

# Collecting Eight Billions of Dollars for the Government

COMMISSIONER ROPER COMMENDS THE PATRIOTIC SPIRIT IN WHICH AMERICAN TAXPAYERS HAVE FURNISHED THE VAST SUMS NEEDED BY THE GOVERNMENT DURING THE PAST TWO YEARS, AND DISCUSSES THE PROSPECT OF FUTURE FEDERAL TAXATION

By Daniel C. Roper, Commissioner of Internal Revenue

A CLEAR understanding of our national program of taxation requires careful consideration of the present revenue needs of the United States government. We have attained the immediate purpose for which we have contended in the great war. Of course, it has cost us vast sums to reach our present goal, but let us rejoice that we have the money with which to meet the bills incurred in such a cause.

The addition we have made to our national debt is so large that the payment of interest and the provision for repayment of the principal have created fixed charges exceeding the total annual expenditures of the government before the war. These fixed charges will continue for years, and, in addition, the expense must be met of carrying on the current governmental activities, which have been greatly expanded. We must expect the present rates of taxation to be substantially maintained, and reductions to be made only gradually from year to year.

In every enterprise of business and industry, account will have to be taken of the incidence of Federal taxation. From every accumulation, a portion must be reserved for the government. Provision must be made for financing and meeting large tax payments with the least possible disturbance and inconvenience.

## TAXES MUST NOT INJURE BUSINESS

Above all, our system of taxation must not be permitted to retard the commercial development of the country or to discourage

the initiative and enterprise of our people. It must rather become a stimulus to redoubled activity and effort, and a motive for attaining the highest possible degree of productiveness and efficiency. Taxation is now and will be in the future a very important element in the cost of doing business, and the administration of the tax laws involves a mutual trust as between the people who pay the tax and their government which is sustained by the tax.

Two years of experience with the new system of revenue-collecting scarcely afford sufficient retrospect for safe conclusions regarding a future program of taxation. Our experience with the present system relates to old taxes which have been increased and to new taxes. Experience has demonstrated the general truth that any new tax is at the outset comparatively less economical and less productive, and will be regarded by the public as more oppressive, than an old tax to which the business conditions and habits of the people have become adjusted. However, once a new line of taxation has been created, it gradually assumes its proper place in the system, unless it is inherently uneconomical.

It was necessary under the war-time revenue legislation to increase largely the number of the objects of taxation, because even the highest practicable rates as applied to the existing objects would not produce the amount of money needed by the government. It seems axiomatic, therefore, that as long as our revenue requirements continue at the rate of four billions of dollars annually, it will be impossible to expect that

any of the more important taxes can be discontinued without requiring the substitution therefor of some new tax or increasing the rate of some existing impost.

We may be encouraged by the fact, however, that the revenue requirements of the nation are already recovering from the strain of war-time. This progress toward a safer economic condition must be gradual, but it will be accelerated by the conclusion of many war-time activities, by improved efficiency in the operation of activities which must continue, and by better supervision of expenditures under a budgetary system of considering appropriations.

To the end that the Bureau of Internal Revenue might be in a position to furnish the best possible information and advice on the subject of internal taxation, whenever requested by Congress, we have followed the practise of preserving memoranda of all suggestions for the amendment of the law which have occurred to officers of the bureau during the period of interpreting the current law and constructing regulations for its observance and enforcement, or which were received from taxpayers. These will assist in suggesting what changes should be made in the system of internal taxation, and when they should be made.

It will be well to bear in mind that the government now has a large investment in each object of taxation, and, in addition, possesses an administrative advantage which is not unlike the good-will of a commercial enterprise. Every improvement in this respect provides insurance to the business man against future uncertainty.

#### TAXATION AND DEMOCRACY

The payment of taxes should be understood by every citizen. The taxation system of the United States is truly popular, of the people, by the people, and for the people. The amount paid by each citizen is graduated according to the success and fortune he has attained in availing himself of the opportunities created and preserved by our free institutions. The method and degree of our taxes is determined by no favored class, but by the representatives of the people. The proceeds should be regarded as a national investment, continuously returning to every citizen in satisfaction and material benefit.

I submit that the record of the Internal Revenue Bureau for the past two years may properly be regarded with pride and

satisfaction. The raising of nearly eight billions of dollars, involving direct transactions with more than four million taxpayers, within the fiscal years 1918 and 1919, when so many other demands had to be met by every family and every business, is evidence not only of wonderful financial strength, but also of the highest type of citizenship.

The compliance of the great majority of taxpayers with the requirements of the revenue laws has reduced to a minimum the task of the bureau in enforcing the law. It is natural and proper that those citizens who respond to their civic liabilities should resent the evasion of taxes by other persons, especially those engaged in the same line of business. For this added reason we have recognized an urgent responsibility to discover all delinquents and enforce the payment of all taxes due and penalties incurred. The general acceptance of tax liabilities has so strengthened the position of the bureau in the enforcement of the law that those who are intentionally delinquent in the payment of taxes have come to recognize that they cannot hope to escape detection year after year, but will eventually be discovered and brought to justice.

