73d Congress, 2d Session - - - - - - - - - House Document No. 279

REFUNDS AND CREDITS OF INTERNAL REVENUE TAXES 1932

REPORT

OF

THE JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

Pursuant to Section 710 of the Revenue Act of 1928

AND

REPORT OF THE STAFF OF THE JOINT COMMITTEE TO THE COMMITTEE

MARCH 9, 1934.—Referred to the Committee on Ways and Means and ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1934

JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

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LETTER OF TRANSMITTAL

JOINT COMMITTEE ON INTERNAL REVENUE TAXATION,
Washington, March 9, 1934.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: Pursuant to section 710 of the Revenue Act of 1928, I have the honor to submit a report by the Joint Committee on Internal Revenue Taxation, dated March 8, 1934, covering refunds and credits of internal-revenue taxes for the calendar year 1932.

Very respectfully,

PAT HARRISON, *Chairman.*

REPORT OF THE JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

(Pursuant to the Revenue Act of 1928)

WASHINGTON, D.C., *March 8, 1934.*

Section 710 of the Revenue Act of 1928 requires that all refunds and credits in excess of $75,000 shall be reported to the Joint Committee on Internal Revenue Taxation by the Commissioner of Internal Revenue. This section also requires an annual report to the Congress of such refunds and credits, including the names of all persons to whom amounts are credited or payments made, together with the amounts credited or paid to each.

Pursuant to the above provision of law, the joint committee has caused its staff to examine all such refunds and credits made by the Commissioner during the calendar year 1932, and to submit a report thereon to the committee. This is the fifth report made under the Revenue Act of 1928. The first report was submitted on June 8, 1929, and covered the period June 1 to December 31, 1928. The second report was made on June 20, 1930, and embraced the calendar year 1929. The third report was made on January 12, 1932, and covered the calendar year 1930. The fourth report was made on January 28, 1933, and covered the calendar year 1931.

A complete copy of the report for the calendar year 1932 is attached hereto. Part I of this report contains a list of the names of all persons to whom refunds or credits have been made and shows the amounts paid or credited to each. The committee submits this list and states that it agrees with the records of the Treasury Department.

While it is not required by law, the committee deems it advisable also to submit to the Congress part II and part III of the staff report. These parts cover an analysis and general survey of overassessments. The committee does not specifically approve or disapprove of part II and part III of the report. The Treasury Department has prepared an analysis of the overassessments reported to the joint committee and this has been included as a supplement to part II.

Respectfully,

PAT HARRISON, *Chairman.*

LETTER OF SUBMITTAL

Congress of the United States,
Joint Committee on Internal Revenue Taxation,
Washington, January 30, 1934.

Hon. Pat Harrison,
Chairman Joint Committee on Internal Revenue Taxation,
Washington, D.C.

My Dear Chairman: There is submitted herewith a report on refunds and credits of internal-revenue taxes in excess of $75,000, as required by section 710 of the revenue act of 1928.

The report covers the calendar year 1932, and may be summarized as follows:

1. The total overassessments, including interest, in excess of the $75,000 limit, for the calendar year 1932 amount to $35,233,733.64. This is considerably less than such overassessments, including interest, for the calendar year 1930 which amounted to $97,503,653.36, and even less than the comparatively small amount for 1931 which amounted to $38,709,828.48.

2. Taken as a whole, the final determinations of the commissioner in these cases have been carefully and accurately made, and are not open to serious criticism. In disposing of a few of the old cases which have been pending for years, some differences of opinion have inevitably arisen, but the department has cooperated in every way by making a review of all the issues raised.

Respectfully submitted.

L. H. Parker,
Chief of Staff.

REPORT OF REFUNDS AND CREDITS OF INTERNAL REVENUE TAXES, 1932

FOREWORD

Refunds and credits of internal-revenue taxes in excess of $75,000 have been reported to the Joint Committee on Internal Revenue Taxation by the commissioner since February 28, 1927, with the exception of the period from April 25, to May 29, 1928. These reports were first required under the First Deficiency Act, 1927. (H.R. 16462, Feb. 28, 1927, ch. 226, 44 Stat. 1254.) This act contained the following provision:

> Refunding taxes illegally collected: For refunding taxes illegally collected under the provisions of sections 3220 and 3689, Revised Statutes, as amended by the Revenue Acts of 1918, 1921, 1924, and 1926, including the payment of claims for the fiscal year 1928 and prior years, $175,000,000, to remain available until June 30, 1928: *Provided*, That no part of this appropriation shall be available for paying any claims allowed in excess of $75,000 until after the expiration of sixty days from the date upon which a report giving the name of the person to whom the refund is to be made, the amount of the refund, and a summary of the facts and the decision of the Commissioner of Internal Revenue is submitted to the Joint Committee on Internal Revenue Taxation.

No reports were required in the First Deficiency Act, 1928 (Dec. 22, 1927, ch. 5, 45 Stat. 30), or in the Treasury Appropriation Act of March 5, 1928 (ch. 126, 45 Stat. 162). But the Revenue Act of 1928, in section 710, specifically required the commissioner to make such reports to the joint committee. Section 710 of the Revenue Act of 1928 reads as follows:

> SEC. 710. Refunds and credits to be referred to joint committee: No refund or credit of any income, war-profits, estate, or gift tax, in excess of $75,000, shall be made after the enactment of this Act, until after the expiration of thirty days from the date upon which a report giving the name of the person to whom the refund or credit is to be made, the amount of such refund or credit, and a summary of the facts and the decision of the Commissioner of Internal Revenue is submitted to the Joint Committee on Internal Revenue Taxation. A report to Congress shall be made annually by such committee of such refunds and credits, including the names of all persons and corporations, to whom amounts are credited or payments are made, together with the amounts credited or paid to each.

As the Revenue Act of 1928 was not enacted until May 29, 1928, and as the appropriation under the First Deficiency Act, 1927, became exhausted on April 25, 1928, the Commissioner did not report to the joint committee any credits or refunds made during the period April 25, 1928, to May 29, 1928. The first report submitted to Congress (H.Doc. 43, 71st Cong., 1st sess.) under the Revenue Act of 1928 covered the 7-month period from May 29 to December 31, 1928. However, there was included in this report an analysis of the refunds made during the 14-month period February 28, 1927, to April 24, 1928, and reported to the committee pursuant to the First Deficiency Act, 1927. The second report on refunds and credits was made by the joint committee to Congress on June 20, 1930. This report (H.Doc. 478, 71st Cong., 2d sess.) covered all refunds and credits in excess of

$75,000 reported to the joint committee by the Commissioner during the calendar year 1929. The third report on refunds and credits was made on January 12, 1932. This report (H.Doc. 223, 72d Cong., 1st sess.) embraced all refunds and credits in excess of $75,000 reported to the joint committee by the Commissioner during the calendar year 1930. The fourth report on refunds and credits was made on January 30, 1933 (H.Doc. 535, 72d Cong., 2d sess.) and covered all refunds and credits in excess of $75,000 reported to the joint committee by the Commissioner during the calendar year 1931. The report now submitted constitutes the fifth report and embraces the refunds and credits in excess of $75,000 reported by the Commissioner to the committee during the calendar year 1932.

There has been no change in the policy of the committee as to its functions with respect to its examination of refunds and credits since the publication of the first report. In the first report the intent of Congress in requiring such examination was analyzed as follows:

First. It appeared to be the purpose that the joint committee should inform the Congress not only as to the amounts of the refunds and credits over $75,000, but also as to the principal causes of such repayments.

Second. It appeared to be the purpose that the joint committee and its staff should study these cases in order to inform themselves as to the practical operation and effect of our internal-revenue system of taxation.

Third. It appeared to be the purpose that the joint committee, or its authorized agents, should call to the attention of the Treasury Department any final tax determinations resulting in refunds or credits which might seem erroneous, or doubtful, or worthy of further investigation and review.

The above-named purposes have been carefully kept in mind during the entire period during which refunds and credits have been submitted to the committee. It has been recognized, however, that the committee has no actual power of approval or disapproval of these refund cases, and that the duty of the committee in this respect has been fulfilled when comments or criticisms have been submitted to the Treasury for consideration.

SUMMARY

This report is divided into three parts:

Part I consists of a list of refunds and credits in excess of $75,000 allowed in the calendar year 1932, which list is required to be reported to the Congress under section 710 of the Revenue Act of 1928.

Part II contains an analysis of overassessments. This analysis shows the total amounts of the overassessments and the principal causes for their allowance. There is also contained in part II a brief résumé of each case, alphabetically arranged. An analysis of these overassessments has also been prepared by the Treasury Department and is included as a supplement to Part II.

Part III consists of a general survey of the overassessment situation.

The most important facts and conclusions presented in the report are summarized as follows:

1. The total overassessments, including interest, allowed during the calendar year 1932 in cases involving refunds and credits over $75,000

amounted to $35,233,733.64. This total includes not only refunds and credits but also the abatements included with these adjustments. The rate of overassessment was, therefore, $2,936,144 per month. This rate was about 9 percent less than the rate shown in the report for the calendar year 1931, which was $3,225,819 per month. From February 1927 to December 1931 the average monthly rate of overassessment with interest was $6,578,012. The rate in 1932, therefore, represents a decrease of 55 percent over the average rate for the preceding 5 years and 9 months. This indicates a very satisfactory decline in Treasury outgo due to tax adjustments, although such decline is somewhat magnified by the inclusion of abatements.

2. A more conservative picture of the situation in 1932 may be shown by comparing the monthly rates at which credits and refunds have been made in that year with previous years. Credits and refunds directly affect the revenue whereas abatements represent merely the elimination of an incorrect charge on the books of the Government. For the period from February 1927 to December 1928 the average monthly rate at which taxes were refunded and credited, not including interest, amounted to $6,945,717. For the calendar year 1929, this rate was $4,514,387, for the calendar year 1930 the rate was $4,571,011, for the calendar year 1931 the rate was $2,144,652, and for the calendar year 1932 the rate was $1,909,431. Thus, the rate for the calendar year 1929 decreased 35 percent over the preceding period, while the rate for 1930 increased about 1 percent over that for 1929. The monthly rate for 1931 was 53 percent less than for 1930 and the monthly rate for 1932 was 11 percent less than for 1931. A conclusion that refunds and credits are declining is, therefore, fully justified.

3. Cash refunds allowed in excess of $75,000 amounted to only $12,157,574 in 1932, in comparison with cash refunds of $15,773,240 in 1931. This shows a decrease of about 23 percent.

4. The principal causes of the overassessments reported to the committee during 1932 are as follows:

	Percent
Order of Board of Tax Appeals	17
Depreciation	13
Inventory adjustments	11
Affiliation	10
Estate tax	9

From the above table, it is apparent that overassessment of taxes made pursuant to the final order of the United States Board of Tax Appeals constitutes the principal single cause of this year's overassessments. These cases are of diversified character and represent deficiency assessments which are generally settled by stipulation between the taxpayer and the Bureau.

The second principal cause of overassessments is attributable to allowances of additional deductions for depreciation. It may well be anticipated that the chief problems in the future will undoubtedly arise in the case of depreciation and other adjustments which depend primarily on judgment, unless some means are found of standardizing these adjustments.

The third and fourth principal causes of this year's overassessments apply to the revised evaluations of merchandise stocks and the application of the consolidated returns provision. Most of the questions involved in the inventory adjustments relate to the failure of the

taxpayers to follow the provisions set forth in the Bureau regulations in reference to valuations. Practically all of the overassessment allowances attributable to affiliation come within the purview of section 240 of the Revenue Acts of 1918 and 1921. The principal difficulty is found in the determination as to which companies were affiliated within the meaning of the statute. Although some difficulty is expected from this source even under the existing law, it is believed the problems of consolidation will be minimized due to the elimination in the Revenue Act of 1928 of class B affiliations.

The next cause of the 1932 overassessments, shown above, pertains to adjustments in the estate taxes. The principal cause of the 1930 and 1931 overassessments, as well as a major contributing cause since 1927, was due to this classification. These adjustments are primarily due to the administrative procedure incident to the allowance of the credits provided in section 301 (b) of the Revenue Acts of 1924 and 1926. It was pointed out in a previous report that these adjustments include an abnormally large amount of abatements due to the Bureau policy of assessing the entire estate tax before the evidence of payment of State death taxes can be submitted. As this policy has been discontinued, it is believed that the overassessments appertaining thereto will continue to show a decided decrease.

The taxes for the excess-profits tax years 1917 to 1921, inclusive, are gradually being settled, but are still a matter of major importance. This is shown by the following comparative table:

Total overassessments for the excess-profits tax years

	Percent
14-month period, Feb. 28, 1927 to Apr. 24, 1928	88
7-month period, May 29 to Dec. 31, 1928	77
12-month period, Jan. 1 to Dec. 31, 1929	71
12-month period, Jan. 1 to Dec. 31, 1930	59
12-month period, Jan. 1 to Dec. 31, 1931	53
12-month period, Jan. 1 to Dec. 31, 1932	54

5. In the majority of cases, the refunds and credits reported by the commissioner have not been open to serious criticism. Differences of opinion have, however, arisen in disposing of some of the excess-profits tax cases which have long been pending. In such cases, the points in controversy have been discussed and reviewed with the Department.

During the calendar year 1932, 81 cases were reported to the committee. Serious differences of opinion arose between the Treasury and the staff of the committee in only five cases. Two of these cases were made the subject of special investigations, the results of which were satisfactory to the staff. The other issues raised had the effect of more clearly defining the policy of the Bureau with respect to such issues.

Part I

LIST OF CREDITS AND REFUNDS OF OVER $75,000 EACH FOR THE CALENDAR YEAR 1932

(As required by Section 710, Revenue Act of 1928)

PART I

Refunds and credits reported to the Joint Committee on Internal Revenue Taxation by the Commissioner of Internal Revenue, under the provisions of section 710 of the Revenue Act of 1928

JANUARY 1932

Name of taxpayer	Address	Years involved	Abatements	Credits	Refunds	Original and additional assessments	Net overassessments allowed	Previously allowed	Final tax collected	Interest	Percent tax reduction
Brier Hill Steel Co., Transferor, the Youngstown Sheet & Tube Co., transferee.[1]	Youngstown, Ohio	1918, 1919									
Chicago, North Shore & Milwaukee R.R. Co.	Chicago, Ill	1925, 1926, 1928		$35,787.58	$91,130.70	$296,889.91	$126,918.28		$169,971.63	$35,965.65	42.75
Dunn, Joseph R., receiver, D. P. Davis Properties, Inc.	Jacksonville, Fla	1925–27, incl	$261,919.57	58,849.92	94,147.06	676,683.39	414,916.55		261,766.84	40,025.71	61.32
Great Northern Paper Co	Millinocket, Me	1926–28, incl		29,801.17	82,512.83	1,864,129.36	112,314.00		1,751,815.36	21,506.60	6.03
National Aniline & Chemical Co., Inc.	New York	1918			1,130,088.74	2,376,616.98	1,130,088.74		1,246,528.24	325,604.88	47.55
Pittsburgh Brewing Co.[2]	Pittsburgh, Pa	1915–19, incl	83,320.84	11,247.51	95,810.80	317,205.82	190,379.15		126,066.17	75,066.12	60.02
Republic Steel Corporation, formerly Republic Iron & Steel Co.[3]	Youngstown, Ohio	1919		118,280.63		174,534.31	118,280.63		36,759.03	2,208.28	67.77
J. D. & A. B. Spreckels Securities Co.[4]	San Francisco, Calif.	1927		110,736.41		230,736.44	110,736.44			20,838.05	47.99
Swedish-American Investment Corporation.	New York	1926–28			115,621.63	1,264,330.69	115,621.63	$4,860.77	1,143,848.29	21,138.28	9.53
Sweezy, Alan R. (Mr.)[5]	do	1927, 1928									
Sweezy, Caroline W. (Mrs.)[5]	do	1927, 1928									
Sweezy, Paul M. (Mr.)[5]	do	1927, 1928									
United States Smelting, Refining & Mining Co.	Boston, Mass	1925–28, incl		22,740.59	113,465.11	968,843.61	136,205.70		832,637.91	30,149.25	14.06
United States Steel Corporation.[6]	New York	1922		947,308.66		2,241,482.08	947,308.66		1,294,173.42	452,129.19	42.26
S. A. Woods Machine Co	South Boston, Mass.	1918		15,176.60	60,842.27	303,981.44	76,018.87		227,962.57	36,223.27	25.01
Total			345,240.41	1,349,929.10	1,783,619.14	10,715,434.03	3,478,788.65	4,860.77	7,091,529.46	1,060,855.28	

[1] Disapproved by the Comptroller General on account of deficiencies against the Youngstown Sheet & Tube Co., which are under appeal.
[2] Barred by statute of limitations, $760.50.
[3] Barred by statute of limitations, $19,494.65; interest credited to taxes due for the years 1918 and 1920.
[4] Barred by statute of limitations, $120,000; interest credited to year 1928.
[5] Certificates of overassessment canceled and deficiency abated.
[6] Interest in the amount of $445,522.71 credited to additional tax for 1923.

