

ANNUAL REPORT OF THE
Secretary of the Treasury

ON

THE STATE OF THE
FINANCES

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With Appendices



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Surtaxes.

The usual argument in favor of high surtaxes is that taxation should be according to "ability to pay." The theory of taxation according to "ability to pay," like all other general statements, has its limitations and its qualifications. In the first place, the tax must be productive, otherwise the whole purpose of the tax is lost. Again, it must not be unreasonable or oppressive, for in that case it will be avoided or evaded and thereby cease to be productive. Again, the tax must not be one the result of which is to interfere with productive industry; it must not dry up the very source out of which revenue is expected to come. If it does, not only will the tax cease to be productive but it will also result in lessened production, unemployment, arrest of the country's growth and serious injury to the people least able to bear these consequences.

That the higher surtax rates are rapidly ceasing to be productive of revenue is apparent from a study of the statistics published by the Bureau of Internal Revenue. That these taxes are being evaded or avoided, no one of any experience doubts. It is usual to put the blame for this upon the so-called tax-exempt securities. There is no doubt that a large and steadily increasing amount of money formerly invested in productive industry is now going into tax-exempt securities. Investors having incomes falling within many of the higher brackets have found it no longer profitable to continue to place their money in the same class of business and investments as heretofore, and tax-exempt securities afford a ready method of obtaining an assured income without the risk incident to investment in productive industry. There is no use discussing whether the exemption of State and municipal securities from Federal taxation is wise or unwise, for it is inherent in our system of government and the remedy must be found in a constitutional amendment which good faith requires should be applicable only to future issues of such securities.

The amount of such tax-exempt securities now outstanding is estimated by the Treasury at approximately \$10,000,000,000. The exact figures seem difficult to ascertain and much higher estimates are made. The amount of new securities of this character issued during the first eight months of the present year is said to be \$800,000,000. Of the total amount of tax-exempt securities now outstanding, approximately \$2,500,000,000 have been issued by the United States, or under its authority, including such securities as Federal farm-loan bonds. (See Exhibit 76, p. 379 of this report.)

While tax-exempt securities afford an easy means to a large class of investors of avoiding payment of the high surtax rates, they con-

stitute only one of many ways that can be and are availed of to avoid such taxation. Experience teaches us that means of avoiding taxes which are regarded as excessive or unreasonable will always be found, and it would be useless to attempt to catalogue them, for new methods will constantly be developed as long as the tax rates continue so high that persons having money for investment find it unprofitable to continue their investments in productive industry.

There are, however, other results flowing directly from these high rates of taxation which are still more serious in their consequences to the people of the country.

The tremendous development of the resources and of the industries of our country, resulting in our present wealth, has been brought about within a comparatively brief period of time, measured in the life of nations, and has been primarily due to three things: (1) The industry of our people and the opportunity and incentive afforded to everyone, whatever his place, to acquire in a greater or less degree some share or portion for himself of that which we call wealth; (2) the steady accumulation of capital resulting from the industry and the thrift of our people, whereby productive industry in every line on a constantly expanding scale was made possible; (3) the very moderate Federal taxation, whereby the free flow of capital, wherever it was needed, and freedom of legitimate commercial transactions was not interfered with, the natural laws of trade being allowed full play.

The result has been a prosperity general throughout the whole people of the country, and unexampled elsewhere. We have a standard of living higher than that prevailing in any other country, and are proud to speak of ourselves as the wealthiest nation in the world.

Does anyone believe that if our policy in the past as respects taxation had been for the Government to take away from successful effort one-third, one-half, or three-fourths of the gains resulting therefrom we would have accumulated the wealth which we now possess, or have achieved our present position? Does anyone believe for a moment that without this wealth when drawn into the World War we could have so quickly put forth the marvelous strength which we did and thereby have enabled the bringing of the war to a speedy and successful conclusion? Notwithstanding the tremendous depression now existing in all business and industry, our people look forward with absolute faith to the future, confident that these conditions are but temporary, and it is the strength resulting from our accumulated wealth which gives us this confidence.

In the past we were proud of the opportunities enjoyed by our people because we were free from high taxation, as compared with

the peoples of Europe, who, even before the war, were struggling under a burden of taxation which, in our wildest fancy it never occurred to us that we would approach.

The destruction of incentive.

