

**Reference
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COMMISSIONER OF INTERNAL REVENUE

1964

ANNUAL REPORT

Publication No. 55

MISSION OF THE SERVICE

The mission of the Service is to encourage and achieve the highest possible degree of voluntary compliance with the tax laws and regulations and to maintain the highest degree of public confidence in the integrity and efficiency of the Service. This includes communicating the requirements of the law to the public, determining the extent of compliance and causes of noncompliance, and doing all things needful to a proper enforcement of the law.

Notes: All yearly data are on a fiscal year basis, unless otherwise specified. For example, data headed "1964" pertain to the fiscal year ended June 30, 1964, and "July 1" inventory items under this heading reflect inventories as of July 1, 1963.

In many tables and charts, figures have been rounded and may not add to the totals which are based on unrounded figures.

1964 annual report

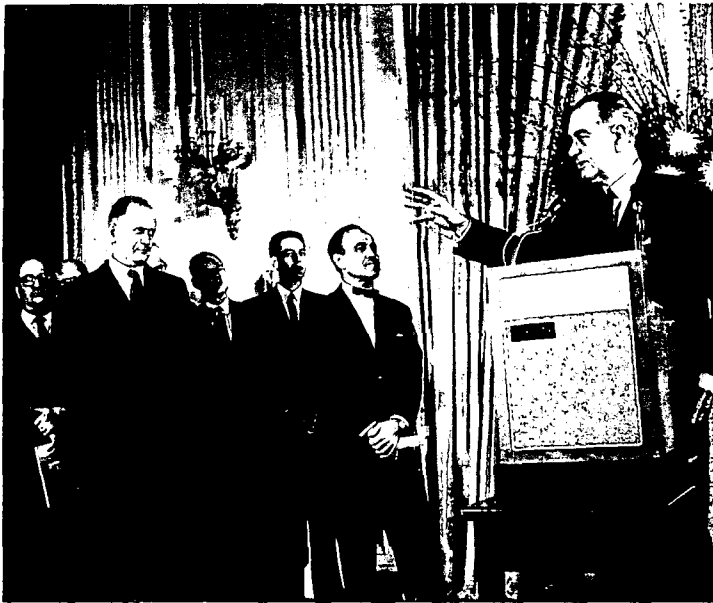
COMMISSIONER OF INTERNAL REVENUE

for the fiscal year ended June 30, 1964



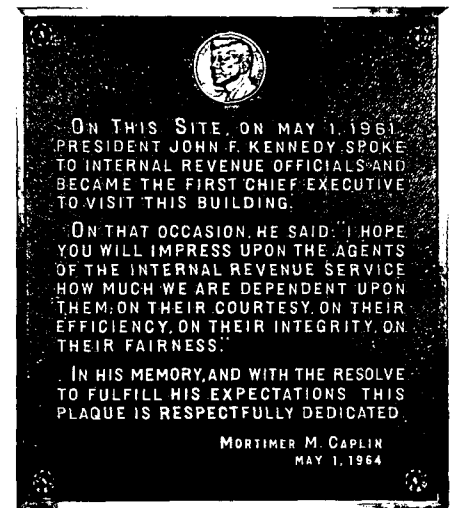
INTERNAL REVENUE SERVICE
UNITED STATES TREASURY DEPARTMENT

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President Johnson addressing Secretary Dillon, Commissioner Caplin, and Service Officials at the White House.

Plaque outside the room in the Internal Revenue Service Building where President Kennedy spoke.



Present at the plaque dedication ceremony were, left to right: Harold T. Swartz, Assistant Commissioner, Technical; Donald W. Bacon, Assistant Commissioner, Compliance; Donald C. Dawkins, Executive Assistant, Administration; Edwin M. Perkins, Assistant to Commissioner; Sheldon S. Cohen, Chief Counsel; Albert W. Brisbin, Assistant to Deputy Commissioner; Stanley M. Cowan, Assistant to Deputy Commissioner; Robert L. Jack, Assistant Commissioner, Data Processing; William H. Smith, Assistant Commissioner, Planning and Research; Edward F. Preston, Assistant Commissioner, Administration; Vernon D. Acree, Assistant Commissioner, Inspection; Bertrand M. Harding, Deputy Commissioner; and Mortimer M. Caplin, Commissioner.

Summary and Transmittal

Honorable DOUGLAS DILLON,
Secretary of the Treasury,
Washington, D.C.

WASHINGTON, D.C. 20224
October 23, 1964.

DEAR MR. SECRETARY:

Attached is the annual report of the Internal Revenue Service for fiscal year 1964. As you are well aware, although I have the honor of submitting this report, the achievements recorded in it were accomplished under the able leadership of former Commissioner Mortimer M. Caplin. The magnitude of some of these achievements is reflected by the following highlights of our operations.

Gross Internal Revenue receipts rose to a record total of \$112.3 billion. There was an increase in revenue from all major sources with the exception of the tax on cigarettes. Refunds and returns filed also reached record heights.

The continuing vigor of enforcement efforts and the effectiveness of the quality audit program are evidenced by the \$2.55 billion in additional taxes and penalties recommended. This is the greatest amount ever recommended in one year even though fewer returns were examined than in 1963.

Good progress continues toward the conversion of Internal Revenue operations to an automatic data processing system. New service centers were opened in Austin, Texas and Cincinnati, Ohio. On January 1, 1964, existing service centers at Kansas City, Missouri; Lawrence, Massachusetts; and Ogden, Utah, began converting to the ADP Master File System preparatory to processing business tax returns effective January 1, 1965. The Service Center at Chamblee, Georgia, is in its third year of processing business returns, and in its second year of processing individual returns. The Philadelphia Service Center is in its second year on business returns and will begin processing individual returns on January 1, 1965. So in fiscal year 1965, all seven service centers will become a part of a single nationwide system. Partial conversion to ADP is already enabling the Service to perform several of its massive document-processing tasks much more effectively, thereby justifying our reliance on this remarkable new tool.

In line with the President's interest in economy and frugality in Government, the Service continued its vigorous efforts to reduce costs and achieve optimum utilization of resources. Total savings realized from all efforts exceeded \$15.8 million, the major portion of which resulted from improvements in the management of operations which are expected to produce annually recurring benefits of approximately \$9.8 million.

I am confident that accomplishments in 1964 are indicative of what can and will be done in 1965.

Bertrand M. Harding
BERTRAND M. HARDING,
Acting Commissioner of Internal Revenue.

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Commissioners of Internal Revenue

Office of Commissioner of Internal Revenue created by act of Congress, July 1, 1862.

Name	State	From	To
George S. Boutwell	Massachusetts	July 17, 1862	Mar. 4, 1863
Joseph J. Lewis	Pennsylvania	Mar. 18, 1863	June 30, 1865
William Orton	New York	July 1, 1865	Oct. 31, 1865
Edward A. Rollins	New Hampshire	Nov. 1, 1865	Mar. 10, 1869
Columbus Delano	Ohio	Mar. 11, 1869	Oct. 31, 1870
Alfred Pleasonton	New York	Jan. 3, 1871	Aug. 8, 1871
John W. Douglass	Pennsylvania	Aug. 9, 1871	May 14, 1875
Daniel D. Pratt	Indiana	May 15, 1875	July 31, 1876
Green B. Raum	Illinois	Aug. 2, 1876	Apr. 30, 1883
Walter Evans	Kentucky	May 21, 1883	Mar. 19, 1885
Joseph S. Miller	West Virginia	Mar. 20, 1885	Mar. 20, 1889
John W. Mason	do	Mar. 21, 1889	Apr. 18, 1893
Joseph S. Miller	do	Apr. 19, 1893	Nov. 26, 1896
W. St. John Forman	Illinois	Nov. 27, 1896	Dec. 31, 1897
Nathan B. Scott	West Virginia	Jan. 1, 1898	Feb. 28, 1899
George W. Wilson	Ohio	Mar. 1, 1899	Nov. 27, 1900
John W. Yerkes	Kentucky	Dec. 20, 1900	Apr. 30, 1907
John G. Capers	South Carolina	June 5, 1907	Aug. 31, 1909
Royal E. Cabell	Virginia	Sept. 1, 1909	Apr. 27, 1913
William H. Osborn	North Carolina	Apr. 28, 1913	Sept. 25, 1917
Daniel C. Roper	South Carolina	Sept. 26, 1917	Mar. 31, 1920
William M. Williams	Alabama	Apr. 1, 1920	Apr. 11, 1921
David H. Blair	North Carolina	May 27, 1921	May 31, 1929
Robert H. Lucas	Kentucky	June 1, 1929	Aug. 15, 1930
David Burnet	Ohio	Aug. 20, 1930	May 15, 1933
Guy T. Helvering	Kansas	June 6, 1933	Oct. 8, 1943
Robert E. Hannegan	Missouri	Oct. 9, 1943	Jan. 22, 1944
Joseph D. Nunan, Jr.	New York	Mar. 1, 1944	June 30, 1947
George J. Schoeneman	Rhode Island	July 1, 1947	July 31, 1951
John B. Dunlap	Texas	Aug. 1, 1951	Nov. 18, 1952
T. Coleman Andrews	Virginia	Feb. 4, 1953	Oct. 31, 1955
Russell C. Harrington	Rhode Island	Dec. 5, 1955	Sept. 30, 1958
Dana Latham	California	Nov. 5, 1958	Jan. 20, 1961
Mortimer M. Caplin	Virginia	Feb. 7, 1961	July 10, 1964

In addition, the following were Acting Commissioners during periods of time when there was no Commissioner holding the office: John W. Douglass, of Pennsylvania, from Nov. 1, 1870, to Jan. 2, 1871; Henry C. Rogers, of Pennsylvania, from May 1 to May 10, 1883, and from May 1 to June 4, 1907; John J. Knox, of Minnesota, from May 11 to May 20, 1883; Robert Williams, Jr., of Ohio, from Nov. 28 to Dec. 19, 1900; Millard F. West, of Kentucky, from Apr. 12 to May 26, 1921; H. F. Mirra, of Washington,

from Aug. 16 to Aug. 19, 1930; Pressly R. Baldridge, of Iowa, from May 16 to June 5, 1933; Harold N. Graves, of Illinois, from Jan. 23 to Feb. 29, 1944; John S. Graham, of North Carolina, from Nov. 19, 1952, to Jan. 19, 1953; Justin F. Winkle, of New York, from Jan. 20 to Feb. 3, 1953; O. Gordon Delk, of Virginia, from Nov. 1 to Dec. 4, 1955, and from Oct. 1 to Nov. 4, 1958; Charles I. Fox, of Utah, from Jan. 21 to Feb. 6, 1961; and Bertrand M. Harding, of Texas, from July 11, 1964.

Principal Officers of the Internal Revenue Service

As of June 30, 1964

NATIONAL OFFICERS

OFFICE OF THE COMMISSIONER

Commissioner Mortimer M. Caplin
Deputy Commissioner Bertrand M. Harding
Assistant to the Commissioner Edwin M. Perkins
Assistant to the Commissioner Mitchell Rogovin
Assistant to the Deputy Commissioner
Albert W. Brisbin
Director, Foreign Tax Assistance Staff
L. Harold Moss

ADMINISTRATION

Assistant Commissioner Edward F. Preston
Executive Assistant Donald C. Dawkins
Director, Program Staff Julius H. Lauderdale

Division Directors:

Facilities Management R. Bruce McNair
Fiscal Management Gray W. Hume, Jr.
Personnel Albert J. Schaffer
Public Information Joseph S. Rosapepe
Training George T. Reeves, Jr.

INSPECTION

Assistant Commissioner Vernon D. Acree, Jr.
Executive Assistant Fred G. Robinette

Division Directors:

Internal Audit Francis I. Geibel
Internal Security William A. Kolar

COMPLIANCE

Assistant Commissioner Donald W. Bacon
Executive Assistant Singleton B. Wolfe

Division Directors:

Alcohol and Tobacco Tax Dwight E. Avis
Appellate Arthur H. Klotz
Office of International Operations
Clarence I. Fox, Jr.
Audit Henry J. Donnelly, Jr.
Collection Harold E. Snyder
Intelligence H. Alan Long

PLANNING AND RESEARCH

Assistant Commissioner William H. Smith

Division Directors:

Plans and Policy James R. Turner
Systems Development George J. Leibowitz
Research Richard W. Nelson
Statistics Vito Natrella

TECHNICAL

Assistant Commissioner Harold T. Swartz
Executive Assistant Charles G. Keebler
Principal Technical Advisor Joseph S. Zucker
Division Directors:
Tax Rulings John W. S. Littleton
Special Technical Services Ned W. Arick
Technical Planning Maurice Lewis

DATA PROCESSING

Assistant Commissioner Robert L. Jack
Executive Assistant Garrett DeMots
Division Directors:
Operations Clinton L. Walsh
National Computer Center John E. Stewart
Reports Harry K. Dellinger
Systems Monroe H. O. Berg

OFFICE OF THE CHIEF COUNSEL

Chief Counsel Sheldon S. Cohen
Associate Chief Counsel (Litigation)
Rudy P. Hertzog
Chairman, Policy and Research Committee
Herman T. Reiling
Assistant to the Chief Counsel Lester R. Uretz
Executive Assistant to the Chief Counsel
Thomas McP. Davis
Executive Assistant to Associate Chief Counsel
(Litigation) E. Riley Campbell
Technical Advisor to the Chief Counsel
Robert B. Jacoby
Technical Advisor to the Chief Counsel
Paul E. Treusch
Special Assistant to the Chief Counsel
Lester Stein
Special Assistant to the Chief Counsel
Arthur B. White
Special Assistant to the Chief Counsel
Samuel R. McClurd
Technical Advisor to the Chief Counsel
William P. Crewe
Staff Assistant to the Chief Counsel
Ray E. Williamson

Division Directors:

Tax Court John T. Rogers
Refund Litigation James F. Dring
Joint Committee W. Dean Mathis
Interpretative Richard M. Hahn
Collection Litigation
J. Walter Feigenbaum
Enforcement William F. McAleer
Alcohol and Tobacco Tax
Robert B. Ritter
Legislation and Regulations
Charles R. Simpson

REGIONAL AND DISTRICT OFFICERS

SOUTHEAST REGION

Regional Commissioner William J. Bookholt
Assistant Regional Commissioners:
Administration Burton M. Graham
Alcohol and Tobacco Tax
F. Dale McClanahan
Appellate Norman C. Bailey
Audit Harold B. Bindseil
Collection William H. Loeb
Data Processing Wayne S. Kegerreis
Intelligence Allen T. Hollinrake
District Directors:
Atlanta, Ga. Aubrey C. Ross
Birmingham, Ala. Andrew J. O'Donnel, Jr.
Columbia, S.C. Harold M. McLeod
Greensboro, N.C. John E. Wall
Jackson, Miss. James G. Martin
Jacksonville, Fla. Laurie W. Tomlinson
Nashville, Tenn. James A. O'Hara
Regional Counsel Henry C. Stockell, Jr.
Regional Inspector Walter F. Connell
Director, Chamblee Service Center, Chamblee, Ga.
William H. Weaver

NORTHEAST REGION

Regional Commissioner Harold R. All
Assistant Regional Commissioners:
Administration Maurice J. Taggart
Alcohol and Tobacco Tax George P. Rowland
Appellate Stephen C. Volpone
Audit Joseph M. Hooban
Collection Matthew J. Riedl
Data Processing J. Orville Tiescher
Intelligence J. Robert Murphy
District Directors:
Augusta, Maine Whitney L. Wheeler
Boston, Mass. Alvin M. Kelley
Burlington, Vt. Fulton D. Fields
Hartford, Conn. Joseph J. Conley, Jr.
Portsmouth, N.H. Charles W. Emlet
Providence, R.I. John A. O'Connell
Regional Counsel Marvin E. Hagen
Regional Inspector Emanuel M. Schuster
Director, Lawrence Service Center, Lawrence,
Mass Thomas J. Gilfillan

MIDWEST REGION

Regional Commissioner Homer O. Croasmun
Assistant Regional Commissioners:
Administration William F. Sullivan
Alcohol and Tobacco Tax William A. Collawn
Appellate Wallace T. Morris
Audit John W. Baudendistel
Collection Edwin P. Trainor
Intelligence William B. Mayes

District Directors:

Aberdeen, S. Dak William C. Welsh
Chicago, Ill. Eugene C. Coyle, Jr.
Des Moines, Iowa Ernest W. Bacon
Fargo, N. Dak Byron J. Rockwood
Milwaukee, Wis. Emil J. Nelson
Omaha, Nebr. Richard P. Vinal
St. Louis, Mo. Edwin O. Bookwalter
St. Paul, Minn. George O. Lethert
Springfield, Ill. Jay G. Philpott
Regional Counsel Frank C. Conley
Regional Inspector William A. Costello
Director, Kansas City Service Center, Kansas
City, Mo. Arnold S. Dreyer

CENTRAL REGION

Regional Commissioner Ernest H. Vaughn
Assistant Regional Commissioners:
Administration F. Dean McCrory
Alcohol and Tobacco Tax Henry R. Peterson
Appellate G. Waldron Snyder
Audit Michael A. DeGuire
Collection William J. Grabo
Intelligence Vacant

District Directors:

Cincinnati, Ohio Philipp L. Charles
Cleveland, Ohio Melvin J. Burton
Detroit, Michigan Raphael I. Nixon
Indianapolis, Ind. James E. Daly
Louisville, Ky. Gilbert C. Hooks
Parkersburg, W. Va. Nathaniel Looker
Regional Counsel Clarence E. Price
Regional Inspector Gordon M. Anderson
Director, Cincinnati Service Center, Cincinnati,
Ohio Everett L. Meek

SOUTHWEST REGION

Regional Commissioner B. Frank White
Assistant Regional Commissioners:
Administration Vacant
Alcohol and Tobacco Tax Harold S. Caplinger
Appellate Tom F. Reese
Audit Lawrence M. Stewart
Collection Alfred N. Kay
Intelligence William E. Beloate, Jr.

District Directors:

Albuquerque, N. Mex. Clyde L. Bickerstaff
Austin, Tex. Robert L. Phinney
Cheyenne, Wyo. Paul A. Schuster
Dallas, Tex. Ellis Campbell, Jr.
Denver, Colo. V. Lee Phillips
Little Rock, Ark. Fred W. Johnson
New Orleans, La. Chester A. Usry
Oklahoma City, Okla. Earl R. Wiseman
Wichita, Kans. Harry F. Scribner

REGIONAL AND DISTRICT OFFICERS—Continued

Regional Counsel J. Marvyn Kelley
 Regional Inspector David O. Lowry, Jr.
 Director, Austin Service Center, Austin, Tex . .
 Ervin B. Osborn

NEW YORK REGION

Regional Commissioner Howard D. Taylor
 Assistant Regional Commissioners:
 Administration Arthur J. Collinson
 Alcohol and Tobacco Tax Edward J. Fox
 Appellate Ellis L. Zacker
 Audit Alfred L. Whinston
 Collection Elmer H. Klinsman
 Intelligence Francis J. Kennedy
 District Directors:
 Albany, N.Y. Edward J. Fitzgerald, Jr.
 Brooklyn, N.Y. Thomas E. Scanlon
 Buffalo, N.Y. John E. Foley
 Manhattan Charles A. Church
 Regional Counsel William V. Crosswhite
 Regional Inspector Sidney M. Wolk

MID-ATLANTIC REGION

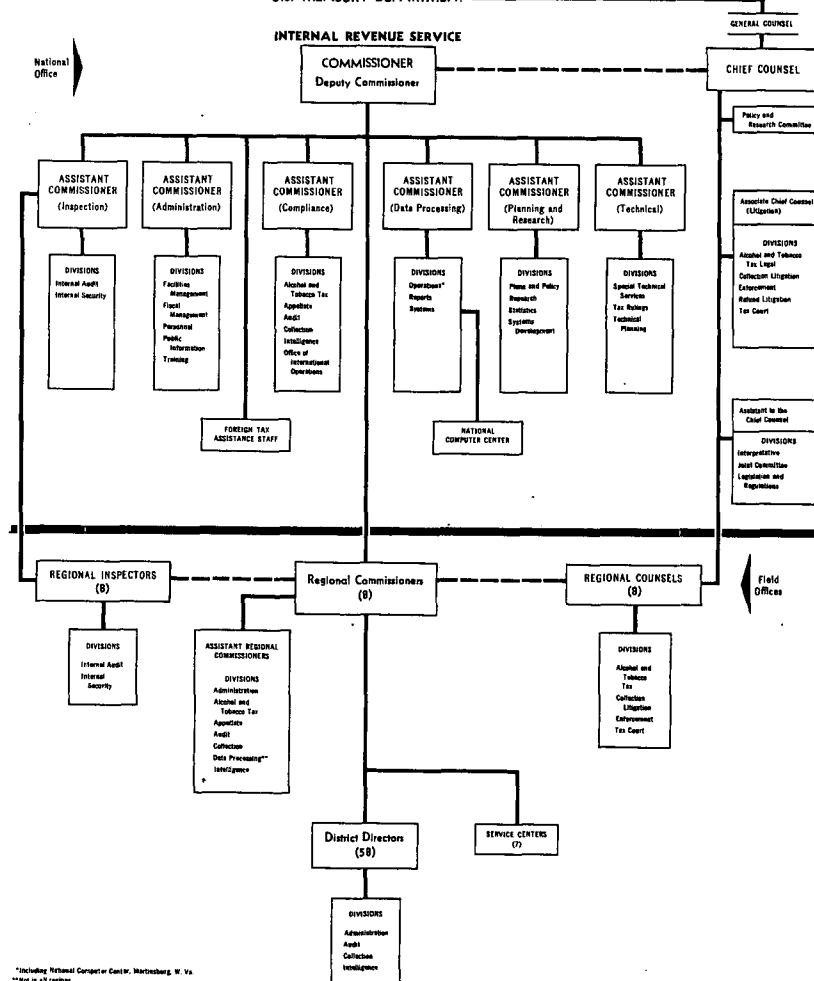
Regional Commissioner Dean J. Barron
 Assistant Regional Commissioners:
 Administration Robert D. McDowell
 Alcohol and Tobacco Tax Louis DeCarlo
 Appellate William E. Steynen
 Audit Joseph M. Sholtz
 Collection William F. Culliney
 Data Processing Edward J. Manning
 Intelligence Daniel L. Tucker
 District Directors:
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 Newark, N.J. Frank S. Turbett, Jr.

Philadelphia, Pa Kenneth O. Hook
 Pittsburgh, Pa John H. Binger
 Richmond, Va Ambrose M. Stoepler
 Wilmington, Del Horace L. Brown
 Regional Counsel Cecil H. Haas
 Regional Inspector Earl L. Fuoss
 Director, Philadelphia Service Center, Philadelphia, Pa Anthony L. Carrea

WESTERN REGION

Regional Commissioner Harold Hawkins
 Assistant Regional Commissioners:
 Administration Homer C. Gant
 Alcohol and Tobacco Tax Isham Railey
 Appellate Gardiner B. Willmarth
 Audit Raymond F. Harless
 Collection Charles D. Moran
 Data Processing Frederick W. Bearman
 Intelligence Herman F. Kuehl
 District Directors:
 Anchorage, Alaska Lewis J. Conrad
 Boise, Idaho Calvin E. Wright
 Helena, Mont Frank J. Healy
 Honolulu, Hawaii Vaughn W. Evans
 Los Angeles, Calif Robert A. Riddell
 Phoenix, Ariz George D. Patterson, Jr.
 Portland, Oreg Arthur G. Erickson
 Reno, Nev Dalmon Davis
 Salt Lake City, Utah Roland V. Wise
 San Francisco, Calif Joseph M. Cullen
 Seattle, Wash Neal S. Warren
 Regional Counsel Melvin L. Sears
 Regional Inspector Henry A. Feltz
 Director, Ogden Service Center, Ogden, Utah . .
 Robert H. Terry

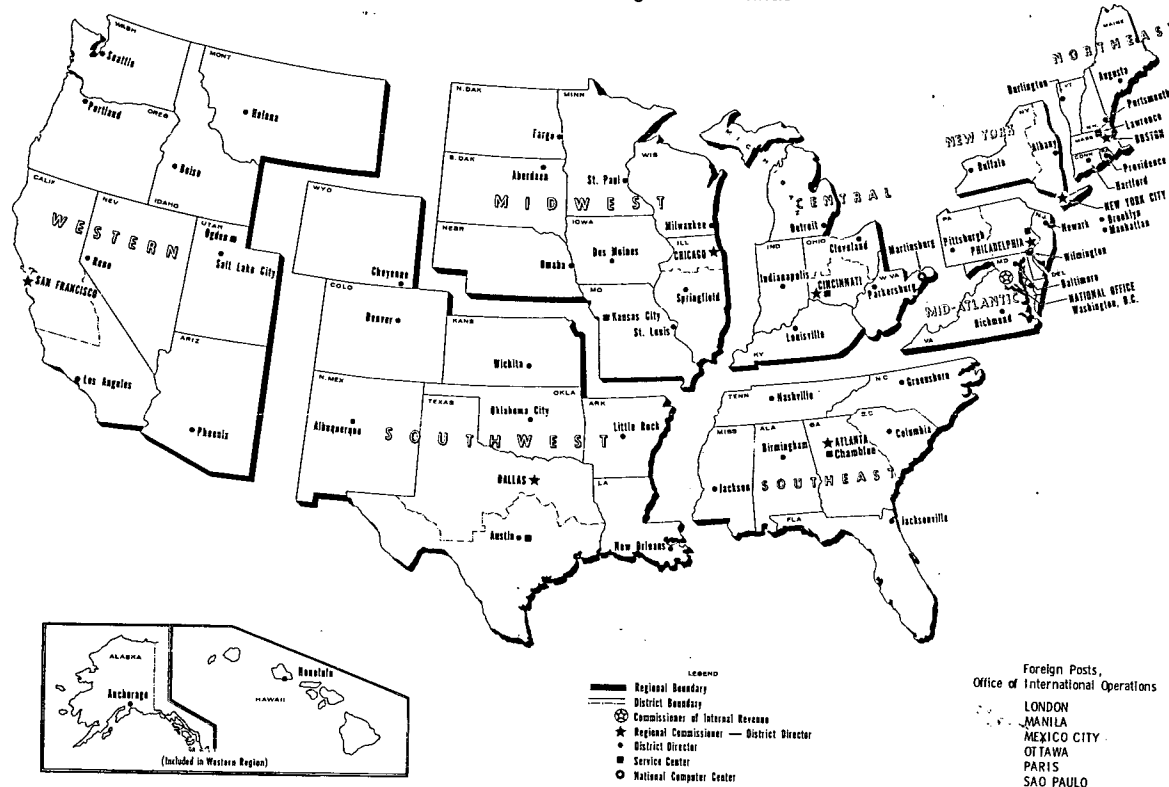
U.S. TREASURY DEPARTMENT



*Including National Computer Center, Washington, D. C.
 **Not in all Regions.

Internal Revenue Service Organization

Internal Revenue Regions and Districts



Report on Operations

	1964
	\$112,260.3
	42.1
	\$7,203.1
	100.1
	3.6
	\$2,505.2
	\$1,322.2
	\$1,075.0
	\$247.2

Interpretation and Communication Of Tax Law to Taxpayers

GENERAL

The function of the Internal Revenue Service is to administer the Internal Revenue Code, our national tax policy as determined by Congress. The Service strives to administer the tax laws in a vigorous, yet reasonable manner.

It is fitting that the Service pay tribute here to the American taxpayer. His honesty, his patience, and his faith in the integrity of those who constitute his Federal Government make possible the facts reported in this volume. The American system of self-assessment and voluntary payment is a testimony to the mutual trust between the taxpaying citizen and his government. The Internal Revenue Service constantly strives to continue and further strengthen that trust.

At the heart of reasonable and effective administration is interpretation and communication of tax law to taxpayers. To extend voluntary compliance, under the self-assessment system, it is the duty of the Service to accommodate administrative procedures to the convenience of taxpayers and to apprise them fully of their rights and obligations. The several programs directed toward accomplishment of these goals include: direct personal taxpayer assistance in district and local offices; publication of many tax guides covering separate tax situations; dissemination of information to taxpayers by a broad public information program through various news media; and the preparation and distribution of regulations, rulings, tax forms, and instructions.

TAXPAYER PUBLICATIONS PROGRAM

The basic purpose of this program is to provide taxpayers with a means for self-help. In so doing, the Service issues approximately 60 publications in plain everyday language for the information and guidance of taxpayers on practically all aspects of Federal taxation. In addition, detailed instructions are furnished with most tax return forms.

Continuing the Service's emphasis on voluntary compliance through a more informed taxpaying public, numerous improvements and expansions of the program were accomplished during the year or scheduled for the near future. For example, the 1964 edition of *Your Federal Income Tax* contained brief explanations of new provisions of the laws which are effective for the

first time in the current tax year. A description and list of publications appear on pages 58, 59, and 60.

PUBLIC INFORMATION PROGRAM

GENERAL.—In its efforts to provide, through mass information media, maximum information to the taxpaying public, Internal Revenue Service's public information program continued at an accelerated pace.

Information efforts commencing in 1963 and carried forward into the first portion of 1964 contributed to the achievement of substantial public understanding of the new regulations on travel and entertainment expenses. Throughout the year continuing information emphasis was placed on the expanding automatic data processing system to help insure more complete and accurate returns preparation which is needed for the machine operation to work most effectively.

With the enactment of the Revenue Act of 1964 and for the remainder of the fiscal year, special information campaigns were conducted to advise employers of new withholding rates; provide information on preparation of 1964 estimated tax returns on the basis of new tax rates and other provisions of the law; and provide instructions to help taxpayers avoid under-withholding.

The interest and cooperation of the press and other mass media throughout the country helped insure a continuing flow of important tax information to the public.

RELEASES AND INQUIRIES.—The National Office issued 125 general news releases and 120 technical information releases during the year. This was in addition to providing field offices with materials for local adaptation which resulted in hundreds of field releases. Numerous feature articles were also prepared for general and specialized publications.

The National Office serviced over 32,000 requests and inquiries during the year by telephone, correspondence, and personal visits from mass media representatives and other interested persons. Inquiries and requests covered the full range of technical, procedural, and policy matters, and concerned speeches, Service publications, tax exempt organizations, offers in compromise, actions concerning prominent or notorious individuals, etc. Many cases involved arranging

interviews of knowledgeable operating officials, conducting research or drafting background materials for use by the mass media in developing news stories and features on tax matters.

