

Calendar No. 628.

66TH CONGRESS, }
3d Session. }

SENATE.

{ REPORT
No. 668.

COPPER RIVER & NORTHWESTERN RAILWAY CO.

DECEMBER 16 (calendar day, DECEMBER 17), 1920.—Ordered to be printed.

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

REPORT.

[To accompany S. 551.]

The Committee on Finance, to whom was referred the bill (S. 551) for the relief of the Copper River & Northwestern Railway Co., having considered the same, and in view of the information disclosed by the subjoined correspondence, which is made a part hereof, report favorably thereon with the recommendation that the bill do pass without amendment.

MARCH 24, 1915.

DAVID J. WILLIAMS, Esq.,
Collector Internal Revenue, Tacoma, Wash.

SIR: This office is in receipt of your letter of the 15th instant relative to the making of returns of gross income by Alaska railroad corporations, as required by the act of July 18, 1914.

In reply you are informed that in the opinion of this office the returns of gross income of Alaska railroad companies doing business in Alaska are to be made pursuant to the provisions of the income-tax law and that the penalties, both specific and 50 per cent additional, attach where returns are not made on or before March 1 or within the period of 30 days' extension if such extension is granted, and all other penalties for failure to comply with the requirements of the law will attach and may be enforced under the same terms and conditions as are set out in the act of October 3, 1913, and the general internal-revenue laws.

With reference to the Copper River & Northwestern Railway Co. you state that it has made two statements, one for the entire calendar year 1914, showing a gross income of \$620,583.51, and the other for the period July 18 to December 31, 1914, inclusive, showing a gross income of \$281,228.51, and you ask advice as to which of these returns may be properly accepted.

In reply your attention is called to the fact that the act of July 18, 1914, provides: "That in addition to the normal income tax of 1 per cent on net income there shall be levied and collected 1 per cent of the gross annual income of all railroad corporations doing business in Alaska on business done in Alaska, which shall be computed and collected in the same manner as provided in the act of Congress approved October 3, 1913."

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The act of October 3, 1913, generally known as the Federal income-tax law, provides: "That the normal tax shall be levied, assessed, and paid annually upon the entire net income arising and accruing from all sources during the preceding calendar year to every corporation, joint-stock company or association, and every insurance company."

The act of July 18, 1914, as you will observe, provides that the tax to be levied and collected under it is 1 per cent of the gross annual income. The act of October 3, 1913, provides that the tax shall be levied, assessed, and paid annually upon income arising and accruing from all sources during the preceding calendar year. Taking these two provisions together, it appears to be clear that the tax assessable against Alaska railroad corporations upon business done in Alaska contemplates that the tax shall be assessed upon the entire gross income arising and accruing to such railroad companies from business done in Alaska during the entire calendar year.

It is therefore the opinion of this office that the return filed by the Copper River & Northwestern Railway Co. for the calendar year is the one which should be accepted as the basis upon which the gross income tax is to be assessed.

In compliance with your request there is inclosed herewith a copy of the act of July 18, 1914.

Respectfully,

(Signed) G. E. FLETCHER,
Acting Commissioner.

TREASURY DEPARTMENT,
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,
Washington, April 4, 1916.

JOSEPH F. TAYLOR, Esq.,
Clerk Committee on Finance, United States Senate,
Washington, D. C.

SIR: Your letter of the 27th ultimo, directed to the Secretary of the Treasury and by him referred to this office for answer, has been received.

There is inclosed bill (S. 5268) for the relief of the Copper River & Northwestern Railway Co. in the sum of \$3,102.92, income tax paid by said company to the collector of internal revenue at Tacoma, Wash., pursuant to the act of Congress approved July 18, 1914. You ask for all papers on file in this office and such suggestions as this office deems proper to make.

In reply you are informed that on the assessment list for the month of April, 1915, there appears against the name of this corporation an assessment of \$6,205.84, corporation tax for the year ended December 31, 1914. This tax was paid on May 21, 1915. There appears to have been no claim filed for the abatement of this assessment or for the refund of the amount of tax paid.