Refunds and credits reported to the Joint Committee on Internal Revenue Taxation by the Commissioner of Internal Revenue, under the provisions of section 710 of the Revenue Act of 1928—Continued

FEBRUARY 1932

Name of taxpayer	Address	Years involved	Abatements	Credits	Refunds	Original and additional assessments	Net over-assessments allowed	Previously allowed	Final tax collected	Interest	Per-cent tax re-duc-tion
Allied Chemical & Dye Corporation.	New York	1926			$137,864.00	$3,286,403.87	$137,864.00		$3,148,539.87	$31,421.27	4.19
Emerson's Bromo Seltzer, Inc., and subsidiaries.[7]	Baltimore, Md	1929		$198,973.73		211,614.32	198,973.73		12,640.59	18,504.46	94.03
Frick, Childs (Mr.)	Roslyn, Long Island, N.Y.	1920–22, inclusive.			100,642.18	124,947.80	100,642.18	$5,208.29	19,097.33	36,018.34	84.72
North American Co. and subsidiaries.[8]	New York	1913–20, inclusive.		167,089.16	2,315.06	1,187,525.95	169,404.22	5,572.18	1,012,549.55	103,008.01	14.73
Ocean Accident & Guarantee Corporation, Ltd.[9]	do	1918, 1919, 1921, 1922.		52,530.02	77,165.01	209,983.65	129,695.03	63,170.82	17,117.80	57,148.79	91.85
The Ohio Oil Co. and subsidiaries.	Findlay, Ohio	1928			252,503.83	326,441.40	252,503.83		73,937.57	37,590.36	77.35
O'Neil, Michael, estate of	Akron, Ohio	1927	$58,236.80		86,937.16	258,309.74	145,173.96		113,135.78	9,685.39	56.20
Schoellkopf, C. P. Hugo, estate of.	Buffalo, N.Y	1928	150,575.19		87,547.11	330,933.90	238,122.30		92,811.60	15,945.56	71.95
Total			208,811.99	418,592.91	744,974.35	5,936,160.63	1,372,379.25	73,951.29	4,489,830.09	309,322.18	

MARCH 1932

Name of taxpayer	Address	Years involved	Abatements	Credits	Refunds	Original and additional assessments	Net over-assessments allowed	Previously allowed	Final tax collected	Interest	Per-cent tax re-duc-tion
American Water Works & Electric Co., Inc.	New York	1925, 1926			$99,389.50	$486,625.40	$99,389.50		$387,235.90	$28,958.68	20.42
Florida East Coast Ry. Co	do	1925, 1926		$29,066.48	62,945.93	1,557,974.23	92,012.41		1,465,961.82	27,046.39	5.91
Francis, Louise Wise (Mrs.)	do	1926–29, inclusive.			112,367.25	112,367.25	112,367.25			21,117.53	100.00
Gage, Baron W., estate of	do	1929	$502,586.59		338,386.18	999,528.06	840,972.77		158,555.29	27,627.14	84.14
Ingersoll-Rand Co	do	1917–20, inclusive.		207,972.27	199,501.68	12,332,095.41	407,473.95	972,798.81	10,951,822.65	309,302.75	11.19
Jardine Matheson & Co., Ltd	do	1918, 1919	87,498.96	123,410.64		329,259.24	210,909.60		118,349.64	4,545.88	64.06
Minnesota Mining & Manufacturing Co. (Delaware).	St. Paul, Minn	1929		96,938.15		166,495.97	96,938.15		69,557.82	8,205.52	58.22
Ohio Steel Foundry Co	Lima, Ohio	1918			135,672.32	658,440.69	135,672.32		522,768.37	102,047.17	20.61
Reading Co.[10]	Philadelphia, Pa	1921–23, inclusive.		465,887.08	38,835.02	5,272,049.06	504,722.10		4,728,866.75	16,298.25	9.57
Do.[11]	do	1924–28, inclusive.			774,749.54	10,517,867.75	774,749.54		9,743,118.21	189,031.36	7.36
Total			590,085.55	923,274.62	1,761,847.42	32,432,703.06	3,275,207.59	972,798.81	28,146,236.45	734,180.67	

APRIL 1932

American Chain Co.	Bridgeport, Conn.	1918, 1919		$106,279.14	$161,958.21	$2,451,144.20	$268,237.35		$2,182,906.85	$126,405.81	10.94
Central Railroad Co. of New Jersey.[12]	New York	1918, 1919, 1920, 1921.		635,453.79	1,227,464.81	3,586,123.28	1,862,918.60		1,611,040.70	1,024,106.61	51.95
Lehigh and Wilkesbarre Coal Co.	Wilkes-Barre, Pa.										
Fox Film Corporation and subsidiaries.[13]	New York	1926	$12,082.52	177,966.18	22.85	358,272.53	190,071.55		168,200.98	3,848.07	53.05
Inland Steel Co. and subsidiaries.	Chicago, Ill.	1919, 1921–24, inclusive.		478,887.17		2,327,084.59	478,887.17		1,848,197.42		20.58
Pere Marquette Ry. Co and subsidiaries.[14]	Detroit, Mich.	1921 and 1923									
United States Rubber Co. and subsidiaries.	New York	1919 and 1920		2,421,873.52		6,201,735.83	2,421,873.52		3,779,862.31		39.05
Total			12,082.52	3,820,459.80	1,389,445.87	14,924,360.43	5,221,988.19		9,590,208.26	1,154,360.49	

MAY 1932

American Radiator Co.	New York	1927–29, inclusive.		$280,439.20	$198,568.50	$1,652,720.41	$479,007.70		$1,173,712.71	$59,333.36	28.98
American Water Works & Electric Co., Inc.	do	1923, 1924			105,965.15	404,217.14	105,965.15		298,251.99	40,462.44	26.21
City Bank Farmers Trust Co., trustee under trust indenture of Aug. 15, 1919 by William Waldorf Astor for life benefit of John Jacob Astor.	do	1922			127,372.08	225,852.61	127,372.08		98,480.53	16,893.38	56.40
City Bank Farmers Trust Co., trustee under trust indenture of Aug. 15, 1919 by William Waldorf Astor for life benefit of Waldorf Astor.	do	1922			127,372.08	225,852.61	127,372.08		98,480.53	16,893.38	56.40
Elgin National Watch Co.	Chicago, Ill.	1922, 1923		72,800.83	45,917.77	850,214.88	118,718.60		731,496.28	62,208.75	13.96
Vanderbilt, William K., estate of.	New York	1924, 1925			353,987.89	729,580.87	353,987.89		375,592.98	121,757.88	48.52
Total				353,240.03	959,183.47	4,088,438.52	1,312,423.50		2,776,015.02	317,549.19	

[7] Interest credited to 1929 tax against subsidiary.
[8] Interest in the amount of $65,998.45 credited to the years 1923 to 1925; 1927 to 1929.
[9] Includes notice of refund of $14,941.55.
[10] Barred by statute of limitations, $38,460.21; includes notice of refund of $36,862.04 to correct excess interest collection.
[11] Includes notices of refund of $23,661.59 to correct excess interest collection.
[12] Paid by Director General of Railroads, $105,926.10; barred by statute of limitations, $6,237.88; includes notice of refund of $62,169.55 to correct excess interest collection.
[13] Of the interest allowed the amount of $2,560.03 was credited to the year 1921.
[14] Unadjusted, pending closing of stipulation.

Refunds and credits reported to the Joint Committee on Internal Revenue Taxation by the Commissioner of Internal Revenue, under provisions of section 710 of the Revenue Act of 1928—Continued

JUNE 1932

Name of taxpayer	Address	Years involved	Abatements	Credits	Refunds	Original and additional assessments	Net overassessments allowed	Previously allowed	Final tax collected	Interest	Percent tax reduction
Boldt, Charles, estate of	Santa Barbara, Calif.	1929	$354,789.05		$138,743.62	$629,017.09	$493,532.67		$135,484.42	$10,244.24	78.46
Clarke, Chauncy Dwight	Los Angeles, Calif.	1926			177,840.14	330,727.77	177,840.14		152,887.63	42,526.59	53.77
Grigsby-Grunow Co.[15]	Chicago, Ill	1929			195,272.31	559,909.03	195,272.31	$19,285.32	345,351.40	32,027.71	38.32
James, Arthur Curtiss (Mr.)[16]	New York	1920			189,365.68	1,184,322.19	189,365.68		816,754.34	119,985.21	15.99
Old Ben Coal Corporation	Chicago, Ill	1918		$575,329.97	155,600.05	821,120.00	730,930.02		90,189.98	164,819.27	89.02
Russell-Miller Milling Co.[17]	Minneapolis, Minn.	1919, 1921, 1923–26, inclusive.			90,752.13	1,405,150.86	90,752.13	80,072.64	1,232,277.80	59,832.78	12.16
White Sewing Machine Co	Cleveland, Ohio	1927			137,853.56	204,496.18	137,853.56		66,642.62	32,849.64	67.14
Total			354,789.05	575,329.97	1,085,427.49	5,134,743.12	2,015,546.51	99,357.96	2,839,588.19	462,285.44	

JULY 1932

Block, William H., estate of	Indianapolis, Ind.	1928	$305,000.00		$603,983.25	$1,134,292.39	$908,983.25		$225,309.14	$71,754.54	80.14
The Miller Rubber Co	Akron, Ohio	1918			154,237.80	279,632.01	154,237.80		125,394.21	118,877.11	55.15
National Candy Co	St. Louis, Mo	1918			154,341.07	2,980,684.80	154,341.07	$186,603.86	2,639,739.87		11.44
Total			305,000.00		912,562.12	4,394,609.20	1,217,562.12	186,603.86	2,990,443.22	190,631.65	

AUGUST 1932

Alien Property Custodian, trusts nos. 973 and 49589 (for Berliner Handelsgesellschaft).[18]	Washington, D.C.	1917–23, inclusive.		$26,549.98	$69,379.44	$141,402.97	$95,929.42		$45,473.52		65.72
J. W. Butler Paper Co. and subsidiaries.[19]	Chicago, Ill.	1918–21, inclusive.		20,283.10	151,117.02	1,386,400.68	171,400.12	$438,797.18	772,961.84	$110,096.27	44.01
de Watson, Maria Dolores D., estate of.	Los Angeles, Calif.	1924			580,478.63	827,680.16	580,478.63		247,201.53	254,282.06	70.13
Singer Manufacturing Co. and subsidiaries.[20]	Elizabeth, N.J.	1925		86,702.74		3,686,506.17	86,702.74	189,747.65	3,410,055.78	28,509.74	7.50
United Motors Corporation and subsidiaries.	Detroit, Mich.	1918	$31,967.51		1,163,294.18	1,707,595.74	1,195,261.69	181,523.73	330,810.32	827,581.79	80.63
Vacuum Oil Co.[21]	New York, N.Y.	1919		161,662.00		607,767.75	161,662.00	366,019.02		26,460.44	86.82
Total			31,967.51	295,197.82	1,964,269.27	8,357,353.47	2,291,434.60	1,176,087.58	4,806,502.99	1,162,169.61	

SEPTEMBER 1932

Boyle, Edward J., estate of	Blackstone, Mass.	1928			$79,419.37	$148,512.38	$79,419.37	$57,028.28	$12,064.73	$3,793.38	91.88
Cuban-American Sugar Co. and Subs.[22]	New York	1917–20, inclusive.	$2,939,895.60	$170,918.23		15,064,347.18	3,110,813.83		11,796,141.97	14,274.23	20.65
The Nolde & Horst Co.[23]	Reading, Pa.	1917–19, 1923 and 1924.			160,705.91	2,783,168.79	160,705.91	14,553.53	2,416,747.34	101,331.33	6.30
Northern Pacific Railway Co.[24]	St. Paul, Minn.	1918			282,850.51	2,719,699.56	282,850.51	712,132.74	1,403,352.57	111,241.62	36.58
West Virginia Pulp & Paper Co.	New York	1924		26,421.21	49,658.77	507,050.23	76,079.98		430,970.25	22,775.25	15.00
Total			2,939,895.60	197,339.44	572,634.56	21,222,778.14	3,709,869.60	783,714.53	16,059,276.86	253,415.81	

[15] Includes notice of refund of $3,756.78—excess interest collection.
[16] Withheld in connection with proposed deficiency for 1919, $178,202.17.
[17] Barred by statute of limitations $2,048.29; includes notice of refund of $115.80—excess interest collection.
[18] Unadjusted, $0.03.
[19] Withheld in connection with proposed deficiency for 1929—$3,241.54.
[20] Interest credited to taxable year 1929.
[21] Withheld in connection with proposed deficiencies for 1922 to 1928—$80,086.73.
[22] Barred by statute of limitations—$157,391.38; the amount of $9,471.19 of interest allowed credited to taxes due.
[23] Barred by statute of limitations—$191,162.01; includes notice of refund of $3,143.41 to correct excess interest collection.
[24] Amount of tax assumed by Director General of Railroads, $321,363.74; includes notice of refund of $32,888.94 to correct excess interest collection.

Refunds and credits reported to the Joint Committee on Internal Revenue Taxation by the Commissioner of Internal Revenue, under the provisions of section 710 of the Revenue Act of 1928—Continued

OCTOBER 1932

Name of taxpayer	Address	Years involved	Abatements	Credits	Refunds	Original and additional assessments	Net over-assessments allowed	Previously allowed	Final tax collected	Interest	Per-cent tax re-duc-tion
The Clark Thread Co.[25]	Newark, N.J	1918		$93,513.81	$2,567.41	$472,571.43	$96,081.22		$356,313.08	$53,999.60	20.33
Kennebec Securities Co.[26]	New York, N.Y	1929	$246,101.10			736,599.29	246,101.10		235,902.81		33.41
New England Mutual Life Insurance Co.	Boston, Mass	1925–27, inclusive.			143,048.22	652,168.93	143,048.22	$227,969.05	281,151.66	36,761.49	56.89
O'Neil, Michael, estate of	Akron, Ohio	1927			85,333.76	316,546.54	85,333.76	145,173.96	86,038.82	13,521.30	72.82
Sears, Roebuck & Co.[27]	Chicago, Ill	1925		118,194.34		3,162,130.69	118,194.34		3,043,936.35	42,996.84	3.73
Tidal Osage Oil Co	Tulsa, Okla	1926–28, inclusive.	526,753.09	65,233.43	152,424.82	1,178,479.06	744,411.34		434,067.72	32,469.68	63.17
Western Power Corporation[14]	New York, N.Y	1920–23, inclusive.									
Total			772,854.19	276,941.58	383,374.21	6,518,495.94	1,433,169.98	373,143.01	4,437,410.44	179,748.97	

NOVEMBER 1932

Name of taxpayer	Address	Years involved	Abatements	Credits	Refunds	Original and additional assessments	Net over-assessments allowed	Previously allowed	Final tax collected	Interest	Per-cent tax re-duc-tion
Bryant, Harriet M., estate of	Kansas City, Mo	1920			$100,861.46	$106,999.88	$100,861.46		$6,138.42	$68,008.01	94.26
Durant, William C.[28]	Deal, N.J	1929		$36,516.40	104,731.05	141,247.45	141,247.45			17,551.07	100.00
The National City Bank of New York.[29]	New York	1925		95,814.90		1,281,587.69	95,814.90		1,185,772.79	35,114.19	7.48
New England Co.[30]	Worcester, Mass	1919–23, inclusive.		405,880.24		416,264.56	405,880.24		10,384.32	246,454.91	97.51
The Ohio Oil Co	Findlay, Ohio	1929			288,059.32	1,060,471.26	288,059.32		772,411.94	35,388.53	27.16
Total				538,211.54	493,651.83	3,006,570.84	1,031,863.37		1,974,707.47	402,516.71	

DECEMBER 1932

Alien Property Custodian, for estate of Ferdinand S. Warburg.	Washington, D.C.	1924			$82,500.09	$99,483.44	$82,500.09	$12,747.50	$4,235.85		95.74
Mosbacher, Emil [31]	New York	1929		$339,657.37		799,255.45	339,657.37		459,598.08	$12,901.55	42.50
Stephens, Olin J.[32]	do	1930	$25,356.75	70,101.23	24,084.95	123,742.11	119,542.93		4,199.18	8,214.45	96.61
Total			25,356.75	409,758.60	106,585.04	1,022,481.00	541,700.39	12,747.50	468,033.11	21,116.00	

[14] Unadjusted, pending closing of stipulation.
[25] Barred by statute of limitations—$20,177.13; interest in the amount of $34,469.40 credited to fiscal years 1923, 1927, 1928, and 1929.
[26] Withheld in connection with 1929 deficiency proposed against Electric Bond & Share Co., $254,595.38.
[27] Interest credited to taxable year 1923.
[28] Includes notice of refund of $5,196.94 to correct excess interest collection.
[29] Interest credited to amounts due from subsidiaries.
[30] Interest credited to taxable year 1926.
[31] Interest credited to taxable year 1928.
[32] Includes notice of refund of $298.10 to correct excess interest collection.