FILMS, RADIO, AND TELEVISION.—During the year 25 filmed spot announcements were used by 520 television stations. Most of the announcements provided tax hints and other helpful information applicable to the income tax filing period, and their showing was concentrated from January to April.

Two new documentary films were issued. One entitled, "How Do I Do It?" running 28 minutes, shows how an individual should proceed to fill out his income tax return. A 15-minute film, entitled, "Moonshine and Taxes" deals with the Service's Alcohol and Tobacco Tax Division and includes sequences on illicit liquor activity and on Federal firearms laws. One or more of these and previously issued documentaries were shown by 52 television stations and before 5,691 civic and other groups. In addition, three 5-minute films were prepared for continuous showing on closed circuit television at the New York World's Fair.

As in the past, radio stations throughout the country made liberal use of spot announcements prepared by the National Office and by field offices. Similarly, officials at all levels provided tax information to large segments of the public by appearing on interview, panel, telethon, and other public service programs over radio and television facilities.

TEACHING TAXES PROGRAM

The objective of the Teaching Taxes Program is to show students how to fill out Federal income tax returns. The Program also introduces students to the basic principles and rules underlying the Federal self-assessment system of taxation, thereby acquainting them with the taxpaying responsibilities of citizens in a democracy. Under the Program the Service distributes sets of instructional materials to schools throughout the country. They are prepared primarily for the high school student and are used as a supplement to mathematics, civics, economics, business, and various other courses.

The widespread success and growth of this Program continues. Over 3.1 million students participated this year and schools participating rose from 23,000 in 1963 to 24,500 in 1964.

TAXPAYER ASSISTANCE PROGRAM

The Taxpayer Assistance Program is a basic component of the Service's program for fostering voluntary compliance. Taxpayers are assisted by specially selected employees who have demonstrated their technical proficiency and their ability to deal effectively with the public.

On July 1, 1963, the Service instituted a new and broadened year-round Taxpayer Assistance Program. Since this is the first year under the new system, the data cannot be compared with information provided in this report in prior years. However, as the statistics below indicate, the demand for assistance is great.

Nationwide, almost 23 million taxpayers received help with their tax returns or tax problems during 1964. Of these, more than 14.4 million received help through telephone inquiries, the method stressed as the type of assistance taxpayers should normally seek. The other 8.6 million taxpayers visited Internal Revenue Service offices during the year. Of these, 7.0 million were furnished self-help assistance in preparation of their returns or answers to their specific tax inquiries. The major portion of the tax return, schedule, or form was completed by Service employees for the remaining 1.6 million taxpayers. The Service used less than 310,000 man-days in furnishing the various types of assistance.

TAX RETURN FORMS PROGRAM

The past year was one of considerable activity in the return forms area due to the numerous provisions added to the Internal Revenue Code by the Revenue Acts of 1962 and 1964. Public Law 87-792, Self-Employed Individual Tax Retirement Act of 1962, necessitated the preparation of the new Form 2950SE and corresponding revisions of income tax returns to reflect the self-employed retirement deduction. The 1962 Act set forth new rules under which gains on dispositions of certain depreciable property, called "Section 1245 property," are taxable as ordinary income to the extent of depreciation and amortization deducted after 1961. Schedule D of the income tax forms was substantially revised to reflect this change.

Reduction of the tax rates under the 1964 Act required the preparation of new tax rate tables. Form 1040ES (supplement) containing a summary of rate changes was issued along with various fiscal year return forms for taxpayers with taxable years beginning in 1963 and ending in 1964.

Employer's Tax Guide, Circular E, was revised to reflect the new withholding rates which became effective March 5, 1964, and was immediately distributed to employers. Form 3435, Notice of Identifying Number, was revised to eliminate reference to Form 3227, Application for Account Number (Form SS-5, Application for Social Security Account Number, used in lieu of Form 3227 on and after May 1, 1964).

Form 940, Employer's Annual Federal Unemployment Tax Return, was redesigned as a paper form which eliminated the punched card forms 940x, 940y, 940z, and the separate Schedule A.

A significant step forward was made by the adoption of a documentary stamp tax meter system under which a person or firm using a substantial number of these stamps may apply on new Form 2969 for permission to use such a meter, and may prepare Form 2970 to be presented with the remittance for stamps used when the meter is brought to a designated internal revenue office.

Considerable time and effort was expended in redesigning Form 1099, U.S. Information Return for Calendar Year, to obtain a form most adaptable to automatic data processing with a view toward future use of optical scanning as part of such processing. This form is used to report income other than wage payments reported on Form W-2. Over 100 million Forms 1099 are filed annually.

President Kennedy announced on July 18, 1963, a series of coordinated actions to reinforce the Administration's program to correct the United States balance of payments deficit, including a request for an Interest Equalization Tax, to be effective July 19, 1963. This special temporary proposed excise tax would remain in effect through 1965. A bill to provide for the tax, H.R. 8000, was introduced in the Congress shortly thereafter (Public Law 88-563 signed September 2, 1964). The tax necessitates eight new forms, four of which have already been placed in use.

Form 706, U.S. Estate Tax Return, was revised to reflect the inclusion of real property situated outside of the United States in the gross estate in accordance with the provisions of the 1962 Act.

New Form 2848, General Power of Attorney, and Form 2848-A, Limited Power of Attorney, were issued as part of the project to simplify power of attorney requirements.

Form 1128, Application for Change in Accounting Period, was redesigned to eliminate the necessity for typing of approval or disapproval action letters, thus reducing processing costs and expediting handling.

Application for Change of Accounting Method, Form 3115, was expanded to obtain all necessary information and reduce the need for correspondence to complete action on applications.

Detailed instructions relating to the computation of net operating loss carrybacks were added to Form 1045, Application for Tentative Carryback Adjustment, to assist individuals in preparing correct applications.

Many forms other than those commented upon above were revised or redesigned in order to reflect new legislation, regulations, and employee suggestions.

New forms with filing instructions which were issued during the year are listed on page 60.

REGULATIONS PROGRAM

GENERAL.—Seventy-four final regulations, 2 Executive orders, and 33 notices of proposed rulemaking,

relating to matters other than alcohol and tobacco taxes, were published in the Federal Register. These regulations were issued under provisions of the Internal Revenue Code of 1954 as originally enacted, subsequent public laws, or on the basis of an administrative determination.

Twelve public hearings on the provisions of the proposed regulations, which were published this year, were held in accordance with the provisions of the Administrative Procedure Act. Approximately 800 taxpayers or their representatives participated.

The more important regulations and Treasury Decisions are described on pages 60, 61, and 62.

TAX RULINGS AND DETERMINATION LETTERS

TAX RULINGS.—During the year, 41,846 requests from taxpayers for rulings and requests from field offices of the Service for technical advice were processed. These included 38,910 requests which had been received from taxpayers or their representatives and 2,936 requests from field offices. At the close of the year 6,315 requests for rulings and technical advice were on hand.

In addition to the processing of rulings and technical advice, 9,314 formal and informal technical conferences were held with taxpayers and their representatives.

An analysis of the rulings and technical advices processed, by subject matter, follows:

Requests for tax rulings and technical advice processed

Subject	Total	Taxpayers' requests	Field requests
Total.....	41,846	38,910	2,936
Income and excess profits taxes.....	32,472	31,469	1,003
Employment and self-employment taxes.....	1,202	1,151	51
Estate and gift taxes.....	611	467	144
Alcohol and tobacco taxes.....	5,376	4,181	1,195
Other excise taxes.....	1,900	1,531	369
Engineering questions (depreciation, etc.).....	385	311	74

DETERMINATION LETTERS.—Many trust funds are established to pay retirement benefits, to share profits, or to pay stock bonuses to employees. If the trust meets legal requirements, employers can deduct their contributions to the trust and the income of the trust will be tax-exempt. Based upon established rules and regulations, district offices issued 12,798 determination letters involving the tax-exempt status of such trusts.

Taxpayers may appeal adverse field determinations relating to employee benefit plans. Of the 64 appeal applications acted upon by the National Office, 21 decisions resulted in favor of the taxpayer, 7 partially in his favor, and 36 against the taxpayer.

District offices issued 7,399 determination letters to organizations seeking to establish exemption from Fed-

eral income taxes under provisions of the Internal Revenue Code which authorize a tax exempt status for qualifying charitable, religious, education, and other nonprofit organizations.

The following table shows the types of determinations and benefit plans involved during 1964:

Determination letters issued on employee benefit plans and exempt organizations

Item	Employee benefit plans			Exempt organizations
	Profit-sharing	Pension or annuity	Stock bonus	
Initial qualifications:.....				
Approved.....	5,213	6,331	28	6,936
Employees participating under plan.....	308,863	445,621	20,409	463
Disapproved.....	97	122	1	
Terminations.....	501	505		
Closed without issuance of determination letter.....	396	440	1	1,436

Many of the tax benefits of employee pension and profit-sharing plans have been extended to qualified plans established by and for self-employed persons. From January 1 through June 30, 1964, individual plans approved by district offices totaled 7,001.

CLOSING AGREEMENTS.—Closing agreement cases involving the tax status of prospective transactions are considered by the Tax Rulings Division of the National Office. Four cases were received during the year, 21 were closed and 4 are pending.

PUBLICATION OF RULINGS, PROCEDURES, AND ANNOUNCEMENTS.—As an important part of the continuing effort to maintain a high level of voluntary compliance and to assure uniform application of the tax laws, 348 Revenue Rulings and 39 Revenue Procedures were published in the weekly Internal Revenue Bulletin, as follows:

Revenue rulings and procedures published

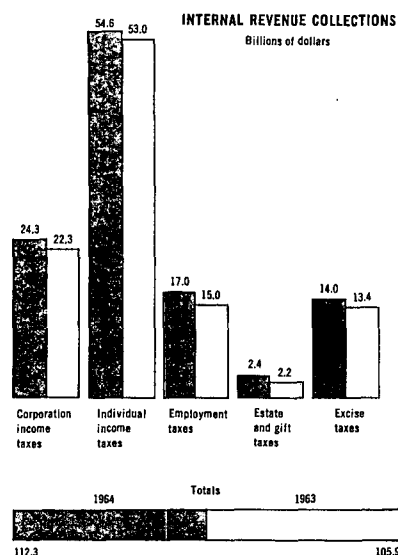
Type	Number
Total.....	387
Administrative.....	38
Alcohol and tobacco taxes.....	54
Employment taxes.....	2
Estate and gift taxes.....	4
Excise taxes.....	125
Income tax.....	152
Self-employment tax.....	2

The more significant Revenue Rulings and Procedures are summarized on page 62.

In addition to announcements relating to proposed regulations and those relating to actions on decisions of the Tax Court of the United States, 141 announcements of general interest were published. Nine charted the status of tax bills reported out of Committee by the 88th Congress, 12 listed the names of organizations to which contributions are no longer deductible under section 170 of the Code, and 14 announced tax administration agreements with the States of Arkansas, Colorado, Florida, Idaho, Massachusetts, Nebraska, New Hampshire, New Mexico, New York, Oklahoma, Tennessee, Virginia, Washington, and Wyoming. Other significant announcements of general interest are described on page 63.

To insure timely dissemination of important technical information to all persons concerned, the substance of many of the published documents was issued in the form of Technical Information Releases, prior to publication in the Bulletin. Of the 120 such releases issued, 12 announced the position of the Service as a result of court decisions having widespread effect on tax administration, 14 related to other matters also covered by Revenue Rulings, 19 related to Revenue Procedures, and 54 related to announcements of general interest published in the Bulletin. Twenty-one Technical Information Releases related to specific provisions of the Revenue Act of 1964.

Internal Revenue Collections and Refunds



GENERAL

In 1964, the Service continued its program to improve service—to convert processing methods and records to a modern automatic data processing system. It is a big program. When it is in full operation, the records of the Service will be as accurate, as complete, and as rapidly produced as machines and men working together can make them. This conversion is a step forward in meriting continued public confidence in one of the most vital operations of the government of the United States—collecting the internal revenue.

A record-breaking \$112.3 billion in Federal taxes were collected in 1964. Refunds of overpayments amounted to \$7.1 billion on which interest was paid in the sum of \$88.5 million.

A large portion of tax collections go into special accounts for particular purposes. These are trust funds and consist of (1) Federal insurance contributions and self-employment insurance contributions from social security taxes; (2) the highway trust fund from taxes on gasoline, other motor fuels, trucks, buses, tires, tubes, and tread rubber; (3) the railroad retirement fund from taxes on the wages of railroad employees; and (4) the Federal unemployment trust fund from a tax paid by employers.

In this same general category of trust funds are certain tax collections earmarked for special use. These include the excise taxes on fishing rods, creels, firearms, shells, and cartridges. Approximately \$25 million was paid in taxes on these items in 1964. The money collected is turned over to the Department of the Interior for fish and wildlife preservation. Another earmarked fund is the total excise tax collections on Puerto Rican products. Internal revenue tax laws provide that these funds will be credited to the Commonwealth of Puerto Rico for its own use. In 1964 this amounted to over \$45 million.

The American people see these special-purpose tax dollars at work providing direct benefits, sometimes very personal ones. Some good examples are the benefit payments received monthly, under the Social Security laws, by retired people, disabled wage earners, widows, and orphaned children. The interstate highway-building program, evident nationwide, is financed principally by the taxes paid on gasoline, tires, tubes, and related items.

INTERNAL REVENUE COLLECTIONS AND REFUNDS

Tax dollars not specifically designated as to purpose are no less important. They provide the services that Congress has decided are necessary for the security and general welfare of the people of this nation. The following table shows, by class of tax, the source of the \$112.3 billion in total revenue that was paid into the

Treasury in 1964. The table compares 1964 with the preceding year collections, showing increases and the decreases in unemployment and tobacco taxes by amount and percent of change. It also shows the percentage that each class of tax bears to total revenue in 1964.

Gross internal revenue collections
(In thousands of dollars. For details see table 3, p. 82)

Source	Percent of 1964 collections	1964	1963	Increase or decrease	
				Amount	Percent
Grand total ¹	100.0	112,260,257	105,925,395	6,334,862	6.0
Income taxes, total.....	70.3	78,891,218	75,323,714	3,567,504	4.7
Corporation.....	21.6	24,300,863	22,336,134	1,964,729	8.8
Individual, total.....	48.6	54,590,354	52,987,581	1,602,773	3.0
Withheld by employers ²	35.0	39,258,881	38,718,702	540,179	1.4
Other ²	13.7	15,331,473	14,268,878	1,062,595	7.4
Employment taxes, total.....	15.1	17,002,504	15,004,486	1,998,018	13.3
Old-age and disability insurance ²	13.9	15,557,783	13,484,379	2,073,404	15.4
Federal insurance contributions.....	13.0	14,571,187	12,548,286	2,022,901	16.1
Self-employment insurance contributions.....	.9	986,536	936,093	50,443	5.4
Unemployment insurance.....	.8	850,553	948,464	-97,911	-10.3
Railroad retirement.....	.5	593,864	571,644	22,220	3.9
Estate and gift taxes.....	2.2	2,416,303	2,187,457	228,846	10.5
Excise taxes, total.....	12.4	13,950,232	13,409,737	540,494	4.0
Alcohol.....	3.2	3,577,499	3,441,656	135,843	3.9
Tobacco.....	1.6	2,032,545	2,079,237	-46,692	-2.3
Other.....	7.4	8,320,188	7,888,844	431,344	5.5

¹ Collections are adjusted to exclude amounts transferred to the Government of Guam. For details see table 1, p. 73 and footnote 5, p. 84.

² Estimated.—Collections of individual income tax withheld are not reported separately from old-age and disability insurance taxes on wages and salaries. Similarly, collections of individual income tax not withheld are not reported separately from old-age and disability insurance taxes on self-employment income. The amount of old-age and disability insurance tax collections shown is based on estimates made by the Secretary of the Treasury pursuant to the provisions of sec. 201(e) of the Social Security Act as amended, and includes all old-age and disability insurance taxes. The estimates shown for the 2 classes of individual income taxes were derived by subtracting the old-age and disability insurance tax estimates from the combined totals reported.

Note.—Calendar year figures by regions, districts, States and other areas, for selected types of taxes, may be obtained from the Public Information Division, Internal Revenue Service, Washington, D.C. 20224.

INCOME TAXES

In March 1964, a new tax law, the Revenue Act of 1964, was enacted to reduce income taxes on individual citizens and on corporations. One purpose of this law was to strengthen the economy by encouraging business expansion, and by increasing net income received by wage earners so that more money can be used for purchasing goods coming out of expanded production. Furthermore, the introductory declaration written into the Act states, in part, as follows:

It is the sense of Congress that the tax reduction provided by this Act, through stimulation of the economy, will, after a brief transitional period, raise (rather than lower) revenues . . .

While the immediate effects are not readily apparent in annual collection figures for the full fiscal year, an analysis of the collection data for the first half and for the final half of the year show some interesting and significant facts.

The table that follows shows collections of corporation income tax and of individual income tax withheld

from wages from July 1 to December 31, 1963, and from January 1 to June 30, 1964. It compares these with the corresponding 6-month periods in fiscal year 1963:

Collections of corporation income tax and individual income tax withheld

(In thousands of dollars)

Period	Corporation			
	Fiscal year		Increase or decrease	
	1964	1963	Amount	Percent
Total.....	24,300,863	22,336,134	1,964,729	8.8
July 1-Dec. 31.....	9,242,391	8,810,795	431,596	4.9
Jan. 1-June 30.....	15,058,472	13,525,339	1,533,133	11.3
Individual				
Total.....	39,258,881	38,718,702	540,179	1.4
July 1-Dec. 31.....	20,120,386	18,957,902	1,162,484	6.1
Jan. 1-June 30.....	19,138,495	19,760,800	-622,305	-3.2

INCOME TAXES—CORPORATIONS

In the preceding table the effect of the new law in the earlier payment of corporations estimated income tax installments is apparent. At the same time that rates were reduced, the law moved up payment dates for certain corporations by adding two new dates for paying part of the current year's tax. Now, corporations which estimate that their liability will be in excess of \$100,000 will make payments of such excess in the fourth month and the sixth month of their tax years in addition to the former due dates in the ninth and twelfth months. This provision of the law has the effect of putting corporations gradually on the same basis as individuals in making four quarterly payments of estimated income tax. The rate of tax is graduated, for corporations, on these two new payment dates, starting at 1 percent in 1964 and reaching 25 percent in 1970.

As indicated in the table, the net result was an 11.3 percent increase in the January to June 1964 period (over January to June 1963) as compared with a 4.9 percent increase in the July to December 1963 period (over the comparable 6 months of the prior year).

INCOME TAXES—INDIVIDUALS

Employers were notified of the reduction in the rate of withholding, from 18 percent to 14 percent, and effective on March 5, 1964, deductions from wages reflected this change.

The table shows that employers' payments of individual income tax withheld from employees' salaries increased 6.1 percent in the 6 months ended December 31, 1963, but decreased 3.2 percent in the second half of the fiscal year. The comparisons are with the corresponding periods of the prior fiscal year.

The rate reduction on individual income is effective in two steps. For the year 1964 the change will be from the former 20 to 91 percent rate scale to a new reduced scale of 16 to 77 percent. A further reduction will become effective in 1965 when the tax rates will range from 14 to 70 percent. The effect of the changes in rates on payments made with individual returns will be apparent in fiscal year 1965.

EMPLOYMENT TAXES

Employment tax collections are trust funds. They are set aside for specific benefits or services.

Two factors have influenced recent trends. They are rate changes and the increasing number of employed people.

Federal insurance contributions (Old-Age and Disability Insurance under the Social Security Acts) are paid in equal amounts by employee and employer. The rate increased from 3¼ percent to 3½ percent effective with wages received in calendar year 1963. Thus the combined employee-employer rate rose from 6¼ to 7¼ percent, a 16 percent increase, during the first part of fiscal year 1964 just as it did in the latter part of fiscal year 1963. On a comparative basis, there was no rise in rate after January 1, 1964. The increase of \$2.0 billion, 16.1 percent, for the year is therefore considered to reflect the higher rate, in part, and also the increase in employment.

Self-employment contributions are paid by the individual taxpayer with his final income tax return, and, at the taxpayer's election, with his estimated tax payments. This tax was also affected by a rate increase from 4.7 percent to 5.4 percent effective as to income received after January 1, 1963. These collections in fiscal year 1964 increased by \$50.5 million or 5.4 percent.

Payments of Federal unemployment tax decreased \$97.6 million, 10.3 percent, in 1964 as a result of the decrease in the rate of tax. Effective with wages paid in calendar year 1963 the rate was reduced from 3.50 percent to 3.35 percent. This rate was applicable to the annual returns due January 31, 1964.

EXCISE TAXES

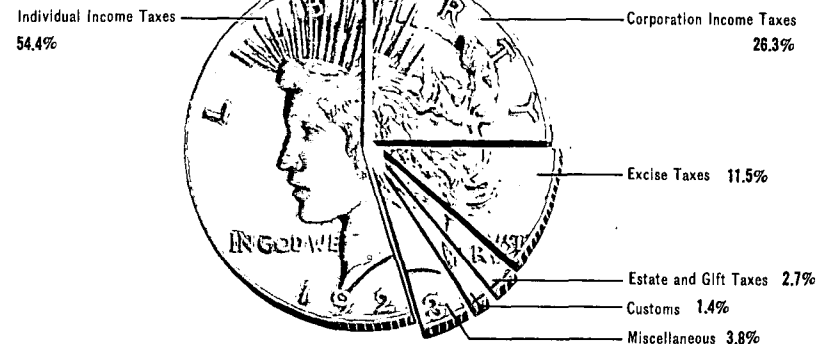
The three largest sources of excise tax revenues are distilled spirits, gasoline, and cigarettes. In 1963 these three taxes produced 52.3 percent of total excise collections; in 1964 the percentage was 51.4. Gains were recorded in distilled spirits and gasoline collections this year but since the "Report of the Surgeon General's Advisory Committee on Smoking and Health" in January 1964, fiscal year figures on cigarette taxes paid have shown losses culminating in a \$33.8 million drop or 1.7 percent.

While the decreased cigarette tax collections have caused total tobacco taxes to show a \$26.7 million decline, excise taxes as a whole in 1964 increased \$540.5 million, or 4.0 percent, and were 12.4 percent of gross revenue. A substantial part of the excise increase was attributable to the 10 percent manufacturers' tax on passenger automobile chassis. These collections were up \$186 million, or 12 percent, over 1963.

ADMINISTRATIVE BUDGET RECEIPTS

SOURCE OF BUDGET DOLLAR - 1964

Administrative Budget Receipts 89.5 billion



"Administrative budget receipts" is that part of the total collections of the Federal Government available for financing the many operations and programs included in the President's annual budget. To arrive at administrative budget receipts, gross collections of in-

ternal revenue, customs duties, and receipts from miscellaneous sources are reduced by transfers to trust fund accounts, refund of receipts, and interfund transfers. The following table reflects the source of gross receipts, deductions, and administrative budget receipts:

Gross collections, deductions, and administrative budget receipts

(In thousands of dollars)

Source	Gross receipts	Trust fund transfers	Refunds	Interfund transactions	Administrative budget receipts
Individual income taxes:					
Withheld.....	39,258,881				
Other.....	15,331,473				
Total.....	54,590,354		5,893,027		48,697,327
Corporation income taxes.....	24,300,863		808,341		23,492,522
Excise taxes:					
Highway trust funds.....	3,609,077	3,483,441	125,636		
Other.....	10,341,155		94,005		10,247,150
Total.....	13,950,232	3,483,441	219,641		10,247,150
Employment taxes:					
Old-age and disability insurance.....	15,557,783	15,391,983	165,800		
Railroad retirement.....	593,864	593,477	387		
Unemployment insurance.....	850,858	846,181	4,677		
Total.....	17,002,504	16,831,640	170,864		
Estate and gift taxes.....	2,416,303		22,704		2,393,599
Total internal revenue.....	112,260,257	20,315,081	7,114,576		84,830,600
Adjusted to conform with "Statement of Receipts and Expenditures of the United States Government".....		36,102			-36,102
Adjusted total internal revenue.....	112,260,257	20,351,183	7,114,576		84,794,498
Customs.....	1,284,176		32,313		1,251,863
Miscellaneous receipts.....	4,077,121		1,197	663,622	3,412,302
Total.....	117,621,555	20,351,183	7,148,086	663,622	89,458,664

INTERNAL REVENUE REFUNDS

NUMBER OF REFUNDS.—There were 42.1 million refund checks issued this year, an increase of 1.4 million or 3.6 percent over 1963. Individual income tax refunds account for 97.4 percent of the increase in number.

Of the total, individual income and employment tax refunds account for 96.5 percent, and individual excessive prepayments alone account for 94.1 percent. The excise tax category accounts for most of the remaining refunds (3.2 percent of the total) while corporation refunds account for only 0.3 percent.

AMOUNT OF REFUNDS (INCLUDING INTEREST).—The total amount of refunds, including interest paid, was \$7.2 billion compared to \$6.6 billion last year, an increase of \$594 million or 9.0 percent. The increase in individual income and employment tax refunds of \$522 million accounts for 87.9 percent of the total money increase, while the increase in corporation refunds of \$64 million accounts for 10.8 percent.

Of the total amount of refunds paid (principal and interest) this year, individual income and employment tax refunds account for 84.5 percent, and individual excessive prepayments alone account for 81.7 percent. Corporation refunds account for 12.1 percent.

Refunds of all classes of tax average \$171.10 or \$85.52 more per refund than in 1963.

Gasoline tax refunds to farmers, transit systems, and users of nonhighway vehicles, on which interest is not paid, total \$125.6 million compared to \$125.7 million last year.

INTEREST ON REFUNDS.—Total interest paid on refunds during the current year was \$88.5 million, an increase of \$14.6 million or 19.7 percent. Interest paid on corporation refunds rose \$13.0 million or 89.4 percent of the increase. However, this increase is distorted due to an unusually large amount of interest, \$11.7 million, which was paid to one corporation in the Detroit District this year.

The following table compares refunds in the past 2 years, by type of tax:

Internal revenue refunds, including interest

(For refunds by region and district, see table 5, p. 86)

Type of tax	Number		Amount refunded (principal and interest—thousand dollars)		Amount of interest included (thousand dollars)	
	1964	1963	1964	1963	1964	1963
Total refunds of internal revenue ¹	42,097,785	40,652,377	7,203,078	6,609,442	88,502	73,931
Corporation income taxes	113,766	104,301	858,229	804,098	59,887	46,854
Individual income and employment taxes, total ²	40,613,449	39,148,670	6,088,691	5,566,797	24,801	24,331
Excessive prepayment income tax ³	39,631,858	38,175,964	5,886,985	5,353,389	10,068	6,418
Other income tax and old-age and disability insurance ⁴	946,352	949,965	196,339	209,877	14,629	17,829
Railroad retirement	148	102	387	110	(*)	1
Unemployment insurance	34,881	22,639	4,780	3,422	104	83
Estate tax	5,935	5,947	24,733	21,080	2,693	2,093
Gift tax	657	713	729	1,397	65	192
Excise taxes, total	1,363,978	1,392,746	220,696	216,070	1,056	451
Alcohol taxes ⁵	9,016	9,047	78,907	75,636	28	9
Tobacco taxes	1,141	1,149	4,075	4,122	135	1
Manufacturers' and retailers' excise taxes, total	1,332,710	1,364,693	129,109	131,087		97
Gasoline used on farms	1,305,955	1,339,275	103,814	103,665		
Gasoline, nonhighway	24,400	22,605	21,822	22,076		
Other	2,355	2,813	3,473	5,355		
All other excise taxes ⁶	21,111	17,857	8,605	5,226	893	344

¹ Revised.

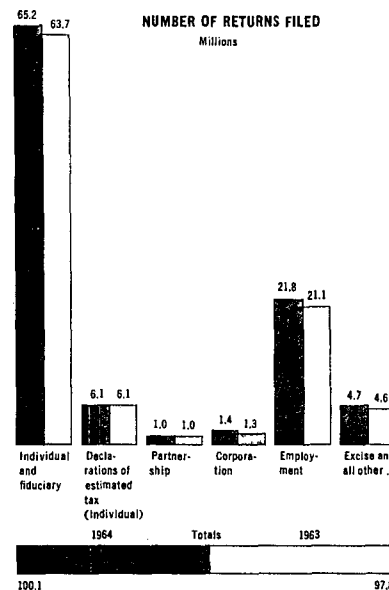
² Figures have not been reduced to reflect reimbursements from the Federal Old-Age and Survivors and Federal Disability Insurance Trust Funds amounting to \$165,600,000 in 1964 and \$139,425,000 in 1963; from the Highway Trust Fund amounting to \$126,637,000 in 1964 and \$126,319,000 in 1963; and from the Unemployment Trust Fund amounting to \$4,291,000 in 1964 and \$3,097,000 in 1963.

³ Net of 64,870 undeliverable checks totaling \$3,636,000 in 1964 and \$1,662,000 in 1963.

checks totaling \$2,799,000 in 1963.

⁴ Includes refunds "not otherwise classified".⁵ Includes drawbacks and stamp redemptions.⁶ Includes narcotics, silver, wagering (excise and stamps), capital stock, and other excise tax refunds.⁷ Less than \$500.

