised Statutes, as amended by the act of November 23, 1921 (42 Stat. L., 311), provides that "Every collector shall, from time to time, cause his deputies to proceed through every part of his district and inquire after and concerning all persons therein who are liable to pay any internal revenue tax, and all persons owning or having the care and management of any objects liable to pay any tax, and to make a list of such persons and enumerate said objects." If any person or corporation fails to make a return the collector is authorized to examine the books and accounts and prepare the return.

The most efficient check on evasion is the provision for obtaining information at the source. Every person or corporation making payments of interest, rent, salaries, or other fixed and determinable gains aggregating \$1000 or more in any taxable year to another person or corporation, is required to report the amount of such payments to the Commissioner of Internal Revenue. A separate slip is made out for the payments to each individual, and these slips are afterwards assorted and checked against the income tax return. In this way information is obtained regarding a part of the income of practically all wage earners and salaried persons, who work continuously for one employer, as at present there are few persons who earn less than \$1000 a year. This information at the source is not collected regarding the salaries of government employees. The law provides that officers of the United

States shall make returns of payments under such regulations and in such form as may be prescribed by the Commissioner of Internal Revenue. The Commissioner has not required returns of this character in the case of payments by the United States Government to sailors and soldiers and to its civilian employees because such information is already available from the government's own records.

Another check on payments is the return of information, regardless of amount, in case of payments of interest upon bonds, mortgages, deeds of trust, or other similar obligations of corporations. In this case a separate slip must be prepared for each payment; these slips are then sorted and checked against the return made by the taxpayer.

In order to give publicity to the names of persons making returns there are prepared and made available in the office of the collector of each district and in such other places as he may determine, lists containing the names and addresses of individuals making returns in such districts. These lists do not show the gross or net income or the amount of tax paid. The returns themselves are open to inspection only on order of the President and under rules and regulations approved by him. Corporation returns are available to the proper officers of a state imposing an income tax and also to bona fide stockholders of record owning 1 per cent or more of the outstanding stock.

On receipt of the return in the collector's office it is turned over to the Cashier's Division, where it is numbered, the payment deposited, and notation made on it regarding the amount paid. It is then forwarded to the income tax division of the collector's office, which makes a complete audit of all returns for individual incomes of less than \$5000 and a preliminary examination of returns of individuals reporting income in excess of \$5000 and of returns of all corporations, in order to ascertain if the return has been executed in the proper manner.

The audit of the returns includes the verification of additions, subtractions, and computation of tax and an examination of all deductions and exemptions in order to ascertain if they are properly allowable. All returns for years prior to 1918 were forwarded by the collectors to Washington for audit, but beginning with the returns for 1918, the collectors have audited all individual

returns for incomes of less than \$5000. Of the returns for 1918, about 3,500,000 or more than 80 per cent of the total were completely examined in the offices of the collectors.

After the examination at the collector's office, the returns are listed on assessment lists, which are really ledger sheets. These lists are made in duplicate, the original being forwarded to the Washington office where the total is charged to the collector.

After the assessment list is completed, all the returns of individuals having incomes of \$5000 and over and returns of corporations are forwarded to the Income Tax Unit at Washington, where the returns are checked against the assessment lists. After the lists are formally assessed by the Commissioner, and the proper charge is made against the collector, they are returned to the collector.

The work of the Income Tax Unit consists of the review, verification, and audit of the returns of individuals with incomes of over \$5000 and the returns of corporations of every character, regardless of the amount of income. This is a task of large proportions, not only because of the great number of cases handled, but also by reason of the legal and accounting principles which must be applied.

The audit and verification of income and excess profits returns include work extending from proof of arithmetical additions and subtractions on the face of returns to personal inspection, in many instances of the books and records of the taxpayers. This work may be divided into two principal parts: (1) The office audit, which includes the checking by a staff of auditors in the Bureau of Internal Revenue at Washington of the return itself and an analysis, in conjunction with the return, of additional information secured by correspondence; and (2) the field audit, which consists, in selected cases, of the extension of the office audit to an inspection by an auditor in the field of the taxpayer's books and records of account.

One of the difficulties encountered after the passage of the 1918 War Revenue Act was the lack of available qualified accountants to handle the more intricate questions that arose in administering the income tax law. This was somewhat overcome by a scheme of recruitment and training of a large force of income and excess

profits experts. Erroneous interpretation of the income tax procedure has caused many mistakes in the returns which have been filed since the 1918 law went into effect. Frequently these mistakes result in overpayment to the government, but more frequently in underpayment. The great importance of the audit work, as far as it relates to income tax returns is shown by the fact that additional taxes aggregating \$376,977,667.49 were assessed during the fiscal year 1920. The Commissioner in his report for that year stated "that with the prospective increase in personnel it is believed that the assessments to be made during the fiscal year 1921 may result in the collection of a billion dollars in additional taxes." The results, however, show the figures to have been overestimated, as only \$357,078,422.86 in additional taxes were assessed during the fiscal year 1921 and \$187,282,664.15 during the fiscal year 1922 as a result of the verification and audit of the income tax returns.

The detailed auditing in Washington is done in the Personal Audit Division, the Corporation Audit Division, the Special Audit Division, and the Natural Resources Division. The procedure is essentially the same in each of these divisions. The audit is made in order to see that the computations are properly made, that the deductions and exemptions are those allowed by law, and that there is included in the return all income reported in the information returns submitted by persons making payment of determinable gains of \$1000 or over and by corporations making payment of interest. Each return is audited by two examiners working independently, and any difference between the findings of these examiners is adjusted in conference. Up to the spring of 1922 a third independent audit was made by an examiner in the Review Division, but at that time the Review Division was abolished in order to expedite the work. In case the auditors raise any question regarding the correctness of the return, a letter is addressed to the taxpayer through the office of the local collector, or if such a course is deemed necessary, instructions are sent through the chief of the Field Division to a revenue agent to make an examination of the books of the taxpayer. The audit divisions also pass on claims for refund of taxes paid in error, the procedure in the case of claims being essentially the same as in the original audit of the returns. During the fiscal year 1922,

the number of claims received was 135,637 an increase of 7114 over the preceding year. During the fiscal year 1922, there were adjusted 167,405 claims, compared with 82,668 during the preceding year.

During the fiscal year 1922, the number of returns audited by the Washington office was 954,731, compared with 1,570,937 for the previous year. The table below shows the number of income tax returns for each year audited by the Washington office up to August 31, 1922, and the number which remained to be audited on that date.

STATUS OF AUDIT OF INCOME TAX RETURNS ON AUGUST 31, 1922¹

Class and year	Total returns to be audited and reaudited	Returns audited		Balance to be audited	
		Number	Per cent	Number	Per cent
Personal:					
1917.....	860,000	846,538	98	13,462	2
1918.....	725,000	703,584	97	21,416	3
1919.....	860,000	832,238	97	27,762	3
1920.....	890,000	161,113	18	728,887	82
1921.....	890,000	.....	..	890,000	100
Total.....	4,225,000	2,543,473	60	1,681,527	40
Corporation:					
1917.....	366,600	330,010	90	36,590	10
1918.....	380,386	319,720	84	60,666	16
1919.....	375,922	214,058	57	161,864	43
1920.....	358,000	63,777	18	294,223	82
1921.....	350,000	750	..	349,250	100
Total.....	1,830,908	928,015	51	902,893	49
Grand total..	6,055,908	3,471,488	57	2,584,420	43

During the fiscal year 1922, additional taxes amounting to \$187,282,664.15 were assessed as the result of this audit. Of this amount \$79,679,860.97 was the result of the work of the audit divisions in Washington, and \$107,602,803.18 was assessed as a result of the joint work of the audit divisions in Washington and the field examinations by revenue agents.

The experience of the Bureau has demonstrated that the verification and audit of corporation returns can be most economically and efficiently accomplished by dealing with them according to

¹ Second deficiency appropriation bill, 1923. Hearings before subcommittee of House Committee on Appropriations, p. 44.

industrial classification. Auditors are selected and developed as specialists in particular classes of enterprises. Following are the classes into which the returns are assembled for the purpose of audit:

1. Production of Raw Materials. This classification includes the returns from enterprises in which the major activity has to do with the production of raw materials, such as ores, oil, lumber, and the like.

2. Manufacturing. This class includes the returns from enterprises in which the major activity has to do with manufacturing. The general classification of manufacturing is subdivided into various classes, among which may be mentioned food and food products, rubber products, wood products, stone, clay and glass products, paper products, publishing and printing, iron and steel, and metal products other than iron and steel.

3. Distribution. This class includes the returns from enterprises in which the major activity is trading. The principal division which is made of this class is the separation of the wholesale trading from the retail trading.

4. Transportation and Public Utilities. This class includes all the returns received from common carriers and companies operating public utilities. This class is also further subdivided in such manner as to assemble all returns from a similar industry into one group.

5. Finance and Banking. This class includes the returns received from banking institutions of all kinds, insurance companies, stock brokers, and other financial activities.

6. Professional and Personal Services. This class includes the returns filed by all corporations engaged principally in rendering personal services, including those from concerns conducting amusement activities.

7. Miscellaneous. This class includes the returns from corporations other than those which might be included in one of the foregoing classifications.

The work in connection with the corporation returns is organized along the lines of the above classification. In order that the current work of the Bureau in auditing the income tax returns may result in the most substantial advantage and at the same time relieve from uncertainty taxpayers having large sums of money involved,

a procedure is provided in the Income Tax Unit by which returns are taken up for audit in the order of their size and importance. These returns are usually the most difficult to audit and involve many intricate questions.

If, after the income tax returns have been audited by accountants in the Income Tax Unit of the Bureau, it appears that the tax is greater than is shown in the return, an additional assessment is made, and the collector of the district in which the taxpayer resides is notified. The collector then sends a bill for the additional tax. Any additional assessment of the tax by the bureau for 1920 and prior years must be made within five years after the return was filed, and any such assessment for 1921 and subsequent years must be made within four years after the return was filed unless both the Commissioner and the taxpayer consent in writing to a later assessment. These limitations do not apply in the case of false or fraudulent returns with intent to evade the tax. No special appropriation is made for assessing or collecting the income and excess profits taxes. Neither is there in the Bureau of Internal Revenue a complete cost accounting system which will enable the exact determination of the cost of collecting the income and excess profits taxes. A complete reorganization of the accounting system was effected on July 1, 1920, and for the fiscal year ending 1921 an attempt was made to install a system which would place the control of all disbursements under one head through a system of allotments. Allotments of all internal revenue appropriations are made, and a control ledger, which shows the amounts allowed the several field and Bureau units and incumbances thereunder, is kept. The amount allotted for income tax purposes is shown only for the force in Washington and for the various traveling auditors. No separate account is kept of the expense incidental to income tax collection in the collection districts, so that it is impossible to determine the exact cost of collecting the income and excess profits taxes, which is the major activity of the Bureau under the present system of internal revenue taxation. An attempt was made to approximate the cost as nearly as possible by obtaining a statement from the collectors of internal revenue showing what per cent of their total expenditures for the fiscal year ending 1921 was chargeable to income tax collections; and also the cost of collecting the other major taxes. The figures thus

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obtained were checked with those kept in the Accounts Unit. Many discrepancies were found in the totals, and the nearest way of arriving at a fair approximation was to take an average of the two figures. The cost of administering the various taxes in the Bureau in Washington was more easily determined, as the books of the Accounts Unit showed the allowances or allotments made for the fiscal year ended June 30, 1921. Therefore, in the above manner the following result was obtained, which gives a fair estimate of the cost of collecting the income taxes.

COST OF COLLECTING INCOME TAXES FISCAL YEAR ENDED JUNE 30, 1921

Expenditures made by	Total cost	Cost of collect- ing \$100
1. Collectors	\$ 7,817,750.00	\$0.242
<hr/>		
2. Washington Office		
1. Salaries	8,628,320.00	....
2. Travel	550,000.00	....
3. Miscellaneous	299,500.00	....
Total	<u>9,477,820.00</u>	0.293
<hr/>		
3. Revenue Agents		
1. Salaries	5,969,440.00	....
2. Travel	900,000.00	....
3. Miscellaneous	115,000.00	....
Total	<u>6,984,440.00</u>	0.217
<hr/>		
Grand Total	<u>\$24,280,010.00</u>	\$0.752

An important feature of the administration of the income tax law is the provision for the hearing of appeals after the return has been audited and the tax assessed by the Income Tax Unit. When the taxpayer and the representatives of the Income Tax Unit fail to arrive at an agreement, the taxpayer is privileged to take appeal to the Committee on Appeals and Review. The assessment of the tax, however, if any is to be made, is not deferred, and the taxpayer is notified by the collector of the amount of tax due. The taxpayer then files his claim for abatement with the collector, on a form prepared for that purpose, and at the same time makes his appeal to the Commissioner, sending a copy to the collector.

In taking an appeal to the committee, the taxpayer or his representative is required to submit a request in writing to the Commissioner of Internal Revenue, appealing from the action of the Income Tax Unit and requesting that his case be referred to the committee for consideration of the questions on which he desired to appeal. The committee requires the submission of a succinct statement of such facts as the appellant desires considered by the Bureau in connection with his appeal, duly sworn to, with such arguments as he may desire to present in connection with his appeal in the form of a brief.

Upon receipt of formal request and sworn statement of facts or brief, the Income Tax Unit is requested to submit the case and related papers to the committee, and upon receipt and assignment of the case to a member for consideration, the taxpayer is duly notified in the event that additional information is desired by the committee, or notified as to date set for oral presentation of his appeal, if so requested in writing when the appeal is filed.

In the event of an oral hearing, which is expected to be final, the taxpayer is expected to submit such arguments and presentation, both as to the law and facts, as he desires to have considered. The oral hearing may be supplemented by a written brief, to be submitted before or after the hearing, but preferably at least three days prior to the date of the hearing.

Upon the approval of the recommendation of the committee by the Commissioner of Internal Revenue, the decision is final as far as the Bureau is concerned, and reconsideration cannot be given except upon the presentation of additional facts which were not and could not be placed before the committee at the time consideration was given to the appeal. The taxpayer is notified by the committee of its recommendation, and the case and related papers are thereupon returned to the Income Tax Unit for such further action as may be necessary in accordance with the decision of the committee.

The following tables, showing the number of returns audited, the amount of additional taxes assessed, and the number of employees, illustrate the extent of the work of auditing the returns.

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RETURNS AUDITED AND ADDITIONAL TAX ASSESSED

Period	Returns audited	Additional tax assessed
Calendar year 1919.....	452,834	\$186,102,101.62
Calendar year 1920.....	1,151,524	407,388,430.46
Calendar year 1921.....	1,328,993	293,403,177.65
Six months ending June 30, 1922....	425,561	71,400,000.00

PERSONNEL ENGAGED IN AUDITING RETURNS

Date	At Washington	In the field	Total
December 31, 1919.....	3055	1700*	4755*
December 31, 1920.....	5366	2354	7720
December 31, 1921.....	5325	2505	7830
June 30, 1922.....	5439	2931	8370

* Approximate.

The refunds for taxes erroneously paid amounted to \$14,127,098.00 in the fiscal year 1920, \$28,656,357.95 in the fiscal year 1921, and \$48,134,127.83 in the fiscal year 1922.

Collection of Estate Tax. The first inheritance tax was imposed by the stamp act of July 6, 1797 (1 Stat. L., 527). While this tax was on the receipt for an inheritance, it was really an inheritance tax, as it was graduated according to the amount mentioned in the receipt. This tax remained in force until March 31, 1799 (1 Stat. L., 622). The next inheritance tax was imposed by the act of July 1, 1862 (12 Stat. L., 485), and continued in force until October 1, 1870 (16 Stat. L., 257). During the Spanish-American War an inheritance tax was imposed by the act of June 13, 1898 (30 Stat. L., 464), but was repealed (32 Stat. L., 97), effective June 30, 1902. The estate tax was again imposed by the act of September 8, 1916, (39 Stat. L., 777), and has been in force continuously, although the rates and certain provisions have been changed.

The existing law (Act of November 23, 1921; 42 Stat. L., 277) provides for a progressive tax on estates in excess of \$50,000. The tax is now imposed on the transfer of the net estate of decedents, the net estate being the gross estate less the deductions authorized by the act. The act is not laid upon the property, but upon its transfer from the decedent to others. The subject of tax is the transfer of the entire estate, not any particular legacy, devise, or distributive share. It is not an individual inheritance

tax. The value of the separate interests and the relationship of the beneficiary to the decedent have no bearing upon the question of liability to the tax. The transfer of property is taxable, even if the estate escheats to the state for lack of heirs.

The statute embraces transfers by will or under the intestate laws, and also transfers made by the decedent in his lifetime, when made in contemplation of death or intended to take effect in possession or enjoyment at or after his death. The statute also enumerates certain special cases not strictly of either character just described. The practical test of the existence of a taxable transfer is whether the statute directs that the property in question be included in the gross estate. The tax is imposed in the case of the estate of "every decedent," although, by reason of an exemption, the net estate of a resident decedent, in order to be taxable, must exceed \$50,000. The estate of a non-resident decedent, however, is taxable if any part of it is situated in the United States.

The actual work of collecting the tax is divided between the Washington office and the field forces in the several collection districts. The returns are made by the executor to the collector of internal revenue and payment is made to him. The returns are then forwarded to the Estate Tax Division in Washington, under whose direction the examination and audit are made. This division has a force of field agents who verify the returns in detail and recommend changes if necessary. The field agent's report and the original tax return are then audited in the Estate Tax Division and the amount due is finally determined. The executor is then notified, through the local collector, of the amount of tax due.

Over 10,000 returns are filed yearly, and each of these calls for verification and investigation by a field agent before final assessment is made. In addition to the work of assessing, auditing, and collecting the estate tax, there is also a proportionate number of claims for refund and abatement. There is a special section maintained for this purpose which considers and determines matters of protest against valuations and passes on all claims. There is also a Review Committee which gives interpretation of the act and regulations, and which holds conferences with the representatives of estates where the tax is in dispute.

The total number of estate tax returns filed during the fiscal year 1921 was 11,833, showing a tax liability of \$103,057,273.83. The auditing and the field examination resulted in the assessment of additional taxes in the sum of \$13,290,685.33. The total number of returns filed during the fiscal year 1922 was 13,192, including both resident and non-resident returns; and these returns showed a total tax liability of \$114,614,189.56. For the fiscal year 1922 the audit and investigation of returns resulted in the assessment of additional tax amounting to \$13,645,598.29. On May 31, 1922, the estate tax work required the services of 138 employees in Washington and 318 in the field.

Collection of Capital Stock Tax. The capital stock tax, one of the recent additions to federal taxes, was first imposed by the act of September 8, 1916 (39 Stat. L., 789), becoming effective on January 1, 1917. It is an excise tax imposed upon corporations for the privilege of doing business. Under the act of November 23, 1921 (42 Stat. L., 294), the rate for a domestic corporation is \$1 for each \$1000 of the fair average value of its capital stock for the preceding year ending June 30 in excess of \$5000, except on insurance companies, clubs, and certain classes of mutual and other corporations not operated for profit. On a foreign corporation the tax is \$1 on each \$1000 of the average amount of capital employed in the transaction of its business in the United States.

The work in connection with this tax is almost entirely one of valuation. The tax is computed not upon the par value of the stock, but upon the fair average value for the preceding year, or for the period since it has been issued, if less than a year, of the capital stock outstanding at the date of the incidence of the tax. In the case of a domestic corporation, it is on an entirely different basis from the excess profits tax, which is concerned with invested capital and not with the fair average value of the capital stock. Stock in the treasury of a corporation is not regarded as outstanding unless pledged as security for a debt. No deduction is allowed corporations organized in the United States for capital invested outside of the United States. If the corporation is doing business, it is taxed on its entire capital stock even though most of it may not be employed in the business.

The intricate character of this tax is well shown by the following extract from the regulations governing it:

The fair average value of the capital stock for the purpose of determining the amount of the capital stock tax must not be confused with the market value of the shares of stock where it may be necessary to determine such value under other provisions of the revenue laws. The fair average value of the capital stock, the statutory basis of the tax, is not necessarily the book value or the value based on prices realized in current sales of shares of stock or the value determined by capitalization of earnings.

Form 707 provides Exhibit A for the book or fair value of the assets, Exhibit B for the market value of the shares, and Exhibit C for the value of the capital stock based on the capitalized earnings. All information called for must be given in every case where it is procurable. The fair average value of the capital stock of a corporation and the tax payable thereon shall be determined from a consideration of the data contained in the return as well as all elements and factors affecting values, which should be harmonized so far as possible in the ultimate fair value found. Fair value is required irrespective of the exhibit used or the method employed in its determination.

Exhibit A. The character of the assets is probably the most important factor in determining the reliability of the value reflected by this exhibit as being indicative of the fair value of the capital stock. If the market value of the assets be established the fair value of the capital stock is held to be not materially less than the fair market value of the net assets. Attempts to average the assets as a means of estimating the fair average value of the capital stock are not permitted.

Exhibit B. The market is regarded as a factor, but only of importance when the underlying factors upon which the market has been established are sound in all essential particulars.

Exhibit C. The weight attaching to this exhibit is largely dependent upon the nature of the business and character of the assets.

In capitalizing the net earnings of the corporation, which should reflect the true earning capacity, the officers should use a rate fairly representing the conditions obtaining in the trade and in the locality, with due regard to other important factors, including the worth of money. But such fair value must not be greatly at variance with the reconstructed book value shown by Exhibit A, unless the corporation is materially affected by extraordinary conditions which support a lower valuation. In any such case a full explanation must accompany the return. The Commissioner will estimate the fair value of the capital stock in cases regarded as involving any understatement or undervaluation.

The fair value of the capital stock, as provided under section 1000(a) (1) of the Revenue Act of 1921, and invested capital

under the excess profits tax provisions of the Revenue Act of 1921 are not necessarily the same.

For the purpose of capital stock tax the fair value of the capital stock is estimated, and is predicated on present values, including actual appreciation of property, whether realized or unrealized, and such intangible assets as good will, trade-marks, and patents to the extent reflected by the earning power, whereas, for the purpose of excess-profits tax, the invested capital is based upon the actual investment of the stockholders in the corporation, irrespective of the present value of its assets. In the case of the capital stock tax the fair value looks to the present net value of the assets, irrespective of the amount of the investment of the stockholders.

The determination of whether certain classes of corporations are engaged in business within the meaning of the act has consumed a large amount of time and caused delay in the consideration of this problem, owing to the necessity of extended investigation and inquiry into the independent activities of the respective corporations. When the railroads were under government control, it was necessary to obtain affidavits clearly defining all of their activities in order to determine whether liability was incurred. Considerable difficulty has been experienced in determining the status and consequent liability or non-liability to the tax of corporations claiming exemption on account of not being engaged in business, such as inactive companies, timber companies, so called holding companies, and companies formed to manage estates. Many companies claimed exemption as personal-service corporations under the revenue act of 1918, but, through extended investigations, a large percentage reporting as such were found to be taxable.

During the fiscal year 1921 a total of 125 employees were engaged in the Capital Stock Division. The total amount of money expended for this activity in Washington for the fiscal year was \$195,000. The expenses in the field, as near as can be determined, for assessing and collecting the capital stock taxes amounted to \$450,000. The total collections for the fiscal year amounted to \$81,514,344.72, so that the cost of administering the capital stock tax was approximately \$0.767 for every \$100 collected. The collections during the fiscal year 1922 amounted to \$80,612,239.80.

Collection of Taxes on Specified Commodities or Services.

Under this head is considered the collection of all taxes which are imposed on commodities, admissions, dues, and services and not collected by means of stamps. The taxes on services, admissions, and club dues are recent, but those on specific commodities were levied as early as 1791, when an internal tax was placed on distilled spirits (1 Stat. L., 202). In 1794 (1 Stat. L., 384) taxes were levied on sugar and snuff. All of these taxes were repealed (2 Stat. L., 148), effective June 30, 1802. During the War of 1812 taxes were again imposed at several times on whiskey and sugar, as well as on tobacco and a large number of manufactured articles. These were repealed (3 Stat. L., 401), effective December 31, 1817.

The Civil War legislation revived the taxes on whiskey and tobacco and provided additional taxes on sales of merchandise. By that time the whiskey and tobacco taxes were levied by means of stamps, and no longer fall within the class here considered.

The act of July 1, 1862 (12 Stat. L., 462-466) contained 60 paragraphs levying specific or *ad valorem* taxes on commodities of various kinds. In order to include any articles not specifically enumerated there was at the end an omnibus clause which provided a tax of three per cent on "manufactures of cotton, wool, silk, worsted, flax, hemp, jute, India-rubber, gutta percha, wood, willow, glass, pottery ware, leather, paper, iron, steel, lead, tin, copper, zinc, brass, gold, silver, horn, ivory, bone, bristles, wholly or in part, or of other materials, not in this act otherwise provided for." It was this scheme of extreme taxation which led an Austrian writer, Carl von Hock to say that "The citizen of the Union pays . . . at every hour of the day, directly or indirectly, for all acts of his life, for his movable and immovable property, for income and for expenditures, for business and for pleasures."¹ Various changes were made in the rates from time to time, but all of the sales taxes, except the stamp taxes on whiskey and tobacco, were repealed July 14, 1870 (16 Stat. L., 256), the repeal becoming effective on October 1 of that year.

Sales taxes were not again imposed until the passage of the War Revenue Act of 1917. The scope of these taxes and the work in connection with their collection is best shown by the following schedule of rates under the revenue acts of 1918 and 1921:

¹Die Finanzen und die Finanzgeschichte der Vereinigten Staaten, p. 191.

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TAXES ON SPECIFIED COMMODITIES OR SERVICES UNDER ACTS OF 1918
AND 1921

Items	Rate under 1918 act	Rate under 1921 act
A. Collected from Producers:		
Automobile trucks and wagons.	3 per cent	3 per cent
Other automobiles and motorcycles and accessories.	5 per cent	5 per cent
Automobile tires, tubes and accessories sold to anyone but a manufacturer.	5 per cent	5 per cent
Pianos, organs, phonographs, records, etc.	5 per cent	Repealed
Sporting goods	10 per cent	Repealed
Chewing gum or substitutes.	3 per cent	Repealed
Cameras	10 per cent	10 per cent
Films and plates exclusive of motion picture films.	5 per cent	5 per cent
Candy	5 per cent	3 per cent
Firearms, shells, etc.....	10 per cent	10 per cent
Hunting and bowie knives..	10 per cent	10 per cent
Dirks, daggers, sword canes, stilettos, brass knuckles.	100 per cent	100 per cent
Portable electric fans.....	5 per cent	Repealed
Thermos bottles and other thermostatic containers.	5 per cent	Repealed
Cigar or cigarette holders composed wholly or in part of meerschaum or amber, humidors, smoking stands.	10 per cent	10 per cent
Automatic slot vending machines.	5 per cent	5 per cent
Automatic slot weighing machines.	10 per cent	10 per cent
Liveries, livery boots and hats.	10 per cent	10 per cent
Hunting and shooting garments and riding habits.	10 per cent	10 per cent
Yachts, motorboats, pleasure boats and pleasure canoes.	10 per cent on those costing over \$15.	10 per cent on those costing over \$100.
Toilet soaps and powders...	3 per cent	Repealed
Articles made of fur or chiefly fur.	10 per cent	Repealed
Soft drinks other than cereal beverages in bottles or other containers.	10 per cent	ac a gallon

TAXES ON SPECIFIED COMMODITIES OR SERVICES UNDER ACTS OF 1918
AND 1921—Continued

Items	Rate under 1918 act	Rate under 1921 act
A. Collected from Producers—		
<i>Continued.</i>		
Cereal beverages	15 per cent	.....
Unfermented grape juice....	10 per cent	2c a gallon
Fruit juices .....	.....	2c a gallon
Mineral waters in bottles or other containers.	2c a gallon if sold at over 10c	2c a gallon if sold at over 12½
Finished or fountain sirups..	.....	9c and 5c a gallon
Carbonic acid gas. ....	.....	4c a pound
B. Collected by and from vendors:		
Works of art when sold by anybody (sales by the artist to anyone and sales to edu- cational institutions or pub- lic museums are exempt).	10 per cent	5 per cent
Jewelry, precious or semi- precious stones, imitations thereof; watches, clocks, opera glasses, lorgnettes, marine glasses, field glasses, binoculars; articles made of or ornamented, mounted or fitted with precious metals or imitations thereof or ivory (not including surgical instruments but in- cluding spectacles and eye- glasses) when sold for consumption or use.	5 per cent	5 per cent *
Toilet and proprietary ar- ticles.	1c for each 25c or fraction.	Repealed
Sales of soft drinks, ice cream and similar articles at soda fountains or similar places of business.	1c for each 10c sale or fraction.	Repealed
Carpets and rugs.....	10 per cent on amount in ex- cess of \$5 per square yard.	5 per cent on carpets on amounts over \$4.50 per square yard and on rugs over \$6 per square yard.

* Eyeglasses and spectacles exempted under 1921 act.

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TAXES ON SPECIFIED COMMODITIES OR SERVICES UNDER ACTS OF 1918
AND 1921

Items	Rate under 1918 act	Rate under 1921 act
A. Collected from Producers:		
Automobile trucks and wagons.	3 per cent	3 per cent
Other automobiles and motorcycles and accessories.	5 per cent	5 per cent
Automobile tires, tubes and accessories sold to anyone but a manufacturer.	5 per cent	5 per cent
Pianos, organs, phonographs, records, etc.	5 per cent	Repealed
Sporting goods	10 per cent	Repealed
Chewing gum or substitutes.	3 per cent	Repealed
Cameras	10 per cent	10 per cent
Films and plates exclusive of motion picture films.	5 per cent	5 per cent
Candy	5 per cent	3 per cent
Firearms, shells, etc.....	10 per cent	10 per cent
Hunting and bowie knives..	10 per cent	10 per cent
Dirks, daggers, sword canes, stilettos, brass knuckles.	100 per cent	100 per cent
Portable electric fans.....	5 per cent	Repealed
Thermos bottles and other thermostatic containers.	5 per cent	Repealed
Cigar or cigarette holders composed wholly or in part of meerschaum or amber, humidors, smoking stands.	10 per cent	10 per cent
Automatic slot vending machines.	5 per cent	5 per cent
Automatic slot weighing machines.	10 per cent	10 per cent
Liveries, livery boots and hats.	10 per cent	10 per cent
Hunting and shooting garments and riding habits.	10 per cent	10 per cent
Yachts, motorboats, pleasure boats and pleasure canoes.	10 per cent on those costing over \$15.	10 per cent on those costing over \$100.
Toilet soaps and powders...	3 per cent	Repealed
Articles made of fur or chiefly fur.	10 per cent	Repealed
Soft drinks other than cereal beverages in bottles or other containers.	10 per cent	2c a gallon

TAXES ON SPECIFIED COMMODITIES OR SERVICES UNDER ACTS OF 1918
AND 1921—Continued

Items	Rate under 1918 act	Rate under 1921 act
A. Collected from Producers—		
<i>Continued.</i>		
Cereal beverages	15 per cent	.....
Unfermented grape juice....	10 per cent	2c a gallon
Fruit juices .....	.....	2c a gallon
Mineral waters in bottles or other containers.	2c a gallon if sold at over 10c	2c a gallon if sold at over 12½
Finished or fountain sirups..	.....	9c and 5c a gallon
Carbonic acid gas.....	.....	4c a pound
B. Collected by and from vendors:		
Works of art when sold by anybody (sales by the artist to anyone and sales to edu- cational institutions or pub- lic museums are exempt).	10 per cent	5 per cent
Jewelry, precious or semi- precious stones, imitations thereof; watches, clocks, opera glasses, lorgnettes, marine glasses, field glasses, binoculars; articles made of or ornamented, mounted or fitted with precious metals or imitations thereof or ivory (not including surgical instruments but in- cluding spectacles and eye- glasses) when sold for consumption or use.	5 per cent	5 per cent *
Toilet and proprietary ar- ticles.	1c for each 25c or fraction.	Repealed
Sales of soft drinks, ice cream and similar articles at soda fountains or similar places of business.	1c for each 10c sale or fraction.	Repealed
Carpets and rugs.....	10 per cent on amount in ex- cess of \$5 per square yard.	5 per cent on carpets on amounts over \$4.50 per square yard and on rugs over \$6 per square yard.

* Eyeglasses and spectacles exempted under 1921 act.

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TAXES ON SPECIFIED COMMODITIES OR SERVICES UNDER ACTS OF 1918
AND 1921—Continued

Items	Rate under 1918 act	Rate under 1921 act
B. Collected by and from vendors —Continued		
Picture frames, on the amount over \$10 each.	10 per cent	Repealed
Trunks	10 per cent on the amount over \$50 each.	5 per cent on amount over \$35.
Valises, traveling bags, suit cases, on the amount over \$25 each.	10 per cent	5 per cent
Purses, pocketbooks, shopping and hand bags.	10 per cent on the amount over \$7.50.	5 per cent on amount over \$5.
Portable lighting fixtures, including lamps of all kinds and lamp shades.	10 per cent on the amount over \$25 each.	5 per cent on amount over \$10.
Umbrellas, parasols, and sun shades, on the amount in excess of \$4 each.	10 per cent	Repealed
Fans, on the amount in excess of \$1 each.	10 per cent	5 per cent
House or smoking coats or jackets, and bath or lounging robes, on the amount in excess of \$7.50 each.	10 per cent	Repealed
Men's waistcoats, sold separately from suits, on the amount in excess of \$5 each.	10 per cent	Repealed
Women's and misses' hats, bonnets, and hoods, on the amount in excess of \$15 each.	10 per cent	Repealed
Men's and boys' hats, on the amount in excess of \$5 each.	10 per cent	Repealed
Men's and boys' caps, on the amount in excess of \$2 each.	10 per cent	Repealed
Men's, women's, misses' and boys' boots, shoes, pumps, and slippers, on the amount in excess of \$10 per pair.	10 per cent	Repealed
Men's and boys' neckties and neckwear, on the amount in excess of \$2 each.	10 per cent	Repealed

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TAXES ON SPECIFIED COMMODITIES OR SERVICES UNDER ACTS OF 1918
AND 1921—Continued

Items	Rate under 1918 act	Rate under 1921 act
B. Collected by and from vendors —Continued		
Men's and boys' silk stockings or hose, on the amount in excess of \$1 per pair.	10 per cent	Repealed
Women's and misses' silk stockings or hose, on the amount over \$2 per pair.	10 per cent	Repealed
Men's shirts, on the amount in excess of \$3 each.	10 per cent	Repealed
Men's, women's, misses', boys' pajamas, night gowns, and underwear, on the amount in excess of \$5 each; and	10 per cent	Repealed
Kimono's, petticoats, and waists, on the amount in excess of \$15 each.	10 per cent	Repealed
C. Collected from Lessors of Motion Picture Films:		
Gross receipts, leasing, licensing motion pictures films.	5 per cent	Repealed
D. Collected on Insurance:		
Life	8c on each \$100 or fractional part thereof of amount for which life is insured, where amount exceeds \$500.	Repealed
	20% of 1st monthly premium or 40% of 1st weekly premium where policy is on industrial or weekly payment plan and not in excess of \$500.	Repealed
Life, health and accident insurance combined.	20% of 1st monthly premium or 40% of 1st wkly. premium.	Repealed
Marine, inland and fire and casualty insurance.	1c on each dollar or fraction of premium.	Repealed

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TAXES ON SPECIFIED COMMODITIES OR SERVICES UNDER ACTS OF 1918
AND 1921—Continued

Items	Rate under 1918 act	Rate under 1921 act
E. Collected from Amusement Enterprises:		
Theatre admissions	1c for each 10c or fraction thereof.	1c for each 10c or fraction thereof.*
Amusement tickets sold by proprietors, employees or by ticket brokers in excess of regular prices; tax on such excess.	5 and 50 per cent	5 and 50 per cent
Cabaret, on price paid for refreshments.	1½c on each 10c or fraction of admission or 1½c on each 50c or fraction of total charge.	1½c on each 10c or fraction of admission or 1½c on each 50c or fraction of total charge.
Boxes or seats at opera—on regular performance price.	10 per cent	10 per cent
F. Collected from Clubs:		
Membership dues and initiation fees.	10 per cent	10 per cent
G. Collected from Public Utilities:		
Express	1c for each 20c or fraction thereof.	Repealed
Freight	3 per cent	Repealed
Leased wires	10 per cent	10 per cent
Passenger fares	8 per cent	Repealed
Pipe lines	8 per cent	Repealed
Seats, berths or staterooms in sleeping or parlor cars or on vessels.	8 per cent	Repealed
Telegraph, telephone, cable or radio dispatches.	5c for messages costing between 14c and 50c, 10c for messages costing more than 50c.	5c for messages costing between 14c and 50c, 10c for messages costing more than 50c.

* 1921 act eliminates the tax on free admissions, and also provides that no tax shall be applied on admissions to any place the amount paid for which is 10 cents or less; otherwise tax is the same.

The 1921 act places a tax of nine cents per gallon upon all finished or fountain syrups which are used in manufacturing, compounding or mixing soft drinks and which are sold by the manufacturer, producer or importer except when such syrups are intended to be used in the manufacture of carbonated beverages sold in bottles or other closed containers, in which case the rate is five cents per gallon. These taxes are placed upon the manufacturers in lieu of the taxes upon soft drinks of one cent on each ten cents, or fraction thereof, paid by the consumer and collected by the retailer under section 630 of the act of 1918.

Every individual or corporation engaged in selling the commodities or furnishing the services enumerated in the table on pages 86 to 90 is required to make monthly returns under oath, the tax being payable to the collector at the time of the return without assessment or notification. Each collector, however, maintains a mailing list of taxpayers and sends the proper forms each month. After the returns are entered on the books at the collector's office they are forwarded to Washington, where they are audited and examined. If errors are found the collector is notified and the taxpayer is either sent a bill for additional taxes or given notice of overpayment and instructed to file a claim for refund. The tax is not levied on articles sold for export, but proper proof of exportation must be furnished under affidavit.

Although deliberate frauds in the rendering of monthly returns have been rare, there is nevertheless much carelessness on the part of taxpayers. This results in both failure to collect from the consumer and failure to make the proper return. Special "drives" are therefore made by the collectors during June, July, and August. Approximately \$12,000,000 in delinquent and additional sales and miscellaneous taxes was collected and assessed as the result of the drive for the collection of such taxes which ended September 3, 1921. There were 1725 deputy field collectors engaged in this work, which covered practically every large city in the United States. Special attention was given to verification of returns of the manufacturers' excise tax, the so-called "luxury taxes," the tax on soft drinks, and the transportation, jewelry, admission, and insurance taxes.

Preliminary to the drive instructions were given the field deputies to make as thorough investigation as possible, using such methods as not to inconvenience business men who were honestly endeavoring to comply with the tax laws, and to bring to justice wilful evaders,—persons who were refusing to collect and pay the tax and persons who were collecting the tax but failing to turn it into the United States Treasury.

The revenue derived from the sales taxes during the fiscal year 1920 was largely in excess of the estimates made by the Commissioner of Internal Revenue at the time the act went into effect. On June 30, 1919, approximately 320,000 taxpayers were making monthly returns of the tax under the provisions of the law. In the following year the number had increased to 436,000. During the last six months of the fiscal year 1922, the number of returns averaged 240,000 each month, the decrease being due to the repeal of many of the sales taxes by the act of 1921. Nearly \$500,000,000 was collected during the fiscal year 1922, which is about \$200,000,000 less than the collections during each of the two preceding years.