Another serious effect of these high tax rates is the destruction of incentive—the drying up of the activities of individuals in trade operations—with consequent lessening of business transactions, the slowing down of production, and ultimately a loss of revenue to the Government.

There is not much incentive to men to take risks in any line of industry when all the risk must be borne by the individual, and, if ultimately success comes, a large part of the gain is taken away by the Government in taxes.

In business life, success and profit are not always the result of individual effort; in many cases the result is loss. All great success—especially in new productive enterprise—when ultimately gained, is most frequently built upon many previous failures and comes only after a considerable period of time during which there was no profit. So that, when success comes, the profit or gain to be real must be such as to compensate for these previous failures and losses, and without this incentive there is no inducement to anyone to incur the risks involved. Then, too, in productive enterprise, the merchant, the manufacturer, the farmer, profits vary from year to year, and periods of lean years follow good years. High taxation which seizes upon gains as quickly as realized, taking a large part thereof, and making no allowance for the previous failures and losses which have had to be endured before success came, or for lean years, is utterly destructive of individual incentive.

In speaking of individual incentive, it should be clearly understood that reference is not made only to individuals of large incomes. On the contrary, reward for successful effort must be held out to those of moderate incomes, because it is upon the younger men of strength and courage and vision that a great deal of the burden must fall in the way of initiating and carrying on the productive industries of the country. Large incomes, and the individuals receiving them, play a very important part, but only a part, in the whole general scheme of maintaining and carrying forward the productive industries upon which the prosperity of the country depends. Successful taxation after all rests upon a prosperous people, not any one class, but the people as a whole.

The need for new capital.

There are three things which may be noticed as bringing immediately to mind how essential new capital is in order that the country may be prosperous.

1. We have a steadily increasing population, and that means an increased need of everything that enters into human consumption.

2. Our standard of living steadily rises. This is no new thing; it seems always to have been true of every people of whom we know. The luxury of to-day is soon a necessity. To provide for these added needs requires more capital.

3. The waste and loss which goes on all the time must be made good. There is the destruction of property by fire and other casualty. Buildings, machinery, houses, furniture, everything that man makes for his own use, wear out and disappear. Year by year this amounts to a vast sum and must constantly be made good, otherwise the world goes backward.

The accumulation of this necessary additional capital from year to year can come about only through the savings of the people, and the amount which any individual can save and add to the capital of the Nation, of course, increases progressively with the amount of his income. The larger the income the larger the possibility of saving, because of the larger margin over reasonable living expenditures.

When it is sought to justify very high surtaxes on the ground of ability to pay the tax, we should remember that ability to pay the tax also means ability to save and to add to the needed capital of the country, so that the theory of ability to pay, when carried to such limits, destroys the ability to save, and thereby diminishes the capital available for productive industry.

The nation has no wealth other than that owned by its citizens. All productive wealth is owned by individuals and managed by them. So, when we speak of the wealth of the country, we are in fact referring to the aggregate wealth of the people of the country. The amount held by each individual does vary, but the statement is true from the smallest amount in a child's savings bank to the largest fortune.

The idea seems prevalent that in taxing large incomes, only the person receiving the income, and who is to pay the tax, is really concerned. This is a mistake. For whatever the Government takes, in the way of tax, out of any income, which would otherwise be saved and invested, and thereby become a part of the capital and of the wealth of the nation, affects not so much the individual from whom it is taken as it does the whole people of the country, in the direct loss of productive capital. So that in considering the effect

of high taxes upon incomes, particularly on very large incomes, it is not so much a question of the effect on the individual who is called upon to pay the tax as it is the effect upon the whole community. The man receiving a large income may not himself suffer any hardship because a great part of it is seized and taken for taxes, but the effect upon the community—upon the people of the whole country—is serious indeed. After all, the wealth of the country, upon which all the activities and the prosperity of our people depends, is made up of the private property of the individual citizens—of all the people—and anything that unnecessarily takes away from this accumulated property necessarily injuriously affects the people as a whole.

The diversion of capital.