Receipt and Processing of Returns and Related Documents



TAX RETURNS FILED

For the first time in history, the total number of tax returns filed by taxpayers in 1 year exceeded 100 million; the 100.1 million returns of all types filed in 1964 represent an increase of 2.2 million returns or 2.3 percent over 1963. All regions showed an increase ranging from 0.4 percent in the New York Region to 5.0 percent in the Southeast Region. Individual income tax returns traditionally comprise nearly two-thirds of all tax returns received, consequently their percentage of change from a prior year tends to dominate the change for all returns filed. All regions showed increases in the number of individual income tax returns which increased nationally 2.3 percent; Forms 1040 increased by 2.0 million, 4.5 percent, while Forms 1040A

decreased by 600,000, 3.2 percent. Corporation Declarations of Estimated Income Tax, Forms 1120ES, nearly doubled between 1963 and 1964. This is a direct result of a change in filing dates under the Revenue Act of 1964 (Public Law 88-272) effective March 5, 1964, which requires four returns a year beginning with the fourth month of the taxable year. Formerly only two returns were required after the ninth and twelfth month. A comparison of the number of returns filed in 1964 and 1963 follows:

Number of returns filed, by principal type of return

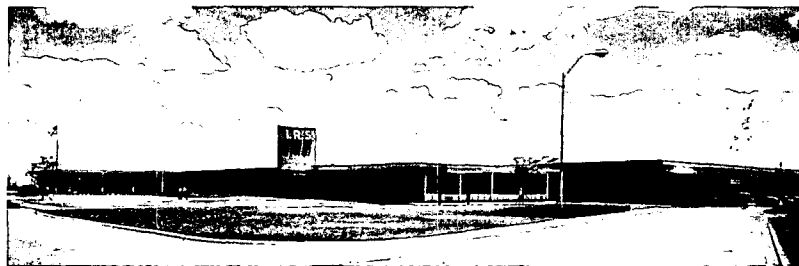
(Figures in thousands. For details, see table 6, p. 87)

Type of return	1964	1963
Grand total	100,066	97,834
Income tax, total	74,193	72,560
Individual and fiduciary, total	65,154	63,679
Individual-citizens and resident aliens, total	64,201	62,779
Forms 1040	46,536	44,527
Forms 1040A	17,565	16,252
All other individual and fiduciary	953	900
Declarations of estimated tax, total	6,104	6,100
Individual	6,077	6,083
Corporation	27	16
Partnerships	984	978
Corporations	1,367	1,292
Other	584	511
Employment tax, total	21,753	21,140
Employers' Form 941	15,331	14,983
Employers' Form 942 (household employees)	4,429	4,207
Employers' Form 943 (agricultural employees)	658	639
Railroad retirement, Forms CT-1, CT-2	21	22
Unemployment insurance, Form 940	1,315	1,288
Estate tax	87	79
Gift tax	107	100
Excise tax, total	3,925	3,954
Occupational tax	1,323	1,276
Form 720 (retailers, manufacturers, etc.)	2,287	2,278
Alcohol	23	25
Tobacco	11	12
Other	281	364

¹ Revised.

INFORMATION RETURNS

More than 330 million information returns were filed with Internal Revenue Service field offices during the year. Approximately two-thirds were employers' statements of wages paid and tax withheld, Forms W-2, including both the copies attached by employees to their



Austin Regional Service Center was occupied in 1964 and began servicing the 9 district offices comprising the Southwest Region.

income tax returns and copies filed by employers. Information returns concerned with payments of dividends and interest, Forms 1099, totaled 111 million and Forms 1087, Ownership Certificates, totaled 3 million.

AUTOMATIC DATA PROCESSING

Effective January 1, 1964, as planned, two more regions began processing business returns under the master file concept. With new service centers located at Austin, Tex., and Cincinnati, Ohio serving the Southwest and Central Regions, respectively, the expansion of the Business Master File was accomplished without major problems. At the end of the year, the Business Master File contained over 2.3 million taxpayer entities, or accounts, an increase of 95 percent since July 1, 1963.

The Kansas City, Lawrence, and Ogden Service Centers will begin processing business tax returns for the Midwest, Northeast, New York, and Western Regions on January 1, 1965 under the ADP master file concept; preparation for this started on January 1, 1964. Although these service centers have been using electronic equipment for several years, they are referred to here as non-ADP. The essential difference is that under ADP, each taxpaying entity has a consolidated, permanent account established on a master file for the purpose of insuring that: (1) the final settlement of a tax for a particular tax period takes into consideration all possible liabilities or credits, and (2) all returns have been filed for which the taxpayer is responsible. Master files were not set up in non-ADP service centers.

In the interest of economy the Lawrence Service Center will process returns for both the Northeast and New York Regions. In 1965, all seven IRS service centers will be processing business returns, and the establishment of a nationwide Business Master File will be complete.

The Chamblee Service Center was in its third year of processing business returns for the Southeast Region, and in its second year of processing individual returns.

At the end of the year the Individual Master File contained 8.4 million taxpayer accounts. The Philadelphia Service Center was in its second year of business returns, and will begin processing individual returns for the Mid-Atlantic Region on January 1, 1965. This is in keeping with the modified implementation schedule which provides for 2 years experience with business returns before a region starts on the large volume of individual returns.

In the specific areas of ADP processing, systems specifications, computer programs, and procedural instructions were revised and updated to improve operations and to incorporate legislative changes. Significant savings in computer processing time were realized by splitting the Individual Master File into active and inactive accounts for each weekly posting cycle. The necessary systems redesign and computer reprogramming is being completed so that this principle can be applied to the Business Master File in 1965. Preparations are nearing completion for a test to be conducted involving the use of government telephone lines for the transmission of master file input and output data between the National Computer Center at Martinsburg, W. Va., and the service centers. If this test proves successful, when installed this process will eliminate numerous shipments of magnetic tape.

Present plans call for installation of a microfilm reader and printer system during 1965 on a test basis in the Southeast Region. This system will materially streamline operations by replacing the paper printouts of the voluminous document indexes and taxpayer registers required. For more information and pictures, see pages 37 and 38.

Substantial progress is being made towards the attainment of one more major objective of ADP, information document validation. Tests are continuing in the matching of interest, dividend, and wage payments reported on information documents with those reported on the individual returns of the recipients. Determination of the scope of the program as well as the

method of follow-up will be made after evaluation of the tests.

As reported last year, the establishment of the IRS Data Center in Detroit has been approved. Work programs are being defined and operating plans developed. Negotiations with General Services Administration are under way for acquiring a specific site in Detroit for this center which is scheduled to be operational in mid-1966 to perform all of the Service's data processing functions not directly related to the processing of returns and documents.

SERVICE CENTER FUNCTIONS

During the year, the three non-ADP centers, and the ADP center at Chamblee, Ga., processed 63.9 million income tax returns filed by individuals, an increase of 6.4 million, or 11.2 percent, over the preceding year. Of these returns, 53.8 million were 1963 tax year returns filed during the 1964 filing period, and 10.1 million were 1962 tax year returns filed during the 1963 filing period but processed after June 30. The returns processed during the January to June period of this year represent 84.5 percent of the 1963 tax year returns filed, compared with last year's processed rate during the same period of 78.9 percent of the 1962 tax year returns filed. This year's increase is due to several significant factors: (1) the accelerated returns processing program in the non-ADP centers during the last half of the fiscal year which permitted them to process an additional 3.5 million returns normally processed after June 30; (2) increased efficiency in the Chamblee Service Center, which is in its second year of automatic processing of individual income tax returns; and (3) the delay in the returns processing program during the last half of fiscal year 1963, which resulted in carrying over 10.1 million returns for processing in the first half of fiscal year 1964, compared with 8.4 million carried over into the first half of fiscal year 1963. In addition to the individual income tax returns programs, the service centers processed approximately 5.0 million declarations of estimated income tax.

The four ADP service centers processed over 6.0 million business returns, or 29.9 percent of the number filed, compared with approximately 3.0 million, or 15.3 percent of the total filed last year. In conjunction with the business returns operations, the centers processed 2.2 million additional documents to record such actions as payments on account, name and address changes, and audit and collection adjustments. Included in the above are full fiscal year 1964 data for Chamblee and Philadelphia, and data for the last half of the fiscal year for Austin and Cincinnati.

This is the last full fiscal year in which the non-ADP centers will perform the mailing and delinquency check operations for the employers' returns, Forms 940 and 941, for the district offices which they service. In January 1964, these operations for the Southwest and Central Regions were shifted from the Kansas City and Ogden Service Centers to the two new ADP centers at Austin, Tex., and Cincinnati, Ohio, respectively, when these centers assumed all processing, accounting, mailing and delinquency check responsibilities for business returns filed in their regions. The transfer of the mailing and delinquency check operations from non-ADP to ADP will be completed in January 1965, when the converted ADP centers at Kansas City, Lawrence, and Ogden will assume the responsibility for processing business returns filed by taxpayers in the regions which they will service.

CARRYBACK ALLOWANCES

The number of applications for tentative carryback allowances increased 1.0 percent during 1964. The total number of adjustments was down slightly, 255 or 0.4 percent, while the amount of the adjustments was down by 6.4 percent from last year.

The number of applications pending at the end of the year was 14.0 percent larger than at the beginning.

The following table compares data for the last 2 years:

Receipt and disposal of tentative carryback applications

Status	Number		Amount (thousand dollars)			
	1964	1963	Claimed		Adjusted	
			1964	1963	1964	1963
Pending July 1.....	7,157	7,118	41,027	48,133	.....	.....
Applications received.....	71,370	70,563	542,987	565,345	.....	.....
Applications adjusted, total.....	70,369	70,624	535,421	572,651	.....	.....
Allowed.....	n.a.	n.a.	.....	.....	506,450	540,918
Disallowed.....	n.a.	n.a.	.....	.....	29,546	32,773
Pending June 30.....	8,158	7,157	48,592	41,027	.....	.....

n.a.—Not available.

Enforcement Activities

GENERAL

To preserve and strengthen the American self-assessment system and promote the voluntary compliance basic to such a system, the Service expends a substantial portion of its resources on enforcement activities. These activities include correcting errors in tax liability on returns voluntarily filed, securing delinquent returns, collecting delinquent accounts, investigating evidence or allegation of fraud, and enforcing the laws relating to alcohol and tobacco products and firearms. The Service also administers a taxpayer appeals system, processes legal cases involving criminal prosecution and civil litigation, and conducts a Federal-State Cooperative Exchange Program.

There were significant advances in enforcement work this year. One of the most important was the effect of automatic data processing on the mathematical verification of returns, and the collection of past-due taxes. Also, through the use of electronic equipment, improvement has been made in the procedures for identifying filers of more than one tax return for the same period. Another of this year's outstanding achievements was attained in the examination program where the examination of returns resulted in recommendations of \$2.55 billion in additional tax and penalties, an amount significantly higher than ever before achieved.

MATHEMATICAL VERIFICATION OF INDIVIDUAL INCOME TAX RETURNS

While mathematical verification has been performed for many years under non-ADP procedures, it assumes greater significance under ADP because of the increased extent of verification performed as a necessary part of the mechanized processing of returns. This is apparent in the increased yield from the one ADP serv-

ice center performing mathematical verification of individual income tax returns—Chamblee Service Center.

During the year, 63.4 million individual income tax returns filed on Forms 1040 and 1040A were mathematically verified, an increase of 5.9 million, or 10.3 percent, over last year. This increase is due to (1) an increase in returns filed by individuals, (2) the accelerated returns processing programs in the non-ADP centers, and in the Chamblee Service Center, and (3) the number of 1962 tax year returns carried over from the 1963 filing period for processing in 1964.

The number of errors disclosed by mathematical verification numbered 2.6 million, an increase of 6.1 percent over last year. Of the total number, 64.4 percent represent errors resulting in additional revenue, while the remainder represent errors resulting in decreased revenue. The benefit accruing to the Government from mathematical verification of returns is the net yield, or the difference between the amounts of increased and decreased revenue. The table below shows the effect of mathematical verification for 1963 and 1964.

The rise in the amount of net yield reflected for 1964 is attributed to (1) the more comprehensive mathematical verification given individual returns under automatic data processing, and the increase in the number of returns processed by the data processing center at Chamblee, Georgia, during the last half of 1964, and (2) an increase of more than \$4, or 4.9 percent, in the average increase error, while the average amount of decrease remained the same.

NATIONAL IDENTITY FILE

With the establishment of the nationwide master file of individual income taxpayers proceeding according

to a schedule of gradual extension on a regional basis to best assure its success, an interim computer procedure has been installed to identify filers of more than one individual income tax return for the same tax period. The magnetic tape files are computer-searched to identify multiple filers, and all cases of duplication are extracted for follow-up by the appropriate enforcement personnel. This eliminates the time-consuming procedure under which district office index files are manually searched to identify multiple refund cases.

The majority of the duplicates resulting from the search of returns for the tax year 1962 did not represent duplicate filing but involved incorrect identification by the taxpayer. Follow-up on the selected potential yield cases resulted in a total of over \$2 million in additional assessments and refunds canceled. Aside from the additional revenue yield, the National Identity File will be of substantial assistance in the reduction of processing costs through the purification of taxpayer accounts.

OVERPAYMENTS OFFSET PRIOR TO REFUND

During 1964, \$11.8 million were offset, or applied, through automatic computer analysis, to taxpayers' outstanding liabilities from amounts that would otherwise have been refunded. These offsets resulted from the processing of business returns by computer for the Southeast and Mid-Atlantic Regions and individual income tax returns for the Southeast Region. This function is made possible through the ADP system of establishing a consolidated account for each taxpayer entity on the Master File.

VOLUNTARY DISCLOSURES

As a result of ADP publicity, 973 taxpayers have voluntarily disclosed \$4.7 million in delinquent taxes since January 1962. In each case the taxpayer specifically mentioned that the additional income applied to years gone by and was being declared in anticipation of being caught through the implementation of the ADP system. However, this is only a part of the salutary effect on taxpayer compliance. There is intangible but strong evidence that a significant number of taxpayers have been unobtrusively getting their tax affairs in order either by including income formerly concealed or by filing returns for the first time.

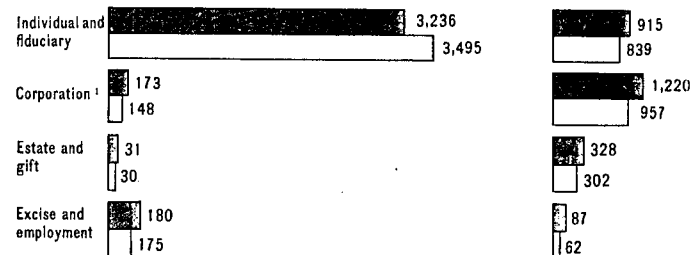
EXAMINATION PROGRAM

GENERAL.—The Service is continuing its efforts to reduce the time lag between the date returns are filed and the date the examinations of the returns are completed. In this connection an expanded training program together with increased emphasis upon the examination of selected simple business returns in office audit branches insured accelerated coverage of the less complex cases and at the same time increased the time experienced agents devoted to the examination of the more complex corporate cases.

The examination program for exempt organizations was further expanded during the year resulting in a 42.2 percent increase in the number of examinations of returns of exempt organizations.

CLASSIFICATION AND SELECTION OF RETURNS FOR EXAMINATION.—The identification of those returns most

NUMBER OF TAX RETURNS EXAMINED AND ADDITIONAL TAX AND PENALTIES RECOMMENDED



¹ Includes exempt organization returns

Individual income tax returns mathematically verified

Item	Total		Form 1040		Form 1040A	
	1964	1963	1964	1963	1964	1963
Number of returns verified.....	63,414	57,492	46,610	42,217	16,804	15,276
Number of returns on which changes were made.....	2,588	2,439	1,882	1,771	706	669
Returns with increase:						
Number.....	1,666	1,564	1,216	1,149	450	414
Amount.....	165,501	148,113	127,473	113,767	38,028	34,346
Returns with decrease:						
Number.....	922	876	666	621	256	254
Amount.....	72,639	69,419	51,355	47,626	21,283	21,794
Net yield:						
Total.....	92,862	78,694	76,118	66,142	16,745	12,552
Average per return verified.....	1.46	1.37	1.63	1.57	1.00	.82

in need of examination is a cornerstone of sound enforcement. Service personnel classify and select for audit those returns which exhibit error-indicating characteristics. Knowledge of what characteristics are indicators of error is derived from examination experience and scientific sampling.

Through application of selection criteria and techniques, examination coverage is provided for all types and classes of returns. Determinations of coverage among the returns are based on recurring studies and analyses. Out of 66.7 million individual, corporation, estate, and gift tax returns filed, 25.3 million were classified.

Under the ADP system, computer classification of returns is being utilized in all regions where the system is operative. Audit characteristics previously used in manual classification, as well as additional criteria, have been programmed. ADP processes make possible the identification of returns in need of examination by subjecting returns to analysis with speed and accuracy.

NUMBER OF RETURNS EXAMINED.—During the year 3.6 million returns were examined, a decrease of 6 percent from last year. The decrease occurred in individual and fiduciary returns while examinations of all other types of returns increased. Returns audited by field audit techniques increased 1,262, while office audit examinations decreased 230,359. The decline in office audit examinations is consistent with a planned cutback from the previous year and was designed to provide a more balanced program by shifting emphasis from the examination of small nonbusiness returns to the audit of small business returns and of nonbusiness returns with adjusted gross income over \$10,000.

The average time required to complete examinations continued to rise, reflecting a continuation of a trend toward more thorough examinations embodying quality audit principles.

The following table shows the number of returns examined by type of return:

Number of tax returns examined

(Figures in thousands)

Type of return	Total		Field audit		Office audit	
	1964	1963	1964	1963	1964	1963
Grand total.....	3,620	3,849	762	760	2,858	3,089
Income tax, total.....	3,409	3,644	586	588	2,823	3,056
Corporation.....	163	141	161	140	2	1
Individual and fiduciary.....	3,236	3,495	416	441	2,820	3,055
Exempt organization.....	10	9	10	7	(¹)	(¹)
Estate and gift tax.....	31	30	29	27	3	3
Excise and employment tax.....	180	175	147	145	33	30

¹ Revised. Formerly included exempt organizations.

¹ Less than 500.

ADDITIONAL TAX AND PENALTIES RECOMMENDED.—Examination of returns resulted in recommendations of \$2.55 billion in additional tax and penalties. This amount represents an increase of \$390 million over last year, and is the highest amount achieved in any single year. An increase was realized in every tax area without exception. Corporation examinations produced 27 percent more additional tax and penalties than last year, and individual and fiduciary deficiencies were up 9 percent.

Average additional tax and penalties recommended per examined return rose 25 percent, from \$561 in 1963 to \$704 in 1964. In the area of individual and fiduciary returns, average additional tax and penalties

recommended per return increased 18 percent and, in the corporation area, 9 percent.

CLAIMS FOR REFUND.—District audit divisions completed action on 375,288 claims for refund of taxes. The total amount claimed was \$495 million of which \$177 million was allowed and \$318 million disallowed. In addition, 4,397 claims with an amount claimed of \$150 million were unagreed and forwarded to appellate divisions for further consideration.

Of the total number of claims, 82.6 percent involved individual and fiduciary tax returns. Of the total amount claimed, 72.3 percent was from corporation returns and 19.4 percent from individual and fiduciary.

The following table shows the number and amounts involved.

ENFORCEMENT ACTIVITIES

Claims for refund disposed of by district audit divisions, fiscal years, 1963 and 1964

Class of tax	Closed by district divisions							
	Number		Amount (thousand dollars)					
			Claimed by taxpayer		Allowed		Disallowed	
	1964	1963	1964	1963	1964	1963	1964	1963
Total.....	375,288	348,921	495,077	1,100,522	177,165	152,082	317,911	948,441
Individual income.....	311,636	290,021	115,083	104,276	79,845	72,014	35,238	32,212
Corporation income.....	31,256	25,922	331,169	794,553	79,028	64,551	252,140	730,002
Estate.....	1,608	1,643	22,691	18,693	6,544	7,478	16,147	11,214
Gift.....	743	872	1,058	1,058	235	288	617	771
Excise.....	16,669	17,435	21,008	175,281	8,965	6,019	12,043	173,262
Employment.....	13,876	13,651	4,254	2,711	2,528	1,732	1,726	980

Class of tax	Protested-transferred to appellate divisions							
	Number		Amount (thousand dollars)					
			Claimed by taxpayer		Recommended by audit divisions			
					Allowed		Disallowed	
	1964	1963	1964	1963	1964	1963	1964	1963
Total.....	4,397	4,235	149,501	119,468	3,512	29,562	145,989	89,906
Individual income.....	1,981	2,081	10,042	11,307	566	1,064	9,476	10,243
Corporation income.....	1,201	802	134,539	101,378	2,722	28,378	131,817	73,000
Estate.....	90	90	3,035	3,390	134	92	2,901	3,298
Gift.....	38	53	263	1,144	14	14	249	1,144
Excise.....	744	1,054	1,388	1,869	44	21	1,344	1,848
Employment.....	343	155	234	380	32	7	202	373

OVERASSESSMENTS OF TAX EXCLUSIVE OF CLAIMS FOR REFUND.—District audit personnel determined that a total of \$143 million in taxes had been overassessed against taxpayers exclusive of claims for refund. Corporation income tax accounted for 56.7 percent of the overassessments. The following table shows the amount of overassessments recommended by tax area:

Overassessments of tax exclusive of claims for refund

Type of tax	Amount recommended (thousand dollars)	
	1964	1963
Total.....	142,564	163,000
Individual and fiduciary income.....	80,510	35,194
Corporation income.....	80,834	118,552
Estate.....	9,701	7,339
Gift.....	327	507
Excise.....	866	1,026
Employment.....	296	382

APPEALS

GENERAL

The appeals procedure of the Service provides the taxpayer an opportunity to resolve his tax controversy without litigation, on a basis which is fair and impartial to both the government and the taxpayer.

The appeals function is decentralized and operates at two organizational levels, the district and the region. If a taxpayer disagrees with the findings of the examining officer he may request an informal conference in the audit division at the district level. In the event an agreement is not reached in the district audit division, the next level of appeal is the appellate division which is a part of the regional office. If an agreement cannot be reached at the appellate division level the taxpayer may file an appeal with the Tax Court of the United States. Conference opportunities are available in the appellate division even after a case has been docketed in the Tax Court.

The jurisdiction of both the audit division and the appellate division extends to disagreements involving overassessments as well as deficiencies, and to all internal revenue taxes except alcohol, tobacco, firearms, narcotics, and wagering taxes.

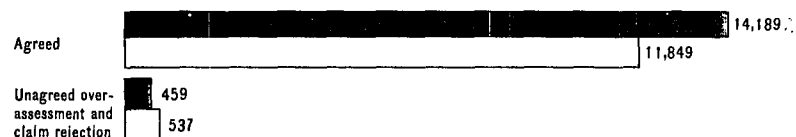
SUMMARY OF OPERATIONS

The number of case referrals from audit divisions was 17.0 percent higher than in 1963. However, the increase in appeals was substantially offset by a 14.1 percent rise in the number of case dispositions, resulting principally from a higher level of productivity. While the number of cases on hand on June 30, 1964,

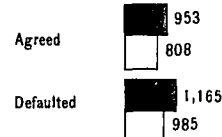
APPEALS (Income, Profits, Estate, and Gift Tax Cases)

Method of Disposal

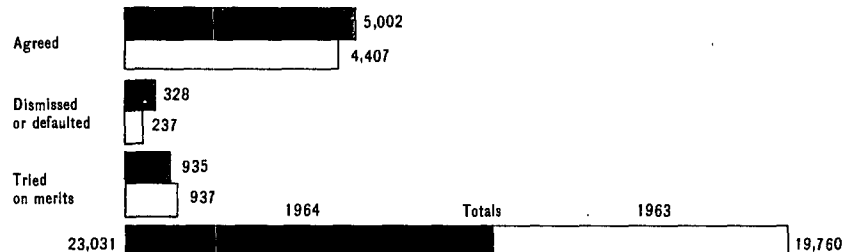
BEFORE ISSUANCE OF STATUTORY NOTICE



STATUTORY NOTICE OUTSTANDING



PETITIONED TO TAX COURT



was 11.8 percent above a year ago the inventory remains in a current condition. The continued handling of the larger case workload on a current basis is planned for by anticipated further increases in productivity and nominal staffing adjustments in those areas with the heaviest workloads.

INCOME, PROFITS, ESTATE, AND GIFT TAXES

CASES NOT BEFORE THE TAX COURT (PRE-90-DAY CASES).—If no agreement is reached with the taxpayer at the district level, the district director issues a preliminary notice, otherwise referred to as "30-day letter," together with a copy of the examining officer's report, informing the taxpayer of the proposed adjustments and advising him of his privilege to file a formal protest and request that the case be transferred to the appellate division. These cases are referred to by the appellate division as "pre-90-day cases." The appellate division's activities during 1963 and 1964 in the process-

ing of these cases is summarized below. (For additional information, see table 15, page 94.)

Appellate Division receipts and dispositions of protested income, profits, estate, and gift tax cases prior to issuance of statutory notice of deficiency (pre-90-day cases).

Status	Number of cases	
	1964	1963
Pending July 1.....	12,653	10,732
Received.....	21,494	17,774
Disposed of, total.....	18,616	15,853
By agreement.....	14,189	11,849
Unagreed overassessment and claim rejections.....	459	537
By issuance of statutory notices—transferred to 90-day status.....	3,968	3,467
Pending June 30.....	15,531	12,653

The increase in the number of pre-90-day cases on hand compared with a year ago reflects the effect of the higher number of referrals from audit divisions.

ENFORCEMENT ACTIVITIES

CASES NOT BEFORE THE TAX COURT (90-DAY CASES).—If a case is not settled at the district level and no formal protest is filed with the appellate division a statutory notice of deficiency is issued by the district director. If a protest is filed with the appellate division but no settlement is reached during pre-90-day consideration, a statutory notice of deficiency is issued by the appellate division. This notice is commonly referred to as a "90-day letter," because the taxpayer is allowed 90 days from the date of the letter to petition the Tax Court of the United States. A case which is pending in the appellate division during this period is called a 90-day case. The following table shows the results of processing these cases in the appellate division. (Additional details are shown in table 16, p. 94.)

Appellate Division receipts and dispositions of protested income, profits, estate, and gift tax cases in which statutory notices of deficiency were outstanding (90-day cases).

Status	Number of cases	
	1964	1963
Pending July 1.....	1,159	1,073
Received, total.....	4,377	4,019
Statutory notices issued by Appellate Division ¹	3,785	3,348
Statutory notices issued by district directors and received during 90-day period.....	592	671
Disposed of, total.....	4,146	3,933
By stipulated agreement.....	953	808
By taxpayer default.....	1,165	985
By petition to the Tax Court—transferred to docketed status.....	2,028	2,140
Pending June 30.....	1,390	1,159

¹ Difference from preceding table is caused by cases being combined or split for the purpose of issuing the statutory notice, cases in transit, etc.

Although the total number of 90-day case disposals by appellate division was higher than last year, a smaller number of such disposals involved cases petitioned to the Tax Court.

CASES PETITIONED TO THE TAX COURT (DOCKETED CASES).—In a case involving income, profits, estate, or gift taxes, a taxpayer may file a petition with the Tax Court requesting a hearing for a redetermination of the tax liability asserted by the Commissioner in the statutory notice. The Tax Court of the United States is an independent agency of the Government and has no connection with the Internal Revenue Service.

After a case has been docketed in the Tax Court, a taxpayer may still discuss the possibilities of settling his case with the Service regardless of whether he has previously availed himself of conference opportunities with the audit division of the district office, or with the appellate division at the regional level. Settlement negotiations in docketed cases may be conducted by the appellate division at any time before the case is called for trial by the Tax Court. Regional Counsel may also be represented since settlement of a docketed

case requires his concurrence. The table which follows shows the processing of docketed cases. (For additional information see table 17, p. 95.)

Appellate Division receipts and dispositions of income, profits, estate, and gift tax cases petitioned to the Tax Court (docketed cases).

Status	Number of cases	
	1964	1963
Pending July 1.....	8,631	8,965
Received, total.....	5,614	5,247
Petitions filed in response to— District directors' statutory notices.....	3,767	3,303
Appellate Division's statutory notices ¹	1,847	1,944
Disposed of, total.....	6,265	5,581
By stipulated agreement.....	5,002	4,407
By dismissal by the Tax Court or taxpayer default.....	328	237
Tried before the Tax Court on the merits.....	935	937
Pending June 30.....	7,980	8,631

¹ Difference from number shown as petitioned in preceding table is caused by excluding district directors' statutory notices considered by Appellate in 90-day status, cases in transit, etc.

² Difference from the number shown in the preceding tables and in table 19, p. 95, is due to cutoff dates in respective reporting systems.

With the number of docketed case disposals exceeding receipts for the fifth consecutive year, the number of such cases on hand June 30, 1964, was lower than in any year since 1956.

EXCISE AND EMPLOYMENT TAXES

The number of excise and employment tax cases on hand June 30, 1964, was 1,154 or 289 cases above the same date of last year, reflecting the effect of the higher number of referrals from audit divisions. There were 1,750 case receipts and 1,461 disposals.

CLOSING AGREEMENT CASES

During the year, 177 final closing agreement cases were received and 168 processed to a conclusion. The number of cases on hand June 30, 1964, was 16. (Rulings on proposed closing agreements involving prospective transactions are discussed on p. 5.)

OVERASSESSMENTS REPORTED TO JOINT COMMITTEE

Section 6405 of the Internal Revenue Code of 1954 requires reports to the Joint Committee on Internal Revenue Taxation of all refunds and credits of income, war profits, excess profits, estate or gift tax exceeding \$100,000. During the year the number of such cases rose from 440 cases totaling \$344.0 million to 512 cases involving overassessments of \$296.5 million.

DELINQUENT RETURNS AND DELINQUENCY INVESTIGATIONS

During 1964 the Service secured 1.1 million delinquent returns representing \$275.5 million in unreported tax, interest, and penalties. Approximately 66,000 of

these returns, representing \$57.6 million, were secured by district audit divisions incidental to the examination of returns. The remainder were secured through the established delinquent returns program.

This year more manpower was utilized in the delinquent returns program, one of the major means by which the Service strives to ensure that all taxpaying entities satisfy the filing and payment requirements under the internal revenue laws. As a result of the increased efforts, more than 1.0 million delinquent returns were secured representing \$217.9 million of unreported tax, including interest and penalties. This was an increase of 4.0 percent or 39,000 delinquent returns and \$31.3 million or 16.8 percent over last year. In addition, this year 1.77 million delinquency investigations were conducted, an increase of 3.4 percent over the record number of 1.71 million in 1963. These delinquency investigations result primarily from a check of records of previously filed returns and constitute one of the major methods of detecting nonfilers.

A nationwide compliance survey in selected geographical areas of special tax stamp requirements for coin-operated amusement and gaming devices was completed during 1964 in coordination with the Department of Justice drive on organized crime. The survey resulted in \$511,500 in tax and penalties on 9,095 unreported devices.