To meet this situation, however, an unprecedented expansion of the personnel of the service has been necessary. In less than two years the force has been increased from three thousand to fourteen thousand employees.

With due recognition of the fact that we have a responsibility in assisting all citizens to meet their obligations under the law, we see that this assistance is rendered in an acceptable manner to the taxpayers. The door is open to every taxpayer and to his authorized representative for the presentation of claims and appeals, and for the argument of cases under consideration. It has been discovered that in this kind of legal and accounting practise certain abuses have developed. Taxpayers have suffered in some instances as the result of unethical conduct on the part of tax advisers and consultants, who have sought their own advantage in the mystification of their clients and in the delay inevitably incident to the procedure of the bureau.

In the doubt and uncertainty which surround many cases, it is natural for the taxpayers to endeavor to secure competent advice. On this subject I wish to offer a word of counsel.

It is only natural, in the present situation, that thousands of consulting tax services have been established throughout the country. Some of these are competent, reasonable in their charges to taxpayers, and helpful to the government. Others are not competent to advise their clients correctly, and some have exacted exorbitant fees. The amount of consultation needed should be greatly reduced when taxpayers are confident, as I assure them they may be, that the Bureau of Internal Revenue will scrupulously protect their interests, and will return to them any amount of money which they may inadvertently pay in excess of their true liability.

#### FAIR TREATMENT FOR TAXPAYERS

Our official attitude toward taxpayers who are disposed to appeal from the official decisions in their cases is considerate and open-minded. We wish to entertain and give full consideration to appeals and claims in specified cases, as well as to general suggestions for improving the policies and procedures followed. If final action is not acceptable to the taxpayers, we have a separate appellate body, known as the Advisory Tax Board, composed of specialists in economics, accounting, business, and government administration. The functions of this board, it is hoped, will eliminate a large number of cases which otherwise would be taken directly to the courts.

The administrative task of the Internal Revenue Bureau presents many difficulties. In devising means to perform our important work we receive very little guidance from the past experiences of the office. It must be clear that an organization engaged for half a century in the collection of taxes on liquor and tobacco could not readily be transformed into an agency for dealing with practically every citizen in the collection of an essentially different kind of tax.

We have crossed the threshold of a new era in internal revenue taxation. For some time prior to the entrance of the United States into the war it was evident that alcohol and alcoholic beverages were declining in importance as sources of internal revenue. The scope of taxation was extended to include sales by manufacturers, importers, and producers of a considerable list of articles, such as automobiles, musical instruments, proprietary medicines, and others too numerous to mention. Stamp taxes were provided on certain legal and

business documents and transactions, and there were many changes of administrative provisions relating to other taxes.

As a result, the income and profits tax provisions of the 1917 and 1918 revenue laws resulted in the filing of about eleven million returns. The review and verification of these returns involves an administrative task of large proportions, not only because of the great number of cases to be handled, but also because of the highly technical nature of the legal and accounting principles which must be applied.

#### A PLEA FOR THE AID OF ALL CITIZENS

It is obvious that this bureau cannot supply the necessary response to the government's urgent demand, which must come from the taxpayer. Our success will depend altogether on the ability of citizens generally to enter into a sympathetic and intimate relationship with the tax-collector.

If every person, man or woman, before entering upon an enterprise or completing any transaction, will take account of the tax liability he or she may be incurring, the payment of taxes will be facilitated. Not only will each individual subject to a tax regard the government as a preferred stockholder in his affairs, but a salutary effect will result because of the added care thus taken to establish and keep accounts on a scientific basis, in the home, in the store, in the office, and in the factory.

Another important consideration is that the wide-spread attention thus given to tax matters will result in a more intelligent popular understanding of the subject, and this understanding will be reflected in the legislation enacted by Congress as need arises. It is the plain duty of all citizens to acquire such knowledge, and thus to equip themselves for counsel with their representatives in Congress.

The time for such counsel is always at hand. The founding of our government, after all, was based on the righteous contention that taxation and government should be based on consent through representation of those who are taxed and governed, in contradistinction to the old theory which permitted the reigning despot to collect taxes at the point of the sword.

#### NO EXCUSE FOR THE TAX-DODGER

Viewed in its largest and truest sense, the payment of taxes is payment for benefits received or expected. Only from a nar-

row and essentially selfish and short-sighted view of things can the individual propose to himself the evasion of tax liability as a desirable course of action. The damage to those who follow this course may be intangible, but it is none the less real. It is the same penalty as that which surely falls upon one who employs, in dealing with his fellow men, methods and practises that do not accord with the enlightened ethics of modern business.

I repeat this more or less commonplace observation because the old idea—now generally recognized as an erroneous and immoral idea—still persists. I find, for instance, in a report of the Special Tax Commission of Kentucky, published in 1914, the following statement:

A high court in one State has decided that perjury in connection with a man's tax-list does not affect his general credibility under oath.

