

## AUTHORIZING THE USE OF ACCOUNTING AND REGISTERING DEVICES FOR COLLECTING CERTAIN REVENUE TAXES

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APRIL 20 (calendar day, MAY 23), 1938.—Ordered to be printed

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Mr. CLARK, from the Committee on Finance, submitted the following

### R E P O R T

[To accompany S. 3600]

The Committee on Finance, to whom was referred the bill (S. 3600) to amend section 503 of the Revenue Act of 1936 so as to authorize the use of accounting and registering devices for paying or collecting certain revenue taxes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended be passed.

The purpose of this bill, as amended by the committee, is to permit the use of mechanical devices in the collection of certain taxes, namely, admissions taxes and stamp taxes under the Revenue Act of 1926, as amended.

The bill has been amended in accordance with suggestions made by the Treasury Department in a communication addressed to the chairman, which is attached hereto and made a part of this report. The Treasury Department has no objection to the bill as amended by the committee.

TREASURY DEPARTMENT,  
Washington, March 31, 1938.

Hon. PAT HARRISON,  
Chairman, Committee on Finance,  
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: Further reference is made to your memorandum of March 4, 1938, with which you transmitted a copy of Senate bill 3600, Seventy-fifth Congress, and requested a report on the measure.

This bill proposes to amend section 503 of the Revenue Act of 1936, relative to the tax on unjust enrichment, by authorizing the use of accounting and registering devices for paying or collecting internal-revenue taxes. The object of the bill is to permit the use of machines in paying taxes in a manner similar to the devices now permitted in paying postage on letters. Under this proposed plan, for example, a broker who ordinarily pays stamp tax on transfers of stocks and bonds might procure one of these machines from the manufacturer. He would take the machine to the office of the collector of internal revenue, and pay to the collector a certain sum of money. The collector would set the machine at that figure and

seal it. Then, instead of using stamps in payment of the tax, the tax would be computed and the machine would print, on the proper paper or document, the amount of the tax. When these amounts equaled the amount paid to the collector when the machine was sealed, then the machine would cease to operate. It would then have to be taken again to the collector's office, a new sum of money paid, and the machine reset and sealed as before.

It is understood that the payment of postage on letters by these metering devices has been successful, so that, in principle, this Department sees no objection to the plan, as such. It must be kept in mind, though, that, so far as taxes are concerned, this is in its very nature nothing more than an experiment. For this reason, this Department is of the opinion that the experiment should be confined to certain taxes, as, for example, documentary stamp tax and admissions tax. If the experiment succeeds, the scope of the measure could be broadened later to embrace taxes of a different nature.

While, as above stated, this Department is not opposed to the principle of this measure, it is of the opinion that the bill should be modified in a number of particulars.

In the first place, the measure should be so worded as to permit the taxpayer to pay the taxes by this method only at the discretion of the Commissioner. The use of the devices would be permitted only in cases wherein the Commissioner deems it advisable.

To accomplish the foregoing, it is suggested that this proposed amendment be limited to the taxes imposed by titles V and VIII of the Revenue Act of 1926, as amended, relating, respectively, to admissions tax and to documentary stamp tax; that the title of the bill provide for an amendment of the Revenue Act of 1926; that there be eliminated from the title the words "paying or"; and that the amendment take the form of a new section (sec. 809) to be added to title VIII of the Revenue Act of 1926. The words in lines 6 and 7 "internal revenue taxes" should be changed to "the taxes imposed under titles V and VIII of this act, as amended." The words "paid or" should be eliminated in line 7. In line 8, after the word "devices" should be inserted the following: ", in cases in which the Commissioner deems their use advisable,". The concluding sentence, relating to repeal of inconsistent existing laws, should be eliminated, for the reason that this proposed measure is intended to give to the Commissioner an additional means of collecting certain taxes only in cases in which the Commissioner deems the use of metering devices advisable, and that his authority to collect taxes in other cases and in the usual way should not be changed.

In the event that further correspondence relative to this matter is necessary, please refer to GC:L&R:JMcK:A-313887.

The Acting Director, Bureau of the Budget, has advised the Treasury Department that there is no objection to the presentation of this report.

Very truly yours,

ROSWELL MAGILL,  
*Acting Secretary of the Treasury.*