In the future, the delinquent returns program is expected to yield even more rewarding results since manpower was made available in 1964 for work on new aspects of the problem of securing delinquent returns. Already selective studies have been initiated into the development of returns compliance leads and investigative techniques. Test compliance surveys were conducted in several districts on income, employment, and selected excise taxes. The experience resulting from this and similar future efforts is expected to provide a basis for the design of compliance programs of national scope as well as guidance for programs directed to particular local district requirements.

TAX FRAUD INVESTIGATIONS

All Intelligence enforcement programs were maintained at a high level, with continued progress towards the objective of ferreting out tax law violations by all strata of society, in all geographical areas and for all types of taxes. This year significant increases in the number of full-scale investigations and prosecution recommendations were coupled with a decline in the number of preliminary investigations. The reduction in preliminary investigations resulted from closer evaluation of allegations of fraud, thereby achieving more effective use of investigative manpower.

A summary of investigations by special agents follows:

Tax fraud investigations		
Type	1964	1963
Full-scale investigations, total.....	3,797	3,648
Prosecution recommended, total.....	2,392	2,208
Fraud.....	1,032	994
Wagering.....	1,258	1,133
Coin-operated gaming devices.....	28	25
Miscellaneous.....	64	46
Prosecution not recommended, total.....	1,405	1,440
Preliminary investigations, total.....	9,846	10,873
Fraud and miscellaneous.....	7,956	8,765
Wagering and coin-operated gaming devices.....	1,890	2,108

The Service continued to participate in the Department of Justice drive on organized crime through the investigation of the tax affairs of major racketeers and by conducting nationally coordinated and independent raids on wagering tax law violator establishments. Raids were made in 284 cities, and resulted in the arrest of 988 persons, the seizure of 193 automobiles, \$665,000 in currency, and considerable gambling equipment. Among the notorious evaders convicted in 1964 of criminal tax law violations were: Leo Carlinio, New York; Anthony Dolasco, Newark; Benny Magliano, Baltimore; Anthony Grosso and Sam Mannarino, Pittsburgh; Fred Mackey, Gary, Ind.; Max Jaben, Kansas City, Mo.; and Joseph (Doc) Stacher, Los Angeles.

The effectiveness of special agents was increased this year through the streamlining of training programs and through the greater use of technical investigative aids, such as portable reproduction equipment. The increased use of this equipment and the reduction in training time, together with continued efforts toward improving manpower utilization, resulted in special agents devoting approximately 5 percent more time to direct investigative work than in the preceding year. Consequently, special agents completed more full-scale investigations with prosecution recommendations.

CASES INVOLVING CRIMINAL PROSECUTION

Total additional taxes and penalties of \$113.6 million were involved in cases received in the Chief Counsel's Office with recommendations of criminal prosecution. This reflected a decrease of \$8.4 million from the prior year.

An analysis of criminal tax cases of all types (other than wagering-occupational tax cases handled at the district level) flowing from the Assistant Regional Commissioner, Intelligence, through the Office of the Chief Counsel and the Department of Justice follows:

Receipt and Disposal of Criminal Cases in Chief Counsel's Office

Status	1964	1963
Pending July 1 ¹	2,956	2,813
Received, total.....	1,493	2,123
With recommendations for prosecution.....	1,377	1,969
With requests for opinion, etc.....	116	154
Disposed of, total.....	2,345	1,980
Prosecution not warranted.....	106	151
Department of Justice declined.....	64	77
Prosecutions.....	1,919	1,405
Opinions delivered.....	90	120
All other closings.....	166	227
Pending June 30 ¹	2,104	2,956

¹ Includes cases awaiting action in Department of Justice exclusive of wagering tax cases referred by Intelligence Division.

A total of 947 income and miscellaneous criminal cases, with prosecution recommendations involving 1,265 prospective defendants, were forwarded to the Department of Justice. This was an increase of 10.8 percent in the volume of referrals over the prior year. In 1964, indictments of such cases were down 16.9 percent and the total disposal of cases in those categories in the district courts decreased 5.1 percent.

In income, excise, and wagering tax court cases, 1,314 defendants pleaded guilty or nolo contendere, 224 were convicted after trial, 81 were acquitted, and 188 were dismissed.

A comparison of indictments and court actions for the last 2 years follows:

Results of criminal action in tax fraud cases

Action	Number of defendants	
	1964	1963
Total		
Indictments and informations.....	1,577	1,856
Disposals, total.....	1,807	1,596
Plea, guilty or nolo contendere.....	1,314	1,117
Convicted after trial.....	224	176
Acquitted.....	81	73
Not-prossed or dismissed.....	188	230
Income and miscellaneous cases ¹		
Indictments and informations.....	679	817
Disposals, total.....	772	814
Plea, guilty or nolo contendere.....	543	565
Convicted after trial.....	121	83
Acquitted.....	40	49
Not-prossed or dismissed.....	168	117
Wagering tax cases		
Indictments and informations.....	898	1,039
Disposals, total.....	1,035	782
Plea, guilty or nolo contendere.....	771	552
Convicted after trial.....	103	53
Acquitted.....	41	24
Not-prossed or dismissed.....	120	113

¹ Includes cases dismissed for the following reasons: 19 because of death of principal defendant, 5 because of serious illness, and 28 because principal defendant had pleaded guilty or had been convicted in a related case.

² Includes income, estate, gift, and excise taxes other than wagering, alcohol, tobacco, and firearms taxes.

ENFORCEMENT ACTIVITIES

As the result of actions taken against violators of the laws relating to alcohol, tobacco, and firearms taxes, a total of 7,195 cases involving 8,198 defendants were reported to U.S. attorneys for criminal prosecution, an increase in cases of 1.9 percent compared to last year. The number of indictments and disposals for the last 2 years are shown in the following table:

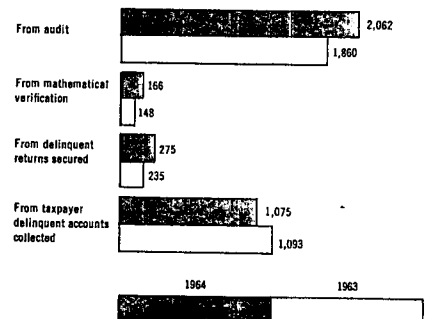
Results of criminal action in alcohol, tobacco, and firearms cases

Action	Number of defendants	
	1964	1963
Indictments and informations.....	5,598	5,747
Disposals, total.....	5,646	6,027
Plea, guilty or nolo contendere.....	4,108	4,256
Convicted after trial.....	668	714
Acquitted.....	298	369
Not-prossed or dismissed.....	572	688

SUMMARY OF ADDITIONAL TAXES FROM DIRECT ENFORCEMENT

ADDITIONAL TAX FROM DIRECT ENFORCEMENT

(including interest and penalties)
Millions of dollars



The above chart summarizes and compares the amounts of additional taxes resulting from the various enforcement programs. This year the total amount of additional taxes, penalties, and interest assessed, almost all of which is collected, was a record \$2.5 billion.

Additional assessments resulting from the examination of tax returns totaled \$2.1 billion, an increase of \$202.0 million over last year. The assessments represent increases in liability as finally determined in examined cases closed at all stages of consideration, including cases closed by district audit divisions and cases closed after appeals action or court decision. Since many of the assessments made in fiscal 1964 in-

volve cases which were examined in a previous fiscal year, the amount of additional taxes assessed should not be regarded as a measure of current year audit activity.

Additional revenue produced by mathematical verification of individual income tax returns was up \$17.4 million and taxes, penalties, and interest on delinquent returns secured increased \$40.2 million.

The following table shows the additional taxes, penalties, and interest by source:

Tax, penalties, and interest resulting from direct enforcement

(In thousands of dollars)

Item	1964	1963
Additional tax, penalties, and interest assessed, total.	2,505,249	2,243,356
From examination of tax returns, total.	2,062,008	1,859,975
Income tax, total.	1,750,555	1,569,849
Corporation.	901,864	807,568
Individual and fiduciary:		
Prerefund audit.	123,799	89,602
Regular audit.	724,892	672,678
Estate and gift tax.	268,499	241,647
Employment tax (including withheld income tax).	7,639	8,332
Excise tax.	35,315	40,147
From mathematical verification of income tax returns.	165,501	148,113
From National Identity File.	2,260	-----
From delinquent returns secured, total.	275,480	235,287
By district collection divisions.	217,860	186,574
By district audit divisions.	57,620	48,693
Claims disallowed.	-----	-----
Total.	445,556	1,080,794
By district audit divisions.	317,911	948,441
By regional appellate divisions.	127,645	132,353
Delinquent taxes collected.	-----	-----
Total.	1,322,170	* 1,282,812
Delinquent accounts.	1,074,988	1,093,000
Trust fund taxes.	247,182	* 189,812

* Revised.

TAXPAYER DELINQUENT ACCOUNTS

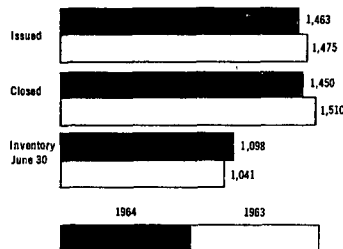
Increased activity at the Service Centers in June 1964 compared with June 1963 caused new delinquent accounts to reach higher levels during the year than would have otherwise occurred. These new accounts, added to the new accounts issued in July 1963 that ordinarily would have been issued in June 1963, raised

the year's total to 3.1 million delinquent accounts, 6.5 percent higher than the number issued last year. However, the amount of delinquent tax involved, \$1,463 million, was \$12 million less than last year.

In recent years emphasis has been placed on reducing inventories; in 1964 special efforts were directed to this program. Despite the large number of new accounts in June, which offset much of the inroads made into inventory levels through the first 11 months, the 1964 inventory totaled 956,000 accounts, an actual reduction of 1.2 percent below last year. Moreover, this represents the second lowest June inventory reached since 1954. The amount of delinquent taxes involved in the accounts pending at the close of the year aggregated \$1,098 million, \$57 million more than last year.

TAXPAYER DELINQUENT ACCOUNTS

Millions of dollars



The Service continued to emphasize and expand the trust fund tax collection program under which immediate contacts are made to collect withholding and similar trust fund taxes from employers and excise taxpayers who have failed to pay the tax when due. A total of 114,000 trust fund accounts, 27,000 more than in 1963, was collected while still in notice status. In addition, over 10,000 dishonored checks, submitted in payment of trust fund taxes and amounting to \$8 million, were collected.

The delinquent accounts activity (including activity related to the accelerated collection of trust fund taxes

and dishonored checks while in notice status) is shown in the following table:

Taxpayer delinquent accounts

Status	Number (thousands)		Amount (thousand dollars)	
	1964	1963	1964	1963
Issued.	3,065	2,879	1,462,561	1,474,752
Closed, total.	3,077	2,967	1,449,988	1,509,916
By type of action:				
Collected.	2,537	2,468	1,030,262	1,053,035
Additional collections.	541	499	44,726	39,965
Other disposals.	-----	-----	375,000	416,916
Pending June 30, total.	956	968	1,098,447	1,041,148
Accelerated collection of trust fund taxes:				
Received.	205	* 150	397,931	* 327,788
Collected.	114	* 87	247,182	* 189,812

* Revised.

* Includes disposals due to uncollectibility and erroneous and duplicate assessments.

* Includes collections of dishonored checks.

WORK FLOW IN THE SERVICE AND COURTS

Most of the work of the Service is generated by the millions of returns filed every year. The time elapsing between receipt and final disposition of a return may vary from a few days or weeks for the simplest to several years for the most complex, especially when fraud or appeals and litigation are involved. For this reason, the work of the Service does not flow through a complete cycle during any one year. However, the relative volume of returns processed at each administrative level of the Service and the courts is exemplified by the workload for any given year. In evaluating the work flow, it is necessary to recognize that the unit count at the point of receipt and in the audit divisions is on a return basis while in the appellate divisions, intelligence divisions, and the courts the work unit is the case. Cases may involve one or more returns. Since the major administrative burden is on the processing of income, estate, and gift tax returns, especially at the appellate and court levels, the following tabulations (returns filed and internal revenue collections excepted) are confined to these types of returns:

ENFORCEMENT ACTIVITIES

Work flow in the Internal Revenue Service and the courts, fiscal years 1964 and 1963

Item	Returns	
	1964	1963
Tax returns filed, total.	100,066,188	* 97,833,787
Individual income.	65,154,491	* 63,679,476
Corporation income.	1,367,400	* 1,291,539
Estate and gift.	194,511	179,446
Employment.	21,753,220	21,139,735
Excise.	3,925,001	3,954,416
Other income.	7,671,565	7,589,175
INCOME, ESTATE, AND GIFT TAXES		
Number of returns examined.	3,440,192	3,673,939
Returns with adjustments proposed by audit divisions.	2,381,058	2,339,658
Disposed of by audit divisions:		
Agreed, paid, or defaulted.	2,108,136	2,102,069
Cases		
	1964	1963
Total received in appellate divisions.	21,859	18,326
Disposed of by appellate divisions:		
Agreed, paid, or defaulted.	16,766	14,179
Courts of original jurisdiction:		
Tax Court:		
Total petitioned to Tax Court.	5,690	5,376
Dismissed.	346	466
Settled by stipulation.	4,347	4,571
Settled by Tax Court decision.	867	1,089
Decided by Tax Court but appealed.	349	390
District courts and Court of Claims:		
Total filed in district courts and Court of Claims.	1,494	1,407
Settled in district courts and Court of Claims.	896	764
Decided by district courts and Court of Claims.	488	486
Courts of appeals:		
Settled by courts of appeals decision.	520	349
Favorable to Government.	344	229
Favorable to taxpayers.	139	76
Modified.	37	42
Decided by courts of appeals but reviewed by Supreme Court.	3	6
Supreme Court:		
Settled by Supreme Court decision.	4	7
Fraud cases ¹		
Received for full-scale investigation in intelligence divisions.	2,241	2,239
Disposed of by intelligence divisions:		
Prosecution recommended.	1,032	994
Prosecution not recommended.	1,165	1,228
Disposed of by Office of Chief Counsel:		
Prosecution not warranted, including cases declined by the Department of Justice.	170	228
Prosecutions.	1,919	1,405

* Revised.

¹ Includes excise tax cases.

Amounts of revenue involved at each level of the tax system
fiscal years 1964 and 1963

(Millions of dollars)

*Item	1964	1963
Internal revenue collections, total.....	112,260	105,925
Individual income taxes, total.....	54,590	52,988
Withholding.....	39,259	38,719
Other.....	15,331	14,269
Corporation income taxes.....	24,301	22,336
Estate and gift taxes.....	2,416	2,187
Employment taxes.....	17,003	15,004
Excise taxes.....	13,950	13,410

INCOME, ESTATE, AND GIFT TAXES

Civil cases	1964	1963
Additional tax and penalties in cases disposed of in audit divisions by agreement, payment, or default.....	1,273	1,147
Additional tax and penalties in cases disposed of in appellate divisions by agreement, payment or default.....	208	179
Additional tax and penalties determined by settlement in Tax Court.....	105	81
Additional tax and penalties determined by Tax Court decision:		
Dismissed.....	3	4
Decision on merits.....	25	26
Additional tax and penalties in cases decided by Supreme Court and courts of appeals.....	17	9
Amount refunded to taxpayers as a result of refund suits.....	45	37
Fraud cases ¹		
Deficiencies and penalties in cases disposed of in intelligence divisions:		
Prosecution recommended.....	46	116
Prosecution not warranted and cases declined by Department of Justice.....	17	29

¹ Includes excise taxes.

OFFERS IN COMPROMISE

Payment of tax liability may be compromised where it has been determined that the taxpayer cannot pay

the full amount of the tax liability, including interest and penalties, or where it has been concluded that there is doubt as to the amount of the taxpayer's liability. These circumstances account for substantial differences between the amounts of offers and liabilities.

Since the final phase of the long range offer in compromise decentralization was made effective on July 1, 1963, a successful and active program has been accomplished by means of revised detailed instruction documents, advisory memoranda, and periodic analyses, which have been made available to field personnel.

In addition, regional seminars have been held for the purpose of achieving uniformity in the treatment of taxpayers and for the valuable exchange of information which is of assistance in resolving technical and procedural problems.

The Service also effected a functional reassignment designed to further unite responsibility and authority over offer in compromise matters in the same administrative officer. The power, hitherto exercised in the Audit Division, to accept or reject offers in compromise of criminal liability, and of civil liability of less than \$100,000, arising under the liquor taxing provisions in Chapter 51 of the Internal Revenue Code, and under the National Firearms Act (ch. 53, I.R.C.), has been delegated to the Director of the Alcohol and Tobacco Tax Division.

The following table provides detailed information on compromise cases closed:

Offer in compromise disposals

Type of tax or penalty	Number		Amount (thousand dollars)					
	1964	1963	Liabilities		Offers		1964	1963
			1964	1963	1964	1963		
Offers accepted, total.....	10,584	10,964	44,493	27,470	10,121	7,275		
Income, profits, estate, and gift taxes.....	890	810	29,517	15,860	6,383	4,013		
Employment and withholding taxes.....	908	864	6,514	6,154	2,015	1,958		
Alcohol taxes.....	97	95	466	228	192	121		
Other excise taxes.....	179	228	6,438	3,608	1,025	776		
Delinquency penalties on all taxes.....	2,818	2,978	1,557	1,622	329	304		
Specific penalties.....	5,692	5,989			177	103		
Offers rejected or withdrawn, total.....	4,370	4,360	73,559	86,173	11,678	13,003		
Income, profits, estate, and gift taxes.....	1,711	1,643	51,589	63,272	7,867	9,191		
Employment and withholding taxes.....	1,328	1,296	11,564	12,638	2,432	2,722		
Alcohol taxes.....	77	95	526	447	69	54		
Other excise taxes.....	360	351	9,065	9,146	1,095	902		
Delinquency penalties on all taxes.....	849	945	815	670	181	129		
Specific penalties.....	45	30			14	5		

COLLECTION LITIGATION LEGAL SERVICES

The legal work relating primarily to the functions of the district directors' offices continued to maintain the general level of activity reached in 1958. The number of cases received during the year was 11,987

as compared with 11,366 for 1963. The number of cases disposed of during the year was 11,762 compared with 10,922 for 1963. The inventory of pending cases at the end of the year stands at 5,054, an increase of 225 from the 4,829 cases pending at the end of 1963.

ENFORCEMENT ACTIVITIES

For a detailed statistical report of the cases received and disposed of during the year, see tables 23 through 25 on page 97.

Although statistical data is useful in measuring the workload of a particular function, the activities of the lawyers handling collection litigation cases are quite varied, such as the maintenance of daily contacts with the district directors' offices in rendering formal and informal assistance. This maintenance of contact has evolved into an operation that can quickly and effectively handle the problems which arise. Further, through participation by these lawyers in the in-service training program a relationship is established at the recruit level to form a basis for a smooth working coordinated effort.

During the year three United States Supreme Court cases vitally affecting legal problems in collection work were decided. In addition, the Supreme Court granted certiorari in three cases decided by United States Courts of Appeal. For a summary of these cases see pages 64 and 65.

FEDERAL-STATE COOPERATION

The growing importance of Federal-State cooperation in tax administration was reflected in the signing of 11 new cooperative exchange agreements during the year. The agreements were concluded with the States of Florida, Idaho, Massachusetts, Nebraska, New Hampshire, New Mexico, New York, Oklahoma, Tennessee, Washington, and Wyoming.

Thirty-one such agreements were in effect at the end of the year, and negotiations were underway with four additional States.

Keener appreciation of the mutual benefits accruing to tax administration from the cooperative exchange program at both the Federal and State levels has been primarily responsible for the unprecedented rate of increase in the number of outstanding agreements. The potentials for Federal-State cooperation were enhanced by the expansion of the Service's ADP program and the adoption of machine processing by many of the States. The use of ADP-generated data has facilitated the exchange of special lists of taxpayers and other information at a reduced unit cost.

A developing facet of Federal-State cooperation during the year was the preparation of special statistical tabulations and the training of a limited number of State tax personnel under authority of P.L. 87-870, which provides for special services to be performed for the States on a reimbursable basis.

INFORMANTS' REWARDS

Informants are those who voluntarily furnish information which otherwise might not be disclosed to, or discovered by, the Service's personnel. The value of the information is taken into account in determining

whether a reward shall be paid, and, if so, the amount thereof.

From information furnished by informants, the Service recovered \$18.1 million in 1964, up from \$12.7 million in the previous year.

The table below summarizes activity in this area during the past 2 years.

Receipt and disposal of claims for informants' rewards

Status	1964	1963
Pending July 1.....number.....	4,930	5,000
Received.....do.....	4,781	4,196
Disposed of, total.....do.....	4,494	4,266
Rejected.....do.....	3,672	3,513
Allowed.....do.....	822	753
Pending June 30.....do.....	5,217	4,930
Amount allowed on claims disposed of.....dollars.....	\$65,254	\$458,688

ALCOHOL AND TOBACCO TAX ENFORCEMENT

The three-pronged attack on the illicit liquor traffic initiated in 1958 and applied through the concentration of enforcement effort on the apprehension of major violators, disruption of the flow of raw materials necessary for the production of illicit spirits, and the arrest of violators at the time of distillery seizures, has proven to be a sound enforcement approach and was continued in 1964. Recent favorable court decisions relating to the admissibility and sufficiency of evidence led to increased efforts toward the perfection of cases of quality and substance as a means of insuring that each investigation contains the elements for successful prosecution.

Encouraging signs are in evidence that inroads are being made against the criminal traffic in illicit liquor. Syndicate operations in the New York and Mid-Atlantic regions involving large continuous process stills have been virtually eliminated. The average utilized mash capacity of the total illicit distilleries seized in the United States was 892 gallons in 1964 as compared to the 1959 average of 1,097 gallons, or a reduction of 18.7 percent in production capability over the 5-year period. In 1964, violators were identified and listed as defendants in 87.1 percent of the 6,646 cases made for violation of the liquor laws. A total of 416 major violators were convicted, with lengthy prison sentences imposed in most cases.

The program directly involving illicit liquor activities required 71.2 percent of available investigator man-years. The balance of the investigative effort was expended on general enforcement programs, including firearms, liquor dealer and tobacco investigations as well as investigations requested by the Attorney General and assignments to the Intelligence Division in connection with the drive on organized crime.

Violations in fourteen southern states accounted for 91.3 percent of the distilleries seized, 95.5 percent of

the mash seized, 79.8 percent of the vehicles seized, and 85.0 percent of the arrests during 1964. Seizures of mash and nontaxpaid distilled spirits were about the same as last year while the number of distilleries seized increased 8.4 percent. The number of arrests were down 3.6 percent and vehicles seized were 5.5 percent less than the previous year. Principal data on seizures are shown in the following table:

Seizures and arrests for alcohol, tobacco, and firearms violations

Item	1964	1963
Seizures:		
Distilleries.....number.....	4,748	4,382
Sitios al distillerias.....number.....	6,837	6,213
Nontaxpaid distilled spirits.....gallons.....	148,021	149,940
Mash.....gallons.....	3,123,783	3,092,617
Vehicles.....number.....	2,298	2,431
Property (appraised value).....dollars.....	2,433,503	2,110,380
Arrests.....number.....	8,198	8,507

¹ Includes 1 arrest for tobacco violations and 300 arrests for firearms violations in 1964 compared with 2 and 352, respectively, in 1963.

Note.—Includes seizures and arrests in cases adopted, as well as originated, by the Internal Revenue Service.

The Service's statutory power to effect a forfeiture of property valued at \$2,500 or less which has been used or is intended for use in violation of the internal revenue laws has proved of particular value in the enforcement of the alcohol, firearms, gaming devices, and wagering laws. In order to provide relief for persons who had acquired an interest in such property without knowing or having reason to know that it might be involved in an illegal use, the provisions for the remission or mitigation of forfeiture under the customs laws are applicable to internal revenue forfeitures. The Service investigated and disposed of 476 such petitions during the year.

FIREARMS PROGRAM

The assassination of President John F. Kennedy aroused concern on the part of the general public over firearms, their use in crimes, and their control. Present day public interest culminated in the decisions of United States Attorneys to take a closer look at violations of the Federal and National Firearms Act in terms of prosecutive action, and has resulted in an increase in firearms investigations throughout the Nation.

In the area of public information, a permanent-type exhibit, which contains unserviceable firearms depicting the six categories subject to registration and control under the National Firearms Act and notations as to the provisions of the Act as well as the role played by the

Service in its administration and enforcement, was manufactured and shipped to each region earlier in the year. These exhibits are attracting many spectators wherever displayed.

Registration of firearms totaled 486,972 compared with 537,132 in 1963. Investigations of violations of the National and Federal Firearms Act and the Act of August 9, 1939 (49 U.S.C. 781) resulted in the perfection of 373 criminal cases, 300 arrests, and the seizure of 94 vehicles and 3,567 firearms. During 1963 these investigations resulted in the perfection of 358 criminal cases, 352 arrests, and the seizure of 115 vehicles and 725 firearms.

The interest of the Subcommittee on Juvenile Delinquency of the Senate Judiciary Committee in a revision of the Federal Firearms Act so as to restrict the "mail order" sale of firearms to juveniles continued and its work on this subject formed a focal point for additional legislative proposals initiated as a result of the death of President Kennedy. Although no bills have as yet been enacted, 22 bills were pending at the close of the year, 19 of which deal with proposals to amend the Federal Firearms Act (15 U.S.C. Ch. 18) and 3 with proposed amendments to the National Firearms Act (26 U.S.C. Ch. 53). The Service continued its close cooperation with the staffs of the congressional subcommittees engaged in the consideration of these proposals. Its representatives appeared at hearings held by the Senate Commerce Committee and prepared reports and technical memoranda on eight of these measures.

The Service has continued its close liaison with the Department of Defense to make certain that surplus submachineguns and other National Firearms Act weapons, sold as junk, are released in such condition that they cannot again be readily rendered operable.

The effect of the unfavorable decision of the Court of Appeals for the Ninth Circuit in *Russell v. United States*, 306 F. 2d 402 (1962), holding unconstitutional, on grounds of self-incrimination, the registration requirements of the National Firearms Act and reversing a conviction of failing to register a firearm (Sec. 5841, I.R.C.) has been considerably mitigated by the Court's refusal to review *Frye v. United States* (315 F. 2d 491 (9th Cir. 1963), cert. denied 375 U.S. 849), and *Sipes v. United States*, (321 F. 2d 174 (8th Cir. July 1963), cert. denied 375 U.S. 913), in which the courts of appeal had distinguished *Russell* and upheld the conviction of defendants for possessing an unregistered firearm and an illegally made firearm (Sec. 5851, I.R.C.).

Supervision of the Alcohol and Tobacco Industries

GENERAL

The Service continued its cooperation with the Department of Agriculture in the grape "setaside" program. This program involves the Service's supervision of the distillation and shipment of spirits produced from California grapes which were declared by the Grape Crush Administrative Committee of the U.S. Department of Agriculture to represent surplus production. These spirits are not to be disposed of for beverage purposes but are restricted to industrial use only.

As a result of cooperative efforts by the Alcohol and Tobacco Tax Division and the Joint Committee of the States on Alcoholic Beverage Advertising and with full support from the National Conference of State Liquor Administrators and the National Alcoholic Beverage Control Association, a study of the diversity in state regulatory requirements governing the advertising of alcoholic beverages was completed. This study, covering a period of approximately 2 years, led to the Joint Committee's recommendation that the several States adopt a proposed uniform regulation governing the advertising of distilled spirits and wines in newspapers and magazines. Some 20 States have adopted the recommendations and issued regulations which closely follow the Federal advertising standards. A number of other States have indicated approval of the program but have had to delay implementation because of legal considerations which must first be resolved. For titles and details of Service publications dealing with alcohol and tobacco tax matters, see page 58.

In the administration of the laws and regulations governing the manufacture, storage, and distribution of alcoholic beverage products and industrial alcohol, and the use of industrial alcohol and products made therefrom, the Service has encouraged continuing development of improved methods and equipment and more efficient utilization of manpower and equipment for both the industries and for the Service. For example, the Service has revised methods of control which permitted several distilled spirits plants to install and further develop modern, automated, continuous-flow systems in which alcohol is produced, denatured, and shipped to industrial users through sealed pipelines and equipment.

AUTHORIZATION OF INDUSTRY OPERATIONS

In administering the provisions of the Federal Alcohol Administration Act and its related regulations, 50,805 applications for label approval or exemption from label approval (21,099 applications for distilled spirits, 27,126 for wines and 2,580 for beer) were processed during the year compared with 46,949 applications during 1963 or an increase in workload of 8.2 percent. A total of 20,178 issues of newspapers and magazines were examined to determine whether the alcoholic beverage advertising contained therein complied with the Act and regulations and 2,460 radio and television commercials were similarly reviewed for compliance. In addition, 1,154 proposed advertisements and projected advertising campaigns which were voluntarily submitted prior to publication were reviewed as a service to industry. Conferences with industry members, their attorneys, or advertising agencies concerning advertising matters numbered 277, and 435 letters of technical advice on advertising were issued to alcoholic beverage industry members or their representatives.

In the National Office, 3,384 qualifying documents were reviewed, 18 permits to use tax-free spirits and 21 permits to use specially denatured spirits were issued to Government agencies, and 74 distinctive liquor bottles were approved. The National Office processed 772 formulas for rectified products and 127 formulas for wine.

ON-PREMISES SUPERVISION

During the year, continued emphasis was placed on attaining more effective manpower utilization. A long-range plan was prepared in which a staffing goal of 421 positions was proposed for inspectors (on-premises) which compares with an on-rolls figure of 484 on July 1, 1963. With only minor changes in the number of plants requiring supervision (360 in June 1963 as compared to 355 in June 1964), the plan was based on a continuing program of analysis and modernization of supervisory requirements.

Distilled spirits plants requiring on-premises supervision produced 838.9 million tax gallons of distilled spirits during 1964. Tax-free withdrawals of spirits, principally for use in the arts and industries, amounted to 609.2 million tax gallons of which 540.2 million tax

gallons were denatured. Distilled spirits in bonded storage at the close of the year totaled 1,057.3 million tax gallons. More than 38.0 million proof gallons of rectified products were produced during the year. Distilled spirits bottled during 1964 totaled 228.3 million wine gallons.

