

EXPLANATORY NOTE

S 4089

Contents

These two volumes contain the following reports, documents and pamphlets bearing upon the legislative history of the Revenue Act of 1921, approved November 23, 1921, c. 136, 42 Stat. 227, H. R. 8245:

Volume 1 contains:

1. House Report No. 350, together with Part 2 thereof, 67th Congress, 1st Session.

2. Index to "Dr. Adam's Statement," being an analysis of the Senate bill made at hearings had before the Committee on Finance of the United States Senate, on September 1 - October 1, 1921.

3. Senate Committee Print No. 1, used by Dr. Adams in his statement.

Volume 2 contains:

4. The statement of Dr. Adams at the hearings aforesaid.

5. Proposed Amendments to H. R. 8245, Revenue Bill of 1921, made by the majority of the Committee on Finance of the Senate.

6. The statement of Dr. Adams with reference to the first forty-six of the said proposed amendments.

7. Senate Report No. 275, together with Part 2 thereof.

*The compilation in the library of the Finance Committee is in one volume. It contains a similar Explanatory Note.

8. Senate Document No. 73, being the bill as reported to the Senate by the said Senate Report No. 275.

9. House Report No. 486, being the Conference Report on the bill.

10. Comparison of the titles and sections of the Revenue Acts of 1918 and 1921.

11. Comparison of the Revenue Acts of 1918 and 1921.

12. Committee reports pertaining to the 1923 amendments of the Revenue Act of 1921.

13. The 1923 amendments to the Revenue Act of 1921.

14. Reports pertaining to the 1924 amendment of the Revenue Act of 1921.

15. The 1924 amendment to the Revenue Act of 1921.

General History of the Bill

The 1921 Revenue Bill as passed by the House was merely a series of amendments of the Revenue Act of 1918. (See Dr. Adams's Statement, made before the Committee on Finance of the Senate on September 1, 1921, p. 4.)

The first draft of the bill as reported to the Senate by its Committee on Finance, by Senate Report No. 272, 67th Congress, 1st Session, struck out the entire House bill and set up a new one. This bill was reported to the Senate on September 21, 1921. (See Congres-

sional Record, said Congress and Session, Volume 61, Part 6, p. 5711.) While the bill is not there described or the number of the report mentioned, there can be no doubt that it is the bill and report which were then presented to the Senate.

Thereafter the bill and report were withdrawn. (See Congressional Record, said Congress and Session, Volume 61, Part 6, p. 5789.) No copies of Senate Report No. 272 are available. Indeed, so far as can be ascertained, it was not printed under that number. It is not contained in the appropriate volume of serial numbers where it belongs, being volume No. 7918.

Immediately upon the withdrawal of the bill, Senator Penrose, the then Chairman of the Finance Committee, reported it in different form, accompanied by Senate Report No. 275, infra. (See Congressional Record, said Congress and Session, Volume 61, Part 6, p. 5789.) The difference between the two bills is merely one of form. In the bill as finally reported, the provisions of the House bill which were stricken out are immediately followed by the Senate substitutes. The bill was then printed in pamphlet form, infra, as Senate Document No. 73, said Congress and Session, pursuant to Senate Concurrent Resolution No. 12. (See Congressional Record, said Congress and Session, Volume 61, Part 6, pp. 5789-5790.) It was taken up section by section in the Committee of the Whole of the Senate. The proceedings of this committee will be found in Parts 6 and 7 of the said Volume 61. The debates commence at page 5789 of Part 6 and, with repeated interruptions, continue to page 7524 of Part 7. At the last mentioned page, the passage of the bill by

the Senate is reported.

There were also presented to the Committee of the Whole seventy-seven amendments proposed by a majority of the Finance Committee of the Senate. These were printed in a pamphlet entitled "Proposed Amendments to H. R. 8245, Revenue Act of 1921," infra. Virtually all of these amendments were adopted and ultimately incorporated in the Act. (See notations on this pamphlet.) With comparatively few changes, which were agreed to in conference, the bill as passed by the Senate was enacted into law. The conference report, being House Report No. 486, infra, shows that the House receded from its disagreement with the Senate amendments in nearly every instance.

In the Statement of the Managers on the Part of the House with respect to Amendment No. 3, which is referred to throughout the statement, the history of the bill is explained as follows (Conference Report, House Report No. 486, 67th Congress, 1st Session, page 14):

Amendment No. 3: The House bill consisted of specified amendments to the revenue act of 1918 and continued that act in force without repeal. The Senate amendments propose an entirely different method - namely, to repeal the revenue act of 1918 (with certain exceptions) and to reenact it with certain changes. The conferees having agreed upon the general plan of the Senate amendments as to the form of the bill, it is necessary for the House to recede on a large number of formal amendments required by the change in the form of

the bill. Amendment No. 3 strikes out of the House bill a section providing that terms defined in the revenue act of 1918 shall have the same meaning when used in this bill as in the revenue act of 1918. This section having become unnecessary on account of the repeal and reenactment of the revenue act of 1918 in the manner above explained, the House recesses.