It must be perfectly clear to anyone who gives serious thought to the subject that the theory that high income taxes put the burden of taxation on the rich and relieve the poor is a fallacy. Take as an illustration the present housing situation. The capital for building operations has come from people having incomes large enough to provide a surplus for investment. Real-estate mortgages were always considered a sound investment for this class, and capital usually was available at a moderate rate of interest. Since the policy of high surtaxes this class of loans has largely disappeared. The investors who formerly put their money in such loans now find it more profitable to go elsewhere. The result is that capital has been diverted from building operations, there has been a great shortage of houses, rents have enormously increased, and people of small or moderate means living in rented houses have been compelled to pay greatly increased rents, so that in the end the burden has fallen upon the very class sought to be relieved. Of course, it is not meant that the whole blame for this situation rests upon the diversion of capital due to high income taxes. Other factors contributed. But after making allowance for these the fact remains that a very substantial part of the difficulty has been brought about by the diversion of capital into other channels, and the situation is mentioned only to bring home in a specific way how directly the diversion of capital affects the people of small incomes.

The consequence of this diversion of capital is at once greatly to increase interest rates upon the capital which productive industry is able to obtain, and this in time means lessened production and increased costs. The less capital there is available the greater the struggle to get it and the higher the price paid therefor, which means, of course, increased cost of production. At the same time the less capital there is available the more production is prevented

or diminished, and lessened production in itself means increased cost.

While everything that increases the cost of production naturally and inevitably increases the cost to the consumer, yet it does not seem reasonable to believe that all taxes are necessarily passed to the consumer in the form of increased prices, for naturally there comes a place where the price is such that the consumer can no longer afford to buy, or must buy less, and in the end both the producer and the consumer share in the disastrous consequences of such taxation.

The point now emphasized is that the evil effects of high surtaxes fall not upon the individual whose income is seized and taken, but ultimately almost entirely upon the mass of the people who are thereby deprived of the benefits which would result from the free flow of commercial transactions and the use of the additional capital which would be available for productive enterprise.

Freedom of business transactions essential.

The revenue to be obtained by the Government from this class of taxes depends upon transactions in trade and commerce which bring about income available for payment of taxes. It is highly desirable, in the interest of the production of revenue, that the volume of business transactions giving rise to gain shall be as great as possible, and to this end it is essential that the natural laws of trade and commerce and the free flow of business shall not be interfered with or prevented.

But the direct effect of these very high taxes is to hinder and prevent business transactions which would otherwise take place. A man may have property which he has held for years and which has greatly increased in value, and he would like to sell it, but if he does a large part of the gain would have to be paid out in taxes. He would rather keep the property than sell it, pay the tax, and invest what is left in something else. At the same time the party desiring to buy this property, if he obtained it, would improve it with buildings. What is the result? The transaction does not take place, and the community loses the advantage which would come in the stimulation that would arise from the transactions resulting from the buyer's improvement of the property, and it also loses the advantage of the seller's putting his money into some other form of investment, which in turn would give rise to business transactions. The same thing on a much greater scale is true in manufacturing and mercantile lines. Men have built up enterprises to the point where they are highly successful. They would like to take their profit and turn the business over to younger men to carry on. These transactions are highly desirable not only for the parties but for the community,

yet they are absolutely stopped, because if made the seller would have to pay in one year a tax on a gain which has been the result of perhaps the better part of a lifetime of effort. And in all such cases the Government gets no tax, whereas if the rates were reasonable the transactions would take place and the Government's revenues would benefit accordingly.

The free interchange of property in business transactions is essential to the normal prosperity of the country, and each such transaction has a direct tendency to bring about others of like character with the result of increasing the amount of gain or income available for taxation; but when the tax is so high as to act as a deterrent against usual and desirable business transactions, and the volume of such transactions is thereby lessened, the inevitable result is for the tax to become less and less productive.

It is for these reasons that, particularly in the higher brackets, a lower tax rate will produce more revenue in the long run than excessive rates. So long as the high rate stands in the way of accomplishing bargains and sales, the Government receives no tax; but at a lower rate the transactions proceed and the Government shares in the profits.

The injurious effect of high rates on the revenues.

The actual effect of the high surtaxes can readily be seen in the statistics published by the Bureau of Internal Revenue.

The following table shows in comparative form, for the years 1916 to 1919, inclusive, the total number of returns of all classes and the returns of incomes over \$300,000; the total net income in the same way, and also the investment income.