INSPECTION OF ESTABLISHMENTS

An Inspector's Handbook, which is under development is intended to further stimulate the audit-type inspection program and result in more meaningful inspections, especially at revenue producing plants. The objectives of the "audit approach" to on-site inspection of plants and permittees are directed toward strengthening the procedures for the measurement of taxpayer compliance and self-assessment. Procedures under this program make greater use of modern audit methods and techniques and substitute a system of spot checks and selective samplings for the former routine inspection accounting, and require evaluation of the records systems established by plant proprietors in order that full advantage may be taken of such internal controls.

During the year a total of 31,538 inspections were completed, compared to 28,966 in 1963. This increase was due largely to the phasing of Advanced Inspector Trainees into independent productive inspectors. Breweries and wineries subject to inspection produced 103.0 million barrels (of 31 gallons each) of beer, 205.7 million gallons of still and effervescent wines, 5.0 million gallons of vermouth, and 15.6 million gallons of special natural wines other than vermouth. Tobacco products factories, also subject to inspection, produced 7.7 billion large cigars, 913.2 million small cigars, 15,505 large cigarettes, 536.0 billion small cigarettes, and 178.9 million pounds of manufactured tobacco (including smoking and chewing tobacco, and snuff).

CHEMICAL ANALYSIS AND RESEARCH

Under a renewed contract with the Atomic Energy Commission, the National Office laboratory is expanding research in neutron activation analysis to develop

techniques specifically applicable to physical evidence problems encountered in Treasury law enforcement work. Federal court precedent was established in this field in a recent case when the judge accepted as evidence results obtained by using activation analysis on soil samples. Soil taken from the bottom of a tractor-trailer which was seized with 2,418 gallons of "moonshine" in New York was identified by the laboratory's sensitive detectors as coming from an illicit still-site in Georgia. At the annual meeting of Interpol, in Paris, the National Office laboratory was appointed coordinator for the International Police Organization's program for the study of neutron activation analysis for all member nations.

Thin layer chromatography, an emerging analytical technique of importance, is now being successfully used by the National Office laboratory to reduce materially the time formerly required for the examination of illicit drugs. Research is being carried out to further extend this scientific tool to the identification of complex drug mixtures by the development of suitable solvent systems. Other research activities resulted in the publication of nine papers in recognized scientific journals.

The national and regional laboratories analyzed a total of 40,559 samples in 1964. Of these, 9,316 represented illicit spirits and 6,334 were narcotic drugs. During the preceding year, 39,600 samples including 8,600 of illicit spirits and 8,300 of narcotic drugs, were analyzed. In the National Office laboratory, 2,655 new formulas for the use of taxpaid (nonbeverage) alcohol in foods, flavors, and medicines were approved and 647 samples were examined. Comparable statistics for 1963 are 2,825 formulas approved and 623 samples examined. Manufacturers using specially denatured alcohol submitted 4,876 formulas, 4,187 samples, and 8,754 labels for approval this year, compared with 3,904 formulas, 4,219 samples, and 9,211 labels submitted last year. Increased activity by tobacco manufacturers in the area of new product development has resulted in a marked increase over the past year in tobacco samples analyzed by the National Office laboratory.

Legislative Activities

GENERAL

The year was a busy one for the Service in the area of tax legislation. The principal activities were directed toward the Revenue Act of 1964. In addition, study, research, and assistance were carried on with respect to particular revenue measures enacted by the Congress or still pending. The regular and recurring functions performed by the Service in connection with the Department's legislative program, reports on bills, drafting of legislation, and other technical work were continued.

LEGISLATIVE PROGRAM

The Service submitted 101 items to the Assistant Secretary for Tax Policy for consideration in the formulation of the Department's legislative program. These suggestions dealt principally with administrative problems, tax loopholes, and tax inequities. They were developed from reports submitted by offices throughout the Service; from research and study projects undertaken to develop information about tax inequities, abuses, and administrative problems which seem to warrant corrective legislation; from suggestions made by Members of Congress and the public; and from suggestions submitted by employees through the incentive awards program.

It is through the Technical Coordination Program that the field offices report to the National Office on actual taxpayer cases involving tax abuses, inequities, and administrative problems. These reports are studied and evaluated in order to determine what can be used as legislative suggestions from the Service to the Department. This year, as usual, the program was quite active.

LEGISLATIVE ASSISTANCE

President Kennedy in his tax message to the Congress on January 24, 1963, recommended a reduction in individual and corporate income tax rates and also structural revision and reform directed toward the relief of hardship, the encouragement of economic growth, and the equitable broadening of the tax base. Representatives of the Service attended the executive sessions of the House Committee on Ways and Means, and assisted in drafting legislative language to carry out tentative decisions of the Committee, and the Committee report.

The Senate Committee on Finance conducted public hearings on the proposed Revenue Act of 1964 (H.R. 8363). Representatives of the Service attended the public hearings and prepared summaries of the testimony presented by the witnesses. When the Committee considered the legislation in executive session, Service representatives assisted in drafting changes proposed by the Committee. The Act was passed by the Senate and on February 26, 1964, it was signed by President Johnson and became Public Law 88-272.

Representatives of the Service attended the public hearings and executive sessions of Congressional Committees on the enacted and pending bills listed below, and prepared summaries of the testimony and decisions. They also rendered other technical assistance in drafting the legislation and related Committee reports.

Information reports, technical reports, drafts of bills and accompanying technical explanations, and other data relating to legislative matters were prepared for the Office of the Secretary of the Treasury. Included were 51 formal reports on Congressional bills which dealt with proposals to amend the Internal Revenue Code and other legislative matters, including private relief bills.

In the alcohol, tobacco, and firearms area, 17 draft reports and technical memoranda were prepared for the Treasury Department on legislative proposals. Service representatives appeared before the Senate Commerce Committee at public hearings held on two firearms bills and also before the House Ways and Means Committee at public hearings to consider the need for additional legislation relating to the production and distribution of beer concentrate.

LEGISLATION ENACTED

Congress enacted a number of public laws relating to tax matters, the most important of which (other than the Revenue Act of 1964) are listed and summarized below:

Public Law 88-133 increases the amount of compensation for services performed in any calendar month which is subject to the employee tax, employer tax, and employee representative tax imposed by the Railroad Retirement Tax Act.

Public Law 88-153 extends for 2 more years the period within which employers who have consistently accrued vacation pay for income tax purposes pursu-

ant to Income Tax Ruling 3956 may continue to use that method.

Public Law 88-173 facilitates the restoration to the Treasury of moneys made available to the States under the Temporary Unemployment Compensation Act of 1958 and Title XII of the Social Security Act by modifying the rate of employer repayment and by permitting installment repayment by a State in lieu of additional employer taxes.

Public Law 88-339 permits the return in bond in unchanged condition of exports of tobacco products to the factory of a manufacturer of such products without payment of duty equal to the internal revenue tax.

Public Law 88-342 prevents double taxation in the case of certain tobacco products exported and returned unchanged to the United States for delivery to a manufacturer's bonded factory.

Public Law 88-348, the Excise Tax Rate Extension Act of 1964 in general, postpones until July 1, 1965, reductions in certain excise tax rates, and termination of the excise taxes on general telephone service and transportation of persons by air, which would have become effective on July 1, 1964.

Senate Concurrent Resolution 19 expresses the sense of Congress that Bourbon Whisky be recognized as a distinctive product of the United States and suggests that Federal agencies take appropriate action to prohibit the importation of such whiskies.

LEGISLATION PENDING

Some of the tax bills passed by the House at the end of the fiscal year and awaiting action by the Senate were as follows:

H.R. 98, to permit a refund of the tax on imported distilled spirits, wines, or beer found to be unmerchandise.¹

H.R. 780, to provide a credit against the estate tax for Federal estate taxes paid on certain prior transfers in the case of decedents dying after December 31, 1947.

H.R. 3297, to exempt from income taxation certain nonprofit corporations and associations organized to provide reserve funds for domestic building and loan associations.

H.R. 3438, to amend the Bankruptcy Act with respect to limiting the priority and nondischargeability of taxes in bankruptcy.

H.R. 4649, to permit the use of certain volatile fruit-flavor concentrates in the cellar treatment of wine.¹

H.R. 5739, to correct certain inequities with respect to the taxation of life insurance companies.¹

H.R. 7267, to authorize partial refunds of gasoline taxes directly to applicators with respect to gasoline used by them in providing services to farmers in farming operations.

H.R. 8000, to impose a tax on acquisitions of certain foreign securities in order to equalize costs of long-term financing in the United States and in markets abroad.¹

H.R. 10467, to continue for a temporary period, certain existing rules relating to the deductibility of accrued vacation pay.¹

LEGISLATIVE IMPLEMENTATIONS

The Service is already well on its way toward implementation of the tax legislation enacted during the year. Implementation includes the issuance of new and amendatory regulations, revisions of tax return forms and instructions, issuance of publicity primarily through news or technical information releases, revision of Service publications, and issuance of special instructions and procedures to field offices. In some instances immediate action, particularly publicity, was required to enable taxpayers to comply with requirements of legislative amendments or to take advantage of tax relief afforded.

Some of the more important publicity releases on tax legislation enacted during the year include the following Technical Information Releases:

TIR-518 (October 16, 1963) calling attention to the provision in Public Law 88-133 which increases the amount of compensation subject to the employment taxes with respect to services performed in November 1963 or any month thereafter.

TIR-555 (March 16, 1964) directing attention to the provision in Public Law 88-272 under which a taxpayer entitled to the investment credit is no longer required to reduce the basis of qualifying property on account of the credit, for depreciation or other purposes, if it is placed in service by him after December 31, 1963.

TIR-558 (March 26, 1964) calling attention to the provision in Public Law 88-272 allowing a deduction from gross income for moving expenses paid or incurred by an employee in moving to a new principal place of work.

TIR-573 (April 20, 1964) calling attention to the provision in Public Law 88-272 which provides for an exclusion from gross income, at the election of the taxpayer, of gain received from the sale or exchange of the principal residence of a taxpayer.

TIR-604 (June 12, 1964) reminding taxpayers of the provisions of Public Law 88-272 which might require action by taxpayers before July 1, 1964, in respect of a special rule for determining when payment of a charitable contribution consisting of a future interest in tangible personal property is considered to have been made.

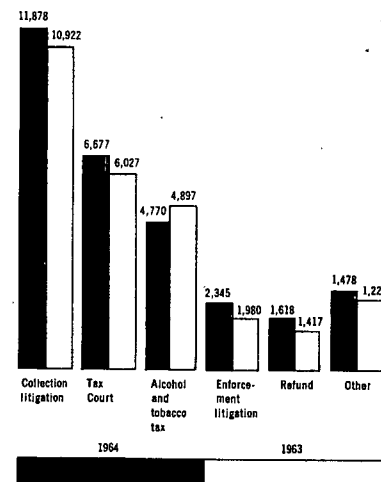
¹ Signed into law following the close of the fiscal year.

Legal Activities

GENERAL

In recounting the accomplishments of the Service in legal activities it is necessary to recognize that legal services are an important element in all facets of tax administration and therefore play a vital role in many operations of the Service. Criminal prosecution cases, civil litigation cases, legal services in collection litigation, and workflow of cases in the Service and the courts are shown under Enforcement Activities. The legal staff has always contributed much to the Service's legislative activities and will make an even stronger contribution in the future (see Management Activities, p. 45). Detailed statistics on legal activities are shown in tables 18-26 on pages 95-97. The most important court actions are reported in the appendix, beginning on page 64.

CASE DISPOSALS BY OFFICE OF THE CHIEF COUNSEL



CASELOAD DISPOSAL ACTIVITY

The disposals of total caseload in the Chief Counsel's Office reflected an increase to 28,766 from the total

of 26,465 in 1963. At the end of the year the pending total caseload was 21,305, a decrease of 1,129. Caseload receipts increased to 27,637, up 676 cases from the 26,961 received in 1963.

CIVIL LITIGATION

The Government won five and lost two of the seven civil tax cases decided by the Supreme Court in 1964. This compares with nine Government wins, in whole or in part, in 1963. The Government also won, in whole or in part, 381 of the 520 civil tax cases decided by courts of appeal (exclusive of collection litigation and alcohol and tobacco tax legal matters), compared with 271 of 349 such cases decided in 1963. Thus, the Government's position was wholly or partially sustained in 73.3 percent of courts of appeal cases, compared with 77.7 percent in 1963. For details as to civil litigation cases see tables 21 and 22 on pages 96 and 97.

In the trial courts (Tax Court, Court of Claims and United States district courts) the record of Government wins, losses, and partial wins appears as follows:

Trial court cases won, lost, or partially won by the Government

Action	Tax Court		Court of Claims		District Courts	
	1964	1963	1964	1963	1964	1963
Won.....	272	293	14	34	227	166
Lost.....	100	109	15	12	180	200
Partially won.....	143	159	7	18	45	56
Percent won or partially won.....	81	81	58	81	60	53

TAXES IN LITIGATION

At the end of the year, \$1.4 billion were involved in liabilities for taxes and penalties being contested by taxpayers. Actions for redetermination of proposed deficiencies in the Tax Court are handled by the eight regional counsels while those for refunds of taxes and penalties are handled at the National Office level.

In the trial or settlement of cases in the Tax Court, the Court of Claims, and the Federal district courts, \$208.7 million was successfully defended as proposed deficiency assessments, and \$92.0 million was success-

fully defended in refund suits, for a total of \$300.7 million of revenue saved for the Government (see the table below).

Taxes in litigation (In thousands of dollars)				
Status	Total	Tax Court		Refund litigation
		Deficien- cies	Overpay- ments	
Pending July 1.....	1,469,649	926,419	141,421	401,809
Received.....	556,863	408,122	22,236	126,505
Disposed of.....	604,050	382,359	84,658	137,033
Pending June 30.....	1,422,463	952,182	79,000	391,281
Amount saved.....	300,723	132,671	76,077	91,975

PERSONNEL

As of June 30, 1964, the Chief Counsel's Office employed 1,276 persons, with attorneys numbering 644 and nonattorney employees 632. This figure represented a decrease of 14 employees from the preceding

year, and the attorneys were assigned to the National Office and regions, as follows:

Office	Number of Attorneys
National Office.....	275
Southeast Region.....	41
Northeast Region.....	20
Midwest Region.....	55
Central Region.....	42
Southwest Region.....	38
New York Region.....	59
Mid-Atlantic Region.....	55
Western Region.....	59

TORT CLAIMS UNDER THE FEDERAL TORT CLAIMS ACT

The number of claims for damages resulting from the negligence of Service employees acting within the scope of their employment continues to increase. During the year 143 administrative claims were disposed of by the Service (as compared with 99 last year) and 11 tort suits for judicial determination were closed. Twenty-eight tort suits were pending in the courts at the end of the year.

International Activities

GENERAL

The work of the Internal Revenue Service overseas consists of the performance of three broad but distinct functions. Two of these functions have been performed by the Service for many years. One involves participation in the negotiation of tax conventions with foreign governments and the preparation of regulations under these pacts. Another is the administration of Federal tax laws affecting mainly U.S. citizens and business organizations abroad. A relatively new and expanding function, made necessary by recent developments in world affairs, is the furnishing of technical assistance to other countries in the process of strengthening and modernizing their tax administration.

FOREIGN TAX ASSISTANCE PROGRAM

The Foreign Tax Assistance Staff, which was activated during 1963, was considerably enlarged in 1964 to meet requests for assistance in tax administration from an increasing number of countries throughout the free world. To ensure effective coordination both within the Service and among other agencies, the Staff operates as an integral part of the Commissioner's Office.

The number of long-range Internal Revenue Service tax modernization advisory teams assigned abroad rose during the year from one in Chile to nine, including: Colombia, Ecuador, El Salvador, Guatemala, Nicaragua, Peru, Korea, and the Philippines. At the close of the year long-range teams were being planned for eight additional countries, including Brazil and India.

During the same period the number of long- and short-term advisers assigned overseas rose from 17 to 50. With few exceptions the advisers were experienced Internal Revenue Service officials who received individual specialized training, including language training, before departing for the assignments abroad.

Overseas assistance usually covers the full range of tax administration, including audit, collection, intelligence, automatic data processing, training, organization and methods, and related programs. The Service representatives assigned abroad under this program function in an advisory capacity to the tax officials of the host countries. In this manner the tax administration experience and know-how, not only of the United States but of other countries as well, are made

available to the participating countries on an organized and systematic basis.

In addition to the efforts abroad, the Service received more than 150 visiting tax officials from 41 different countries. Some of these officials were of Cabinet or Sub-Cabinet rank. Most of them received specialized training for periods ranging from a few days to several months. In countries where the Service has tax assistance teams, these visits are coordinated with the Internal Revenue Service teams there, to insure maximum application by visiting officials of concepts in tax administration which they acquire during their orientation in the United States.

These programs, both in the United States and overseas, are conducted in close collaboration with the Agency for International Development, Department of State, and the Alliance for Progress.

TAX CONVENTIONS

Discussions took place in Washington with one country and abroad with six countries with a view to the conclusion of four new income tax conventions and three tax conventions supplementing those already in existence. The texts of such agreements were in various stages of development at the close of the year.

A supplementary protocol to the Swedish income tax convention was signed on October 22, 1963, and a supplementary protocol to the Netherlands' convention as it relates to the Netherlands Antilles was signed on October 23, 1963.

A supplementary protocol to the Greek estate tax convention was signed on February 12, 1964, and the Senate gave its consent to the ratification on June 23, 1964.

The Senate Foreign Relations Committee opened hearings on May 27, 1964, on an income tax convention with the Grand Duchy of Luxembourg, two supplementary protocols to the income tax convention with Japan, the supplementary protocol to the Swedish income tax convention, and the protocol supplementing the income tax convention with the Netherlands as it relates to the Netherlands Antilles.

On June 8, 1964, the President withdrew from Senate consideration the income tax conventions with India, Israel, and the United Arab Republic.

INTERNATIONAL OPERATIONS

The Office of International Operations continued to place emphasis on the coordinated examination program. Under this program agents engaged in the international operations of the Service advise and assist district agents in the development of international issues. Equally important to the advice and assistance rendered was the imparting to district agents of the specialized knowledge of these agents. As originally conceived, this program was installed as a temporary expedient to deal with existing problems while district agents were gaining background in the international area. During the year the decision was made that agents assigned to the program would return to the district offices prior to December 31, 1964, and district offices would thereafter conduct audits of domestic taxpayers involving foreign transactions. Participation of the agents during the year has resulted in the recommendation of additional tax in the amount of \$167 million in 378 examinations. Much of this additional tax results from many novel issues raised by agents of the Office of International Operations.

The Commissioner visited six countries in Europe in the fall of 1963 to study the need for greater taxpayer assistance to American individuals and corporations abroad affected by provisions of the Revenue Act of 1962. During the 2-week trip, Mr. Caplin conferred with key tax administrators and officials in France, Switzerland, Italy, West Germany, the Netherlands, and England to discuss cooperation in tax administration between the various countries and the United States. In addition to conferring with United States Embassy officials in the various countries, the Commissioner met with Service representatives who are assigned to the Embassies.

The Service conducted a taxpayer compliance and education program abroad. Twenty-three agents traveled in excess of 120,000 miles to visit 100 cities in more than 50 countries. These agents prepared returns for 4,958 taxpayers reporting a tax liability amounting to \$1.8 million. A total of 15,052 persons was assisted. Agents also conducted 14 schools attended by 613 military tax instructors who in turn assisted armed forces personnel abroad.

The foreign posts located at Paris, France; London, England; Ottawa, Canada; Mexico City, Mexico; Sao Paulo, Brazil; and Manila, Philippine Republic completed 65 work assignments covering audit and collection activities and disposed of 114 collateral informa-

tion reports. A total of 93 foreign collateral investigations were conducted for the Intelligence Division.

Service officials consulted with foreign authorities on the disposition of seven cases involving double taxation. Also, the Director of International Operations with other personnel of the National Office met with Canadian tax officials for the purpose of assuring continuing mutually satisfactory arrangements for the exchange of information between the two countries.

During 1964, Service personnel visited the Islands of Guam and American Samoa to provide guidance and assistance in the administration of their social security tax laws. A detailed review was made of the processing operations and their controls and safeguards were checked to insure that revenue receipts are being properly protected. Recommendations were made as needed to improve their operations.

Negotiations with the Department of Defense to accept notices of levy covering the salaries of their civilian personnel overseas were successfully concluded on March 20, 1964, when the Assistant Secretary of Defense formally agreed. Prior to this, we were successful in negotiating a similar agreement covering military personnel located overseas. Before these agreements, delinquent accounts of overseas military and civilian taxpayers employed by the Department of Defense were referred to the Office of International Operations which attempted to enforce collection by means of correspondence. Also, due to the lack of enforcement powers outside the United States it was often difficult and sometimes impossible to effect collection. District offices now retain the delinquent accounts of military and civilian taxpayers with overseas addresses and serve notices of levy directly at the Finance Centers. These agreements are significant accomplishments. They not only simplified collection procedures but also increased the enforcement power overseas. The effect will go a long way toward increasing voluntary compliance among these taxpayers.

Under the provisions of section 6046 of the Internal Revenue Code of 1954 as amended by the Revenue Act of 1962, United States citizens who were officers or directors of foreign corporations in which United States shareholders held 5 percent or more interest and each such shareholder were required to file an information return as of January 1, 1963. These information returns provided data concerning the extent of United States interest with respect to unrepatriated earnings of the foreign companies and other financial data.

INTERNATIONAL ACTIVITIES

During 1964, approximately 24,500 information returns were received regarding foreign corporations in which United States shareholders held a 5 percent or more interest. When these data are tabulated, the Service will have, for the first time, an inventory of United States shareholders with 5 percent or more interest in a foreign corporation together with an inventory of foreign corporations in which they have an interest. Each district will be furnished with the names of United States shareholders in their district and the corporations in which they have an interest in order that they may be apprised of persons who may have income from foreign corporations or who may be liable for tax under subpart F or subpart G added to the 1954 Code by the Revenue Act of 1962. The law also provides that whenever there is a change of ownership of as much as 5 percent, another information return is required to be filed which will result in constant and updated inventory.

Taxes withheld by domestic withholding agents, taxes remitted by foreign governments, and the number of information documents filed are listed in the table at the right.

Tax withheld from payments to nonresident alien entities of treaty and nontreaty countries

Country	Number of information documents	Thousand dollars		
		Tax withheld by domestic withholding agents	Tax from foreign government or withholding agents	Total
Total.....	415,681	80,859	16,605	97,464
Treaty Countries:				
Australia.....	2,527	204		204
Austria.....	701	44		44
Belgium.....	8,681	2,142	207	2,349
Canada.....	156,237	14,642	837	15,479
Denmark.....	1,286	117		117
Finland.....	363	28		28
France.....	32,439	2,851	40	2,891
Germany.....	8,208	1,371		1,371
Greece.....	1,812	183		183
Honduras.....	303	108		108
Ireland.....	2,512	293	6	299
Italy.....	5,050	527		527
Japan.....	1,344	399		399
Netherlands.....	4,859	4,890	282	5,172
Netherlands Antilles.....	2,695	1,959	5	2,004
New Zealand.....	557	49		49
Norway.....	3,149	211		211
Pakistan.....	97	23		23
Sweden.....	3,079	441		441
Switzerland.....	27,682	19,389	14,895	34,284
Union of South Africa.....	636	155		155
United Kingdom and overseas territories.....	42,259	17,439	333	17,772
Nontreaty countries by Form 1042S.....	63,077	12,187		12,187
Treaty and nontreaty countries by coupon bond information documents.....	45,730	1,167		1,167

The following table discloses the growth in United States income paid to nonresident entities. The incomes covered in the analysis are the fixed or determinable annual or periodic incomes paid to nonresident entities and reported on Form 1042, the United States Annual Report of Income Tax to be Paid at the Source.

Growth in United States income derived by nonresident alien entities shown by rates of withholding tax
(In thousands of dollars)

Withholding tax rates	1957	1958	1959	1960	1961	1962	Increase (decrease) 1957-1962
Exempt income.....	40,657	74,117	117,997	145,923	149,750	128,313	87,656
5 percent.....	49,370	63,627	74,924	102,779	38,116	44,503	-4,867
10 percent.....	2,394	2,295	2,153	2,893	2,886	2,745	351
15 percent.....	263,193	313,201	304,531	351,900	364,333	395,771	132,578
30 percent.....	67,380	73,439	72,632	79,456	77,097	62,857	-4,523
Total.....	422,994	526,679	572,237	682,951	632,182	634,189	211,195

Planning Activities

GENERAL

Planning is an essential phase of the tax administration functions conducted at every organizational level of the Service. Through the procedures established for the annual updating of the Long-Range Plan, a comprehensive system is provided for projecting workloads and for developing and reviewing program objectives, operational capabilities, and resource requirements to assist top management in decision making and in the formulation of policy. Since tax administration involves a variety of separate functional activities dispersed throughout hundreds of field offices, the attainment of programs and goals is dependent upon a high degree of integrated planning and cooperative execution of the approved plans. Current programs and work plans are included to insure that current operations are consistent with and directed toward established long-range goals.

SHORT-RANGE OPERATIONAL PLANNING

Since the long-range goals can be attained only over a period of several years, an important aspect of the Service's planning activity is to define with maximum precision that portion of the plan which can be achieved in the next budget year and to estimate the funds necessary to support these activities. Revisions to short-range guidelines and priorities are made after appropriation of funds so that the final work-plans conform with available resources.

Detailed work-planning and control systems are used for analyzing and appraising workload and determining short-range manpower requirements in the Service's accounting, returns processing, delinquent accounts and delinquent returns activities. These systems provide for identification and evaluation of operational steps, assignment of appropriate priorities to the various work phases, and the allocation of manpower in accordance with the predetermined priorities.

The allocation of resources to carry out approved work plans is reflected in the financial plan where annual appropriations are translated into allotments for the Service's various offices and activities. The financial plan provides national and regional program managers with a "blueprint" as to the kinds and amounts of work they are expected to complete and the manpower and resources that will be given them to do it. This is the final step in the Service's budget cycle and represents the culmination of planning which begins

with the Long-Range Plan and preparation of annual budget requests. The financial plan is subject to modification throughout the year as needs arise and to the extent that compensating or supplementary resource changes are possible.

LONG-RANGE PLANNING

The nature of tax administration requires foreseeing future needs with sufficient leadtime to recruit and train specialized personnel to meet reasonably predictable workloads. These needs are so large and complex that they cannot be met adequately through short-term programs. Through the medium of the Long-Range Plan, a coherent action program is developed by all components of the Service to meet long-term growth needs, improve taxpayer compliance, and take full advantage of technological advances in all phases of processing and management.

The importance of the growth factor in determining long-term Service needs is demonstrated by the increased volume of tax returns filed in recent years and the numbers expected to be filed during the next decade. Between 1930 and 1939 the tax returns workload tripled from 6 to 18 million. By 1960 the number had increased to 94 million or more than 5 times the 1939 total. The number filed during the 1963 calendar year was approximately 98 million. Projections recently prepared by the Statistics Division for long-range planning purposes indicate that the volume of returns filed will reach 112 million in 1970 and will exceed 120 million by 1975. The table on the following page shows the national projections for selected types of returns.

In order to develop the Long-Range Plan most effectively, more detailed information must be obtained in a number of problem areas where information is lacking. These areas involve (1) the size and nature of the total tax administration workload; (2) the portion of the total tax administration job that is accounted for by current operations; (3) the portion of the total tax administration job that is left undone; or the gross tax administration gap; (4) the level of taxpayer compliance; (5) changes in the level of taxpayer compliance and whether compliance is increasing or decreasing under existing programs; (6) the effectiveness with which current operations are being conducted; and (7) the net tax administration gap, or that portion

PLANNING ACTIVITIES

Selected types of returns filed in 1963 and projected for calendar years 1965, 1970, and 1975

Type of return	Actual 1963 ¹	Projected		
		1965	1970	1975
Total returns.....	98,328	102,076	112,071	121,624
Individual, total.....	62,994	65,346	71,831	78,039
AGI under \$10,000.....	56,035	56,793	58,407	59,500
AGI \$10,000 and over.....	6,959	8,553	13,425	18,539
Corporation, total.....	1,352	1,489	1,874	2,272
Form 1120, total.....	1,209	1,261	1,528	1,807
Under \$50,000.....	547	567	676	790
\$50,000 under \$1,000,000.....	594	621	769	922
\$1,000,000 or more.....	89	73	84	95
Form 1120-S.....	126	166	264	362
Form 1122.....	17	62	82	103
Employment.....	21,457	22,136	23,722	25,621
All others.....	12,525	13,106	14,643	15,693

¹ Data by size class are estimated.
² Includes Forms 1040C, B, NB, NBe, PR, and SS.
³ Includes Forms 1120 with assets not reported.
⁴ Includes individual declarations, corporation declarations, partnership, estate, gift, exempt organization, special occupation, fiduciary, and excise tax returns, and Forms 7004 and tentative 1120L and M and 1042.

of the gross tax administration gap that is worth closing.

To obtain data relating to these problem areas and to meet the demand for a long-range research program which would complement and further the objectives of the Long-Range Plan and other tax administration requirements, the Service has developed and implemented a Taxpayer Compliance Measurement Program. TCMP is gathering new data in three distinct phases (Delinquent Accounts—Phase 1; Delinquent Returns—Phase 2; and Returns Filed—Phase 3), and will integrate all essential information required to measure the dimensions of Federal tax administration workloads and trends; related requirements, such as manpower, training, equipment and buildings; and the basic economics involved, such as costs, direct and indirect tax yields, and cost-yield ratios.

The Delinquent Accounts Phase was installed on a nationwide basis on January 1, 1963, and a revised continuation of this phase was installed on January 1, 1964. The Delinquent Returns Phase, an initial non-farm business survey conducted only in the Southeast Region, was installed and completed during the period May 6–August 31, 1963. A limited test survey of "farm-business," on which field work in six regions will be done, will begin in September 1964. It is planned to extend delinquent returns surveys to other regions as returns processing is undertaken under automatic data processing. The Returns Filed Phase was inaugurated on January 1, 1964, and provides for the analysis of a nationwide sample of 100,000 1963 individual income tax returns filed in 1964.

ORGANIZATIONAL PLANNING

As part of its general planning activity, the Service also conducts continuing studies and projects designed to increase the effectiveness, productivity and economy of the various organizational elements. In the last year, such studies have included:

(1) A series of tests at selected sample locations of the need for providing additional clerical assistance to technical personnel, and of the relationship of the additional costs of such clerks to the productivity of such offices.