Refunds and credits reported to the Joint Committee on Internal Revenue Taxation by the Commissioner of Internal Revenue, under the provisions of section 710 of the Revenue Act of 1928—Continued

OVERASSESSMENTS PREVIOUSLY WITHHELD, ALLOWED DURING THE YEAR 1932

Date reported	Name of taxpayer	Address	Years involved	Abatements	Credits	Refunds	Original and additional assessments
1928							
October	Crane Co	Chicago, Ill	1918		$93,990.38	$73,686.16	
1929							
May	West Virginia Pulp & Paper Co	New York	1919		10,015.06		
November	Pittsburgh Steel Co. and subsidiaries	Pittsburgh, Pa	1918		223,137.86		
1930							
March	Reading Co	Philadelphia, Pa	1918, 1919		125,598.52		
November	Woodward Iron Co. of Delaware	Woodward, Ala	1918		126,594.10		
1931							
February	Vacuum Oil Co	New York	1918		130,560.00		$4,000,000.00
Do	Illinois Addressograph Manufacturing Co	Chicago, Ill	1915–23, inclusive		18,951.61		
Do	North American Oil Consolidated	San Francisco, Calif	1924, 1926, 1927		50,121.56		
April	Singer Manufacturing Co. and subsidiaries	Elizabeth, N.J	1921, 1922, 1924		389,688.56		
June	Kelly Axe Manufacturing Co	Charleston, W.Va	1917, 1918, 1919, and 1921	$225,546.22	135,186.06	19,362.84	934,072.13
July	Lawrence Barker, Inc	Los Angeles, Calif	1924			41,549.75	
Do	Parke, Davis & Co	Detroit, Mich	1920		2,575.09	32,981.46	
September	S. R. Guggenheim	New York, N.Y	1924			87,730.14	307,868.27
December	Norton Co	Worcester, Mass	1918		35,593.16		
Total				225,546.22	1,342,011.96	255,310.35	5,241,940.40

OVERASSESSMENTS PREVIOUSLY WITHHELD, ALLOWED DURING THE YEAR 1932—Continued

Date reported	Name of taxpayer	Net overassessment allowed	Previously allowed	Final tax collected	Interest	Cause of delay of settlement
1928						
October	Crane Co				$43,083.25	Withheld for adjustment in connection with proposed deficiency for 1920.
1929						
May	West Virginia Pulp & Paper Co	$10,015.06			4,687.96	Withheld for adjustment in connection with proposed deficiency for 1923.
November	Pittsburgh Steel Co. and subsidiaries	[33]223,137.86			174,312.51	Withheld for adjustment in connection with proposed deficiencies for fiscal years ended June 1922, 1923, and 1924.
1930						
March	Reading Co	125,598.52			4,070.98	Withheld for adjustment in connection with proposed deficiencies for 1920.
November	Woodward Iron Co. of Delaware	126,594.10			47,914.41	Withheld in connection with proposed deficiencies for the years 1920, 1923, and 1927.
1931						
February	Vacuum Oil Co	130,560.00	$3,754,362.21	$115,077.79	8,677.22	Entire overassessment withheld in connection with proposed deficiencies for 1920 and 1921.
Do	Illinois Addressograph Manufacturing Co	18,951.61			11,452.71	Withheld for adjustment in connection with proposed deficiencies for the years 1924, 1925, and the period June 13 to Aug. 31, 1927.
Do	North American Oil Consolidated	50,121.56				Withheld for adjustment in connection with proposed deficiencies for prior years.
April	Singer Manufacturing Co. and subsidiaries	389,688.56			73,609.40	Withheld for adjustment in connection with proposed deficiency for 1928.
June	Kelly Axe Manufacturing Co	380,095.12	37,674.43	516,302.58	15,122.16	Entire overassessment withheld in connection with transferee proceedings of subsidiary corporations.
July	Lawrence Barker, Inc	41,549.75			7,816.47	Withheld for adjustment in connection with proposed deficiency for 1928.
Do	Parke, Davis & Co	35,556.55			15,458.44	Withheld for adjustment in connection with proposed deficiencies for 1927 and 1928.
September	S. R. Guggenheim	87,730.14		220,138.13	21,199.44	Entire overassessment withheld pending investigation.
December	Norton Co	35,593.16			1,041.95	Withheld for adjustment in connection with deficiency for 1919.
Total		1,655,191.99	3,792,036.64	851,518.50	428,455.90	

[33] The entire amount withheld was $234,109.70, but since the tax liability was increased the amount of the overassessment withheld was reduced to $223,137.86 and credited to deficiencies which have been assessed.

NOTE.—Information previously reported on above cases not repeated herein.

Distribution of abatements, credits, and refunds in cases where apportionment has been made to members of an affiliated group

Month reported	Parent company and subsidiaries	Address	Years involved	Abatements	Credits	Refunds
1932						
February	North American Co	New York	1918–20		$167,089.16	
	St. Louis County Gas Co	Webster Grove, Mo	1913–17			$76.30
	Union Electric Light & Power Co	St. Louis, Mo	1915–17			1,949.26
	Wisconsin Gas & Electric Co	Racine, Wis	1913–16			289.50
March	Ingersol-Rand Co	New York	1917–20		207,821.98	199,501.68
	A. S. Cameron Steam Pump Works	do	1917		150.29	
April	Fox Film Corporation	do	1926	$9,326.66	167,375.87	
	Broadway Building Corporation	do	1926		10,590.31	
	Fox Chicago Realty Corporation	do	1926	2,735.09		
	Fox Film Corporation of Texas	do	1926	20.77		22.85
August	Singer Manufacturing Co. and subsidiaries	Elizabeth, N.J	1925		82,285.44	
	Bourne & Co., Ltd	do	1925		445.44	
	Diehl Manufacturing Co	do	1925		729.48	
	International Fidelity Insurance Co	Jersey City, N.J	1925		254.82	
	International Securities Co	do	1925		700.32	
	Singer Sewing Machine Co	Elizabeth, N.J	1925		2,287.24	
	United Motors Corporation	Detroit, Mich	1918	31,967.51		897,391.44
	Harrison Radiator Corporation	New York	1918			53,630.78
	New Departure Manufacturing Co	do	1918			212,271.96
September	Cuban-American Sugar Co. and subsidiaries	do	1917–20	2,926,643.97	170,918.23	14,274.23
	Chaparra Light & Power Co	do	1918	809.68		
	Chaparra Sugar Co	do	1918	2,198.65		
	Colonial Sugar Co	do	1918	10,064.08		
	Tinguaro Sugar Co	do	1918	179.22		

Part II

ANALYSIS OF OVERASSESSMENTS TOTALS AND PRINCIPAL CAUSES FOLLOWED BY A BRIEF RÉSUMÉ OF EACH CASE

Alphabetically Arranged

Part II

Statistical Summary, Classification and Analysis of Overassessments, Followed by a Brief Résumé of Each Case, Alphabetically Arranged

Overassessment cases for the period Jan. 1, 1932, to Dec. 31, 1932, inclusive

[Total cases reported, 81]

Original and additional assessments		$117, 754, 128. 38
Less total tax collected		85, 669, 781. 56
Gross overassessments		32, 084, 346. 82
Previously allowed	$3, 683, 265. 33	
Charged to director general of railroads	427, 289. 84	
Barred by the statute of limitations	555, 732. 05	
Withheld in connection with proposed deficiencies	516, 125. 82	
Unadjusted	. 03	
		5, 182, 413. 07
Net overassessments for cases reported during the calendar year 1932		26, 901, 933. 75
Composed of—		
Refunds	$12, 157, 574. 77	
Credits	9, 158, 275. 41	
Abatements	5, 586, 083. 57	
		26, 901, 933. 75
Interest paid on overassessments reported during the calendar year 1932		6, 248, 152. 00
Total of overassessments and interest		33, 150, 085. 75
Add—		
Overassessments previoulsy reported and withheld, allowed during 1932		1, 655, 191. 99
Interest on overassessments previously reported and withheld, allowed during 1932		428, 455. 90
Grand total of overassessments and interest		35, 233, 733. 64
Reduction in assessed tax by overassessments reported (percent)		22. 85
Average percentage of interest paid on overassessments		23. 23

Note.—Above summary represents 75 cases; since figures are not included for, 3 cases canceled; 1 case disapproved by the Comptroller General on account of deficiencies against a subsidiary, which are under appeal; 2 cases unadjusted, pending closing of stipulations.

Classification of overassessments

Principal cause	Amount	Percent of total
Order of Board of Tax Appeals	$4,737,715.21	17.33
Depreciation	3,533,140.80	12.92
Inventory adjustment	2,924,984.75	10.70
Affiliation	2,600,845.14	9.51
Estate tax	2,454,815.29	8.98
Amortization	2,249,743.59	8.23
Invested capital	1,059,610.16	3.88
Overstatement of gain or understatement of loss on sale of capital assets	996,430.91	3.64
Remission of interest assessed on deficiencies	541,503.01	1.98
Foreign taxes	527,301.33	1.93
Dividends received on stock of domestic corporations	503,618.36	1.84
Duplicate assessments	285,365.97	1.04
Reallocation of income	247,812.95	.91
Special assessment	193,800.98	.71
Overstatement of gain on sale of stock	133,612.35	.49
Loss of useful value	118,662.09	.43
Supreme Court decision in re *National Life Insurance Company* v. *United States*	101,994.47	.38
Expiration of statutory period of limitation	76,018.81	.28
Depletion	73,598.34	.27
Miscellaneous	3,977,398.27	14.55
Total overassessments	27,337,972.84	100.00
Withheld to meet possible deficiencies	436,039.09	
Net overassessments allowed for cases reported during the calendar year 1932	26,901,933.75	

ANALYSIS

The foregoing data are representative of 75 cases, in which the original and additional assessments aggregated $117,754,128.38. The total tax collected from these assessments amounted to $85,669,781.56, leaving overassessments of $32,084,346.82. Of this amount, however, $3,683,265.33 was previously allowed; $427,289.84 was charged to the Director General of Railroads; $555,732.05 was barred from payment under the statute of limitations; $0.03 is unadjusted; and $516,125.82 is withheld for adjustment in connection with proposed deficiencies for other years, resulting in net overassessments for cases reported during the calendar year 1932 of $26,901,933.75.

The total refunds shown in detail in part I amount to $12,157,574.77; the total credits amount to $9,158,275.41; and the total abatements in connection with the same cases amount to $5,586,083.57. The total of these three items represents the net overassessments allowed in all cases in excess of $75,000 which were reported to the joint committee during the calendar year 1932. On these overassessments, the sum of $6,248,152 was allowed in interest, making net overassessments and interest of $33,150,085.75.

In order to obtain the grand total of all overassessments and interest allowed during 1932, it is necessary to add to the total reported overassessments shown above, overassessments of $1,655,191.99 and interest of $428,455.90 on cases previously reported in other years and withheld which were allowed during the year 1932. The grand total of overassessments and interest allowed during 1932, therefore, amounts to $35,233,733.64.

Résumé of Cases (Alphabetically Arranged)

ALIEN PROPERTY CUSTODIAN, TRUSTS NOS. 973 AND 49589 (BERLINER HANDELSGESELLSCHAFT), WASHINGTON, D.C.

Overassessments, 1917 to 1923, inclusive	$95,929.42
Unadjusted	.03

The overassessments represent taxes overpaid by the Alien Property Custodian in behalf of the above-mentioned trusts based upon a tentative computation of tax in accordance with article III (d) of Treasury Regulations, promulgated pursuant to section 24 of the Trading with the Enemy Act, as amended. Treasury Decision 4168, C.B. VII–2, page 415. The Alien Property Custodian made payment of the taxes as shown by the tentative computation and the overassessments are, therefore, refundable under section 284 (b) of the Revenue Act of 1926. As no returns were filed by the taxpayer for the years 1918 to 1923, inclusive, returns were prepared under the authority contained in section 3176 of the Revised Statutes.

ALIEN PROPERTY CUSTODIAN, FOR ESTATE OF FERDINAND S. WARBURG, NO. 206, WASHINGTON, D.C.

Overassessment, 1924	$82,500.09

The above overassessment of estate tax determined in the amount of $82,500.09 is caused by excluding from the gross estate the values of certain assets. The decedent was a nonresident alien and not engaged in business in the United States at the date of his death. The United States securities were beneficially owned by him at the date of his death and the United States Liberty Bonds and securities owned by him at the date of death are exempt both as to principal and interest from any and all taxation under the Liberty Loan Act of March 3, 1919 (sec. 24, Trading with the Enemy Act (as amended by sec. 18, Settlement of War Claims Act of 1928), art. III (b); sec. 320 (a), Revenue Act of 1924; art. 11, Regulations 68).

ALLIED CHEMICAL & DYE CORPORATION, NEW YORK CITY

Overassessment, 1926	$137,864

The Allied Chemical & Dye Corporation and its affiliated corporations filed a closing agreement in accordance with the provisions of section 606 of the Revenue Act of 1928 as to the final determination of the tax liability for the year 1926, covering all points in issue except with respect to the loss sustained on account of investments in, and loans made by one of the subsidiaries, which the agreement recited was determined in 1926 and with respect to which it was agreed that the taxpayers reserve the right to file claim for refund and institute legal proceedings. Such agreement was duly accepted and payment made of the deficiency determined for such year. Of the overassessments, $133,612.35 results from the allowance of the loss referred to in the excepting clause of the final closing agreement. Section 234 (a) (4), Revenue Act of 1926, and the regulations promulgated thereunder.

The overassessment of interest in the amount of $4,251.65 represents interest on a deficiency in tax paid. The overassessment herein determined causes the elimination of such interest.

AMERICAN CHAIN CO., BRIDGEPORT, CONN.

Overassessments, 1918, 1919 ..... $268, 237. 35

The principal cause of overassessment in the amount of $89,650.41 results from the allowance of additional deductions for losses sustained upon the final disposition of certain capital assets and depreciation. Section 234 (a) (4) and (7), Revenue Act of 1918; articles 143, 163, and 561, Regulations 45.

Of the overassessment, $68,458.07 is due to the allowance of a deduction for the amortization of the costs of facilities installed or acquired after April 6, 1917. Section 234 (a) (8), Revenue Act of 1918, and the regulations promulgated thereunder. Appeal of Manville Jenckes Co., 4 B.T.A. 765.

The entire overassessment for the year 1919 is determined pursuant to the final audit of the United States Board of Tax Appeals entered in the instant case for the above year, docket no. 35833.