The yield of the separate taxes during the fiscal years 1920 to 1922 is shown by the following table:

RECEIPTS FROM SALES AND SERVICE TAXES, FISCAL YEARS 1920 TO 1922

Class and articles	Fiscal year 1920	Fiscal year 1921	Fiscal year 1922
A. Collected from producers:			
Automobiles, etc.....	\$143,922,792.01	\$115,546,249.31	\$104,433,762.75
Pianos, organs, etc.....	13,624,121.46	11,568,034.90	4,951,752.13
Tennis rackets and sporting goods.....	2,044,912.84	4,283,902.31	2,215,607.05
Chewing gum.....	1,124,943.34	1,332,267.44	749,870.69
Cameras.....	876,212.11	849,940.06	681,546.34
Photographic goods, etc.....	716,903.66	1,045,430.01	743,679.05
Candy.....	23,142,033.53	20,436,700.35	12,593,754.39
Firearms, shells, etc.....	4,044,793.45	2,702,642.93	2,374,921.49
Hunting and bowie knives.....	15,835.67	33,971.36	21,748.02
Dirk knives, daggers, etc.....	6,144.70	2,328.22	6,526.70
Portable electric fans.....	174,084.05	207,583.14	125,015.38
Thermos bottles.....	218,304.38	175,862.18	88,861.00
Cigar holders, pipes, etc.....	142,373.09	151,702.35	105,453.74
Automatic slot device machines.....	88,875.85	100,504.85	88,888.22
Liveries, livery boats, etc.....	136,020.76	150,732.25	112,380.67
Hunting garments, etc.....	224,756.87	182,816.32	230,535.40
Yachts, motor boats, etc.....	212,684.75	553,201.63	406,867.90
Toilet soap and toilet-soap powders.....	1,919,398.41	2,223,773.99	1,324,600.55
Articles made of fur.....	15,311,214.24	9,081,238.55	6,123,071.03
Beverages (nonalcoholic), in- cluding soft drinks, etc., sold in bottles.....	20,973,950.48	34,379,693.39	16,523,761.92

RECEIPTS FROM SALES AND SERVICE TAXES, FISCAL YEARS 1920 TO
 1922—Continued

Class and articles	Fiscal year 1920	Fiscal year 1921	Fiscal year 1922
B. Collected by and from vendors:			
Works of art.....	1,545,133.58	1,116,337.02	582,800.03
Jewelry, watches, etc.....	25,803,607.00	24,303,036.91	19,514,465.01
Ice cream and soft drinks—sold at soda fountains.....	26,487,005.56	24,296,279.47	16,980,522.49
Luxury taxes.....	17,903,610.72	20,374,604.39	8,413,452.76
C. Collected from lessors of motion- picture films:			
Positive motion-picture films leased.....	4,381,276.31	6,008,108.12	3,678,868.17
D. Collected from insurance.....	18,421,754.01	18,999,094.45	10,855,403.81
E. Collected from amusement enter- prises:			
Admissions to places of amuse- ment, etc.....	76,720,555.43	89,730,832.94	73,384,955.61
F. Collected from clubs:			
Club dues.....	5,198,001.31	6,156,817.69	6,615,633.02
G. Collected from public utilities:			
Freight transportation.....	130,785,810.57	140,019,200.14	85,292,665.34
Express transportation.....	17,597,637.69	17,093,933.58	12,475,879.18
Passenger transportation.....	98,786,635.79	97,481,976.35	58,044,230.71
Seats, berths and state rooms.....	6,074,556.43	8,485,015.59	5,991,623.63
Oil by pipe lines.....	8,426,405.68	9,980,873.62	7,523,816.51
Telegraph, telephone and radio messages.....	26,631,837.20	27,360,361.00	28,086,886.47
Leased wires, or talking circuits.....	1,045,203.99	1,082,051.46	1,184,635.32
Total.....	\$706,285,386.92	\$698,590,000.33	\$495,080,355.88

Collection of Occupational Taxes. Occupational taxes, like many other special forms of taxation go back to the Post-Revolution period, during which a tax on retail dealers in distilled spirits was imposed by the act of June 5, 1794 (1 Stat. L., 376). This tax was repealed by the act of April 6, 1802 (2 Stat. L., 148), which took effect on June 30 of that year. During the War of 1812 it was revised and imposed also on retailers of foreign merchandise, from August 2, 1813, to December 31, 1817. Occupational or license taxes were again imposed in 1862 (12 Stat. L., 455) and later years, and continued in force until May 1, 1871 (16 Stat. L., 256), except those on manufacturers of malt and distilled spirits and tobacco products, which have been in force continuously. Between 1886 and 1898 several occupational taxes of a purely regulatory nature were imposed. During the Spanish-American War general occupational taxes were revived, but with the exception of those of a regulatory character and those on manufacturers of and dealers in malt and distilled liquors, they were repealed as of June 30, 1902 (32 Stat. L., 96-99). They were again revived by the act of October 22, 1914 (38 Stat. L., 751), and have continued in force with various modifications until the present time.

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The taxes of this character imposed by the act of November 23, 1921 (42 Stat. L., 295), and earlier acts still in force are as follows:

OCCUPATIONAL TAXES IN FORCE

Revenue Taxes:	Annual rate of tax
Brewers of less than 500 barrels.....	\$ 50.00 ^a
Brewers of 500 barrels or more.....	100.00 ^a
Rectifiers of less than 500 barrels.....	100.00
Rectifiers of 500 barrels or more.....	200.00
Retail liquor dealers.....	25.00 ^a
Wholesale liquor dealers.....	100.00 ^a
Retail malt liquor dealers.....	20.00 ^a
Wholesale malt liquor dealers.....	50.00 ^a
Manufacturers of stills and worms.....	50.00 ^a
Manufacturers of tobacco: ^b	
Annual sales less than 50,000 pounds.....	6.00
Annual sales over 50,000 pounds and not over 100,000 pounds.....	12.00
Annual sales over 100,000 pounds and not over 200,000 pounds.....	24.00
Annual sales over 200,000 pounds, each 1000 pounds.	.16
Manufacturers of cigars: ^b	
Annual sales not over 50,000 cigars.....	4.00
Annual sales over 50,000 but not over 100,000 cigars.....	6.00
Annual sales over 100,000 but not over 200,000 cigars.....	12.00
Annual sales over 200,000 but not over 400,000 cigars.....	24.00
Annual sales over 400,000 cigars, each 1000 cigars or fraction thereof in excess of 400,000 cigars....	.10
Manufacturers of cigarettes—for each 100,000 cigar- ettes or fraction thereof. (This includes small cigars weighing not more than 3 lbs. per 1000) ^b .	.06
Persons carrying on the business of operating or rent- ing passenger automobiles for hire:	
Seating capacity over 2 but not over 7.....	10.00 for each automobile
Seating capacity more than 7.....	20.00 for each automobile
Produce, merchandise or stock, brokers.....	50.00
Stock Exchange Members:	
Value of seat or membership less than \$2000.....	50.00
Value of seat or membership more than \$2000 and not over \$5000.....	100.00
Value of seat or membership more than \$5000.....	150.00

^a If business is carried on contrary to the laws of the state, territory, or district of the United States, or in any place where prohibited by local or municipal law, in addition to all other taxes, special or otherwise; monthly \$83.33; annual \$1000 shall be paid.

^b The tax in these cases is to be computed on the basis of sales for the preceding year.

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OCCUPATIONAL TAXES IN FORCE—Continued

Revenue Taxes—Continued:	Annual rate of tax
Pawn Brokers	\$ 100.00
Ship Brokers	50.00
Customhouse Brokers	50.00
Proprietors of theatres, museums, and concert halls:	
Seating capacity less than 250.....	50.00*
Seating capacity more than 250 and less than 500..	100.00*
Seating capacity more than 500 and less than 800..	150.00*
Seating capacity 800 and over.....	200.00*
Proprietors of circuses.....	100.00
Proprietors or agents of all other public exhibitions..	15.00
Proprietors of bowling alleys and billiard rooms, for each table	10.00
Proprietors of shooting galleries.....	10.00
Proprietors of riding academies.....	100.00
Owners of yachts, pleasure boats, and sailing boats of over five net tons, and upon all motor boats ⁴ with fixed engines, not used exclusively for trade or fishing at the following rates:	
Yachts, pleasure boats, and sailing boats of over five net tons, motor boats with engines over five net tons, but not over 50 feet in length.....	1.00 per foot
Over five net tons, over 50 feet but not over one hundred feet in length	2.00 per foot
Over five net tons, more than 100 feet in length....	4.00 per foot
Regulatory Taxes:	
Narcotics	
Importers, manufacturers, producers, and compounders (Class 1) ⁵	24.00
Wholesale dealers (Class 2).....	12.00
Retail dealers (Class 3).....	6.00
Practitioners (Class 4), physicians, dentists, veterinary surgeons, and other practitioners lawfully entitled to distribute, dispense, give away, or administer taxable narcotic preparations to patients upon whom they, in the course of their professional practice, are in attendance, including hospitals, sanitarium and educational institutions..	3.00
Manufacturers of or dealers in untaxed narcotic preparations (Class 5), persons who sell preparations of any kind containing a narcotic drug in a quantity exempted from payment of stamp tax).....	1.00

* In cities, towns, or villages of 5000 inhabitants or less, the amount of the tax is one-half these rates.

⁴ The term "motor boat" is used to include every vessel propelled by machinery and not more than 65 feet in length, except tugboats and towboats propelled by steam.

⁵ Persons in Class 1 who have paid special tax for that class are not required to pay, in addition, special tax under Classes 2 or 3 when selling their own products or importations either at wholesale or retail.

OCCUPATIONAL TAXES IN FORCE—Continued

Regulatory Taxes—Continued:	Annual rate of tax
Manufacturers of oleomargarine	\$ 600.00
Retail dealers in uncolored oleomargarine.....	6.00
Wholesale dealers in uncolored oleomargarine.....	200.00
Retail dealers in colored oleomargarine.....	48.00
Wholesale dealers in colored oleomargarine.....	480.00
Manufacturers of adulterated butter.....	600.00
Retail dealers in adulterated butter.....	48.00
Wholesale dealers in adulterated butter.....	480.00
Manufacturers of process or renovated butter.....	50.00
Manufacturers of filled cheese.....	400.00
Retail dealers in filled cheese.....	12.00
Wholesale dealers in filled cheese.....	250.00
Manufacturers of mixed flour.....	12.00

Every person engaged in any trade or business on which a special tax is imposed is required under the law to register with the collector of the district, his name, place of residence, trade or business, and the place where such trade or business is carried on. In the case of a firm or company, the names of the several persons constituting it and their places of residence must also be registered. The term "person" under the law includes partnerships, corporations, and associations as well as individuals. All special taxes fall due on the first of July each year, or on commencing any trade or business on which such tax is imposed. In the former case the tax is reckoned for one year, and in the latter it is reckoned proportionately from the first day of the month in which the liability to a special tax commenced to the first day of July following.

Every person liable to a special tax must file with the collector for his district, during the month in which his liability begins, a sworn return showing the amount of the tax due. If the amount of the tax covered by the return is not in excess of \$10, the return may be signed or acknowledged before two witnesses instead of under oath. When the tax is paid the collector issues a special tax stamp indicating payment and a card certificate showing the name and description of the occupation, trade, or profession, and in the case of boats or automobiles, a brief description.

Each collector of internal revenue is required to keep a list of the names of all persons who have paid special taxes within his district. This list is prepared in alphabetical order and contains

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the name, address, business, and date of payment. This list must be posted and kept in a conspicuous place. The work of collecting the tax consists mainly in seeing that all those liable to the tax render the proper returns. This is accomplished by frequently inspecting and canvassing the various districts. The greater part of the work pertaining to the collection of this tax is done by the collector and his field deputies.

The revenues collected from these taxes during the fiscal years 1920 to 1922 were as follows:

RECEIPTS FROM SPECIAL TAXES ON OCCUPATIONS, BUSINESS AND BOATS,
FISCAL YEARS 1920 TO 1922

Occupation or business	Fiscal year 1920	Fiscal year 1921	Fiscal year 1922
Brewers	\$ 41,963.41	\$ 1,325.27	\$ 7,121.91
Rectifiers	45,402.59	7,471.97	3,187.24
Retail liquor dealers.....	1,528,970.21	336,446.62	339,844.06
Wholesale liquor dealers.....	242,686.77	221,808.54	98,347.95
Retail malt liquor dealers.....	98,058.99	6,562.13	1,169.99
Wholesale malt liquor dealers.....	81,960.29	244.77	2,594.47
Manufacturers of oleomargarine.....	55,124.51	52,478.92	49,048.95
Retail dealers of oleomargarine.....	1,058,126.20	906,186.64	786,867.33
Wholesale dealers of oleomargarine.....	494,961.92	450,986.44	347,403.23
Manufacturers of adulterated and process butter.....	16,937.59	11,989.16	8,268.83
Retail dealers of adulterated butter.....	219.00	27.00	5.63
Wholesale dealers of adulterated butter.....	225.00	392.00	.....
Manufacturers and dealers of filled cheese.....	.....	.....	.....
Manufacturers of mixed flour.....	.....	299.65	299.25
Manufacturers of stills or worms.....	70,128.58	3,008.24	2,408.45
Brokers	2,121,312.00	1,966,112.35	1,934,179.88
Theatres, museums, and concert halls.....	1,941,804.67	1,561,362.86	1,725,392.46
Circuses, aggregation of entertainments, etc.....	34,756.73	41,182.74	36,758.61
Public exhibitions (not otherwise enumerated).....	72,244.91	99,710.72	101,101.19
Bowling alleys and billiard rooms.....	2,782,156.85	2,368,007.65	2,499,831.81
Shooting galleries	35,165.62	23,313.63	21,366.81
Riding academies	23,359.90	16,939.88	12,667.80
Passenger automobiles for hire.....	2,046,243.61	1,776,493.82	1,785,619.89
Use of yachts, power and sailing boats, etc.....	862,236.56	731,092.46	545,841.44
Manufacturers of tobacco.....	77,244.59	105,621.12	63,595.33
Manufacturers of cigars	680,126.15	713,381.21	615,045.22
Manufacturers of cigarettes.....	274,133.41	410,284.04	308,724.06
Importers, manufacturers, and compounders of dealers and practitioners in opium, coca leaves, their salts, derivatives, etc.....	1,215,559.19	1,021,224.57	1,050,500.40
Total	\$15,850,903.25	\$12,234,776.45	\$12,368,943.51

Collection of Stamp Taxes. Stamp taxes were first imposed by the act of July 6, 1797 (1 Stat. L., 527), and continued in force until June 30, 1802 (2 Stat. L., 148). They were again imposed by the act of August 2, 1813 (3 Stat. L., 77), and continued in

force until December 31, 1917 (3 Stat. L., 401). These early stamp taxes, which were entirely on legal documents, were not collected by means of adhesive stamps, but through the sale of stamped paper and the stamping of the document itself. The stamp was simply an embossed design on the document impressed in the same manner as a notarial seal. Perforated adhesive stamps have been used continuously since the taking effect of the act of July 1, 1862 (12 Stat. L., 475). The rates and objects of taxation have varied considerably from time to time, the present stamp taxes being both revenue-producing and regulatory. The stamp taxes under the act of November 23, 1921, and earlier acts still in force are as follows:

STAMP TAXES IN FORCE		Rate
Revenue Producing:		
Manufactured tobacco and tobacco products, cigars, cigarettes, papers and tubes:		
On all tobacco and snuff manufactured in or imported into the United States; per pound.....		\$.18
On all cigars weighing not more than three pounds per thousand; per thousand.....		1.50
On all cigars weighing more than three pounds per thousand, If retailed at not more than 5c each; per thousand.....		4.00
If retailed at more than 5c each and not more than 8c each; per thousand.....		6.00
If retailed at more than 8c each and not more than 15c each; per thousand.....		9.00
If retailed at more than 15c each and not more than 20c each; per thousand.....		12.00
If retailed at more than 20c each; per thousand.....		15.00
On all cigarettes weighing not more than three pounds per thousand; per thousand.....		3.00
On all cigarettes weighing more than three pounds per thousand; per thousand.....		7.20
On cigarette papers:		
Package of not more than 50 sheets; per package.....		.005
Package of more than 50 and not over 100 sheets; per package .....		.01
Package of over 100 sheets; each additional 50 sheets or fraction .....		.005
Cigarette tubes, on each package of 50 or fraction thereof..		.01
Documentary stamps:		
Bonds, debentures, and certificates of indebtedness; on each \$100 or fraction thereof.....		.05
Drafts and checks payable otherwise than at sight or on demand and promissory notes; on each \$100 or fraction .....		.02

STAMP TAXES IN FORCE—Continued

Revenue Producing—Continued:

Documentary stamps—Continued:

	Rat
Deeds of conveyance:	
On each \$100 to \$500.....	\$.50
On each additional \$500 or fraction.....	.50
Custom House entries for consumption or warehousing up to \$100 in value.....	.25
Exceeding \$100 up to \$500 .....	.50
Exceeding \$500	1.00
Withdrawal entries from customs bonded warehouses; on each entry .....	.50
Passage tickets, sold in U. S. for passage by any vessel to a port or place not in the U. S., Canada, or Mexico:	
Not exceeding \$30.....	1.00
\$30 to \$60.....	3.00
Above \$60	5.00
Proxies, for voting privileges; each.....	.10
Powers of attorney; each.....	.25
Playing cards (package of 54 each); per pack.....	.08
Insurance policies issued by foreign companies on property in U. S.; on each \$1.00 or fraction of premium.....	.03
Issue, sale and transfer of stock, including sales of products for future delivery:	
Capital stock issued; ^a on each original issue of \$100 or fraction thereof .....	.05
Sales and transfer of stock:	
Stocks having par value; on each \$100 par or face value or fraction thereof.....	.02
Stocks without par value; on each share.....	.02
Sales of products or merchandise for future delivery; on each \$100 value or fraction thereof.....	.02
Spirits and Wines:	
Distilled spirits, for industrial and non-beverage purposes; per gallon ^b	2.20
Whiskey and brandy for domestic medicinal purposes; per gallon	2.20
Brandy used to fortify sweet wine; per gallon.....	.60
Dealcoholized wines, and all still wines for sacramental or medicinal purposes:	
Containing not over 14 per cent alcohol; per gallon....	.16
Containing 14 to 21 per cent alcohol; per gallon.....	.40
Containing 21 to 24 per cent alcohol; per gallon.....	1.00
Containing over 24 per cent alcohol; per gallon.....	2.20
Champagne and sparkling wine for medicinal purposes; per one-half pint .....	.12
Artificially carbonated wine for medicinal purposes; per one-half pint .....	.06

^a Certificates of stock issued without par or face value, the tax is 5 cents per share unless the actual value is in excess of \$100 per share, then the tax is 5 cents on each \$100 value or fraction thereof.

^b If spirits are taxpaid for non-beverage purposes and diverted to beverage purposes an additional tax of \$4.20 per gallon is levied against the person or persons diverting same.

100 THE BUREAU OF INTERNAL REVENUE

STAMP TAXES IN FORCE.—Continued

Regulatory:

	Rate
Sales of mixed flour:	
On sale of each barrel of 196 lbs., per barrel.....	\$.04
On sale of each $\frac{1}{2}$ barrel.....	.02
On sale of each $\frac{1}{4}$ barrel.....	.01
On sale of each $\frac{1}{8}$ barrel.....	.005
Filled cheese; per pound or fractions thereof.....	.01
Narcotics: On sale or removal for sale of opium, coca leaves, or any compound salt derivative, or preparation thereof; per ounce or fraction thereof.....	.01
White phosphorus matches; on each 100 or fraction thereof....	.02
Sale of oleomargarine, adulterated butter, process and renovated butter:	
Oleomargarine artificially colored; per pound.....	.10
Oleomargarine not artificially colored; per pound.....	.02
Adulterated butter; artificially colored; per pound.....	.10
Process or renovated butter; artificially colored; per pound....	.02

As regards commodities the stamp tax is just as much a sales tax as any other tax that is collected from the purchaser or consumer at the time of purchase, transfer, or delivery of the taxable article. It is distinctive only in that it denotes a different mode of collecting a tax on a certain sale, transaction, or procedure.

All internal revenue stamps are adhesive, and the affixing of the stamps to the various articles, documents, or commodities subject to the tax, and their subsequent cancellation, which must be accomplished in a manner prescribed by regulations established by the Bureau, effects the fulfillment of the provisions of all stamp tax laws. All the stamps used by the Bureau of Internal Revenue are printed by the Bureau of Engraving and Printing, with the exception of tobacco stamps printed on tin foil wrappers, which are printed under contract and without cost to the government, the contractor receiving his remuneration from the purchasers of the stamps and reimbursing the United States for the salaries of the agent and counter necessary to supervise the work.

Internal revenue stamps are distributed throughout the United States through the collection districts by the collectors and stamp deputy collectors to whom they are shipped from Washington by the stamp custodian. Documentary stamps are also furnished the Postmaster General without prepayment for distribution to and sale by postmasters, and tobacco stamps are sold by the collector of internal revenue of the Philippine Islands for use on

tobacco products shipped to the United States. A few documentary stamps are sold occasionally through that officer.

The collection of the documentary stamp taxes requires no particular vigilance on the part of the Bureau of Internal Revenue, as there are generally at least two parties to each transaction which necessitates the use of stamps and neither one is willing to assume the burden of conniving at evasion. Moreover, on ordinary transactions the tax is so small that there is no inducement to evade it.

The laws imposing stamp taxes on tobacco and alcoholic liquors confer ample powers on the internal revenue officers to enforce the collection. Every manufacturer of tobacco products must keep on his place of business a sign in the form prescribed in the regulations and must keep books showing the amount of tobacco received and the quantity of cigars or other tobacco products manufactured. If fraud is suspected the internal revenue officer may take a complete inventory of material, products, and stamps in order to ascertain whether the tax has been paid. In the case of retail dealers the main duty of internal revenue officers is to see that the tax is not evaded by refilling boxes or by selling cigars from any package other than the original one to which the stamps are affixed.

In the case of the manufacture or bottling of distilled spirits even more stringent precautions are taken to insure the payment of the tax. The outlets of all manufacturing apparatus are locked, and the product may be removed only in the presence of an internal revenue officer. Where the liquor is transferred to a bonded warehouse for storage or bottling, the keys of the warehouse are in the custody of an internal revenue officer and the liquor can not be lawfully removed until the tax is paid. There is practically no opportunity for evading the tax on any part of the product of legitimate licensed manufacturers. The liquor that escapes taxation is that which is manufactured illegally and surreptitiously. Prior to the enactment of the National Prohibition Law, the illegal manufacture of alcoholic liquor was rarely engaged in, except in certain isolated mountain districts and then only on a small scale. Since the general manufacture of alcoholic products has been prohibited the illicit manufacture of these products is carried on much more extensively. Not only is there widespread manufacture, but the counterfeiting of internal revenue stamps has been carried on

extensively in order to give the purchaser the impression that the product was manufactured under government authority.

As practically all internal taxes on commodities are consumption taxes, provision has generally been made for the remission of the tax when the article is exported. This is accomplished in three ways: (1) Through the manufacture in bonded warehouses, in which case no tax is paid, and (2) through the filing of a bond guaranteeing the export, in which case no tax is paid, and (3) through drawback if tax has already been collected. All of these methods require careful administrative supervision.

Section 3433 of the Revised Statutes, as modified by the act of October 1, 1890 (26 Stat. L., 614), and the act of October 3, 1913 (38 Stat. L., 197), provides for the manufacture of articles in bonded warehouses, so that they may be exported without being charged with the internal revenue tax, under such regulations as the Secretary of the Treasury may prescribe.

The manufacturer of such articles is required to give satisfactory bonds for the faithful observance of all the provisions of law and of such regulations as may be prescribed by the Secretary of the Treasury. No articles or materials received in such bonded warehouses may be withdrawn or removed except for direct shipment and exportation or for transportation and immediate exportation in bond to foreign countries or to the Philippine Islands, Porto Rico, or the Virgin Islands, under the supervision of an officer who is duly designated by the collector of the port and who certifies to the shipment and exportation, or lading for transportation, as the case may be, describing the articles by their mark or otherwise, the quantity, the date of exportation, and the name of the vessel. Officers of the internal revenue service are usually detailed to assist customs officers in carrying out the above provisions, and all labor performed and services rendered under the above provisions are at the expense of the manufacturer. Appropriate export stamps, which have no money value, are provided for all articles other than mixed flour and playing cards removed in bond for export.

Manufactured tobacco, snuff, and cigars may be removed from a factory without payment of tax upon the filing of such bond as the Commissioner of Internal Revenue may require. The officers of the Internal Revenue Bureau and the Customs Service cooperate

in order to insure the exportation of the products shipped without payment of tax.

If the tax is paid by means of internal revenue stamps at the time of removal from the factory, a refund or drawback of the amount of tax is allowed when proof is submitted that the articles have been exported. The drawback of internal revenue taxes allowed on exported distilled spirits was \$640,669.98 for the year 1920, \$739,463.40 for the fiscal year 1921, and \$471,617.13 for the fiscal year 1922.

The total drawback for internal revenue taxes paid on tobacco, cigars and cigarettes exported was \$331,189.57 during the fiscal year 1920, \$154,045.36 during the fiscal year 1921, and \$923,772.35 during the fiscal year 1922.

Articles subject to tax which are purchased by the United States are also free of tax, and careful supervision and vigilance is necessary to guard against the possibility of tax-free articles being withdrawn ostensibly for government use and then diverted to other purposes. Special regulations are issued by the Bureau of Internal Revenue covering the withdrawal of oleomargarine, tobacco, cigars, cigarettes, and snuff from factories free from tax.

Whenever a product within the scope of the statutes is purchased for use of the United States and it is proposed to make withdrawals tax-free from the place of manufacture, a special requisition form must be used for this purpose. This is filled out by the head of the department or bureau or other organization making the requisition and must be filed with the Commissioner of Internal Revenue. The requisition specifies the quantity of the product contracted for, the price not including the tax, the name of the manufacturer, his factory number, district, and state, the location of the factory from which the product is to be withdrawn, and the name and address of the institution or officer to whom shipment or delivery is to be made. These requisitions are made in duplicate, and the Commissioner forwards one copy to the collector of internal revenue for the district in which is located the factory designated to furnish the product. The manufacturer named in the requisition is also required to make out an application in duplicate to the collector of his district. He is also required to give satisfactory bond with sureties and in a penal sum of not less than the tax on the total amount of the product requisitioned. A permit is then

issued by the collector to the manufacturer to withdraw the product. No withdrawals are allowed in advance of the issuance of the permit. Appropriate receipts must be taken by the manufacturer from the government receiving officer and two of these must be filed with the collector of internal revenue for the district within thirty days from the date of withdrawal from the factory. During the World War millions of dollars worth of articles subject to internal revenue taxes were withdrawn in this manner.

The methods of enforcing the stamp tax laws that are regulatory are discussed under the description of regulatory activities.

The receipts from stamp taxes during the fiscal years 1920 to 1922 were as follows:

RECEIPTS FROM STAMP TAXES, FISCAL YEARS 1920 TO 1922*

Tax	Fiscal year 1920	Fiscal year 1921	Fiscal year 1922
Toilet articles and medicines ^b	\$ 6,427,881.08	\$ 5,800,768.41	\$ 2,305,482.85
Tobacco, snuff, cigars, cigarettes, papers and tubes.....	294,777,051.29	253,090,099.12	269,771,109.63
Bonds, issues of capital stock, legal documents and foreign insurance, deeds, etc.....	35,277,437.29	32,670,622.32	26,730,794.37
Playing cards.....	3,088,462.02	2,603,941.42	2,880,441.65
Parcel post ^b	24,437,893.75	20,880,868.86	14,616,958.05
Transfer and sale of stock, future deliv- ery sales.....	21,544,034.43	16,312,580.92	14,571,291.38
Oleomargarine, adulterated, process and renovated butter.....	2,189,421.52	1,613,756.69	970,793.62
Mixed flour.....	1,524.52	926.20	968.20
Filled cheese.....	.....	.....	.....
Narcotics, sale of opium, etc., exclu- sive of fines and special taxes.....	276,728.31	137,379.98	208,158.44
Distilled spirits and wines.....	95,770,360.03	81,910,545.71	45,020,101.81
Total.....	\$483,790,794.24	\$415,102,387.34	\$377,076,099.40

* Special taxes on occupations, etc., collected through the medium of stamps are not included in this table.

^b Repealed by act of November 23, 1921.

Inasmuch as all internal revenue stamps are prepared by the Bureau of Engraving and Printing there is a considerable item of expense for stamps which does not appear in the appropriations for the Bureau of Internal Revenue. However, the preparation of dies and plates, the purchase of raw material, and the expense of labor in connection with the printing of the stamps must be included in any attempt that may be made to figure on the cost of administering the internal revenue stamp tax laws. For the fiscal year ended June 30, 1921, the Bureau of Engraving and Printing

delivered to the Bureau of Internal Revenue, 5,999,851,065 stamps at a total expense of \$699,466.16. The Bureau of Internal Revenue during the same year expended \$59,520 on stamp tax administration in Washington and a total of \$1,400,000 in the field, so that the total expense incidental to the administration of the internal revenue stamp tax laws for the fiscal year 1921 was \$2,158,986.16. The receipts or collections for the same period being \$416,337,137; the cost is, therefore, approximately \$0.501 for every \$100 collected in this manner.

Regulatory Activities. The regulatory activities of the Bureau of Internal Revenue are those which pertain to the regulation or prevention of traffic in certain commodities or the carrying on of certain specified business. Some regulatory powers are conferred directly upon the Bureau, while others are acquired through the taxing power. Some revenue may be obtained incidentally, but as the primary purpose of the taxes here considered is not to raise revenue, the following are treated as regulatory:

1. Enforcement of national prohibition, including the regulation of the manufacture, sale, and use of denatured alcohol.
2. Regulating of the traffic in narcotics.
3. Administration of taxes on oleomargarine, mixed flour, filled cheese, adulterated or renovated butter, and white phosphorus matches.

Enforcement of National Prohibition. The regulatory work of the Bureau of Internal Revenue in connection with the traffic in intoxicating liquors is conferred by the National Prohibition Act of October 28, 1919 (41 Stat. L., 305). While this act prohibits the general manufacture and sale of intoxicating liquors, it allows alcoholic liquors to be manufactured and sold for medicinal, sacramental, and industrial purposes, and permits the possession of alcoholic liquors for beverage purposes lawfully held when the act took effect. All taxes previously in force are continued in effect as to liquors manufactured in conformity with the provisions of the act, and a tax at double the current rate is assessed against liquor illegally manufactured. The assessment of the penalty tax on liquor illegally manufactured does not relieve anyone from the criminal liability. It should be noted that the police and regulatory activities in connection with the sale of alcoholic liquors or the suppression of the liquor traffic are entirely independent of

the revenue-collecting activity in connection with the licenses and tax on liquor legally sold. The activities in connection with revenue have previously been discussed on pages 93 to 105 under the headings "Collection of Occupational Taxes" and "Collection of Stamp Taxes."

All persons desiring to manufacture, sell, or transport intoxicating liquor for non-beverage purposes must obtain permits from the Prohibition Unit of the Bureau of Internal Revenue. A total of 131,394 permits was issued during the fiscal year 1922, of which 28,850 were original and 102,544 were renewals. During the same period 4079 applications for permits were refused, while 159 permits were revoked.

Careful examination of all the records of a permittee is one of the methods of surveillance, and even the premises are carefully inspected by prohibition agents to determine whether the law is being violated, or whether each lot of liquor received by the permittee was covered by genuine documentary authority, and particularly whether liquor received by the permittee, but not found on hand at the time of the investigation, has been legally disposed of. A constant and careful surveillance is also kept over all sales and shipments of intoxicating liquor with a view of determining whether such transactions are legal and covered by proper permits.

A system of checks is provided both under internal revenue laws and the National Prohibition Act. Thus, all manufacturers producing intoxicating liquors are required to keep records and to make returns, which are carefully examined by collectors of internal revenue and the prohibition agent and used for the purpose of determining whether the manufacturer accounts for all intoxicating liquors legally produced and pays the tax when due, or withdraws the liquor tax free for some authorized legal use, such as denaturation or exportation. In the case of distilleries and industrial alcohol plants, the protection of the liquor is by closed process, whereby a manufacturer is deprived of access to the liquor in process by mechanical means, such as sealed connections and locked openings, until the quantity of liquor produced has been determined and the necessary records made. This system as to manufacturers of whiskey, brandy, rum, and alcohol has served the purpose of protection of the revenues for many years. The control over manufacturers of wine, so far as records, returns, and checks

are concerned, is also complete, except that the process of manufacture is not a closed one. There has not as yet been devised so complete a procedure for checks for manufacturers producing patent medicines, toilet waters, flavoring extracts, etc., as are provided by law and regulations for manufacturers of liquors. Checks for users of denatured alcohol are complete and working satisfactorily. The checks for exportation of intoxicating liquors are fairly satisfactory, and importation is effectively controlled. A satisfactory system of checking of liquors withdrawn or procured from distilleries and wholesale dealers by permittees has been devised through the use of watermarked permits to purchase, each serially numbered, and the verification of the authenticity of such permit by the vendor through communication by registered mail with the director purporting to have issued the permit before shipment is made. The supervision referred to above applies only to liquor manufactured or imported legally. There is of course no check on the amount manufactured illegally or smuggled into the country.

A copy of each withdrawal permit issued by state prohibition directors is mailed to the prohibition commissioner in Washington on the date of issue, and where a withdrawal is made by one state director on a distillery in a state other than his own, such withdrawal permit must be countersigned by the director of the state in which the distillery is located. Should the director of the state in which the distillery is located believe, for any reason, that the permit to purchase is questionable, he immediately advises the prohibition commissioner and awaits his instructions.

Some of the problems and difficulties of the present day in prohibition enforcement have been set down by R. A. Haynes, prohibition commissioner, in a memorandum to the Institute for Government Research under date of November 9, 1921, in which he states:

Under the Eighteenth Amendment to the Federal Constitution it was contemplated that manufacturers such as whiskey distillers would have one year after the adoption of said amendment to dispose of their products. Under the so-called War Prohibition Act of November 21, 1918, it became illegal to use food or feed materials after May 1, 1919, in the production of intoxicating malt and vinous liquors for beverage purposes and after July 1,

1919, to sell or to withdraw from bonded warehouses any intoxicating liquors for beverage purposes, except for export. It will be understood that under the act of August 10, 1917, the manufacture of spirituous (distilled) liquors was prohibited after September 8, 1917. Under that act the importation of distilled spirits for beverage purposes was also prohibited, except that those en route were admitted. As a result of this legislation, when the National Prohibition Act became effective on January 17, 1920, there was a very great quantity of intoxicating liquor, particularly whiskey, in Government bonded warehouses. The major portion of this liquor was in distillery, general, special, and customs bonded warehouses. The aggregate quantity in bond at that time was between fifty-eight and sixty million gallons. In view of the restricted market for spirits for non-beverage purposes on and after January 17, 1920, which, so far as whiskey and brandy are concerned, is confined almost exclusively to sale on prescription for medical purposes, the advent of prohibition, under the Eighteenth Amendment, on January 17, 1920, was not particularly advantageous or auspicious for enforcement. Some manufacturers, at least, felt resentful by reason of the fact that they had legally and in good faith produced the spirits and were deprived in a large measure of a market, and were left with very large quantities of such liquor on their hands, for which they were responsible under their bonds. In addition to this, the bonded period of eight years has in many instances expired as to considerable quantities of such liquors, and unless a so-called interim bond, under Section 600-b of the Revenue Act of 1918, is given, the liquors are forfeitable. Unfortunately the liquor in most cases was owned by persons other than distillers, and such owners on warehouse receipts could not be located by distillers, and, in consequence, if the liquor reaching the eight-year bonded period were forced out of bond, the distiller was compelled to pay the tax and remove the liquor to his free warehouse, thus tying up great sums of money and depriving the distillers of the use thereof. This condition still prevails to a very considerable degree. The surety companies, by reason of the added hazards, increased the premiums on their warehousing bonds from one-quarter of 1 per cent to 1 per cent, which resulted in an added expense to the distiller where the so-called interim bond was given.

The extremely high tax rate of \$6.40 per proof gallon and the inability to procure good liquors for beverage purposes have served as incentives for robbery of government bonded warehouses, such robberies being committed sometimes, at least, under the suspicion that the proprietors connive at such depredations.

Increased storage charges which have risen in many instances from five cents a barrel per month to \$1.00 a barrel per month,

and the bottling and other charges, have been a matter of grave concern. Since prohibition this has been to some extent remedied by transfer of the liquor by the distiller to general bonded warehouses. Unfortunately, however, the proprietors of general bonded warehouses have also increased their charges.

The problem is still further complicated by the difficulty of determining under the law which alcoholic preparations or compounds are fit for use for beverage purposes, and which are unfit. This is determined by the submission of formulae and samples of the manufactured product to this office for examination when acting upon applications for permits. This involves many formulae under the U. S. Pharmacopoeia, National Formulary, private formulae of manufacturers of proprietary medicines, face lotions, toilet preparations, etc., containing alcohol, many of which have been found fit for use for beverage purposes. It also became necessary to draw the line much closer as to fitness and unfitness, since some preparations and compounds which have been regarded as standards for many years, were found to be adapted to use for beverage purposes. It also immediately raised the question as to the right of manufacturers to use distilled spirits, other than alcohol, in the production of such alcoholic preparations and compounds. This question is still unsettled.

Bonds given by certain persons, firms or corporations, under the National Prohibition Act, more particularly of manufacturers using non-beverage liquors in the production of preparations unfit for use for beverage purposes, of necessity must be very broad in their conditions. The damages sustained by the government in such cases are frequently not measurable and are not what are known as liquidated damages, and, in consequence, the question of whether or not such bonds are forfeitable *in toto* has caused great concern to the government, the principles and the surety companies. The matter is still under consideration but it is hoped that a satisfactory solution of the problem will be reached.

Another problem of great difficulty arises through the defining of malt liquors in Section 1 of Title II of the National Prohibition Act. Malt liquors thus defined may be manufactured under Section 3 and be prescribed for medicinal purposes under Sections 6 and 7 of said act. The legitimacy of the need for such malt liquors for medicinal purposes is controversial, and is still pending in Congress.³

Another difficulty arose through the demand on the part of the manufacturers to use intoxicating liquors in the manufacture of food products such as ice cream, mincemeat, brandied cherries, etc.,

³ After the above statement was prepared Congress, by the act of November 23, 1921 (42 Stat. L., 222), definitely stated that only spirituous and vinous liquor could be used for medicinal purposes.

and as to the right of importers and distillers to bring such preparations into the United States. This problem was finally settled by the issuance of a Treasury Decision which authorized certain manufacturers, who did not sell or use their products on the premises where they were made, to use intoxicating liquors in flavoring soups, ice cream, fruits, etc., provided the liquid therein or which might be expressed therefrom did not contain as much or more than one-half of one per cent of alcohol by volume.

Under Section 29 of Title II of the National Prohibition Act provision is made for the manufacture and sale of non-intoxicating fruit juices exclusively for use in the home, and exempting such manufacturers from the penalties under said section. This has given rise to very great difficulty and the problem is not yet fully settled. The difficulty of this problem will be realized when it is recognized that cider is a fruit juice, and has been commonly used from time immemorial by farmers and other householders in the manufacture of cider vinegar for household purposes, as well as for sale. Unfortunately Congress has not yet defined what is meant by non-intoxicating in fact, as regards such fruit juices, nor have the courts as yet settled the question. Section 18 of the act has also given rise to trouble and controversy, particularly since many preparations are manufactured and sold for legitimate uses, but also are admirably adapted to the production of intoxicating liquor in the home and elsewhere for beverage purposes. This is particularly true of certain apparatus such as pots, kettles, copper tubing, malt extract, and malt extract and hops mixed, etc.

Under Section 1 of Title II of the National Prohibition Act, beer, ale, and porter containing one-half of 1 per cent or more of alcohol by volume, may be manufactured for conversion into cereal beverages as provided by Section 37 of the act. By regulations this office has authorized proprietors of dealcoholizing plants, industrial alcohol plants, and vinegar factories using the vaporizing process to manufacture cereal beverages containing less than one-half of 1 per cent of alcohol by volume from residual liquid, after the alcohol has been extracted therefrom. Some such manufacturers have diverted the intoxicating malt liquor produced by them for dealcoholizing and sold it for beverage purposes. When charges of this character have been made, the evidence upon which to assess taxes and procure convictions has not always been easy to obtain. Any one such manufacturer actually diverting and selling intoxicating malt liquor containing one-half of 1 per cent or more of alcohol by volume renders it difficult for honest manufacturers to sell cereal beverages in the same community. This matter has been most troublesome and it has become necessary to adopt very drastic measures in such cases.

An important feature of prohibition enforcement is the supervision over the manufacture and distribution of industrial alcohol and denatured alcohol. Industrial alcohol is grain or ethyl alcohol, and is subject to a tax of \$2.20 on each proof gallon.

Denatured alcohol is ethyl or grain alcohol to which has been added some material which prevents its use for internal administration. It is free of tax, and is solely for use in the arts and industries. Completely denatured alcohol is alcohol which has been denatured by a limited number of fixed formulae, and which is sold to the general public with very little supervision. All of the products produced by these formulae are injurious to the human system. Specially denatured alcohol is alcohol which is less denatured than the "completely," and can only be obtained under a heavy bond for use in manufacturing processes in which the alcohol is always protected by the bond. Grain alcohol is withdrawn free from tax for denaturation under the supervision of internal revenue officers.

Section 13 of Title III of the National Prohibition Act provides as follows:

The Commissioner shall from time to time issue regulations respecting the establishment, bonding, and operation of industrial alcohol plants, denaturing plants, and bonded warehouses authorized herein, and the distribution, sale, export, and use of alcohol which may be necessary, advisable, or proper, to secure the revenue, to prevent diversion of the alcohol to illegal uses, and to place the non-beverage alcohol industry and other industries using such alcohol as a chemical raw material or for other lawful purposes upon the highest possible plane of scientific and commercial efficiency consistent with the interests of the government, and which shall insure an ample supply of such alcohol and promote its use in scientific research and the development of fuels, dyes, and other lawful products.

The responsibility placed upon the Bureau of Internal Revenue with regard to this particular work is, therefore, a heavy one. Charged with the duty of supervising the manufacture, distribution, and the withdrawal from bonded warehouses of so-called industrial alcohol in order to protect the revenue of the government, it is also charged with the responsibility of seeing that there is no unlawful diversion of alcohol through error or intent by means

of false branding or other methods which may be employed to defeat the purpose of the law. Officers assigned to duty as store-keeper gaugers, whose duty it is to see that the interests of the government are protected, must be of unusual alertness and fidelity. They are supposed to remain on duty at all times when alcohol is being withdrawn, and are given custody of keys to bonded warehouses and other rooms where pure alcohol is stored. It is upon these officers in a great measure that the effective administration of the law as it pertains to the manufacture, sale, and distribution depends; likewise the issuance of permits requires utmost care and scrutiny on the part of those in charge of this particular work.

The number of industrial alcohol plants in the United States at the close of the fiscal year 1922 was seventy-three. There were also seventy-eight bonded warehouses, and seventy-four denaturing plants. For the production of distilled spirits other than alcohol for non-beverage purposes there were operated two grain distilleries, two rum distilleries and thirty-three fruit distilleries.

The act of June 7, 1906 (34 Stat. L., 217), first authorized the withdrawal of alcohol without payment of tax, for denaturing under the direction of an authorized officer, pursuant to regulations made by the Commissioner of Internal Revenue. In order to encourage the establishment of small distilleries for the manufacture of alcohol from waste products, the act of March 2, 1907 (34 Stat. L., 1250), provided for the establishment of distilleries having a daily capacity not exceeding one hundred proof gallons, and also provided for central denaturing bonded warehouses. The act of October 3, 1913 (38 Stat. L., 199), authorized the establishment by farmers or associations of farmers, or others, of distilleries for the manufacture of alcohol free from tax for denaturation only, "out of any of the products of farms, fruit orchards, or of any substance whatever," and also provided for central distilling and denaturing plants to which the alcohol so produced at these small distilleries, (if not of sufficient proof strength, and if not denatured on the distillery premises) may be transferred, redistilled and denatured under regulations and upon the execution of such notice and bond as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe.