(2) Data requirements of various divisions of the National Office were examined in terms of the most effective organization to be established in the IRS Data Center (to be built in Detroit) to produce the needed material.

(3) Both national and field offices were surveyed to ascertain the appropriate criteria which should be prescribed in locating local offices.

SYSTEMS DEVELOPMENT

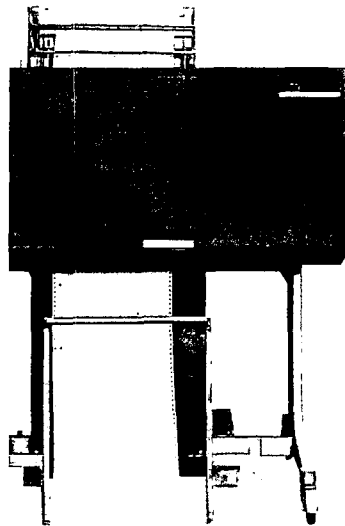
Modernization of tax administration through systems development and improvement continued to get major attention during the past year. A number of projects directed toward this goal were completed or moved forward significantly:

(1) IMPROVEMENTS IN THE SERVICE'S MASTER FILE ADP SYSTEM.—To reduce costs and improve results.

INPUT.—Investigations of optical character recognition equipment and magnetic tape reporting as devices for reducing input costs were accelerated. A series of test projects was started, or scheduled, to determine the extent to which these two approaches may have application in the Service. Preliminary indications are that within 2 or 3 years, both devices are likely to become important elements of the ADP input preparation operations.

OUTPUT.—A project aimed at improving the efficiency of output printing operations was completed with the installation and operation of a microfilm printer at the National Computer Center. This printer reads information directly from magnetic tape onto a microfilm print with no intervening paper printing step and will be used primarily to produce registers and reference indexes of various kinds needed in district offices. By 1966, the microfilm printer is expected to be producing at least 700 million lines of printing of this kind annually, resulting in a substantial reduction in printing costs.

COMMUNICATIONS.—A pilot project was developed to determine the feasibility of transmitting data between the service centers and the National Computer Center, through the Federal Telecommunications System

**IMPACT PRINTER**

Printers like this, now used by the Service in considerable numbers, are capable of producing 600 lines a minute. Nevertheless, many of them will be replaced by a microfilm printer (see below).

**MICROFILM PRINTER**

Microfilm printer can operate about 25 times as fast as the high-speed impact printer shown above. Costs will be cut and improved on much of the Service's data processing work through the use of this equipment.

PLANNING ACTIVITIES

(voice network) established by the General Services Administration for use by Government agencies. These data are now being moved on magnetic tapes via public and private shipping facilities. The pilot operation is expected to establish whether or not this method of data transmission will meet the Service's needs in terms of volume, timing, and cost.

(2) **IMPROVED SERVICES FROM IMPROVED SYSTEMS.**—To service management objectives not now being served or being served inadequately.

INFORMATION STORAGE AND RETRIEVAL.—A plan defining objectives and blocking out project areas was developed as the basis for proceeding with the establishment of a servicewide information storage and retrieval system. Objectives to be served by such a system—concentrated largely in the Service's legal area of work—are grouped into two broad classes: (a) Those directed toward the attainment of maximum consistency of positions taken on legal issues, (b) those aimed at improving the capacity of professional personnel to research case files, rulings, court decisions, technical memoranda, and special studies. Some segments of the system relating to the reporting of legal issues have already been installed.

Also, plans were developed in the past year to establish a master file of exempt organizations to enable the Service to improve its administration in this area of its legal work and to be more readily responsive to Treasury Department and Congressional information needs. Gradual expansion of the overall information system is planned as additional knowledge in this relatively new field is acquired and applied.

CURRENT RESEARCH PROGRAM

Research activities continued this year on a broad front. The demands for analysis of administrative means to implement effectively the provisions of the Revenue Act of 1964 accounted for a substantial portion of research output. As in prior years, however, internal management and operating problems gave rise to numerous studies designed to assist in the planning of improved Service operations in the context of an expanding automatic data processing system.

Of the research studies directed toward the administrative facets of the Revenue Act of 1964, the following constituted the more significant: (a) Changes in individual deductions, especially the impact of the new minimum standard deductions; (b) optional tax tables; (c) withholding tax tables; and (d) the timing of the reduced rate of withholding under the Act.

To provide information for meeting operating and compliance problems, surveys were made of (a) taxpayer compliance in reporting capital gains on selected real estate transactions; (b) the manner and extent to which taxpayer identification numbers were reported on information returns by payers for calendar year 1963; and (c) taxpayer compliance in reporting interest income from redemptions of Series E bonds. Additionally, work was continued on the more effective utilization of information documents on two fronts: (a) Completion of the initial phase of an experimental program begun last year to furnish a comprehensive system of compliance follow-up on apparent discrepancies resulting from computer comparisons of income shown on information documents with that reported on tax returns; and (b) development of plans for the improvement of information documents to permit their more effective utilization by the automatic data processing system and by reporting entities.

Numerous studies designed to furnish the basis for refining the administrative operations of the Service included (a) development of a method for estimating future separations from field executive positions; (b) an extensive analysis of the steps taken by the Service to strengthen its capability of coping with the ever-mounting volume and complexity of paperwork inherent to the administration of the Federal revenue system; and (c) a survey of tax practitioners' attitudes with respect to the effectiveness of key administrative policies and practices of the Service.

STATISTICAL REPORTING

The ever-growing volume of statistical data prepared and published by the Service in the Statistics of Income series, as required by Section 6108 of the Internal Revenue Code of 1954, continued during 1964 to provide information about the operation of our tax system. New compilations are providing more sophisticated data for use in connection with tax administration and in the analysis of the tax or economic effects of specific provisions of the Code. The Statistics of Income program measures the response of taxpayers to the administration of the Federal Tax System and, as a byproduct, supplies a financial profile of taxpayers based on tax return data. A list of the Statistics of Income reports published during the year may be found on page 68.

The following two tables illustrate some of the overall summary information available concerning individual and business taxpayers, comparing their changing characteristics over a period of 5 years.

Individual income tax returns: Number of returns, sources of income, and itemized deductions

Item	Income year				
	1962	1961	1960	1959	1958
(Thousands)					
A. Number of returns					
Total.....	62,712	61,499	61,028	60,271	59,085
Wages, salaries, and commissions.....	50,092	48,583	48,061	47,497	45,652
Dividends.....	12,620	12,917	12,967	12,774	13,433
Interest.....	26,451	25,262	24,083	22,510	20,811
Capital gains.....	24,351	23,258	22,185	20,761	19,054
Losses.....	2,100	2,004	1,898	1,749	1,758
Other.....	36,261	36,238	36,945	37,761	38,274
Excluded.....	25,741	25,325	25,876	26,736	26,598
Not reported.....	10,520	10,913	11,069	11,026	11,675
(Million dollars)					
B. Sources of income					
Wages, salaries, and commissions.....	348,701	329,861	315,466	305,095	281,154
Dividends.....	283,373	266,902	257,918	247,370	227,351
Interest.....	23,925	22,630	21,072	21,431	20,674
Capital gains.....	9,344	8,949	8,966	9,563	9,232
Losses.....	5,771	7,621	5,300	6,274	4,330
Other.....	26,286	23,760	22,211	20,455	19,369
(Million dollars)					
C. Itemized deductions					
Interest.....	41,661	38,391	35,313	32,017	27,498
Charitable contributions.....	13,045	10,526	10,526	10,526	7,480
Medical expenses.....	10,274	8,416	8,416	8,416	6,269
State and local taxes.....	7,516	6,750	6,750	6,750	5,634
Other.....	6,079	5,219	5,219	5,219	4,284
Not reported.....	4,747	4,402	4,402	4,402	3,771

Excluded as taxable are those reporting income tax after credits.

Receipts and profits reported by businesses

Item	Income year				
	1962-63 ¹	1961-62	1960-61	1959-60	1958-59
(Thousands)					
A. Number of business returns					
Total business returns.....	11,383	11,371	11,171	11,166	10,744
Corporations.....	1,258	1,190	1,141	1,074	990
Sole proprietorships.....	9,183	9,242	9,090	9,142	8,800
Partnerships.....	932	939	941	949	954
Business returns with net profit.....	8,747	8,737	8,517	8,649	8,532
Corporations.....	783	716	670	671	611
Sole proprietorships.....	7,245	7,294	7,107	7,220	7,155
Partnerships.....	718	728	739	759	765
Business returns without net profit.....	2,636	2,634	2,654	2,517	2,212
(Million dollars)					
B. Business receipts					
Total business receipts.....	1,145,845	1,068,337	1,046,819	1,026,166	938,228
Corporations.....	895,120	823,943	802,791	772,915	696,594
Sole proprietorships.....	178,420	170,881	171,257	176,205	163,399
Partnerships.....	72,304	73,513	72,771	77,047	78,235
Business returns with net profit.....	1,004,338	926,229	902,404	908,787	815,117
Corporations.....	780,433	709,251	685,692	682,186	599,576
Sole proprietorships.....	159,532	151,761	151,837	156,773	147,452
Partnerships.....	64,373	65,217	64,875	69,828	68,089
Business returns without net profit.....	141,507	142,108	144,416	117,379	123,111
(Million dollars)					
C. Business profits					
Net profit, less loss					
Total business profits.....	82,014	77,280	72,932	77,159	67,950
Corporations.....	49,606	45,894	43,505	46,797	38,523
Sole proprietorships.....	23,895	22,697	21,067	21,517	20,778
Partnerships.....	8,513	8,689	8,360	8,845	8,649
Business returns with net profit.....	93,162	87,904	84,024	86,080	76,317
Corporations.....	56,248	52,401	50,382	51,651	43,490
Sole proprietorships.....	27,167	25,757	24,269	24,709	23,339
Partnerships.....	9,746	9,746	9,373	9,721	9,487
Business returns without net profit.....	11,148	10,624	11,092	8,922	8,367

¹ Preliminary data.

* Revised.

Note.—The income year 1962-63 covers accounting periods ended July 1962 through June 1963. Other income years cover corresponding periods.

As part of the Statistics of Income Program, the Service has developed tax models for use in improving the quality and timeliness of estimates of the revenue effect of changes in tax law. The tax model is essentially a sample of tax returns on magnetic tape which can be manipulated by a computer to simulate changes in the rules governing the computation of income tax. A pilot project, using 1960 individual income tax returns, was successfully completed and used as an aid in developing some of the provisions of the Revenue Act of 1964. Among the provisions under consideration for which the model provided estimates of the effect were reduced tax rates and a minimum standard deduction. Both of these features were incorporated into the new Revenue Act. A more comprehensive project using 1962 returns is now under development.

Under the terms of Sections 7515 and 7809 of the Internal Revenue Code as amended by Public Law 87-870 (87th Cong., 2d sess.) the Service has been permitted to receive reimbursement for special studies and compilations furnished to private organizations and non-Federal Government agencies. The Service may prepare special statistical studies and compilations involving data from tax returns and use the payments to reimburse the appropriation which bears the cost of such work. The authority to make these studies and compilations is evidence of Congressional recognition of the wealth of statistical information available on tax returns and related documents. The requests for reimbursable studies consist of two categories—copies of material from the Source Book of Statistics of Income and special studies.

During 1964, of 30 requests for studies received, about one-half were rejected. Eleven projects were undertaken during the year and five projects were completed. The estimated cost of the completed projects

ranges from \$350 to \$2,000. Several projects proposed would cost as much as \$25,000. The major users have been universities, State agencies, private individuals, companies, and research organizations. An example of one of the larger projects is the one for the State of New York, Department of Taxation and Finance, which will provide a summary of sources of income, deductions, exemptions, taxes, and other items from 1962 Forms 1040 and 1040A filed by New York taxpayers. In addition, 84 requests for material from the Source Book of Statistics of Income were filled, consisting of approximately 2,400 photostats or microfilm prints and 54 rolls of microfilm.

The 1961 Individual Income Tax Return report presented new statistics showing separately gross rents and related expenses, interest income classified as to type of payer, and income and tax by tax rates. In the U.S. Business Tax Return report for 1961-62, new data for unincorporated businesses included ratio distributions for cost of goods sold to business receipts and inventories to purchases and the frequency with which selected income statement items were reported. Also, for partnerships, the reporting frequency of certain balance sheet items was included. In the corporation area for 1960-61, two new ratio-size distributions were introduced to show the changes between beginning-and-ending inventories and to show the relationship between net worth and total assets. In addition, the following table presents data which will appear for the first time in the 1961-62 Corporation Income Tax Return report. Of interest is the fact that almost 50 percent of the total corporate income tax was paid by 274 corporations, each of whose tax totaled \$10 million or over. The chart on the next page visually demonstrates the preponderance of taxes paid by the small number of large corporations.

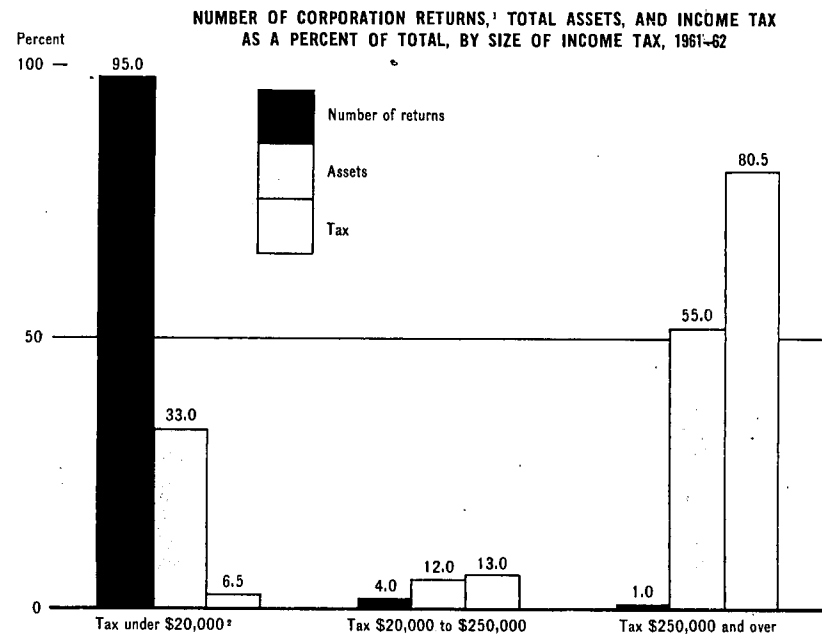
Corporation income tax returns: Number of returns, total assets, and income tax, by size of income tax, 1961-62

Size of income tax	Number of returns	Total assets	Income tax	Percent of total		
				Number of returns	Total assets	Income tax
Returns other than Form 1120-S, total.....	1,084,238	(thousand dollars)	22,188,057	100.0	100.0	100.0
With net income, total.....	647,772	1,078,879,749	22,188,771	59.7	84.4	100.0
Taxable, total.....	553,628	1,001,559,633	22,186,771	51.1	78.3	100.0
Under \$5,000.....	382,010	68,393,046	452,047	35.2	5.3	2.0
\$5,000 under \$10,000.....	86,338	46,829,965	558,657	8.0	3.7	2.5
\$10,000 under \$15,000.....	21,060	19,477,194	246,884	1.9	1.5	1.1
\$15,000 under \$20,000.....	11,079	14,816,291	186,372	1.0	1.2	.8
\$20,000 under \$25,000.....	7,876	13,530,848	172,361	.7	1.1	.8
\$25,000 under \$50,000.....	19,102	37,324,352	561,820	1.8	2.9	3.0
\$50,000 under \$100,000.....	11,370	42,837,274	793,692	1.0	3.3	3.6
\$100,000 under \$250,000.....	8,100	51,504,842	1,249,022	.7	4.0	5.6
\$250,000 under \$500,000.....	2,976	44,550,982	1,032,296	.3	3.5	4.7
\$500,000 under \$1,000,000.....	1,625	56,102,232	1,129,356	.1	4.4	5.1
\$1,000,000 under \$10,000,000.....	1,818	234,932,620	5,089,092	.2	18.4	22.9
\$10,000,000 or more.....	274	371,060,637	10,615,102	(*)	29.0	47.8
Non-taxable.....	94,144	77,320,116	—	8.7	6.0	—
Without net income, total.....	436,466	199,889,053	1,288	40.3	15.6	(*)

* Less than 0.05 percent.

Note.—The income year 1961-62 covers accounting periods ended July 1961 through June 1962.

PLANNING ACTIVITIES



The Treasury-Internal Revenue Service Committee on Statistics was established in 1962 to advise Service officials as to the current needs for tax data of the principal users of Statistics of Income. It also provides technical advice and guidance regarding the standards of quality and timeliness which should be maintained in producing Statistics of Income. In accordance with the provisions of Executive Order 11007, the Committee was continued for a 2-year period—July 1, 1963, to June 30, 1965. The names and affiliations of the members of the Committee, composed of recognized scholars and principal users of the Statistics of Income publications, are as follows: Harvey E. Brazer, University of Michigan; Warren N. Cordell, A. C. Nielsen Co.; W. R. Currie, California Department of Finance (alternate—Sidney Glazer, New Jersey Division of Taxation); Robert Eisner, Northwestern University; Irwin Friend,

University of Pennsylvania; George Jaszi, Office of Business Economics, Department of Commerce; James W. Knowles, Joint Economic Committee (alternate—Alan Murray); Raymond Nassimbene, Office of Statistical Standards, Bureau of the Budget; Alice M. Rivlin, Brookings Institution; J. A. Stockfish, Office of Tax Analysis, Treasury Department (alternate—Gabriel G. Rudney); James H. Symons, Joint Committee on Internal Revenue Taxation; and Norman B. Ture, National Bureau of Economic Research.

The group met on November 18, 1963, at which time there was a careful review of the statistical program and an evaluation of proposed changes and recommendations regarding selected courses of action. The group offered advice on how the data published might be of greater use and also suggested new types of information that might be tabulated.

Management Activities

GENERAL

During 1964, the Service continued its efforts to promote economy of operations through the reduction of costs and the optimum utilization of resources. The most significant cost reductions were effected through various management improvement projects and substantial savings were realized. Improvements in personnel and facilities management contributed mainly to better resources utilization.

In addition to improving operational economy, the Service also made progress in its nondiscrimination program and continued with renewed energy and success its efforts to maintain employee integrity at a high level.

MAJOR MANAGEMENT IMPROVEMENTS

GENERAL.—The attention given the management program, and the vigor of leadership exercised by management officials at all levels, is demonstrated by the quantity and quality of major management improvement projects undertaken and completed during the year. On June 30, 1964, there were approximately 100 improvement projects scheduled or in process which were of sufficient scope, depth and potential impact to warrant control by, and periodic reporting to, top management. Eleven individual management improvement actions were completed, each of which resulted, or will result, in annual savings in excess of \$100,000. Improvements in the management of operations—approved or implemented—will eventually result in recurring annual benefits of approximately \$9.8 million. In addition, nonrecurring benefits exceeded \$1 million, and savings to other agencies totaled \$5.1 million. Thus, the total of savings in all categories exceeded \$15.8 million.

LEADERSHIP AND SUPPORT.—Top management leadership and support of management improvement objectives was evidenced in several forms at all levels of the Service during the year. Illustratively:

- The Commissioner and Deputy Commissioner have continued to stress the importance of systematically appraising and improving work operations. Resources utilization (including manpower control and utilization) has been the main topic at two joint conferences of top National Office and field officials.

- The Deputy Commissioner met with assistant commissioners to review implementation of recom-

mendations of the Committee on Resources Utilization, and to explore other major Service management improvement activities.

- Several informational documents (pamphlets, speeches, reports, etc.) were issued on resources utilization, manpower utilization, and management improvement, together with program directives tailoring management improvement to the specific characteristics of certain functional activities.

- Special Resources Utilization task forces were established in several regions to study utilization problems and to recommend better continuing arrangements for resources utilization.

- District and service center officials served on region-wide and Servicewide task forces in pursuit of solutions to complex management problems and optimum utilization of resources.

COORDINATION AND COOPERATION WITH OTHER BUREAUS AND AGENCIES.—The need for developing close working relationships with other Treasury bureaus and other Government agencies in the interests of reducing costs and increasing the unity and effectiveness of Government services was reemphasized. Field officials of the Service actively participated on Federal executive boards and similar organizations; four of these boards were chaired by Service field officials, and three boards will be headed by regional commissioners next year.

One of the more noteworthy examples involved cooperation with the Census Bureau in conducting the 1963 economic census. By using information furnished by the Service, the Census Bureau was able to conduct this census by mail instead of by sending enumerators throughout the United States to collect information in person; in the case of small businesses, information provided by the Service precluded the necessity of mailing out report forms and controlling their return. These services, plus coding small business reports for standard industry classification, saved the Census Bureau approximately \$5.1 million.

COMMITTEE OF RESOURCES UTILIZATION.—Several of the more significant management improvement accomplishments stemmed from the recommendations made by the Commissioner's Committee on Resources Utilization. The objective of these recommendations was to effect optimum utilization of resources through improvements in organization structure and systems

and procedures, as well as through development and implementation of adequate machinery (methods, techniques, criteria) by which the Service is assured that manpower is advantageously controlled and utilized. All but 12 of the 72 recommendations of the Committee on Resources Utilization have been approved; many of its recommendations have been fully implemented and many others have been partially implemented or were under active study at the end of the year.

Two committee-originated studies, completed during the year, are especially noteworthy. One dealt with ways and means of minimizing duplication of effort in work performed by the Office of the Assistant Commissioner (Technical) and the Chief Counsel. The other was concerned with the entire informal conference function. These studies are briefly described below.

CHIEF COUNSEL—TECHNICAL SURVEY.—This survey was concerned with the regulations, legislation, and ruling functions being carried out by the Office of Chief Counsel and the Office of the Assistant Commissioner (Technical).

Principal changes stemming from recommendations of the study group are:

- (a) Responsibility for developing regulations is to be centered in the Legislation and Regulations Division of the Chief Counsel's Office. The change will give this Division the basic responsibility for representing the Commissioner in connection with the Administration's tax legislative program, and for drafting legislation and developing regulations. Regulations will be reviewed for administrative feasibility and adequacy by the Office of the Assistant Commissioner (Technical).

- (b) Basic responsibility for rulings continues with the Tax Rulings Division in the Office of the Assistant Commissioner (Technical). The Chief Counsel's review of rulings will be limited to the more important or complex rulings. Informal counseling by Chief Counsel rather than formal referral of most rulings will be encouraged.

These changes are expected to provide more effective and efficient tax administration with estimated net savings of 86 man-years costing at \$814,000.

INFORMAL CONFERENCE PROCEDURE.—A task force comprised of audit and appellate personnel from the National Office and various field offices studied the entire informal conference function. Changes were recommended which provide for a comprehensive revision of conference procedures and instructions in order to more effectively utilize Service resources and to improve services to taxpayers. The majority of these recommendations are being adopted, and implementation is scheduled for 1965.

Changes include procedural revisions which will eliminate the requirement for the presence of the ex-

amining officer at the conference, eliminate unnecessary conferences, reduce the number of reviews, and streamline reporting requirements.

It is estimated that annual recurring savings of 76 man-years costing at \$924,500 will be realized as a result of this major procedural change.

REPORTS PROGRAM.—The Reports Program continues to influence the design of reporting systems and the cost of reports throughout the Service. It is designed to provide a systematic approach to the determination of data required for management at all levels of the Service and the development of integrated reporting systems to supply the necessary information at the least cost. Emphasis is placed on utilizing the Service's data processing system to the extent feasible. Since 1961 annual reporting costs have steadily declined from \$15.8 million to \$13.3 million, while at the same time providing managers with better and more timely information for planning, controlling, and evaluating operations.

In 1964 a new dimension was added to the Program. Provision was made for the National Office Reports Division to render independent across-the-board analyses of current operating programs. Such analyses reflect the interrelationship of programs and provide top management with a basis for appraising operations in terms of the Service meeting its overall goals and objectives.

REORGANIZATIONS

REALIGNMENT OF FIELD OFFICES.—The realignment of Internal Revenue Service field offices as described in last year's report was placed in effect on January 1, 1964. The net result of this realignment was a reduction in the number of regions from 9 to 8, a reduction in the number of districts from 62 to 58, and a reduction of proposed Service Centers from 9 to 7. Implementation of this reorganization is substantially complete with only a relatively few personnel changes yet to take place. Experience indicates that annual recurring savings, originally estimated at \$3.5 million, will be increased by approximately \$338,000.

REORGANIZATION OF NATIONAL OFFICE OF CHIEF COUNSEL.—On March 24, 1964, Sheldon S. Cohen, Chief Counsel, announced the following reorganization of the National Office of the Chief Counsel, effective April 1, 1964:

- (1) Elimination of the intermediate supervisory level between the Chief Counsel and the directors of the two technical divisions. This was done by abolishing the Associate and Assistant Chief Counsel (Technical) positions and establishing an Executive Assistant's position to handle staff problems in the technical area.

- (2) Shifting direct control of the Joint Committee Division to the Chief Counsel.

(3) Establishment of Director, Policy and Research Committee.

The purpose of the reorganization is to provide a more efficient and effective organization in terms of maximum utilization of top legal and executive talent.

PERSONNEL

During 1964 the personnel program of the Service emphasized assistance to managers in achieving the fullest utilization of available human resources, and accomplishment of program objectives by efficient and economical use of manpower. New measures were instituted to control grade structure and insure better control of work assignments and their relation to superior qualifications as a prerequisite for promotion. Personnel technicians participated in financial planning, at all levels, to provide manpower and position classification advice relating to proposed changes. Within the personnel organization, advances were made in streamlining the organization and providing for more automation of personnel processes and reports, in the interests of reducing costs and improving operations.

EMPLOYEE-MANAGEMENT RELATIONS.—Emphasis was placed on strengthening management's relationships with Service employees and with organized employee groups at local levels.

Employee organizations obtained the right to exclusively represent 5,438 employees bringing the total to 18,476 employees in 37 offices. A seminar workshop was conducted for key regional and district personnel to provide more effective dealing with employee organizations in negotiating agreements under Executive Order 10988.

ATTITUDE SURVEYS.—Attitude surveys enabled employees to transmit their ideas and opinions directly to management, which is using them to improve operation of the Service and its personnel programs and practices.

Surveys were conducted in the National Office (3,044 respondents) and in the Cincinnati District (811 respondents). Although there were exceptions in certain divisions or occupational groups, employees generally were satisfied with the work they perform, their coworkers, their immediate supervisors, and benefits. Action has been taken to correct varying degrees of dissatisfaction with promotion opportunities, chances to participate in decisions, communications, and work pressures.

RECRUITMENT.—In a search for possible ways to improve our college recruiting campaign the Service sent questionnaires to more than 1,500 high quality applicants who had dropped out of the competition for appointment to ask them why they had lost interest. The preponderance of replies said: "Starting salary too

low" (46 percent) and "Too much time elapsed before job offer was made" (35 percent). As a byproduct, the survey rekindled the interest of many of the "get-aways." More than 36 percent said they were still interested in employment and many expressed favorable comment about the survey.

The general pay increase for Federal employees in January 1964, has helped to alleviate the salary problem indicated by the survey. In addition, pay rates for Federal accountants in California in grades GS-5, 7, and 9 were raised to make them reasonably comparable with pay rates for accountants in private industry.

Within the limits of the appropriations process, the Service has redoubled its efforts to make early job offers to college seniors while they are still in school.

Man-years realized during each of the past 2 years and employees on the rolls at the close of 1963 and 1964 are shown in the following table:

Personnel summary

Location and type	Man-years realized		Number on rolls at close of year	
	1964	1963	1964	1963
Service, total.....	61,059	59,711	59,357	59,486
Permanent.....	57,020	56,403	56,594	56,374
Temporary.....	4,039	3,308	2,763	3,112
National Office.....	13,839	13,657	13,753	13,561
Field service, total ¹	57,220	56,054	55,604	55,925
Data processing, total.....	16,600	15,855	15,304	15,468
Collection, total.....	10,213	10,022	10,234	10,263
Revenue officers.....	6,396	6,321	6,244	6,374
Other.....	3,817	3,701	3,990	3,889
Audit, total.....	20,015	19,775	19,781	19,843
Revenue agents.....	12,586	12,469	12,365	12,442
Office auditors and tax technicians.....	3,147	3,128	3,081	3,067
Other ²	4,282	4,178	4,335	4,334
Intelligence, total.....	2,320	2,281	2,318	2,299
Special agents.....	1,718	1,687	1,714	1,691
Other.....	603	594	604	608
Alcohol and tobacco tax, total.....	2,779	2,844	2,737	2,811
Investigators.....	983	1,002	970	997
Inspectors.....	450	442	433	437
Storekeeper-gaugers.....	461	500	443	484
Other.....	886	900	891	893
Appellate, total.....	1,434	1,417	1,462	1,417
Technical advisors.....	638	625	648	628
Auditors.....	145	145	148	147
Other.....	650	647	666	642
Administration.....	2,522	2,485	2,419	2,456
Regional Counsel.....	744	770	747	760
Regional inspection.....	592	605	602	608

¹ Includes terminal leave man-years for entire Service.

² Includes Office of International Operations.

³ Includes overseas employees hired locally (3 in 1964 and 4 in 1963).

NONDISCRIMINATION PROGRAM.—The Nondiscrimination Program, which calls for special emphasis on the employment of women in high level professional and management positions, the physically and mentally

handicapped, and minority group members, received increased support and action. All phases of this Program were featured in a series of top management issuances directed toward more active participation and policy promotion throughout the Service. As a result, a greater awareness of the importance of the Program has been created at all levels of management.

This increased awareness and support was evidenced in a number of ways with gratifying results in all areas. For example, an employment survey of the more than 650 minority group employees in the National Office was conducted to determine whether any were working in positions below their qualifications and skills. Among the 185 replies from the surveyed group, there appeared to be 55 cases of possible underutilization. Of these, eight have been promoted and several others are being considered for advancement to positions for which they qualify. Also, the Regional Commissioners' and District Directors' conference in February 1964, featured discussions, conducted by a representative of the National Conference of Christians and Jews, of the Equal Employment Opportunity Program. Case studies involving hypothetical minority group situations were developed for this conference and used in subsequent discussion sessions.