Table showing decline of taxable incomes over \$300,000.

| | Number of returns. | | Net income. | | Income from dividends, interest, and investments. | |
|-----------|--------------------|-------------------------|-----------------|-------------------------|---|-------------------------|
| | All classes. | Incomes over \$300,000. | All classes. | Incomes over \$300,000. | All classes. | Incomes over \$300,000. |
| 1916..... | 437,036 | 1,296 | \$6,298,577,620 | \$992,972,986 | \$3,217,348,030 | \$706,945,738 |
| 1917..... | 3,472,890 | 1,015 | 13,652,383,207 | 731,372,153 | 3,785,557,955 | 616,119,892 |
| 1918..... | 4,425,114 | 627 | 15,924,639,355 | 401,107,868 | 3,872,234,935 | 344,111,461 |
| 1919..... | 5,332,760 | 679 | 19,859,491,448 | 440,011,589 | 3,954,553,925 | 314,984,884 |

The years under consideration, 1916 to 1919, inclusive, were, on the whole, years of unexampled prosperity, and of earnings and profits beyond those ever known before in any like period in the history of the country. Notwithstanding this, and while the total income of all classes increased, at the same time there was a striking decrease in

taxable incomes of \$300,000 and over—the drop being from \$992,972,986 in 1916 to \$440,011,589 in 1919.

The effect of the high surtaxes in the other brackets is apparent from a brief study of the statistics regarding taxable investment income.

In the bracket "Incomes of \$300,000 and over," the taxable investment income declined from \$746,614,591 in 1916 to \$328,360,613 in 1919; in the bracket "\$100,000 to \$300,000," the decline was from \$602,853,543 in 1916 to \$427,910,905 in 1919; and in the bracket "\$60,000 to \$100,000," the decline was from \$366,614,917 in 1916 to \$323,743,874 in 1919.

If we take the taxable income from interest, exclusive of interest on Government obligations, the decline is still more striking, the figures being as follows:

| | |
|----------------------------------|---------------|
| Incomes, \$300,000 and over: | |
| 1916..... | \$165,733,900 |
| 1917..... | 111,468,127 |
| 1918..... | 74,610,507 |
| 1919..... | 60,087,093 |
| Incomes, \$100,000 to \$300,000: | |
| 1916..... | 158,870,428 |
| 1917..... | 119,539,786 |
| 1918..... | 91,030,392 |
| 1919..... | 91,467,182 |
| Incomes, \$60,000 to \$100,000: | |
| 1916..... | 93,280,583 |
| 1917..... | 75,375,484 |
| 1918..... | 65,784,062 |
| 1919..... | 68,814,933 |

The foregoing brackets represent the incomes subject to surtaxes under the revenue act of 1918, respectively, at 63 to 65 per cent, 52 to 63 per cent, and 29 to 48 per cent. To these figures should be added the normal tax of 8 per cent in order to find the total tax obligation.

In view of these figures, is it not clear that these high surtax rates are rapidly ceasing to be productive of revenue to the Government? And is it not equally clear that their effect has been to divert into unproductive channels not merely the income on the old investments, but to force a large part of the old investment capital into unproductive channels?

Business profits.

The revenue act of 1921 has repealed the excess-profits tax law, effective December 31, 1921. While this law was justified as a war measure, its continuance in time of peace, and particularly under

present conditions, would have been indefensible. During the war period, when every line of industry was running at full capacity and prices and profits were highly inflated, the act served to produce a large revenue for the Government and its inequalities were not so much felt by the taxpayers. Its burden, however, fell very unequally upon the business interests of the country. The higher rates of tax were imposed, generally speaking, upon the small or moderate-sized corporations rather than upon the large ones. Owing to the difficulty of determining the capital actually used to carry on any industry, it was impossible to apply the act without very great hardship in many cases. The administration of the act also was extremely difficult, and the department even yet has not been able to dispose of all the cases arising under the law for the year 1917, the first year of its operation.

The repeal of the excess-profits tax has made necessary a very considerable increase in the flat tax on net corporate income, the rate under the new law being $12\frac{1}{2}$ per cent. In addition there is the capital-stock tax, which amounts, roughly speaking, to about 2 per cent of the net income. This makes a total tax equivalent to nearly 15 per cent on corporate net income; and when we remember that the great bulk of the business of the country, both large and small, is carried on under corporate form and that the net income must largely be distributed in dividends, and that these dividends are then in turn subject to surtax in the hands of persons receiving them, it is at once seen that the resulting taxation to persons engaged in productive business is very heavy. For instance, a stockholder subject to surtax at 10 per cent really pays about 25 per cent, 15 per cent through the corporation and 10 per cent as surtax on his dividends; while a stockholder subject to 50 per cent surtax would be taxed about 65 per cent on such profits.