Although these acts and the regulations especially encouraged the establishment of small farm distilleries, no distilleries of this class were registered until 1915, and the one opened in that year soon discontinued operations. The comparative high cost of installing a distilling plant and the high degree of skill that is necessary in order to produce a grade of alcohol suitable for denaturation, in all probability discouraged the establishment of industrial distilleries until 1917.

With the advent of the World War and the increase in the manufacture of munitions in the United States for shipment abroad a greater demand was created for denatured alcohol, especially after 1918, when army specifications called for the use of denatured instead of tax-free, undenatured alcohol, to be used exclusively at the various munitions plants in the country. Eight industrial farm distilleries were established in 1918 and 208 industrial distilleries were established under the act of October 3, 1913 during the fiscal year 1919. When the National Prohibition Act became effective in October, 1919, all distilleries and industrial distillers producing alcohol were required to requalify as industrial alcohol plants.

Each denaturing plant is under the control of the collector for the district in which located and in the joint custody of the proprietor and an officer of internal revenue assigned thereto. No one is permitted to enter any of these plants except in the presence of such officer. Suitable office accommodations are provided by the proprietor for the internal revenue officer in charge of each plant. Proprietors of denaturing plants, before being allowed to operate their plants, must file with the collector of internal revenue a bond in a penal sum based upon the quantity of alcohol withdrawn for use in the business during a period of thirty days plus the quantity which may remain on hand and unused, but in no case less than \$10,000 or more than \$100,000. A list of authorized denaturants is also furnished by the Bureau of Internal Revenue, and these must be placed in a designated storeroom immediately upon being brought on the premises of any plant. Reports of each shipment of denatured alcohol must be made in duplicate and furnished to the internal revenue officer in charge of the plant. If found correct one copy of the report is forwarded to the collector and the other to the Commissioner of Internal Revenue.

Monthly reports are prepared by the denaturer; also monthly reports of denaturants received and used.

In addition to the supervision of the manufacture and denaturation of alcohol, the Bureau of Internal Revenue is charged with the supervision of the distribution and use of denatured alcohol. Dealers in and manufacturers using completely denatured alcohol are not required to obtain permits to handle but they must label the product in plain legible letters (red or white) with the words "Completely Denatured Alcohol," and with the customary skull and bones symbol, the word "Poison." Every person who sells specially denatured alcohol, however, excepting a proprietor of a denaturing plant, is classed as a bonded dealer, and before dealing as such must file an application in duplicate for a permit and execute a satisfactory bond.

Persons desiring to use specially denatured alcohol for manufacturing purposes must also file an application for a permit and likewise execute a bond. The work of the Bureau of Internal Revenue, therefore, in supervising the manufacture, sale, and use of denatured alcohol consists mainly in seeing that all alcohol and denaturants received at such plants are properly stored therein; that the alcohol so received is properly denatured or otherwise lawfully disposed of; that the packages are properly gauged, marked, or branded; and that all requirements of the regulations respecting such plants and the denaturing of alcohol are fully complied with before withdrawal for denaturation. The number of bonded manufacturers using specially denatured alcohol was 1761 during the fiscal year 1921, compared with 1395 in the previous year. During the fiscal year 1921, 769 storekeeper gaugers were employed in this work. These employees are paid on a per diem basis. Many were employed only part of the time and were shifted so frequently that it is impossible to make any correct cost analysis of this work.

The premises and records of persons authorized by permit under the National Prohibition Act to manufacture or deal in intoxicating liquor are subject to inspection by officers and agents of the bureau. The Bureau of Internal Revenue has a large force of inspectors and agents who are constantly engaged in investigating violations of the act. In this work they are often assisted by the state and city

police, but the extent of this coöperation is not the same in all localities. The Amendment to the Constitution gives the states concurrent jurisdiction in its enforcement, but in a number of states it is still possible to sell liquor legally under the state laws, and the state and city police take little interest in the enforcement of prohibition. The prosecution of cases in the district courts, as in the case of other offenses against the laws of the United States, is made by the United States attorneys, who are under the direction of the Attorney General, but the police work of making arrests and procuring evidence is entirely under the control of the Bureau of Internal Revenue. The arrests and seizures made during the fiscal year 1922 were as follows:

ARRESTS AND SEIZURES OF APPARATUS AND LIQUORS DURING FISCAL
YEAR 1922

Arrests	42,223
Illicit distilleries and distilling apparatus seized:	
Distilleries	8,318
Stills	10,994
Still worms	10,203
Fermenters	81,640
Distilled spirits seized, gallons.....	382,390
Malt liquor seized, gallons.....	4,187,625
Wine, cider, mash and pomace seized, gallons.....	4,052,213.88
Appraised value of all property seized.....	\$5,872,092.09

The storage and guarding of the large amount of liquor seized constitutes one of the important problems of the Bureau. The largest single stock of seized liquor is at New York, although there are large stocks in Chicago, Denver, San Francisco and New Orleans. Liquor can only be disposed of in accordance with the decree of a court of competent jurisdiction.

Regulating Traffic in Narcotics. The first legislation on the sale of opium was the act of October 1, 1890 (26 Stat. L., 620), which imposed an internal tax of \$10 a pound on all opium manufactured in the United States for smoking purposes, and limited the manufacture to citizens of the United States. On January 17, 1914 (38 Stat. L., 275), the tax was increased to \$300 per pound. Both of these acts gave the Commissioner of Internal Revenue power to inspect the books of manufacturers in order that the entire amount of tax might be collected. The present powers of the Bureau of Internal Revenue in the control

of narcotics are based on the Harrison Act of December 17, 1914 (38 Stat. L., 785), as amended by the Internal Revenue Law of February 24, 1919 (40 Stat. L., 1130). While the purpose of this act is to control the traffic in narcotics, control is accomplished entirely through license taxes on persons prescribing or dealing in these drugs, and specific taxes on the commodities. The importation and exportation are controlled through the Customs Service.

The present law imposes an annual license tax of \$24 on importers, manufacturers, producers, or compounders; \$12 on wholesale dealers, \$6 on retail dealers, \$3 on physicians and other practitioners, and \$1 on manufacturers of and dealers in preparations containing a specified minimum amount of the drugs enumerated. In addition there is a stamp tax of one cent per ounce, except on preparations containing less than a specified quantity.

The primary object of the Harrison Law was to arrest the increasing menace of drug addiction and to restrict narcotics to their legitimate use. This necessarily involves a control by registration, taxation, and the enforcement of the criminal phase of the law, which are closely interrelated. The law is not primarily a revenue measure, but more specifically serves the purpose of controlling and restricting the traffic in narcotic drugs.*

Every person, firm, or corporation which can lawfully deal in narcotic drugs and so does is required to make application for registration with the collector of the district in which the applicant does business. When the law went into effect, persons making application for registration were required to furnish an inventory of their stock on hand on forms prepared for this purpose. Dealers filling prescriptions are required to keep them in a separate file for two years in such manner as to be readily accessible to inspection by investigating officers.

Orders may be filled only by registered importers, manufacturers, and wholesale dealers, and these persons make reports of all transactions in their monthly returns. The entire sales activity, including importation and exportation as well as domestic commerce, being centered in these two classes, it is possible to secure

* Although on its face a revenue measure, the Harrison Law has been assumed by the Supreme Court to have a moral end in view, reaching this end within the limits of such a measure. *U. S. vs. Jin Fuey Moy*, 241 U. S. 394.

the following direct results from an audit and examination of their returns:

1. Accountability for all narcotic drugs imported.
2. Accountability for all products manufactured.
3. Accountability for all drugs entering the commerce of this country.
4. Complete record of all purchases and sales including importations and exportations.
5. Conformity of all transactions and payments of tax to the exact requirements of the law.
6. Opportunity for apprehending purchasers of larger quantities of narcotic drugs than are ordinarily necessary in the legitimate pursuance of their business or profession.

In a broader sense the government is afforded, through these reports, a means for having a clear perspective of both the domestic and international traffic in narcotic drugs as affecting the United States, and in this connection the necessary statistics are compiled from the accounts rendered.

Illicit traffic by non-registered dealers, due in a large measure to smuggled drugs, continues a great menace, the profits to be made by trafficking in these drugs having attracted large numbers of persons. Violations of the law by registered persons, although greater in number, are usually less flagrant in nature, being for the most part technical and involving the proper payment of taxes.

The revenue obtained from the dealers and stamp taxes during the fiscal year 1922 was as follows:

Stamp taxes	\$ 208,158.44
License taxes	1,050,500.40

Taxes on Oleomargarine, Mixed Flour, Filled Cheese, Adulterated and Process or Renovated Butter, and White Phosphorus Matches. These taxes are all regulatory, being designed to discourage the production and sale of the commodities mentioned.

Manufacturers and wholesale dealers of oleomargarine and adulterated butter are required to keep detailed accounts of their transactions and to make monthly reports to the collector of internal revenue, who has authority to examine their books if he thinks the tax is being evaded. The internal revenue officers also have power to examine the stock in the store of any retailer in order to ascertain whether the stamps are affixed and whether the product is labeled as required by law.

The tax on oleomargarine was first imposed by the act of August 2, 1886 (24 Stat. L., 209), in the interest of the producers of butter and was intended to prevent the competition of oleomargarine with dairy products. Although it was essentially a regulatory measure it has produced considerable revenue, judged by pre-war standards. During the first year the tax was in operation it yielded \$723,948.04, and in thirty-six years the receipts have been \$54,044,232.12.

The tax on oleomargarine is as follows:

License taxes:	
Manufacturers	\$600.00
Dealers in uncolored oleomargarine:	
Retail	6.00
Wholesale	200.00
Dealers in colored oleomargarine:	
Retail	48.00
Wholesale	480.00
Stamp taxes:	
Oleomargarine artificially colored; per lb. ....	.10
Oleomargarine not artificially colored; per lb. ....	.00½

The original act of 1886 taxed all oleomargarine uniformly at the rate of two cents a pound; an amendatory act passed on May 9, 1902 (32 Stat. L., 193), effective July 1, 1902, established the present rate of ten cents a pound on the artificially colored and one quarter cent a pound on the uncolored product.

In the fiscal year 1922 the quantity of oleomargarine on which tax was paid amounted to 5,159,236 pounds of artificially colored and 183,670,536 pounds of uncolored product. It is now the general practice to have a small amount of coloring matter accompany the package of uncolored oleomargarine, so that the purchaser may add the coloring if he desires it. The collections during the fiscal year 1922 amounted to \$2,121,079.68.

The tax on process or renovated butter and adulterated butter was first imposed by the act of May 9, 1902 (32 Stat. L., 194), the rates in effect in 1922 being as follows:

License taxes:	
Manufacturers of adulterated butter.....	\$600.00
Retail dealers in adulterated butter.....	48.00
Wholesale dealers in adulterated butter.....	480.00
Manufacturers of process or renovated butter.....	50.00
Stamp taxes:	
Adulterated butter; per lb.....	.10
Process or renovated butter; per lb.....	.00½

These taxes are of no importance as producers of revenue, the total yield in the fiscal year 1922 being \$17,871.84 from adulterated butter and \$14,416.27 from process or renovated butter.

The tax on mixed flour was imposed by the act of June 13, 1898 (30 Stat. L., 467), which was amended by the act of April 12, 1902 (32 Stat. L., 99). Mixed flour is defined as " (1) any milled food product containing more than 50 per cent of wheat or wheat flour and any quantity of any other grain or the product of any other grain or any other material except such material not itself a product of grain as is commonly used for leavening or similar baking purposes, regardless of the name under which it is known or under which it is offered for sale, and (2) any milled food product composed of wheat or wheat flour in a proportion not exceeding 50 per cent and any other grain, or the product of any other grain which is intended for sale, or sold or offered for sale as 'wheat flour' or merely as flour without any descriptive prefix; but does not include mixtures containing more than 50 per cent of wheat or wheat flour sold (1) as mixtures of wheat or wheat flour and other grain or the product of other grain or substitute therefor; (2) as the product of some grain other than wheat or (3) under some special distinctive or descriptive name not indicating the product to be 'wheat flour' or 'flour.'" The tax is \$12 a year on the manufacturer and four cents on each barrel.

The tax is a purely regulatory one, designed to prevent the sale of misbranded products. During the twenty-four years ending with the fiscal year 1922 the total receipts from both the tax on the manufacturer and the product amounted to \$96,131.13; the highest receipts were during the fiscal year 1919, when they amounted to \$17,575.07 as a result of order of the Food Administration which was in effect for a short time and which caused the flour to be classed as "mixed flour" under the law. The collections during the fiscal year 1922 were \$1,167.45.

The tax on filled cheese was imposed by the act of June 6, 1896 (29 Stat. L., 253), which defines the product as "all substances made of milk or skimmed milk, with the admixture of butter, animal oil or fats, vegetable or any other oils; or compounds foreign to such milk, and made in imitation or semblance of

cheese." The taxes are on the manufacturers, dealers, and the product and are as follows:

License taxes:	
Manufacturer	\$400.00
Retail dealer	12.00
Wholesale dealer	250.00
Stamp tax; per pound .....	.01

The tax is apparently prohibitory, as nothing has been collected since 1912. From 1897 to 1901 the collections totaled \$85,256.47; from 1902 to 1912 they amounted to only \$20,519.95.

The tax of two cents a hundred on white phosphorus matches, imposed by the act of April 9, 1912 (37 Stat. L., 81), was designed to be prohibitory of their manufacture and has accomplished this end. So far as is known no tax has ever been collected under this act, as the manufacture of white phosphorus matches ceased when it went into effect.

Chemical Researches. When the law which put a tax on oleomargarine was passed in 1886 it contained certain provisions which necessitated the establishment of a chemical laboratory and also the appointment of a microscopist and a chemist. The work at first was confined to making analysis of butter, oils, and oleomargarine. When the act authorizing the bounty on sugar went into effect in 1890, additional duties were added. Subsequent acts, such as the ones imposing a tax on filled cheese and mixed flour, increased the work of the laboratory. The Pure Food and Drugs Act of 1906 also extended the scope of chemical analysis carried on in relation to distilled spirits. The administration of the Denatured Alcohol Act of June 7, 1906 made necessary the making of chemical analyses of denatured alcohol as well as certain chemical research work relative to the use of various materials for denaturing purposes. The Harrison Narcotic Law of December 17, 1914, the various war revenue measures, and finally the National Prohibition Act of October 28, 1919, have so increased the activities of this particular line of endeavor as to necessitate the employment of many additional chemists and also made necessary the establishment of branch laboratories in important cities of the United States so as more effectively to prosecute the work. Many cases of criminal prosecution are based on the testimony of a chemist and much of the time of these employees of the Bureau is

taken up in attendance at court. The analysis of samples taken in connection with the administration of the Harrison Law and the Prohibition Law constitutes the major part of the work at the present time.

Samples of medicinal preparations are analyzed to determine their alcoholic and narcotic drug content in order to obtain evidence of violations of the statutes. Likewise, samples of beverages are analyzed to determine whether their alcoholic strength is within the limit allowed by law.

One of the most important functions of the laboratory is the work in connection with the development of new denaturing processes and formulae. The development of industrial alcohol is not only of great importance to the chemical industries of the country at the present time, but the operation of national prohibition has made it imperative to safeguard the alcohol supplies from diversion to intoxicating beverages wherever practicable. The denaturation of alcohol is probably the most effective means for attaining this end.

Branch laboratories are now operating in five leading centers of the United States, as follows: New York, Columbus, Chicago, Little Rock, and San Francisco; the last three having been established during the fiscal year 1921. A coöperative arrangement was effected with the Department of Agriculture whereby internal revenue chemists could be stationed in certain of the food and drug inspection laboratories at points where it was not deemed advisable, for reasons of economy, to install separate internal revenue laboratories. Under this arrangement chemists are now stationed in the food laboratories at Buffalo, Minneapolis, and Denver.

The general analytical work has increased materially as a result of the administration of the Prohibition Act. It has been found to be in the interest of economy and a more effective enforcement of the law to provide for the performance of a substantial part of chemical work at points outside of Washington. Certain classes of work, however, are handled exclusively in the Washington laboratory, where, for reasons of administration, it is necessary to have the work performed at a central point.

A total of 63,707 samples were analyzed by the Washington and branch laboratories during the fiscal year 1922, an increase of 24,233 over the previous year. These samples comprised butter, oleomargarine, fats and oils, narcotic drugs, fermented beverages,

distilled spirits, denatured alcohol, medicinal preparations, etc. Close relationship between the laboratories and the enforcement of various internal revenue laws is shown by the fact that during the fiscal year, 1922, the chemists in the Washington and field laboratories spent 1946 days as witnesses in various federal courts.

Collection of Statistics. Ever since the creation of the office of Commissioner of Internal Revenue there have been published in the annual reports of that officer, statistics showing in detail the tax collections by objects, by states, and by collection districts. Section 33 of the act of July 1, 1862 (12 Stat., L., 445), provided that separate accounts should be kept for each source of revenue, but the Bureau has not adhered merely to the letter of the law, and has published production statistics on commodities subject to taxation.

Since certain taxes are based directly upon quantities of goods sold, the Bureau of Internal Revenue is able to calculate from the monthly and annual collections of tax on a number of commodities the total quantity of each commodity sold during the period. A brief mimeographed statement is issued monthly, showing the number of gallons of distilled spirits, rectified spirits, and wines on which tax was paid during the month; the number of each of six classes of cigars and of two classes of cigarettes, the number of pounds of manufactured snuff, of manufactured tobacco, of colored oleomargarine, and of uncolored oleomargarine; also the number of packs of playing cards.

The annual report contains statistics relating to the production of distilled spirits, liquors, industrial alcohol, tobacco products, raw material consumed in the manufacture of liquors and tobacco products, and number of establishments engaged in production. While it contains summary tables showing the amount collected from taxes on income, the more detailed analysis of statistics of this character are given in the annual publication entitled *Statistics of Income*.

The publication of these detailed statistics of income was first provided for by Section 21 of the act of September 8, 1916 (39 Stat. L., 776). As reenacted by Section 258 of the act of November 23, 1921 (42 Stat. L., 270), this authority is as follows:

That the Commissioner, with the approval of the Secretary, shall prepare and publish annually statistics reasonably available

with respect to the operation of the income, war-profits and excess-profits-tax laws, including classifications of taxpayers and of income, the amounts allowed as deductions, exemptions, and credits, and any other facts deemed pertinent and valuable.

In accordance with this authority detailed analyses have been published of the income tax returns for each year beginning with 1916.

In 1918 the Senate (Senate Res. 253, 65 Congress, 2 session) directed the Secretary of the Treasury to furnish

any and all facts, figures, data, or information now in possession of the Treasury Department relative to profiteering which would in any way enable Congress to deal with the matter either through the present proposed revenue legislation or through enactment of more effective criminal statutes. That such report shall contain a list of all corporations with the amount of their earnings which have earned in excess of fifteen per centum on their capital stock, as shown by their returns to the Internal Revenue Bureau for the calendar year nineteen hundred and seventeen, accompanied by such statements as will show net earnings of the same corporation for the calendar year nineteen hundred and sixteen.

The information contained in the report submitted^{*} in response to this resolution was obtained from the income and excess profits returns of 31,500 corporations in the United States which in the calendar year 1917 earned 15 per cent or more on their capital stock. In this report the corporations are classified by industrial groups, and for each concern is given the amounts reported as capital, net income, and tax for the calendar years of 1916 and 1917. While separate data are given for each corporation, the names of the corporations are not shown, each one being represented by an arbitrary number.

^{*} 65 Cong. 2 sess., S. doc. 259.

CHAPTER III

ORGANIZATION

The work of the Bureau of Internal Revenue is carried on both in Washington and through collectors and other agents stationed throughout the country. The organization in Washington will be referred to as the Bureau Service and that throughout the country as the Field Service.

The Bureau Service is located entirely at Washington, and since the World War has expanded to more than twenty times its former size. For the purpose of facilitating administrative procedure the Bureau organization is divided into the following units:

1. Office of the Commissioner
2. Office of the Solicitor.
3. Committee on Appeals and Review
4. Appointment Division
5. Special Intelligence Unit
6. Income Tax Unit
7. Accounts and Collections Unit
8. Estate Tax and Capital Stock Tax Unit
9. Sales Tax Unit
10. Stamps, Miscellaneous, and Supplies Unit
11. Prohibition Unit

The several field services are discussed under the Bureau unit to which they report.

Office of the Commissioner. The Commissioner of Internal Revenue is by law the administrative head of the entire internal revenue system. He is appointed by the President, by and with the advice and consent of the Senate.¹ Under the direction of the Secretary of the Treasury he has general superintendence over the assessment and collection of all internal duties and taxes; prepares and distributes all the instructions, regulations, directions, forms, blanks, and other matters pertaining to the assessment and collection of internal revenue; and provides stamps or dies for

¹ R. S., 319.

expressing and denoting the several stamp taxes.³ He is required to estimate in detail by collection districts the expense of assessment and collection of internal revenue and submit these estimates to Congress at the commencement of each regular session.⁴

The Commissioner of Internal Revenue is charged with the duties of assessing all taxes and penalties imposed or accruing under any internal revenue act, where such taxes are not payable by stamps, or where they have not been paid by stamps at the time and in the manner provided by law. He is also authorized to make additional assessments of taxes in case any return filed by a taxpayer is incorrect by reason of mistake or fraud, or in case any list certified to the collector is incomplete.⁵

Subject to regulations prescribed by the Secretary of the Treasury, he is authorized, on appeal, to remit, refund, and pay back all taxes erroneously or illegally assessed or collected, all penalties collected without authority and all taxes that appear to be unjustly assessed or wrongfully collected in any manner; to repay to any collector or deputy collector the full amount of such sums of money as may be recovered against him in any court for any internal taxes collected by him, with the costs and expenses of the suit; also all damages and costs recovered against any assessor, assistant assessor, collector, deputy collector, or inspector in any suit brought against him by reason of anything done in the due performance of his official duties.⁶

With the advice and consent of the Secretary of the Treasury, he may compromise any civil or criminal suit arising under the internal revenue laws instead of commencing suit thereon; and with the advise and consent of the Secretary and the recommendation of the Attorney General, he may compromise any such case after suit has been commenced.⁷

The Commissioner is also responsible for the enforcement of the National Prohibition Act, the Harrison Narcotic Act, and certain other existing regulatory measures.

³Other duties of the Commissioner with respect to internal revenue stamps are prescribed by Section 3238, 3312, 3328, 3341, 3369, 3395, 3446, 3445 and other sections of the Revised Statutes.

⁴R. S., 3671.

⁵R. S., 3182.

⁶R. S., 3250.

⁷R. S., 3220.

The Commissioner is allowed by law the following administrative officers to assist him in the administration of the affairs of the Bureau: five deputy commissioners, one assistant to the commissioner, a solicitor of internal revenue, sixty-five collectors of internal revenue, and forty revenue agents. In addition to the above the Commissioner is also authorized to employ attorneys, experts, chemists, agents, accountants, inspectors, deputy collectors, clerks, storekeeper-gaugers, janitors, and messengers to carry on all the work incident to the collection of internal revenue taxes and law enforcement, both in Washington and throughout the United States. The Commissioner is authorized to assign to deputy commissioners such duties as he may prescribe, and the Secretary of the Treasury may designate any one of them to act as Commissioner of Internal Revenue during the Commissioner's absence.*

As at present organized a deputy commissioner is in charge of each of the following units: Income Tax; Accounts and Collections; Estate Tax and Capital Stock Tax; Sales Tax; and Supplies, Information, Tobacco, and Miscellaneous. In addition there is one other major subdivision—the Prohibition Unit, which reports directly to the Commissioner. The deputy commissioners and the head of the Prohibition Unit are directly responsible for the work assigned to them. Independent of the units mentioned above and attached directly to the office of the Commissioner are the Solicitor of Internal Revenue, the Committee on Appeals and Review, the Appointment Division, and the Special Intelligence Unit.

The Commissioner has in his immediate office an assistant who keeps him in close touch with the operations of the units concerning matters in which the Commissioner has personal interest because of their exceptional importance. All rulings, mail memoranda, etc., for the attention of the Commissioner pass over the desk of the assistant to the Commissioner, who reviews and makes suggestions as to their disposition.

Office of the Solicitor. The work of the Office of the Solicitor of Internal Revenue embraces the legal aspects of the whole field

* Section 320, R. S., authorizes the commissioner to designate one of the heads of division as chief clerk without additional compensation.

* Act of October 6, 1917; 40 Stat. L., 345.

of federal internal taxation and may be summarized as the preparation of cases, both civil and penal, either in prosecuting violations of the law or in defending collectors of internal revenue against suits for refunds, and the interpretation of various phases of the tax laws. Generally speaking, the Office acts as legal adviser to the Commissioner and the several units.

For administrative purposes their office is separated into five divisions:

- Interpretative Division No. I.
- Interpretative Division No. II.
- Civil Division.
- Penal Division.
- Administrative Division.

There is also a Conference Committee, composed of the five attorneys in charge of the divisions of the Office of the Solicitor, which considers all proposed law opinions, solicitor's opinions, Treasury decisions, regulations, etc., before they are sent to the Solicitor and Commissioner for approval.

Interpretative Division No. I. Interpretative Division No. I handles questions arising under the income, excess profits, and estate tax features of the various revenue acts, reviews the material for the Internal Revenue Bulletin, and assists in the preparation, review, and promulgation of regulations appropriate to the three subjects above mentioned.

Interpretative Division No. II. The general work of Interpretative Division No. II is similar to that of Interpretative Division No. I, except that there are handled here questions affecting transportation, insurance, sales, tobacco, admissions and dues, and other miscellaneous taxes. This division also handles general and miscellaneous administrative matters which have a legal aspect, passes on compromise cases of every nature and claims for abatement and refund where the amount involved is \$5000 or more.

Civil Division. The Civil Division handles internal revenue cases of a civil nature in which suit has been instituted on behalf of the United States or against a collector of internal revenue in his official capacity. The attorneys assigned to this work brief the cases when necessary and submit them to the United States attorney for the appropriate judicial district for submission to the court. In many instances attorneys of this division are required to appear

with the United States attorney in court to assist in the trial. Distraint matters are also handled in this division.

Penal Division. The Penal Division is concerned primarily with the criminal prosecution of those charged with having fraudulently violated the provisions of the internal revenue laws. The attorneys assigned to this work are frequently required to hold preliminary conferences with taxpayers and their attorneys where fraud is suspected, and to appear before the United States courts as assistants to the various United States attorneys in the prosecution of criminal suits. This division also considers statements of fact furnished by other branches of the Bureau regarding apparent violations of internal revenue laws with a view to rendering an opinion as to whether criminal prosecution shall be instituted, whether penalties shall be imposed, or whether, in view of the law and facts presented, no further action should be taken. All questions relating to the pardon or parole of offenders against the internal revenue laws are considered and appropriate recommendations made, based on the facts in each case. Such applications for rewards as may be submitted by informers under the provisions of the revenue statutes are also considered.

Administrative Division. The Administrative Division is charged with the general supervision of the clerical force of the Solicitor's Office, and of the Library, Mails and Files, and Docket Sections, with the procuring of supplies and equipment, and with matters affecting personnel and organization.

Under the Administrative Division are the Library, the Mails and Files Section, and the Docket Section. The work of the Library is indicated by its name. The Mails and Files Section has charge of the distribution of the mail for the Solicitor's Office and the filing of all correspondence and other papers. The Docket Section keeps a record of all court proceedings to which the Bureau is a party.

Committee on Appeals and Review. The Committee on Appeals and Review is an appellate and advisory body dealing exclusively with questions relating to the taxes on incomes of individuals and corporations. It was created by the Commissioner of Internal Revenue from the Bureau personnel to succeed and to function in the same manner as the Advisory Tax Board which was created in 1918 and dissolved on October 1, 1919.

The Commissioner recognized that many difficult and complex problems would arise involving differences of opinion between the taxpayer and the Income Tax Unit, which has charge of the administration of the income and excess profits tax provision of the law. Therefore, in order to assure taxpayers that their cases would receive impartial and expert consideration, this committee was created as a body advisory to him.

It is entirely independent of the Income Tax Unit and is responsible only to the Commissioner. Its personnel embraces a chairman, vice-chairman, eight members, and a secretary, all of whom have held responsible positions in the Bureau as heads of divisions or chiefs of sections and who are either lawyers or accountants. The principal duties of the Committee are as follows:

1. The hearing and consideration of cases which have been appealed by the taxpayer from the action of the Income Tax Unit
2. The consideration of questions submitted by the Income Tax Unit upon which the advice of the committee is asked
3. The criticism or approval of such letters making new rulings or new applications of old rulings as are submitted by the Income Tax Unit or the office of the Commissioner
4. The criticism or approval of proposed Treasury Decisions
5. The consideration of matters presented in informal conferences by officers of the Bureau and by taxpayers upon questions of interpretation, policy or procedure

Cases may be appealed only after final disposition has been made of the case by the Income Tax Unit, and upon such questions, either as to the law or the facts, as are in controversy between the taxpayer and the Income Tax Unit. The taxpayer accordingly has no right of appeal until the Income Tax Unit has made a final determination of the taxability or final application of its construction or interpretation of existing rules or regulations which, in the opinion of the taxpayer, is not in accordance with the law and the facts.

Appeals taken from the action of the Income Tax Unit are directed to the Commissioner of Internal Revenue, and are accepted only under the conditions prescribed in the procedure of the Committee on Appeals and Review with respect to tax liabilities determined prior to November 23, 1921, on which abatement or refund claims have been filed upon receipt of notification by the collector of the amount of tax found due by the Income Tax Unit and in the regulations relating to the Revenue Act of 1921 (Article 1006,

Regulations 62) with respect to tax liabilities determined subsequent to November 23, 1921.

In taking an appeal the taxpayer or his representative is required to submit a request in writing to the Commissioner of Internal Revenue, appealing from the action of the Income Tax Unit, and must in addition thereto submit a succinct statement of such facts as the appellant desires considered by the Bureau in connection with his appeal, duly sworn to, and he may in addition submit such arguments as he may desire to present in connection with his appeal in form of brief.

Upon receipt of written appeal and sworn statement of facts or brief the case and related papers are submitted to the committee and there docketed. Upon reaching its turn on the docket the case is assigned to a member of the committee for consideration.

When the case is reached for consideration any additional information deemed necessary by the committee is usually secured directly through correspondence. If an oral hearing is requested by the appellant due notice of time set for the hearing is given by mail.

In the event of an oral hearing, which is expected to be final, the taxpayer is expected to submit such arguments and presentation, both as to the law and facts, as he desires to have considered. The oral hearing may be supplemented by written brief to be submitted before or after the hearing in which event the secretary of the committee must be so advised in order that final determination of the appeal may be deferred pending receipt of the brief.

Upon the approval of the recommendation of the committee by the Commissioner, the decision becomes the rule for the guidance of the Income Tax Unit, and is final as far as the Bureau is concerned.

The taxpayer or his representative is notified by the committee of its decision and the case and related papers are thereupon returned to the Income Tax Unit for such further action as may be necessary in accordance with the decision of the committee.

Division of Appointments. The Division of Appointments was established on October 24, 1917, and to it was assigned the entire subject matter of personnel so far as it relates to the Bureau in Washington, together with the personnel records and routine pro-

cedure pertaining to the field offices. It is subdivided into the Office of Head of the Division and the following sections:

- Correspondence
- Bureau Personnel
- Time and Disbursement
- Prohibition Personnel
- Collectors' Personnel
- Revenue Agents' Personnel
- Files

Office of Head of the Division. The Office of the Head of the Division is responsible for the general administrative work and the supervision of all duties assigned to the fifty-five employees in various sections. It carries on the detail work in connection with the retention and retirement of classified employees eligible for retirement throughout the entire service and is held responsible for the selection and assignment of all non-technical employees in the Bureau in accordance with civil service laws and general office policies governing such matters. The Head of the Division also acts as chairman of the Personnel Committee, composed of several officers of the Bureau, which reviews recommendations for promotions.

Correspondence Section. The Correspondence Section receives and distributes all incoming mail relative to the personnel of the entire service, handles all general and congressional correspondence relative to applicants for positions, prepares and maintains records of property, and assists the Head of the Division in procuring and selecting non-technical employees.

Bureau Personnel Section. The Bureau Personnel Section handles all recommendations relative to the transfer, appointment, resignation, separation, demotion, and change in status of employees, receives and submits reports on civil service certificates of eligibles for technical and non-technical positions, prepares correspondence, and maintains appropriate records. It also prepares daily statements showing condition of allotments from lump sum appropriations for the salaries and expenses of all officers and employees throughout the entire service, and assists in the general routine procedure governing Bureau personnel work.

Time and Disbursement Section. The Time and Disbursement Section prepares and maintains the time records of all Bureau

employees, keeps record of and grants leaves of absence, and handles all correspondence on such matters. It has charge of the preparation of all pay rolls, supervises the distribution of salary checks and notifies the unit heads of allotments from lump sum appropriations for salaries and expenses of employees. It also maintains reclassification records and prepares reports to the Civil Service Commission at specified periods. All applications filed by employees for refund of salary deducted in accordance with the Retirement Act are handled through this section. It also prepares statistical data and compiles reports on leave records, appointments and separations. Its work is confined to Bureau personnel in Washington.

Prohibition Personnel Section. The Prohibition Personnel Section prepares and maintains records of all prohibition field employees and handles general correspondence relative to the personnel work of this force. It also makes allotments from lump sum appropriations for the salaries and expenses of employees engaged in prohibition enforcement, handles all letters pertaining to disbursing bonds of state prohibition directors, and maintains records of certification of eligibles for appointments on the narcotic force.

Collectors' Personnel Section. The Collectors' Personnel Section prepares and maintains personnel records for the entire field service under the collectors of internal revenue and handles general correspondence and routine work in connection therewith. It also makes allotments from lump sum appropriations for the salaries and expenses of collectors and employees under them. It is responsible for the carrying out of various phases of personnel work in accordance with civil service regulations and laws governing such procedure, handles all letters pertaining to the official disbursing bonds of collectors, and prepares general statistical data relating to personnel.

Revenue Agents' Personnel Section. The Revenue Agents' Personnel Section prepares and maintains records relative to the personnel or employees under the jurisdiction of the Internal Revenue Agent in Charge, handles all correspondence in connection therewith, and makes allotments from lump sum appropriations for the salaries and expenses of such employees. It also has charge of the records of various other special employees throughout the

field service, handles all letters relative to official and disbursing bonds of gaugers, storekeeper-gaugers, and revenue agents, and maintains monthly reports showing assignments.

Files Section. The Files Section is responsible for the care of all general correspondence and personnel records relative to Bureau employees and handles all routine work in connection with the filing of such material.

Special Intelligence Unit. The Special Intelligence Unit conducts, under the personal direction and control of the Commissioner, the investigation of matters, which because of their nature or origin may not be competently handled by members of the branch or unit of the service to which they specially relate, or wisely entrusted to them for investigation without reasonable presumption of bias. These matters, in general, embrace charges of a criminal nature against officers and employees of the service; criminal phases of tax liability cases; general investigations of conditions existing within a division of internal revenue agents, a collector's office, or a prohibition division; and such other matters as may in the judgment of the Commissioner be of sufficient importance to require special inquiry by investigators detached from the branch of the service under investigation.

The unit was organized on July 1, 1919, and consisted of a chief and six investigators; since then the force has been increased to forty.

Income Tax Unit. The Income Tax Unit, which is the largest in the Bureau, is the agency for administering the laws relating to taxes on incomes and profits. In this unit is carried on the examination or auditing of returns of individuals reporting incomes of over \$5000 and returns of corporations. This unit is under the charge of a deputy commissioner and is divided as follows:

- Office of the Deputy Commissioner
- Office of the Assistant Deputy Commissioner
- Staff Division
- Administration Division
- Personal Audit Division
- Corporation Audit Division
- Special Audit Division
- Natural Resources Division
- Field Division
- Statistical Division

Office of the Deputy Commissioner. The Office of the Deputy Commissioner (head of the unit) is directly responsible to the Commissioner of Internal Revenue for the administration of the Income Tax Unit. It includes a Deputy Commissioner and an assistant deputy commissioner with such personnel as is necessary to carry on the administrative affairs of the office. Attached directly to the Office of the Deputy Commissioner is an executive staff consisting of a special assistant to the deputy commissioner and a supervisor of claims. The special assistant studies problems of organization and procedure relating to the operations and interrelations of the various parts of the unit; and cooperates with the administrative officers in a program of continuous inquiry and self-improvement within the unit. The supervisor has general supervision over all procedure pertaining to the administration of claims relating to income or excess profits taxes.

Also attached directly to the Office of the Deputy Commissioner and under his immediate direction and control is the Rules and Regulations Section the duties of which are as follows:

To originate and prepare regulations for the administration of the income and profits tax laws; to furnish on the request of taxpayers or their representatives rulings and information relating to the law and regulations; to answer general correspondence involving rulings or interpretations of the law and regulations; to prepare all office decisions; to select and prepare for publication the rulings, digests, and other material relating to income and profits taxes; and to review proposed publications relating to income tax, war profits and excess profits taxes prepared in other divisions of the Income Tax Unit, or in other offices of the government and referred to the Income Tax Unit for consideration.

Offices of the Assistant Deputy Commissioner. The Assistant Deputy Commissioner assists and advises the Deputy Commissioner in the general supervision, control, and efficient coordination of all operations of the unit.

Staff Division. The duties of the Staff Division relate to the recruitment, training and control of personnel, the maintenance of efficiency and personnel records, the classification of employees, the adjustment of salaries, the issuance of transportation requests, and the review of expense vouchers. It is divided into the Office

of the Head of the Division and the Personnel and Training Sections.

The functions of the Personnel Section are as follows: To select technical employees for original appointment, assign all personnel, arrange all changes in office of members of the unit and to conduct correspondence and personal interviews relating to the activities of the section.

To conduct interviews with members of the unit relative to performance records and make adjustments of the personnel upon the basis of the records with a view to increased individual and group production; make recommendations for promotion, demotion, transfer, suspension, removal, and the acceptance of resignations, and take such disciplinary action as may be necessary.

To investigate and approve all proposed designations of supervisory officers.

To control all relations with the Appointment Division, and, through the Appointment Division, with the Civil Service Commission; also, to handle all relations of employees with the Appointment Division in regard to leave and pay matters.

To furnish records required by the Civil Service Commission.

To maintain proper personnel records indicating qualifications, education, experience, and a complete employment history of each member of the unit and to record all changes in status of personnel of the unit.

To maintain individual performance records for all employees of the unit.

To analyze the duties of employees of the unit and to classify the personnel on a comparative salary basis, in accordance with schedules established by the Bureau of Efficiency, prescribing minimum and maximum rates of pay for the various classes of work performed.

To analyze and investigate recommendations for changes in compensation, for conformance with performance records, salary scale and office policy.

To compile special reports on personnel matters and analyze records for aid in the determination of personnel policies.

To arrange for authority for travel, supervise the issuance of transportation requests, review expense vouchers and handle all

business in regard to these matters with the Accounts and Collections Unit.

To maintain and operate a general information service covering personnel matters and location of employees.

To direct all efforts for the welfare of employees instituted by the unit.

The functions of the Training Section are to provide instructors and prepare courses of training for employees, including members of the field force, in the income tax law, accountancy, and other subjects relating to the work of the unit, and to maintain records of efficiency of all students. The instruction given by this section is provided for the local and field employees of the Income Tax Unit. The courses are given at Washington in resident classes and to field employees through the extension courses.

Administration Division. The duties of the Administration Division include the receipt and distribution of all mail, both for the Income Tax Unit and for other units, the assessment of income taxes, the sorting and assembling of certificates giving information regarding payments, the procuring and distribution of supplies and equipment, the superintendence of the messenger, labor, and watch force, the investigation of office procedure and efficiency, the supplying of stenographers and typewriters, the furnishing of mimeograph, multigraph, and photostat service, and the filing of all claims, returns, and related papers. The division is organized into the following administrative units:

- Office of the Head of the Division
- Mail Section
- Proving Section
- Sorting Section
- Building, Equipment, and Supplies Section
- Orders and Codes Section
- Stenographic Section
- Duplicating Section
- Records Subdivision

The Office of the Head of Division is responsible for, and supervises the work of the several sections. It also is in charge of all conferences between taxpayers or their representatives and the proper officer of the unit.

The functions of the Mail Section are as follows:

To receive and route all incoming and outgoing mail, supervise the mail collection, delivery, and special messenger service, and to record and transmit to the proper section all remittances received.

To forward to the proper collector all returns inadvertently transmitted to the Bureau.

To receive returns, requisitions, revenue agents' reports, correspondence, etc., intended for filing, and sort the papers by form, year and collection district preparatory to filing in the Records Subdivision.

The Proving Section compares the assessment list of income taxes prepared by the collector with the returns of income in excess of \$5000 in order to see that each return is correctly entered on the assessment list, and to verify the totals on the list. In the case of returns of income of less than \$5000, only the totals of the assessment lists are verified, as the returns are retained by the collectors. It should be noted that this section has nothing to do with the audit of the return. Its work is done before the audit and consists in seeing that the amount of tax as returned by the taxpayer is correctly reported on the assessment list by the collector.