Other significant actions taken in the minority group area were: (1) procedures used by deputy employment policy officers to investigate and settle complaints of discrimination were refined and made more sophisticated; (2) a system was developed by the deputy employment policy officer for the evaluation of the efforts of field offices in carrying out the program; (3) minority group members are continuing to enter new occupations and district offices.

Vigorous efforts to further employment and promotion of qualified women have increased to 266 the total of women employed at the GS-12 level or higher. The program for the employment of the mentally retarded is also proving successful with 4 qualified individuals already placed in appropriate positions in the National Office.

TAX TRAINEE PROGRAM.—The first step was taken toward a milestone in Federal and Internal Revenue Service personnel management with the development, and Civil Service Commission approval, of a program for recruiting, examining, and training high-quality high school graduates for the Service's semitechnical occupations. A pilot program is being conducted in the Philadelphia Service Center during 1964.

PERFORMANCE EVALUATION GUIDELINES.—The Service's performance appraisal practices were greatly simplified. Performance evaluation guidelines were revised to eliminate the mandatory requirement for written performance standards, establish a Servicewide multipurpose appraisal program (appraisal for accept-

able level of competence, career development, and incentive awards), and provide for rating employee performance annually near the anniversary date of the within-grade increase.

CAREER PROGRAMS.—This year two new career programs were established in alcohol and tobacco tax and appellate activities. These programs are the first to identify and prepare candidates for supervisory and managerial positions within a functional area. The programs are designed to provide a systematic method for assuring a continuing supply of carefully selected and well-trained supervisors and managers in these activities by first identifying, and then training in advance, individuals demonstrating potential for advancement.

In addition, a promotion plan was developed for journeyman revenue officers which includes provisions for the advance identification of needs, panel screening of candidates for promotion, and special development and trial periods prior to promotion.

Also, two major studies were undertaken to improve further the methods used for making supervisory and executive selections in the Service.

TRANSITION TO AUTOMATIC DATA PROCESSING.—A full-scale review was made of the program for the redeployment of employees affected by the conversion to automatic data processing. This review was conducted by sending questionnaires to regions and districts asking for comments and recommendations, chartering a task force to study and make a report on the recommendations, and holding a seminar to review the data and arrive at common understandings on the task force's recommendation.

Because the time period for conversion to automatic data processing was extended, one of the chief problems identified during the review was the need for an employment technique to provide a stable transitional work force. As a result, the Civil Service Commission gave the Service "term appointment authority." This type of appointment gave management an advantage in that term appointments can be extended up to 4 years. (Before, temporary limited appointments restricted employment to 3 years and required separation and reappointment each year.) Also, appointments of this type will lower turnover and training costs. Term appointments will give employees substantial advantages over temporary employment, such as eligibility for longevity pay increases, group health and life insurance benefits, and promotions.

PERSONNEL MANAGEMENT INFORMATION BY COMPUTER.—This year a computer-produced listing of basic employee data known as the Employee Service Record Report was implemented. This report provides both staff and operating officials at all organizational levels with basic employee and staffing data. It also reduces

annual record keeping and reporting, in providing more accurate and timely in-

STANDARDS.—Development of standards continues to play an important role character of the Service's employment. Development this year was completion of a wide project which will include all positions under the same qualification revise certain classification standards in and tobacco tax investigator. A single schure, an interbureau recruiting poster training agreement will also be deher major standards development was of a study of Service Center Tax Exam- . The results of this study are being new qualification standards.

VARDS.—Comparing 1964 with 1963, the gestions received increased 90 percent ; adopted increased 61 percent. Estirom suggestions rose from \$224,032 to 03 percent. Savings connected with ards increased 28 percent.

OF MANPOWER AND CONTROL OF GRADE mong significant achievements of 1964

nt of a new procedure for estimating needed grade structure changes. The eliminates the need for the field to make ne-consuming estimates, and provides : to receive careful classification and zation review before being acted upon. of a series of promotion criteria which ty of the employee to perform successher grade and availability of sufficient her grade to warrant the need for the

of projects, working jointly with interto develop guides for determining the cial agent and internal revenue agent ides will enable the Service to plan our tter, assure more accurate classification these occupations, and help establish n of manpower at appropriate grade

of an intensified postreview program ification and manpower utilization at nd field levels.

MISSIONER WHITE HONORED BY NERVICE LEAGUE.—B. Frank White, Re- sioner for the Southwest Region, was National Civil Service League as one of government administrators in the coun- ic second Internal Revenue official to cer Service Award. Deputy Commis-

sioner Harding was the recipient of this high honor in 1962.

Mr. White has risen from the bottom to the top of the Civil Service grades in his 25 years of Government service. His accomplishments as Regional Commissioner include a series of improvements in field operations, many of which have been installed throughout the Service. Before his appointment as Regional Commissioner, he also served as Special Adviser to the Commissioner and was a prime architect of the 1953 reorganization of the Service. Notable among his achievements was his recent assignment to assist the Government of Turkey under the Service's Foreign Tax Assistance Program.

TRAINING

In all training programs, increased emphasis was given to strengthening the voluntary tax compliance system and maintaining the highest standards of employee integrity.

FOREIGN TAX ASSISTANCE.—In cooperation with the Foreign Tax Assistance Staff the Training Division developed a 17-week training program for officials chosen for potential assignments as tax advisers to the governments of Latin American countries. Graduates of the program constitute a tax assistance reserve force available as needs arise.

A representative of the Training Division was sent to El Salvador to design and inaugurate a training program for tax auditors, and to Chile to review the progress made by the training organization set up in 1961.

STATE TAX ASSISTANCE.—In June 1964, Service officials met with State tax representatives under the auspices of the National Association of Tax Administrators. As a result of the ensuing discussion on Public Law 87-870, which permits Federal Government training assistance to the States, a survey of State needs was decided upon. It is expected that information resulting from the survey (which is to be conducted by the National Association) will provide a firm basis for providing assistance on a practical, economic basis.

AUTOMATIC DATA PROCESSING.—The broadening impact of computer technology led to the development of new courses in the automatic data processing area. "Production Management" courses were prepared for supervisors of the Service Center functions of document analysis, transcription, and error resolution. New courses were also announced in ADP precepts and procedures, including one covering the operation of microfilm printers.

NEW TECHNIQUES.—Several "Programed Learning" courses were selected for testing and evaluation as to feasibility for Service adoption. Among these were



Regional Commissioner B. Frank White receiving the National Civil Service League Career Service Award from Mr. Jean J. Couturier, Executive Director of the League, with Commissioner Caplin looking on.

courses in effective writing, accounting, and program evaluation and review techniques.

The first experimental Regional Training Center was set up in the Western Region, and a director was selected to begin operations planning for the National Training Center to be opened in the fall of 1964. Detailed planning was also undertaken for the second field Training Center, to be located in the Central Region.

TRAINING BY CORRESPONDENCE.—The correspondence course program continued to be a popular means of self-development. More than 90,000 student answer papers were submitted for grading during the year. Monitored final examinations were given to 3,421 employees.

SPECIAL AGENT TRAINING.—Substantial refinements in training programs for newly appointed special agents were made in 1964, covering course content and presentation. This included development of a new 5-week Basic Income Tax Law course which will be given in lieu of the present 9-week's course. In addition, revisions to the curriculum of the Treasury Law Enforcement School permitted a reduction in the length of the school from 6 to 5 weeks.

INTERNAL REVENUE AGENT TRAINING.—The training

program for newly recruited agents was expanded to include additional instruction in corporate tax law. This increased the capabilities of the new agents and permitted greater latitude in the types of cases assigned.

An exempt organization instructor's workshop was held in order to provide for the increased dissemination of the technical skills and knowledges needed for increased audit coverage in the exempt organization area. Classes will be conducted early in 1965 for all personnel primarily engaged in examining these returns.

Special instruction in the administration of travel and entertainment rules and regulations was given to Service examining personnel. Also, special training material was distributed on the various provisions of the Revenue Act of 1964.

ADVANCED TRAINING FOR ENGINEERS.—An advanced training course for new engineers was conducted in the National Office from March 16 to 27, 1964. Twenty-six engineers selected from those hired during the past 2 years were in attendance.

The material presented in this training course was geared to engineers having at least 1 year's experience in the Internal Revenue Service and who had completed prescribed on-the-job training. Evaluation of

this training by the participants indicated that they considered the material presented to be of substantial advantage to them.

INTERNAL TECHNICAL DEVELOPMENT AND GUIDANCE

TAX BRIEFS.—This is a technical digest issued every 4 weeks to revenue agents and office auditors in the field and to other technical personnel in the National Office. "Tax Briefs" is a convenient, timesaving means of keeping these technicians abreast of the latest developments in their field. It permits them to readily identify those matters which affect their particular areas of work and lessens the necessity for studying commercial letters and similar technical publications. It reports currently, in digest form, selected court decisions, published rulings, and other technical developments. All important favorable court decisions are reported as well as important adverse decisions of the Tax Court when acquiescence or nonacquiescence is announced. Also, important adverse decisions of other courts may be included with a cautionary statement regarding the Commissioner's position.

TOBACCO TAX GUIDE, IRS Publication No. 464, a compilation of reference material dealing with Federal taxes on tobacco products and cigarette papers and tubes and the related procedures for production and handling of these articles, has been devised as a work tool for alcohol and tobacco tax personnel.

ENGINEERING INSTITUTE.—An Engineering Institute was held in Washington, D.C., for 4 days starting May 25, 1964. All engineers in the Service, both from the field and the National Office, were in attendance. The last such institute was held in Washington in May 1961.

Some of the major topics discussed were:

1. Application of Revenue Procedure 62-21, Depreciation Guidelines and Rules, to years prior to the effective date of the procedure.
2. Ordinary treatment processes for minerals under the Gore amendment.
3. Aggregation of mineral properties.
4. Intangible drilling cost in oil and gas properties.
5. Loss from operations, not due to development, in ABC transactions.
6. Depreciation of underground storage caverns and treatment of loss on cushion gas.
7. Fair market value of timber for section 631(a).
8. Valuation of intangible values in mergers and other corporate transactions involving the transfer of property.
9. Retirements and abandonments of assets from multiple asset accounts.

The evaluation by all participants indicated that the

meetings were successful and accomplished their purpose.

ANNUAL TECHNICAL REVIEW INSTITUTE.—This program consists of a series of discussions by field personnel of the more important developments in Federal taxation as described in articles written and issued to the field by experienced National Office technicians. Seminarlike meetings are held in the field under the guidance of discussion leaders whose purpose is to give revenue agents and other technical personnel the benefit of a detailed discussion of the more important and complex developments as soon as possible after they arise.

The articles for the 1963 institutes were distributed to the field offices early in November 1963. They explained many difficult topics, such as the Self-Employed Individuals Tax Retirement Act of 1962; travel, entertainment, and gift expenses; the investment credit; gain from dispositions of certain depreciable property, and many other developments of equal complexity. A complete set of the articles was furnished every revenue agent for his future guidance and information.

EARLY EXPLANATION OF NEW LAW.—Part 1 of the *Annual Technical Review Institute for 1964* was distributed in late June 1964, in order to provide an early explanation of the Revenue Act of 1964. This publication discusses those provisions of the act which are commonly applicable to noncorporate taxpayers, although many of such provisions are also applicable to corporate taxpayers. Some of the provisions discussed in Part 1 are the new minimum standard deduction; deductions for State and local taxes; the new travel expense allocation rules, income averaging, and the unlimited capital loss carryover for individuals.

In addition to providing technical personnel with an early analysis of the Revenue Act of 1964, issuance of the 1964 *Institute* articles in three parts is meant to facilitate its use in classroom discussions and in answering taxpayer inquiries. Part 2 will discuss those provisions of the 1964 Act not discussed in Part 1, and Part 3 will discuss other important developments during the fiscal year ended June 30, 1964.

LEGAL HANDBOOK FOR REVENUE OFFICERS.—During the year the "Legal Reference Guide for Revenue Officers" was published to replace an earlier document which was outdated. This publication should aid those engaged in collecting taxes by providing them with a compendium of information needed in their daily activities.

FACILITIES MANAGEMENT

SPACE.—Over the past few years, the Service has made excellent progress in improving the quality of

its offices while maintaining one of the best rates of utilization (average square feet per employee) in Government. One of the major reasons for this progress has been General Services Administration's accelerated program of constructing new Federal buildings and renovating old ones. Also, the Service has received full support from General Services Administration, Bureau of the Budget, and Congress for its space leasing program. Although the emphasis up to now has been on regional and district offices, attention is now being turned to the smaller offices.

In 1964 the Service space program continued to make advances in major offices throughout the country. Additional space was acquired for 138 offices to relieve crowded conditions and accommodate staff expansion. The following large offices were moved into new or modernized buildings: Brooklyn, Cincinnati, Miami, San Francisco, Seattle, and Manhattan.

The Service is particularly proud of its new Manhattan office, the largest district headquarters which houses approximately 3,000 employees. The 21-story building, occupied solely by the Service, marks the culmination of several years' effort to consolidate operations in one new modern building.

Many of the improvements made in 1964 resulted from renovation projects. In a number of locations it was possible to improve both the quality and efficiency of an office through simple renovation and rearrangement of partitions. Not only is this a relatively inexpensive way to improve space quality, but in many cases it also allows more people to occupy a given amount of space.

Work is in process to improve office conditions in Austin, Baltimore, Dallas, Denver, Hollywood, Los Angeles, Milwaukee, Pittsburgh, Reno, and Salt Lake City.

Both the Philadelphia and Austin Service Center buildings were occupied in 1964. These two buildings, each containing over 200,000 square feet of floor area, are the second and third data processing centers to be built for the Service. Additional processing centers planned for Lawrence, Mass., and Covington, Ky., and the IRS Data Center and Regional Training Center at Detroit, Mich., are now being designed. Funds for construction of these centers have already been approved by Congress. A major renovation project under way in Kansas City, Mo., is scheduled for completion in November 1964. This renovated building will house our new Kansas City Service Center.

Although the space program has been generally very successful, much remains to be done. For example, in spite of 2 years of effort by General Services Administration, the Service has yet to consolidate its Wilmington District into acceptable quarters. In addition,

unsolved space problems exist in Indianapolis, Des Moines, Chicago, Detroit, and Wichita. These conditions should be improved in 1965.

Work has begun on modernization of the National Office building. By 1966, the building will be completely renovated with improved office facilities, including new lights and air conditioning. The plan will also make possible new space saving offices and office-furniture arrangements that will accommodate all employees in one building.

PROPERTY AND SUPPLY MANAGEMENT PROGRAM.—A furniture improvement program has brought increased efficiency to 41 large offices. Worn out and obsolete furniture has been replaced with new, standard furniture. New furniture arrangement standards have been developed to give taxpayers long-needed privacy when personal tax problems are being discussed. A Joint General Services Administration-Internal Revenue Service Logistics Plan was developed and effectively used in the scheduled purchase, storage, and placement of furniture and the moving of over 20,000 employees into these new offices with minimum work interruptions. The Joint Logistics Plan insures coordination of all details involved in a major move, such as: timely availability of space, detailed plans for utilization, rehabilitation or disposal of old furniture, and procurement of furniture that conforms to established standards.

Office Machine Standards have been developed to provide criteria for the selection of such commonly used machines as typewriters, adding machines, accounting machines, and calculators. They are also the basis for (1) effective assignment, (2) control of utilization, and (3) long-range replacement planning.

Application of the office machine standards permits procurement of the least expensive machine which will effectively do a specific task. This, in turn, led to improved procurement methods through consolidated purchase arrangements with several of the larger machine manufacturers and resulted in a saving of \$128,000, or 9 percent, through maximum quantity discounts.

The Service's motor vehicle travel continues to increase by 5 million miles annually. To provide adequate transportation and most effective use of travel dollars, the Service is now leasing 1,400 cars from the General Services Administration, for which it pays 7 cents per mile instead of paying the employee 10 cents per mile for using his personally owned vehicle. This means a saving of more than \$400,000 annually.

A Motor Vehicle Management Handbook was written which enables the Service to control more effectively its fleet of Service-owned and General Services Administration-leased vehicles.

RECORDS AND PAPERWORK MANAGEMENT.—The Service is pioneering in a records administration and paperwork management field that is rapidly changing because of new records documentation and reference concepts evolving under electronic processes and sophisticated information retrieval techniques. During 1964 the Service created, received, and used more records than ever before, and many of these records have vastly different characteristics from those of prior years. This year, in the records and paperwork management program, emphasis was on (1) insuring the creation and retention of adequate documentary evidence; (2) accelerating records evaluation and disposition activities to cope with growing accumulations of data processing input and output documents; (3) removing from office space all records and reference material not absolutely essential as daily working tools; and (4) forms and correspondence management efforts aimed at providing needed forms and form letters, improving and standardizing existing ones, and creating better correspondence.

Typical results of such program emphasis are:

1. Much needed space and equipment, valued at \$1.1 million, were released for reuse by systematic retirement and disposal of more than 230,500 cubic feet of records. Records holdings and disposition activities are shown in the following table:

Records holdings and disposition activities

Status	Volume of records (cubic feet)	
	1964	1963
On hand July 1.....	583,687	579,618
Disposals.....	230,538	252,952
Destroyed.....	90,042	107,301
Retired to Federal Records Center.....	140,496	145,651
On hand June 30.....	603,021	583,687

2. A standardized set of National Office prescribed public-use form letters was developed for use by Service Centers in corresponding with taxpayers. This significant form letter standardization provides a degree of uniformity for identical taxpayer correspondence that has never before been attained in the Service.

3. Under continuing forms development and standardization efforts, district office prescribed forms decreased by 18.1 percent and regional office prescribed forms decreased by 1.6 percent. National Office pre-

scribed forms increased by 12.0 percent, thus reflecting increased standardization of forms, form letters, and related paperwork procedures at the headquarters office. Service Center prescribed forms increased by 42.7 percent. This increase is a natural result of conversion to data processing operations, activation of additional service centers, and the necessity for both manual and machine operations with dual forms, pending total conversion. In spite of the tremendous increase in service center forms, there was a servicewide net increase of only 1.6 percent in forms and form letter inventory. Forms development, control, and standardization activities are shown by the following figures:

Forms and form letters

Prescribed by	Current inventory		Developed		Eliminated	
	1964	1963	1964	1963	1964	1963
Total.....	18,305	18,020	3,305	3,063	2,180	2,433
National Office (used at headquarters and servicewide).....	5,271	4,706	824	1,209	259	474
Regional offices (used by regional headquarters components or 2 or more district offices).....	9,379	9,535	1,434	989	749	1,078
District offices (used by local districts and their subordinate offices).....	2,341	2,858	428	477	945	695
Service Centers.....	1,314	921	619	388	227	186

FISCAL MANAGEMENT

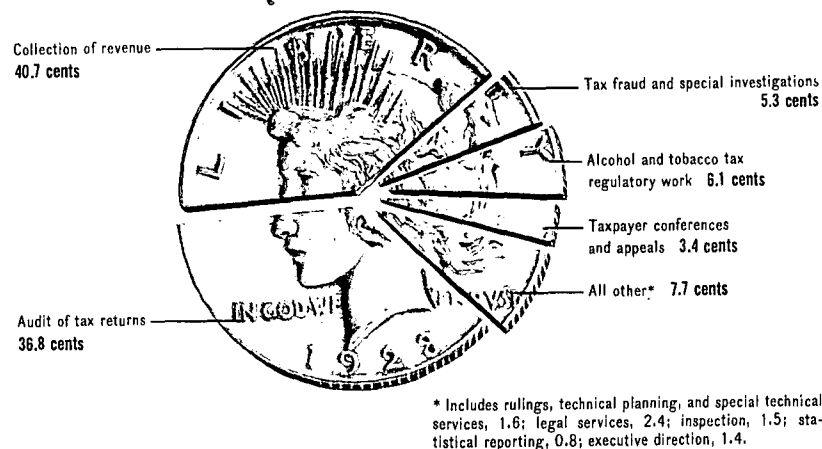
The Internal Revenue Service appropriation for 1964 totaled \$552 million, an increase of \$48.9 million over the 1963 appropriation. The additional funds were used primarily to finance partially the objectives of the Long-Range Plan; to provide for increased cost of current staff maintenance, including pay act increase; and for equipment improvement.

The cost of operating the Service during the year was \$551.2 million compared with \$501.7 million in 1963. This is an increase of \$49.5 million in actual cost. Of this increase in overall cost of operation \$38.5 million represents increased salary costs attributable largely to increased man-year realization; also included is \$10.6 million as a result of Phase II of the Pay Act Increase authorized by Public Law 87-793. Of the 61,170 planned man-years, 61,059 or 99.8 percent, were actually realized. This is an increase of 1,348 over the 59,711 man-years actually realized in 1963.

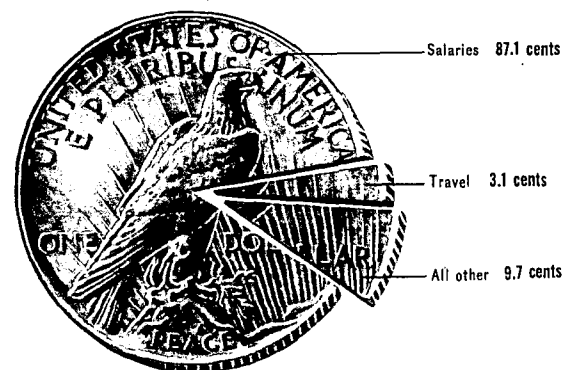
The distribution of obligations in fiscal year 1964 is shown in the following table: (For more detail by activity see table 28, p. 99.)

MANAGEMENT ACTIVITIES

OBLIGATIONS BY ACTIVITY



OBLIGATIONS BY OBJECT OF EXPENDITURE



Obligations incurred by Internal Revenue Service

(In thousands of dollars)

Function	Total		Personnel compensation and benefits		Other	
	1964	1963	1964	1963	1964	1963
Total	549,692	500,804	479,055	440,542	70,637	60,262
Rulings, technical planning, and special technical services	8,590	7,836	7,893	7,085	797	751
Collection of revenue	223,962	200,901	184,772	170,151	39,190	30,748
Audit of tax returns	202,383	184,867	187,086	171,429	15,277	13,438
Tax fraud and special investigations	29,297	26,577	25,065	22,815	4,232	3,762
Alcohol and tobacco tax regulatory work	31,426	39,159	27,691	26,395	5,735	5,764
Taxpayer conferences and appeals	18,464	17,101	17,389	16,087	1,075	1,014
Legal services	13,199	12,713	12,250	11,678	949	1,035
Inspection	8,320	7,740	6,937	6,348	1,383	1,402
Statistical reporting	4,628	4,320	3,900	3,256	728	1,064
Executive direction	7,441	6,600	6,162	5,296	1,279	1,304

Reimbursable services tripled in 1964 over 1963. These are special services performed chiefly for other Federal Agencies and for Puerto Rico, various States, and others. The primary increase in 1964, and approximately one-half the yearly total, resulted from tax advisory services to foreign countries in technical assistance programs of the Agency for International Development. Most of this effort was directed to Central and South American nations within the Alliance for Progress.

During 1964, \$1.2 million were received for services provided other agencies. Costs to the Service for providing these services are included in the total Service cost shown above.

Procedures were devised for orderly reporting, accounting, and transfer of resources during implementation of the realignment of field offices which was completed effective January 1, 1964, as planned.

During the year the Service was able to accumulate about \$4.5 million available funds within the appropriation, while substantially carrying out program levels provided by the appropriation. The most significant factors in the accumulation of savings resulted from (1) realignment of field offices, (2) ADP redeployment program, (3) savings of funds programed for training courses planned for incumbents in 1964 but postponed until later, (4) savings on computer rental resulting from operational improvement and rental savings directly related to the second 7074 system in the National Computer Center not going on rental as soon as expected, and (5) other management improvements. Approval was obtained to utilize the \$4.5 million to purchase computer equipment originally planned for acquisition in 1965.

As a first step in implementing the decision of the Secretary of the Treasury to automate the department payrolls through the Service's Automatic Data Processing facilities, payrolls of the Office of the Secretary of

the Treasury, Office of International Affairs, and the Bureau of Narcotics were converted during 1964.

A study started in 1963, relative to budgeting and funding for grade structure changes, led to issuance during 1964 of regulations which constituted a significant improvement in management and control of the Service's grade structure and grade structure changes. The regulations provide the basis for a better and more uniform understanding of the concepts under which the grade structure control program operates and establishes standardized procedures for planning and control of the program.

INSPECTION ACTIVITIES

Inspection is an independent fact finding organization reporting directly to the Commissioner. It was created to develop information necessary for management to improve the operations and maintain the integrity of the Service.

Inspection is divided functionally into two divisions, Internal Audit and Internal Security; however, major investigations, such as fraud on the revenue, are closely coordinated by the two divisions.

INTERNAL AUDIT.—Internal audit has become, since its inception in the early 1950's, an integral part of the Service's management control system.

As presently constituted, the Service's internal audit program provides for an independent review and appraisal of all Service operations as a protective and constructive service to the Commissioner and all other levels of management. This broad program covers all organizations and activities of the Service and includes a determination as to whether the policies, practices, procedures and controls at all levels of management adequately protect the revenue and are being efficiently and effectively carried out.

The emphasis is on the examination of those organizational segments which are most closely connected

MANAGEMENT ACTIVITIES

with the collection of the tax revenues and the enforcement of the tax laws. More than 90 percent of the direct internal audit time is expended on collection, audit, intelligence, appellate, and alcohol and tobacco tax activities. Particular stress is placed on identification of potential integrity problems.

Many of the findings developed by internal audit resulted in substantial amounts of direct savings or additional revenue. Such dollar savings or revenue producing potential only constitutes one measure of effectiveness, internal audit's primary contribution to the Service being reflected through its recommendations and suggestions in improved operations and strengthened controls and safeguards.

The continuing goal is to bring into proper focus those conditions that require corrective action, as well as those activities that have been conducted effectively and efficiently. Attainment of this goal makes for a better understanding and utilization of the internal audit function in the building and the maintenance of a highly effective and efficient Internal Revenue Service.

INTERNAL SECURITY.—Successful administration of the voluntary self-assessment system of taxation depends to a large extent on the integrity and good faith of the American people, which in turn is based on their confidence in the integrity and impartiality of the officers and employees of the Service. To aid management in maintaining this public confidence, the Internal Security Division provides management with timely, factual, objective information on any matter that represents a potential threat to the integrity standards of the Service.

Evidence of the integrity of Service employees is found in the statistics of investigations based on actual or suspected attempts by taxpayers or their representatives to bribe employees of the Service to influence their actions in tax examinations, tax collections, or other tax matters pending before the Service. During the year employees reported 67 such attempts, an increase of 21 over 1963. There were 8 indictments of taxpayers or their representatives during the year for bribe attempts, and additional prosecutions are expected in a number of pending cases. This makes a total of 28 persons indicted for such bribe attempts during the past 3 years. To date 20 persons have been convicted.

Investigations completed during the year totaled 8,221. In addition, police checks were made on 5,075 employees considered for short-term temporary appointments.

A tabulation of the various types of investigations and resulting disciplinary actions follows:

Investigations and disciplinary actions

Type of investigation and action	1964	1963
Total investigations closed	8,221	10,011
Personnel investigations		
Number of cases closed, total	6,928	8,626
Character and security investigations	3,354	5,036
Conduct investigations	638	771
Special inquiries	2,876	2,819
Actions taken by Service management officials as a result of personnel investigations		
Disciplinary actions, total	791	848
Separations, total ¹	271	271
Bribery, extortion, or collusion	40	16
Embezzlement or theft of Government funds or property	15	17
Failure of employee to pay proper tax	14	17
Falsification or distortion of Government reports, records, etc.	121	89
Unauthorized outside activity	9	11
Failure to discharge duties properly	2	9
Refusal to cooperate	3	13
Divulgence of confidential information	1	1
Acceptance of fees or gratuities	7	3
Personal and other misconduct	59	95
Suspensions from duty and pay	53	42
Reprimands, warnings, reassignments, transfers, or demotions	467	535
Nondisciplinary actions	6,137	7,778
Other investigations		
Number of cases closed, total	1,293	1,385
Applications for admission to practice before the Internal Revenue Service	498	636
Charges against enrollees	119	117
Federal tax claims	230	168
Attempted bribery	55	47
Discrimination	5	2
Investigations for other Treasury bureaus	386	415

¹ Includes resignations, retirements, or other separations while employees were under investigation or before administrative decision was made on disciplinary action where investigation disclosed derogatory information.

JOINT INTEGRITY PROGRAM.—As the result of the emphasis placed on matters that could adversely affect the integrity of the Service, the Internal Audit and Internal Security Divisions more closely coordinated their efforts, talents and capabilities, to assure that a better overall protective and constructive mission would be carried out. Therefore, a program has been established whereby any indicators of a breakdown in integrity (those involving a potential or actual "fraud on the revenue" by or through the help of a Service employee) are investigated through a well-coordinated, professionally planned joint endeavor.

During the current year numerous schemes have been detected involving fraud on the revenue in which Service employees were involved. As the result of the joint efforts, a number of employees, former employees, tax practitioners and taxpayers have been arrested or indicted. In one major metropolitan area over \$3 million in additional taxes and penalties have been assessed as a result of hundreds of tax examinations growing out of the joint investigations of these schemes.

GENERAL ACCOUNTING OFFICE REPORTS

Under the provisions of the Budget and Accounting Act of 1921 (31 U.S.C. 53) and the Accounting and Auditing Act of 1950 (31 U.S.C. 67), the General Accounting Office reviews Service operations and reports its findings to the Congress, to the Secretary of the Treasury, or to appropriate Service officials depending upon the relative significance of the findings.

Two reports, pointing out deficiencies in the administration of travel funds, payroll activities, and other administrative matters, were issued to Service officials during 1964. Corrective action has been taken by responsible officials.

ADVISORY GROUP

In keeping with the practice of periodically changing the membership, the Commissioner appointed a new Advisory Group in March 1964. The Group's purpose is to provide constructive criticism of Service policies, procedures, and programs and suggest ways in which the Service can improve its operations. The Advisory Group shown in the 1963 Annual Report met on September 5-6, 1963, and November 14-15, 1963. The newly appointed Group met twice this year: March 9-10, 1964, and June 18-19, 1964. The members of the new Group are as follows:

Prof. Boris I. Bittker
Yale Law School
New Haven, Conn.