This office has only the bare record of the assessment and has no recommendation to make in regard to the bill pending before the United States Senate.

Respectfully,

DAVID A. GATES, *Acting Commissioner.*

APRIL 25, 1916.

The SECRETARY OF THE TREASURY,
Washington, D. C.

MY DEAR MR. SECRETARY: S. 5268, for the relief of the Copper River & Northwestern Railway Co., was referred to the Committee on Finance, which in turn referred it to me as a subcommittee, together with the letter of the 4th instant of David A. Gates, acting commissioner. I was this morning informed that since then you have received additional information regarding the subject matter of the bill, and I therefore send you copy of same, together with Mr. Gates's letter, and respectfully request such further information regarding the matter as may be within your knowledge.

Very respectfully,

O. S. THOMAS.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, April 29, 1916.

Hon. CHARLES S. THOMAS,
United States Senate, Washington, D. C.

SIR: I have the honor to acknowledge the receipt of your letter of the 25th instant, inclosing a copy of Senate bill 5268, providing for the relief of the Copper River & Northwestern Railway Co., with respect to the payment of gross income tax alleged to have been improperly assessed against this corporation under the act of July 18, 1914, for the period beginning January 1, 1914, and ending June 30, 1914.

In reply your attention is called to the inclosed correspondence and exhibits, from which it will appear that on October 31, 1913, the Copper River & Northwestern Railway Co., pursuant to the requirements of the act of March 3, 1899, paid to the clerk of the district court of the Territory of Alaska license tax in the sum of \$19,525, the same being in payment for a license to carry on the business of operating the railroad in the Territory of Alaska for a period of one year from July 1, 1913, to June 30, 1914.

On July 18, 1914, an act previously passed by Congress was approved by the President, which act levied a tax of 1 per cent upon "the gross annual income of all railroad corporations doing business in Alaska on business done in Alaska." By its terms this act repealed the act of March 3, 1899, under which the license tax was imposed and remitted all penalties for nonpayment of the license tax.

The gross income tax levied by the act of July 18, 1914, appears, therefore, to have been intended to be imposed in lieu of the license tax hereinbefore referred to.

As you will observe from the exhibits herewith, the Copper River & Northwestern Railway Co. paid its license tax in full for the fiscal year July 1, 1913, to June 30, 1914.

In a letter dated March 24, 1915 (copy herewith), the Commissioner of Internal Revenue held that the Copper River & Northwestern Railway Co. should make its return for the purpose of the gross income tax imposed under the act of July 18, 1914, for the full calendar year 1914, and that the tax imposed by this act should be computed upon the gross income for such entire calendar year.

Pursuant to this ruling the claimant railroad company paid the gross income tax for the full calendar year 1914, in the aggregate sum of \$6,205.84, thus paying the gross income tax for the six-months period (Jan. 1, 1914, to June 30, 1914) covered by the license tax which had been previously paid. The license-tax law (act of Mar. 3, 1899), having been in force up to July 18, 1914, and the tax thereby imposed having been paid for the six months ending June 30, 1914, it would appear that the gross income tax imposed by the act of July 18, 1914, in so far as it applied to this same period, was inequitably and unjustly assessed, amounting in effect to a duplicate assessment against the claimant company for the first six months of the calendar year 1914.

The correspondence and exhibits herewith comprise all of the material evidence in the possession of this department with respect to the assessment and collection of the tax imposed by the two acts referred to. This evidence appears to warrant a favorable report and action upon Senate bill 5268 in providing a means of relief to the Copper River & Northwestern Railway Co. for the payment of the gross income tax in the sum of \$3,102.92 for the first six months of the calendar year 1914, for which period the license tax imposed by the act of March 3, 1899, had been previously paid.

Respectfully,

B. R. NEWTON, *Acting Secretary.*

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