AMERICAN RADIATOR CO., NEW YORK CITY

Overassessments, 1927 to 1929, inclusive $479, 007. 70

All of the overassessment for the year 1927, $106,355.15 of the overassessment for the year 1928, and $139,057.29 of the overassessment for the year 1929 result from adjustments to the income reported by the taxpayer on account of additional deductions for depreciation. Section 234 (a) (7), Revenue Act of 1926, section 23 (k), Revenue Act of 1928, and the regulations promulgated thereunder.

The revising of foreign taxes causes $56,422.65 of the overassessment for the year 1928 and $2,023.26 of the overassessment for the year 1929. It appears that credits for foreign taxes were understated in a prior audit for the year 1928 and in the return filed for the year 1929. Section 131, Revenue Act of 1928, and the regulations promulgated thereunder.

Of the overassessments, $13,265.21 is due to the allowance of additional deductions for taxes. Section 23 (c), Revenue Act of 1928; articles 151 and 698, as amended by T.D. 4323 (I.T.B. X–40), Regulations 74.

The balance of the overassessments amounting to $10,346.57 represents a portion of the interest assessed on a previously asserted deficiency.

AMERICAN WATER WORKS & ELECTRIC CO., INC., NEW YORK CITY

Overassessments (2 cases):
1925, 1926 ..... $99, 389. 50
1923, 1924 ..... 105, 965. 15

The principal cause of overassessment in the amount of $187,216.06 results from the allowance of additional deductions for depreciation. It was determined the depreciation deducted in the returns filed was less than the reasonable allowance authorized by section 234 (a) (7), Revenue Act of 1926, and articles 161 and 561, Regulations 69.

The elimination from the reported consolidated income of amounts representing incomes of subsidiary corporations for the period prior to the date of affiliation causes $4,480.24 of the overassessments. Section 240 (c), Revenue Act of 1926.

The allowance of additional deductions for interest, amortization of bond discount, adjustments necessary to correct accounting errors, ordinary and necessary business expenses, and dividends received from domestic corporations is responsible for $10,908.99 of the overassessments. Sections 233 (a), 234 (a) (1), (2), and (6), Revenue Act of 1926; articles 105, 561, and 563, Regulations 69.

The balance of the overassessments amounting to $2,749.36 represents interest assessed on previously asserted deficiencies.

BLOCK, WILLIAM H., ESTATE OF, INDIANAPOLIS, IND.

Overassessment, 1928 ..... $908, 983. 25

The overassessment is determined pursuant to the final order of the United States Board of Tax Appeals entered in the instant case, Docket No. 51770.

Before the case could be stipulated to the United States Board of Tax Appeals to the effect that there was a deficiency in estate tax, the taxpayer forwarded the evidence required by article 9 (a) of Regulations 70, indicating an additional payment of $611,228.58 on June 16, 1932, to the Board of Tax Commissioners for the State of Indiana pursuant to section 38 of chapter 75, of the Act of the General Assembly of the State of Indiana, approved March 6, 1931. This statute provides that all resident estates subject to the Federal Revenue Act of 1926 should pay to the State of Indiana an amount equal to 80 percent of the Federal estate tax as finally determined.

In accordance with the Bureau ruling A–250769, promulgated June 12, 1931, and published in C.C.H. 1931 Report, p. 6171, the amount of $611,228.58 paid as additional inheritance taxes to the State of Indiana is allowable as a credit under the provisions of section 301 (b) of the Revenue Act of 1926, in the computation of the net Federal estate tax. The allowance of the additional credit in the amount of $611,228.58 will result in an overassessment of estate tax in the amount of $908,983.25 of which the amount of $603,983.25 would be refundable to the taxpayer.

BOLDT, CHARLES, ESTATE OF, SANTA BARBARA, CALIF.

Overassessment, 1929 ..... $493, 532. 67

Of the overassessment, the amount of $286,876.68 is caused by the allowance of a credit under the provisions of section 301 (b) of the Revenue Act of 1926, representing the amount of state inheritance taxes paid subsequent to the filing of the Federal estate tax return. Article 9 (a), Regulations 70.

The elimination of the value of certain property included in the gross estate causes $132,454.67 of the overassessment. It was determined that the transfer of such properties by the decedent during his lifetime was not made in contemplation of nor intended to take effect in possession or enjoyment at or after his death within the meaning of section 302 (c), Revenue Act of 1926, and the regulations promulgated thereunder. *Heiner* v. *Donnan* (52 Sup. Ct. 358).

The balance of the overassessment in the amount of $74,201.32 represents a duplicate assessment of tax and the remission of interest assessed on previously asserted deficiencies.

BOYLE, EDWARD J., ESTATE OF, BLACKSTONE, MASS.

Overassessment, 1928 ..... $79,419.37

An overassessment of estate tax and interest in favor of the above-named taxpayer is caused by the allowance of a credit under the provisions of section 301 (b), Revenue Act of 1926, representing the amount of State inheritance taxes paid subsequent to the filing of the Federal estate tax return and the allowance of additional deductions representing debts of the decedent as provided under section 303 (a) (1), Revenue Act of 1926; article 36, Regulations 70.

The amount of $11,452.74 represents a portion of the interest assessed on previously asserted deficiencies.

THE BRIER HILL STEEL CO., TRANSFEROR, THE YOUNGSTOWN SHEET & TUBE CO., TRANSFEREE, YOUNGSTOWN, OHIO

Overassessments, 1918, 1919 ..... $1,177,600.14

The overassessments for the above years result principally from the allowance of additional deductions for amortization of the cost of facilities installed or acquired after April 6, 1917. Section 234 (a) (8), Revenue Act of 1918, and the regulations promulgated thereunder.

Another contributing cause of the overassessments is due to the allowance of additional deductions for depreciation as provided under the provisions of section 234 (a) (7), Revenue Act of 1918, and the regulations promulgated thereunder.

The allowance of this claim for overassessment has not been made owing to disapproval by the Comptroller General on account of deficiencies against the Youngstown Sheet & Tube Co., which are under appeal.

BRYANT, HARRIET M., ESTATE OF, KANSAS CITY, MO.

Overassessment, 1920 ..... $100,861.46

Of the overassessment, $100,491.90 is due to the exclusion from the gross estate of all of the real estate owned by decedent on the date of death situated in the State of Missouri (less the value of the husband's courtesy) offset in part by the exclusion from the deductions of the mortgage on the real estate. Section 402 (a), Revenue Act of 1918, *Crooks* v. *Harrelson et al.* (282 U.S. 55).

The balance of the overassessment amounting to $369.56 represents the remission of interest assessed on deficiencies.

J. W. BUTLER PAPER CO. AND SUBSIDIARIES, CHICAGO, ILL.

Overassessments, 1918 to 1921, inclusive $171,400.12
Withheld 3,241.54

The principal cause of overassessment in the amount of $73,678 results from the allowance as deductions of the net operating losses of certain subsidiary corporations which were omitted in the computation of the consolidated net income of the consolidated group as determined in a prior audit. Section 240, Revenue Act of 1918, and the regulations promulgated thereunder.

Another major cause of overassessment in the amount of $53,479.10 is due to adjustment of invested capitals to reflect the actual cash values of certain assets at the time paid in, changes in taxes for prior

years and changes caused by the inclusion in the affiliated group of certain subsidiary corporations previously omitted. It was determined the invested capitals were understated by the foregoing items. Section 326, Revenue Act of 1918, and the regulations promulgated thereunder.

Other causes and amounts comprising the balance of the overassessments are allowances of additional deductions for ordinary and necessary business expenses, interest, taxes, and losses, $14,641.82 (sec. 234 (a) (1), (2), (3), and (4), Revenue Act of 1918); increase in war-profits credit which was understated in the return filed, $10,966.30 (sec. 311 (a) (1) and (2), Revenue Act of 1918); adjustments necessary to correct accounting errors, $5,057.74 (sec. 233 (a), Revenue Act of 1918); elimination from income determined in a prior audit of amounts included therein as income from interest, $4,816.45 (sec. 213 (b) (4), Revenue Act of 1918); inventory adjustment, $1,911.21 (sec. 203, Revenue Act of 1921); remission of interest assessed on deficiencies, $10,091.04.

THE CLARK THREAD CO., NEWARK, N.J.

Overassessment, 1918	$96, 081. 22
Barred by statute	20, 177. 13

The principal cause of overassessment in the amount of $77,619.89 results from increases to invested capital (as a result of which the deficiency in tax was assessed) representing the actual cash value of certain tangible and intangible assets at the time paid in and the restoration of a previous reduction of invested capital on account of dividend disbursements made during the taxable year. It was determined that in the prior audit invested capital was understated by the foregoing item (sec. 326, Revenue Act of 1918, and the regulations promulgated thereunder).

The balance of the overassessment in the amount of $18,461.33 results from the allowance of an additional deduction for depreciation as provided under the provisions of section 234 (a) (7), Revenue Act of 1918, and the regulations promulgated thereunder.

CUBAN-AMERICAN SUGAR CO. AND SUBSIDIARIES, NEW YORK, N.Y.

Overassessments, 1917 to 1920, inclusive	$3, 110, 813. 83

The overassessments for the years 1918, 1919, and 1920 in the amount of $3,057,990.74 represent the excess of the taxes assessed over the correct tax liabilities for those years as determined pursuant to the final orders of the United States Board of Tax Appeals entered in the instant case, Docket No. 47625.

The overassessments in favor of the subsidiary corporations in the amount of $32,915.06 represent portions of the taxes assessed on separate returns erroneously filed by the subsidiary corporations under the Revenue Act of 1917 for the fiscal year ended September 30, 1918. The taxes assessed on the separate returns filed by the subsidiary corporations exceed the portions of the consolidated income and profits tax liability allocated to such corporations in determining the tax liability of the parent corporation for that year pursuant to the final order of the United States Board of Tax Appeals entered in the case of the parent corporation, Docket No. 47624.

The overassessment in favor of the Cuban-American Sugar Co. for the year 1917 in the amount of $19,908.03 results from a recom-

putation of the tax liability in accordance with the provisions of T. D. 3981 (C.B. VI–1, 256).

THE CENTRAL RAILROAD CO. OF NEW JERSEY, NEW YORK CITY; LEHIGH AND WILKES-BARRE COAL CO., WILKES-BARRE, PA.

Overassessments, 1918 to 1921, inclusive	$1,862,918.60
Barred by statute	6,237.88

The amount of $1,749,386.65 of the overassessments results from the redetermination of the tax liabilities on the basis of the consolidated net incomes and invested capitals of the taxpayer and other corporations which filed separate returns but are now affiliated in accordance with the provisions of section 240, Revenue Acts of 1918 and 1921, and the regulations promulgated thereunder.

Other causes comprising the balance of the overassessments and amounts attributable thereto are the allowance of additional deductions for ordinary and necessary business expenses, taxes, depletion, and bond discount, $79,299.56 (sec. 234 (a) (1), (2), (3), and (9), Revenue Acts of 1918 and 1921); exclusion of compensation erroneously included in the income reported in the return filed, as such compensation constitutes income for the prior taxable year and included in determining the taxable net income for such prior year, $29,552.40 (sec. 233, Revenue Act of 1918); decrease in the profit realized from the final disposition of certain capital assets, as such profit was erroneously overstated in the return filed, $3,758.90 (sec. 233 (a), Revenue Act of 1918); elimination of a portion of the gross income erroneously overstated in the return filed, $589.83 (sec. 233 (a), Revenue Act of 1918); correction of accounting errors, $331.26 (sec. 233 (a), Revenue Act of 1918).

CHICAGO, NORTH SHORE & MILWAUKEE RAILROAD CO., CHICAGO, ILL.

Overassessments, 1925, 1926, 1928	$126,918.28

Of the overassessments, $38,530.31 results from adjustments necessary to correct accounting errors which caused overstatements of gross incomes reported in returns filed (sec. 233 (a), Revenue Act of 1926, and the regulations promulgated thereunder).

Another major cause of overassessment in the amount of $37,722.67 is due to the allowance of additional deductions for depreciation. It was determined that the deductions claimed in the returns filed were less than the reasonable allowances authorized by section 234 (a) (7), Revenue Act of 1926, and articles 161 and 561, Regulations 69.

The allowance of additional deductions for ordinary and necessary business expenses, amortization of bond discount, interest, and dividends received on stock of a domestic corporation causes $24,805.98 of the overassessments. Investigation discloses that such deductions were understated in or omitted from the returns filed (sec. 234 (a) (1), (2), and (6), Revenue Act of 1926, and section 23 (a), Revenue Act of 1928, and the regulations promulgated thereunder).

The balance of the overassessments in the amount of $25,859.32 results from the allowance of additional deductions for losses sustained upon the final disposition of certain assets, theft, and from excluding from the gross incomes reported in the returns filed certain amounts included therein as interest and amounts received for construction of

spur tracks. Section 234 (a) (4), Revenue Act of 1926; section 23 (f), Revenue Act of 1928; section 233 (a), Revenue Act of 1926.

CITY BANK FARMERS TRUST CO., TRUSTEE UNDER TRUST INDENTURE OF AUGUST 15, 1919, BY WILLIAM WALDORF ASTOR FOR LIFE BENEFIT OF JOHN JACOB ASTOR AND WALDORF ASTOR, NEW YORK CITY

Overassessment, 1922 (2 cases) $254, 744. 16

The taxpayer in the instant cases filed a return disclosing no net income due to claimed deduction for estate taxes, which was disallowed. Since the disallowance of such deduction resulted in a net income of which a portion represents capital net gain and no election having been made to have the entire net income subjected to tax under the provisions of sections 210 and 211, the taxpayer is entitled to avail itself of the benefit of the capital net gains provisions of section 206 of the Revenue Act of 1921. The statute does not restrict the time of election. *James F. Hoey* v. *Commissioner*, 4 B.T.A. 1043; *Fifth Third Union Trust Co., Trustee*, v. *Commissioner*, Docket No. 36836, 20 B.T.A. 88 (Acq. C.B. X–1, 21), G.C.M. 2367, C.B. VI–2, 172.

CLARKE, CHAUNCY DWIGHT, ESTATE OF, LOS ANGELES, CALIF.

Overassessment, 1926 ..... $177, 840. 14

Of the overassessment, $112,572.11 is caused by the allowance of a credit under the provisions of section 301 (b), Revenue Act of 1926, representing the amount of State inheritance taxes paid subsequent to the filing of a Federal estate tax return. Article 9 (a), Regulations 70.

The amount of $56,451.07 of the overassessment results from the elimination of the value of certain assets included in the gross estate in a prior audit. Section 302 (c), Revenue Act of 1926; article 17, Regulations 70.

The balance of the overassessment represents the remission of interest assessed on deficiencies.

DE WATSON, MARIA DOLORES D., ESTATE OF, LOS ANGELES, CALIF.

Overassessment, 1924 ..... $580, 478. 63

An overassessment of estate tax in favor of the above-named taxpayer was determined in the amount of $750,000. The overassessment results from the exclusion from the gross estate of transfers made in 1923 on the grounds that they were not made in contemplation of death within the meaning of section 302 (c) of the Revenue Act of 1924. The overassessment resulting from the exclusion of transfers is offset in part by the amount of tax that would be due from the estate of James J. Watson were the property received from his mother's estate taxed in his estate.

D. P. DAVIS PROPERTIES, INC., JOSEPH R. DUNN, RECEIVER, JACKSONVILLE, FLA.

Overassessments, 1925 to 1927, inclusive $414, 916. 55

The principal cause of the overassessments in the amount of $366,627.16 is due to decreases in amounts of the taxable profits realized from sales of real property involving installments, deferred

payments, and cash. It was determined that the profits included in the taxable incomes in a prior audit, which formed the basis for summary assessments of tax under the provisions of section 282, Revenue Act of 1926, were overstated (sec. 212 (d), Revenue Act of 1926; art. 43, 44, as amended by T.D. 4255 (C.B. VIII-1, 165), 45, and 46, Regulations 69; G.C.M. 3350 (C.B. VII-1, 62); *Miami Beach Improvement Company* v. *Commissioner*, 14 B.T.A. 10).

The balance of the overassessments amounting to $48,289.39 represents a penalty and interest assessed on previously asserted deficiencies.

DURANT, WILLIAM C., DEAL, N.J.