Estate tax.

Much of what has been said respecting the high surtaxes applies equally to the high rates of taxation upon estates. The continuance in time of peace of the very high estate taxes imposed during the emergency of war should receive serious consideration.

There are two chief objections to the present high rates, running as they do up to 25 per cent of the net amount of the estate, which should be emphasized.

The first is that taxes at such rates, which seize upon and take away so much of the capital of the country, are fundamentally wrong. The Nation, just as the individual, should not use up its capital in payment of its ordinary expenses. The money which is taken by way of such taxes is, to a large extent, the capital which is in use

and necessary in carrying on the business of the country, and just to the extent that the Government seizes upon and takes this capital for its own income its loss must be made good out of the thrift and savings of the people of the country.

The more serious difficulty, however, in this respect is with the high rates. Where the rates are moderate and thereby are widely spread and take but a moderate amount of capital from each estate, their effect is not so great; but when the rate is high and falls heavily in a few places, and the amount of capital seized and taken away from certain lines of industry, or certain particular industries, is large, the evil effects are very harmful.

In the second place, there is the destructive effect upon values. If all the wealth of an estate consisted of money, the evil results of such taxes would be much less. But the wealth of estates does not consist of money, nor, in fact, in most cases, of property readily convertible into money. An estate consisting principally of Government bonds or municipal securities is of less real value to the community than is the estate that is invested in property in any line of productive industry giving useful employment to large numbers of people. And yet, the estate invested in tax-free securities would be much less affected by the tax than the estate invested in real estate, in manufacturing plants, in merchandising, in farming, or in any line of productive industry.

Again, when a man actively engaged in business dies, leaving an estate of considerable size, his family is called upon to provide for the payment not merely of the Federal estate tax, but, in many cases, an inheritance tax to the State in which he lived. There is also frequently a tax to be paid to the State where some part of the property is located, and often a tax must be paid upon the value of shares of stock to the State where the company is incorporated. So that, there may be as many as four different taxes to be paid upon the same property. In addition, there is usually a greater or less amount of indebtedness existing which must be met. These obligations can be met only by payment in money. The estate can not take its property and simply divide it up, giving to the Nation, to the State, and to the creditors a proportionate share of the actual property. Those ultimately entitled to share in the distribution may take their portions in property, but, before that can be done, actual cash must be found for the payment of the taxes and the debts; and the larger these are in proportion to the amount of the estate, the more difficult the task becomes.

In the ordinary course of business, there is just a certain amount of property that changes hands from year to year. There is a market for a certain amount and no more. The extent of this market, that is, the buyers who are willing to buy at fair prices, is dependent largely

upon the amount and character of the property coming upon the market. There may be a ready market at a reasonable price for a limited amount of the shares of an industrial company, or for a medium-size manufacturing property, or for residence or business property of moderate price. But the larger the amount of property that must be sold, the more difficult it becomes to find buyers for it; and if the sellers are under some absolute need to sell, as is the case where the money must be provided within a limited time to pay taxes and debts, then just that much less ready and willing are bidders to buy, and just so much greater is the sacrifice that the sellers must make in order to obtain cash. The same thing is seen constantly in the commercial world. If a large amount of any of the staple commodities, even such as cotton, wheat, or any article of consumption, is suddenly pressed upon the market, and the holder's needs force him to sell, there is an immediate and great decline in the price which he is able to obtain. What is true of articles of daily consumption is very much more true as respects investments in property, such as largely makes up the estates called upon to pay these taxes.

It has become notorious in recent years, whenever a man of means dies, leaving his estate obligated to pay a large amount by way of taxes or debts, or both, that there is an immediate decline in all classes of securities in which he is known to be interested. And when, under these conditions, the estate is required to make a sale of its property, of whatever class it may be, there is not merely a large loss to the estate—a large shrinkage in the value of the property below its real worth—but there is also a loss inflicted upon everyone else who is interested in these properties, especially if at the same time they desire to, or must, sell.

The extent of the shrinkage of values and the losses caused by the forced liquidation of many estates is not generally realized, for the present high rates have been in existence but a short time and their evil effects, which will naturally increase if these rates continue, are only gradually coming to be recognized.