If the detailed audit of the return by the Audit Division shows that additional tax is due this section prepares a supplemental assessment. Likewise if there are received in the Bureau information returns for individuals who have not made a return, an original assessment is made in this section. In the case of a claim for abatement of taxes erroneously returned approved by one of the Auditing Divisions, an amended assessment is prepared. All assessment lists, original, supplemental, and amended, are prepared in duplicate, one copy being sent to the collector for his guidance in collecting the tax and one copy being sent to the Accounts and Collections Unit so that the collector may be charged with the amount of tax due or credited with abatements.

Other duties of this section include the recording of income taxes assessed by different classes of returns and the routing of remittances.

The duties of the Sorting Section are to receive from payers of income all information returns showing income paid, and to sort such information returns so that they will be available to the auditors when detailed examination of the tax returns is made. This section also receives and audits the returns made by persons

or corporations who pay income to aliens and who are required to withhold the amount of tax; and adjusts all claims involving the withholding of tax at the source. It also receives and files certificates from aliens indicating residence, checks the collector' lists of partnership and fiduciary returns with the information returns, and notifies the collectors of additional returns which should be secured.

The Building, Equipment, and Supplies Section obtains equipment and supplies for the Income Tax Unit, distributes them to the proper sections, keeps property records, superintends the messenger force, and has charge of the labor and watch service and the maintenance of buildings occupied by the unit, with the exception of the temporary buildings which are in charge of the Superintendent of the State, War, and Navy Department Buildings.

The functions of the Orders and Codes Section are as follows:

To investigate methods of office procedure and efficiency.

To prepare special administrative reports, office orders, office memoranda, organization and progress charts, door and desk signs, manuals of procedure, and telephone directories.

To prepare, issue and revise standard correspondence paragraphs.

To edit and review all forms sent to the Duplicating Section, Administration Division, and such other forms, questionnaires, letters, etc., as may be submitted for review.

The Stenographic Section furnishes stenographic and typewriting service to all subdivisions of the unit.

The Duplicating Section executes all mimeograph, multigraph, and photostat work for the several subdivisions of the unit.

The Records Subdivision maintains the files of all claims, returns, and related papers, and controls the movements of these records within the unit. It consists of the Office of the Chief of Subdivision and the following sections:

- Registration
- Claims Control
- Unaudited Returns
- Correspondence
- Distribution

The Registration Section classifies all returns for filing and prepares index cards for all returns. The Claims Control Section receives, records, assembles, and routes to the proper section for

adjustment, all claims for refund or abatement with related returns and papers, and maintains records necessary to locate returns and claims. The Unaudited Returns Section maintains and has custody of all files of individual income tax returns for 1918 and subsequent years filed in Washington and corporation returns for 1917 and later years. The Correspondence Section maintains and has custody of all correspondence files, closed revenue agents' reports and related papers, individual returns for 1917 and all returns for prior years. The Distribution Section on requisition distributes returns to the audit sections.

Personal Audit Division. The Personal Audit Division has charge of the audit and verification of returns from all individuals for 1916 and prior years, all returns from individuals having incomes of \$5000 and over for 1917 and subsequent years, and returns for fiduciaries. It deals with all individual returns except those which are in the classes sent to the Special Audit Division or those in which the exploitation of natural resources furnishes the major part of the income, which are audited in the Natural Resources Division. It also adjudicates claims for refund. The general procedure as regards the auditing of returns and claims has already been described on page 73. It is divided into the Office of the Head of Division, six Personal Sections numbered from 1 to 6, a Review Section and a Field Review Section. If it is necessary to make a field audit, instructions are prepared and forwarded through the Field Division.

Personal Sections 1 to 5 are engaged on the same classes of work, the division into separate sections being made for administrative control. They deal with all returns from individuals for 1916 and prior years and returns of individuals reporting net incomes of \$5000 and over for 1917 and subsequent years.

The work of the Personal Audit Section 6 is similar to that described above for sections 1 to 5, except that this section deals only with returns submitted by fiduciaries and partnerships, determines the correct tax liability and adjusts claims upon the basis thereof in all cases except those referred for special consideration or investigation elsewhere in the unit.

The Field Review Section reviews reports of field audits made on returns filed by individuals, fiduciaries, and partnerships, determines the correct tax liability and adjusts claims upon the basis

thereof, in all cases except those referred for special consideration or investigation elsewhere in the unit.

The Review Section reviews the work done in the six personal audit sections and the Field Review Section.

Corporation Audit Division. The Corporation Audit Division is engaged in the audit and verification of returns and claims of corporations regardless of amount of income, with the exception of returns of corporations whose major activities are the development and exploitation of natural resources (these returns being audited by the Natural Resources Division), and the class of returns handled by the Special Audit Division, which include consolidated returns of affiliated corporations, returns involving claim for amortization of investment made to stimulate the production of articles needed for the prosecution of the war, returns in which it is necessary to make adjustments of capital investment, and returns involving the excess profits of corporations whose capital can not readily be determined. The general procedure is the same as has been heretofore described on page 73. The division is composed of the Office of the Head of the Division, five sections dealing with the returns of corporations engaged in definite lines of business, and a Review Section as follows:

- Manufacturers Section
- Trading Section
- Public Utilities and Personal Service Section
- Finance Section
- Miscellaneous Section
- Review Section

The Manufacturers, Trading, Public Utilities and Personal Service, Finance, and Miscellaneous sections audit the returns of corporations in much the same manner as the Personal Audit Division audits the returns of individuals. The Manufacturers Section audits returns of corporations engaged in manufacturing. The Trading Section deals with returns of corporations which are engaged in trading, but which do not engage in manufacturing. The Public Utilities and Personal Service Section deals with returns of corporations operating public utilities and of corporations whose income is to be ascribed primarily to the activities of the principal owners or stockholders who are themselves regularly engaged in the active conduct of the affairs of the corporation and whose

capital is not a material income producing factor; the corporations last named are termed personal service corporations by the income tax laws. The Finance Section handles the returns of banks, other financial institutions, and insurance companies. The Miscellaneous Section audits the returns of all corporations not assigned to the other sections. The Review Section reviews the work of the other sections of the Corporation Audit Division.

Special Audit Division. The Special Audit Division is concerned entirely with the audit of returns and claims of corporations for which special provision is made in the internal revenue laws. Its field of work, which is described more fully under the account of the duties of the several sections, includes various features of the application of the excess profits tax, deductions for amortization on account of capital expenditure incurred for producing articles needed during the war, and the consolidated returns of affiliated corporations. The general procedure is the same as that described on page 73. The organization consists of the Office of the Head of the Division and the following sections:

- Special Assignment
- Special Assessment
- Amortization
- Consolidated Returns Subdivision
- Review

The Special Assignment Section audits all corporate excess profits returns in which it is necessary to make adjustments of capital investment as the result of reorganizations or the claim for a paid-in surplus. This section also handles all other excess profits tax returns which are intricate or which require technical adjustment, and all returns and reports which indicate fraud on account of which the 100 per cent penalty for 1917 and previous years and the 50 per cent penalty for 1918 and subsequent years are involved.

The Special Assessment Section is concerned with certain cases which arise under the war profits and excess profits taxes imposed by the revenue acts of 1917 and 1918. As these taxes have been repealed, the work assigned to this section will cease when pending cases have been disposed of. The work of this section results from the application of Section 210 of the Revenue Act of 1917 (40 Stat. L., 307) and Sections 327 and 328 of the Revenue Act

of 1918 (40 Stat. L., 1093), which provide methods for assessing the amount of tax when the invested capital can not be determined, and for the relief of corporations which would suffer exceptional hardship due to abnormal conditions.

The Amortization Section audits all returns in which deduction is claimed for amortization in the case of buildings or other facilities acquired for the production of articles contributing to the prosecution of the war. All of the work of this division results from the operation of Section 214, Paragraph 9, of the act of 1918 (40 Stat. L., 1067).

The Consolidated Returns Subdivision audits the returns of corporations which are affiliated and which are allowed to make a consolidated return for all the constituent companies. Under the act of 1921 (42 Stat. L., 260) two or more corporations are "deemed to be affiliated (1) if one corporation owns directly or controls through closely affiliated interests or by a nominee or nominees substantially all the stock of the other or others, or (2) if substantially all the stock of two or more corporations is owned or controlled by the same interests." The procedure in connection with the detailed audit is largely the same as that described on page 73. The Consolidated Returns Subdivision consists of the following Sections:

- Administrative Section
- Affiliations Section
- Sections A, B, D, and E
- Railroad Section

The Administrative Section is responsible for the operation of the division and the distribution of work to the other sections.

The Affiliations Section makes a preliminary examination of all consolidated returns in order to determine whether a consolidated return may properly be made under the statute. After the return is passed by the Affiliations Section it is forwarded to one of the other sections for detailed audit.

Sections A, D, and E make the detailed audit of all consolidated returns except those made by corporations engaged in the exploitation of natural resources or operating transportation companies and other public utilities.

Section B has charge of the audit of all consolidated returns made by corporations in which natural resources are a minor

interest, those in which natural resources are a major interest being audited in the Natural Resources Division.

The Railroad Section deals exclusively with consolidated returns of all steam and electric railroads.

The Review Section reviews the work of the other sections of the division.

Natural Resources Division. The Natural Resources Division has charge of the audit of all returns in which the major part of the income is received from the exploitation of natural resources. The organization of this division consists of the Office of the Chief of Division and the following sections:

- Audit F
- Audit G
- Audit H
- Oil and Gas Valuation
- Coal Valuation
- Metals Valuation
- Non-metals Valuation
- Timber Valuation
- Review

The audit carried on in this division is divided into two parts: (1) The determination of the value of the property as of dates significant under the law and the determination of the proper amount allowable as deduction on account of depletion, and (2) the application of these valuations and depletions to the return and the detailed examination of the returns for verification of items of income and other allowable deductions. The determination of the value and of the amount of depletion is made in the five valuation sections listed above, whose names indicate the particular classes of resources with which each is concerned. The audit proper is made in the three audit sections. Audit Section F audits all returns of individuals and non-affiliated corporations in which natural resources are involved as a major interest, except those handled by Audit Section H. Audit Section G handles all returns of affiliated corporations in which natural resources are a major interest. Audit Section H handles such returns relating to natural resources as require consideration to be given to the special assessment by reason of the fact that the invested capital can not be determined in the ordinary manner. It also audits the returns relating to natural resources made by a foreign corporation or by a corporation which

of 1918 (40 Stat. L., 1093), which provide methods for assessing the amount of tax when the invested capital can not be determined, and for the relief of corporations which would suffer exceptional hardship due to abnormal conditions.

The Amortization Section audits all returns in which deduction is claimed for amortization in the case of buildings or other facilities acquired for the production of articles contributing to the prosecution of the war. All of the work of this division results from the operation of Section 214, Paragraph 9, of the act of 1918 (40 Stat. L., 1067).

The Consolidated Returns Subdivision audits the returns of corporations which are affiliated and which are allowed to make a consolidated return for all the constituent companies. Under the act of 1921 (42 Stat. L., 260) two or more corporations are "deemed to be affiliated (1) if one corporation owns directly or controls through closely affiliated interests or by a nominee or nominees substantially all the stock of the other or others, or (2) if substantially all the stock of two or more corporations is owned or controlled by the same interests." The procedure in connection with the detailed audit is largely the same as that described on page 73. The Consolidated Returns Subdivision consists of the following Sections:

Administrative Section
Affiliations Section
Sections A, B, D, and E
Railroad Section

The Administrative Section is responsible for the operation of the division and the distribution of work to the other sections.

The Affiliations Section makes a preliminary examination of all consolidated returns in order to determine whether a consolidated return may properly be made under the statute. After the return is passed by the Affiliations Section it is forwarded to one of the other sections for detailed audit.

Sections A, D, and E make the detailed audit of all consolidated returns except those made by corporations engaged in the exploitation of natural resources or operating transportation companies and other public utilities.

Section B has charge of the audit of all consolidated returns made by corporations in which natural resources are a minor

interest, those in which natural resources are a major interest being audited in the Natural Resources Division.

The Railroad Section deals exclusively with consolidated returns of all steam and electric railroads.

The Review Section reviews the work of the other sections of the division.

Natural Resources Division. The Natural Resources Division has charge of the audit of all returns in which the major part of the income is received from the exploitation of natural resources. The organization of this division consists of the Office of the Chief of Division and the following sections:

- Audit F
- Audit G
- Audit H
- Oil and Gas Valuation
- Coal Valuation
- Metals Valuation
- Non-metals Valuation
- Timber Valuation
- Review

The audit carried on in this division is divided into two parts: (1) The determination of the value of the property as of dates significant under the law and the determination of the proper amount allowable as deduction on account of depletion, and (2) the application of these valuations and depletions to the return and the detailed examination of the returns for verification of items of income and other allowable deductions. The determination of the value and of the amount of depletion is made in the five valuation sections listed above, whose names indicate the particular classes of resources with which each is concerned. The audit proper is made in the three audit sections. Audit Section F audits all returns of individuals and non-affiliated corporations in which natural resources are involved as a major interest, except those handled by Audit Section H. Audit Section G handles all returns of affiliated corporations in which natural resources are a major interest. Audit Section H handles such returns relating to natural resources as require consideration to be given to the special assessment by reason of the fact that the invested capital can not be determined in the ordinary manner. It also audits the returns relating to natural resources made by a foreign corporation or by a corporation which

would suffer an exceptional hardship by assessing the tax in the arbitrary manner provided by law. The work of this section embraces all cases rising under Section 210 of the Revenue Act of 1917, Sections 327 and 328 of the Revenue Act of 1918, and Sections 327 and 328 of the Revenue Act of 1921.* The Review Section reviews the work of all the other sections.

* Sections 327 and 328 of the Revenue Act of 1921 are as follows:

SEC. 327. That in the following cases the tax shall be determined as provided in section 328.

(a) Where the Commissioner is unable to determine the invested capital as provided in section 326;

(b) In the case of a foreign corporation or of a corporation entitled to the benefits of section 262;

(c) Where a mixed aggregate of tangible property and intangible property has been paid in for stock or for stock and bonds and the Commissioner is unable satisfactorily to determine the respective values of the several classes of property at the time of payment, or to distinguish the classes of property paid in for stock and for bonds, respectively;

(d) Where upon application by the corporation the Commissioner finds and so declares of record that the tax if determined without benefit of this section would, owing to abnormal conditions affecting the capital or income of the corporation, work upon the corporation an exceptional hardship evidenced by gross disproportion between the tax computed without benefit of this section and the tax computed by reference to the representative corporations specified in section 328. This subdivision shall not apply to any case (1) in which the tax (computed without benefit of this section) is high merely because the corporation earned within the taxable year a high rate of profit upon a normal invested capital, nor (2) in which 50 per centum or more of the gross income of the corporation for the taxable year (computed under section 233 of Title II) consists of gains, profits, commissions, or other income, derived on a cost-plus basis from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive.

SEC. 328. (a) That in the cases specified in section 327 the tax shall be the amount which bears the same ratio to the net income of the taxpayer (in excess of the specific exemption of \$3000) for the taxable year, as the average tax of representative corporations engaged in a like or similar trade or business, bears to their average net income (in excess of the specific exemption of \$3000) for such year. In the case of a foreign corporation or of a corporation entitled to the benefits of section 262 the tax shall be computed without deducting the specific exemption of \$3000 either for the taxpayer or the representative corporations.

In computing the tax under this section the Commissioner shall compare the taxpayer only with representative corporations whose invested capital can be satisfactorily determined under section 326 and which are, as nearly as may be, similarly circumstanced with respect to gross income, net income, profits of unit of business transacted and capital employed, the amount and rate of war profits or excess profits, and all other relevant facts and circumstances.

(b) For the purposes of subdivision (a) the ratios between the average tax and the average net income of representative corporations shall be

This division also handles all claims for refund or abatement within the field described above. The general procedure in the division is the same as described on page 73.

Field Division. The Field Division has charge of the field force of revenue agents and inspectors who examine the books of taxpayers in order to determine whether proper return of income has been made. The Washington force does not audit any returns; the function of the division is to supervise the field auditors and to transmit the necessary instructions prepared by the Personal Audit Division, the Corporation Audit Division, the Special Audit Division, or the Natural Resources Division. The division is divided into the Office of the Head of the Division, the Field Reports Control Section, and the Field Personnel Section.

The Field Reports Control Section comprises a normal force of about one hundred clerks. It is divided into three subsections, subdivided into ten units, the work of which consists of recording and transmitting to revenue agents in charge of field divisions all cases in which investigations or field audits are directed; examining reports received from field divisions for the purpose of ascertaining whether the general or specific instructions given examining officers have been complied with and the information requested has been supplied; assembling all returns and related papers necessary for the final audit of reports; recording completion of field investigations and transmitting completed reports and all related papers to auditing sections; recording the amount of additional income and profits taxes recommended and assessed on the basis of reports received from the several field divisions; preparing correspondence relative to investigations conducted by the field force and any matters relative thereto.

determined by the Commissioner in accordance with regulations prescribed by him with the approval of the Secretary.

(c) The Commissioner shall keep a record of all cases in which the tax is determined in the manner prescribed in subdivision (a), containing the name and address of each taxpayer, the business in which engaged, the amount of invested capital and net income shown by the return, and the amount of invested capital as determined under such subdivision. The Commissioner shall furnish a copy of such record and other detailed information with respect to such cases when required by resolution of either House of Congress, without regard to the restrictions contained in section 457.

This section is divided into the Office of the Chief and the following subsections:

Correspondence Subsection:
Unit 1
Unit 2
Corporation Subsection
Individual Subsection

The Correspondence Subsection consists of the Office of the Chief of Subsection and two units known as Unit 1 and Unit 2. The Office of the Chief of Subsection is in charge of the two sections, whose work is the correspondence with field agents, collectors, and taxpayers regarding returns or claims which are the subject of field investigation.

The Corporation Subsection is charged with the work of sending all necessary papers relating to corporations to the field auditors and of checking the reports to see that the information requested has been obtained. It is divided into the Office of the Chief of Subsection and the following units:

Receiving and Recording
Assembling and Preliminary Audit
Abstracting and Photostating
Closing Entries Revenue Agents Reports

The work of the Receiving and Recording Unit consists of recording revenue agents' reports covering the income and excess profits tax of corporations, as received from the field divisions, and seeing that the abstracts, photostats, and related papers sent revenue agents in charge of divisions are returned and attached to reports.

The work of the Assembling and Preliminary Audit Unit consists of examining reports on the income and profits tax liability of corporations for the purpose of ascertaining whether the general or specific instructions given examining officers have been complied with, and the information required has been given in the report. Returns, correspondence, and all related papers necessary for final audit are secured, assembled, and attached to each report.

The Abstracting and Photostating Unit indexes and furnishes field divisions with abstracts and copies of corporation income and profits tax returns for verification.

The work of the Closing Entries Revenue Agents' Reports Unit consists of recording the number of abstracts, transcripts, and

photostats of returns of corporations, individuals, and partnerships sent to and received from revenue agents' divisions each day; the amount of additional tax assessed on the basis of revenue agents' reports received from each division; the amount of additional tax recommended by examining officers; closing revenue agents' reports covering the tax liability of corporations, individuals, partnerships, and withholding agents; and other miscellaneous work assigned from time to time.

The work of the Individual Subsection consists in the sending to field agents of all necessary papers for the examination of returns by individuals, partnerships, withholding agents, and fiduciaries. It is organized into the Office of the Chief of Subsection and the following units:

Receiving and Recording Unit
Assembling and Preliminary Audit, Partnerships and Withholding Agents Unit
Assembling and Preliminary Audit, Individuals and Fiduciaries' Unit
Transcribing and Photostating Unit

The work of these units is the same as that of the corresponding units in the Corporation Section.

The Field Personnel Section arranges for and records appointments, promotions, transfers, reductions, and separations from the service of all field employees, supervises field allowances, issues pocket commissions, examines pay vouchers of field auditors on duty in Washington, prepares correspondence relating to the administration of the field personnel, ascertains the needs of the field offices as to space, equipment, and supplies, prepares requisitions, arranges for the semi-annual inventory of field equipment and supplies, and analyzes the work reports of individual field officers and of field divisions as a whole.

For the purpose of making detailed examinations of the books of taxpayers subject to income and estate taxes there have been organized thirty-five field divisions, which operate under the supervision of the head of the Field Division. In the more important divisions suboffices are also maintained. This field force on June 30, 1922, was composed of thirty-five revenue agents in charge, 2442 income tax officers, 326 estate tax officers, and 436 clerks.

A revenue agent in charge is assigned to each division. His duty is to supervise the force of agents and inspectors under him,

assign the cases for investigation, train the newly appointed officers, and distribute his force and the work so that the best results may be obtained. The agent in charge conducts all correspondence between the Bureau and his division, and each month submits to the Bureau reports covering the work performed in his division.

The internal revenue agents and inspectors on income tax work are engaged in the verification and investigation of income tax returns. Before being assigned to the field, these officers undergo a course of special training in the Income Tax Unit at Washington, and are required to pass an examination to demonstrate their qualifications to perform the field work. As a result of the work of these officers the additional tax recommended for assessment during the fiscal year 1921 amounted to \$243,414,146.87.

The officers engaged on estate tax work, while under the general supervision of the revenue agent in charge, are controlled by the Estate Tax Division. Their duties require the appraisal of a decedent's property and the audit of his books of account and records for the purpose of determining his net worth at the time of death; also the computation of the proper tax. Before taking up the field work, these officers are also required to undergo a course of training and pass examination to determine their fitness for the work.

A list of the field divisions and the collection districts in each one is given on pages 184 to 188.

Statistical Division. The Statistical Division has charge of the compilation of statistics of income authorized by the act of September 8, 1916, and later laws. It is divided into the following subdivisions:

- Compilation and Analysis Section
- Edit and Code Section
- Card Punch Section
- Tabulation and Sort Section
- Research Section
- Special Tables Section
- Comptometer Section

The Compilation and Analysis Section determines the character of data to be compiled, analyses and interprets the statistics, and prepares the text accompanying statistical tables. The Edit and Code Section prepares the returns so that the data can be trans-

ferred to cards by the card punch operators, and verifies the punching after the cards and returns are returned by the Card Punch Section, which has charge of the card punching by means of which the data on the returns are made available for tabulation. In the Tabulation and Sort Section the punched cards are sorted according to the classifications adopted for the statistical reports. The Research Section selects comparative data of representative concerns for constructive purposes in considering appeals of taxpayers, as well as comparative data relative to prewar income in adjusting all claims filed by income taxpayers, and other miscellaneous data in connection with other sections of the revenue acts; it also compiles special tabulations for administrative purposes. The Special Tables Section transcribes and assembles income tax data from the returns of net income for the tabulation of special compilations to indicate in general the trend of taxable income. The Comptometer Section performs the mechanical computations in connection with the preparation of all statistical tabulations, schedules, and other statements compiled by the Statistical Division.

Accounts and Collections Unit. The Accounts and Collections Unit is a purely administrative one, which deals with the accounts of collectors, and which has no point of contact with the public. It is in charge of a deputy commissioner, and is divided into the Office of the Deputy Commissioner, and the four following divisions:

- Collection Service
- Office Accounts and Procedure
- Disbursement
- Stamp

Office of Deputy Commissioner. The Office of the Deputy Commissioner exercises general supervision over the work of the unit. Under the direct supervision of the Deputy Commissioner is a Control Section by which a record is kept of all allotments for the expenditure of money, and of all changes in personnel. The several units of the Bureau render to the Deputy Commissioner in charge of the Accounts and Collections Unit semi-monthly reports showing all changes in compensation either in the field or in Washington. Each month a statement is submitted to the Commissioner showing the condition of the appropriations,

the number of employees by designation, and the annual rates. This is supplemented by another monthly statement showing expenditures under the various allowances granted.

Collection Service Division. This division is in charge of the administration and methods of the Field Collection Service. To permit of the most efficient management and equitable distribution of work, it is divided into four sections:

Personnel
Field Procedure
Supplies, Equipment, and Space
Correspondence Study

The Personnel Section has supervision over all personnel in collectors' offices; supervises the preparation of correspondence involving additional personnel, temporary help, promotions, and reductions, as well as cases of disciplinary action affecting collectors' employees. This section is also charged with maintaining efficiency records and ratings of all employees of the collection service. All complaints against collectors' offices; their personnel, and the service rendered by them are handled by this division.

The Field Procedure Section has charge of field organization and procedure. It is also charged with the inauguration of various delinquent tax drives and with the supervision of all field procedure in collectors' offices. In addition this section prepares all statistical information necessary on the establishment or creation of new internal revenue collection districts, as well as the extension of the divisional headquarters plan of organization.

Examination of collectors' offices is made periodically by supervisors of accounts and collections according to the form prescribed by instructions issued by the Deputy Commissioner. These instructions are of a confidential nature, and the procedure in examining and inspecting the various collectors' offices and their accounts is much the same as that employed by bank examiners. Monthly reports are required of all supervisors covering all their activities.

The work of the supervisors assigned to field procedure is to assist the collectors in building up the efficiency of the collectors' field forces, by personally meeting the chief field deputy and division chiefs and instructing them in the methods of procedure adopted for field work. They are required to make monthly

reports of all activities, giving special attention as to the qualifications and efficiency of the personnel employed in the field, particularly as to the fitness of each division chief.

Supervisors are expected to be able at all times to give collectors and their employees instructions and advice as to the laws and regulations governing the management of the collection service.

The Supplies, Equipment, and Space Section is charged with the procurement of supplies, equipment, and space for offices in the sixty-five collection districts. In addition it is charged with the distribution of supplements and corrections to the Internal Revenue Manual, and the keeping of a correct mailing list showing the number of copies of the Manual and corrections and insertions to be sent to each division headquarters. There also devolves upon this section the work of preparing inserts, corrections, and addenda for the Manual in proper form for forwarding to the Government Printing Office.

The Correspondence Study Section is engaged in the preparation of assignments, quizzes, and solutions in connection with the correspondence study courses furnished to employees in collectors' offices, covering the general tax laws, accounting, bookkeeping, and commercial law.

Division of Office Accounts and Procedure. This division has charge of the office procedure and accounting methods in collectors' offices, as well as the auditing of all revenue accounts of collectors.

Disbursement Division. As the title implies, this division supervises the administrative audit of the disbursing accounts of all collectors, revenue agents in charge, and other special disbursing agents. In addition, all miscellaneous bills for transportation, equipment, telephone service, rental, etc., paid from internal revenue appropriations by the Disbursing Clerk for the Treasury Department are examined in this division before payment is made, and all amounts allowed for the refund of taxes illegally collected, redemption of stamps, abatement of claims, etc., are recorded.

Stamp Division. This division receives all internal revenue stamps from the Bureau of Engraving and Printing and has charge of the issue to collectors of internal revenue stamps of every character used for collecting taxes; it also handles applications for refunding where stamps have been lost or destroyed by unavoid-

able accident and applications for special printing of case and strip stamps. It checks the stubs of stamps books returned by collectors, and credits to collectors stamps of obsolete issues returned, and provides for their disposition. The Stamp Division is responsible only for the receipt and distribution of stamps. It has nothing to do with the interpretation of the laws imposing stamp taxes, these laws being administered by other divisions, as indicated on other pages.

Collectors of Internal Revenue. The collectors of internal revenue constitute both the collecting and assessing force for practically all of the revenue taxes. They collect all the taxes, but in some cases the assessing is done by the field agents of the units which administer certain special taxes.

There are at present sixty-five collection districts, the maximum number allowed by Section 3142 Revised Statutes, as amended by the act of March 4, 1923 (Public 495, Sixty-Seventh Congress), each of which is in charge of a collector of internal revenue. The boundaries of the districts are not fixed by law, but are prescribed by the President who may divide any state or territory into several districts, or combine two or more states in one district. At present no collection district embraces areas in more than one state, but the Territory of Alaska forms part of the Washington district and the District of Columbia is a part of the Maryland district.

In each district there are division, zone, and stamp offices, all of which are operated under the direction of the collector for the district. The division offices are located in the chief tax paying centers, there being several in the cities of New York, Philadelphia, and Chicago. The zone offices are located in the small towns and are open for only a short time each month for the purpose of assisting taxpayers in making out their returns. The stamp offices are operated for the sale of stamps only, and are located in the tobacco manufacturing districts. A list of all offices, with the exception of zone offices is given on pages 190 to 197.

The collectors of internal revenue or their deputies are the only officers authorized to make collection of any internal revenue tax. The collector credits the account of the taxpayer with all payments or abatements authorized by law, but he does not make refunds, as refunds are made by the Disbursing Clerk of the Treasury Department on the order of the Commissioner of Internal

Revenue. He mails blank forms to all persons who paid a tax during the preceding taxable period and to others whom he considers liable to make returns. He also sends bills to taxpayers for installment payments when these are authorized. The collector does not pass on any claims for abatement, all these being forwarded to the Washington office. He does, however, recommend the assessment of penalties and can recommend abatement of such penalties or the refund of such penalties if they have been illegally or erroneously assessed or collected. The Commissioner only is authorized to abate assessments or refund taxes.

In the case of the income tax, the collector receives the return and enters the amount on the assessment list, which is prepared from the returns as submitted, and which shows the total to be collected. It is his duty to see that all persons subject to the tax make a return, and through his deputies he interviews persons thought to be delinquent and examines their books if necessary. Returns of individuals having incomes over \$5000 and of corporations are forwarded to Washington for audit and review after a preliminary examination to ascertain that the return is properly executed. Returns for individuals having incomes of less than \$5000 are audited and reviewed in the collector's office, and after this work is completed they are retained in his files. In case of any apparent discrepancy in the return the matter is either adjusted by correspondence or through a personal interview by a field deputy. If the Washington office desires further information for use in the audit of the returns sent there, it is obtained either through the collector, through a field agent of the Income Tax Unit, or by direct correspondence. If the Income Tax Unit changes the assessment, the collector is notified so that he may make appropriate notation on the assessment list.

In the case of the tax on specific commodities or services, or on dues and admissions, an examination of the returns is made by the Washington office, but the collector is required to make frequent examination of the books of all concerns subject to the tax in order to ascertain whether proper returns are made.

All sales tax drives are directed from the Washington office, which issues all instructions relative to them. The force operating these drives consists of members of the deputy collectors' force of the particular district in which the drive may be in

operation. The Sales Tax Division of the collector's office aids in these drives only in so far as it offers such information contained in its records as may lead to the detection of delinquents.

When an estate tax return is received, the amount is entered on the assessment list and the return forwarded to Washington for audit and review. If any questions arise concerning the return, they are settled through the collector, by direct correspondence with the executor, or through a field representative of the Estate Tax Division.

The duties of the collectors in connection with the capital stock tax consist in securing returns from all corporations, the general examination of the returns to see that they are complete, the entering on the assessment list, and the collection of the tax. The detailed audit of these returns is made in Washington. Discrepancies in returns are settled either by correspondence or field audit by deputy collectors of the collector's force especially assigned to this duty.

The collectors are responsible for the canvass of their districts in order to secure payment of the occupational and license taxes by all persons subject to them; with the exception of the taxes on distilleries and other regulatory taxes, which are assessed by prohibition agents and collected by collectors.

The collector is responsible for the imposition of all stamp taxes except those on lawfully manufactured alcohol and narcotics, for which the inspection work is carried on by prohibition and narcotic agents. The stamps, however, must be procured from the collector. In the case of taxes on tobacco products, this work involves a detailed examination of the accounts of every manufacturer in order to insure that all tobacco is accounted for by stamps and that the stamps have been properly cancelled. Examination is also made of retail stores to see that stamped boxes or containers are not used twice.

The assessment of all taxes on manufacturers and dealers in alcoholic liquors and narcotics and the police work in connection with the stamp taxes on these products are done by the prohibition and narcotic agents of the Prohibition Unit. The collectors issue the licenses and sell the stamps, but are not responsible for the enforcement of the laws.

The collector is responsible for the enforcement of the law and the collection of the regulatory taxes on oleomargarine, mixed flour, filled cheese, adulterated or renovated butter, and white phosphorus matches. These taxes are imposed as license taxes on the manufacturers and as stamp taxes on the products. If the products mentioned are manufactured and sold, it is the duty of the collector through his deputies to see that the license taxes are paid, that stamps are affixed and cancelled, and that the labeling, marking, and packing conform to the provisions of the law.

There are two major subdivisions in the offices of collectors; that of the Chief Office Deputy, who has charge of the administration of the office work and that of the Chief Field Deputy, who is in charge of the field activities and also the work in connection with the discovery of delinquent taxpayers.

The volume of business in the several offices of the collectors of internal revenue does not warrant a uniform organization, but the general plan embraces the following divisions:

- Administration Division
- Income Tax Division
- Cashier's Division
- Bookkeeping Division
- Sales Tax Division
- Miscellaneous Tax Division

In the smaller offices some of the divisions are consolidated, but in the larger ones some are further subdivided into sections.

The Administration Division is in charge of the Chief Office Deputy, who is responsible for the proper conduct of the work of all the other divisions of the office. It is the duty of this division to see that all heads of other divisions are kept properly informed of changes in the regulations or changes in the manual of procedure issued for the guidance of collectors and their employees. This division also handles all matters pertaining to the personnel of the office, equipment, and supplies.

The Income Tax Division is in the charge of a Chief of Division, who is required to be thoroughly conversant with the provisions of the income tax laws and regulations so as to be able to render competent advice and suggestions to taxpayers seeking information.

This division is responsible for the preparation of the card index of taxpayers for the use of the Chief Field Deputy, for the

examination of returns in order to see that they are properly executed and that all supporting papers are attached, and for the handling of all claims for abatement, credit and refund involving income taxes.

The Cashier's Division is charged with the responsibility of opening the mail and attaching remittances to the documents; sorting remittances according to depository classification; depositing all remittances; serially numbering returns; sorting the returns according to the classification of the tax list; keeping control over all remittances received according to the tax and sections of the list to which they pertain, and the sale of stamps.

The Bookkeeping Division has immediate supervision of the recording of all transactions affecting the revenue accounts of the collector's office.

The Sales Tax Division is responsible for the proper conduct of all matters pertaining to the collection of sales taxes, including the preparation of sales tax lists, the posting of sales tax returns and the sending of blank returns on the first day of each month to sales taxpayers.

The Miscellaneous Tax Division has charge of the collection of all taxes other than income and sales, provided there are not separate divisions pertaining to tobacco, spirits, capital stock, and estate taxes.

The audit of all returns of individuals reporting net incomes of less than \$5000 is made in the offices of the collectors, but no separate unit is organized for this work, the auditing being done by deputy collectors who are directly under the collector.

The Chief Field Deputy has charge of the division, zone, and stamp offices and of all deputies assigned to search for delinquents or to examine the books of taxpayers. He and his assistants are directly responsible for all field work in connection with the enforcement of the internal revenue laws.

Division, zone, and stamp offices are maintained for the convenience of taxpayers or to aid in locating delinquents. Some of the division offices sell stamps, but their main duties are in connection with the collection of income and sales taxes. Only a few of the larger division offices receive cash for taxes, but all of them receive checks which are forwarded to the collector. The zone offices are open for only a short time each year, and are mainly

for the purpose of locating delinquents. The stamp offices are maintained entirely for the sale of stamps.

Estate Tax and Capital Stock Tax Unit. This unit was established for the purpose of administering the capital stock tax and the estate tax, and was first placed under an appointed Deputy Commissioner on March 1, 1919. Prior to that time the work was in its organizational stage and handled by first the Commissioner and then by an acting deputy commissioner.

The organization of the division is as follows:

- Office of the Deputy Commissioner
- Estate Tax Division
- Capital Stock Tax Division

Office of the Deputy Commissioner. The Office of the Deputy Commissioner handles conferences with taxpayers and makes administrative decisions on tax problems, personnel, and other questions arising in general administration. It is directly responsible for the two divisions, all mail being signed by the Deputy Commissioner.

Capital Stock Tax Division. This division has supervision over the assessment and collection of the tax on the capital stock of corporations. The organization consists of the Office of the Head of the Division and the following sections:

- Office of Administrative Clerk
- Conference Board
- Audit Section
- Claims Section

The Office of the Head of the Division has direct charge of the preparation of regulations and decisions, the formulation of policies, the outlining of office procedure after consultation with the Deputy Commissioner in charge and the Office of the Solicitor, and the preparation of general correspondence and reports. It also exercises general supervision over the work and personnel of the several sections of the division.

The Office of the Administrative Clerk has direction and supervision of the Assessment, Stenographic, Mail Review, and Mail and File sections, into which it is divided. It also has charge of the leave records and efficiency ratings of the division.

The Assessment Section checks the returns with the assessment lists made out by the collectors, and notifies the collectors and the

Accounts and Collections Unit of any additional assessments or of the approval of claims for abatement or refund.

The Stenographic Section has a central force of stenographers and typists who are assigned to other sections as needed. In addition to the transcription of notes, all copying from rough draft, typing of claim schedules, and preparation of form letters are done here.

The Mail Review Section reviews all correspondence, except that of the administrative office, before it leaves the division, and gives constructive criticism thereon.

The Mail and File Section assort incoming mail and attaches it to the proper returns, after which it is sent to the proper section. It also has charge of the indexing and filing of all capital stock tax returns, together with all correspondence relating to the work of the division.

The Conference Board, composed of the Deputy Commissioner, the Head, and the Assistant Head of the Division, reviews cases requiring special attention where protests have been filed by taxpayers.

The Audit Section is charged with the audit of capital stock tax returns, the work being done by several administrative groups. A group head reviews and is held responsible for the work of all examiners under his charge and is relied upon to acquaint his examiners with changes in policy, recent rulings, or decisions affecting the audit. The group heads confer with the Chief of the Audit Section with respect to important cases. Weekly meetings are held, the Head of the Division presiding, at which the group heads, Chief of Audit, and Chief of Conference Board are present. Questions of policy are discussed and any cases involving new problems or questions that have come to the attention of the audit force are taken up and determined.

The Claims Section is charged with handling all claims for abatement or refund of capital stock tax or of penalties imposed. The Chief of the Claims Section confers with the group heads of the audit sections and other officials, attends the weekly meetings, and keeps the section informed on the regulations and policy of the Bureau.

Estate Tax Division. The Estate Tax Division is charged with the administration of all matters relating to the tax on estates.

The organization consists of the Office of the Head of the Division and the following sections:

- Office of the Administrative Clerk
- Review Committee
- Claims Section
- Valuation Section
- Audit Section
- Assessment Section

The Office of the Head of the Division is responsible for the general administrative work and the supervision of all duties assigned to the 137 employees in the various sections. It conducts hearings and conferences with representatives of estates not conducted by the Deputy Commissioner's Conference Committee. The Head of the Division and the Chairman of the Review Committee are members of this Conference Committee.

The Office of the Administrative Clerk is charged with the duty of handling all incoming and outgoing mail, keeping attendance, personnel, and efficiency records for the entire division; ordering major and collateral field investigations, and adjusting offers in compromise for specific and ad valorem penalties. It is also charged with the duty of supervising the work of the stenographic and files subsections. It also orders, distributes, and keeps records of all supplies and equipment. Subordinate to the office are the Stenographic Subsection, which has a central force of stenographers and typists who are assigned to individuals in the other sections as needed, and the Files Subsection, which has charge of the indexing and filing of all return and correspondence relating to the estates tax.

The Review Committee is charged with the duty of preparing for the division advisory legal memoranda covering the application of the estate tax law and regulations, the sufficiency of evidences filed, and the interpretation of wills, trust instruments, and other legal documents in cases under final audit and not requiring an opinion from the Solicitor of Internal Revenue. Applications for extensions of time to pay estate taxes are handled by this committee as well as all letters from collectors in which legal principals are involved. All estate tax examiners, revenue agents, and inspectors assigned to the division for study and instruction are examined by the committee. The different members are

called upon to assist the Head of the Division and the Deputy Commissioner in hearings and conferences with representatives of estates.

The Claims Section handles all claims for refund and abatement filed by taxpayers and prepares all estate tax abatement schedules for collectors and all refund schedules for the General Accounting Office.

The Valuation Section verifies and determines the value of all listed, unlisted, and closely held securities for the eight audit groups as well as for the claims section, and maintains records of determined value.

The work of the Audit Section is divided into two subdivisions, one dealing with estates of residents and the other with estates of nonresidents. The audit of resident returns is handled by seven groups consisting each of five examiners and one reviewer, who is designated "group head." The audit of nonresident returns is handled by a special section consisting of three examiners and a chief. There is also a special group consisting of three examiners and a chief of section to audit the returns relating to charitable bequests. The Audit Section in general verifies and audits all returns, determines the final tax, and where necessary assesses the specific and ad valorem penalties. The audit of resident returns is based in each case on the report of the field investigating officer, but the audit of nonresident returns is based in general on examination of foreign inventories and evidence obtained directly by this section through correspondence.

The Assessment Section verifies the assessment list prepared by the collectors, advises the collectors and the Accounts and Collections Unit of all changes in assessments, and notifies the collector of payment of delinquent taxes.

Sales Tax Unit. The Sales Tax Unit is charged with the interpretation and administration of the taxes on admissions and dues and all taxes on sales of services and commodities not paid by stamps. It is under a Deputy Commissioner and consists of the following divisions:

Office of the Deputy Commissioner
Administration Division
Technical Division
Assessment Division

Office of Deputy Commissioner. This office has general supervision over the work of all the divisions of the unit.

Administration Division. This division is charged with the general administrative work of the entire unit, the stenographic force, matters of personnel, efficiency, and time records, supplies and equipment, rearrangement of space, receipt and dispatch of mail, and other administrative duties. This division consists of two sections, Miscellaneous and Stenographic.

The Miscellaneous Section, which is under the personal supervision of the head of the division, is responsible for receiving into the unit and making proper assignments of personnel and transfers of persons within the unit, keeps efficiency and time records, furnishes supplies and equipment and messenger service, assigns space, and receives and distributes the mail.

The Stenographic Section is responsible for the stenographic and typewriting work of the unit. It has a central force of stenographers and typists who are assigned to individuals as needed.