Good citizens will deprecate this statement, which strikes at the roots of our government and discredits the political ideals of our people, who for a century and a half have known no such a thing as taxation without representation.

I am glad to testify that the responsiveness of the American people to their Federal tax liabilities leaves nothing to desire. If any assurance were needed of the loyal support which the people of the United States are ready to give to their established institutions of government, it would be afforded in the voluntary filing on March 15, 1920, of more than four million tentative returns of taxable income, accompanied by remittances aggregating more than a billion dollars.

Every citizen, therefore, who understands the true significance of taxes, and who complies fully with the requirements of the law, has a direct personal interest in the effectual administration of that law and a duty extending beyond mere literal compliance with the laws and regulations. This duty is to assist others to understand the significance of taxes, and to induce them to take prompt and proper action.

Every citizen should be a tax-gatherer as well as a taxpayer. The direct result of this sort of response is the economical and effective administration of collection, with consequent diminution of the tax burden upon all.

### THE EASTER DAY OF COURAGE

FRIEND of the broken hopes, this day is ours—

Sad men and weary given up for lost;  
Or did you think that pretty dreams and flowers  
Can brave the winter and defy the frost,  
And that strong sap within the hearts of men,  
Courage, mount not again?

Nature herself appoints this laughing day,  
And man but mirrors in his sacred creeds  
The light that lives beyond the quenched ray,  
The harvest waiting in the withered seeds,  
The glory burning through the black eclipse,  
The song on songless lips.

Darkness and tears, our weakness and our wrong,  
The wo we worked, the good we did not do,  
Are but the ways of God to make us strong;  
Heroes and saints were once such men as you.  
When to the dregs we drink disaster up,  
Lo, honey in the cup!

To the brave soul all days are Easter days.  
Cast winter from your heart, fear not life's cold!  
All your Decembers turn to flowering bays,  
And sudden all your lead is minted gold—  
Ah, how the faces of the angels shone,  
When rolled away the stone!

*Nicholas Breton*

# Out at Home

BY JIM EGAN

Illustrated by Irma Deremeaux

**Y**OU can never figure what a woman 'll do next, no more than you can tell why a left-hander is crazy. The lingerie-lovin' sex is apt to be as erratic in its notions as an umpire who was soaked on the cupola when a child. As old Hunky Schiller, my best right-hander, used to squawk:

"Dopin' out the female mind is worse than tryin' to outguess Babe Ruth with three on, no strikes, and nobody out. No foolin'!"

I've been managin' ball-clubs for the last ten years, and I've handled some champions in that time; but I have one champ on the pay-roll I've never been able to do anythin' with, and never expect to. I refer to my wife. The brawny warriors of the diamond may jump up and roll over when I wiggle my thumb, but I don't boss Mrs. Helen McGuff. She calls all the plays from her corner, and I never know whether she's gonna hit the first ball pitched or wait 'em out.

Yea, Mercedes, I've had to stand for a lot o' things around the house I wouldn't take on the field. Just about six months ago Helen got the idea in her head that as long as I was connected with a club, she'd better sign up with one herself. I ain't no expert on these women's clubs, but from what Red Crowder, my first-string catcher, tells me about 'em, they're sure the old arsenic. Red comes from one of these society families, and is all wised up to the highbrow stuff.

"A bunch of dames get together and have a good time drinkin' a lot o' two-percent Oolong," he says. "When they get all hopped up on extract of Ceylon, they begin to chew the fat about Brownin' and birds like that."

"Brownin', huh?" I remarks. "Who's he? One of them movie actors, or a new shimmy dancer?"

"Aw, no!" says Red, impatient. "This fella is dead."

"That ain't the kind o' club my wife belongs to, then," I observes, very emphatic. "She may talk about a few birds, but believe me, all of them are young and lively, with notions the same."

"Aw, well, there's any amount of clubs," gargles Mr. Crowder. "You can no more keep track of them than a stranger can find a street address in Boston."

Anyhow, my backstop had said enough to convince me that women's clubs were the bunk. They kept the wife away from home, too, just like the men's kind you read about in the comic papers.

One evenin' I dropped into the family dwelling late, owing to an extra-inning dispute we had with the Trench Diggers. Bonehead work on the bags had cost us the game in the thirteenth, and I wasn't feelin' none too pleasant.

It was the hired girl's day off, and Helen had just blew in from one of them club sessions. I was hungrier than a starving Russian, and there wasn't a thing in sight to appease my clamorous appetite.

"Well," I remarks, "when do we eat? Or is that to be no longer a feature of this merry little household?"

"Eat?" says the wife, givin' me the steely lamp. "Have you never nothin' on your mind but food?"

"Not a thing," I comes back. "And I don't want it always on my mind, either. There's a yawnin' cavity elsewhere that yearns for it."

"The biggest yawnin' cavity you own," snaps Helen, "is located between your nose and chin. You've always got your mouth open, growlin' about somethin' or other. But don't you try to bully me around! I'm not one of your defenseless, tongue-tied ball-players, believe me! Here I'm ragged to death all afternoon by a bunch