Overassessment, 1929 ..... $141,247.45

Of the overassessment, $136,050.51 is caused by the elimination from the taxable income of an amount reported as being received from dividends. It was determined that such amount was erroneously included in the return filed (sec. 22 (a), Revenue Act of 1928, and the regulations promulgated thereunder.

The balance of the overassessment in the amount of $5,196.94 results from excess interest collections in connection with a deficiency on the first installment of tax and the final payment of original tax.

ELGIN NATIONAL WATCH CO., CHICAGO, ILL.

Overassessments, 1922, 1923 ..... $118,718.60

The amount of $72,593.21 of the overassessments results from the revision of the reported valuation of the opening and closing inventories. Such reduction is produced by an adjustment of finished goods, watch parts, watch cases and related items to conform with corresponding adjustments for prior and subsequent years. The action of the Commissioner in so adjusting inventories to bring them to true costs resulting in increased net income for 1916, 1917, 1918, 1920, and 1921, and reduced net income in 1919, 1922, and 1923, was sanctioned by the Board of Tax Appeals in the case of the instant taxpayer in *Elgin National Watch Co.* v. *Commissioner* (17 B.T.A 339 (acquiesced as to the issues here involved, bulletin X-32)), and has been consistently followed throughout these years.

The balance of the reduction of net income is due to the allowance as a deduction from gross income of contributions made by the taxpayer to a pension fund for the benefit of its employees, to the allowance as a deduction of certain taxes paid to a foreign country, ordinary and necessary business expenses, and to the elimination from gross income of an amount covering income of the said pension fund.

EMERSON'S BROMO SELTZER, INC., AND SUBSIDIARIES, BALTIMORE, MD.

Overassessment, 1929 ..... $198,973.73

The principal cause of overassessment is due to the elimination from the reported consolidated income of amounts representing the incomes of certain subsidiary corporations for the period prior to the date of affiliation. The records disclose that such amounts constituted income of the subsidiary corporations prior to the date of affiliation and have been included in determining the taxable incomes

of such corporations. Section 141, Revenue Act of 1928; article 13 (b), (d), and (g), Regulations 75.

The balance of the overassessment amounting to $310 results from the allowance of additional deductions for losses sustained upon the sale of certain capital assets. Section 23 (f), Revenue Act of 1928, and the regulations promulgated thereunder.

FLORIDA EAST COAST RAILWAY CO., NEW YORK CITY

Overassessments, 1925, 1926 ..... $92,012.41

The principal contributing cause of the overassessments in the amount of $42,934.63 results from the recomputation of the profits realized during the taxable year from sales of real property involving deferred payments. It was determined that the profits reported in the return filed were materially overstated. Section 212 (d), Revenue Act of 1926; articles 44 (as amended by T.D. 4255, C.B. VIII–1, 165) and 45, Regulations 69.

The amount of $41,228.49 of the overassessments results from the reallocation of income as provided under the provisions of section 212, 232, and 234, Revenue Act of 1926, and the regulations promulgated thereunder.

The elimination from gross income of an amount received as the result of an involuntary conversion of property during the taxable years causes $6,014.88 of the overassessments. Such amount was expended in the acquisition of other property similar or related in service or use to the property so converted. Section 203 (b) (5), Revenue Act of 1926; article 1579, Regulations 69.

The balance of the overassessments amounting to $1,834.41 results from the allowance of additional deductions for ordinary and necessary business expenses, amortization of bond discount, taxes, and losses. Section 234 (a) (1), (2), (3), and (4), Revenue Act of 1926, and the regulations promulgated thereunder.

FOX FILM CORPORATION AND SUBSIDIARIES, NEW YORK CITY

Overassessment, 1926 ..... $190,071.55

The amount of $177,655.89 of the overassessment is determined pursuant to final orders of the United States Board of Tax Appeals entered in the instant case for the above year, Dockets Nos. 47986, 47988, and 47989.

Of the overassessment, $10,590.31 results from the allowance of additional reductions for depreciation as provided under the provisions of section 234 (a) (7), Revenue Act of 1926, and the regulations promulgated thereunder.

The balance of the overassessment in the amount of $1,825.35 represents the remission of interest assessed on deficiencies.

FRANCIS, LOUISE WISE (MRS.), NEW YORK CITY

Overassessments, 1926 to 1929, inclusive $112,367.25

The entire overassessments result from eliminating from the incomes reported in the returns filed certain amounts included therein as income received from an estate, since it was determined that such amounts do not constitute taxable income. Section 213 (b), Revenue Act of 1926, and section 22 (b), Revenue Act of 1928, and the regu-

lations promulgated thereunder. *Burnet* v. *Whitehouse* (283 U. S. 148).

FRICK, CHILDS (MR.), ROSLYN, LONG ISLAND, N. Y.

Overassessments, 1920 to 1922, inclusive $100,642.18

The principal cause of the overassessments in the amount of $90,685.24 results from the elimination from incomes as previously determined of certain amounts included therein as income received from an estate. Section 213 (a), Revenue Acts of 1918 and 1921, and the regulations promulgated thereunder.

The balance of the overassessments amounting to $9,956.94 represents a portion of the interest asserted on deficiencies in tax except for the years 1920 and 1921.

GAGE, BARON W., ESTATE OF, NEW YORK CITY

Overassessment, 1929 ..... $840,972.77

Of the overassessment, the amount of $626,656.05 is caused by the allowance of a credit under the provisions of section 301 (b), Revenue Act of 1926, representing the amount of State inheritance taxes paid subsequent to the filing of a Federal estate tax return. Inasmuch as the amount of the estate and State inheritance taxes paid was less than 80 percent of the Federal estate tax liability as finally determined the full amount paid to the State of New York was allowed as a credit. Article 9 (a), Regulations 70.

The balance of the overassessment, amounting to $201,048.40, represents a duplicate assessment which results from a change in the administrative policy whereby the net amount of the tax shown on the return is used in the determination of the deficiency in tax instead of the gross tax as was formerly the policy, and in the remission of interest assessed on a previously asserted deficiency to the extent of $13,268.32 of the overassessment.

GREAT NORTHERN PAPER CO., MILLINOCKET, MAINE

Overassessments, 1926 to 1928, inclusive $112,314

The principal causes of overassessments for the years indicated are the allowance of deductions for losses to standing timber sustained from the ravages of the spruce bud worm, and allowance for obsolescence, and loss of useful value sustained on the abandonment of various items of plant equipment and machinery. The amount of $110,923.28 of the overassessment is attributed to these causes.

In addition to the foregoing, adjustments are made for additional depletion and miscellaneous business expenses which contribute in a small measure to the overassessments.

GRIGSBY-GRUNOW CO., CHICAGO, ILL

Overassessment, 1929 ..... $195,272.31

Of the overassessment, $191,034.83 results from decreasing the gross income reported in the return filed. Items attributable to the decrease in gross income are rentals paid, interest on additional taxes, and rebates to distributors and dealers. Section 22 (a), Revenue Act of 1928.

The amount of $480.70 of the overassessment is caused by the allowance of additional deductions for ordinary and necessary business expenses and interest. Section 23 (a) and (b), Revenue Act of 1928; articles 121 and 141, Regulations 74.

The balance of the overassessment in the amount of $3,756.78 represents an excess interest collection which is now refundable.

INGERSOLL-RAND CO., NEW YORK CITY

Overassessments, 1917 to 1920, inclusive $407,323.66

The principal cause of the overassessments in the amount of $235,446.74 results from the allowance of additional deductions for amortization of the costs of facilities installed or acquired after April 6, 1917. Section 234 (a) (8), Revenue Act of 1918, and the regulations promulgated thereunder. Appeal of Manville Jenckes Co. (4 B.T.A. 765).

Another major contributing cause of the above overassessments in the amount of $109,455.38 is due to the allowance of additional deductions for taxes. It was determined that such deductions were understated in prior audits (sec. 12 (a) (4), Revenue Act of 1916, as amended by sec. 1207, Revenue Act of 1917, and sec. 234 (a) (3), Revenue Act of 1918; art. 191, Regulations 33 (revised), and arts. 131 and 561, Regulations 45).

The allowance of additional deductions for depreciation is responsible for $30,161.28 of the overassessments. The deduction allowed for depreciation in a prior audit was inadequate and less than the reasonable allowance authorized by section 12 (a) (2), Revenue Act of 1916, and the regulations promulgated thereunder.

Of the overassessments, the amount of $25,152.80 is due to the allowance of increased credits for foreign taxes paid as provided under the provisions of section 238, Revenue Act of 1918, and the regulations promulgated thereunder.

The balance of the overassessments amounting to $7,107.46 results from the elimination of an amount included in the gross income as determined in a prior audit. Such amount (which was claimed as a deduction for the preceding taxable year but not allowed in the determination of the taxable income for such year) was erroneously included in the gross income (sec. 233 (a), Revenue Act of 1918, and the regulations promulgated thereunder).

INLAND STEEL CO. AND SUBSIDIARIES, CHICAGO, ILL.

Overassessments, 1919, 1921 to 1924, inclusive $478,887.17

The amount of $308,783.02 included in the overassessments results from the allowance of additional deductions for depreciation and depletion. It was determined that the amounts deducted in the returns filed were less than the reasonable allowances authorized by sections 234 (a) (7) and (9), Revenue Acts of 1918 and 1921, and section 234 (a) (7), Revenue Act of 1924, and the regulations promulgated thereunder.

Other causes of the overassessments and amounts attributable thereto are due to the allowance of deductions representing portions of the net losses sustained in the preceding taxable years, $77,722.10 (sec. 204, Revenue Act of 1921; art. 1601, Regulations 62);

inventory adjustments, $53,083.60 (secs. 203, Revenue Acts of 1918 and 1921; arts. 1582 to 1584, inclusive, Regulations 45, as amended by T.D. 3296 (C.B. I–1, 40), and 62); allowance of additional deductions for ordinary and necessary business expenses, taxes, loss sustained upon the final disposition of certain capital assets, and bad debts, $26,606.15 (secs. 234 (a) (1), (3), (4), and (5), Revenue Acts of 1918 and 1921, and the regulations promulgated thereunder); amortization of the cost of war facilities, $8,417.78 (sec. 234 (a) (8), Revenue Act of 1918, and sec. 1209, Revenue Act of 1926); correction of accounting errors, $4,274.52 (secs. 233 (a), Revenue Acts of 1918 and 1924, and the regulations promulgated thereunder).

JAMES, ARTHUR CURTISS (MR.), NEW YORK CITY

Overassessment, 1920	$189, 365. 68
Withheld	178, 202. 17

The overassessment results from the elimination of a portion of the amount included in the gross income reported in the return filed as dividends received on the stock of domestic corporations. It was determined that such amount was erroneously overstated. Section 201, Revenue Act of 1918, and the regulations promulgated thereunder.

As a result of the foregoing adjustment, the taxpayer has agreed to the dismissal of his suit pending in the United States Court of Claims for the recovery of an amount of income tax in excess of the amount of the above-indicated overassessment.

JARDINE, MATHESON & CO., LTD., NEW YORK CITY

Overassessments, 1918, 1919	$210, 909. 60

The amount of $74,964.81 of the overassessment results from inventory adjustments. It was found that the valuations reported were materially overstated and that the overvaluation of the closing inventories was in excess of the overvaluation of the opening inventories resulting in net decreases in the incomes. Section 203, Revenue Act of 1918; articles 1582 to 1584, inclusive, as amended by T.D. 3296 (C.B. I–1, 40), Regulations 45.

Another major cause of the overassessments in the amount of $73,145.10 is due to the correction of accounting errors which caused overstatements of gross income. Section 233 (b), Revenue Act of 1918; articles 23, 24, and 550, Regulations 45.

The amount of $39,459.91 of the overassessments results from the redetermination of the profits tax liability under the provisions of sections 327 and 328 of the Revenue Act of 1918.

The amount of $12,598.40 of the overassessments represents a duplicate assessment of tax.

The balance of the overassessments amounting to $10,741.38 results from the elimination of certain amounts from the gross incomes reported in the returns filed representing interbranch profits. Section 233 (b), Revenue Act of 1918, and the regulations promulgated thereunder.

KENNEBEC SECURITIES CO., NEW YORK CITY

Overassessement, 1929 ..... $500, 696. 48

The amount of $477,424.57 of the overassessment results from the elimination of certain amounts included in the gross income in the return filed and in a prior audit (as a result of which a deficiency in tax was assessed). It was determined that such amounts do not constitute taxable income. Section 112 (b) (5), Revenue Act of 1928, and the regulations promulgated thereunder.

The balance of the overassessment amounting to $23,271.91 represents the remission of interest assessed on a deficiency.

THE MILLER RUBBER CO., AKRON, OHIO

Overassessment, 1918 ..... $154, 237. 80

The above overassessment is principally due to the allowance of a deduction from the reported income for the amortization of war facilities under the provisions of section 234 (a) (8), Revenue Act of 1918, and section 1209, Revenue Act of 1926. The amount of $98,115.05 is attributable to this cause.

The balance of the overassessment amounting to $56,122.75 results from the allowance of additional deductions for taxes, loss sustained upon abandonment of certain capital assets, and depreciation. Section 234 (a) (3), (4), and (7), Revenue Act of 1918, and the regulations promulgated thereunder.

MINNESOTA MINING & MANUFACTURING CO. (DELAWARE), ST. PAUL, MINN.

Overassessment, 1929 ..... $96, 938. 15

The entire overassessment results from the elimination from the reported income of a certain amount which is determined to be the income of another taxpayer and to have been erroneously reported as the income of this taxpayer. Accordingly, the reported income of this taxpayer is decreased by the amount erroneously included therein and the amount taken into consideration in arriving at the tax liability of such other taxpayer. Section 22 (a), Revenue Act of 1928; article 51, Regulations 74.

MOSBACHER, EMIL, NEW YORK CITY

Overassessment, 1929 ..... $339, 657. 37

Of the overassessment, $338,332.71 results from decreasing income reported as the taxpayer's proportionate share of income of certain joint ventures. It was determined that the valuations of the opening and closing inventories were understated in the return filed. Revisions are made accordingly and the opening inventories used for this year are the same as those used in the determination of the tax liability for the preceding year. Section 22 (c), Revenue Act of 1928, and the regulations promulgated thereunder.

The balance of the overassessment in the amount of $1,324.66 is caused by the elimination from income of an erroneous overstatement of income from salaries and business. Section 22 (a), Revenue Act of 1928, and the regulations promulgated thereunder.

NATIONAL ANILINE & CHEMICAL CO., INC., NEW YORK CITY

Overassessment, 1918 ..... $1, 130, 088. 74

The principal cause of overassessment in the amount of $845,317.92 results from the allowance of an additional deduction for amortization of the costs of facilities installed or acquired after April 6, 1917. Section 234 (a) (8), Revenue Act of 1918; articles 181 and 561, Regulations 45.

Other causes of the overassessment and amounts attributable thereto result from an inventory adjustment, $124,572.67 (sec. 203, Revenue Act of 1918); the allowance of additional deductions for taxes and depreciation, $48,278.94 (secs. 234 (a) (3) and (7), Revenue Act of 1918; articles 131, 161, and 561, Regulations 45); elimination of an amount included in the gross income in a prior audit (which was included in the previously determined income as a nondeductible item), $39.077.21 (sec. 233 (a), Revenue Act of 1918); elimination of an amount included in the gross income in a prior audit as representing interest received during the taxable year, $3,541.96 (sec. 233 (a), Revenue Act of 1918); remission of interest assessed on a deficiency, $69,300.04.

NATIONAL CANDY CO., ST. LOUIS, MO.

Overassessment, 1918 ..... $154, 341. 07

The entire overassessment is caused by redetermination of the profits tax liability under the provisions of sections 327 and 328 of the Revenue Act of 1918, by reason of the existence of abnormal conditions affecting the income and capital as a result of which the profits tax if computed without the benefit of section 327 would work upon the taxpayer an exceptional hardship evidenced by gross disproportion between the tax computed without the benefit of such section and the tax computed by reference to the representative corporations specified in section 328. Section 327 (d), Revenue Act of 1918.

THE NATIONAL CITY BANK OF NEW YORK, NEW YORK CITY

Overassessment, 1925 ..... $95, 814. 90

Of the overassessment, $52,766.22 is caused by the allowance of an additional deduction for debts ascertained to be worthless and charged off during the taxable year. Such a deduction was omitted from the return filed. Section 234 (a) (5), Revenue Act of 1926; articles 151 and 561, Regulations 69.