Technical Division. This division prepares the sales tax regulations, handles all correspondence relating to rulings and interpretations of the law, and adjudicates claims for refund and abatement of taxes. It comprises the Office of the Head of Division and four sections as follows:

- Correspondence Section
- Transportation Claims Section
- Miscellaneous Claims Section
- Claims File Section

The Correspondence Section is charged with all matters relating to rulings and interpretations of taxes on telegraph and telephone messages, beverages, admissions and dues, and automobiles, cameras, carpets, trunks, and other articles on which the tax is collected by the manufacturer or retailer.

Where cases involve a new interpretation of the law, the letters are routed to the Solicitor for his approval after they have been passed upon by the office of the Head of the Technical Division of the Sales Tax Unit.

The Transportation Claims Section is responsible for the adjudication of claims for abatement and refund of taxes relating to transportation. As these taxes were discontinued on January 1, 1922, this section will probably be abolished as soon as the outstanding claims are disposed of.

The Miscellaneous Claims Section is charged with the adjudication of all claims for the abatement and refund of taxes other than those for transportation taxes. This section is also responsible for the handling of claims for the abatement and refund of penalties assessed or collected for delinquency in filing returns and paying taxes when due.

The Claims Files Section handles all work in connection with the receipt, recording, preparing for action, filing and scheduling of sales tax claims and all correspondence relating to such claims.

Assessment Division. This division has charge of the assessment lists, accounting in connection therewith, returns, assessment of penalties, reports of delinquency on the part of taxpayers, investigations, offers in compromise, certification of claims, and the adjudication of claims for credit. It consists of the Office of the Head of the Division and three sections:

Investigation Section
Assessment Section
Credits Section

The Investigation Section acts upon all reports of delinquent taxpayers, directs all investigations relative to sales tax matters, handles all offers in compromise, and in addition, operates its own files. All correspondence with collectors relative to reports of delinquencies is handled by this section as well as all correspondence in connection with investigations, both special and general. Prosecutions are recommended and offers in compromise suggested. Compromise offers received are considered and recommendation made to the Solicitor as to their acceptance or rejection. All general letters of instructions to collectors with respect to procedure or the interpretation of the law and regulations in regard to sales taxes are prepared and issued by this section.

The Assessment Section receives the sales tax lists and returns from the several collection districts each month; verifies collector's totals, making such corrections as are necessary; compares each entry on the lists with the information shown on the taxpayer's return, assessing any additional tax, penalties, or interest found due, and making other necessary corrections; makes up a supplement to each list carrying items found due by the Investigating Section, and items found due from a check of the returns, with notice and demand to taxpayers covering assessments

thereon; and prepares the assessment certificates for each list showing the total charge against the collector. It also verifies the collector's certificate on each claim for refund or abatement filed by taxpayers; adjusts claims for refund of excess collections filed by collectors; and files all sales tax returns.

The Credits Section is responsible for the adjudication of claims for credit on sales tax returns and the necessary correspondence in connection therewith. Certifications of such claims against the assessment lists are also handled in this section. When claims for credit are disapproved in cases where credit has been taken contrary to the provisions of the law, notice is given to the Assessment Section for the reassessment of the amount involved against the taxpayer.

Supplies, Information, Tobacco, and Miscellaneous Unit. This unit, which is under a Deputy Commissioner, supervises the purchase or order and distribution of blanks, records, supplies, and equipment, the printing of Treasury Decisions, the mimeographing and multigraphing (except for the Income Tax Unit), the supplying of information for the press in regard to taxes, tax questions, and the work of the Bureau, and the administration of the laws and regulations relating to taxes on tobacco, snuff, cigars, and cigarettes, cigarette papers and tubes, oleomargarine, adulterated and renovated butter, mixed flour, filled cheese, white phosphorus matches, playing cards, and documentary stamp and miscellaneous special taxes.

The organization of the units includes the Office of the Deputy Commissioner and four divisions:

Supplies and Equipment
Information
Tobacco
Miscellaneous

Office of Deputy Commissioner. This office has general administrative charge of the work done by the four divisions of the unit.

Supplies and Equipment Division. This division is primarily the purchasing office of the Bureau, as it obtains and distributes supplies and equipment of every description for both the Washington office and the field services. In some cases purchases are made by this division, while in other cases requisitions are made

on the General Supply Bureau of the Treasury Department, which then makes the purchases. Purchases in the field are authorized by allowance documents made up by this division, where complete and accurate records of all miscellaneous expenditures, including those for equipment, transportation of freight, rentals, printing and binding, and all other purposes (except for personnel) are maintained. The division maintains a complete record and inventory of property on hand, stock rooms for miscellaneous supplies and printed matter, and duplicating, registered mail, and dead files sections. Duties which are ordinarily assigned to the office of chief clerk and which are not assigned to other units are performed by this division, the head of which is designated as the Chief Clerk of the Bureau.

Information Division. This division answers inquiries regarding general tax matters, compiles the Commissioner's annual report, reads proof of regulations and Treasury Decisions, and issues information for the press on all matters pertaining to the Bureau of Internal Revenue.

Tobacco Division. This division is in charge of the administration of the laws and regulations relating to tax on tobacco, snuff, cigars and cigarettes, and cigarette papers and tubes, the exportation of these articles, and their withdrawal free of tax for use of the United States. The head of the division has two assistants, each of whom is in charge of three of the six following sections into which the division is divided:

Technical Correspondence Section No. 1
 Technical Correspondence Section No. 2
 Claims and Assessment Section
 Examining and Audit Section
 Bond and Punch Card Section
 Accounts, Correspondence and Files Section

Technical Correspondence Section No. 1 handles all general and miscellaneous correspondence under the tobacco laws and regulations; acts upon reports of violations, and in cases where offers in compromise are submitted, prepares and forwards them to the Solicitor of Internal Revenue. This section also has charge of the indexing, recording, distribution, and filing of correspondence.

Technical Correspondence Section No. 2 examines and passes upon reports submitted by manufacturers of tobacco and cigars

in explanation of deficiencies shown in their accounts, determining whether the assessment shall be made or the accounts accepted and passed without assessment; examines collectors' reports of tobacco, cigars, etc. bonded for export; and examines and approves, or otherwise disposes of, claims filed for benefit of drawback.

The Claims and Assessments Section examines and reviews assessment lists received from collectors' offices and makes assessment of such items found to be due on account of deficiencies in manufacturers' accounts; also examines and approves, rejects, or otherwise disposes of claims for abatement and refund of taxes erroneously or illegally assessed or collected.

The work in the Examining and Audit Section involves the examination and audit of all monthly returns of cigar and tobacco manufacturers and dealers in leaf tobacco, the preparation and audit of their accounts, and the preparation of notices of additional assessment; and, the compilation of data for the Commissioner's annual report.

The Bond and Punch Card Section compiles the statistics for tobacco taxes and other miscellaneous taxes collected under the direction of the unit; it also verifies the transfers of leaf tobacco reported monthly by manufacturers and dealers. All bonds filed by manufacturers and dealers in leaf tobacco are examined and verified with the card records and the correspondence relative thereto is conducted in this division.

The Accounts, Correspondence, and Files Section conducts correspondence concerning the discrepancies found in manufacturers' inventories, returns, and accounts resulting from the examination and audit.

Miscellaneous Division. The Miscellaneous Division handles the stamp taxes on documents, which includes bonds, promissory notes, time drafts, trade acceptances, powers of attorney, passage tickets, proxies, playing cards, custom house entries, and withdrawal entries from customs bonded warehouses; stamp tax on the issue, sale, and transfer of stock and sale of products for future delivery; the special taxes upon business and occupations and upon the use of boats; also the tax on oleomargarine, adulterated butter, and process or renovated butter, special and stamp taxes on mixed flour and filled cheese, stamp tax on white

phosphorus matches, and "The Futures Trading Act." The operations of this division include the furnishing of rules and regulations covering the enforcement of the revenue acts so far as they relate to the above taxes, the collection of the taxes, either by cash payment or by assessment, and the redemption of stamps and the refunding of taxes illegally or erroneously collected. A force of revenue agents and deputy collectors is maintained in the field to investigate violations of the law.

Prohibition Unit. It is the duty of the Prohibition Unit to enforce the Prohibition Act, the internal revenue laws imposing taxes upon intoxicating liquor and the liquor traffic, and the Harrison Narcotic Act. While the assessment of the taxes on alcoholic liquor and narcotics and the search for violations are made by the officers of the Prohibition Unit, all taxes are collected by the collectors of internal revenue.

This unit is in charge of a Federal Prohibition Commissioner and is divided into the following divisions:

- Office of the Federal Prohibition Commissioner
- Office of the Assistant Federal Prohibition Commissioner
- Office of the Chief of General Prohibition Agents
- Office of the Counsel
- Narcotic Division
- Audit Division
- Industrial Alcohol and Chemical Division
- Permit Division

In addition to the above office organization, there is also the field organization of the Federal Prohibition Directors, the general prohibition agents, and the narcotic force.

Office of the Prohibition Commissioner. The Office of the Prohibition Commissioner has general charge of the work connected with the duties assigned to this unit.

Office of the Assistant Prohibition Commissioner. The Assistant Prohibition Commissioner acts as consultant to the Prohibition Commissioner on questions of policy and administration and general executive functions. In the absence of the Commissioner he acts as Prohibition Commissioner. In addition to the duties specified above that officer has immediate supervision over the field supervisors and four following sections: The Personnel Section, which has jurisdiction over all matters pertaining to per-

sonnel, both in Washington and in the field; the Space, Supplies, and Equipment Section, which deals with all matters pertaining to space, supplies, and equipment; the Mail Control Section, which has jurisdiction over the receipt, routing, and dispatching of incoming and outgoing mails; and the Files Section, which is charged with the filing of all correspondence and other papers.

The ten field supervisors cooperate with the prohibition directors, render such aid as may be necessary, and instruct them as to the law, regulations, and procedure. The supervisors are charged particularly with the duty of giving careful attention to office organization, equipment, space, and administrative matters in the offices of the Prohibition Directors.

Office of Counsel. The Office of the Counsel has charge of all work connected with the interpretation of the laws administered by the unit and all litigation in which these laws are involved. It embraces the immediate office of the Chief Counsel, the Division of Interpretation, and the Division of Litigation.

The Division of Interpretation renders opinions on various questions referred to it for ruling, including inquiries from persons outside of the Bureau. It prepares regulations, Treasury Decisions, circulars, and certain forms. Assistance is rendered to legislative drafting committees when requested.

Action recommended by the unit on permit revocation proceedings before State Directors, applications for pardon or parole, offers in compromise, claims and important rulings are reviewed before final action is taken.

The library of the unit is maintained by this division.

The Division of Litigation handles reports of violation which may result in litigation, either civil or criminal. The division is made up of four following sections:

- Beverage
- Non-Beverage
- Court Case
- Mail and Files

The Beverage Section handles cases involving illegal manufacture, sale, transportation, exportation, and importation of beverage liquors on the part of persons other than permittees, seizure and condemnation of property used in connection with beverage liquors, the enjoining of nuisances, and such closely related matters. Pleadings and briefs are prepared in particular cases.

The Non-Beverage Section handles proceedings growing out of violations on the part of permittees, including prosecutions, seizures, revocation of permits, etc.

The Court Case Section receives the term reports from the United States attorneys and renders the information therein available to the clerks handling particular cases.

The Mail and Files Section has charge of the filing, routing, charging, and recording of every violation reported and all correspondence handled in the Division of Interpretation and the Division of Litigation.

Office of the Chief of General Prohibition Agents. This office is in charge of the operation of the mobile force of field officers assigned by the Prohibition Commissioner, subject to the personal direction of the Commissioner and Assistant Commissioner.

The duty of this mobile force is to canvass for violations of the Prohibition Act and to report such violations to the Prohibition Commissioner, through the Chief of General Prohibition Agents, and in a general way to keep the Prohibition Commissioner in intimate touch with field conditions. There are eighteen Divisional Chiefs, a complete list being given on pages 199 to 200.

Narcotic Division. The Narcotic Division is charged with the enforcement of the act of December 17, 1914, as amended by the Revenue Act of 1918, providing for the registration of importers, manufacturers, dealers, dispensers, etc., of opium or coca leaves, their salts, derivatives, etc., and for the payment of a stamp tax and special taxes. It is also charged with the enforcement of the act of January 17, 1914, imposing a tax of \$300 a pound on smoking opium, the collection of special and stamp taxes under this act, and the detection and apprehension of violators of all the laws mentioned.

The division is composed of the Office of the Head of the Division and the three following sections:

Field
Legal
Returns

The Field Section is in charge of the work of the field divisions charged with the enforcement of the laws. There are thirteen field divisions, each of which is under a narcotic agent, the total

force in the field numbering 164. The work of the field divisions consists of the apprehension and prosecution of violators of the law from illicit peddlers to parties registered under the law, and the checking of records and returns. While most of these violations are of a criminal character, they frequently involve the assessment of taxes.

The work of the Legal Section consists of handling the officers' reports of violations of the law, verification of taxes for assessment, consideration of claims for abatement or refund of taxes erroneously assessed or paid, consideration of offers in compromise covering violations, and miscellaneous correspondence concerning matters of prescribing and dispensing of narcotic drugs and drug addiction.

The work of the Returns Section consists of the audit of returns of importers, manufacturers, and wholesale dealers, compilation of statistical matter concerning operations in narcotics by registered persons as shown by returns, maintenance of a central index of registered persons in the United States, and miscellaneous correspondence concerning registration and use of order forms.

Audit Division. The duties of the Audit Division are concerned with assessments, claims, and compromises relating to taxes on intoxicating liquors incurred by violation of the National Prohibition Act, with accounts of bonded warehouses for alcohol and other distilled spirits, of wineries, and of establishments manufacturing denatured alcohol, with reports of dealcoholizing plants, with returns from holders of permits under the Prohibition Act, and with the assessment of taxes and penalties under the Harrison Narcotic Act.

The work of this division is intimately connected with the duties and responsibilities of collectors of internal revenue, through whom the assessments are collected. The assessment lists are prepared in this division and sent to the collectors of internal revenue who under their bonds are responsible for the collection of the taxes assessed. Collectors are also responsible under their bonds for the stamp taxes due on all distilled spirits disclosed by the bonded accounts and for taxes due on wines as shown by the records and returns of wine shakers.

The division is composed of the Office of the Head of the Division and seven sections, as follows :

- Assessment
- Claims
- Compromise
- Bonded Spirits
- Export and Bottling in Bond Accounts
- Denatured Alcohol and Wine
- Statistical Reports

The work of the Assessment Section embraces the reviewing of field officers' reports of violations of the National Prohibition Act and of the internal revenue laws relating to alcoholic liquors to determine what civil liabilities have been incurred ; the preparation of assessment lists of taxes on liquor and narcotics ; the forwarding of these lists to collectors for collection ; the auditing of collectors' monthly reports of collections of assessed taxes, taxes transferred to other districts for collection, and items outstanding ; the compiling of statistical data pertaining to assessments and collections ; the verification and the notation on assessment lists of claims for abatement and refund to prevent duplication of allowances ; and the furnishing to federal prohibition directors of lists of delinquent taxpayers whose assessments have been abated to collectors as uncollectible.

The duties of the Claims Section include the examination of claims for abatement or refund of taxes and tax penalties arising under the National Prohibition Act and internal revenue laws on alcoholic liquor ; the preparation of briefs on such claims with recommendations for their allowance or rejection ; the scheduling of the claims for the approval of the Commissioner of Internal Revenue ; and the preparation of letters notifying claimants of the Commissioner's decision.

The work of the Compromise Section consists in the consideration of offers submitted in compromise of liabilities incurred through violation of the Prohibition Act and the internal revenue laws relating to alcoholic liquors ; the development of cases preparatory to such consideration and the preparation of abstracts with formulated recommendations for acceptance or rejection ; and the performance of all work incidental to a complete disposition of the compromise phases of such cases.

The Bonded Spirits Section deals with the examination and audit of daily and monthly returns and accounts of transactions at distillery warehouses, industrial alcohol bonded warehouses, breweries, dealcoholizing plants, rectifying houses, and institutions procuring alcohol tax free.

The Export and Bottling in Bond Accounts Section has jurisdiction over matters pertaining to the exportation free of tax and bottling in bond of distilled spirits.

The Denatured Alcohol and Wine Section examines and audits the reports and accounts covering the production, storage, shipment, and use of denatured alcohol, and the production, storage, transfer, fortification, export, and payment of taxes on wines; also the reports of collectors and prohibition directors relative to the production and sale of wines in violation of law.

The Statistical Reports Section makes administrative examinations of reports rendered by permittees under the National Prohibition Act as to the use of taxpaid liquor in manufacturing and compounding preparations unfit for use for beverage purposes and of reports rendered by permittees authorized to sell liquor on prescription. It also compiles statistics to such use of liquors.

Industrial Alcohol and Chemical Division. This division has charge of all matters relating to the manufacture and use of industrial alcohol, denatured alcohol, and the operation of licensed distilleries. It also performs all chemical researches for all the units of the Bureau. Its work is carried on through the office of the Head of the Division, the Industrial Alcohol Section, and the Chemical Section.

The Industrial Alcohol Section has charge of all matters relating to the manufacture of industrial alcohol and of specially denatured alcohol, the withdrawal of alcohol tax free, and the lawful manufacture of grain alcohol. It is composed of the Office of Chief of Section and the following subsections, whose names indicate their duties:

- Industrial Alcohol
- Manufacturers and Dealers in Specially Denatured Alcohol
- Tax Free Withdrawals
- Grain and Fruit Distilleries
- Storekeeper-Gaugers

The Chemical Section makes researches in connection with the development of the use of denatured alcohol, analyzes beverages

to determine their alcohol content, and makes such chemical examinations of narcotics, filled cheese, mixed flour, renovated butter, oleomargarine, and other substance as may be necessary to discover violations of the internal revenue laws. It makes researches not only for the Prohibition Unit, but for any other unit which may require its services. In order to expedite the work, field laboratories are located in eight cities. A complete list of these is given on page 202.

Permit Division. The duties of this division are to examine all papers filed with applications for permit (with the exception of those pertaining to the establishment of distilleries and industrial alcohol plants) and to determine from data submitted with applications whether the applicant is entitled under the law to a permit. It is its duty also to determine from formulae whether an alcoholic preparation is fit for use for beverage purposes. If from the evidence submitted, the applicant is deemed entitled to a permit, the papers are prepared in this division for the approval of the Prohibition Commissioner.

This division consists of the Office of the Head of the Division and eight sections, namely:

- Mails
- Record and File
- Correspondence
- Examiners
- Bonds
- Typing
- Withdrawal
- Final Review

The Mails Section receives all mail and distributes it to the other section of the division.

The Record and File Section receives all mail for the Permit Division, attaches former correspondence, routes to the proper section for action, classifies and files cases, and keeps a record of material withdrawn from the files.

The Correspondence Section reviews mail, prepares answers to letters pertaining to the work of the division, and prepares notices of disapproval of applications.

The Examiners Section is charged with the duty of determining whether the applicant is entitled to receive a permit. This necessitates examination of formulae, dosage, therapeutic effect of drugs, etc.

The Bonds Section examines all bonds filed with permits as to sufficiency of the penal sum, proper execution, and whether they conform to the law and regulations.

The Typing Section types permits and does such other typewriting as may be necessary.

The purpose of the Withdrawal Section is to check the amount of distilled spirits withdrawn, with amount allowed in basic permit.

In the Final Review Section permits are reviewed before they are finally passed upon by the Commissioner.

Prohibition Directors. A federal prohibition director is appointed for each state and territory to assist the National Prohibition Commissioner in the enforcement of the National Prohibition Act. The director is charged with the administration of both the enforcement and permissive features of the act within the state, territory, or district over which he has jurisdiction. His duties embrace the supervision of a clerical and field force, the latter consisting of officers designated "prohibition agents." The director is responsible for the proper enforcement of the law and regulations and for the efficiency of his subordinates. Where the volume of business transacted warrants, an assistant director is provided, who acts as federal prohibition director in the absence of the director. For purposes of administration each federal prohibition director organizes his office on the following plan, according to instructions issued by the National Prohibition Commissioner:

- Field Division
- Legal Division
- Administrative Division

The Field Division is usually in the charge of an agent, who is directly responsible to the director for the conduct of field work. The agent is charged with directing the operations of the prohibition agents, makes assignments of such offices, and supervises the keeping of records of assignments. He reviews the daily reports of such agents, especially those relating to duties performed, and salary and expenses incurred. The agent in charge also exercises general supervision over the storage and disposition of seized property. He has under his supervision the following organization:

- Investigation and Inspection Section
- Group Heads
- Prohibition Agents

All original, renewal, and supplemental applications for permits, cancellation of permits, matters affecting application for permits to purchase, or special requests for inspection are referred to the Investigation and Inspection Section for investigation.

Under each prohibition director are agents designated as "group heads," who have supervision over squads of officers and are held responsible for the manner in which those officers perform their duties. These group heads are responsible for delivery of material evidence and seized property into the hands of the director and for its safe-keeping when stored in the territory to which they are assigned.

The prohibition agents constitute the field force acting under the supervision and direction of the federal prohibition director, by whose direction, through the agent in charge, they make inspections and investigations in connection with applications for basic permits provided for by the National Prohibition Act and investigations and inspections of places of business, records, etc. of persons who have secured such permits. Under the direction of the federal prohibition director, they are charged with the duty of making arrests and seizures in accordance with the provisions of the Prohibition Act and regulations issued thereunder.

The Legal Division is organized only in states where the business transacted is of such volume as to warrant the appointment of a legal adviser. The legal adviser acts under the immediate direction of the federal prohibition director and assistant director, and prepares opinions on all legal questions that arise. The Legal Advisor has under his immediate supervision the Revocation Section and the Legal Reports Section.

The Revocation Section is charged with the legal procedure necessary in the revocation of permits. Upon receipt of instructions from the director requesting the revocation of any permit, this section causes a citation notice leading to revocation proceedings to be sent out immediately.

The Legal Reports Section is charged with work of reviewing the reports of officers and the preparation of legal reports relating thereto. These reports are submitted to the director. This section handles all matters pertaining to suits brought against officers; handles legal correspondence, follows up cases referred to United States district attorneys, takes steps to secure legal authori-

zation of disposition of seized property, maintains the proper records of all cases handled, and prepares reports and opinions on offers in compromise and on applications for paroles and pardons.

The Administrative Division is under the supervision of an executive clerk, who is in charge of the clerical force in the director's office. The executive clerk, the agent in charge, and the legal advisor work in concert to bring about the best possible results and close relationship between the office and the field force. The division contains the following sections:

- Application and Permit
- Withdrawal
- Mails and Files
- Public Information
- Reports and Statistics
- Personnel and Disbursing

All original, renewal, and supplemental applications for basic permits, together with bonds, are referred to the Application and Permit Section, which is charged with the delivery of basic permits received from the Commissioner and with the issuance of carriers' permits and physicians' permits to prescribe approved by the director. This section also handles correspondence relating to the acceptance of applications and all other matters relating thereto, including approvals, disapprovals, adjustments of matters with surety companies, etc.

The Withdrawal Section passes upon all applications to procure liquor and applications to procure wine for sacramental purposes.

The Mails and Files Section handles and opens all incoming mail and distributes it to the proper section. It is also the duty of this section to file all mail and other papers.

The work of the Public Information Section is confined to interviewing the public.

The Reports and Statistical Section has charge of the preparation of all monthly reports and such reports and statistics as may be required from time to time by the Commissioner's office.

The Personnel and Disbursing Section handles all the personnel work of the director's field and office force. It also receives and issues forms, supplies, and equipment.

CHAPTER IV

PERSONNEL

Method of Appointment. The Commissioner of Internal Revenue, the Solicitor of Internal Revenue, and the collectors of internal revenue are appointed by the President by and with the advice and consent of the Senate. The collectors must be residents of their respective districts. Their term is not prescribed by law, but as their appointments are political, they generally hold office for four years. They are removable at the pleasure of the President. The Solicitor of Internal Revenue is nominally an officer of the Department of Justice, but as he is engaged solely with internal revenue matters and is the legal advisor of the Commissioner of Internal Revenue he should be considered as part of the personnel of the Bureau.

The deputy commissioners of internal revenue are appointed by the Secretary of the Treasury. Up to January 9, 1922, they were under the classified civil service, but an Executive order of that date authorized their appointment without regard to civil service rules.

The deputy collectors are appointed by the collector. The act of October 22, 1913 (38 Stat. L., 208), provided that deputy collectors required to execute a bond to the collector may be appointed without reference to civil service rules. This provision makes it possible to appoint all deputy collectors without regard to civil service rules simply by requiring the appointee to execute a bond. All of the deputy collectors in the service on March 1, 1922, were bonded and were appointed without reference to civil service rules. It should be noted that the duties of deputy collectors are not defined by statute, but are assigned in the discretion of the collector. All of the auditing force in the offices of collectors is composed of deputies and it is not unlikely that deputies are also assigned to purely clerical duties.

In its report for the fiscal year 1921⁴ the Civil Service Commission makes the following comment on the method of appointing collectors and deputy collectors.

There is no part of the executive civil service where efficiency, and all that it means, is of more value than in the Internal Revenue Service. It is through that service that the revenues necessary for the support of the Government are largely raised. Only an efficient and honest experienced force can execute the internal revenue laws in such a way as to prevent evasions and violations, which result in loss of much revenue. Revenue laws continue under each administration, and there is no reason why a collector and his force who perform efficient service should not be retained as a part of the business organization of the Government, for the Internal Revenue Service performs one of the most important of the purely business functions of the Government. So long as the present method continues, appointments will be based more largely on political affiliations than business ability, and there will be no incentive to industry and efficiency, since tenure will depend upon continuance of the party in power. Under the present system a much larger sum is necessary for salaries than an experienced force would require, and an immense sum is lost through failure to collect revenues which an experienced force would collect. The commission urges that recommendation be made to Congress that collectors of internal revenue and their deputies be included in the classified service, in the interest of efficiency and economy.

All other employees in the offices of collectors are appointed by the collector after certification by the local secretary of the Civil Service Commission. Supervisors of accounts and collections and revenue agents in charge of field offices and their subordinates are appointed by the Secretary of the Treasury on the recommendation of the Commissioner of Internal Revenue in accordance with civil service regulations.

In connection with enforcement of the National Prohibition Act there may be appointed, without reference to the civil service rules, executive officers having "immediate direction of the enforcement" of the act, persons authorized to issue permits, and agents and inspectors in the field service. The positions not included in the classified civil service, therefore, include the Prohibition Commissioner and his immediate assistants, the prohibition directors,

⁴ Page xxx.

and the field force of officers who make arrests and seizures. The prohibition directors are appointed by the Secretary of the Treasury on the recommendation of the Commissioner of Internal Revenue. The subordinate officers, clerks, and other employees under the direction of the prohibition directors are appointed by those officers. The general prohibition agents and their subordinates are appointed by the Secretary of the Treasury on the recommendation of the Commissioner of Internal Revenue. Of the total prohibition field force of 2403 in the service on January 1, 1922, there were 689 appointed in conformity with civil service rules and 1714 without examination.

All employees with the exception of those specially mentioned above are appointed by the Secretary of the Treasury on the recommendation of the Commissioner of Internal Revenue and in accordance with civil service rules.

Compensation. The compensation of only a small portion of the employees of the Bureau of Internal Revenue is fixed by law. The act of February 24, 1919 (40 Stat. L., 1057), provides that the salaries of collectors shall be fixed under such regulations as may be prescribed by the Commissioner of Internal Revenue, subject to the approval of the Secretary of the Treasury, but no collector shall receive a salary in excess of \$6000 a year.² On March 10, 1922, one collector received a salary of \$4500, one \$4600, one \$4700, two \$4800, four \$5000, one \$5100, three \$5200, one \$5300, two \$5400, four \$5500, two \$5600, three \$5700, seven \$5800, three \$5900, and thirty \$6000.

²Treasury Decision 2808 of March 18, 1919, as modified by Treasury Decision 2902 of July 29, 1919, provides that the salaries of collectors shall be adjusted annually according to the total number of income and profit tax returns received during the preceding fiscal year. The base pay is \$4500 for offices receiving less than 15,000 returns; there is added \$100 for each 2250 returns exceeding 15,000 and not over 25,000; \$100 for each 5000 returns exceeding 25,000 and not over 50,000; and \$100 for each 10,000 returns exceeding 50,000 and not over 100,000; for offices receiving over 100,000 returns the salary is \$6000. This gives sixteen rates of pay, each differing by \$100.

³ See p. 248 for salaries paid in each district.

PERSONNEL

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The salaries of only 515 positions, the so-called statutory ones, are fixed by the appropriation act for the fiscal year 1924 as follows:

Commissioner	\$10,000
Assistant to the Commissioner.....	5,000
Five Deputy Commissioners, each.....	5,000
Chief Chemist	3,000
Chemist	2,500
Two Assistant Chemists, each.....	1,800
Assistant Chemist	1,600
Assistant Chemist	1,400
Head of Division	3,500
Five Heads of Division, each.....	2,500
Three Heads of Division, each.....	2,250
Three Assistant Heads of Division, each.....	2,000
Attorney	3,600
Law Clerk	2,000
Insurance Expert	2,000
Railroad Expert	2,000
Superintendent of Stamp Vault.....	2,000
Private Secretary	1,800
Four Clerks, each.....	2,000
Fifty-two Clerks, each.....	1,800
Sixty Clerks, each.....	1,600
Ninety-eight Clerks, each.....	1,400
Eighty-three Clerks, each.....	1,200
Seventy-six Clerks, each.....	1,000
Fifty Mail Messengers, each.....	900
Thirty-eight Messengers, each	840
Twenty-one Assistant Messengers, each.....	720

The salaries of all other employees, both in Washington and the field, are fixed by the Secretary of the Treasury on the recommendation of the Commissioner of Internal Revenue from lump sum appropriations, quoted on page 231, which are also available for other purposes.

The outline of personnel organization on pages 204 to 220 shows the salaries paid without differentiation between the lump sum and statutory appropriations.

APPENDIX I

OUTLINE OF ORGANIZATION

EXPLANATORY NOTE

The Outlines of Organization in this series of monographs have for their purpose to make known in detail the organization and personnel possessed by the several services of the national government to which they relate. They have been prepared in accordance with the plan followed by the President's Commission on Economy and Efficiency in the preparation of its outlines of the organization of the United States Government.¹ They differ from those outlines, however, in that whereas the commission's report showed only organization units, the presentation in other monographs of this series has been carried far enough to show the personnel embraced in each organization unit.

In the case of the Bureau of Internal Revenue there are shown all the organization units in one outline and the classes of employees in the primary units in another outline. The outline showing classes of employees includes all the employees of the Bureau in Washington and the field, but it was not practicable to obtain from the Bureau a statement of personnel distributed according to the ultimate subdivisions in which employed.

The outline by organization units is of July 1, 1922, while the outline by classes of employees is of July 1, 1921. The organization was changed materially in the period between these two dates, but it was not practicable to obtain from the Bureau a complete classification of employees on July 1, 1922, as this information could not be supplied for the Income Tax Unit. Each outline is complete, but the two can not be compared. The more important changes have been indicated by footnotes to the outline by classes of employees.

¹ House Doc. 458, 62d Congress, 2d Session, 1912, 2 vols.

These outlines are of value not merely as an effective means of making known the organization of the several services. If kept revised to date by the services, they constitute exceedingly important tools of administration. They permit the directing personnel to see at a glance the organization and personnel at their disposition. They establish definitely the line of administrative authority and enable each employee to know his place in the system. They furnish the essential basis for making plans for determining costs by organization division and subdivision. They afford the data for a consideration of the problem of classifying and standardizing personnel and compensation. Collectively, they make it possible to determine the number and location of organization divisions of any particular kind, as, for example, laboratories, libraries, blue-print rooms, or any other kind of plant possessed by the national government, to what services they are attached and where they are located, or to determine what services are maintaining stations at any city or point in the United States. The institute hopes that upon the completion of the present series, it will be able to prepare a complete classified statement of the technical and other facilities at the disposal of the government. The present monographs will then furnish the details regarding the organization, equipment, and work of the institutions so listed and classified.

OUTLINE OF ORGANIZATION (BY UNITS)

BUREAU OF INTERNAL REVENUE DEPARTMENT OF THE TREASURY JULY 1, 1922

1. Office of the Commissioner, Proper
2. Office of the Solicitor
 1. Interpretative Division I
 2. Interpretative Division II
 3. Civil Division
 4. Penal Division
 5. Administrative Division
 1. Library
 2. Mails and Files Section
 3. Docket Section
3. Committee on Appeals and Review
4. Division of Appointments
 1. Office of Head of Division
 2. Correspondence Section

4. Division of Appointments—*Continued*
 3. Bureau Personnel Section
 4. Time and Disbursement Section
 5. Prohibition Personnel Section
 6. Collectors' Personnel Section
 7. Revenue Agents Personnel Section
 8. Files Section
5. Special Intelligence Unit
6. Income Tax Unit
 1. Office of the Deputy Commissioner
 1. Executive Staff
 2. Rules and Regulations Section
 2. Office of the Assistant Deputy Commissioner
 3. Staff Division
 1. Office of Head of Division
 2. Personnel Section
 3. Training Section
 4. Administration Division
 1. Office of Head of Division
 2. Mail Section
 3. Proving Section
 4. Sorting Section
 5. Building, Equipment, and Supplies Section
 6. Orders and Codes Section
 7. Stenographic Section
 8. Duplicating Section
 9. Records Subdivision
 1. Office of Chief of Subdivision
 2. Registration Section
 3. Claims Control Section
 4. Unaudited Returns Section
 5. Correspondence Section
 6. Distribution Section
 5. Personal Audit Division
 1. Office of Head of Division
 2. Personal Section 1
 3. Personal Section 2
 4. Personal Section 3
 5. Personal Section 4
 6. Personal Section 5
 7. Personal Section 6
 8. Field Review Section
 9. Review Section
 6. Corporation Audit Division
 1. Office of Head of Division
 2. Manufacturers Section

- 6. Income Tax Unit—*Continued*
- 6. Corporation Audit Division—*Continued*
 - 3. Trading Section
 - 4. Public Utilities and Personal Service Section
 - 5. Finance Section
 - 6. Miscellaneous Section
 - 7. Review Section
- 7. Special Audit Division
 - 1. Office of Head of Division
 - 2. Special Assignment Section
 - 3. Special Assessment Section
 - 4. Amortization Section
 - 5. Consolidated Returns Subdivision
 - 1. Office of Chief of Subdivision
 - 2. Administrative Section
 - 3. Affiliations Section
 - 4. Section A
 - 5. Section B
 - 6. Section D
 - 7. Section E
 - 8. Railroad Section
 - 6. Review Section
- 8. Natural Resources Division
 - 1. Office of Head of Division
 - 2. Audit F Section
 - 3. Audit G Section
 - 4. Audit H Section
 - 5. Oil and Gas Valuation Section
 - 6. Coal Valuation Section
 - 7. Metals Valuation Section
 - 8. Non-metals Valuation Section
 - 9. Timber Valuation Section
 - 10. Review Section
- 9. Field Division
 - 1. Office of Head of Division
 - 2. Field Reports Control Section
 - 1. Office of Chief of Section
 - 2. Correspondence Subsection
 - 1. Office of Chief of Subsection
 - 2. Unit 1
 - 3. Unit 2
 - 3. Corporation Subsection
 - 1. Office of Chief of Subsection
 - 2. Receiving and Recording Unit
 - 3. Assembly and Preliminary Audit Unit
 - 4. Abstracting and Photostating Unit
 - 5. Closing Entries Revenue Agents Reports Unit

6. Income Tax Unit—*Continued*
9. Field Division—*Continued*
 2. Field Reports Control Section—*Continued*
 4. Individual Subsection
 1. Office of Chief of Subsection
 2. Receiving and Recording Unit
 3. Assembling and Preliminary Audit, Partnerships and Withholding Agents Unit
 4. Assembling and Preliminary Audit, Individuals and Fiduciaries Unit
 5. Transcribing and Photostating Unit
 3. Field Personnel Section
 4. Revenue Agents Field Divisions
 1. Atlanta Division (Headquarters, Atlanta, Ga.) embracing Florida and Georgia Collection Districts
 1. Suboffices
 1. Jacksonville
 2. Macon
 3. Augusta
 4. Savannah
 5. Athens
 6. Miami
 7. Key West
 8. Tampa
 2. Baltimore Division (Headquarters, Baltimore, Md.) embracing Delaware and Maryland Collection Districts
 1. Suboffices
 1. Washington
 2. Wilmington
 3. Cumberland
 3. Boston Division (Headquarters, Boston, Mass.) embracing Maine, Massachusetts, New Hampshire and Vermont Collection Districts
 1. Suboffice—Lowell
 4. Buffalo Division (Headquarters, Buffalo, N. Y.) embracing 21st and 28th Collection Districts of New York
 1. Suboffices
 1. Utica
 2. Syracuse
 3. Rochester
 5. Chicago Division (Headquarters, Chicago, Ill.) embracing 1st Collection District of Illinois

6. Income Tax Unit—*Continued*
9. Field Division—*Continued*
4. Revenue Agents Field Divisions—*Continued*
 6. Cincinnati Division (Headquarters, Cincinnati, Ohio) embracing 1st and 11th Collection Districts of Ohio
 1. Suboffices
 1. Columbus
 2. Dayton
 7. Cleveland Division (Headquarters, Cleveland, Ohio) embracing 10th and 18th Collection Districts of Ohio
 1. Suboffices
 1. Toledo
 2. Youngstown
 8. Columbia Division (Headquarters, Columbia, S. C.) embracing South Carolina Collection District
 9. Denver Division (Headquarters, Denver, Colo.) embracing Arizona, Colorado, New Mexico, and Wyoming Collection Districts
 10. Detroit Division (Headquarters, Detroit, Mich.) embracing Michigan Collection District
 11. Greensboro Division (Headquarters, Greensboro, N. C.) embracing North Carolina Collection District
 12. Honolulu Division (Headquarters, Honolulu, Hawaii) embracing Hawaii Collection District
 13. Huntington Division (Headquarters, Huntington, W. Va.) embracing West Virginia Collection District
 14. Indianapolis Division (Headquarters, Indianapolis, Ind.) embracing Indiana Collection District
 15. Louisville Division (Headquarters, Louisville, Ky.) embracing Kentucky Collection District
 1. Suboffice—Lexington
 16. Milwaukee Division (Headquarters, Milwaukee, Wis.) embracing Wisconsin Collection District

6. Income Tax Unit—*Continued*
9. Field Division—*Continued*
 4. Revenue Agents Field Divisions—*Continued*
 17. Nashville Division (Headquarters, Nashville, Tenn.) embracing Alabama and Tennessee Collection Districts
 1. Suboffices
 1. Memphis
 2. Mobile
 3. Birmingham
 18. Newark Division (Headquarters, Newark, N. J.) embracing New Jersey Collection District
 1. Suboffices
 1. Jersey City
 2. Atlantic City
 3. Paterson
 4. Trenton
 5. New Brunswick
 6. Camden
 19. New Haven Division (Headquarters, New Haven, Conn.) embracing Rhode Island, Connecticut and 14th Collection District, New York, except Westchester Co., N. Y., and the 23d and 24th Wards of New York City
 1. Suboffices
 1. Providence
 2. Albany
 3. Hartford
 4. Troy
 5. Bridgeport
 6. Waterbury
 20. New Orleans Division (Headquarters, New Orleans, La.) embracing Louisiana and Mississippi Collection Districts
 21. New York Division (Headquarters, New York City) embracing 1st and 2d Collection Districts of New York, Westchester Co., N. Y., and 23d and 24th Wards of New York City
 1. Suboffice—New York
 22. Oklahoma Division (Headquarters, Oklahoma City, Okla.) embracing Arkansas and Oklahoma Collection Districts

- 6. Income Tax Unit—*Continued*
- 9. Field Division—*Continued*
- 4. Revenue Agents Field Divisions—*Continued*
- 23. Omaha Division (Headquarters, Omaha, Nebr.) embracing Iowa and Nebraska Collection Districts.
 - 1. Suboffices
 - 1. Des Moines
 - 2. Sioux City
- 24. Philadelphia Division (Headquarters, Philadelphia, Pa.) embracing 1st and 12th Collection Districts of Pennsylvania
 - 1. Suboffices
 - 1. Allentown
 - 2. Altoona
 - 3. Bethlehem
 - 4. Easton
 - 5. Hanover
 - 6. Harrisburg
 - 7. Lancaster
 - 8. Reading
 - 9. York
 - 10. Williamsport
 - 11. Scranton
- 25. Pittsburgh Division (Headquarters, Pittsburgh, Pa.) embracing 23d Collection District Pennsylvania
 - 1. Suboffice—Erie
- 26. Portland Division (Headquarters, Portland, Oregon) embracing Oregon Collection District
- 27. Richmond Division (Headquarters, Richmond, Va.) embracing Virginia Collection District
- 28. St. Louis Division (Headquarters, St. Louis, Mo.) embracing Missouri Collection District
 - 1. Suboffice—Kansas City
- 29. St. Paul Division (Headquarters, St. Paul, Minn.) embracing Minnesota, North Dakota and South Dakota Collection Districts
 - 1. Suboffice—Minneapolis
- 30. Salt Lake City Division (Headquarters, Salt Lake City, Utah) embracing Idaho, Montana and Utah Collection Districts

6. Income Tax Unit—*Continued*
9. Field Division—*Continued*
4. Revenue Agents Field Divisions—*Continued*
31. San Antonio Division (Headquarters, San Antonio, Texas) embracing Texas Collection District
 1. Suboffices
 1. Dallas
 2. Houston
32. San Francisco Division (Headquarters, San Francisco, Calif.) embracing California and Nevada Collection Districts
 1. Suboffices
 1. Los Angeles
 2. Santa Barbara
33. Seattle Division (Headquarters, Seattle, Wash.) embracing Washington Collection District
 1. Suboffices
 1. Tacoma
 2. Spokane
 3. Everett
 4. Olympia
 5. Walla Walla
 6. Wenatchee
 7. Yakima
34. Springfield Division (Headquarters, Springfield, Ill.) embracing 8th Collection District of Illinois
35. Wichita Division (Headquarters, Wichita, Kans.) embracing Kansas Collection District
10. Statistical Division
 1. Office of the Head of Division
 2. Compilation and Analysis Section
 3. Edit and Code Section
 4. Card Punch Section
 5. Tabulation and Sort Section
 6. Research Section
 7. Special Tables Section
 8. Comptometer Section
7. Accounts and Collections Unit
 1. Office of the Deputy Commissioner
 1. Control Section
 2. Collection Service Division
 1. Personnel Section

7. Accounts and Collections Unit—*Continued*
 2. Collection Service Division—*Continued*
 2. Field Procedure Section
 1. Supervisors of Accounts and Collections
 1. Division No. 1 (Headquarters, Boston, Mass.) embracing Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut
 2. Division No. 2 (Headquarters, Albany, N. Y.) embracing New York
 3. Division No. 3 (Headquarters, Philadelphia, Pa.) embracing New Jersey and Pennsylvania
 4. Division No. 4 (Headquarters, Baltimore, Md.) embracing Delaware, Maryland, Virginia, and West Virginia
 5. Division No. 5 (Headquarters, Jacksonville, Fla.) embracing Alabama, Florida, Georgia, North Carolina, and South Carolina
 6. Division No. 6 (Headquarters, Louisville, Ky.) embracing Kentucky, Louisiana, Mississippi, and Tennessee
 7. Division No. 7 (Headquarters, Columbus, Ohio) embracing Michigan and Ohio
 8. Division No. 8 (Headquarters, Indianapolis, Ind.) embracing Illinois and Indiana
 9. Division No. 9 (Headquarters, St. Paul, Minn.) embracing Minnesota, North Dakota, South Dakota, and Wisconsin
 10. Division No. 10 (Headquarters, St. Louis, Mo.) embracing Iowa, Missouri, and Nebraska
 11. Division No. 11 (Headquarters, Oklahoma City, Okla.) embracing Arkansas, Kansas, Oklahoma, and Texas
 12. Division No. 12 (Headquarters, Denver, Colo.) embracing Arizona, Colorado, New Mexico, and Wyoming
 13. Division No. 13 (Headquarters, Salt Lake City, Utah) embracing Idaho, Montana, Nevada, and Utah
 14. Division No. 14 (Headquarters, San Francisco, Calif.) embracing California, Hawaii, Oregon, and Washington
 3. Supplies, Equipment, and Space Section
 4. Correspondence Study Section
 3. Office Accounts and Procedure Division
 4. Disbursement Division

7. Accounts and Collections Unit—*Continued*
 5. Stamp Division
 6. Collectors of Internal Revenue¹
 1. Alabama District (Office, Birmingham)
 1. Division Offices
 1. Mobile
 2. Montgomery
 2. Arizona District (Office, Phoenix)
 3. Arkansas District (Office, Little Rock)
 1. Division Offices
 1. Fort Smith
 2. Helena
 4. California, First District (Office, San Francisco)
 1. Division Offices
 1. Sacramento
 2. Oakland
 3. Fresno
 5. California, Sixth District (Office, Los Angeles)
 1. Division Offices
 1. San Bernardino
 2. San Diego
 3. Santa Barbara
 6. Colorado District (Office, Denver)
 7. Connecticut District (Office, Hartford)
 1. Division Offices
 1. Bridgeport
 2. New Haven
 3. New London
 4. Waterbury

¹ Since this outline was prepared an additional district, the Third New York, has been created. The boundaries of the several districts are given in the pamphlet entitled "A list of the Several Collection Districts," published by the Bureau of Internal Revenue. The following is the general plan of organization of the offices of collectors, but it is not used universally.