It is therefore of special importance to trace the history of the bill in its passage through the Senate.

The Bill in the Senate

The Finance Committee held confidential hearings between September 1 and October 1, 1921, infra. The principal witness was Dr. T. S. Adams, the Economic Advisor of the Treasury Department.*

* Dr. Thomas Sewall Adams (December 29, 1873 - February 8, 1933) was professor of political economy at Yale. In 1917, he became economic advisor of the Treasury Department and acted as its tax advisor in connection with the preparation of legislative matters pertaining to internal revenue, particularly the income tax bill of 1921. He was president of the National Tax Association, 1922-1923, a member of the American Economic Association, and a member of the Fiscal Committee on the League of Nations. He wrote on the subject of taxation; e.g., "Taxation in Maryland," 1900; "Mortgage Taxation in Wisconsin and Neighboring States," 1907; "Outlines of Economics" (with Richard Theodore Fly), 1908; "Ideals and Idealism in Taxation," American Economic Review, 18:1-8, March, 1928; "Capital Gains and Federal Income Taxes," an address

These were followed by a further confidential hearing held on October 8, 1921, which is designated as Part 2, infra. Such hearings are commonly referred to as "Dr. Adams's Statement." Dr. Adams is accredited with being the author of the Senate Bill, as well as of most of the seventy-seven amendments of the majority of the Committee, mentioned above.

At the hearings September 1 - October 1, 1921, Dr. Adams discussed the bill section by section. In his testimony, he used Senate Committee Print No. 1, infra. An index of these hearings, infra, has been prepared by the compiler of this volume. This will be found immediately preceding the said committee print of the bill. It will be noted that thereon the sections of the committee print have been correlated with the sections of the Act. The index also shows the sections of the Revenue Act of 1918, which were stricken out, as well as the page or pages of the hearings at which Dr. Adams discussed each provision of the bill.

When the bill reached the Senate, it was again taken up section by section in the Committee of the Whole. Each member of the Senate was furnished a copy of the bill as reported to the Senate, in pamphlet form, being Senate Document No. 73, said Congress and Session, and in the discussions thereof on the floor of the Senate this pamphlet was used and all references made in the

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given at the 19th Congress of the Chamber of Commerce, May 31, -1931; "Economic and Social Bases of Tax Reduction," found in proceedings of the Academy of Political Science, May 8, 1924; and "Federal Income Tax."

course of the debates thereon are to pages, lines, or sections of this bill. A copy thereof, infra, has been annotated by the compiler. On its margin will be found page and column reference to Volume 61 of the Congressional Record of said Congress and Session.

Explanation of Marginal Notations

The single dash is used to separate pages and column numbers. Thus, 6279-2 means page 6279, column 2. The double slanted dash is used to indicate the fact that the discussion covers the intervening pages; thus 6279-2//6287-1 means that the discussion commenced at page 6279, column 2, and continued from there to page 6287, column 1. Underscoring of page numbers, thus 6237-2, means that some disposition was made of the matter under discussion at the time, other than mere postponement of the discussion to a future date. Figures and letters written above the section and subdivision numbers, and letters contained in the bill, represent those contained in the Act. Where a section number, or a subdivision number or letter, has merely been stricken through, it means that the section or subdivision was stricken from the bill. Where additional sections or subdivisions are added without further explanation, it means that new or substituted sections or subdivisions will be found incorporated in the Act.

It will further be noted that the pages of the Congressional Record are given where the amendments of the majority of the Committee on Finance were discussed and disposed of. These amendments are not to be confused with the amendments made by the Committee, which were engrossed on the bill as reported to the Senate.

For further explanation of the amendments proposed by the majority of the Committee, see the remarks of Senator Lodge, Congressional Record, said Volume 61, page 6279, column 2; also references thereto at page 6269, column 1 to page 6269, column 2; page 6877, column 2; and page 7103, column 2, thereof.

As already stated, these amendments appear to have originated largely with Dr. Adams. See pages 381-382 of his testimony, infra, at the above-mentioned confidential hearing held on Saturday, October 8, 1921. He there explained the first forty-six of them. These are the last of the confidential hearings that were printed. It is, however, believed that there was a hearing held on at least one subsequent day, but the reporter is said not to have transcribed his notes and these now appear to have been lost. No doubt, the rest of the amendments were then discussed.

Recurring to the pamphlet containing the amendments that were proposed by the majority of the Committee, it is to be noted that the Section to which each pertains is given immediately below the number. The scheme of marginal notations found on the bill as presented to the Senate, above-mentioned, has been followed here; that is to say, figures refer to pages and columns of Volume 61 of the Congressional Record of the 67th Congress, 1st Session, and underscorings and other markings in connection therewith have the same significance.

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