The allowance of an increased credit for foreign taxes paid causes $37,800.82 of the overassessment. After consideration it was determined that the credit claimed in the return filed was understated. Section 238, Revenue Act of 1926; *Mead Cycle Company* v. *Commissioner* (10 B.T.A. 887).

The balance of the overassessment amounting to $5,247.86 results from the allowance of additional deductions for interest, taxes, depreciation, and exhaustion of leasehold. Section 234 (a) (2), (3), and (7), Revenue Act of 1926, and the regulations promulgated thereunder.

NEW ENGLAND CO., WORCESTER, MASS.

Overassessments, 1919 to 1923, inclusive $405, 880. 24

The overassessments result from the elimination of the income and deductions of subsidiary corporations included in the consolidated returns filed. Sections 240, Revenue Act of 1918 and 1921. These adjustments result from a determination that the subsidiary corporations were not affiliated with the taxpayer corporation during any part of the years involved. *New England Power Co. et al.* v. *Commissioner* (25 B.T.A. 195).

NEW ENGLAND MUTUAL LIFE INSURANCE CO., BOSTON, MASS.

Overassessments, 1925 to 1927, inclusive $143, 048. 42

The principal cause of the overassessments in the amount of $101,994.47 results from the allowance of additional deductions from the reported gross income of 4 percent of the mean of reserve funds required by law and held during the taxable year unabated by interest received exempt from taxation. Section 245 (a) (2), Revenue Act of 1926; article 681, Regulations 69, as amended by T. D. 4231 (C.B. VII–2, 299); *National Life Insurance Company* v. *United States* (277 U.S. 508).

The amount of $40,433.26 of the overassessment is caused by the allowance of additional deductions for real estate expenses, taxes, depreciation, and interest. Section 245 (a) (6), (7), and (8), Revenue Act of 1926; articles 684, 685, and 686, Regulations 69.

The balance of the overassessments amounting to $620.69 is caused by decreasing the gross income reported in the return filed. Section 244 (a), Revenue Act of 1926, and the regulations promulgated thereunder.

THE NOLDE & HORST CO., READING, PA.

Overassessments, 1917, 1918, 1919, 1923, 1924 ..... $160, 705. 91
Barred by statute 191, 162. 01

The overassessments for all years are attributable almost wholly to the allowance of exhaustion of patents on the basis of a March 1, 1913, value instead of cost as used in the tax returns for the several years.

The amount of $532. 78 of the overassessments represents a penalty asserted on a deficiency in tax assessed for the year 1918.

The balance of the overassessments amounting to $3,240.51 represents an excess interest collection for the year 1918 and interest assessed on a previously asserted deficiency in tax for the year 1924.

NORTH AMERICAN CO. AND SUBSIDIARIES, NEW YORK CITY

Overassessments, 1913 to 1920, inclusive $169, 404. 22

The overassessments for the years 1913 to 1917, inclusive, in the amount of $2,315.06, and for the years 1918 to 1920, inclusive, in the amount of $87,372.77, result from the allowance of additional deductions for interest, taxes, bond discount, bad debts, and losses. It was determined that such deductions were omitted from the returns filed. Section II G (b) (2), (3), and (4), Revenue Act of 1913; section 12 (a) (2), (3), and (4), Revenue Act of September 8, 1916;

section 234 (a) (1), (2), and (3), Revenue Act of 1918; and the regulations promulgated thereunder.

Another major cause of the overassessments in the amount of $27,442.25 results from the allowance of additional deductions for depreciation. Section 234 (a) (7), Revenue Act of 1918; articles 161 and 561, Regulations 45.

Other contributing causes and amounts attributable thereto result from the elimination of certain amounts from the reported gross income, $42,418.10 (sec. 233 (a), Revenue Act of 1918); losses sustained on abandonment of certain assets, $7,738.81 (sec. 234 (a) (4), Revenue Act of 1918); remission of interest assessed on deficiencies, $2,117.23.

NORTHERN PACIFIC RAILWAY CO., ST. PAUL, MINN.

Overassessment, 1918 ..... $282, 850. 51

The principal cause of overassessment in the amount of $130,447.16 is due to the elimination of a portion of the gross income reported in the return filed, since it was determined that certain amounts reported as income from interest were erroneously included in the reported gross income. Section 233 (a), Revenue Act of 1918, and the regulations promulgated thereunder. *Great Northern Railway Co.* v. *Commissioner* (8 B.T.A. 225).

The allowance of additional deductions for losses causes $101,576.07 of the overassessment. It was determined that amounts which were disallowed as deductions in a prior audit (as a result of which a deficiency in tax was assessed) constitute proper deductions in the computation of the taxable net income. Section 234 (a) (4), Revenue Act of 1918. *Great Northern Railway Co.* v. *Commissioner* (supra).

Of the overassessment, $17,938.34 results from the allowance of additional deductions for bond discount, interest, and depreciation. Investigation discloses that such deductions were understated in the return filed. Section 234 (a) (1), (2), and (7), Revenue Act of 1918; articles 121, 161, 544, and 561, Regulations 45.

The balance of the overassessment in the amount of $32,888.94 is due to an excess interest collection.

OCEAN ACCIDENT & GUARANTEE CORPORATION, LTD., NEW YORK CITY

Overassessments, 1918, 1919, 1921, 1922 ..... $129, 695. 03

The principal cause of overassessments in the amount of $75,885.96 results from the allowance of net increases to the reserves for resisted losses, and for losses incurred but not reported as provided under the provisions of section 234 (a) (10), Revenue Acts of 1918 and 1921; articles 568, Regulations 45 and 62; *Ocean Accident & Guarantee Corporation, Ltd.*, v. *Commissioner* (47 Fed. (2d) 582).

The entire overassessment for the year 1918 in the amount of $52,530.02 results from the decision of the United States Board of Tax Appeals entered in the instant case for that year, Docket No. 12348, pursuant to the mandate of the United States Circuit Court of Appeals for the Second Circuit, *Ocean Accident & Guarantee Corporation, Ltd.*, v. *Commissioner* (supra).

The entire overassessment for the year 1922 in the amount of $1,279.05 results from the elimination of a portion of the gross income

as previously determined. Section 246 (b) (4), Revenue Act of 1921; article 692, Regulations 62; G.C.M. 2318, (C.B. VI–2, 80).

THE OHIO OIL CO., FINDLAY, OHIO

Overassessments (2 cases):

1928	$252, 503. 83
1929	288, 059. 32

Of the above overassessments, $307,268.68 results from the allowance of additional deductions for depreciation and depletion. It was determined that the amounts deducted in the returns filed were inadequate and less than the reasonable allowances authorized by section 23 (k) and (l), Revenue Act of 1928, and the regulations promulgated thereunder.

The allowance as a deduction from net income of the amount of net loss sustained in 1927 in excess of the net income of 1928 results in $140,998.99 of the overassessments. Section 117 (b), Revenue Act of 1928, and the regulations promulgated thereunder.

Another major contributing cause of the above overassessments is due to the revision of reported valuations of opening and closing inventories, resulting in $90,735.84 of the overassessments. Section 22 (c), Revenue Act of 1928. Appeals of the *Thomas Shoe Co.* (1 B.T.A. 124) and *Ashtabula Bow Socket Co.* (2 B.T.A. 306).

The balance of the overassessments amounting to $1,559.64 results from the redetermination of the losses and gains realized from the sale of certain capital assets. Sections 22 (a) and 23 (f), Revenue Act of 1928, and the regulations promulgated thereunder; *United States* v. *Ludey* (274 U.S. 295).

OHIO STEEL FOUNDRY CO., LIMA, OHIO

Overassessment, 1918 ..... $135, 672. 32

The overassessment is determined pursuant to the final order of the United States Board of Tax Appeals entered in the instant case for the above year, docket no. 24741.

The basis of settlement consists of the allowance of amortization of war facilities, depreciation, and loss of useful value.

OLD BEN COAL CORPORATION, CHICAGO, ILL.

Overassessment, 1918 ..... $730, 930. 02

Practically the entire overassessment, $730,564.28, results from the allowance of a deduction from the reported income for the amortization of the cost of war facilities under the provisions of section 234 (a) (8), Revenue Act of 1918, and section 1209, Revenue Act of 1926.

The balance of the overassessment, amounting to $365.74, is caused by the elimination of certain income not subject to tax from the reported gross income. Section 233 (a), Revenue Act of 1918; articles 77 to 80 (a), inclusive, and 541, Regulations 45.

O'NEIL, MICHAEL, ESTATE OF, AKRON, OHIO

Overassessments (2 cases):

1927 (reported Oct. 19, 1932)	$85, 333. 76
1927 (reported Feb. 11, 1932)	145, 173. 96

The principal cause of the overassessments in the amount of $122,602.42 is due to the allowance of a credit under the provisions of

section 301 (b), Revenue Act of 1926, representing the amount of State inheritance taxes paid subsequent to the filing of the Federal estate tax return. Article 9 (a), Regulations 70.

The amount of $31,011.89 of the overassessments is caused by the elimination of the value of certain property included in the gross estate in a prior audit and to the elimination of accrued dividends on corporate stock from the gross estate. It was determined that the transfer of the property by the decedent during his lifetime was not made in contemplation of nor intended to take effect in possession or enjoyment at or after his death within the meaning of section 302 (c), Revenue Act of 1926, and article 16, Regulations 70.

Another major contributing cause of the overassessments is due to the elimination of the value of certain property included for gift taxes. The property was transferred to the donee for a valuable consideration in money or money's worth. Section 319, Revenue Act of 1924; article 1, Regulations 67. The amount of $29,440 of the overassessments is attributable to this cause.

Of the overassessments, $16,630.85 is caused by the allowance of additional deductions representing debts of the decedent. Section 303 (a), Revenue Act of 1926; article 36, Regulations 70.

The balance of the overassessments in the amount of $30,822.56 represents a portion of the interest assessed on a part of the returned taxes and on previously asserted deficiencies.

PERE MARQUETTE RAILWAY CO. AND SUBSIDIARIES, DETROIT, MICH.

Overassessments, 1921, 1923	$161, 519. 72

The taxpayer's railroad property, together with property of its common-carrier subsidiaries, was taken over and operated by the Director General in accordance with the terms of the Federal Control Act. The overassessments are principally due to adjustments in connection with accounting for income during this so-called guaranty period.

The year 1921 is involved in a petition to the Board of Tax Appeals. The year 1923 is involved in a suit for refund in the United States Court for Michigan. The tax liability for the year before the Board is to be stipulated by the parties, and the suit for 1923 is agreed to be dismissed, upon allowance of the overassessment indicated for that year. The case is unadjusted to date pending the closing of the stipulation.

PITTSBURGH BREWING CO., PITTSBURGH, PA.

Overassessments, 1915 to 1919, inclusive	$190, 379. 15
Barred by statute	760. 50

The overassessments for the years 1916, 1917, and 1919 in the amount of $48,419.33 are determined pursuant to the final orders by the United States Board of Tax Appeals entered in the instant case for those years, dockets nos. 41665 and 41666.

Of the overassessments, $136,536.17 is caused by the allowance of additional deductions for obsolescence of certain assets and depreciation. Section 234 (a) (7), Revenue Act of 1918; articles 143, 161, and 561, Regulations 45; *V. Loewers Gambrinus Brewing Co.* v. *Anderson, Collector* (282 U.S. 638); *Burnet* v. *Niagara Falls Brewing Co.* (282 U.S. 648).

The balance of the overassessments amounting to $5,423.65 is due to the allowance of additional deductions for ordinary and necessary business expenses and to the revision made in reporting income to conform to the method of accounting employed by the taxpayer in keeping its books of account.

READING CO., PHILADELPHIA, PA.

Overassessments (2 cases):	
1921, 1922, 1923 (reported Mar. 29, 1932)	$504, 722. 10
Barred by statute	38, 460. 21
1924 to 1928, inclusive (reported Mar. 29, 1932)	774, 749. 54

The principal cause of the overassessments in the amount of $883,-756.11 results from the allowance of additional deductions for depreciation and depletion. It was determined that the deductions claimed in the returns filed were inadequate and less than the reasonable allowances authorized by section 234 (a) (7) and (9), Revenue Act of 1921, and the regulations promulgated thereunder.

Another major contributing cause of the above overassessments in the amount of $88,721.40 is due to the elimination of the incomes of several subsidiary corporations included in the consolidated returns filed and the allowance as a deduction of the operating loss of a subsidiary corporation for the period of affiliation. The incomes of the several subsidiary corporations are eliminated for the reason that it is determined that they were not affiliated with the taxpayer corporation during any part of the years involved by reason of the fact that substantially all of their capital stock was not owned or controlled by the taxpayer or another corporation of the affiliated group or by the same interests which owned or controlled the capital stock of the corporation comprising the affiliated group. Section 240, Revenue Act of 1921.

The allowance of additional deductions for ordinary and necessary business expenses, amortization of bond discount, and debts ascertained to be worthless and charged off during the taxable year causes, $204,409.07 of the above overassessments (sec. 234 (a) (1) and (5), Revenue Acts of 1924 and 1926, sec. 23 (a), (b), and (j), Revenue Act of 1928, and the regulations promulgated thereunder).

Other causes of overassessments and amounts attributable thereto result from the transfer from the year 1922 to the year 1920 of an amount representing compensation for the use of the taxpayer's railroad properties, $24,713.55 (sec. 233 (a), Revenue Act of 1921); correction of accounting errors, $12,719.04 (secs. 233 (a) and 234 (a), Revenue Acts of 1921, 1924, and 1926); redetermination of losses and gains realized from the sale of capital assets, $4,628.84 (secs. 233 (a), 234 (a) (4), and 204, Revenue Acts of 1924 and 1926); excess interest collection, $60,523.63.

REPUBLIC STEEL CORPORATION, YOUNGSTOWN, OHIO

Overassessment, 1919	$118, 280. 63
Barred by statute	19, 494. 55

Of the overassessment, the amount of $67,186.92 results from the allowance of an additional deduction for depreciation. It was determined that the amount deducted in the return filed was inadequate and less than the reasonable allowance to which the taxpayer was

entitled under the provisions of section 234 (a) (7), Revenue Act of 1918, and the regulations promulgated thereunder.

The allowance of a deduction from the reported income for the amortization of the costs of war facilities under the provisions of section 234 (a) (8), Revenue Act of 1918 and section 1209, Revenue Act of 1926, causes $33,753.40 of the overassessment.

The balance of the overassessment amounting to $17,340.31 is due to the allowance of additional deductions for ordinary and necessary business expenses and to a loss sustained upon the surrender of a certain lease (sec. 234 (a) (1) and (4), Revenue Act of 1918, and the regulations promulgated thereunder).

RUSSELL-MILLER MILLING CO., MINNEAPOLIS, MINN.

Overassessments, 1919, 1921, 1923 to 1926, inclusive	$90,752.13
Barred by statute	2,048.29

Of the various deductions responsible for the above overassessments, the principal cause in the amount of $42,220.06 results from the allowance of an additional deduction for amortization of the costs of war facilities installed or acquired after April 6, 1917. Section 234 (a) (8), Revenue Act of 1918, and the regulations promulgated thereunder. *American-Hawaiian Steamship Company* v. *Commissioner* (7 B.T.A. 13).

The remainder of the overassessments and the amount attributable thereto is caused by the allowance of additional deductions for taxes, $25,323.44 (sec. 234 (a) (3), Revenue Act of 1918); additional deductions for ordinary and necessary business expenses, $17,846.01 (sec. 234 (a) (1), Revenue Acts of 1918, 1921, 1924, and 1926); adjustment of invested capital, $3,830.67 (sec. 326, Revenue Acts of 1918 and 1921); elimination of an amount included in the gross income in a prior audit as income from interest, $1,284.44 (sec. 213 (b) (4) and 233 (a), Revenue Act of 1918); remission of interest assessed on a deficiency, $247.51.

SCHOELLKOPF, C. P. HUGO, ESTATE OF, BUFFALO, N.Y.

