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SENATE

{ REPORT
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CUSTOMS AND PROHIBITION REORGANIZATION

MAY 17 (calendar day, MAY 20), 1926.—Ordered to be printed

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

REPORT

[To accompany H. R. 10729]

The Committee on Finance, to whom was referred the bill H. R. 10729, having considered the same, reports favorably thereon, and recommends that the bill do pass, with the following amendment:

On page 1, line 11, after the word "the," strike out the words "Secretary of the Treasury," and insert in lieu thereof the following: "President, by and with the advice and consent of the Senate," making the bill, commencing on page 1, line 9, read as follows:

The commissioner of customs and the commissioner of prohibition shall be appointed by the President, by and with the advice and consent of the Senate, and each shall receive a salary at the rate of \$8,000 per annum.

The purposes of the bill, together with the favorable recommendation of the Secretary of the Treasury, are set forth in the House Report No. 758, which is as follows:

[House Report No. 758, Sixty-ninth Congress, first session]

The Committee on Ways and Means, to whom was referred the bill H. R. 10729, having had the same under consideration, report it back to the House without amendment and recommend that the bill do pass.

GENERAL PURPOSES OF BILL

The present organization of the Treasury Department is considered to be deficient in respect to the operations of that department in collecting the customs revenues and in enforcing the prohibitory and narcotic laws. It is believed that the organization will be more efficient and economical by creating definite divisions having charge of the customs service and the enforcement of the prohibition act. For this purpose the bill creates a bureau of customs and a bureau of prohibition in the Treasury Department and provides for the appointment by the Secretary of the Treasury of a commissioner of customs and a commissioner of prohibition. The enforcement of the prohibitory acts, which now devolves upon the Commissioner of Internal Revenue, is transferred to the bureau of prohibition, and the Prohibition Unit, now a part of the Bureau of Internal Revenue, is placed under his direction. The enforcement of the narcotic laws, since the

duties are somewhat similar, is to be administered through a division of the prohibition bureau, but the bill does not affect the functions of the narcotic control board.

The defects of the present system are believed to be many, and among the more important may be mentioned the fact that under the existing organization the Secretary of the Treasury is required to pass upon a multitude of details involving a highly specialized and intricate branch of the law in the course of its administration in the collection of customs duties. The bill will enable the Secretary to impose this duty upon the commissioner of customs while retaining general supervision and control over all customs officials.

It is also considered that the manifold duties of the Commissioner of Internal Revenue in connection with the collection of taxes of themselves impose all the responsibility which that office ought to bear, and for this reason it is deemed advisable that there should be a separate bureau of prohibition created with a commissioner in charge. In this way the responsibility and duties under the prohibition law will be more definitely fixed.

For the purpose of enabling the Secretary of the Treasury to fix the powers and duties of the various officials connected with the new divisions which are created he is authorized in respect of each to delegate to the commissioner or any of the officers or employees of the Bureau of Internal Revenue, the bureau of prohibition, or the bureau of customs the rights, privileges, and powers imposed upon these bureaus under the laws pertaining thereto.

The bill makes no change in the civil-service status of the employees of the customs service, but those employees of the Prohibition Unit now appointed under the national prohibition act, without regard to the civil service laws, are required to come within the provisions of the civil service laws.

No additional appropriation will be required to carry out the reorganization of the prohibition activities under the provisions of this bill, but a small appropriation of approximately \$40,000 will be required in connection with the customs reorganization.

DETAILS OF BILL

The details of the bill are more particularly explained in a summary of its provisions as follows:

Section 1 of the bill creates in the Treasury Department a bureau of customs, a bureau of prohibition, and the offices of commissioner of customs and commissioner of prohibition. The commissioners will be appointed by the Secretary of the Treasury and each will receive a salary at the rate of \$8,000 per annum.

Under section 2 the Secretary is authorized to appoint in each of the bureaus one assistant commissioner, two deputy commissioners, one chief clerk, and such attorneys and other officers and employees as he may deem necessary. The number of persons appointed, of course, will be limited by the appropriations available. The Secretary of the Treasury is authorized to designate acting commissioners in order that there will be at all times an officer having power to perform the functions of the commissioner in the event of absence or disability of the commissioner or of a vacancy in the office of commissioner.

The administration of the existing customs laws is vested directly in the Secretary of the Treasury. Your committee believes that the Secretary should be charged with full responsibility, but that he should be relieved of the necessity of personal action. Section 3 of the bill authorizes the Secretary to confer or impose upon the commissioner of customs, or any of the officers of the bureau of customs, any of the rights, privileges, powers, or duties conferred or imposed upon him in respect of the importation, entry, or exclusion from importation into the United States.

