

JACKSON CASKET & MANUFACTURING CO., JACKSON,
MISS.

JUNE 15, 1937.—Ordered to be printed

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

REPORT

[To accompany H. R. 5258]

The Committee on Finance, to whom was referred the bill (H. R. 5258) for the relief of the Jackson Casket & Manufacturing Co., having considered the same, report favorably thereon and recommend that the bill be passed.

The facts in this case and the purpose of the proposed legislation are fully set forth in House Report No. 777, Seventy-fifth Congress, first session, which is attached hereto and made a part of this report. The proposed legislation has the approval of the Treasury Department, as indicated in the House report.

[H. Rept. No. 777, 75th Cong., 1st sess.]

The Committee on Ways and Means, to whom was referred the bill (H. R. 5258) for the relief of the Jackson Casket & Manufacturing Co., having considered the same, report it back to the House without amendment and recommend that it be passed.

GENERAL STATEMENT

The purpose of the bill is fully explained in the following letter from H. Roswell Magill, Acting Secretary of the Treasury:

TREASURY DEPARTMENT,
Washington, May 7, 1937.

Re H. R. 5258 (75th Cong., 1st sess.), a bill for the relief of the Jackson Casket & Manufacturing Co., Jackson, Miss.

Hon. R. L. DOUGHTON,
*Chairman, Ways and Means Committee,
House of Representatives.*

MY DEAR MR. CHAIRMAN: H. R. 5258 provides that, notwithstanding the declaration of value made in its capital stock tax return for the year ending June 30, 1936, the original declared value of the taxpayer, in determining its capital stock tax due for the year ending June 30, 1937, and subsequent years, under the

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provisions of section 105 of the Revenue Act of 1935, as amended, shall be a value computed on the basis of \$125 per share of its capital stock. The original declared value disclosed on the return filed for the year ending June 30, 1936, was \$218,750, which was apparently computed on the basis of \$175 for each of the 1,250 shares of stock. The taxpayer subsequently requested permission to reduce the declared value to \$156,250, computed on the basis of \$125 per share. It was held by the Bureau of Internal Revenue that such permission could not be granted for the reason that section 105 (f) of the Revenue Act of 1935, as amended, specifically provides that an original declared value made in the first return filed under the act "cannot be amended" and that for any subsequent year the adjusted declared value shall be the original declared value adjusted as prescribed in the law.

It would appear from the file in this matter that the returned valuation on the basis of \$175 per share resulted from a mistake on the part of the Western Union Telegraph Co. in transmitting a telegram from the president of the taxpayer company to its cashier. The taxpayer's position is that its president, who is alleged to be the sole party authorized by it to make the declaration as to the value of the capital stock, being absent because of ill health, sent a telegram to the cashier, wherein he instructed the cashier to use a valuation of \$125 a share as the declared value of its capital stock, unless advised differently by one Garner Green. The telegraph company delivered the message reading \$175 per share, instead of \$125 per share, as the message was given to it. The cashier caused the return to be filed with the stock valued at \$175 per share. The increased capital stock tax, which the taxpayer is required to pay, is due to a mistake not equitably attributable to it.

This office has consistently opposed the enactment of legislation granting specific relief to certain taxpayers from the mandatory provisions of a taxing statute. Relief given to one taxpayer inevitably leads to requests from others for relief, is detrimental to the effectiveness of the taxing acts, and results in administrative difficulties.

Because, however, of the unique circumstances which give rise to the introduction of H. R. 5258, the Treasury Department does not object to its passage. Notwithstanding its action in this case, the Treasury Department does not consider it as a precedent for other cases, nor is it to be construed as such, or as a departure from the general policy expressed above.

Very truly yours,

ROSWELL MAGILL,
Acting Secretary of the Treasury.

The company will secure no refund of its capital-stock tax for the year 1936 as a result of this error on the part of the Western Union Telegraph Co. But, beginning with the fiscal year ending June 30, 1937, and subsequent years, the corporation will be bound by the original declared value stated by the president of the company instead of the erroneous value reported by the telegraph company. This value will, therefore, be used in computing its capital-stock tax liability and excess-profits liability for such years.