1. Office of Collector
 1. Administration Division (In charge of Chief Officer Deputy)
 1. Income Tax Division
 2. Cashier's Division
 3. Bookkeeping Division
 4. Sales Tax Division
 5. Miscellaneous Tax Division
 2. Office of Chief Field Deputy
 1. Division Offices
 1. Zone Offices
 2. Stamp Offices

Zone offices are not listed, as these are open only for a short time each year. In some districts certain stamp offices are not under the division offices, but report directly to the main office of the collector.

OUTLINE OF ORGANIZATION

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7. Accounts and Collections Unit—*Continued*
6. Collectors of Internal Revenue—*Continued*
8. Delaware District (Office, Wilmington)
9. Florida District (Office, Jacksonville)
 1. Division Offices
 1. Miami
 1. Stamp Office—Key West
 2. Tampa
 3. Pensacola
10. Georgia District (Office, Atlanta)
 1. Division Offices
 1. Macon
 2. Savannah
11. Hawaii District (Office, Honolulu)
 1. Stamp office—Hilo
12. Idaho District (Office Boise)
 1. Division Office—Pocatello
13. Illinois, First District (Office, Chicago)
 1. Division Offices
 - 1-6. Chicago (6 offices)
 7. Joliet
 8. Rock Island
 9. Peoria
 10. Rockford
 11. Aurora
14. Illinois, Eighth District (Office, Springfield)
 1. Division Offices
 1. East St. Louis
 2. Cairo
 3. Centralia
 4. Danville
 5. Decatur
 6. Bloomington
 1. Stamp Office—Pekin
 7. Quincy
 2. Stamp Offices
 1. Canton
 2. Jacksonville
15. Indiana District (Office, Indianapolis)
 1. Division Offices
 1. Gary
 2. South Bend
 3. Fort Wayne
 4. Logansport

7. Accounts and Collections Unit—*Continued*
6. Collectors of Internal Revenue—*Continued*
 15. Indiana District—*Continued*
 1. Division Offices—*Continued*
 5. Lafayette
 6. Muncie
 7. Evansville
 8. Terre Haute
 9. New Albany
 2. Stamp Office—Lawrenceburg
 16. Iowa District (Office, Dubuque)
 1. Division Offices
 1. Cedar Rapids
 2. Council Bluffs
 3. Davenport
 4. Des Moines
 5. Mason City
 6. Ottumwa
 1. Stamp Office—Burlington
 7. Sioux City
 8. Fort Dodge
 17. Kansas District (Office, Wichita)
 1. Division Offices
 1. Kansas City
 2. Topeka
 3. Salina
 4. Parsons
 18. Kentucky District (Office, Louisville)
 1. Division Offices
 1. Ashland
 2. Paducah
 3. Lexington
 1. Stamp Offices
 1. Danville
 2. Frankfort
 4. Covington
 5. Owensboro
 19. Louisiana District (Office, New Orleans)
 1. Division Offices
 1. Shreveport
 2. Baton Rouge
 20. Maine District (Office, Augusta)
 1. Division Offices
 1. Portland
 2. Bangor

7. Accounts and Collections Unit—*Continued*
6. Collectors of Internal Revenue—*Continued*
 21. Maryland District (Office, Baltimore)
 1. Division Offices
 1. Washington, D. C.
 2. Hagerstown
 3. Salisbury
 22. Massachusetts District (Office, Boston)
 1. Division Offices
 1. Springfield
 2. Worcester
 3. Fall River
 4. Lawrence
 23. Michigan, First District (Office, Detroit)
 1. Division Offices
 1. Bay City
 1. Stamp Office—Saginaw
 2. Flint
 3. Jackson
 24. Michigan, Fourth District (Office, Grand Rapids)
 1. Division Offices
 1. Kalamazoo
 2. Marquette
 25. Minnesota District (Office, St. Paul)
 1. Division Offices
 1. Minneapolis
 2. Duluth
 3. Winona
 4. Mankata
 5. St. Cloud
 26. Mississippi District (Office, Jackson)
 27. Missouri, First District (Office, St. Louis)
 1. Division Offices
 1. Hannibal
 2. Cape Girardeau
 28. Missouri, Sixth District (Office, Kansas City)
 1. Division Offices
 1. St. Joseph
 2. Springfield
 1. Stamp Office—Joplin
 29. Montana District (Office, Helena)
 1. Division Offices
 1. Butte
 2. Billings
 3. Great Falls

- 7. Accounts and Collections Unit—*Continued*
- 6. Collectors of Internal Revenue—*Continued*
 - 30. Nebraska District (Office, Omaha)
 - 1. Division Offices
 - 1. Lincoln
 - 2. Grand Island
 - 31. Nevada District (Office, Reno)
 - 32. New Hampshire District (Office, Portsmouth)
 - 1. Stamp Office—Manchester
 - 33. New Jersey, First District (Office, Camden)
 - 1. Division Offices
 - 1. Trenton
 - 2. Atlantic City
 - 34. New Jersey, Fifth District, (Office, Newark)
 - 1. Division Offices
 - 1. Jersey City
 - 2. Paterson
 - 3. Elizabeth
 - 4. Morristown
 - 1. Stamp Office—New Brunswick
 - 35. New Mexico District (Office, Albuquerque)
 - 36. New York, First District (Office, Brooklyn)
 - 1. Division Office—Pachogue
 - 37. New York, Second District (Office, New York)
 - 1. Division Offices
 - 1-4. New York (4 Offices)
 - 2. Stamp Office—San Juan, Porto Rico
 - 38. New York, Fourteenth District (Office, Albany)
 - 1. Division Offices
 - 1. Schenectady
 - 2. Troy
 - 3. Newburgh
 - 4. New York (Bronx)
 - 5. Poughkeepsie
 - 1. Stamp Office—Peekskill
 - 39. New York, Twenty-first District (Office, Syracuse)
 - 1. Division Offices
 - 1. Utica
 - 2. Binghamton
 - 3. Watertown
 - 40. New York, Twenty-eighth District (Office, Buffalo)
 - 1. Division Offices
 - 1. Rochester
 - 2. Elmira
 - 3. Jamestown

7. Accounts and Collections Unit—*Continued*
6. Collectors of Internal Revenue—*Continued*
 41. North Carolina District (Office, Raleigh)
 1. Division Offices
 1. Washington
 2. Wilmington
 3. Charlotte
 1. Stamp Office—Statesville
 4. Asheville
 5. Winston-Salem
 1. Stamp Offices
 1. Greensboro
 2. Reidsville
 2. Stamp Office—Durham
 42. North Dakota District (Office, Fargo)
 1. Division Offices
 1. Grand Forks
 2. Bismarck
 43. Ohio, First District (Office, Cincinnati)
 1. Division Office—Dayton
 2. Stamp Office—Middletown
 44. Ohio, Tenth District (Office, Toledo)
 1. Division Office—Lima
 45. Ohio, Eleventh District (Office, Columbus)
 1. Division Offices
 1. Portsmouth
 2. Zanesville
 46. Ohio, Eighteenth District (Office, Cleveland)
 1. Division Offices
 1. Akron
 2. Canton
 3. Steubenville
 4. Youngstown
 5. Mansfield
 47. Oklahoma District (Office, Oklahoma City)
 1. Division Offices
 1. Tulsa
 2. Muskogee
 3. McAlester
 4. Enid
 48. Oregon District (Office, Portland)
 1. Division Offices
 1. Eugene
 2. Pendleton

7. Accounts and Collections Unit—*Continued*
6. Collectors of Internal Revenue—*Continued*
49. Pennsylvania, First District (Office, Philadelphia)
 1. Division Offices
 - 1-3. Philadelphia (3 offices)
 4. Allentown
 5. Altoona
 6. Chester
 7. Harrisburg
 8. Lancaster
 9. Norristown
 10. Pottsville
 11. Reading
 12. York
50. Pennsylvania, Twelfth District (Office, Scranton)
 1. Division Offices
 1. Wilkes-Barre
 2. Shamokin
 3. Easton
51. Pennsylvania, Twenty-third District (Office, Pittsburgh)
 1. Division Offices
 1. Erie
 2. Uniontown
 3. Johnstown
 4. New Castle
 5. Dubois
52. Rhode Island District (Office, Providence)
53. South Carolina District (Office, Columbia)
54. South Dakota District (Office, Aberdeen)
 1. Division Office—Sioux Falls
55. Tennessee District (Office, Nashville)
 1. Division Offices
 1. Memphis
 2. Chattanooga
 3. Knoxville
56. Texas, First District (Office, Austin)
 1. Division Offices
 1. Houston
 2. El Paso
 3. San Antonio
 4. Waco
57. Texas, Second District (Office, Dallas)
 1. Division Offices
 1. Abilene
 2. Fort Worth

OUTLINE OF ORGANIZATION

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- 7. Accounts and Collections Unit—*Continued*
- 6. Collectors of Internal Revenue—*Continued*
 - 57. Texas, Second District—*Continued*
 - 1. Division Offices—*Continued*
 - 3. Tyler
 - 4. Wichita Falls
 - 58. Utah District (Office, Salt Lake City)
 - 1. Stamp Office—Ogden
 - 59. Vermont District (Office, Burlington)
 - 60. Virginia District (Office, Richmond)
 - 1. Division Offices
 - 1. Norfolk
 - 2. Lynchburg
 - 1. Stamp Offices
 - 1. Danville
 - 2. Martinsville
 - 3. Roanoke
 - 4. Alexandria
 - 2. Stamp Office—Petersburg
 - 61. Washington District (Office, Tacoma)
 - 1. Division Offices
 - 1. Seattle
 - 2. Spokane
 - 62. West Virginia District (Office, Parkersburg)
 - 1. Division Offices
 - 1. Clarksburg
 - 1. Stamp Office—Fairmont
 - 2. Wheeling
 - 3. Charleston
 - 4. Huntington
 - 63. Wisconsin District (Office, Milwaukee)
 - 1. Division Offices
 - 1. Madison
 - 2. Green Bay
 - 3. Oshkosh
 - 4. Superior
 - 5. La Crosse
 - 6. Racine
 - 64. Wyoming District (Office, Cheyenne)
- 8. Estate Tax and Capital Stock Tax Unit
 - 1. Office of the Deputy Commissioner
 - 2. Estate Tax Division
 - 1. Office of Head of Division
 - 2. Office of Administrative Clerk
 - 1. Stenographic Subsection
 - 2. Files Subsection

8. Estate Tax and Capital Stock Tax Unit—*Continued*
 2. Estate Tax Division—*Continued*
 3. Review Committee
 4. Claims Section
 5. Valuation Section
 6. Audit Section
 7. Assessment Section
 3. Capital Stock Tax Division
 1. Office of the Head of Division
 2. Office of the Administrative Clerk
 1. Immediate Office of the Administrative Clerk
 2. Assessment Section
 3. Stenographic Section
 4. Mail Review Section
 5. Mail and File Section
 3. Conference Board
 4. Audit Section
 5. Claims Section
9. Sales Tax Unit
 1. Office of Deputy Commissioner
 2. Administration Division
 1. Miscellaneous Section
 2. Stenographic Section
 3. Technical Division
 1. Office of Head of Division
 2. Correspondence Section
 3. Transportation Claims Section
 4. Miscellaneous Claims Section
 5. Claims Files Section
 4. Assessment Division
 1. Office of Head of Division
 2. Investigation Section
 3. Assessment Section
 4. Credits Section
10. Supplies, Information, Tobacco, and Miscellaneous Unit
 1. Office of Deputy Commissioner
 2. Supplies and Equipment Division
 3. Information Division
 4. Tobacco Division
 1. Office of Head of Division
 2. Technical Correspondence Section No. 1
 3. Technical Correspondence Section No. 2
 4. Claims and Assessment Section
 5. Examining and Audit Section
 6. Bond and Punch Card Section
 7. Accounts, Correspondence, and Files Section

- o. Supplies, Information, Tobacco, and Miscl. Unit—*Cont.*
 - 5. Miscellaneous Division
- 1. Prohibition Unit
 - 1. Office of the Prohibition Commissioner
 - 2. Office of the Assistant Prohibition Commissioner
 - 1. Personnel Section
 - 2. Space, Supplies, and Equipment Section
 - 3. Mail Control Section
 - 4. Files Section
 - 5. Field Supervisors
 - 3. Office of Chief of General Prohibition Agents
 - 1. General Prohibition Agents
 - 1. First District (Headquarters, Boston, Mass.) embracing Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut
 - 2. Second District (Headquarters, New York, N. Y.) embracing New York and New Jersey
 - 3. Third District (Headquarters, Pittsburgh, Pa.) embracing Pennsylvania
 - 4. Fourth District (Headquarters, Washington, D. C.) embracing Delaware, Maryland, District of Columbia, West Virginia and the following counties in Virginia: Frederick, Clarke, Loudoun, Fairfax, Prince William, Fauquier, Rappahannock, Page, Warren, Shenandoah, and Rockingham
 - 5. Fifth District (Headquarters, Norfolk, Va.) embracing Virginia, except counties mentioned above, and North Carolina
 - 6. Sixth District (Headquarters, Savannah, Ga.) embracing South Carolina and Georgia
 - 7. Seventh District (Headquarters, Jacksonville, Fla.) embracing Florida, Porto Rico, and Virgin Islands
 - 8. Eighth District (Headquarters, New Orleans, La.) embracing Alabama, Mississippi, and Louisiana
 - 9. Ninth District (Headquarters, Louisville, Ky.) embracing Kentucky and Tennessee
 - 10. Tenth District (Headquarters, Toledo, Ohio) embracing Michigan, except Northern Peninsula, Ohio, and Indiana
 - 11. Eleventh District (Headquarters, Chicago, Ill.) embracing Illinois, Wisconsin, and Northern Peninsula of Michigan
 - 12. Twelfth District (Headquarters, Minneapolis, Minn.) embracing North Dakota, South Dakota, Minnesota, Iowa, and Nebraska

- 11. Prohibition Unit—*Continued*
 - 3. Office of Chief of General Prohibition Agents—*Continued*
 - 1. General Prohibition Agents—*Continued*
 - 13. Thirteenth District (Headquarters, Kansas City, Mo.) embracing Kansas, Missouri, Oklahoma, and Arkansas
 - 14. Fourteenth District (Headquarters, San Antonio, Texas) embracing Texas, except El Paso, Hudspeth, Jeff Davis, Culberson, and Presidio counties
 - 15. Fifteenth District (Headquarters, El Paso, Texas) embracing Arizona, New Mexico and El Paso, Hudspeth, Jeff Davis, Culberson, and Presidio counties, Texas
 - 16. Sixteenth District (Headquarters, Denver, Colo.) embracing Colorado, Utah, and Wyoming
 - 17. Seventeenth District (Headquarters, Seattle, Wash.) embracing Montana, Idaho, Washington, Oregon, and Alaska
 - 18. Eighteenth District (Headquarters, Los Angeles, Calif.) embracing California, Nevada, and Hawaii
 - 4. Office of the Counsel
 - 1. Immediate Office of the Counsel
 - 2. Division of Interpretation
 - 3. Division of Litigation
 - 1. Beverage Section
 - 2. Non-beverage Section
 - 3. Court Case Section
 - 4. Mail and File Section
 - 5. Narcotic Division
 - 1. Office of Head of Division
 - 2. Field Section
 - 1. Field Divisions
 - 1. Atlanta Division (Headquarters, Atlanta, Ga.) embracing Georgia, Florida, Alabama, and Mississippi
 - 2. Baltimore Division (Headquarters, Baltimore, Md.) embracing Maryland, Ohio, West Virginia, and District of Columbia
 - 3. Boston Division (Headquarters, Boston, Mass.) embracing Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut
 - 4. Chicago Division (Headquarters, Chicago, Ill.) embracing Michigan, Indiana, Illinois, and Wisconsin
 - 5. Denver Division (Headquarters, Denver, Colo.) embracing Colorado, Montana, Utah, Idaho, and Wyoming

- Prohibition Unit—*Continued*
- 5. Narcotic Division—*Continued*
- 2. Field Section—*Continued*
 - 1. Field Divisions—*Continued*
 - 6. El Paso Division (Headquarters, El Paso, Texas) embracing Arizona, New Mexico, and Texas
 - 7. Hawaii Division (Headquarters, Honolulu, Hawaii) embracing Hawaii
 - 8. Kansas City Division (Headquarters, Kansas City, Mo.) embracing Arkansas, Missouri, Kansas, Oklahoma, and Louisiana
 - 9. Minneapolis Division (Headquarters, Minneapolis, Minn.) embracing Minnesota, Iowa, Nebraska, North Dakota, and South Dakota
 - 10. New York Division (Headquarters, New York, N. Y.) embracing New York
 - 11. Philadelphia Division (Headquarters, Philadelphia, Pa.) embracing Pennsylvania, New Jersey, and Delaware
 - 12. Richmond Division (Headquarters, Richmond, Va.) embracing Virginia, North Carolina, South Carolina, Kentucky, and Tennessee
 - 13. San Francisco Division (Headquarters, San Francisco, Calif.) embracing Oregon, Washington, California, and Nevada
 - 3. Legal Section
 - 4. Returns Section
- 6. Audit Division
 - 1. Office of Head of Division
 - 2. Assessment Section
 - 3. Claims Section
 - 4. Compromise Section
 - 5. Bonded Spirits Section
 - 6. Export and Bottling-in-Bond Accounts Section
 - 7. Denatured Alcohol and Wine Section
 - 8. Statistical Reports Section
- 7. Industrial Alcohol and Chemical Division
 - 1. Office of Head of Division
 - 2. Industrial Alcohol Section
 - 1. Office of Head of Section
 - 2. Industrial Alcohol Subsection
 - 3. Manufacturers and Dealers in Specially Denatured Alcohol Subsection
 - 4. Tax Free Withdrawals Subsection
 - 5. Grain and Fruit Distilleries Subsection
 - 6. Storekeeper-gaugers Subsection

- 11. Prohibition Unit—*Continued*
 - 7. Industrial Alcohol and Chemical Division—*Continued*
 - 3. Chemical Section
 - 1. Washington Office
 - 2. Field Laboratories
 - 1. New York
 - 2. Buffalo
 - 3. Chicago
 - 4. Little Rock
 - 5. Columbus
 - 6. Philadelphia
 - 7. San Francisco
 - 8. Minneapolis^a
 - 9. Boston^b
 - 8. Permit Division
 - 1. Office of Head of Division
 - 2. Mails Section
 - 3. Record and File Section
 - 4. Correspondence Section
 - 5. Examiners Section
 - 6. Bonds Section
 - 7. Typing Section
 - 8. Withdrawal Section
 - 9. Final Review Section
 - 9. Prohibition Directors.^c
 - 1. Alabama (Headquarters, Birmingham)

^aBureau of Internal Revenue chemist stationed in food laboratory of Bureau of Chemistry of Department of Agriculture.

^bField chemist, designated as a Federal Prohibition Agent.

^cThe organization of the offices of Prohibition directors is in general along the following plan, although this outline is not universally followed:

- 1. Immediate Office of the Director
- 2. Field Division
 - 1. Investigation and Inspection Section
 - 2. Group Heads
 - 3. Prohibition Agents
- 3. Legal Division
 - 1. Revocation Section
 - 2. Legal Reports Section
- 4. Administrative Division
 - 1. Application and Permit Section
 - 2. Withdrawal Section
 - 3. Mails and Files Section
 - 4. Public Information Section
 - 5. Reports and Statistics Section
 - 6. Personnel and Disbursing Section

- i. Prohibition Unit—*Continued*
9. Prohibition Directors—*Continued*
2. Alaska (Headquarters, Juneau)
3. Arizona (Headquarters, Phoenix)
4. Arkansas (Headquarters, Little Rock)
5. California (Headquarters, San Francisco)
6. Colorado (Headquarters, Denver)
7. Connecticut (Headquarters, Hartford)
8. Delaware (Headquarters, Wilmington)
9. Florida (Headquarters, Tampa)
10. Georgia (Headquarters, Atlanta)
11. Hawaii (Headquarters, Honolulu)
12. Idaho (Headquarters, Boise)
13. Illinois (Headquarters, Chicago)
14. Indiana (Headquarters, Indianapolis)
15. Iowa (Headquarters, Des Moines)
16. Kansas (Headquarters, Topeka)
17. Kentucky (Headquarters, Lexington)
18. Louisiana (Headquarters, New Orleans)
19. Maine (Headquarters, Auburn)
20. Maryland* (Headquarters, Baltimore)
21. Massachusetts (Headquarters, Boston)
22. Michigan (Headquarters, Detroit)
23. Minnesota (Headquarters, Minneapolis)
24. Mississippi (Headquarters, Jackson)
25. Missouri (Headquarters, Kansas City)
26. Montana (Headquarters, Helena)
27. Nebraska (Headquarters, Omaha)
28. Nevada (Headquarters, Reno)
29. New Hampshire (Headquarters, Concord)
30. New Jersey (Headquarters, Newark)
31. New Mexico (Headquarters, Albuquerque)
32. New York (Headquarters, New York City)
33. North Carolina (Headquarters, Salisbury)
34. North Dakota (Headquarters, Fargo)
35. Ohio (Headquarters, Columbus)
36. Oklahoma (Headquarters, Oklahoma City)
37. Oregon (Headquarters, Portland)
38. Pennsylvania (Headquarters, Philadelphia)
39. Porto Rico* (Headquarters, San Juan)
40. Rhode Island (Headquarters, Providence)
41. South Carolina (Headquarters, Greenville)

* Includes also District of Columbia.

* Includes also Virgin Islands.

- II. Prohibition Unit—*Continued*
 9. Prohibition Directors—*Continued*
 42. South Dakota (Headquarters, Sioux Falls)
 43. Tennessee (Headquarters, Nashville)
 44. Texas (Headquarters, Austin)
 45. Utah (Headquarters, Salt Lake City)
 46. Vermont (Headquarters, Rutland)
 47. Virginia (Headquarters, Richmond)
 48. Washington (Headquarters, Seattle)
 49. West Virginia (Headquarters, Wheeling)
 50. Wisconsin (Headquarters, Milwaukee)
 51. Wyoming (Headquarters, Cheyenne)

OUTLINE OF ORGANIZATION (BY PRIMARY UNITS AND
 CLASSES OF EMPLOYEES)

BUREAU OF INTERNAL REVENUE
 DEPARTMENT OF THE TREASURY
 JUNE 30 1921¹

<i>Primary Units:</i>	<i>Classes of Employees</i>	<i>Number</i>	<i>Annual Salary Rate*</i>
1. Commissioner's Office Proper			
	Commissioner	1	\$10,000
	Assistant to the Commissioner	1	5,000
	Senior Clerk	2	3,600
		1	3,000
		1	2,500
		2	2,250
	Private Secretary	1	1,800
	Clerk	1	1,600
		1	1,500
		1	1,200
	Mail Messenger	1	1,200
2. Office of the Solicitor			
	Solicitor	1	5,000
	Attorney	4	6,000
		3	5,000
		1	4,800
		5	4,500
		4	4,000
		4	3,300
		6	3,000

¹ This outline is of a different date from the outline by units, see comment regarding this on p. 180.

* Net, or without the temporary "bonus" or additional compensation of 60 per cent on classes below \$400, of \$240 on classes of \$400 to \$2500, and of an amount necessary to make the total compensation \$2740 on classes of \$2500 to \$2740. This is subject to minor exceptions in special cases.

OUTLINE OF ORGANIZATION

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2. Office of the Solicitor—*Continued*

Special Assistant	2	4,250
	2	3,600
	3	3,300
	4	3,000
	1	2,750
	1	2,500
	2	2,250
Special Attorney	5	4,000
	1	3,750
Assistant Attorney	4	3,600
	1	2,750
	2	2,500
	2	2,250
Law Clerk	1	3,000
Senior Clerk	1	3,000
	2	2,500
	3	2,250
Auditor	1	3,000
Head of Division	1	2,500
Clerk	3	2,000
	8	1,800
	14	1,600
	24	1,400
	9	1,200
Mail Messenger	1	1,200
	1	1,000
	2	900
Messenger	2	840
Laborer	1	840
Assistant Messenger	2	720
3. Committee on Appeals and Review*		
4. Appointment Division		
Head of Division	1	4,500
Assistant Head of Division	1	3,000
Chief of Section	1	3,000
	2	2,250
Senior Clerk	1	2,250
Clerk	4	2,000
	5	1,800
	9	1,600
	2	1,500
	11	1,400
	9	1,300
	4	1,200

* Detailed from Income Tax Unit.

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4. Appointment Division— <i>Continued</i>		
Card Punch Operator	1	1,200
Mail Messenger	1	1,000
	2	900
5. Special Intelligence Unit		
Head of Division	1	5,000
Assistant Head of Division	1	3,000
Clerk	2	1,800
	1	1,400
	1	1,200
Mail Messenger	1	900
6. Income Tax Unit		
I. Central Office (Washington, D. C.)		
Deputy Commissioner	1	5,000
Assistant Deputy Commissioner	1	4,500
Chairman Committee on Appeals and Review	1	7,500
Tax Reviewer	3	6,000
Head of Division	1	7,500
	3	5,000
	1	4,800
	1	4,500
	1	3,000
	4	2,500
	3	2,250
Assistant Head of Division	1	5,000
	1	4,800
	1	4,500
	1	4,200
	1	3,800
	1	3,000
	3	2,000
Chief of Section	1	4,800
	7	4,500
	6	4,200
	4	4,000
	1	3,800
	6	3,600
	2	3,300
	1	2,250
Assistant Chief of Section	2	4,000
	1	3,800
	2	3,600
	3	3,300
	1	3,000
	1	2,880

OUTLINE OF ORGANIZATION

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6. Income Tax Unit— <i>Continued</i>		
I. Central Office (Washington, D. C.)— <i>Continued</i>		
Chief of Subsection	I	4,800
	I	4,500
	2	4,200
	2	4,000
	2	3,800
	10	3,600
	7	3,300
	3	3,000
Assistant Chief of Subsection	I	3,600
	I	3,000
Valuation Engineer	4	5,000
	8	4,800
	9	4,500
	4	4,200
	I	4,000
	I	3,800
	2	3,600
	I	3,300
Assistant Valuation Engineer	I	4,500
	I	4,200
	I	4,000
	2	3,600
	6	3,000
Valuation Aid	I	3,600
	I	3,000
	I	2,500
	I	2,000
Auditor	I	4,800
	2	4,500
	7	4,200
	20	4,000
	39	3,800
	73	3,600
	90	3,300
	106	3,000
	67	2,800
	I	2,750
	166	2,500
	132	2,250
	136	2,000
	173	1,800
	76	1,600
	35	1,400
	4	1,200

6. Income Tax Unit—*Continued*i. Central Office (Washington, D. C.)—*Continued*

Assistant Auditor	1	3,000
	1	2,880
	11	2,500
	39	2,250
	93	2,000
	104	1,800
	103	1,600
	33	1,400
	8	1,200
Special Assistant	1	5,000
	2	2,250
	6	2,000
	7	1,800
Appraisal Engineer	1	4,000
	4	3,800
	4	3,600
	1	3,300
	1	2,500
Accountant	2	3,600
	1	1,800
Bookkeeper	1	1,400
	1	1,200
Office Manager	1	2,880
Senior Telephone and Telegraph Engineer	1	3,300
Senior Signal Engineer	1	2,500
Insurance Expert	1	2,000
Railroad Expert	1	2,000
Statistician	1	2,000
Statistical Draftsman	1	1,800
Expert in Business Administration	1	3,600
Supervisory Clerk	2	3,300
	4	2,500
Senior Clerk	4	3,600
	9	3,300
	22	3,000
	8	2,880
	47	2,500
	56	2,250
Law Clerk	3	3,000
	3	2,500
	2	2,250
	4	2,000
	2	1,800
	2	1,600

OUTLINE OF ORGANIZATION

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6. Income Tax Unit— <i>Continued</i>		
1. Central Office (Washington, D. C.)— <i>Continued</i>		
Clerk	116	2,000
	154	1,800
	462	1,600
	67	1,500
	989	1,400
	246	1,300
	975	1,200
	250	1,100
	80	1,000
	1	900
Examiner	1	2,250
	3	2,000
	4	1,800
	1	1,600
Photostat Operator	1	1,600
	1	1,400
	3	1,200
Addressograph Operator	1	1,200
	1	1,000
Card Punch Operator	11	1,200
	2	1,100
Mail Messenger	1	1,200
	2	1,100
	59	900
Messenger	9	1,000
	18	840
Assistant Auditor	1	3,000
Assistant Messenger	2	720
Laborer	23	840
2. Field Force	2	720
Supervising Internal Revenue Agent	1	5,000
	1	4,500
Revenue Agent in Charge	3	4,800
	14	4,500
	13	4,250
	2	4,000
	1	3,600
Revenue Agent	4	4,200
	79	4,000
	64	3,800
	180	3,600
	237	3,300
	313	3,000
	156	2,880

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6. Income Tax Unit—Continued

2. Field Force—Continued

Revenue Agent—Continued

	13	2,750
	451	2,500
	353	2,250
Revenue Inspector	280	2,000
	178	1,800
	53	1,600
Valuation Engineer	1	4,500
	1	3,800
Special Intelligence Agent	6	4,000
	1	3,800
	1	3,600
	5	3,300
	4	3,000
	4	2,500
	11	2,250
	3	2,000
	2	1,800
Clerk	1	2,250
	7	2,000
	22	1,800
	55	1,600
	1	1,500
	139	1,400
	42	1,300
	86	1,200
	3	1,100
Messenger	2	900
	2	720
Unskilled Laborer	1	720
7. Accounts Unit*		
Deputy Commissioner	1	5,000
Head of Division	1	3,600
	1	3,300
Chief of Section	3	3,000
	1	2,500
Auditor	1	3,000
	1	2,000
Assistant Auditor	1	2,500

* Name has been changed to Accounts and Collection Unit and there have been transferred to this unit the Supervisor of Collectors' Offices; and a portion of the Supplies, Information, Stamps, Tobacco, and Miscellaneous Unit.

OUTLINE OF ORGANIZATION

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7. Accounts Unit— <i>Continued</i>		
Senior Clerk	2	3,000
	1	2,750
	4	2,250
Clerk	6	2,000
	33	1,800
	39	1,600
	21	1,400
Bookkeeper	1	2,500
	2	1,800
	1	1,400
Assistant Business Manager	1	1,800
Messenger	2	900
8. Capital Stock Tax, Child Labor Tax and Estate Tax Unit ^a		
Deputy Commissioner	1	5,000
Assistant Deputy Commissioner	1	4,000
Member Committee Appeals and Review	1	4,500
Head of Division	1	4,800
	1	4,500
	1	3,800
	2	2,250
Assistant Head of Division	1	4,000
	1	2,500
Chief of Section	2	3,300
	1	3,000
Examiner	1	3,800
	8	3,000
	13	2,500
	3	2,250
	1	2,000
	3	1,800
Senior Clerk	10	3,000
	1	2,880
	8	2,500
	13	2,250
Law Clerk	1	2,500
	1	2,000
Clerk	11	2,000
	11	1,800
	36	1,600
	12	1,500
	35	1,400

^a Name has been changed to Capital Stock Tax and Estate Tax Unit. All employees on child labor tax work have been dropped or transferred to other work, as the child labor tax was declared unconstitutional.

8. Capital Stock Tax, Child Labor Tax and Estate Tax Unit—
*Continued*Clerk—*Continued*

	14	1,300
	34	1,200
	11	1,100
	2	1,000
Auditor	3	2,500
	1	2,250
	1	1,600
Assistant Auditor	1	2,500
	1	2,000
Mail Messenger	1	1,100
	4	1,000
Messenger	1	840
Inspector (Child Labor Tax)	1	2,880
	2	2,500
	1	2,000
	7	1,800
Assistant Inspector (Child Labor Tax)	8	1,600
	2	1,400
Age Certificate Inspector (Child Labor Tax)	3	1,600
	1	1,400
9. Sales Tax Unit		
Deputy Commissioner	1	5,000
Head of Division	1	4,000
	2	3,600
Assistant Head of Division	1	3,000
	1	2,750
Chief of Section	6	2,500
	1	2,250
Chief of Subsection	1	2,500
Supervisory Clerk	1	2,500
Senior Clerk	1	2,250
Law Clerk	1	2,500
Clerk	11	2,000
	20	1,800
	46	1,600
	57	1,400
	45	1,200
	6	1,100
Examiner	1	2,250
Auditor	2	1,800
Bookkeeper	1	1,800
	1	1,600
Mail Messenger	1	1,200

OUTLINE OF ORGANIZATION

213

9. Sales Tax Unit— <i>Continued</i>		
Messenger	1	1,100
	3	840
Laborer	1	840
10. Supplies, Information, Stamps, Tobacco and Miscellaneous Unit ²²		
Deputy Commissioner	1	5,000
Assistant Deputy Commissioner	1	4,000
Special Assistant to the Commissioner	1	5,000
Chief Clerk	1	4,000
Head of Division	1	4,000
	1	3,600
Acting Head of Division	1	3,000
Chief of Section	3	3,000
	2	2,500
	2	2,250
Assistant Head of Division	1	2,500
Senior Clerk	1	2,500
Clerk	7	2,000
	22	1,800
	45	1,600
	69	1,400
	16	1,200
	3	1,100
	4	1,000
Superintendent of Stamp Vault	1	3,000
	1	2,000
Assistant Superintendent of Stamp Vault	1	2,250
Assistant Auditor	1	1,800
Addressograph Operator	2	1,200
Operative	1	1,200
	1	1,100
	2	1,000
Mail Messenger	1	1,100
	1	1,000
	17	900
Messenger	5	1,000
	8	840
Laborer	14	840
	1	720
Elevator Conductor	1	720
Chauffeur	1	1,000

²² Name changed to Supplies, Information, Tobacco, and Miscellaneous Unit; all work in connection with stamps has been transferred to the Accounts and Collections Unit.

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II. Supervisor of Collectors' Offices ^a		
1. Central Office (Washington, D. C.)		
Supervisor of Collectors' Offices	1	5,000
Assistant Supervisor of Collectors' Offices	1	4,000
Chief of Section	2	2,500
Senior Clerk	1	2,500
	1	2,250
Clerk	1	2,000
	4	1,800
	7	1,600
	9	1,400
	10	1,200
	1	1,100
Mechanic	2	1,800
Mail Messenger	1	1,200
	3	900
2. Field Supervisors		
Supervisor of Collectors' Offices	1	4,250
	5	4,000
	14	3,600
	8	3,300
	15	3,000
	12	2,500
	1	2,000
3. Collection Districts		
Collectors	30	6,000
	3	5,900
	7	5,800
	3	5,700
	2	5,600
	4	5,500
	1	5,400
	1	5,300
	3	5,200
	1	5,100
	4	5,000
	2	4,800
	1	4,700
	1	4,600
	1	4,500
Deputy Collectors	10	3,600
	1	3,500
	3	3,400
	16	3,300

^aThis unit has been transferred to the Accounts and Collections Unit.

