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FILING OF COPIES OF INCOME RETURNS

FEBRUARY 24 (calendar day, MAR. 12), 1936.—Ordered to be printed

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

REPORT

[To accompany H. R. 11365]

The Committee on Finance, to whom was referred the bill (H. R. 11365) relating to the filing of copies of income returns and for other purposes, having had the same under consideration, report it back to the Senate without amendment and recommend that the bill do pass.

Under section 55 (b) of the Revenue Act of 1934 copies of income returns are authorized to be made available to States for the administration of State and local tax laws. It is estimated that over 6,000,000 returns will be filed this year. Of these approximately 2,500,000 will be sent to Washington, from which will be selected approximately 750,000 returns for investigation. These investigations produce additional revenue of approximately \$300,000,000, although the Bureau of Internal Revenue in the time allotted to perform this work cannot complete more than 400,000 investigations. To permit the original returns to be available for inspection would result in a great deal of delay in the auditing and investigation of returns, with a consequent loss of millions of dollars in revenue. It is necessary that copies thereof be available for the purposes of such inspection, but to impose upon the Treasury Department the work of making copies of a great number of returns would seriously interfere with the work of audit and investigation, as the returns would have to be withdrawn from use by the Treasury during the process of making copies. Moreover, the Bureau of Internal Revenue today is not equipped to make any large number of copies of income returns, since it has only three photostating machines. These machines cost approximately \$1,300, and at least one machine will be required in each of the 64 collection districts, with a number of machines required in some of the larger districts. Since it will be necessary also to employ a considerable number of additional personnel to prepare copies, it is evident that a large additional appropriation will be required if the burden of preparing a great number of copies of returns is placed on the Bureau.

The Treasury Department has issued regulations requiring taxpayers to file copies, but the only method of enforcing such regulations is a criminal penalty for willful failure. The bill, therefore, provides for the assessment and payment of \$5 in the case of failure by an individual to file a copy, and \$10 in the case of failure by a corporation, partnership, or fiduciary to file such copy. Although forms have been distributed to taxpayers which contain a statement that the taxpayer must file a copy with the original return, nevertheless, further opportunity is provided in the bill for taxpayers to become familiar with the requirement of filing a copy. It is provided that in case of returns for the calendar year 1935, and fiscal years beginning in 1935, such assessment shall only be made after the taxpayer has been mailed a request to file the copy required within 15 days. The bill, therefore, provides for a reasonable, yet effective means of enforcing the requirement of filing copies of returns.

The new matter added by the bill to section 54 of the Revenue Act of 1934, as amended, is printed below in italics; existing law is shown in roman.

SEC. 54. RECORDS AND SPECIAL RETURNS

(a) **BY TAXPAYER.**—Every person liable to any tax imposed by this title or for the collection thereof, shall keep such records, render under oath such statements, make such returns, and comply with such rules and regulations, as the Commissioner, with the approval of the Secretary, may from time to time prescribe.

(b) **TO DETERMINE LIABILITY TO TAX.**—Whenever in the judgment of the Commissioner necessary he may require any person, by notice served upon him, to make a return, render under oath such statements, or keep such records, as the Commissioner deems sufficient to show whether or not such person is liable to tax under this title.

(c) **INFORMATION AT THE SOURCE.**—For requirement of statements and returns by one person to assist in determining the tax liability of another person, see sections 147 to 150.

(d) **COPIES OF RETURNS.**—*If any person, required by law or regulations made pursuant to law to file a copy of any income return for any taxable year beginning after December 31, 1934, fails to file such copy at the time required, there shall be due and assessed against such person \$5 in the case of an individual return or \$10 in the case of a fiduciary, partnership, or corporation return, and the collector with whom the return is filed shall prepare such copy. Such amount shall be collected and paid, without interest, in the same manner as the amount of tax due in excess of that shown by the taxpayer upon a return in the case of a mathematical error appearing on the face of the return. In case of a person who filed a return for any taxable year not beginning after December 31, 1935, such amount of \$5 or \$10 shall be due and assessed only if the copy is not filed before the expiration of 15 days after the mailing by the collector in whose office the return is filed of a request to such person for the filing of the copy. Copies of returns filed or prepared pursuant to this subsection shall remain on file for a period of not less than 2 years from the date they are required to be filed and may be destroyed at any time thereafter under the direction of the Commissioner.*