Overassessment, 1928	$238,122.30

The entire overassessment arises from adjustments made in a reaudit of the return filed on behalf of the estate as a result of the allowance of credit under the provisions of section 301 (b) of the Revenue Act of 1926, on account of inheritance and estate taxes paid to the States of New York, Pennsylvania, and Virginia.

SEARS, ROEBUCK & CO., CHICAGO, ILL.

Overassessment, 1925	$118,194.34

The above overassessment results from the elimination of a portion of the gross income reported in the return filed. Examination of the taxpayer's accounts discloses that in 1924 certain charges were made against the gross income for that year, and while the taxpayer conceded that these charges did not represent allowable deductions from gross income under the Federal income tax laws, the amount was erroneously added to the 1925 book income, instead of being added to the 1924 book income. Section 233 (a), Revenue Act of 1926, and the regulations promulgated thereunder.

SINGER MANUFACTURING CO. AND SUBSIDIARIES, ELIZABETH, N.J.

Overassessment, 1925 ..... $86, 702. 74

The amount of $86,566.15 of the overassessment is caused by the allowance of an increased credit for foreign taxes paid. It was determined that the credit claimed in the return filed and allowed in a prior audit was understated. Section 238, Revenue Act of 1926, and the regulations promulgated thereunder. *Burnet* v. *Chicago Portrait Company* (285 U.S. 1).

The balance of the overassessment amounting to $136.59 represents a portion of the interest assessed on a previously asserted deficiency.

J. D. & A. B. SPRECKELS SECURITIES CO., SAN FRANCISCO, CALIF.

Overassessment, 1927 ..... $110, 736. 44
Barred by statute 120, 000. 00

The amount of $108,481.23 of the overassessment is determined pursuant to the final order of the United States Board of Tax Appeals entered in the instant case for the above year, Docket No. 59449. The overassessment is caused by allowing the taxpayer to charge off as worthless and claim as a loss an investment in capital stock and the allowance as ordinary and necessary expenses incident to payments made to certain clubs and organizations during the taxable year.

The remission of interest assessed on previously asserted deficiencies represents $2,255.21 of the above overassessment.

STEPHENS, OLIN J., NEW YORK CITY

Overassessment, 1930 ..... $119, 542. 93

The overassessment is caused almost entirely by the elimination of the capital net gain reported in the return filed. A portion of the ordinary income and the entire capital net gain reported in the return filed accrued in the prior taxable year and has been included in the determination of tax liability for such year. Sections 22 (a) and 42, Revenue Act of 1928, and the regulations promulgated thereunder.

The amount of $117.50 of the overassessment is caused by the elimination from the reported taxable income of certain amounts included therein as dividends received on the stock of a domestic corporation. Section 115 (b) and (d), Revenue Act of 1928; articles 623 and 626, Regulations 74.

The balance of the overassessment in the amount of $298.10 is the result of an excess interest collection.

SWEEZY, ALAN R. (MR.); SWEEZY, CAROLINE W. (MRS.); SWEEZY, PAUL M. (MR.)

Over assessments, 1927, 1928 (3 cases) $295, 002. 17

The overassessments as originally reported to the joint committee in the amount stated above were based upon a decision of the Bureau that income from certain trading accounts belonged to Everett B. Sweezy (now deceased) and not to his wife and children. A deficiency largely in excess of the overassessments was asserted against Everett B. Sweezy. It was found that the decedent's estate was insolvent to

the extent that only a portion of the deficiency would be collectible. Representatives estimated that the estate would liquidate at about $100,000.

Under these circumstances it was decidedly to the advantage of the Government to cancel the certificates of overassessments and abate the deficiency. The taxpayers have agreed to settle on such basis. Closing agreements under section 606 of the Revenue Act of 1928 for 1927, 1928, and 1929 have been signed by all the taxpayers concerned and approved on February 15, 1933.

While the overassessments reported to the joint committee aggregate approximately $295,000 for 1927 and 1928, the year 1929 is also involved, the aggregate of the overpayments for the 3 years being in excess of $360,000.

SWEDISH AMERICAN INVESTMENT CORPORATION, NEW YORK CITY

Overassessments, 1926–1928, inclusive $115,621.63

The overassessments result from the allowance of credits for foreign taxes paid. The necessary information not being available, the tax was computed on the basis of the net income without deduction of any credit for taxes paid to a foreign country. Section 238, Revenue Act of 1926, and section 131, Revenue Act of 1928, and the regulations promulgated thereunder. *Mead Cycle Co.* v. *Commissioner* (10 B.T.A. 887).

TIDAL OSAGE OIL CO., TULSA, OKLA.

Overassessments, 1926–1928, inclusive $744,411.34

The principal cause of the above overassessments results from the allowance of additional deductions for depreciation and depletion. It was determined that the deductions for depreciation and depletion were omitted in a prior audit for the year 1926 and that such deductions as claimed in the returns filed for the years 1927 and 1928 were inadequate and less than the reasonable allowances authorized by section 234 (a) (7) and (8), Revenue Act of 1926, section 23 (k) and (l), Revenue Act of 1928, and the regulations promulgated thereunder.

The allowance of additional deductions for ordinary and necessary business expenses, amortization of leaseholds, taxes, and losses sustained upon the final disposition of capital assets is responsible for $240,932.72 of the overassessments. Sections 202 and 234 (a) (1), (3) and (4), Revenue Act of 1926, and sections 23 (a) and (f) and 111, Revenue Act of 1928; articles 101, 110, 131, 141, 143, 223, and 561, Regulations 69, and articles 121, 130, 171, 173, and 243, Regulations 74.

Other contributing causes and amounts attributable thereto are the reduction of gross income reported in the return filed which was erroneously overstated, $27,991.63 (sec. 22 (a), Revenue Act of 1928); inventory adjustment, $1,685.57 (sec. 205, Revenue Act of 1926); remission of interest assessed on a previously asserted deficiency, $75,559.48; excess interest collection, $414.03.

UNITED MOTORS CORPORATION AND SUBSIDIARIES, DETROIT, MICH.

Overassessment, 1918 ..... $1,195,261.69

The principal cause of the overassessment in the amount of $916,031.45 results from increases in the invested capital as previously

determined on account of the restoration thereto of certain amounts representing an increase in the cash value of certain stocks, adjustments to reflect the corrected net incomes of certain affiliated companies for the prior taxable year, and necessary adjustments to reflect true surplus. The foregoing adjustments conform to adjustments made in the invested capital for the prior taxable year as a result of a decision of the United States Court of Claims for such year. *United Motors Corporation* v. *United States* (44 Fed. (2d) 407).

Of the overassessment, $243,049.15 results from the allowance of an additional deduction for depreciation. The rates and basis used in determining the allowable depreciation for the above year conform to the rates and basis used for the prior taxable year.

The balance of the overassessment in the amount of $36,181.09 represents an excess interest collection of $29,307.75 and the remission of interest assessed on a deficiency in the amount of $6,873.34.

UNITED STATES RUBBER CO. AND SUBSIDIARIES, NEW YORK CITY

Overassessments, 1919 and 1920 ..... $2, 421, 873. 52

The principal cause of the overassessments in the amount of $1,574,763.79 results from the revisions of the reported valuations of the inventories. It was determined that the opening inventory for the year 1919 was undervalued and the closing inventory for the year 1920 was overvalued. Revisions are made accordingly and the valuations used in the present computation are the same as those used in the determination of the taxable net incomes for the preceding and succeeding taxable years. Section 203, Revenue Act of 1918, and the regulations promulgated thereunder.

The second major contributing cause of the above overassessments in the amount of $278,145.24 is due to the allowance of additional deductions for depreciation as provided by section 234 (a) (7), Revenue Act of 1918, and articles 161 and 561, Regulations 45.

The amount of $183,835.42 of the overassessments results from the allowance of a deduction for amortization of the costs of facilities installed or acquired after April 6, 1917. Section 234 (a) (8), Revenue Act of 1918.

Other causes of overassessment and amounts attributable thereto result from the allowance of additional deductions for ordinary and necessary business expenses, amortization of bond discount, taxes, and losses, $151,122.08 (sec. 234 (a) (1), (2), (3), and (4), Revenue Act of 1918); elimination of portions of the gross incomes reported due to the overstatement thereof, $101,297.62 (sec. 233 (a), Revenue Act of 1918); allowance of credits for foreign taxes paid, $85,589.55 (sec. 238, Revenue Act of 1918); affiliation, $47,119.82 (sec. 240, Revenue Act of 1918).

UNITED STATES SMELTING, REFINING & MINING CO., BOSTON, MASS.

Overassessments, 1925 to 1928, inclusive $136, 205. 70

Of the overassessments, $118,124.47 is caused by the allowance of credits against the adjusted tax liabilities for foreign taxes under the provisions of section 238 (e), Revenue Act of 1926, and section 131(f), Revenue Act of 1928. Article 612, Regulations 69, as amended by T.D. 4324 (I.R.B. X–40, 11); article 698, Regulations 74, as amended by T.D. 4323 (I.R.B.X–40, 4).

The amount of $9,156.15 of the overassessments is caused by the allowance of additional deductions for depletion. Section 234 (a) (8), Revenue Act of 1926, and section 23 (1), Revenue Act of 1928; articles 201 and 561, Regulations 69, and article 221, Regulations 74.

The balance of the overassessments amounting to $8,925.08 results from the allowance of deductions for ordinary and necessary business expenses and interest. Section 234 (a) (1) and (2), Revenue Act of 1926, and section 23 (a), Revenue Act of 1928, and the regulations promulgated thereunder.

UNITED STATES STEEL CORPORATION, NEW YORK CITY

Overassessment, 1922	$947, 308. 66

The principal cause of overassessment in the amount of $524,559.86 is due to the revision of the reported valuations of the opening and closing inventories. It was determined that the reported inventory valuations were undervalued and that the understatement of the opening inventory was materially in excess of that of the closing inventory, resulting in a net decrease in the income. Revisions were made accordingly, and the opening and closing inventories used in the present settlement are the same as those used in the determination of the correct incomes for the preceding and succeeding taxable years. Section 203, Revenue Act of 1921, and the regulations promulgated thereunder.

Another major contributing cause of the above overassessment in the amount of $350,564.83 results from the allowance of additional deductions for ordinary and necessary business expenses and Federal capital stock and State taxes. Section 234 (a) (1) and (3), Revenue Act of 1921; articles 101, 131, and 561, Regulations 62.

Other causes of overassessment and amounts attributable thereto are due to the allowance of an additional deduction for depletion, $55,193.99 (sec. 234 (a) (9), Revenue Act of 1921); transfer from the taxable year to the year 1920 of a certain amount claimed by the taxpayer under the guaranty provisions of section 209, Transportation Act of 1920, and the allowance of a deduction which accrued during the taxable year under section 15 (a) of said act, which was omitted from the return filed, $13,494.41 (S.M. 2970 (C.B. IV–1, 127), and G.C.M. 4606 (C.B. VII–2, 256)); allowance of additional deductions for expenditures made in replacing portions of certain assets exhausted through ordinary wear and tear, an adjustment correcting an error in the pension fund account, losses sustained upon the cancelation of certain leases, and amortization of the cost of certain leaseholds and patents, $3,495.57 (sec. 234 (a) (1) and (4), Revenue Act of 1921).

VACUUM OIL CO., NEW YORK CITY

Overassessment, 1919	$161, 662. 00
Withheld—deficiency	80, 086. 73

Of the overassessment indicated, $80,086.73 is being withheld from adjustment in connection with deficiencies for the years 1922 to 1928, inclusive.

The overassessment for 1919 results immediately from the allowance of an additional deduction for a loss sustained during that taxable year. The taxpayer failed to claim any loss on account of the sequestration of its property by the Communistic government. In

the year 1927, while its tax returns were under examination, claim for refund was filed, on the grounds that the stock of a foreign subsidiary became a loss at the time of the sequestration of the property by the Communistic government in March, 1919. The taxpayer relied upon the decision of the United States Supreme Court in the case of *White Dental Manufacturing Co.* (274 U.S. 398).

VANDERBILT, WILLIAM K., ESTATE OF, NEW YORK CITY

Overassessments, 1924, 1925 ..... $353, 987. 89

Of the overassessments, $337,452.46 results from a redetermination in the amount of taxable profit reported from the sale of certain assets, resulting from using the March 1, 1913, value, or the cost to the decedent as the basis in determining such profit instead of the value of such property at the date of the decedent's death employed in arriving at the profit reported in the returns filed and in a prior audit for the year 1924. Sections 204, Revenue Acts of 1924 and 1926. *McKinney* v. *United States* (62 Ct. Cls. 180); *Elmhirst* v. *United States* (69 Ct. Cls. 295); *Myers* v. *United States* (51 Fed. (2d) 145).

The balance of the overassessments in the amount of $16,535.43 represents interest assessed on a previously asserted deficiency.

WESTERN POWER CORPORATION, NEW YORK CITY

Overassessments, 1920 to 1923, inclusive $181, 552. 25

The principal cause of the above overassessment in the amount of $166,348.88 results from the allowance of additional deductions for depreciation. It was determined after investigation and consideration by Bureau engineers that the deductions for depreciation allowed in prior audits were inadequate and less than the reasonable allowances authorized by section 234 (a) (7), Revenue Act of 1918, and the regulations promulgated thereunder.

The balance of the overassessments amounting to $15,203.37 results from the allowance of additional deductions for ordinary and necessary business expenses, taxes, and losses sustained upon the final disposition of certain capital assets. Section 234 (a) (1), (3), and (4), Revenue Act of 1918; articles 103, 131, 142, and 561, Regulations 45.

This case is unadjusted to date, pending the closing of stipulation.

WEST VIRGINIA PULP & PAPER CO., NEW YORK CITY

Overassessment, 1924 ..... $76, 079. 98

The amount of $67,781.48 of the overassessment is caused by an inventory adjustment for the fiscal year 1924. The returned inventories have been revised in accordance with a consistent plan and the reflection of true net income and compensating adjustments in the taxable income of the related years have been made accordingly. Section 205, Revenue Act of 1924, and the regulations promulgated thereunder. Appeal of Thomas Shoe Co. (1 B.T.A.), 124.

Of the overassessment, $7,670.74 represents interest assessed on a previously asserted deficiency.

The balance of the overassessment in the amount of $627.76 is caused by the allowance of an additional deduction for ordinary and necessary business expenses. Section 234 (a) (1), Revenue Act of 1924; articles 101, 108, and 561, Regulations 65.

WHITE SEWING MACHINE CO., CLEVELAND, OHIO

Overassessment, 1927 ..... $137,853.56

The overassessment is determined pursuant to the final order of the United States Board of Tax Appeals entered in the instant case for the above year, Docket No. 46324.

The overassessment has been developed through the allowance as a deduction in computing net income for the year 1927 of the White Sewing Machine Co. (Ohio), a member of an affiliated group of which the above taxpayer is the parent, such deduction being the net loss sustained by that company for the year 1925. The facts disclose that such company during the years 1924 and 1925 when it was not affiliated had net losses.

S. A. WOODS MACHINE CO., SOUTH BOSTON, MASS.

Overassessment, 1918 ..... $76,018.87

The entire overassessment represents a deficiency in tax assessed but not collected within the statutory period provided therefor. *Russell* v. *United States* (278 U.S. 181); T.D. 4260 (C.B. VIII-1, 206).

Supplement to Part II

Treasury Department,
Washington, March 8, 1934.

Hon. Pat Harrison,
Chairman Joint Committee on Internal Revenue Taxation, United States Senate.

My Dear Mr. Chairman: In accordance with the practice followed in prior years, there is transmitted herewith an analysis prepared by the Treasury Department of the overassessments reported to the Joint Committee for the calendar year 1932 and other overassessments in excess of $20,000 which were reviewed in the office of the General Counsel of the Bureau of Internal Revenue during that year.

It is believed that this analysis will be of interest to your committee and will prove useful as a supplement to the prior analyses prepared by the Treasury Department which were printed in connection with reports of the joint committee on refunds and credits of internal revenue taxes covering the period from June 1, 1928 to December 31, 1931.

The determination of overassessments in tax, like the determination of tax deficiencies, is obviously a necessary incident to the administration of our tax laws. It is hoped that this continuation of the analysis and specific reasons for overassessments may be of assistance in the framing and enactment of future revenue laws.