OUTLINE OF ORGANIZATION

215

1. Supervisor of Collectors' Offices—*Continued*

3. Collection Districts—*Continued*

Deputy Collectors—*Continued*

2	3,200
36	3,000
1	2,900
1	2,850
3	2,800
5	2,750
1	2,700
100	2,500
1	2,450
16	2,400
3	2,350
23	2,300
118	2,250
31	2,200
54	2,100
225	2,000
179	1,900
577	1,800
489	1,700
528	1,600
662	1,500
285	1,400
341	1,300
338	1,200
79	1,100
19	1,000
11	900
1	850
2	840
4	800
1	720
2	600
1	4,000
7	3,600
1	3,400
8	3,300
1	3,200
27	3,000
2	2,800
12	2,750
38	2,500
13	2,400
4	2,300
30	2,250

Clerks

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11. Supervisor of Collectors' Offices—*Continued*3. Collection Districts—*Continued*Clerks—*Continued*

	21	2,200
	16	2,100
	75	2,000
	46	1,900
	98	1,800
	78	1,700
	149	1,600
	177	1,500
	283	1,400
	387	1,300
	2	1,260
	730	1,200
	151	1,100
	118	1,000
	14	900
Messengers	1	1,400
	4	1,200
	5	1,100
	5	1,000
	6	900
	1	840
	1	800
	1	720
	2	700
Janitors	3	1,000
	1	900
Watchman	1	1,000
Office Machine Experts	13	1,600
12. Prohibition Unit		
1. Washington Office		
Prohibition Commissioner	1	7,500
Assistant Prohibition Commissioner	1	5,000
Chief of General Prohibition Agents	1	5,000
Counsel	1	5,000
Director of Narcotic Field Force	1	5,000
Assistant Director Narcotic Field Force	1	3,600
Assistant Counsel	1	4,500
Special Counsel	1	4,200
Head of Division	1	4,250
	2	4,000
	1	3,500
	1	3,300

OUTLINE OF ORGANIZATION

217

2. Prohibition Unit—*Continued*

1. Washington Office—*Continued*

Assistant Head of Division	1	4,000
	2	3,600
	1	3,300
Chief of Section	1	4,000
	1	3,000
	1	2,880
	3	2,500
Legal Assistant	1	4,000
Law Clerk	1	3,300
	1	3,000
Senior Clerk	3	3,000
	7	2,500
	9	2,250
Clerk	19	2,000
	66	1,800
	92	1,600
	117	1,400
	104	1,200
	8	1,100
	4	1,000
Chief Chemist	1	3,000
Chemist	2	3,000
	2	2,500
	1	2,250
	2	2,000
1st Assistant Chemist	2	1,800
2nd Assistant Chemist	1	1,600
Pharmacist	1	2,500
	4	2,250
	1	1,800
Druggist	2	1,800
Chemical Laboratorian	2	2,000
	1	900
3rd Assistant Chemist	1	1,400
Assistant Attorney	1	3,000
Technical Expert	1	3,000
Estate Tax Examiner	1	2,250
Assistant to Business Manager	1	1,600
Operative	6	1,200
Mail Messenger	1	1,000
	10	900
Messenger	4	840
Laborer	2	840

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12. Prohibition Unit—Continued

2. Field Force

1. Prohibition Force

Federal Prohibition Director	7	5,000
	9	4,500
	19	4,000
	8	3,500
	6	3,000
Assistant Federal Prohibition Director	1	3,000
Chairman, General Prohibition Agents	1	5,000
General Prohibition Agent	2	5,000
	2	4,500
	6	4,000
	1	3,600
	1	3,500
	12	3,000
	4	2,500
	8	2,250
Chief Field Supervisor	1	5,000
Field Supervisor	1	3,800
	3	3,600
	3	3,300
	3	3,000
	2	2,500
Head, Field Force	1	4,500
	2	4,000
	2	3,500
	1	3,300
	7	3,000
	4	2,500
	2	2,250
Federal Prohibition Agent	2	3,600
	6	3,300
	28	3,000
	60	2,500
	1	2,400
	63	2,250
	3	2,200
	90	2,000
	443	1,800
	13	1,700
	92	1,600
	160	1,500
	2	1,400

OUTLINE OF ORGANIZATION

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2. Prohibition Unit— <i>Continued</i>		
2. Field Force— <i>Continued</i>		
1. Prohibition Force— <i>Continued</i>		
Federal Prohibition Agent— <i>Continued</i>		
	2	1,200
	1	1,000
Chemist	3	2,500
	4	2,250
	4	1,800
Supervising Warehouse Agent	1	1,800
Warehouse Agent	354	1,500
	44	1,200
Clerk	1	2,500
	4	2,250
	8	2,000
	23	1,800
	3	1,700
	42	1,600
	18	1,500
	127	1,400
	22	1,300
	205	1,200
	8	1,100
	12	1,000
Laboratory Helper	1	1,200
Messenger	1	1,200
	1	1,100
	2	900
	1	840
Storekeeper-Gaugers	728	
2. Narcotic Force		
Narcotic Agent	3	3,600
	6	3,300
	8	3,000
	1	2,750
	19	2,500
	20	2,250
	11	2,000
	9	1,800
Narcotic Inspector	1	3,000
	4	2,500
	14	2,250
	33	2,000
	22	1,800
	1	1,500

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12. Prohibition Unit— <i>Continued</i>		
2. Field Force— <i>Continued</i>		
2. Narcotic Force— <i>Continued</i>		
Clerk	1	1,500
	4	1,400
	1	1,300
	12	1,200
13. Detailed Employees ²⁴		
Executive Clerk	1	2,500
Senior Clerk	1	2,500
	1	2,200
Clerk	1	2,000
	3	1,800
	3	1,600
	5	1,400
	13	1,200
	2	1,100
	8	1,000
Professional Nurse	1	1,400
Relief-Room Nurse	1	1,300
Electrician	1	1,200
Plumber	1	1,200
Carpenter	1	1,200
Foreman of Laborers	1	1,000
Laborers	11	660
Mail Messenger	2	1,200
Assistant Messenger	3	720
Elevator Conductor	2	720
Watchman	6	720

²⁴ The employees listed here are detailed to various branches of the Treasury and other offices for the purpose of assisting in the Internal Revenue work.

APPENDIX 2

CLASSIFICATION OF ACTIVITIES

EXPLANATORY NOTE

The Classifications of Activities in this series have for their purpose to list and classify in all practicable detail the specific activities engaged in by the several services of the national government. Such statements are of value from a number of standpoints. They furnish, in the first place, the most effective showing that can be made in a brief compass of the character of the work performed by the service to which they relate. Secondly, they lay the basis for a system of accounting and reporting that will permit the showing of total expenditures classified according to activities. Finally, taken collectively, they make possible the preparation of a general or consolidated statement of the activities of the government as a whole. Such a statement will reveal in detail, not only what the government is doing, but the services in which the work is being performed. For example, one class of activities that would probably appear in such a classification is that of "scientific research." A subhead under this class would be "chemical research." Under this subhead would appear the specific lines of investigation underway and the services in which they were being prosecuted. It is hardly necessary to point out the value of such information in planning for future work and in considering the problem of the better distribution and coordination of the work of the government. The institute contemplates attempting such a general listing and classification of the activities of the government upon the completion of the present series.

CLASSIFICATION OF ACTIVITIES

1. Collection of Internal Taxes
 1. Income and profits taxes
 2. Estate tax

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1. Collection of internal taxes—*Continued*
 3. Capital stock tax
 4. Taxes on specified commodities or services
 5. Occupational taxes
 6. Stamp taxes
2. Regulation or Prevention of Traffic in Specified Commodities
 1. Enforcement of national prohibition
 2. Regulating traffic in narcotics
 3. Collection of taxes on oleomargarine, mixed flour, filled cheese, adulterated or renovated butter, and white phosphorus matches
3. Chemical Researches
4. Collection of Statistics
5. Publications
 1. Annual Report
 2. Statistics
 3. Regulations
 4. Decisions
 5. Rulings
 6. Miscellaneous

APPENDIX 3
PUBLICATIONS

The publications of the Bureau of Internal Revenue may be classified as follows:

1. Annual Report
2. Statistics of Income
3. Regulations
4. Decisions
5. Rulings
6. Miscellaneous

Annual Report. The annual report of the Commissioner contains a detailed account of the work of the Bureau during the year. It shows the amount of the various classes of taxes collected in each collection district and in each state, and in addition contains statistics showing the amount produced and the quantity of raw material used in the case of commodities such as distilled spirits, tobacco products, etc., the manufacture of which is under strict control in order to insure the collection of the tax. It has been issued each year beginning with 1863. It is issued separately, and the text, but not the detailed tables, is also included in the "Report of the Secretary of the Treasury on the State of the Finances, with appendices." It is distributed free.

Statistics of Income. The publication entitled "Statistics of Income" contains a detailed analysis of all returns of income and profits taxes. It is published by authority of the following paragraphs in the act of September 8, 1916, which was reenacted in the act of November 21, 1921.

That the preparation and publication of statistics reasonably available with respect to the operation of the income tax and containing classifications of taxpayers and of income, the amounts allowed as deductions and exemptions, and any other facts deemed pertinent and valuable shall be made annually by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury.

The first issue of this publication was for 1916. It is distributed free.

Regulations. For the information and guidance of the public, detailed regulations are issued on each tax and on each industry that is under regulatory control. These regulations vary in size from a few pages to several hundred pages, according to the complexity of the subject. They are revised from time to time as changes are made in the laws, or as the decisions of the courts or of the Commissioner modify the interpretation.

Decisions. The formal decisions of the Commissioner, as well as the regulations, are published in the volume entitled "Treasury Decisions under the Internal Revenue Laws." These are published weekly in the publication entitled "Treasury Decisions, under customs, internal revenue and other laws . . ." which may be obtained from the Superintendent of Documents for one dollar a year. The weekly Treasury Decisions contain formal decisions under both customs and internal revenue laws, but the two classes of material are separated for the annual volumes, customs decisions being in the volume entitled "Treasury decisions under customs and other laws" and internal revenue decisions being in the volume entitled "Treasury Decisions under the Internal Revenue Laws."

Prior to 1898 the decisions were published by contract in the Internal Revenue Record, a private journal issued in New York. The titles under which the annual volumes of internal revenue decisions have been issued are as follows:

1898-1899. Compilation of decisions rendered by the Commissioner of Internal Revenue under War Revenue Act of June 13, 1898.

1900-1903. Compilation of decisions rendered by the Commissioner of Internal Revenue.

After 1903. Treasury Decisions under the internal revenue laws.

Digests of decisions have been issued under the following title:

Digest of decisions and regulations made by the Commissioner of Internal Revenue and abstracts of judicial decisions and opinions of Attorneys General as to internal revenue cases, Dec. 24, 1864, to June 13, 1898.

Same, June 13, 1898, to December 31, 1904.

Digest of Treasury decisions relating to internal revenue issued pursuant to the acts of 1909, 1913, 1916, and 1917 during the period from September 9, 1916 to December 31, 1920.

Rulings. The rulings of the Bureau on questions presented are published in the Internal Revenue Bulletin, issued weekly during 1922, monthly from January to May, 1923, and weekly beginning with May 7, 1923. This bulletin may be obtained from the Superintendent of Documents for \$2 a year. The rulings have not the force of Treasury decisions, as will be seen from the following note appearing in the Bulletin.

The rulings reported in the Internal Revenue Bulletin are for the information of taxpayers and their counsel as showing the trend of official opinion in the administration of the Revenue Acts; they have none of the force or effect of Treasury Decisions and do not commit the Department to any interpretation of the law which has not been formally approved and promulgated by the Secretary of the Treasury. Each ruling embodies the administrative application of the law and Treasury Decisions to the entire state of facts upon which a particular case rests. It is especially to be noted that the same result will not necessarily be reached in another case unless all the material facts are identical with those of the reported case. As it is not always feasible to publish a complete statement of the facts underlying each ruling, there can be no assurance that any new case is identical with the reported case. As bearing out this distinction, it may be observed that the rulings published from time to time may appear to reverse rulings previously published.

Officers of the Bureau of Internal Revenue are especially cautioned against reaching a conclusion in any case merely on the basis of similarity to a published Income, Sales, Capital-Stock, Estate, Child-Labor, or miscellaneous tax ruling, and should base their judgment on the application of all pertinent provisions of the law and Treasury Decisions to all facts in each case. These rulings should be used as aids in studying the law and its formal construction as made in the regulations and Treasury Decisions previously issued.

In 1922 there were also cumulative bi-monthly digests of the rulings in the Bulletin and semi-annual bulletins containing the rulings in full for the preceding six months. For 1923 it is planned to issue quarterly digests of new rulings cumulative since January 1, 1922, and semi-annual bulletins giving in full new rulings made during the preceding six months; both of these are included in the subscription price of \$2.

The Internal Revenue Bulletin supersedes the Income Tax Rulings and Sales Tax Rulings previously issued. The Income Tax

Rulings were issued weekly from April, 1919, to December 28, 1921. The complete text of rulings prior to 1922 is contained in the following Cumulative Bulletins of Income Tax Rulings, which may be obtained from the Superintendent of Documents at the prices given:

- Cumulative Bulletins of Income Tax Rulings
1. December, 1919 (April 1 to December 31, 1919) 30 cents
 2. January to June, 1920, 25 cents
 3. July to December, 1920, 30 cents
 4. January to June, 1921, 30 cents
 5. July to December, 1921, 25 cents

Cumulative digests of income tax rulings were issued bi-monthly from May, 1919, to December 1921. The Digest of Income Tax Rulings, No. 19 contains digests of all rulings made from April, 1919, to December, 1921; it may be obtained from the Superintendent of Documents for 30 cents.

Sales Tax Rulings were issued monthly from December, 1920, to December, 1921. All of the Sales Tax Rulings prior to 1922 are contained in the following issues, which may be obtained from the Superintendent of Documents:

- Bulletin No. St-1-20 Sales Tax Rulings, December, 1920, which contains all rulings up to the end of 1920, 15 cents
 Sales Tax Rulings, Cumulative Bulletin, January to June, 1921, 5 cents
 Sales Tax Rulings, Cumulative Bulletin, July to December, 1921, 5 cents

Miscellaneous. The publications here termed miscellaneous, although this designation does not appear on them, include all publications except those described above. They comprise The Internal Revenue Laws, List of Collection Districts, Catalogue of Blanks and Books, Laws and Regulations, and such other circulars as may be needed from time to time for the information of the public or the employees of the service.

APPENDIX 4

PLANT

The work of the Bureau in Washington has been seriously handicapped by the lack of adequate housing. During the fiscal year 1919 the Washington offices of the Bureau were in twelve or more widely scattered buildings, and at the end of the fiscal year 1922, they were in eight buildings, as follows:

BUILDINGS OCCUPIED BY WASHINGTON OFFICES AT END OF FISCAL YEAR 1922

Building	Unit	Location
Annex No. 1...	Income Tax Unit.....	Pennsylvania Ave. and Jackson Place.
Annex No. 2...	Income Tax Unit.....	14th and B Sta., N. W.
Building C	Income Tax Unit, Sales Tax Unit, Capital Stock and Estate Tax Unit, and Tobacco and Miscellaneous Divisions.	6th and B Sta., S. W.
Treasury	Commissioner's Office, Special Intelligence Unit, Accounts and Collections Unit, Division of Supplies and Equipment, Appointment Division, Chemical Laboratory.	15th and Pennsylvania Ave., N. W.
Auditors	Stamp Division	14th and B Sta., S. W.
Hooe Building.	Prohibition Unit	1330 F St., N. W.
Interior Dept. .	Income Tax Unit, Office of Solicitor, and Committee on Appeals and Review.	19th and F Sta., N. W.
Building 5	Income Tax Unit, Accounts and Collection Unit.	20th and B Sta., N. W.

All of these buildings are owned by the government with the exception of the Hooe Building. Annex No. 2, Building C, and Building 5 are temporary structures erected during the war; Annex No. 1 and the Interior Department Building are modern fire-proof structures built during the last five years; the Auditor's Building is an old building which was formerly occupied by the Bureau of Engraving and Printing. The Treasury Building is an old structure which is fire proof as far as the original build-

ing is concerned, but a frame superstructure built above the original roof was the scene of two fires in March and May, 1922.

The following comments on the housing of the Bureau are made by the Commissioner in his annual report for 1921:¹

The public is greatly inconvenienced by the decentralized housing of the Bureau. A taxpayer is often required to visit three or four different buildings to get information upon a single question. There is much criticism from taxpayers thus inconvenienced.

It should also be noted that effective administrative control is impossible under such decentralized conditions. The various units and divisions of the Bureau are so closely related that the heads of these units and divisions and other supervisory officials must consult frequently and at short notice. Under the present housing conditions, administrative intercourse and control are seriously impeded and hampered, and a vast amount of duplication of effort, to say nothing of expensive and exasperating delay, necessarily results. It has been carefully estimated that with suitable quarters provided the efficiency of the Bureau would be so increased that at least 25 per cent more work could be accomplished with the present expenditures and the consequent savings would equal in less than two years the cost of an adequate, well-planned, permanent, fire-proof structure.

But an even worse situation is presented by the inflammable and insecure character of the buildings in which at least half of the units are located. Building C, at Sixth and B Streets SW., and Annex No. 2, at Fourteenth and B Streets, NW., are not only illy adapted to the work of the Bureau, but are of such flimsy construction that there is constant danger of serious fire. Several hundred thousand income-tax returns and related papers, while in audit, must be temporarily held in the latter building, a fragile wooden and compoboard structure erected during the war. The danger from a fire, which might quickly destroy irreplaceable papers, representing hundreds of millions of dollars in increased assessments and irreparably disrupt the workings of the Income Tax Unit, is ever present.

Proper and adequate quarters would enable the operating machinery of the Bureau to work with greater speed, more effectively and efficiently, and much more economically. With such quarters much delay in making additional assessments would be avoided and fire hazards would be reduced to a minimum. It is recommended, therefore, that there be provided for the Bureau, as soon as possible, a fire-proof building that will house its entire personnel and furnish adequate, sanitary, and otherwise suitable

¹ Commissioner of Internal Revenue, Annual Report, 1921, pp. 9-10.

quarters that will afford protection against hazards incident to inflammable and insecure construction and make possible the economical and efficient administration of the internal-revenue laws.

In the field the offices of the Bureau are in Federal buildings if space is available, but it has been found necessary in places to rent quarters in private buildings.

The total amount of floor space occupied by the various collectors, agents, and prohibition directors in the sixty-four collection districts on July 1, 1921, was 806,572 square feet, of which 285,401 square feet were rented at a cost of \$443,925.50 per annum. Of this rented space, 87,015 square feet is used by prohibition enforcement forces at an annual rental of \$160,564.61.

APPENDIX 5

LAWS

The laws in force May 1, 1920, relating to the Bureau of Internal Revenue and to the taxes collected by that Bureau are given in the volume entitled "Internal Revenue Laws," which may be obtained from the Superintendent of Documents for \$1.50 per copy. The later acts (up to July 1, 1923) affecting the Bureau of Internal Revenue, listed below, may be purchased from the Superintendent of Documents for 5 cents each.

Public 96, Sixty-seventh Congress, November 23, 1921 (42 Stat. L., 222). An act supplemental to the National Prohibition Act.

Public 98, Sixty-seventh Congress, November 23, 1921 (42 Stat. L., 227). An act to reduce and equalize taxation, to provide revenue, and for other purposes.

Public 312, Sixty-seventh Congress, September 19, 1922 (42 Stat. L., 849). An act to authorize the creation of corporations for the purpose of engaging in business with China.

Public 495, Sixty-seventh Congress, March 4, 1923. An act to amend section 3142 of the Revised Statutes, to permit an increase in the number of collection districts for the collection of internal revenue and in the number of collectors of internal revenue from sixty-four to sixty-five.

Public 527, Sixty-seventh Congress, March 4, 1923. An act to amend the Revenue Act of 1921 in respect to credits and refunds.

Public 531, Sixty-seventh Congress, March 4, 1923. An act to amend the Revenue Act of 1921 in respect to income tax of non-resident aliens.

Public 545, Sixty-seventh Congress, March 4, 1923. An Act to amend the Revenue Act of 1921 in respect to exchanges of property.

The Appropriation Act for the fiscal year 1924 is as follows:
1923—Act of January 3, 1923, Public No. 378, 67th Congress:
(An Act making appropriations for the Treasury Department for the fiscal year ending June 30, 1924, and for other purposes)

That the following sums are appropriated . . . for the Treasury Department for the fiscal year ending June 30, 1924, namely

* * * *

INTERNAL REVENUE SERVICE

Office of Commissioner of Internal Revenue: Commissioner, \$10,000; assistant to the commissioner, \$5,000; five deputy commissioners, at \$5,000 each; chemists—chief \$3,000, one \$2,500; assistant chemists—two at \$1,800 each, one, \$1,600, one, \$1,400; heads of divisions—one, \$3,500, five at \$2,500 each, five at \$2,250 each; three assistant heads of divisions, at \$2,000 each; attorney, \$3,600; law clerk, \$2,000; insurance expert, \$2,000; railroad expert, \$2,000; superintendent of stamp vault, \$2,000; private secretary, \$1,800; clerks—four at \$2,000 each, fifty-two of class four, sixty of class three, ninety-eight of class two, eighty-three of class one, seventy-six at \$1,000 each; fifty mail messengers at \$900 each; thirty-eight messengers at \$840 each; twenty-one assistant messengers at \$720 each; in all, \$701,190.

For one stamp agent, \$1,600, to be reimbursed by the stamp manufacturers.

For salaries and expenses of collectors of internal revenue, deputy collectors, gaugers, storekeepers, and storekeeper-gaugers, clerks, messengers, and janitors in internal-revenue offices, rent of offices outside of the District of Columbia, telephone service, injuries to horses not exceeding \$250 for any horse crippled or killed, expenses of seizure and sale, and other necessary miscellaneous expenses in collecting internal-revenue taxes, \$3,300,000: *Provided*, That for purpose of concentration upon the initiation of the Commissioner of Internal Revenue and under regulations prescribed by him, distilled spirits may be removed from any internal-revenue bonded warehouse to any other such warehouse, and may be bottled in bond in any such warehouse before or after payment of the tax, and the commissioner shall prescribe the form and penal sums of bond covering distilled spirits in internal revenue bonded warehouses, and in transit between such warehouses: *Provided further*, That no part of this amount shall be used in defraying the expenses of any officer, designated above, subpoenaed by the United States court to attend any trial before a United States court or preliminary examination before any United States commissioner, which expenses shall be paid from the appropriation for "Fees of witnesses, United States courts."

Tax Simplification Board: For expenses of the Tax Simplification Board established in the Treasury Department under the provisions of section 1327 of the Revenue Act of 1921, approved November 23, 1921, as authorized under paragraph 2 (e) of said act and section, \$7,500, to be available for personal and other services and expenses in the District of Columbia and elsewhere.

For expenses of assessing and collecting the internal-revenue taxes, including the employment of the necessary officers, attorneys, experts, agents, accountants, inspectors, deputy collectors, clerks, janitors, and messengers in the District of Columbia and the several collection districts, to be appointed as provided by law, telegraph and telephone service, rental of quarters outside the District of Columbia, postage, freight, express, and other necessary miscellaneous expenses, and the purchase of such supplies, equipment, furniture, mechanical devices, stationery, law books and books of reference, and such other articles as may be necessary for use in the District of Columbia and the several collection districts, \$31,200,000: *Provided*, That not more than \$100,000 of the total amount appropriated herein may be expended by the Commissioner of Internal Revenue for detecting

and bringing to trial persons guilty of violating the internal revenue laws or conniving at the same, including payments for information and detection of such violation.

For expenses to enforce the provisions of the National Prohibition Act and the act entitled "An Act to provide for the registration of, with collectors of internal revenue, and to impose a special tax upon, all persons who produce, import, manufacture, compound, deal in, dispense, sell, distribute, or give away opium or cocoa leaves, their salts, derivatives, or preparations, and for other purposes," approved December 17, 1914, as amended by the Revenue Act of 1918, including the employment of executive officers, agents, inspectors, chemists, assistant chemists, supervisors, clerks, and messengers in the field and in the Bureau of Internal Revenue in the District of Columbia, to be appointed as authorized by law; the securing of evidence of violations of the acts, and for the purchase of such supplies, equipment, mechanical devices, laboratory supplies, books, and such other expenditures as may be necessary in the District of Columbia and several field offices, and for rental of necessary quarters, \$9,000,000: *Provided*, That not to exceed \$750,000 of the foregoing sum shall be expended for enforcement of the provisions of the said act of December 17, 1914: *Provided further*, That not to exceed \$25,000 of the total amount appropriated shall be available for advances to be made by special disbursing agents when authorized by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury, the provisions of section 3648 of the Revised Statutes to the contrary notwithstanding.

No part of the appropriations made herein for the Internal Revenue Service shall be used to increase the compensation of any class or grade of officers or employees.

To enable the Secretary of the Treasury to refund money covered into the Treasury as internal-revenue collections under the provisions of the Act approved May 27, 1908, \$250,000.

For refunding taxes illegally collected under the provisions of sections 3220 and 3689, Revised Statutes, as amended by the act of February 24, 1919, including the payment of prior year claims, \$12,000,000: *Provided*, That a report shall be made to Congress of the disbursements hereunder as required by the act of February 24, 1919.

* * * *

APPENDIX 6

FINANCIAL STATEMENTS

EXPLANATORY NOTE

Statements showing appropriations, receipts, expenditures and other financial data for a series of years constitute the most effective single means of exhibiting the growth and development of a service. Due to the fact that Congress has adopted no uniform plan of appropriation for the several services and that the latter employ no uniform plan in respect to the recording and reporting of their receipts and expenditures, it is impossible to present data of this character according to any standard scheme of presentation. In the case of some services the administrative reports contain tables showing financial conditions and operation of the service in considerable detail; in others financial data are almost wholly lacking. Careful study has in all cases been made of such data as are available, and the effort has been made to present the results in such a form as will exhibit the financial operations of the services in the most effective way that circumstances permit.

The appropriations and expenditures for the fiscal years 1863, 1875, 1885, 1892, 1900, 1905, and for each fiscal year from 1910 to 1922 are shown in the tables below, which show also the appropriations only for the fiscal years 1923 and 1924. The years since 1910 cover the period of the great development of the Bureau. Three of the earlier years—1875, 1885, and 1905 represent normal operations of the service; the fiscal year 1863 was the first complete year after the bureau was created; the fiscal year 1892 is given because the service was charged with the administration of the sugar bounty law at that time; in the fiscal year 1900 the special taxes imposed as a result of the war with Spain were being collected.

APPROPRIATIONS AND EXPENDITURES BY FISCAL YEARS

Appropriation	1863		1875		1885	
	Appropriation	Expenditure	Appropriation	Expenditure	Appropriation	Expenditure
Compensation of the Commissioner and clerks, procuring dies, stamps, etc.	\$500,000.00	^a	.....	.....	.....	.....
Salaries, Office of Commissioner.....	\$336,340.00	\$335,443.68	\$294,356.57	\$284,591.65
Salaries, Office of Commissioner, Reimbursable.	2,546.20	2,500.00
Pay of assessors and collectors.....	^b	^a	.....	.....	.....	.....
Assessing and collecting internal revenue.	4,590,548.00	4,171,870.54	.....	.....
Salaries and expenses of supervisors and subordinate officers.	2,300,000.00	1,964,104.79
Salaries and expenses of collectors....	1,851,432.92	1,784,880.80
Punishment for violation of internal revenue laws.	100,000.00	60,855.61	50,000.00	34,471.54
Stamps, papers, and dies.....	559,119.14	463,021.02	410,000.00	392,649.96
Total	\$5,586,001.14	\$5,031,190.85	\$4,908,335.69	\$4,460,698.74

^a Not shown in Treasury reports.^b Indefinite appropriation out of receipts.

APPROPRIATIONS AND EXPENDITURES BY FISCAL YEARS—Continued

Appropriation	1899		1900		1905	
	Appropriation	Expenditure*	Appropriation	Expenditure	Appropriation	Expenditure
Salaries, Office of Commissioner.....	\$272,580.00	\$270,708.16	\$257,640.00	\$254,746.88	\$264,340.00	\$261,800.48
Salaries, Office of Commissioner, Reimbursable.....	2,500.00	2,500.00	2,500.00	2,500.00	3,400.00	3,315.56
Salaries and expenses of collectors....	1,965,000.00	1,877,486.65	1,775,000.00	\$1,740,872.22	1,900,000.00	1,876,129.32
Salaries and expenses of subordinate officers.....	2,165,000.00	2,001,495.66	1,950,000.00	1,936,797.80	2,100,000.00	2,076,845.16
Salaries, officers and employees.....	.....	.....	650,000.00	581,101.68	250,000.00	227,284.65
Withdrawal of denatured alcohol.....	.....	.....	.....	.....	.....	.....
Salaries, etc., of sugar inspectors....	26,000.00	27,562.90	.....	.....	.....	.....
Expenses relative to bounty on sugar..	5,000.00	1,349.95	.....	.....	.....	.....
Expenses of collecting corporation tax	.....	.....	.....	.....	.....	.....
Classifying returns of corporations....	.....	.....	.....	.....	.....	.....
Collecting the income tax.....	.....	.....	.....	.....	.....	.....
Collecting the cotton futures tax.....	.....	.....	.....	.....	.....	.....
Collecting tax on legacies, munitions, etc.....	.....	.....	.....	.....	.....	.....
Collecting the war revenue.....	.....	.....	.....	.....	.....	.....
Collecting the excess profits tax.....	.....	.....	.....	.....	.....	.....
Miscellaneous expenses.....	.....	.....	.....	.....	.....	.....
Paper for internal revenue stamps....	60,000.00	55,227.13	60,000.00	35,455.38	70,000.00	68,926.79
Furnishment for violation of internal revenue laws.....	50,000.00	49,553.02	75,000.00	74,568.01	100,000.00	81,911.77
Restricting sale of opium, etc.....	.....	.....	.....	.....	.....	.....
do.....	.....	.....	.....	.....	.....	.....
Enforcement of national prohibition..	.....	.....	.....	.....	.....	.....
Enforcement of narcotic and national prohibition acts.....	.....	.....	.....	.....	.....	.....
Tax Simplification Board.....	.....	.....	.....	.....	.....	.....
Total	\$4,556,080.00	\$4,285,983.49	\$4,770,140.00	\$4,635,041.97	\$4,687,740.00	\$4,586,413.73

* Advances to disbursing officers during fiscal year 1899.

APPROPRIATIONS AND EXPENDITURES BY FISCAL YEARS—Continued

Appropriation	1910		1911		1912	
	Appropriation	Expenditure	Appropriation	Expenditure	Appropriation	Expenditure
Salaries, Office of Commissioner.....	\$327,550.00	\$328,102.04	\$350,720.00	\$337,437.68	\$350,040.00	\$340,845.49
Salaries, Office of Commissioner, Reimbursable.....	3,400.00	3,400.00	3,400.00	3,400.00	3,400.00	3,400.00
Salaries and expenses of collectors...	2,090,000.00	2,047,259.89	2,135,000.00	2,080,733.12	2,150,000.00	2,109,545.11
Salaries and expenses of subordinate officers.....	2,400,000.00	2,354,143.76	2,510,000.00	2,490,174.13	2,620,000.00	2,595,775.72
Salaries, officers and employees.....	.....	.....	.....	.....	.....	.....
Withdrawal of denatured alcohol.....	200,000.00	131,054.53	.....	.....	.....	.....
Salaries, etc., of sugar inspectors.....	.....	.....	.....	.....	.....	.....
Expenses relative to bounty on sugar.....	.....	.....	.....	.....	.....	.....
Expenses of collecting corporation tax.....	100,000.00	24,989.39	^a 173,660.20	122,168.31	^b 145,157.15	140,118.91
Classifying returns of corporations.....	.....	.....	30,000.00	26,404.47	25,000.00	24,723.87
Collecting the income tax.....	.....	.....	.....	.....	.....	.....
Collecting the cotton futures tax.....	.....	.....	.....	.....	.....	.....
Collecting the tax on legacies, munitions, etc.....	.....	.....	.....	.....	.....	.....
Collecting the war revenue.....	.....	.....	.....	.....	.....	.....
Collecting the excess profits tax.....	.....	.....	.....	.....	.....	.....
Miscellaneous expenses.....	100,000.00	80,871.97	100,000.00	81,051.63	100,000.00	92,090.40
Paper for internal revenue stamps.....	90,000.00	88,446.19	^a 87,553.81	87,546.77	80,000.00	79,889.13
Punishment for violation of internal revenue laws.....	150,000.00	113,052.67	150,000.00	141,747.48	150,000.00	142,063.25
Restricting the sale of opium, etc....	.....	.....	.....	.....	.....	.....
do	.....	.....	.....	.....	.....	.....
Enforcement of national prohibition..	.....	.....	.....	.....	.....	.....
Enforcement of narcotic and national prohibition acts.....	.....	.....	.....	.....	.....	.....
Tax Simplification Board.....	.....	.....	.....	.....	.....	.....
Total.....	\$5,460,950.00	\$5,165,321.34	\$5,540,334.01	\$5,370,663.58	\$5,624,497.15	\$5,518,451.97

^a Includes \$73,660.20 reapportioned from previous year. ^b Including \$45,157.15 reapportioned from previous year.

^a Including \$1,533.81 appropriated for 1910 also available in 1911.

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APPROPRIATIONS AND EXPENDITURES BY FISCAL YEARS—Continued

Appropriation	1912		1914		1915	
	Appropriation	Expenditure	Appropriation	Expenditure	Appropriation	Expenditure
Salaries, Office of Commissioner.....	\$353,839.44	\$345,651.23	\$359,090.00	\$353,681.75	\$359,800.00	\$353,838.97
Salaries, Office of Commissioner, Edin- burgh,	3,400.00	3,400.00	3,400.00	3,400.00	3,400.00	3,400.00
Salaries and expenses of collectors, ..	5,100,000.00	2,051,615.59	5,150,000.00	2,115,484.88	5,400,000.00	2,115,706.12
Salaries and expenses of subordinate officers,	2,681,500.00	2,617,078.01	2,630,000.00	2,501,639.71	2,625,000.00	2,540,032.41
Salaries, officers and employees, .....	.....	.....	.....	.....	.....	.....
Withdrawal of insured persons, .....	.....	.....	.....	.....	.....	.....
Salaries and expenses of inspectors, ..	.....	.....	.....	.....	.....	.....
Expenses relative to bounty on sugar,	150,000.00	144,158.93	172,000.00	154,353.18	.....	.....
Expenses of collecting the corporation stamp, .....	.....	.....	.....	.....	.....	.....
Classifying returns of corporations, ..	30,000.00	27,028.57	30,000.00	26,915.22	.....	.....
Collecting the income tax, .....	.....	.....	800,000.00	345,893.92	1,500,000.00	1,271,661.74
Collecting the tax on legacies, .....	.....	.....	.....	.....	50,000.00	.....
Collecting the war revenue, .....	.....	.....	.....	.....	.....	.....
Collecting the excise profits tax, .....	.....	.....	.....	.....	.....	.....
Disbursements,	80,000.00	84,354.37	90,000.00	83,064.04	95,000.00	89,931.87
Penalties, .....	.....	.....	.....	.....	.....	.....
Punishment for violation of internal revenue laws,	140,000.00	140,113.06	150,000.00	100,894.85	175,000.00	107,817.22
Restricting sale of opium, etc., .....	.....	.....	.....	.....	150,000.00	116,400.11
Enforcement of national prohibition, ..	.....	.....	.....	.....	.....	.....
Enforcement of narcotic and national prohibition acts, .....	.....	.....	.....	.....	.....	.....
The Simplification Board, .....	.....	.....	.....	.....	.....	.....
Total	\$5,571,339.44	\$5,495,552.73	\$6,470,390.00	\$5,786,690.28	\$7,498,200.00	\$6,811,453.21

* Available also in 1916, expenditures per given under that year.

† Advances to disbursing officers.

‡ Annual appropriations.

§ Available until expended.

APPROPRIATIONS AND EXPENDITURES BY FISCAL YEARS—Continued

Appropriation	1916		1917		1918	
	Appropriation	Expenditure	Appropriation	Expenditure	Appropriation	Expenditure
Salaries, Office of Commissioner.....	\$647,180.00	\$637,255.41	\$685,870.00	\$665,260.27	\$687,870.00	\$573,017.24
Salaries, Office of Commissioner, Reimbursable.....	3,400.00	3,400.00	3,400.00	3,325.00	3,400.00	1,975.00
Salaries and expenses of collectors....	2,780,000.00	2,717,921.84	2,565,000.00	2,518,454.77	2,565,000.00	2,455,376.33
Salaries and expenses of subordinate officers.....	2,200,000.00	2,112,883.43	2,200,000.00	2,065,402.54	2,200,000.00	1,804,608.72
Salaries, officers and employees.....	.....	.....	.....	.....	.....	.....
Withdrawal of denatured alcohol.....	.....	.....	.....	.....	.....	.....
Salaries, etc., of sugar inspectors....	.....	.....	.....	.....	.....	.....
Expenses relative to bounty on sugar..	.....	.....	.....	.....	.....	.....
Expenses of collecting the corporation tax.....	.....	.....	.....	.....	.....	.....
Classifying returns of corporations....	.....	.....	.....	.....	.....	.....
Collecting the income tax.....	1,220,000.00	1,159,753.12	1,700,000.00	1,533,265.32	1,700,000.00	1,394,260.07
Collecting the cotton futures tax.....	2	25,063.31	24,936.69	19,013.28	20,000.00	19,427.08
Collecting the tax on legacies, munitions, etc.....	.....	.....	340,000.00	335,172.92	340,000.00	219,264.53
Collecting the war revenue.....	.....	.....	.....	.....	4,583,000.00	3,531,668.38
Collecting the excess profits tax.....	.....	.....	.....	.....	2,000,000.00	1,581,133.81
Miscellaneous expenses.....	100,000.00	99,148.88	100,000.00	99,499.10	100,000.00	98,527.87
Paper for internal revenue stamps....	.....	.....	.....	.....	.....	.....
Punishment for violation of internal revenue laws.....	175,000.00	163,915.00	175,000.00	167,375.76	175,000.00	163,269.00
Restricting sale of opiums, etc.*.....	.....	413,270.71	.....	41,615.48	.....	.....
do *.....	292,000.00	291,144.84	300,000.00	292,527.15	300,000.00	296,143.42
Enforcement of national prohibition...	.....	.....	.....	.....	.....	.....
Enforcement of narcotic and national prohibition acts.....	.....	.....	.....	.....	.....	.....
Tax Simplification Board.....	.....	.....	.....	.....	.....	.....
Total.....	\$7,417,580.00	\$7,223,746.54	\$8,094,206.09	\$7,724,911.59	\$14,674,270.00	\$12,138,721.45

* Appropriation for previous year available. † Reappropriation of unexpended balance. ‡ Available until expended.
 § Advances to disbursing officers. ¶ Annual appropriation.

APPROPRIATIONS AND EXPENDITURES BY FISCAL YEARS—Continued

Appropriation	1919		1920		1921 ^a	
	Appropriation	Expenditure	Appropriation	Expenditure	Appropriation	Expenditure
Salaries, Office of Commissioner.....	\$687,870.00	\$581,448.32	3,400.00	1,466.67	1,600.00	\$686,167.28
Salaries, Office of Commissioner, Reimbursable.....	3,400.00	1,600.00	\$709,770.00	\$603,741.15	\$709,590.00	1,600.00
Salaries and expenses of collectors.....	3,565,000.00	3,441,083.11	4,288,000.00	4,206,707.70	4,288,000.00	4,182,788.42
Salaries and expenses of subordinate officers.....	1,200,000.00	1,045,540.32	.....	.....	.....	.....
Salaries, officers and employees.....	.....	.....	.....	.....	.....	.....
Withdrawal of denatured alcohol.....	.....	.....	.....	.....	.....	.....
Salaries, etc., of sugar inspectors.....	.....	.....	.....	.....	.....	.....
Expenses relative to bounty on sugar.....	.....	.....	.....	.....	.....	.....
Expenses of collecting the corporation tax.....	.....	.....	.....	.....	.....	.....
Classifying returns of corporations.....	.....	.....	.....	.....	.....	.....
Collecting the income tax.....	3,000,000.00	2,843,864.70	.....	.....	.....	.....
Collecting the cotton futures tax.....	20,000.00	17,909.03	.....	.....	.....	.....
Collecting the tax on legacies, munitions, etc.....	240,000.00	231,116.97	.....	.....	.....	.....
Collecting the war revenue.....	15,500,000.00	13,199,932.62	22,325,000.00	22,234,178.16	29,000,000.00	28,435,353.47
Collecting the excess profits tax.....	.....	.....	.....	.....	.....	.....
Miscellaneous expenses.....	100,000.00	98,224.68	.....	.....	.....	.....
Paper for internal revenue stamps.....	.....	.....	.....	.....	.....	.....
Punishment for violation of internal revenue laws.....	175,000.00	132,847.89	.....	.....	.....	.....
Restricting sale of opium, etc. ^b.....	.....	.....	.....	.....	.....	.....
do ^c	225,000.00	272,892.59	550,000.00	514,868.52	.....	.....
Enforcement of national prohibition.....	.....	.....	2,400,000.00	2,339,141.49	.....	.....
Enforcement of narcotic and national prohibition acts.....	.....	.....	.....	.....	7,100,000.00	6,899,407.57
Tax Simplification Board.....	.....	.....	.....	.....	.....	.....
Total	\$24,916,270.00	\$20,859,458.26	\$30,286,170.00	\$29,900,103.69	\$41,099,190.00	\$40,205,316.74

^a Cash basis. ^b Available until expended. ^c Annual appropriation.

APPROPRIATIONS AND EXPENDITURES BY FISCAL YEARS—Continued

Appropriation	1922 ^a		1923		1924	
	Appropriation	Expenditure	Appropriation	Expenditure	Appropriation	Expenditure
Salaries, Office of Commissioner.....	\$709,590.00	\$679,901.48	\$709,590.00	.....	\$701,190.00	.....
Salaries, Office of Commissioner, Reim- bursable.....	1,600.00	1,600.00	1,600.00	.....	1,600.00	.....
Salaries and expenses of collectors....	4,288,000.00	4,101,590.15	4,000,000.00	.....	3,900,000.00	.....
Salaries and expenses of subordinate Salaries, officers and employees.....	.....	.....	.....	.....	.....	.....
Withdrawal of denatured alcohol.....	.....	.....	.....	.....	.....	.....
Salaries, etc., of sugar inspectors.....	.....	.....	.....	.....	.....	.....
Expenses relative to bounty on sugar.....	.....	.....	.....	.....	.....	.....
Expenses of collecting the corporation tax.....	.....	.....	.....	.....	.....	.....
Classifying returns of corporations... Collecting the income tax.....	.....	.....	.....	.....	.....	.....
Collecting the cotton futures tax.....	.....	.....	.....	.....	.....	.....
Collecting the tax on legacies, munici- pals, etc.....	.....	.....	.....	.....	.....	.....
Collecting the war revenue.....	31,392,000.00	29,591,948.59	34,409,690.00	.....	31,200,000.00	.....
Collecting the excess profits tax.....	.....	.....	.....	.....	.....	.....
Miscellaneous expenses.....	.....	.....	.....	.....	.....	.....
Paper for internal revenue stamps....	.....	.....	.....	.....	.....	.....
Punishment for violation of internal revenue laws.....	.....	.....	.....	.....	.....	.....
Restricting sale of opium, etc..... do.....	.....	.....	.....	.....	.....	.....
Enforcement of national prohibition... Enforcement of narcotic and national prohibition acts.....	7,500,000.00	7,202,723.07	9,250,000.00	.....	9,000,000.00	.....
Tax Simplification Board.....	3,500.00	1,211.20	7,500.00	.....	7,500.00	.....
Total	\$43,894,690.00	\$41,578,974.49	\$48,378,180.00	.....	\$44,810,290.00	.....

^a Cash basis.

For all years prior to 1921 the expenditures are figured on the accrual basis unless otherwise noted. That is, the amount given as expended out of a specific appropriation represents the total expenditure out of that appropriation regardless of whether the money was expended during the current fiscal year or during the two succeeding years in which the money was available. The figures for 1921 and 1922 are on the cash basis and are not final.

