

# Calendar No. 932.

63D CONGRESS, }  
3d Session. }

SENATE.

} REPORT  
} No. 1055.

## REFUND OF CERTAIN PENALTIES COLLECTED UNDER THE ACT OF OCTOBER 3, 1913.

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FEBRUARY 19 (calendar day, MARCH 2), 1915—Ordered to be printed.

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

### REPORT.

[To accompany H. J. Res. 398.]

The Committee on Finance, to whom was referred the joint resolution (H. J. Res. 398) to refund under certain conditions a portion of the offers in compromise for failure to make the return required under the act of October 3, 1913, said offers in compromise having been covered into the Treasury, and for other purposes, having considered the same, report thereon with a recommendation that it do pass.

The report of the House Committee on Ways and Means is appended hereto and made a part hereof.

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[House Report No. 1456, Sixty-third Congress, third session

The Committee on Ways and Means, to whom was referred the joint resolution (H. J. Res. 398) to refund under certain conditions, and for the year 1914, a portion of the offers in compromise for failure to make the return required under the act of October 3, 1913, said offers in compromise having been covered into the Treasury, having had the same under consideration, report it back to the House with the following amendments:

In lines 1 and 2 of the title, after the word "conditions" and the comma, strike out the following: "and for the year nineteen hundred and fourteen" and the comma.

In line 5 of the title, after the word "Treasury," insert a comma and the words "and for other purposes."

Strike out all of the resolution after the title and substitute in lieu thereof the following:

*"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury, on application to the Commissioner of Internal Revenue, be, and is hereby, authorized to refund, out of any money in the Treasury not otherwise appropriated, unto corporations all amounts paid by them into the Treasury of the United States in compromise by such corporations on account of their failure to make report under the requirements of the income-tax law for the income-tax year nineteen hundred and thirteen so paid in excess of \$10; and the Secretary of the Treasury is further authorized to likewise refund as to said tax year any and all amounts exacted and paid into the Treasury of the United*

States as penalties by corporations required by the law to make income-tax return but which in their nature are not subject to income tax; and the Secretary is further authorized to likewise refund as to same tax year any and all amounts paid by individuals as penalties on account of their failure to make income-tax returns for said year nineteen hundred and thirteen as required by law so paid in excess of \$5."

And as so amended the committee recommend that the resolution do pass.

As the income tax went into effect for the first time in 1913, and as the corporation tax of the act of 1909 exempted all corporations whose net income did not exceed \$5,000, many individuals and corporations, not understanding that the new income-tax law required them to make returns, failed to do so, and thereby subjected themselves to the penalties provided by the law.

Under the first schedule adopted by the Treasury Department it offered to compromise for \$50 with corporations liable for the penalty for failure to make return and with individuals for \$20. Later the Treasury Department adopted a schedule by which it allowed corporations to compromise for \$10 and individuals for \$5.

Some 1,200 offers in compromise under the first schedule had been accepted before the second schedule was adopted, and as the money in these cases has been paid into the Treasury there is no way to make the refund except by legislation authorizing the same.

As these penalties became necessary because certain corporations and individuals did not know that they had to make returns, and as they had accepted and paid the compromise before the second compromise schedule was adopted by the Treasury Department, it is thought only equitable and just that corporations subject to the income tax should be allowed a refund of \$40, the amount paid in excess of the second schedule; that corporations not subject to the income tax should be allowed the amount paid in compromise; and that individuals be allowed a refund of \$15, the amount paid in excess of the second schedule.

The letter of the Secretary of the Treasury regarding this measure is hereto attached and made a part of this report.

TREASURY DEPARTMENT,  
Washington, January 11, 1915.

Hon. O. W. UNDERWOOD,  
*Chairman Committee on Ways and Means, House of Representatives.*

SIR: I have the honor to acknowledge receipt of your letter of the 7th instant directed to the honorable Secretary of the Treasury, and by him referred to this office for reply. You inclose House joint resolution 398, to refund, under certain conditions, portions of the offers in compromise for failure to make return required under the act of October 3, 1913, and request such suggestions as may be deemed proper with regard to the merits of the bill and the propriety of its passage.

I have the honor to inform you that this office approves of the bill and considers that the refunds provided for therein are just and proper.

Your attention, however, is called to the fact that on line 3, page 2, of the bill the Treasurer of the United States is authorized to make such refunds as are provided for therein, and that the bill carries no appropriation for the purpose of making these refunds.

It is suggested that the bill be amended so as to authorize the Commissioner of Internal Revenue, subject to regulations prescribed by the Secretary of the Treasury, on appeal to him made, to pay out of such moneys in the Treasury not otherwise appropriated to the corporations entitled thereto the several sums set forth in the bill.

Respectfully,

W. H. OSBORN, *Commissioner.*