Very truly yours,

B. H. Bartholow,
Special Assistant to the Secretary of the Treasury.

Analysis of Overassessments in Income-Tax Cases for the Calendar Year 1932

The number of income tax cases involving overassessments and made the subject of the present analysis is 520. From an examination of these cases it is found that the total original taxes assessed amounted to $162,414,933.28, the total additional taxes assessed amounted to $53,949,550.42, the total overassessments previously allowed amounted to $9,078,918.54, and the total overassessments herein analyzed amounted to $67,402,964.07. The overassessments made the subject of this analysis involving the profits-tax years 1917–21, inclusive, aggregate $27,948,520.65, of which $8,749,453.31 represent refunds, $6,919,895.29 represent credits to other years, and $12,279,172.05 represent unpaid taxes abated. The sum of $27,948,520.65 is 41.46 percent of the total overassessments covered by this analysis. It will be noted that the percentages of the total overassessments due to special assessment and invested capital changes decreased materially from those shown in the analysis for the calendar year 1931. It will be observed further that the percentage of overassessments due to depreciation decreased from 6.40 percent, shown in the analysis for 1931, to 5.17 percent, and that the percentage of overassessments due to depletion decreased from 4.63 percent to 1.82 percent. The amount of overassessments attributable to original assessments was $22,532,332.19, or about 13.87 percent of the total original taxes assessed. It should be borne in mind that these overassessment cases primarily involve errors the correction of which works to the benefit of taxpayers and do not include that large number of cases, involving no substantial overassessments, where additional taxes are collected.

The following is a summary of the result obtained by this analysis with respect to the income, war-profits, and excess-profits taxes:

Analysis of overassessments of income-tax cases

Classification	Refund	Credit	Abatement	Total	Percent
Court decisions	$5,861,020.35	$502,221.50	$945,448.93	$7,308,690.78	10.84
Board decisions	927,500.02	626,368.78	2,251,742.54	3,805,611.34	5.65
Specific legislation	23,260.68	32,923.96		56,184.64	.08
Special assessment	549,063.93	129,387.08	203,712.97	882,163.98	1.31
Erroneous assessment	161,185.95	107,126.72	18,508,521.79	18,776,834.46	27.86
Depreciation	1,503,639.86	1,468,388.58	508,913.97	3,480,942.41	5.17
Depletion	499,574.30	209,159.04	516,482.39	1,225,215.73	1.82
Obsolescence	213,620.50	121,876.46	259,008.76	594,505.72	.88
Inventory changes	521,588.23	1,878,249.89	203,680.03	2,603,518.15	3.86
Affiliation changes	1,242,181.64	745,567.07		1,987,748.71	2.95
Losses	787,818.96	243,400.34	565,157.05	1,596,376.35	2.37
Invested capital changes	309,231.30	168,956.88	426,645.89	904,834.07	1.34
Amortization	1,144,298.96	1,038,628.64	16,502.03	2,199,429.63	3.26
Shift of income	546,544.00	2,310,573.32	1,679,864.34	4,536,981.66	6.73
Miscellaneous	4,395,369.60	2,610,688.90	10,437,867.94	17,443,926.44	25.88
Total	18,685,898.28	12,193,517.16	36,523,548.63	67,402,964.07	100.00

Analysis of classification, "Miscellaneous"

Classification	Refund	Credit	Abatement	Total	Percent of miscellaneous	Percent of total overassessment
Adjustment of gross income, including profit and loss on sale of capital assets	$686,941.14	$513,936.89	$2,245,949.52	$3,446,827.55	19.76	5.12
Credit for foreign taxes	166,140.77	188,979.68	85,006.19	440,126.64	2.52	.65
Nontaxable dividends and interest on deficiency	632,503.93	210,912.73	919,669.93	1,763,086.59	10.11	2.61
Proceeds from sale of stock	173,459.15	166,301.35	578,060.81	917,821.31	5.26	1.36
Installment sales	29,371.69	13,562.94		42,934.63	.25	.06
Taxes	49,037.87	8,088.28		57,126.15	.33	.09
Net losses	470,962.78	107,669.83	182,002.94	760,635.55	4.36	1.13
Penalty	5,228.28	775.62	1,964,013.15	1,970,017.05	11.30	2.92
Other adjustments for repairs, compensation of officers and employees, interest, donations, legal expenses, advertising expense, mathematical errors, ordinary and necessary business expenses, rents, exempt organizations, changes in accounting periods, taxes withheld, etc.	2,181,723.99	1,400,461.58	4,463,165.40	8,045,350.97	46.12	11.94
Total	4,395,369.60	2,610,688.90	10,437,867.94	17,443,926.44	100.00	25.88

Analysis of Overassessments in Estate-Tax Cases for the Calendar Year 1932

The number of cases covered by this analysis is 622, in which the total original taxes assessed amounted to $101,710,172.54, the total additional taxes assessed amounted to $20,279,598.14, and the total overassessments amounted to $82,328,207.82. Of the total overassessments, the amount of $4,677,772.92 was refunded and the amount of $77,650,434.90 was abated. About 74.05 percent of the abatements was due to credits allowed for payment of State inheritance taxes after the Federal estate-tax returns were filed and the indicated Federal tax liabilities were assessed, the overassessments having been allowed in accordance with sections 301 (b) of the Revenue Acts of 1924 and 1926. This large amount of estate taxes abated under the provisions of the above-mentioned sections of law was due to the Bureau policy of assessing Federal estate taxes before evidence of the payment of State inheritance taxes could be submitted. This policy was changed during the year 1931, so that for the years following 1931 the amount of estate taxes abated due to credits for State inheritance taxes will be progressively reduced. For example, it will be noted that the percentage of such abatements of the total overassessments amounted to 88.92 percent in the analysis for the calendar year 1931, while in this analysis the percentage is 74.05 percent.

A summary showing the causes of the overassessments and the resulting refunds and abatements is as follows:

Analysis of estate-tax overassessments

Classification	Refund	Abatement	Total	Percent
Court decisions	$518,995.91	$4,667.17	$523,663.08	0.64
Board decisions	809,404.74	9,805,326.16	10,614,730.90	12.89
Credit for State inheritance taxes	1,370,649.13	59,592,528.57	60,963,177.70	74.05
Duplicate assessments	160,530.06	6,368,580.31	6,529,110.37	7.93
Executors' fees, miscellaneous administration expenses, and claims against the estate	273,390.20	252,727.52	526,117.72	.64
Transfers	1,075,842.59	644,178.68	1,720,021.27	2.09
Miscellaneous	468,960.29	982,426.49	1,451,386.78	1.76
Total	4,677,772.92	77,650,434.90	82,328,207.82	100.00

Part III

GENERAL SURVEY OF OVERASSESSMENTS

Part III

GENERAL SURVEY OF OVERASSESSMENTS

During the calendar year 1932 there were 81 overassessment cases reported to the joint committee. Three of these cases were canceled and certain deficiencies abated; two cases are unadjusted pending the approval of stipulations, and one case has not been settled due to its disapproval by the Comptroller General on account of deficiencies against a subsidiary which are under appeal. The statistical summary in part II represents 75 cases reported to the committee during the period January 1 to December 31, 1932, inclusive. These cases, including cases previously reported but not allowed until 1932, reflected overassessments with interest in the total amount of $35,233,733.64. The corresponding allowance for the calendar year 1931 was $38,709,828.48. The overassessment allowances for 1932 are accordingly about 9 percent less than that for the year 1931. The rate of overassessments during 1932 was approximately 55 percent less than the average rate for the preceding 5 years and 9 months.

The above figures include abatements which occur in cases where the refund or credit is in excess of $75,000. Abatements are in reality adjusting bookkeeping entries and do not directly affect the revenue, since in general they merely represent the write-off of an improper charge against the taxpayer entered on the collector's books. The best indication of the overassessment situation for 1932 is to be obtained by a comparison of the refund and credit allowances with those of prior years. This comparison is next presented.

For the 21-month period ended December 31, 1928, the total amount of refunds and credits in excess of $75,000 each was $145,860,031. This indicated a monthly rate of refundment of $6,945,717. For the calendar year 1929, the total refunds and credits allowed were $54,172,647, resulting in a monthly refundment rate of $4,514,387. For the calendar year 1930, the total amount of refunds and credits was $54,852,131, and the monthly rate of refundment was $4,571,011. For 1931, the total amount of refunds and credits was $25,735,820, and the monthly rate of refundment was $2,144,652. Taken collectively, this reflects an average monthly rate of $4,923,169 for the entire period up to and including 1931. For 1932, the total refunds and credits allowed were $22,913,172, and the monthly rate of refundment was $1,909,431, which represents a decrease of 11 percent over 1931 and 61 percent over the average monthly rate for the prior 5 years and 9 months. It is also interesting to note the decrease in cash refunds allowed during the calendar year 1932. Cash refunds allowed in excess of $75,000 amounted to $15,773,240 in 1931 in comparison with cash refunds of $27,174,872 in 1930, a decrease of approximately 42 percent. For 1932, cash refunds total $12,412,885, a decrease of 21 percent over 1931 and 54 percent over 1930.

The total cash refunds with interest paid during the calendar year 1932 amounted to $68,955,741.20, including cases involving less than $75,000 as well as more than $75,000. The total back taxes with

interest collected in 1932 amounted to $162,059,686.83. Thus, back taxes collected were nearly two and one half times the refunds paid out in 1932.

It will be observed in connection with the over-assessment cases reported to the committee during the calendar year 1932, that over 73 percent of the tax originally and additionally assessed was ultimately collected. The average percentage of interest paid on the over assessments allowed during 1932 was approximately 23 percent.

Analysis of all overassessments reported to the committee during 1932 shows that allowances of $14,438,590.30, or 54 percent, were made on account of taxes for the excess-profits tax years up to and including 1921, and that the remaining 46 percent of the allowances were for years subsequent to 1921. Further analysis shows that the interest paid on overassessments prior to 1922 totaled $4,005,856.62, i.e., the interest charges attributable to the excess-profits tax year represent 64 percent of the interest paid on all overassessment reported to the committee during the calendar year 1932. Th following table shows to what extent these old cases have affected the overassessment allowances which have been reported to the committee:

Percent of total overassessments attributable to the excess-profits tax years

	Percent
14-month period, Feb. 28, 1927, to Apr. 24, 1928	88
7-month period, May 29 to Dec. 31, 1928	77
12-month period, Jan. 1 to Dec. 31, 1929	71
12-month period, Jan. 1 to Dec. 31, 1930	59
12-month period, Jan. 1 to Dec. 31, 1931	53
12-month period, Jan. 1 to Dec. 31, 1932	54

These figures in respect to refunds and credits show that a decline in the amounts of such allowances may be expected coincident with the extent to which the old excess-profits tax years are eliminated from the picture. Certain provisions contained in the laws governing the excess-profits tax years dealing with special assessment, invested capital, and amortization have contributed largely to the overassessments found. Another era of high tax rates is now being entered into. These high rates will probably contribute to increase both refunds and back tax collections in the future. Fortunately, we are not now faced with the three troublesome provisions of the prior law noted above.

In accordance with the practice followed in prior years, a detailed analysis of the specific reasons for the overassessment allowances in 1932 is presented in the classification of overassessments appearing in part II. It is believed important to discuss these causes in some detail.

It appears from the classification that overassessments made pursuant to the final order of the United States Board of Tax Appeals constitute the principal cause of overassessments. The amount of $4,737,715.21, or over 17 percent of all the overassessments, results from these cases. The overassessments in this classification generally result from stipulations entered into between the Commissioner, represented by the Special Advisory Committee, and the taxpayer. Numerous issues are usually involved.

The second major single cause of this year's overassessments results from the determination of depreciation allowances. The principal difficulties encountered in the determinations are March 1, 1913,

valuations and rates of depreciation. Depreciation rates are based primarily on judgment and no definite means of standardizing such rates has been evolved. The Bureau, however, are ~~not instituting~~ now a new policy in respect to depreciation from which a substantial reduction in these allowances is expected.

The third important cause of the refunds described in this report is in connection with inventory adjustments. Approximately 11 percent of all overassessments were due to repricing of merchandise stocks, made necessary because of the difficulty of ascertaining market prices which prevailed on specific dates.

Fourth in importance is the application of the consolidated returns provision, which accounts for about 10 percent of the overassessments. Under section 1331 of the Revenue Act of 1921, retroactive to the calendar year 1917, and section 240 of the Revenue Act of 1918, the filing of consolidated returns was mandatory. Under section 240 of the Revenue Act of 1921, and corresponding sections of subsequent acts, the filing of such returns has been optional. The Revenue Act of 1928 abolished class B affiliations and the Commissioner was given authority to promulgate binding regulations as to consolidated returns. Under the Revenue Act of 1932, no specific provision was made for a new election to file a separate return or a consolidated return, but the regulations assume, apparently, that such a right exists. Many complicated questions have arisen in the case of these returns.

Examination of the cases involving the question of affiliation reported to the committee during the calendar year 1932 discloses that practically all come within the purview of section 240 of the Revenue Acts of 1918 and 1921. The principal difficulty is found in determining which companies were affiliated within the meaning of the statute. Although some difficulty is expected from this source even under the existing law, it is believed the problems of consolidation will be minimized by the elimination of class B affiliations effected in the Revenue Act of 1928, and by the new regulations promulgated under that act.

One of the principal causes of overassessments for 1932 are adjustments in estate taxes. The amount of $2,454,815.29 of the overassessments is attributable thereto. It will be remembered that the principal cause of the 1930 and 1931 overassessments, as well as a major contributing cause since 1927, was attributable to this classification. These adjustments are primarily due to the administrative procedure incident to the allowance of the credits provided in section 301 (b) of the Revenue Acts of 1924 and 1926. The inability of the representatives of estates, at the time of filing returns, to furnish sufficient evidence which would entitle the estate to the 80 percent credit provided under these sections for estate, inheritance, legacy, or succession taxes actually paid are mainly responsible for the difficulty encountered.

The allowance of increased deductions for amortization of war facilities under the provisions of section 234 (a) (8) of the Revenue Act of 1918 and section 1209, Revenue Act of 1926, is responsible for $2,249,743.59 of overassessments, about 8 percent of the overassessments allowed in 1932. The provision is also one which does not affect years subsequent to 1921.

The preceding detailed discussion of the principal cause of overassessments covers the first six classifications of causes and represents approximately 65 percent of the total overassessments allowed.

Finally, it is proper to consider the question of whether the overassessments allowed by the Commissioner in connection with refunds and credits of over $75,000 are justified under the law and are fair to both the Government and the taxpayers.

This question must in general be answered in the affirmative. It is inevitable in settling so many technical problems that some difference in opinion will exist. Of the 81 cases reported, no adverse criticism could be made on the basis of the summary of the facts and decision of the Commissioner in 57 cases. In the other 24 cases, special investigation of the files of the Bureau was made and after careful review of all material and relevant factors, only 5 cases remained in which serious differences arose between the Treasury and the staff of this committee. Controversy arose in connection with the proper method of treating the original cost of clearing land, with the method employed in determining amortization, witb the method of computing obsolescence, with the method of computing foreign tax credits, and with the method of valuing estates. In respect to all of these controversial questions, it may be stated that the staff of the committee was more concerned with consistency in taxation and with the establishment of sound principles than in the determination in the particular case. In the majority of cases, a given rule will affect some taxpayers adversely and other taxpayers favorably. It is hoped that the investigations and comments of the staff have been helpful in clarifying the issues discussed.

CONCLUSION

It must be concluded that the overassessments reported to the Joint Committee during the calendar year 1932, and paid after the 30-day period prescribed by law, represent accurate and careful determinations of tax liability.

The staff received from Hon. David Burnet, former Commissioner of Internal Revenue, and from Mr. B. H. Bartholow, Special Assistant to the Secretary of the Treasury, very satisfactory cooperation in connection with its examination of the overassessments. All issues raised have received careful consideration and full and open discussion.

The examination of the refunds and credits in behalf of the committee has been under the immediate supervision of Mr. G. D. Chesteen, assistant chief of staff, assisted by Mr. A. T. Akin, auditor.

Respectfully submitted.

W. L. TUCKER, *Auditor.*

Approved:

L. H. PARKER, *Chief of Staff.*

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