

PAYMENT OF TAXES IN VIEW OF DISCLOSURES

LETTER FROM THE CHAIRMAN OF THE JOINT COMMITTEE ON INTERNAL REVENUE TAXATION TRANSMITTING, IN RESPONSE TO SENATE RESOLUTION 235, A REPORT RELATING TO TAXES AND PENALTIES PAID CONSEQUENT UPON DISCLOSURES BEFORE THE COMMITTEE ON PUBLIC LANDS AND SURVEYS OF THE SENATE IN THE COURSE OF THE INVESTIGATION BY IT PURSUANT TO SENATE RESOLUTION 101, AND RELATED MATTERS

MAY 3 (calendar day, MAY 25), 1928.—Ordered to lie on the table and to be printed

JOINT COMMITTEE ON INTERNAL REVENUE TAXATION,
Washington, May 24, 1928.

THE VICE PRESIDENT OF THE UNITED STATES,
Senate Chamber.

SIR: Pursuant to Senate Resolution 235 adopted May 18, 1928, I have the honor to transmit a report of the Joint Committee on Internal Revenue Taxation, relating to taxes and penalties paid consequent upon disclosures before the Committee on Public Lands and Surveys of the Senate in the course of the investigation by it pursuant to said Senate Resolution 101, and related matters.

Very respectfully,

W. C. HAWLEY,
Chairman Joint Committee on Internal Revenue Taxation.

REPORT OF THE JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

[Pursuant to S. Res. 235, adopted May 18, 1928]

WASHINGTON, D. C., *May 24, 1928.*

Senate Resolution 235, adopted May 18, 1928, is as follows:

Resolved, That the Joint Committee on Internal Revenue Taxation be, and it hereby is, requested to secure from the Secretary of the Treasury and submit to the two Houses of Congress full information concerning what taxes and penalties, if any, have been collected by or paid into the Treasury consequent upon disclosures made before the Committee on Public Lands and Surveys of the Senate in the course of the investigation conducted by it pursuant to Senate Resolution 101, or through inquiries prosecuted incidental to such investigation, including the date of payments, the amount of the same, and the persons making the payments; and likewise, in so far as it may not be incompatible with the public interest, further information concerning any claims or demands being made by the Treasury against any persons or corporations for taxes or penalties over and above such sums as may have been heretofore paid on account of the receipt of assets so disclosed and not duly reported for taxation as required by law.

A copy of the resolution was transmitted to the Secretary of the Treasury on May 19, 1928, with a request that the information specified in the resolution be furnished to this committee as soon as possible. The reply of the Secretary of the Treasury, dated May 23, 1928, is as follows:

TREASURY DEPARTMENT,
Washington, May 23, 1928.

DEAR MR. CHAIRMAN: Receipt is acknowledged of your letter dated May 19, 1928, in which you quote Senate Resolution 235, adopted May 18, 1928, requesting your committee to secure from the Secretary of the Treasury full information with respect to the amount of taxes and penalties that has been collected as a result of the disclosures made before the Senate Committee on Public Lands and Surveys in the course of its investigation under Senate Resolution 101 or other inquiries prosecuted incidental to such investigation; also, if not incompatible with public interest, to furnish your committee with information with respect to any claims or demands being made by the Treasury for taxes and penalties in addition to such sums as have already been paid.

While this department has availed itself of the information secured by the Committee on Public Lands and Surveys of the Senate, the department has made an independent investigation of various matters connected therewith. We are unable to say that the payments hereinafter referred to are wholly the result of disclosures made before the said committee, but as a result of these disclosures and of the department's own investigations, these payments have been made.

You are advised that these investigations disclosed that the Continental Trading Co. (Ltd.), of Canada, was liable to the United States for income taxes for the years 1922 and 1923 in the total amount of \$393,653.42. The corporation, having failed to file income-tax returns for those years, was held liable also for a penalty of 25 per cent, or \$98,413.36, making a total liability of \$492,066.78, plus interest. Jeopardy assessments were made against the corporation on March 13, 1928.

The corporation being out of existence, steps were taken to collect the liability from the transferees of the corporate assets, Messrs. James E. O'Neil, Henry M. Blackmer, Harry F. Sinclair, and Robert W. Stewart. On April 25, 1928, the attorney for Mr. O'Neil requested the immediate assessment of one-fourth of the corporate tax liability against his client and on May 9, 1928, he made payment on behalf of Mr. O'Neil in the sum of \$151,305.91, representing one-fourth of the taxes and penalties of the corporation, plus interest to the date of assessment against Mr. O'Neil.

On May 9, 1928, the attorney for Mr. Blackmer made a payment on behalf of his client in the full amount of \$151,597.10, representing one-fourth of the liability of the corporation for taxes and penalties, plus interest to the date of assessment, against Mr. Blackmer. On May 10, 1928, the president and general counsel of the Sinclair Crude Oil Purchasing Co., of Tulsa, Okla., paid on behalf of the Continental Trading Co. (Ltd.) the balance of the latter's liability amounting to \$246,033.38, plus interest in the sum of \$57,160.80, a total payment of \$303,194.18. The amount thus collected in full satisfaction of the corporation's liability for taxes, penalties, and interest was \$606,097.19.

A further result of these investigations was the payment from other sources of \$1,398,910.09 additional tax. Inasmuch as these matters are the subject of further investigation, it is deemed incompatible with the public interest to disclose the name or names of the persons involved.

The department is taking appropriate steps to determine the liability of all individuals or corporations for taxes and penalties based upon the receipt of income from the assets mentioned in Senate Resolution 235, but I feel that it is not compatible with the public interest to disclose at this time the detailed facts in connection therewith.

Very truly yours,

A. W. MELLON,
Secretary of the Treasury.

Respectfully submitted.

W. C. HAWLEY,
Chairman Joint Committee on Internal Revenue Taxation.