The effect of this breaking down of values tends directly toward making the tax less productive of revenue, and the longer these rates continue with the successive coming upon the market of estates, the more their effect will be felt in the revenues, for each forced liquidation tends to make a new and lower value upon which all taxes must be based.

A large part of the revenue now derived from the estate tax comes from the more moderate rates. Taxation which is destructive of that basis of value on which all taxes rest is neither logical nor wise in principle, and in any revision of our tax laws serious attention should be given to this subject.

The remedy.

It would not seem either wise or necessary suddenly to change from our present system of taxation to new and untried plans; and the evils which have been discussed can be corrected without doing anything of this sort. The necessary adjustments can readily be made by retaining most of the present taxes, but substantially reducing the rates, and supplementing the revenues by some additional taxes.

The income tax is firmly embedded in our system of taxation and the objections made are not to the principle of the tax but only to the excessively high rates. We hear much of the need of simplifying our tax laws and there is room for this. The greatest simplification that can be made is in the reduction of the rates. So long as the rates were low, there was not much difficulty in the administration of the law, even though the system was entirely new and the organization administering it unfamiliar with the operation of such a law. The complexity of the law, so far as concerns the income tax itself, has arisen largely out of the high rates which make every point that arises involve substantial amounts of money, and which means that each possible question is contested by the taxpayer and by the Government, with resulting delay in the collection of the revenue, irritation and annoyance and expense on the part of the taxpayer, and costly litigation. With moderate rates, very much of this difficulty would disappear.

The amount of revenue involved in any such reform is not nearly so great as is generally supposed.

To reduce the surtax rates to a maximum of 25 per cent, and grading the reductions through all the brackets, would mean an apparent loss of about \$130,000,000 in revenue. A 20 per cent maximum rate on the same basis would involve a revenue loss of about \$200,000,000. Other adjustments which should be made would probably involve an amount equal to that made in the surtax rates. This loss of revenue, however, would not be permanent, for the reduced rates would ultimately be productive of more revenue than higher rates, due to the increase in taxable transactions.

If this loss of revenue could not be met by rigid economy in expenditures, the revenue required could be raised either by placing a tax on certain specific articles, or by a low-rate general tax on a broad class of articles or transactions. Such taxes as those now imposed on automobiles and tires have been found simple and inexpensive of administration, and the collection is always substantially current; they have been steadily productive of revenue, and have been without injurious effects upon the country. In view of past experience, a general tax either of this or like character upon a broad class of

articles or transactions could be readily administered; and the rate could be made sufficiently low as not to bear unduly upon any class and at the same time produce a large amount of additional revenue. By retaining the income tax with reasonable surtax rates, which in peace times ultimately should not rise above 10 per cent, taxpayers would still be required to contribute in proportion to their ability to pay; while by placing a certain amount of tax on specific articles, or classes of articles, or transactions, at so low a rate that they could readily be borne without injury, the income tax could be materially simplified, the tax laws could be more readily administered, and at the same time the needed revenues would be raised without the evil effects now resulting from the present excessive rates of taxation.

BUREAU OF INTERNAL REVENUE.

Progress has been made in the audit and settlement of income and profits tax returns for past years, but there is still a vast amount of accumulated cases to be disposed of before the work can be brought to a current basis.

The magnitude of the task placed upon the bureau by the income, war profits, and excess profits taxes can hardly be exaggerated. Under these laws it became necessary, beginning with the returns for the year 1917, to make a careful examination, and in most cases an audit, of the returns for every financial, trading, and industrial concern in the United States, with the result that, whereas prior to 1917 the bureau had been able to keep reasonably abreast of its work, since that time it has fallen further and further behind. The most difficult problems were those arising in connection with the excess profits tax, and particularly the question of invested capital as applied to the widely varying conditions in which different corporations were placed. The rule prescribed by the act for ascertaining invested capital was necessarily an arbitrary one, involving in many cases great hardship and serious discrimination between corporations in similar lines of business. As a result the work of the bureau has become more and more congested, the expense to the taxpayers of handling the cases has been enormous, while the cost to the Government has steadily increased.

The repeal of the excess profits tax, effective at the end of the present calendar year, will, of course, afford great relief in this respect and makes it easier to formulate practical plans for disposing of the accumulated work.

The condition of the work in the bureau has been the subject of much thought and consideration and a careful study has been in progress for several months, and is still going on, for the purpose