The division of customs and certain statutory officers are abolished and the records, property, and personnel of the division of customs are transferred to the bureau of customs.

Under existing laws, substantially all the rights, privileges, powers, and duties relating to the enforcement of prohibition and to the enforcement of the narcotic laws are imposed upon the Commissioner of Internal Revenue and upon his assistants, agents, and inspectors. Under section 4 of the bill these rights, privileges, powers, and duties are transferred from the Commissioner of Internal Revenue to the Secretary of the Treasury, and he is authorized to confer or impose any of them upon the Commissioner of Internal Revenue, the commissioner of prohibition, or the commissioner of customs, or any of the officers or employees of the Bureau of Internal Revenue, the bureau of prohibition, or the bureau of customs. The act does not increase or diminish any of the rights,

privileges, powers, or duties under existing law, but permits the Secretary of the Treasury to designate the officers upon whom they are conferred or imposed. Consequently, the powers of any officer of the bureau of prohibition, for example, must be derived directly from the Secretary of the Treasury rather than from the statute. The Secretary of the Treasury, however, can not delegate greater power than is transferred to him under the bill.

Under the provisions of the bill, it will be possible for the Secretary of the Treasury, for example, to place in the bureau of customs all his powers in respect of importation into the United States, to vest in the bureau of prohibition all his powers relating to the enforcement within the United States of the prohibition and narcotic laws, and to vest in the Bureau of Internal Revenue the powers relating to the actual assessment and collection of taxes under these laws.

Under section 38 of the national prohibition act certain appointments are exempt from the civil service laws. Upon the transfer of all powers under the national prohibition act the power of appointment would be subject to this exemption. Under subdivision (b) of section 5 of the bill it is provided that all appointments must be subject to the civil service laws. Power to appoint field employees is also given to the commissioner of prohibition, subject to the approval of the Secretary of the Treasury. This grant of power is not exclusive, however, and the Secretary of the Treasury, under the powers transferred to him, may also make appointments. No specific reference is made to the civil service laws in the case of all other appointments in the Treasury Department or in the bureaus of customs or prohibition, under the bill, for the civil service laws will be applicable unless a specific exemption is given.

Under the prohibition laws, certain actions and decisions of the Commissioner of Internal Revenue (see, for example, secs. 5, 6, and 9 of Title II of the national prohibition law) are subject to review by a court of equity. Section 6 of the bill preserves this right of review.

Under section 7 the proposed bill, if it becomes law, will not become effective until the beginning of the next fiscal year, July 1, 1926. This provision is intended to grant sufficient time to effect the various transfers and delegations, and to prevent interference with existing appropriations for the present fiscal year. It will be necessary, however, for the appropriations already made for the next fiscal year to be made available for expenditure under the new law.

LEGISLATION APPROVED

Representatives of the Anti-Saloon League, the Woman's Christian Temperance Union, the National Wholesale Druggists' Association, the American Manufacturers of Toilet Articles, the United States Chamber of Commerce, and others have indorsed this legislation.

The Secretary of the Treasury, in a letter to the chairman, dated February 5, says:

"This organization of these bureaus is really quite essential to efficiency. In customs, as at present organized, there is no directing head in Washington other than the Secretary himself. There must be in Washington a business head of sufficient dignity, experience, and ability to direct the collectors of customs and to control the whole organization in a businesslike way. I feel that this important service can be greatly improved under the direct personal supervision and control of such an officer. Under the present organization the Director of Customs is practically an exalted chief clerk, and the Secretary is thus forced to pass upon a multitude of details which could be so much better determined by the chief of a bureau, leaving the Secretary free to handle the larger matters of policy, etc. Our experience with the Bureau of Internal Revenue convinces me that a similar organization will be vastly advantageous to efficient administration of the customs.

"The same reason applies to the Bureau of Prohibition, with the additional reasons for removing this responsibility from the Commissioner of Internal Revenue, with which reasons Congress is familiar, due to the discussions and investigations in connection with the consideration of the Cramton bill in the last session. I think there can be no question of the advisability of this change in responsibility, and furthermore it is quite essential in order to carry out the coordination between Customs, Coast Guard, and Prohibition which has been set up administratively under one Assistant Secretary.

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"The Director of the Bureau of the Budget advises that he has submitted this matter to the President and that the proposed legislation would not be in conflict with his financial program."