The preceding tables show only the expenses which are paid out of appropriations made expressly for the work of the Bureau of Internal Revenue. In addition part of the printing for the Bureau has been paid for from the appropriation of the Treasury Department for printing and binding, part of the stationery from the Treasury Department appropriation for that purpose, internal revenue stamps are furnished by the Bureau of Engraving and Printing, and the maintenance of the offices located in Federal buildings is paid from the appropriations made to the Supervising Architect of the Treasury. After July 1, 1923, all the printing will be paid from the appropriation for printing made to the Treasury Department. No figures are available showing the amount expended for maintenance of quarters in Federal buildings, but the expenditures from the other appropriations during the fiscal year 1921 were as follows:

Printing, from Treasury Department appropriation for Printing and Binding	\$151,110.03
Stationery, from Treasury Department appropriation for Stationery	232,878.74
Internal Revenue Stamps, from appropriation for Bureau of Engraving and Printing	699,466.16

The statement of appropriations and expenditures given above includes only money available and used for the operation of the service. There are not included any appropriations and expenditures for the refund of taxes or for the special disposition of the proceeds of certain taxes, such as the additional income tax on railroads in Alaska, and the stamp tax on articles which are imported from the Philippine Islands and Porto Rico and which are subject to tax in the United States. The proceeds of these taxes are repaid to the governments of those possessions.

Of the appropriations for refunding taxes and other similar purposes two are made annually, while the others are indefinite

appropriations, which do not have to be made each year. The two annual appropriations and the amounts available during the fiscal year 1923 are as follows:

Refunding taxes illegally collected under the provisions of section 3220 and 3689, Revised Statutes, as amended by the act of February 24, 1919 (claims allowed by the Bureau of Internal Revenue and judgments against collectors).....	\$133,105,000
To refund money covered into the Treasury as internal revenue collections, under the provisions of the act approved May 27, 1908. (This act requires collectors to pay into the Treasury daily "the gross amount of all collections of whatever nature;" the purpose of the appropriation is to refund money paid in error, concerning which no legal or accounting questions arise).	250,000

The amount appropriated for the fiscal year 1923 for the refunding of taxes illegally collected is considerably larger than that spent for this purpose during preceding years owing to the large number of claims being adjusted.

The appropriations listed below are indefinite, and as much money as is necessary is appropriated by general laws. The following statement shows the amount expended during the fiscal year 1922 and the estimated amount needed for the fiscal year 1923.

PERMANENT INDEFINITE APPROPRIATIONS

Appropriation	Expended fiscal year 1922	Estimate for fiscal year 1923
Allowance or drawback (R. S., p. 725, sec. 3689; acts June 13, 1898, vol. 30, p. 463, sec. 26; Aug. 5, 1909, vol. 36, p. 90, sec. 25; Oct. 22, 1914, vol. 38, p. 763, sec. 22; Mar. 4, 1915, vol. 38, p. 1189, sec. 1)	\$1,283,725.83	\$300,000.00
Refunding corporation and income-tax penalties (Public Resolution Mar. 4, 1915, 38 Stat. L., 1225, sec. 1)	.....	1,000.00
Refunding tax on certain legacies.....	.....	50,000.00
Refunding stamp tax on export bills of lading.....	.....	.....
Refunding tax on contingent beneficial interests..... (Act June 27, 1902, 32 Stat. L., 406, secs. 1-4.)	.....	.....
Repayment of taxes erroneously collected under act of June 13, 1898 (Act July 27, 1912, 37 Stat. L., 240, secs. 1, 2)	27,617.83	10,000.00
Redemption of stamps (R. S., p. 725, sec. 3689; acts May 12, 1900, 31 Stat. L., 177, secs. 1-3; June 30, 1902, 32 Stat. L., 506, sec. 1)	722,703.88	600,000.00
Payment for lands sold for direct taxes (R. S., p. 724, sec. 3689)	.....	.....
Repayment of taxes on distilled spirits destroyed by casualty (R. S., p. 619, sec. 3221)	.....	600.00
Surplus proceeds, property sold for internal revenue taxes (R. S., p. 614, sec. 3195)	.....	.....
Refunding stamp tax on foreign bills of exchange (Act Feb. 1, 1909, 35 Stat. L., 590, sec. 1)	.....	.....

Three classes of taxes collected under the internal revenue laws are paid into the treasuries of the Philippine Islands, Porto Rico, and Alaska. The amounts accrued during the fiscal year 1922 and the estimated amounts for the fiscal year 1923 are as follows:

INTERNAL REVENUE TAXES PAID TO TERRITORIES AND POSSESSIONS

	Accrued fiscal year 1922	Estimated for fiscal year 1923
Philippine special fund (Act Aug. 5, 1909, 36 Stat. L., 84, 85, sec. 5).	\$381,040.66	\$1,500,000.00
Porto Rico special fund (Act Mar. 8, 1917, 39 Stat. L., 954, sec. 9).	17,851.55	100,000
Additional income tax on railroads in Alaska, special fund (Act July 18, 1914, 38 Stat. L., 517).	14,395.31	35,000.00

The importance of the internal revenue system in the finances of the government at various periods is shown by the following table which gives the customs receipts, internal revenue receipts, and total ordinary receipts from 1792 to 1922. The total ordinary receipts include all receipts except postal revenues and those derived from loans. This table shows receipts for some years prior to 1849 during which no internal revenue taxes were imposed; the receipts during these years representing collections on account of prior years.

In some of the tables in this monograph the totals showing collections for specific years do not agree. This is due to the fact that some of the tables are based on reports made by collectors, while others are based on warrants issued when the money was received in the Treasury. The result is that at the end of each fiscal year there is some overlapping, although the difference is slight when compared with the totals. All figures are as shown in the reports of the Secretary of the Treasury or the Commissioner of Internal Revenue, and it is impossible to regroup the basic figures in order to make the totals agree. The items in each table are comparable as they were computed on the same basis.

RECEIPTS FROM CUSTOMS AND INTERNAL REVENUE AND TOTAL ORDINARY
RECEIPTS FROM 1792 to 1922

Fiscal year	Receipts from customs	Receipts from internal revenue ¹	Total ordinary receipts ²
1792	\$ 3,443,070.85	\$ 208,942.81	\$ 3,669,960.31
1793	4,255,306.50	337,705.70	4,652,923.14
1794	4,801,065.28	274,089.62	5,431,904.87
1795	5,588,461.26	337,755.36	6,119,334.59
1796	6,567,987.94	475,289.60	8,420,329.65
1797	7,549,649.65	575,491.45	8,688,780.99
1798	7,106,061.93	644,357.95	7,979,170.80
1799	6,610,449.31	779,136.44	7,546,813.31
1800	9,080,932.73	1,543,620.52	10,848,749.10
1801	10,750,778.93	1,582,376.81	12,945,455.95
1802	12,438,235.74	828,464.33	14,995,793.95
1803	10,479,417.61	287,058.89	11,064,097.63
1804	11,098,565.33	101,139.73	11,826,307.38
1805	12,936,487.04	43,630.06	13,560,693.20
1806	14,667,698.17	75,223.31	15,559,931.07
1807	15,845,521.61	47,783.96	16,308,019.26
1808	16,363,550.58	27,349.44	17,060,661.93
1809	7,257,506.62	11,551.00	7,773,473.12
1810	8,583,309.31	19,879.31	9,384,214.28
1811	13,313,222.73	9,962.61	14,422,634.09
1812	8,958,777.53	5,762.28	9,801,132.76
1813	13,224,623.25	8,560.56	14,340,709.95
1814	5,998,772.08	3,882,482.18	11,181,710.95
1815	7,282,042.22	6,840,732.48	15,708,458.56
1816	36,306,874.88	9,378,343.40	47,745,650.82
1817	26,283,348.49	4,512,287.81	33,366,868.88
1818	17,176,385.00	1,219,603.56	21,585,583.66
1819	20,283,608.76	313,244.41	24,603,374.37
1820	15,005,612.15	137,847.35	17,840,669.55
1821	13,004,447.15	98,376.68	14,573,379.72
1822	17,580,761.94	88,627.27	20,232,427.04
1823	19,088,433.44	44,579.88	20,540,666.26
1824	17,876,325.71	40,865.33	19,381,212.79
1825	20,098,713.45	28,102.20	21,840,858.02
1826	23,341,331.77	28,228.69	25,260,434.21
1827	19,712,283.29	22,512.58	22,966,363.96
1828	23,205,523.64	19,670.35	24,763,629.23
1829	22,681,965.91	25,837.79	24,867,627.38
1830	21,922,391.39	29,141.21	24,844,116.51
1831	24,224,441.77	17,439.52	28,526,820.82
1832	28,465,237.24	18,421.78	31,867,450.66
1833	29,032,508.91	3,153.12	33,948,426.25
1834	16,214,957.15	4,215.89	21,791,935.55

¹ Including direct tax.

² Includes in addition to customs and internal revenue, all ordinary receipts except postal revenues.

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RECEIPTS FROM CUSTOMS AND INTERNAL REVENUE AND TOTAL ORDINARY
RECEIPTS FROM 1792 TO 1922.—Continued

Fiscal year	Receipts from customs	Receipts from internal revenue	Total ordinary receipts
1835	\$ 19,391,310.59	\$ 14,722.81	\$ 35,430,087.10
1836	23,409,940.53	1,098.79	50,826,796.08
1837	11,169,290.39	7,181.54	24,954,153.04
1838	16,158,800.36	2,467.27	26,302,561.74
1839	23,137,924.81	3,308.54	31,482,749.61
1840	13,499,502.17	1,682.25	19,480,115.33
1841	14,487,216.74	3,261.36	16,860,160.27
1842	18,187,908.76	495.00	19,976,197.25
1843 (6 mo.)	7,046,843.91	103.25	8,231,001.26
1844	26,183,570.94	1,777.34	29,320,707.78
1845	27,528,112.70	3,517.12	29,970,105.80
1846	26,712,667.87	2,897.26	29,699,967.74
1847	23,747,864.66	375.00	26,467,403.16
1848	31,757,070.06	375.00	35,668,699.21
1849	28,346,738.82	.....	30,721,077.50
1850	39,668,686.42	.....	43,592,888.88
1851	49,017,567.92	.....	52,555,039.33
1852	47,339,326.62	.....	49,846,815.60
1853	58,931,865.52	.....	61,587,031.68
1854	64,224,190.27	.....	73,800,341.40
1855	53,025,794.21	.....	65,350,574.68
1856	64,022,863.50	.....	74,056,699.24
1857	63,875,905.05	.....	68,965,312.57
1858	41,789,620.96	.....	46,655,365.96
1859	49,565,824.38	.....	52,777,107.92
1860	53,187,511.87	.....	56,054,599.83
1861	39,582,125.64	.....	41,476,299.49
1862	49,056,397.62	1,795,331.73	51,919,261.09
1863	69,050,642.40	39,125,891.56	112,094,945.51
1864	102,316,152.99	110,216,783.06	262,711,865.33
1865	84,928,260.60	210,664,788.28	327,283,518.68
1866	179,046,651.58	311,201,567.54	557,817,230.34
1867	176,417,810.88	270,227,771.13	477,001,523.47
1868	164,464,599.56	192,875,735.26	398,369,440.36
1869	180,048,426.63	159,122,146.47	369,564,545.47
1870	194,538,374.44	185,128,859.37	411,253,971.24
1871	206,270,408.05	143,678,509.00	383,323,044.89
1872	216,370,286.77	130,642,177.72	371,106,867.56
1873	188,089,522.70	114,044,568.65	333,738,204.67
1874	163,103,833.69	102,409,784.09	304,978,756.06
1875	157,167,722.35	110,007,493.58	288,000,051.10
1876	148,071,984.61	116,793,540.83	293,790,130.50
1877	130,956,403.07	118,630,407.83	281,250,222.78
1878	130,170,680.20	110,581,624.74	257,763,878.70
1879	137,259,047.70	113,561,610.58	274,330,241.21

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RECEIPTS FROM CUSTOMS AND INTERNAL REVENUE AND TOTAL ORDINARY
RECEIPTS FROM 1792 TO 1922—Continued

Fiscal year	Receipts from customs	Receipts from internal revenue	Total ordinary receipts
1880	\$186,522,064.60	\$ 124,009,404.77	\$ 333,526,500.98
1881	198,159,676.02	135,265,902.40	360,782,292.57
1882	220,410,730.25	146,657,737.14	403,525,250.28
1883	214,706,496.93	144,828,525.58	398,287,581.95
1884	195,067,489.76	121,656,793.26	348,519,869.02
1885	181,471,939.34	112,498,725.54	323,690,706.38
1886	192,905,023.44	116,914,176.42	336,439,727.06
1887	217,286,893.13	118,856,283.27	371,403,277.66
1888	219,091,173.63	24,298,437.80	379,266,074.76
1889	223,832,741.69	130,881,513.92	387,050,058.84
1890	229,668,584.57	142,606,705.81	403,080,982.63
1891	219,522,205.23	145,686,249.44	392,612,447.31
1892	177,452,064.15	153,971,072.57	354,937,784.24
1893	203,355,016.73	161,027,623.93	385,819,628.78
1894	131,818,530.62	147,111,232.81	297,722,019.25
1895	152,158,617.45	143,421,672.02	313,390,075.11
1896	160,021,751.67	146,762,864.74	326,976,200.38
1897	176,554,126.65	146,688,574.29	347,721,705.16
1898	149,575,062.35	170,900,641.49	405,321,335.20
1899	206,128,481.75	273,437,161.51	515,960,620.18
1900	233,164,871.16	295,327,026.76	567,240,851.89
1901	238,585,455.99	307,180,663.77	587,685,337.53
1902	254,444,708.19	271,880,122.10	562,478,233.21
1903	284,479,581.81	230,810,124.17	560,306,674.40
1904	261,274,564.81	232,904,119.45	539,716,913.86
1905	261,798,856.91	234,095,740.85	544,606,758.62
1906	300,251,877.77	249,150,212.91	594,717,042.32
1907	332,233,362.70	269,666,772.85	663,125,659.02
1908	286,113,130.29	251,711,126.70	601,060,723.27
1909	300,711,933.95	246,212,643.59	603,589,489.84
1910	333,683,445.03	289,933,519.45	675,511,715.02
1911	314,497,071.24	322,529,200.79	701,372,374.99
1912	311,321,672.22	321,612,199.66	691,778,465.37
1913	318,891,395.86	344,416,965.65	724,111,229.84
1914	292,320,014.51	380,041,007.30	734,673,166.71
1915	209,786,672.21	415,669,646.00	667,910,827.58
1916	213,185,845.63	512,702,028.78	779,664,552.49
1917	225,962,393.38	809,366,207.73	1,118,174,126.43
1918	182,758,988.71	3,696,043,484.81	4,174,010,585.74
1919	183,428,624.78	3,840,230,994.85	4,647,603,852.40
1920	323,530,559.25	5,399,149,245.06	6,695,374,766.68
1921	308,025,102.17	4,579,973,609.06	5,584,517,045.23
1922	357,544,712.40	3,208,158,308.30	4,103,596,531.04

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The foregoing statement, taken from the annual report of the Secretary of the Treasury, shows the gross receipts from internal revenue and takes no account of refunds of any kind. The following statement shows the net receipts from internal revenue for the fiscal year 1922.

ADJUSTMENT OF TREASURY FIGURES TO SHOW NET RECEIPTS FROM INTERNAL REVENUE, FISCAL YEAR 1922

Gross receipts, as stated in report of the Secretary of the Treasury.....		\$3,208,158,308.30
Deductions		
Repayments		
Refunding internal revenue collections.	\$186,637.31	
Relief of estate of Joseph Mathews..	1,027.72	
Relief of Stevens Institute of Technology	45,750.00	
Refunding taxes illegally collected..	49,251,485.02	
Refunding money erroneously received	10.00	
Allowance or drawback.....	1,283,407.86	
Redemption of stamps.....	723,750.29	
Repayment of taxes illegally collected under act of June 13, 1898.....	27,617.83	51,519,686.03
		<u>\$3,156,638,622.27</u>
Credited to special funds and paid to designated beneficiary		
Additional income tax on railroads in Alaska	19,396.57	
Philippine Special Fund, taxes on articles produced in the Philippines and sold in the United States; paid to Philippine Government.....	331,129.15	
Porto Rico Special Fund, taxes on articles produced in Porto Rico and sold in United States; paid to Government of Porto Rico.....	1,586.20	352,111.92
Net Receipts		<u>\$3,156,286,510.35</u>

The salary of each collector on March 10, 1922, the total expenses of each district, the total amount collected and the cost of collecting \$100 in each district during the fiscal year 1921 are shown in the table below. The expenses as shown in this table do not include the cost of the bureau in Washington, the assistant supervisors of collectors' offices, or the revenue agents.

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EXPENSES AND COLLECTIONS OF COLLECTION DISTRICTS, FISCAL YEAR 1921

District	Salary of collector	Total expenses	Total collections	Cost of collecting \$100
Alabama	\$ 5,600.00	\$ 99,611.51	\$ 18,429,531.41	\$.540
Arizona	5,000.00	54,140.36	4,202,663.42	1.288
Arkansas	5,400.00	135,607.03	10,564,467.99	1.284
1st California	6,000.00	367,349.83	125,376,149.19	.293
6th California	6,000.00	198,369.27	56,873,190.15	.349
Colorado	5,900.00	165,110.53	34,214,963.26	.482
Connecticut	6,000.00	222,852.77	71,603,071.55	.311
Delaware	4,800.00	33,761.70	11,484,203.14	.285
Florida	5,500.00	131,859.41	16,476,054.09	.803
Georgia	5,800.00	166,352.06	37,234,770.85	.447
Hawaii	4,700.00	58,089.05	20,680,103.23	.281
Idaho	5,000.00	70,422.11	4,617,761.92	1.525
1st Illinois	6,000.00	827,249.63	353,079,926.71	.234
8th Illinois	6,000.00	337,986.18	35,845,038.04	.9403
Indiana	6,000.00	294,774.61	78,158,446.40	.377
Iowa	6,000.00	317,069.46	37,745,745.99	.840
Kansas	6,000.00	229,135.24	38,689,551.68	.592
Kentucky	5,900.00	481,707.91	50,696,269.84	.950
Louisiana	5,800.00	183,944.68	40,121,096.58	.458
Maine	5,500.00	108,685.04	18,038,864.09	.602
Maryland	6,000.00	364,130.17	91,206,513.83	.399
Massachusetts	6,000.00	610,306.73	259,865,213.85	.238
1st Michigan	6,000.00	264,261.65	245,198,048.80	.108
4th Michigan	5,800.00	89,032.18	27,196,235.91	.327
Minnesota	6,000.00	264,422.87	77,722,157.80	.340
Mississippi	5,100.00	98,215.03	8,996,571.95	1.092
1st Missouri	6,000.00	221,184.35	90,658,133.35	.244
6th Missouri	5,800.00	128,419.07	35,475,533.25	.362
Montana	5,500.00	117,583.40	5,446,565.52	2.159
Nebraska	6,000.00	186,277.16	23,683,008.72	.786
Nevada	4,500.00	36,626.07	1,207,832.91	3.032
New Hampshire	5,200.00	98,485.28	10,321,265.97	.954
1st New Jersey	5,700.00	121,657.91	28,752,918.16	.423
5th New Jersey	6,000.00	360,669.03	114,658,718.50	.314
New Mexico	4,600.00	54,177.28	1,774,171.86	3.954
1st New York	6,000.00	329,229.78	95,624,118.53	.344
2d New York	6,000.00	791,705.86	859,851,705.63	.092
14th New York	6,000.00	328,469.13	61,114,993.00	.537
21st New York	6,000.00	185,836.80	36,988,349.88	.502
28th New York	6,000.00	216,557.84	71,893,607.10	.301
North Carolina	5,500.00	217,317.71	124,890,499.06	.174
North Dakota	5,000.00	84,110.62	3,043,905.73	2.763
1st Ohio	6,000.00	162,356.20	77,547,445.20	.209

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EXPENSES AND COLLECTIONS OF COLLECTION DISTRICTS, FISCAL YEAR, 1921—Continued

District	Salary of collector	Total expenses	Total collections	Cost of collecting \$100
North Ohio	\$ 5,700.00	\$ 111,031.67	\$ 39,870,208.74	\$.278
North Ohio	5,700.00	97,622.95	26,899,619.37	.363
North Ohio	6,000.00	282,755.99	141,351,260.14	.200
Oklahoma	5,800.00	188,852.79	27,569,643.12	.685
Oregon	5,800.00	140,943.91	28,135,975.16	.501
West Pennsylvania	6,000.00	463,091.19	265,725,367.78	.174
West Pennsylvania	5,900.00	138,551.24	29,837,654.91	.464
West Pennsylvania	6,000.00	413,217.23	193,495,077.74	.213
Rhode Island	5,600.00	106,904.09	42,259,894.81	.253
South Carolina	5,300.00	112,652.78	28,610,623.37	.394
South Dakota	5,200.00	119,616.34	5,049,101.71	2.369
Tennessee	5,800.00	152,039.87	34,369,120.71	.442
West Texas	6,000.00	204,850.34	35,586,495.64	.576
West Texas	6,000.00	247,986.30	42,639,778.49	.581
Utah	5,200.00	70,293.52	10,574,849.13	.665
Vermont	4,800.00	71,435.57	6,358,196.04	1.123
Virginia	6,000.00	216,795.39	61,854,341.11	.350
Washington	6,000.00	159,541.07	36,815,140.71	.433
West Virginia	6,000.00	160,784.35	41,878,872.96	.384
Wisconsin	6,000.00	333,268.71	74,309,939.20	.448
Wyoming	5,000.00	59,966.00	3,250,361.11	1.845
Philippine Islands			945,859.66	
Total		\$13,675,411.89	\$4,595,000,765.74	

The table below shows the cost of prohibition enforcement work under each prohibition director during the fiscal year 1921. This table does not include the expenses of the Bureau at Washington or of the general prohibition agents.

EXPENSES OF PROHIBITION ENFORCEMENT WORK UNDER PROHIBITION DIRECTORS, FISCAL YEAR 1921

Alabama	\$ 15,551.61	Illinois	\$ 91,647.07
Arizona	11,340.42	Indiana	23,788.46
Arkansas	6,413.11	Iowa	13,705.80
California	36,443.08	Kansas	20,341.20
Colorado	13,245.21	Kentucky	32,635.12
Connecticut	17,632.48	Louisiana	18,862.28
Delaware	5,148.66	Maine	11,194.27
Florida	14,819.89	Maryland	25,171.02
Georgia	17,244.32	Massachusetts	51,532.07
Idaho	8,240.99	Michigan	25,735.62

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EXPENSES OF PROHIBITION ENFORCEMENT WORK UNDER PROHIBITION
DIRECTORS, FISCAL YEAR 1921—Continued

Minnesota	\$ 23,954.03	Pennsylvania	\$110,090.01
Mississippi	15,626.11	Porto Rico	16,155.00
Missouri	33,903.85	Rhode Island	10,396.79
Montana	12,190.96	South Carolina	14,025.50
Nebraska	13,451.01	South Dakota	5,305.44
Nevada	4,957.76	Tennessee	15,748.72
New Hampshire	8,097.06	Texas	22,976.07
New Jersey	39,318.43	Utah	10,142.76
New Mexico	6,926.34	Vermont	4,214.30
New York	204,056.35	Virginia	19,000.81
North Carolina	14,094.44	Washington	17,822.84
North Dakota	9,766.26	West Virginia	13,195.92
Ohio	46,123.32	Wisconsin	28,110.93
Oklahoma	14,882.92	Wyoming	6,943.57
Oregon	13,015.10	Total	\$1,215,188.05

The table below shows the expenses of the offices of the prohibition and narcotic agents during the fiscal year 1921.

EXPENSES OF NARCOTIC AND PROHIBITION ENFORCEMENT, BY REGIONAL
DIVISIONS, FISCAL YEAR 1921

District	Narcotic enforcement	Prohibition enforcement
Border ¹	\$ 22,018.21	\$ 114,529.31
Central	57,781.76	375,046.28
Eastern	35,716.24	348,642.03
Gulf	35,247.96	284,926.07
Hawaiian	5,636.83	18,093.52
New York	41,163.03	483,433.57
Northeastern	18,885.83	312,260.41
Northwestern	28,777.27	165,559.07
Ohio-Maryland	38,903.14	375,241.00
Pacific	48,535.37	193,354.98
Southern	67,612.42	901,007.22
Southwestern	49,742.88	250,476.77
Western	37,223.33	105,905.20
Head of narcotic force, Washington, D. C.	17,371.76	.....
Total	\$ 504,616.03	\$ 3,928,475.43

¹ Border department organized Oct. 1, 1920.

² Includes rent, \$266.35; telephone, \$90.72; supplies and equipment, \$125.23; purchase of evidence and miscellaneous, \$15,847.20.

APPENDIX 7

BIBLIOGRAPHY¹

EXPLANATORY NOTE

The bibliographies appended to the several monographs aim to list only those works which deal directly with the services to which they relate, their history, activities, organization, methods of business, problems, etc. They are intended primarily to meet the needs of those persons who desire to make a further study of the services from an administrative standpoint. They thus do not include the titles of publications of the services themselves, except in so far as they treat of the services, their work and problems. Nor do they include books or articles dealing merely with technical features other than administrative of the work of the services. In a few cases explanatory notes have been appended where it was thought they would aid in making known the character or value of the publication to which they relate.

After the completion of the series the bibliographies may be assembled and separately published as a bibliography of the Administrative Branch of the National Government.

OFFICIAL

- J. S. Congress. Congressional record. Indexes.* Emergency revenue tax bill of 1914. Index of the proceedings and debates . . . Sept. 21 to Oct. 22, 1914, on H. R. 18891 . . . Taken from the Daily congressional record. Washington, 1914. 9 p.
- — — — — Spanish war tax bill of 1898. Index of the proceedings and debates . . . April 25 to June 14, 1898, on H. R. 10100 . . . Taken from the Congressional record. Washington, 1914. 14 p.
- — — — — *House. Committee on expenditures in Treasury department.* Hearings before the Committee on expenditures in Treasury department on H. R. 30891, a bill with reference to the appointment and bonding of deputy collectors of internal revenue. Washington, Govt. print. off., 1911. 19 p.
- — — — — Income tax. Hearing . . . on H. res. 221, directing the secretary of the Treasury to submit certain information pertaining to the collecting of the income tax . . . June 1, 2, and 17, 1916. Washington, Govt. print. off., 1916. 71 p.

¹ Compiled by M. Alice Matthews.

— — — — *Committee on reform in the civil service.* Status of deputy collectors of internal revenue. No. 3. Hearings . . . on H. R. 15924. Jan. 23, 1912. Washington, Govt. print. off., 1912. 26 p.

— — — — *Committee on ways and means.* Discovery and collection of monies withheld from the government . . . Report to accompany bill H. R. 3256. Collection of internal-revenue delinquent taxes. [Washington, Govt. print. off., 1874] 9,322 p. (43d Cong., 1st sess. House. Rept. 559) Serial 1625

— — — — Hearings on internal-revenue revision, July 26-29, Aug. 1, 4, 1921, together with certain portions of the proceedings of the committee in executive session. . . . Indexed. Washington, Govt. print. off., 1921. 475 p.

— — — — Internal revenue measures. Hearings . . . on H. R. 4434, 16690 and 19129. Mar. 13, 1912. Washington, Govt. print. off., 1912. 52 p.

— — — — Revenue revision. Hearings [of Dec. 13-14, 17-18, 20-22, 1920; Jan. 5, 17, 1921]. Indexed. Washington, Govt. print. off., 1921. 270 p.

— — — — To increase the internal revenue, and for other purposes . . . Report. To accompany H. R. 18891. [Washington, Govt. print. off., 1914]. 16 p. (63d Cong., 2d sess. House. Rept. 1163) Serial 6560

— — — — To increase the revenue and for other purposes . . . Report. To accompany H. R. 16763. [Washington, Govt. print. off., 1916]. 10 p. (64th Cong., 1st sess. House. Rept. 922) Serial 6905

— — — — *Select committee concerning whisky frauds.* Whisky frauds. Testimony before the Select committee concerning the whisky frauds . . . Hearings Mar. 22 to Aug. 12, 1876. [Washington, Govt. print. off., 1876] 555 p. (44th Cong., 1st sess. House. Misc. doc. 186) Serial 1706

— — — — *Senate. Committee on finance.* Internal-revenue hearings . . . on the proposed revenue act of 1921. Washington, Govt. print. off., 1921. 789 p.

— — — — Revenue for increased army and navy appropriations. Hearings and briefs before the subcommittees of the Committee on finance, United States Senate, Sixty-fourth Congress, second session, on H. R. 20573, an act to provide increased revenue to defray the expenses of the increased appropriations for the army and navy and the extensions of fortifications, and for other purposes [Feb. 6-9, 1917] . . . Hearings before the subcommittees on munitions, insurance, excess-profits tax and oleomargarine tax. Washington, Govt. print. off., 1917. 203 p.

- — — — — War-revenue bill . . . Report. To accompany H. R. 18891. [Washington, Govt. print. off., 1914] 10 p. (63d Cong., 2d sess. Senate. Rept. 813) Serial 6553
- — — — — *Select committee on methods of business and work in the executive departments.* Report. Washington, Govt. print. off., 1888. (50th Cong., 1st sess. Senate. Rept. 507, Pt 2). Serial 2521
- [One section of this report is devoted to the Treasury department, including internal revenue division.]
- — — — — *Laws, statutes, etc.* Income-tax law. Income tax imposed on persons, firms, companies, copartnerships, corporations, joint-stock companies, associations, insurance companies, etc., under section 2, act of October 3, 1913. . . . [Washington, Govt. print. off., 1913] 16 p.
- — — — — Income tax law (October 3, 1913) and regulations, decisions, and forms issued thereunder to December 6, 1913. Bureau of insular affairs. War department. Washington, Govt. print. off., 1913. [73] p.
- — — — — Internal revenue laws, August 5, 1861 to March 3, 1873. . . . Washington, Govt. print. off., 1898. 549 p. (55th Cong., 2d sess. Senate. Rept. 1123.) Serial 3626
- — — — — Internal-revenue laws in force May 1, 1920, with an appendix containing laws of a general nature and miscellaneous provisions applicable to the administration of the internal-revenue laws. Washington, Govt. print. off., 1920. 1035 p.
- — — — — Title xxv. Internal revenue. [Prepared by the Commission to revise and codify the laws, and printed for the Special joint committee on revision.] [Washington, Govt. print. off., 1907] p. 832-954.
- — — — — . . . War revenue bill. Comparative print, showing H. R. 18891, a bill to increase the internal revenue and for other purposes, as passed by the House and as reported to the Senate, together with the act of 1898, An act to provide ways and means to meet war expenditures and for other purposes. Washington, Govt. print. off., 1914. 55 numb. 1. (63d Cong., 2d sess. Senate. Doc. 597) Serial 6592
- — — — — War-revenue law of 1898, with index. [Washington, Govt. print. off., 1898]. cover-title, 35 p. Approved June 13, 1898.
- — — — — *Office of internal revenue.* Annual report of the commissioner. 1863—Washington [1864]—
- [These reports, without accompanying tables, are also found in the Annual report of the secretary of the Treasury on the state of the finances]

- — — Appointments and regulations under denatured alcohol law . . . Washington, Govt. print. off., 1907. 76 p. (59th Cong., 2d sess. Senate. Doc. 300) Serial 5072
- — — [Brief resumé of the internal revenue system from its beginning]. (*In* Annual report of the Commissioner for . . . 1918. Washington, Govt. print. off., 1918. p. 3)
- — — Bulletin no. 1-20. Income tax rulings . . . Washington, Govt. print. off., 1920—
Continued by the Internal revenue bulletin.
- — — Bulletin "A." (Rev. April 1, 1921) Income tax forms, Revenue act of 1918. Washington, Govt. print. off., 1921. 96 p.
"This bulletin contains copies of forms used in the administration of Titles II and III of the Revenue act of 1918, and the collection of taxes levied under those titles."
- — — Bulletin "B" income tax. Withholding. Collection at the source and information at the source. Revenue act of 1918. Washington, Govt. print. off., 1920. 60 p.
- — — Bulletin "C" income tax. Comparison of titles and sections of the revenue acts of 1917 and 1918 applicable to income and profits taxes. Washington, Govt. print. off., 1920. 41 p.
- — — Bulletin "D" Income Tax. Average percentage of pre-war income to pre-war invested capital of general classes of corporations, grouped as to trades or businesses, as provided for in section 311 (c) (2), Revenue act of 1918. Washington, Govt. print. off., 1919. 13 p.
- — — Bulletin "E." Income tax. Deductions and credits. Revenue act of 1918 . . . "Schedule of taxes": p. 30-39. Washington, Govt. print. off., 1920. 39 p.
- — — Bulletin "F." Income tax. Depreciation and obsolescence. Revenue act of 1918 . . . Washington, Govt. print. off., 1920. 36 p.
- — — Bulletin "H." Income tax rulings peculiar to insurance companies. April 9, 1921. Washington, Govt. print. off., 1921. 52 p. incl. forms.
- — — Bulletin relative to production of distilled spirits. Washington, Govt. print. off., 1912. 31 p.
- — — Catalogue of blanks and books and laws and regulations. Prepared for the use of officers of internal revenue. June, 1921. Washington, Govt. print. off., 1921. 24 p.
- — — Child labor tax rulings. (Rev. September, 1920) . . . Washington, Govt. print., off., 1920. 16 p.
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- — — Collection of circulars and specials, issued by the Office of internal revenue, to January 1, 1871. Washington, Govt. print. off., 1871. 334 p.
- — — Collection of circulars and specials, issued by the Office of internal revenue, from January 1, 1871, to February 18, 1874. Washington, Govt. print. off., 1874. 212 p.
- — — Collection of circulars, specials, decisions, and circular letters, issued by the Office of internal revenue, from June 22, 1874, to January 30, 1882. Washington, Govt. print. off., 1882. 298 p.
- — — The collection of internal revenue and the condition of the service. Report of Hon. John W. Mason, commissioner of internal revenue, to Hon. William Windom, secretary of the Treasury. July 24, 1889. Washington, Govt. print. off., 1889. 8 p.
- — — Compilation of Treasury decisions relating to the act of December 17, 1914, known as the Harrison narcotic law issued during the period February 2, 1915, to November 5, 1915. Washington, Govt. print. off., 1915. 41 p.
- — — Compilation of Treasury decisions relating to the act of December 17, 1914, known as the Harrison narcotic law issued during the period February 2, 1915, to May 11, 1917. Washington, Govt. print. off., 1917. 80 p.
- — — Cumulative bulletin . . . Income tax rulings . . . December, 1919- Washington, Govt. print. off., 1920-
- — — Digest of decisions and regulations made by the commissioner of internal revenue under various acts of Congress relating to internal revenue, and abstracts of judicial decisions, and opinions of attorneys-general, as to internal-revenue cases. From December 24, 1864, to June 13, 1898. Washington, Govt. print. off., 1906. 294 p.
- — — Digest of decisions and regulations made by the commissioners of internal revenue under various acts of Congress relating to internal revenue, and abstracts of judicial decisions and opinions of attorneys-general as to internal-revenue cases, from June 13, 1898, to December 31, 1904. Washington, Govt. print. off., 1905. 199 p.
- — — Digest of income tax rulings. No. 1- Washington, Govt. print. off., 1919-
- . . . Digest of Treasury decisions relating to internal revenue issued pursuant to the acts of 1909, 1913, 1914, 1916, 1917 during the period from September 9, 1916, to December 31, 1920. (Treasury decisions 2359-3111) Washington, Govt. print. off., 1921. 666 p.
- — — Enforcement of the Harrison narcotic law. Washington, Govt. print. off., 1919. 8 p.

- — — Excess profits tax primer, prepared by the Bureau of internal revenue for the information and assistance of taxpayers. Washington, Govt. print. off., 1918. 16 p.
- — — Forms of keeping accounts by collectors of the revenue. [n. p., 1814?] [28] p.
- — — General forest industries questionnaire. For the years prior to 1919 . . . Washington, Govt. print. off., 1919. 36 p. forms.
- — — Income tax. Instructions to collectors relative to corporations, joint-stock companies or associations, and insurance companies making return of annual net income for their fiscal years instead of the calendar year. [Washington, Govt. print. off., 1913] 2 p.
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- — — Income tax primer for farmers (rev.) Washington, Govt. print. off., 1921. 31 p.
- — — Internal revenue bulletin v. 1, no. 1, Jan. 1922—Washington, Govt. print. off., 1922—
"Supersedes the Income tax and Sales tax bulletins previously issued by the Bureau of internal revenue."
- — — Internal-revenue manual, comp. from the laws and regulations now in force, for the information and guidance of internal-revenue agents and officers. August 1, 1879. Washington, Govt. print. off., 1879. 2 p. l., 429 p.
- — — Internal-revenue manual. Comp. from the laws and regulations now in force, for the information and guidance of internal-revenue officers and agents. September 1, 1888. Washington, Govt. print. off., 1888. iii, 570 p.
- — — Internal revenue manual for the information and guidance of disbursing agents of the internal revenue service. Washington, Govt. print. off., 1921. 4 pts.
- — — Kinds, denominations, values, etc., of internal-revenue stamps . . . [Washington, Govt. print. off., 1920] 11 p. incl. tables.
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- — — List of distillery warehouses, general bonded warehouses, special bonded warehouses and industrial alcohol bonded warehouses established under title III of the National prohibition act in which distilled spirits were held on deposit October 1, 1920. Washington, Govt. print. off., 1920. 14 p.

- — — A list of the several collection districts with the names and addresses of collectors. . . . Washington, Govt. print. off., 1922. 24 p.
- — — Manual for the oil and gas industry under the Revenue act of 1918. Washington, Govt. print. off., 1921. 245 p.
- — — Manual of general information to members of income tax unit. Washington, Govt. print. off., 1921. 23 p.
- — — Manual of instructions for estate tax examining officers. March, 1918. Washington, Govt. print. off., 1918. 14 p. incl. forms.
- — — Manual of revenue accounting for use in offices of collectors of internal revenue. Washington, Govt. print. off., 1919. 53 p. incl. tables, forms.
- — — Organization and procedure. Office of Federal prohibition director. Washington, Govt. print. off., 1921. 80 p.
- — — Personal income tax imposed and collected under the act of October 3, 1913. Washington, Govt. print. off., 1916. 9 p.
- — — Present sources of internal revenue and rates of taxation . . . Washington, Govt. print. off., 1918. 12 p. incl. tables. Regulations.¹
- no. 1. Regulations concerning assessments. 1918. 184 p.
- no. 2. Instructions to internal-revenue officers concerning their accounts, etc. 1916. 213 p.
- [no. 3] (Series 7, no. 3) Regulations and instructions concerning the tax on legacies and distributive shares under the act of June 13, 1898. 1899. 12 p.
- [no. 3] Supplement no. 1. Regulations and instructions concerning the tax on legacies and distributive shares under the act of June 13, 1898. 1900. 57 p.
- [no. 5] (Series 7, no. 5 Revised September 1, 1899) Regulations concerning the establishment of special bonded warehouses for the storage of brandy made from apples . . . etc., and the transportation and exportation thereof in bond and exportation with drawback. 1899. 42 p.
- [no. 5] (Series 7, no. 5. Revised; Supplement no. 1) Regulations concerning withdrawal of wine spirits or grape brandy from distilleries and special bonded warehouses, free of tax, for fortification of pure sweet wines; also from such warehouses for fortification of wines for export. 1899. 67 p.

¹ The regulations here listed include only the last edition in print; some of these are no longer effective owing to changes in the law, but in some cases the adjudication of appeals and claims is governed by the regulations based on laws which have been repealed. Supplements are issued from time to time as part of the Treasury Decisions.

- — — Regulations—*Continued*
- no. 6. Relating to the tax on fermented liquors under Revised statutes of the United States and subsequent acts. 1918. cover-title, 39 p.
- no. 7. Regulations and instructions concerning the tax on distilled spirits under the Revised statutes of the United States and subsequent acts. 1914. 271 p.
- no. 8. Relating to the taxes on tobacco, snuff, cigars, and cigarettes and purchase and sale of leaf tobacco under the Revised statutes of the United States and subsequent acts. 1922. 174 p.
- no. 9. Revised regulations concerning oleomargarine, also adulterated butter and process or renovated butter, under internal revenue laws . . . 1907. 112 p.
- no. 11. United States internal-revenue gaugers' manual embracing regulations and instructions, and tables. March 12, 1913. 1913. 568 p.
- no. 11. Supplement 1. Gaugers' weighing manual, embracing regulations and tables for determining the taxable quantity of distilled spirits by weighing. 1911. 646 p.
- no. 12. For the observance of revenue and prohibition officers, districts attorneys and marshals and as to duties of clerks of United States courts respecting cases arising under the internal revenue and prohibition laws in which the United States is a party, and respecting the custody and disposition of real estate acquired by the United States under those laws. 1920. 107 p.
- no. 14. Instructions concerning the abatement and the refunding of taxes and penalties which are uncollectable, abatable or refundable under the provisions of sections 3220 and 3221, Revised statutes, section 6, act of March 1, 1879, or other acts and the redemption of or allowance for internal-revenue stamps under the provisions of the act of May 12, 1900, as amended by the act of June 30, 1902. 1916. 46 p.
- [no. 16] (T. D. 2211). Laws and regulations concerning opium manufactured, prepared, or suitable for smoking purposes under act of January 17, 1914. Regulations No. 16 revised. 1915. 11 p.
- no. 20. Regulations concerning the establishment of general bonded warehouses for the storage of spirits made from materials other than fruit and the transportation and exportation thereof in bond, under the Act of August 28, 1894, as amended February 28, 1901. 1920. 38 p.

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- no. 20. Supplement 1. Regulations concerning bonds form 351 and order etc., used in transfer to general bonded warehouses April 17, 1901. 3 p.
- [no. 22] (Series 7, No. 22) Regulations concerning filled cheese under internal revenue laws. July 9, 1896. 1896. 39 p.
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