Prof. Charles O. Galvin
Southern Methodist University School of Law
Dallas, Tex.

Mr. Albert R. Gilman
Albert R. Gilman & Co.
Rochester, N.Y.

Mr. John P. Goedert
Alexander Grant & Co.
Chicago, Ill.

Mr. Scott C. Lambert
Standard Oil Co. of California
San Francisco, Calif.

Mr. Leonard W. Natthen
Curtis-Wright Corp.
Wood-Ridge, N.J.

Mr. Paul E. O'Brien
Coca-Cola Co.
Atlanta, Ga.

Mr. Louis H. Pilie
Peat, Marwick, Mitchell & Co.
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Appendix

Taxpayer Publications

Tax Forms—
New and Revised

Regulations

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Income Releases

Appendix

TAXPAYER PUBLICATIONS

Your Federal Income Tax, IRS Publication No. 17, is written for the individual taxpayer. Ranking among the best sellers of Government publications, about 850,000 copies of the booklet were sold this year. In addition, 90,000 copies were used in the Teaching Taxes Program, the Taxpayer Assistance Program, and in various training programs. As usual, run-of-the-mill problems of the average taxpayer were covered in detail. In addition, simplified explanations of the more complex problems which even the average taxpayer will occasionally encounter were furnished, as well as brief explanations of some new provisions of the laws which are effective for the first time in the current tax year. A filled-in sample of the individual return appears in the front of the book. All parts of the return are keyed to page numbers in the book where detailed explanations and examples may be found.

The 1964 edition contained 144 pages and was sold at 40 cents a copy (same size and price as the 1963 edition) by the Government Printing Office and local Internal Revenue Service offices.

Alcohol and Tobacco, Summary Statistics, Publication 67, released each year, usually in February, presents comprehensive statistical data relating to the alcohol and tobacco industries.

The publication contains 94 statistical tables summarizing pertinent phases of the distilled spirits, beer, wine, and tobacco industries by States and by months, an introduction defining principal terms, and an index. Comparisons are made with the previous fiscal year and historical data are shown for the years 1934 to date. Tables show such details as the number of establishments, materials used, production, taxable and tax-free withdrawals, stocks, imports, rectification, bottling, enforcement activities, and internal revenue collections from alcohol and tobacco taxes.

Recent issues can be obtained from the U.S. Government Printing Office, Washington, D.C. 20402, at 50 cents per copy.

Tobacco Tax Guide, IRS Publication No. 464, containing virtually all basic reference materials to enable manufacturers of tobacco products and others concerned to comply with Federal tobacco tax laws and regulations, has been made available to the tobacco industry and the public on a subscription basis. This looseleaf volume, when completed, will contain all of the in-

ternal revenue regulations, portions of customs regulations and internal revenue laws pertinent to tobacco, currently significant revenue rulings, revenue procedures, industry circulars, an up-to-date list of manufacturers of tobacco products and proprietors of export warehouses operating under Federal permits, a miscellaneous division, and an alphabetical index.

Tax Guide for Small Business, IRS Publication No. 334, is written especially for small sole proprietorships, partnerships, and corporations. This year over 250,000 copies were sold and 40,000 copies were printed for internal use by the Service. Income taxes, excise taxes, and employment taxes are explained in plain language and numerous examples are used to illustrate the application of the laws. A check list, of particular interest to new businessmen, shows at a glance the taxes for which different kinds of business organizations and business activities may be liable and what the business should do about them. A tax calendar for 1964 is also provided to assist businessmen in keeping track of when various things should be done during the year with respect to all their Federal taxes. Brief explanations of new laws taking effect during the current year were included in this edition, so that the businessman could make necessary preparations, during the year, for filing his 1964 returns. As it did last year, the booklet contains 144 pages and is sold to the public for 40 cents a copy through the same outlets as *Your Federal Income Tax*. The booklet, like *Your Federal Income Tax*, is an important segment of the Commissioner's program for more effective taxpayer assistance and education.

Information Guides—International Operations

- No. 1—Fulbright Grants and U.S. Income Tax
- No. 2—Income Tax Deductions of Members of the Foreign Service, Department of State
- No. 3—Dual-Status Tax Years of Alien Taxpayers (Formerly known as Change of Status Year for Non-resident Alien Taxpayers)
- No. 4—Claims for Recovery of Manufacturer's Excise Tax on Exported Articles
- No. 5—Social Security Coverage for Clergymen and Religious Workers Abroad
- No. 6—Preparation of Form 1040B
- No. 7—Tax Advice for Foreign Scholars and Visitors on Official Educational and Cultural Exchange

Programs (Formerly known as Foreign Scholars and U.S. Income Tax)

No. 8—American Scholars Abroad and U.S. Income Tax

No. 9—U.S. Tax Guide for Aliens

Rules for Deducting Travel, Entertainment, and Gift Expenses, IRS Publication No. 463, was originally developed as one of the taxpayer information documents, but with the enactment of new law in 1962 and the issuance of completely new regulations in 1963, this pamphlet was made a part of the publication series so that the great demand by interested taxpayers could be filled directly by the Government Printing Office. Over 2 million copies of this publication, which explains stricter new rules for claiming deductions and for keeping required records in connection with travel, entertainment and gift expenses, were printed for distribution in 1964.

The *Farmer's Tax Guide*, IRS Publication No. 225, explains the tax problems of farmers. This year, 1,040,000 copies of the 64-page booklet were distributed through Internal Revenue Service offices and agricultural extension agents of the Department of Agriculture. The publication discusses income, employment, and self-employment taxes and contains numerous examples illustrating the rules. It features a list of Important Dates to Remember devised especially for farmers, to help them keep track of their tax obligations throughout the year.

Motor Fuel Tax Pamphlets explain the latest rules in regard to the various Federal motor fuel taxes. There are three such pamphlets:

Federal Use Tax on Highway Motor Vehicles, IRS Publication No. 349

Federal Gasoline Tax Refund for Non-highway and Transit Users, IRS Publication No. 378

Farmer's Gasoline Tax Refund, IRS Publication No. 308

Teaching Taxes, IRS Publications Nos. 19, 21, 22, and 27, is a series of booklets used in a program to introduce high school and college students, and others to the basic principles and rules underlying the Federal self-assessment system of taxation. Over 3 million students participated in the program during 1964.

Tax Tips for Homeowners, IRS Document No. 5447, is, as the title implies, written especially for the taxpayer who owns his own home. This 12-page pamphlet, which has been added to other free taxpayer assistance material, recognizes that many of our tax laws are especially applicable to the homeowner. Starting with the tax aspects of the home purchase, the pamphlet explains to the taxpayer what part of his purchase costs must be capitalized, what part may be deducted,

and what part is personal, nondeductible expense. It also discusses the tax treatment of costs incurred during the years of ownership. Included in the pamphlet are discussions of property used for business or the production of rent, and the tax results of a condemnation or the granting of an easement. Finally, the taxpayer is told what to do for tax purposes if he sells or otherwise disposes of his home. The importance of keeping records throughout the period of ownership is stressed.

Cost or Other Basis of Assets, IRS Document No. 5516, is a new 8-page pamphlet which has been added to other free taxpayer assistance material available to the public. Prior to the issuance of this new document, information concerning basis was included as a part of various other documents dealing primarily with other subjects. The publication of Document No. 5516 now brings this information together in one short pamphlet, so that a taxpayer requesting information strictly concerned with basis does not have to search through extraneous material to find the answer to his question.

Foreign Tax Credit for U.S. Citizens and Resident Aliens, IRS Document No. 5517, is a new pamphlet which was added this year to other free material available for the assistance of taxpayers. This pamphlet was issued at the request of the Director of International Operations, as the result of his findings that computation of the credit has been a major problem to United States citizens abroad and one taking a substantial portion of the time spent on taxpayer assistance by our foreign post representatives. The document explains who may take the credit, what foreign taxes qualify, how the election to credit qualifying taxes is made, limitations on the credit, and the carryback and carryover provisions. Form 1116 (the statement in support of the credit claimed) is illustrated and explained.

Importance of Adequate Records and a Guide to Information Available for Preparing Federal Tax Returns, IRS Document No. 5518, is new this year. This pamphlet was issued to assist field offices in emphasizing to taxpayers why good records are important for proper return filing, and what constitutes sufficient records, depending upon the extent of the taxpayer's income-producing activities. The list of other available booklets and pamphlets included as a part of this Document not only informs the taxpayer of the many subjects with regard to which he can obtain concise and easy-to-read explanations, but also provides him with a correct number and title to refer to in requesting the appropriate publication which will help him with his tax problem.

TAXPAYER ASSISTANCE DOCUMENTS.—Forty-two other taxpayer assistance documents were distributed free to taxpayers. These publications range in size from 1 to 24 pages. Distribution of the various documents ranged from 1,000 to 110,000 copies. Each publication contains detailed explanations of the laws applicable to a particular problem area. Objectives of this program are to expedite and increase the effectiveness of our Taxpayer Assistance Program, and to minimize the necessity for individual assistance to taxpayers by Internal Revenue Service personnel. The booklets are used as inserts by the National Office and by Service field offices in replies to inquiries from taxpayers, and are available upon request in local offices of District Directors. They are also used as supporting statements for adjustments made in revenue agents' reports. These documents are:

Title	Document No.
Personal Exemptions and Dependents	5013
Employee Expenses, Educational Expenses	5014
Sick Pay	5016
Selling Your Home	5017
Retirement Income and Credit	5018
Medical and Dental Expenses	5020
What Is Income	5045
Tax Calendar and Check List for 1964	5046
Self-Employment Tax	5047
Sales and Exchanges of Assets	5048
Depreciation, Investment Credit, Amortization, Depletion	5050
Business Expenses	5051
Child Care	5052
Contributions	5053
Retailers Excise Tax	5054
Manufacturers Excise Tax	5055
Excise Tax on Communications	5056
Occupational Stamp Taxes	5057
Tax on Admissions and Dues	5059
Rents and Royalties Income	5060
Losses From Operating a Business	5062
Interest Deductions	5074
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Filing Your Tax Return	5107
Installment and Deferred-Payment Sales	5108
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"Page 2" Deductions	5110
Estimated Tax and Tax Withholding	5111
Casualties, Storms, Floods, Hurricanes, Other Disasters, and Thefts	5174
Accounting Periods and Methods	5175
Bad Debts	5176
Withholding From Wages by Employer	5177
Repairs and Improvements	5178
Partnerships	5179
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If Your Return Is Examined	5202
Documentary Stamp Taxes	5286
Condemnations of Private Property for Public Use	5383
Decedents	5446
Investment Income and Expenses	5448

NEW TAX FORMS ISSUED

The following new forms with filing instructions were issued during the year:

Form No.	Title
2950SE	Self-Employed Retirement Deduction
2969	Application and Permit to Use Documentary Stamp Tax Meter
2970	Order for Setting Documentary Stamp Tax Meter
2848	General Power of Attorney
2848-A	Limited Power of Attorney
3625	Certificate of American Ownership
3626	Certificate of American Ownership by Nominee
3650	Blanket Certificate of American Ownership
3651	Blanket Certificate of American Ownership by Nominee
3672	Application for Approval of Master or Prototype Plan for Self-Employed Individuals
3673	Application for Approval of Self-Employed Pension or Profit-Sharing Plan as Part of a Master or Prototype Form or Any Bond Purchase Plan

SELECTED REGULATIONS PUBLISHED

Income Tax Regulations

Regulations under sections 401 and 405 of the Code were amended to provide rules for establishment of qualified pension, profit-sharing, and stock bonus plans, and qualified bond purchase plans by or for self-employed individuals. *Treasury Decision 6675*, published September 17, 1963.

Regulations under sections 72, 402, 403, and 404 of the Code were amended to provide rules governing the qualification of voluntary retirement plans established by self-employed persons, the deductibility of contributions to such plans, and the taxability of distributions. *Treasury Decision 6676*, published September 17, 1963.

Regulations under section 453 of the Code were amended to provide rules for treating sales under a revolving credit plan as sales on the installment plan. *Treasury Decision 6682*, published October 18, 1963.

Regulations under section 615 and 381(c)(10) of the Code were amended to conform the regulations to changes made by Public Law 86-594 which removed the 4-year limitation and substituted an overall limitation of \$400,000 on deduction of exploration expenditures. *Treasury Decision 6685*, published October 24, 1963.

Regulations under sections 61 and 421 of the Code were amended to provide rules for the taxability of options received by independent contractors. *Treasury Decision 6696*, published December 12, 1963.

Regulations were issued under section 956 of the Code, as added by section 12 of Public Law 87-834, providing rules in respect of investment of earnings of a controlled foreign corporation in United States property. *Treasury Decision 6704*, published February 20, 1964.

Regulations under sections 165, 167, 179, 611, 642, and 1014 of the Code were amended to reflect the changes made by section 13 of Public Law 87-834 relating to the allowance for depreciation of property used in a trade or business or held for the production of income. *Treasury Decision 6712*, published March 24, 1964.

Regulations under sections 61 and 451 of the Code were amended with respect to the constructive receipt of interest on life insurance policy dividends left to accumulate, and interest on certain deposits, shares or accounts in a bank or similar financial institutions. *Treasury Decision 6723*, published April 21, 1964.

Regulations were issued to implement certain provisions of section 2 of the Revenue Act of 1962 relating to credit for investment in certain depreciable property. *Treasury Decision 6732*, published May 8, 1964.

Temporary Regulations Under the Revenue Act of 1964

Temporary regulations under section 962 of the Code were issued to inform individuals who are United States shareholders of controlled foreign corporations as to how, when, and where to make an election to be subject to tax at corporate rates on amounts included in gross income under section 951(a) and to treat such amounts as if they were received by a domestic corporation for purposes of applying the special rules under section 960 applicable to the foreign tax credit. *Treasury Decision 6703*, published January 31, 1964.

Temporary regulations under sections 172 and 1375 of the Code were issued to inform taxpayers of the method and time for making an election with respect to the carryover of a net operating loss attributable to a foreign expropriation loss, and an election by a small business corporation to treat certain distributions as made on the last day of a taxable year. *Treasury Decision 6719*, published April 3, 1964.

Temporary regulations under section 483 of the Code were issued to inform taxpayers of the minimum interest rate which, if provided in a contract, will preclude the application of section 483. *Treasury Decision 6720*, published April 7, 1964.

Temporary regulations under section 243 of the Code were issued to inform taxpayers of the time and manner of making the election relating to the 100-percent dividends received deduction. *Treasury Decision 6721*, published April 10, 1964.

Temporary regulations under sections 1561 and 1562 of the Code were issued to inform taxpayers of the time and manner of apportionment of the single \$25,000 surtax exemption allowed to certain members of a controlled group of corporations under section 1561(a), and of the election by a controlled group of multiple surtax exemptions under section 1562(a). *Treasury Decision 6733*, published May 14, 1964.

Employment Tax Regulations

Regulations under section 3401 of the Code were amended to conform the exemptions from collection of income tax at source on wages with the changes made to section 911 of the Code which place an additional limitation on the amount of earned income which certain United States citizens living abroad may exclude from their gross income. *Treasury Decision 6697*, published December 17, 1963.

Excise Tax Regulations

Manufacturers and Retailers Excise Tax Regulations under section 4216(f) of the Code were amended to conform to section 2 of Public Law 87-770 which changes the definition of local advertising to include the media of magazines and outdoor advertising signs or posters. *Treasury Decision 6686*, published October 24, 1963.

Highway Motor Vehicle Use Tax Regulations were amended to provide that air-conditioning equipment and sanitation facilities are included in the term "fully equipped for service" in the case of buses. *Treasury Decision 6743*, published June 23, 1964.

Statement of Procedural Rules

Procedural rules were amended to liberalize the power of attorney requirements for an attorney or agent representing taxpayers before the Internal Revenue Service.

Amendment Published 9/19/63

Amendment Published 3/14/64

Alcohol, Tobacco, And Firearms Regulations

Treasury Decision 6671 amended regulations in 26 CFR Part 245 to provide for the production of concentrate from beer, the reconstitution of beer from concentrate, the qualification as breweries of plants concentrating or reconstituting beer, the transfer of concentrate between breweries, and the exportation of concentrate.

Treasury Decision 6673 amended regulations in 26 CFR Part 252 to provide procedures for the exportation of beer concentrate.

Treasury Decision 6695 amended regulations in 26 CFR Part 250 primarily to modify procedures as to distilled spirits produced in Puerto Rico to be shipped to the United States; simplify procedures in Puerto Rico for tax deferment and release of liquors; extend Puerto Rican rectification tax procedure to wines; and provide for the collection, by Collectors of Customs, from tourists, of taxes on Puerto Rican products.

Treasury Decision 6702 added regulations in 26 CFR Part 170 to provide for the submission to the Assistant Regional Commissioner, Alcohol and Tobacco

Tax, of powers of attorney authorizing agents and officers to execute bonds on behalf of corporate sureties. Formerly these were submitted to the Commissioner of Accounts, Surety Bonds Branch, Treasury Department.

Treasury Decision 6729 amended regulations in 26 CFR Part 194 to liberalize provisions relating to records of dispositions of spirits by wholesale dealers.

Treasury Decision 6701 added a new Subpart D to 26 CFR Part 296 to provide temporary rules in the tobacco tax area for the submission of powers of attorney authorizing agents and officers to execute bonds on behalf of corporate sureties.

Treasury Decision 6705, effective February 29, 1964, amended the Federal Firearms Act regulations, as contained in 26 CFR Part 177 to clarify the status of manufacturers and dealers licensed under the act who have been indicted for any crime punishable by imprisonment for a term exceeding 1 year and to provide for the continuation of operations by these persons until a conviction under the indictment becomes final.

SIGNIFICANT REVENUE RULINGS AND PROCEDURES

Since the courts, in a series of steps, have successively applied a restrictive construction to the scope of the statute imposing the cabaret tax, the Service no longer will litigate cases involving the applicability of that tax to amounts paid at an establishment for food, refreshment, service, or merchandise ordered and served before the establishment attains cabaret status or after that status has been terminated (Rev. Rul. 63-154, C.B. 1963-2, 541) (also released as T.I.R. 488, 7-2-63).

A retired minister of the gospel may exclude from his gross income the rental value of a residence furnished to him by his church as part of his compensation for past services (Rev. Rul. 63-156, C.B. 1963-2, 79).

The manufacturers excise tax does not apply to an importer's use of articles which initially were produced in the United States and sold on a tax-exempt basis by the manufacturer for export to a foreign country (Rev. Rul. 63-162, C.B. 1963-2, 525).

Based upon the relevant legislative history, the retailers excise tax does not apply to an "in-the-ear" hearing aid which is plated with gold to prevent corrosion (Rev. Rul. 63-199, C.B. 1963-2, 457).

Shares of stock issued by the surviving corporation pursuant to a plan designated as a "merger agreement" which involves a shift in ownership or interest rather than a mere change in identity, form, or place of organization, are not exempt from the documentary stamp tax (Rev. Rul. 63-203, C.B. 1963-2, 580).

A nonprofit recreation association, the membership of which is limited to employees of a company located in a certain municipality, may come within the scope

of the club dues tax even though the organization has been granted exemption from the Federal income tax under the provisions of section 501(c)(4) of the Code (Rev. Rul. 63-214, C.B. 1963-2, 544).

A loss resulting from damage to property caused by termites is no longer considered a casualty loss under section 165(c)(3) of the Code (Rev. Rul. 63-232, C.B. 1963-2, 97).

Guidelines are established with respect to the deductibility of contributions by individuals to a charity organized in the United States which thereafter transmits some or all of its funds to a foreign charitable organization (Rev. Rul. 6-252, C.B. 1963-2, 101).

A bank's addition to its bad debt reserve in excess of the amount computed under Mimeograph 6209, as supplemented, must meet the reasonable reserve requirements of section 166(c) of the Code (Rev. Rul. 63-267, C.B. 1963-2, 99) (T.I.R. 499, 8-7-63).

Research and related expenses incurred by a college or university professor for purposes of teaching, lecturing, or writing in his capacity as an educator are deductible business expenses (Rev. Rul. 63-275, C.B. 1963-2, 85) (T.I.R. 525, 12-9-63).

Traveling expenses incurred in traveling abroad to develop foreign markets for an existing business are deductible business expenses (Rev. Rul. 64-42, I.R.B. 1964-5, 10).

Under certain circumstances, a corporation's transfer of technical "know-how" in exchange for stock in another corporation qualifies for nonrecognition of gain under section 351 of the Code (Rev. Rul. 64-56, I.R.B. 1964-8, 9).

A percentage depletion allowance for ad valorem property taxes on mineral-bearing lands paid by a lessee may be allocated by the lessor and the lessee pending further judicial guidance (Rev. Rul. 64-91, I.R.B. 1964-12, 8) (T.I.R. 549, 3-9-64).

The receipt of insurance proceeds from the complete destruction by fire of property, as defined in section 337 of the Code, resulting in an involuntary conversion, is now considered a "sale or exchange" for purposes of section 337(a) of the Code (Rev. Rul. 64-100, I.R.B. 1964-13, 8).

Factors are set forth to be considered in determining whether a savings and loan association may be classified as a "domestic building and loan association" (Rev. Rul. 64-123, I.R.B. 1964-17, 22) (T.I.R. 566, 4-7-64).

An advance ruling is required under section 367 of the Code where, but for section 332, gain on liquidation of a foreign corporation would be recognized to a United States shareholder in the form of subpart F income (Rev. Rul. 64-157, I.R.B. 1964-21, 18) (T.I.R. 586, 4-24-64).

Instructions are provided to amplify the stock iden-

tification requirements applicable to securities dealers who participate in certain methods of clearing stock transactions (Rev. Rul. 64-160, I.R.B. 1964-21, 27) (T.I.R. 591, 4-30-64).

The wagering taxes apply to a sweepstakes operation conducted by the State of New Hampshire (Rev. Rul. 64-163, I.R.B. 1964-21, 31).

For purposes of the retailers excise tax, a completely finished fur collar does not lose its identity as a taxable article because it is sold with a cloth coat or sweater for a lump-sum price (Rev. Rul. 64-185, I.R.B. 1964-25, 58).

A nonprofit corporation organized to aid and promote the purposes of the Area Redevelopment Act is exempt from income tax under section 501(c)(4) of the Code (Rev. Rul. 64-187, I.R.B. 1964-26, 7).

Guidelines are set forth with respect to essential tax record requirements where a taxpayer's accounting records are maintained within an automatic data processing system (Rev. Proc. 64-12, I.R.B. 1964-8, 19).

An administrative procedure is established under which a taxpayer may request permission to change an accounting practice with respect to items of income or expense (Rev. Proc. 64-16, I.R.B. 1964-9, 35) (T.I.R. 547, 2-17-64).

Procedures are set forth for the computation of taxable income by a foreign investment company which elected to distribute income currently to its shareholders and the treatment of such distributions by the shareholders (Rev. Proc. 64-17, I.R.B. 1964-10, 27) (T.I.R. 541, 1-31-64).

SIGNIFICANT ANNOUNCEMENTS OF GENERAL INTEREST

Because of a developing trend in the field of alcoholic beverages advertising involving disparagement of competitive products, Industry Circular No. 63-23 was issued for the purpose of directing the attention to the provisions of the regulations issued under the Federal Alcohol Administration Act (27 CFR 4.64(a)(2), 5.64(a)(2), and 7.54(a)(2)), which prohibit statements disparaging of competitors' products in advertisements disseminated by producers, importers, and wholesalers of alcoholic beverages.

Revenue Rulings and Revenue Procedures relating to tobacco (originally issued under Ch. 15 of the Internal Revenue Code of 1939 and Ch. 52 of the Internal Revenue Code of 1954) have been revised and updated to reflect current provisions of the law and the regulations.

The attention of wholesale liquor dealers was called to the publication of Treasury Decision 6729 which provided, in certain cases, for relief from the requirement for recording serial numbers of cases of spirits disposed of, when approved by the Assistant Regional

Commissioner, Alcohol and Tobacco Tax (News Release (unnumbered), dated May 12, 1964, and Industry Circular No. 64-8, dated May 13, 1964).

Domestic taxpayers should advise their foreign affiliates to take protective action with foreign taxing authorities to prevent double taxation in instances where the Internal Revenue Service is proposing the reallocation of income, deductions, or credits between the related business entities (Announcement 63-83, I.R.B. 1963-32, 56) (T.I.R. 491, 7-17-63).

The Service has completed its review of alcohol tax Revenue Rulings which were issued prior to July 1, 1960, and lists those remaining in effect as of June 1, 1963 (Announcement 63-91, I.R.B. 1963-34, 23).

Extensions of time beyond 6 months from April 1, 1963, may not be granted to persons who, on January 1, 1963, were required to file Form 959 with respect to the organization or reorganization of a foreign corporation and the acquisition of its stock (Announcement 63-92, I.R.B. 1963-35, 19) (T.I.R. 498, 8-1-63).

Form W-3, Reconciliation of Income Tax Withheld From Wages, has been revised for 1963 to provide for a new reporting requirement in connection with the automatic data processing system (Announcement 63-103, I.R.B. 1963-41, 87) (T.I.R. 509, 9-16-63).

Exempt organizations which conduct lotteries may jeopardize their tax-exempt status, as well as incur liability for unrelated business income tax and the wagering taxes (Announcement 63-108, I.R.B. 1963-43, 28) (T.I.R. 513, 10-4-63).

The Statement of Procedural Rules, as it relates to Conference and Practice Requirements, has been amended to relax substantially the power of attorney requirements for agents and attorneys who practice before the Service (Announcement 63-110, I.R.B. 1963-43, 29) (T.I.R. 514, 10-8-63).

A tax practitioner's workload is considered as a factor in granting extensions of time for filing individual income tax returns (Announcement 63-113, I.R.B. 1963-45, 106).

Several questions regarding taxpayer identification numbers are answered (Announcement 63-116, I.R.B. 1963-47, 31).

Increases in the amount of Federal unemployment tax for the calendar year 1963 will apply to wages for services performed in 9 of the 50 States because of reductions in the amount of credit which may be applied against the Federal tax (Announcement 63-128, I.R.B. 1963-50, 63) (T.I.R. 522, 11-22-63).

Requests for opinion letters as to the acceptability of master or prototype pension and profit-sharing plans for self-employed individuals will be acted upon as promptly as possible (Announcement 63-130, I.R.B. 1963-51, 42) (T.I.R. 524, 12-4-63).

The deductibility of contributions to charities which transmit funds to foreign organizations may be determined by reference to the Cumulative List of Organizations, contributions to which are deductible under section 170(c) of the Code (Announcement 64-4, I.R.B. 1964-4, 58) (T.I.R. 531, 12-20-63).

One edition of the Bulletin is devoted to an index to administrative and procedural matters which have been published in the Bulletin since 1952 (Announcement 64-13, I.R.B. 1964-7, 6).

United States shareholders with income from controlled foreign corporations should submit detailed statements with their returns for the calendar year 1963 and other taxable years ending before October 31, 1964 (Announcement 64-19, I.R.B. 1964-9, 38) (T.I.R. 542, 2-4-64).

A brief summary of the various records required to be retained for Federal tax purposes has been published in the Federal Register as the current Guide to Record Retention Requirements (Announcement 64-27, I.R.B. 1964-13, 49).

A Council for International Tax Administration has been established to serve in a consulting and advisory capacity to Service officials (Announcement 64-48, I.R.B. 1964-19, 48).

For taxable years after 1963, taxpayers whose income fluctuates widely from year to year may elect to average such income over a 5-year period (Announcement 64-55, I.R.B. 1964-21, 33) (T.I.R. 584, 4-27-64).

Taxpayers are advised to review their pay-as-you-go status for 1964, the transition period for reductions in income tax and withholding rates (Announcement 64-62, I.R.B. 1964-22, 79).

SUPREME COURT DECISIONS Civil Cases

In *United States v. Zacks*, 375 U.S. 59, decided November 12, 1963, the Supreme Court reversed the Court of Claims and held that the 1956 enactment, with retroactive applicability, of section 117(q) of the Internal Revenue Code of 1939, did not remove the bar of the statute of limitations on filing of a refund claim for a closed year. The Court relied heavily on the administrative and legislative background of the enactment in seeking to ascertain the intent of Congress, and indicated that such an inquiry is essential where a retroactive statutory provision does not expressly waive the bar of limitations. The Court's opinion appears to require a taxpayer to show affirmatively that Congress intended by implication to waive the limitations bar. The presumption against an implied waiver may be almost conclusive where the retroactive statutory provision is enacted together with other provisions which expressly waive the bar of the statute of limitations.

On December 2, 1963, the Court decided *United*

States v. Stapf, 375 U.S. 118, an estate tax case involving community property. The Court reversed the Court of Appeals for the Fifth Circuit on all issues presented. The first holding was that the decedent's estate was not entitled to any marital deduction under section 812(e) of the Internal Revenue Code of 1939 with respect to separate property of the decedent where his widow took such property under his will but was required at the same time to give up community property having a greater value. The second important holding was that the decedent's estate was entitled to deduct only one-half of claims against the community estate under section 812(b), even though the testator directed that all such claims be paid out of his own estate. The decision carries into effect the original Congressional intent of equalizing the estate tax burdens between community property and common law states.

On December 16, 1963, the Court decided *Meyer v. United States*, 375 U.S. 233, reversing the decision of the Court of Appeals for the Second Circuit. This case involved a situation where a decedent pledged his life insurance policies as collateral for a loan during his lifetime. Thereafter, assessments of Federal tax were made. The court of appeals had applied the doctrine of marshaling of assets since the pledge attached to the entire proceeds, whereas the tax lien attached only to the cash surrender value of the policies. It concluded that the proceeds passed to the beneficiary subject to both claims and that the tax claim could be fully satisfied out of the cash surrender value by marshaling the loan claim against the balance of the proceeds. The Supreme Court held, however, that the doctrine of marshaling is founded in equity and is to be applied only when it can be equitably fashioned as to all who have an interest in the property involved. The Court thus refused to apply marshaling since to do so would both overturn the State's "beneficent policy" which underlies the New York law exempting the proceeds of life insurance policies from levy by creditors of the decedent and would enlarge the Federal tax lien.

In *Reisman v. Caplin*, decided January 20, 1964, 375 U.S. 440, the Court affirmed the Court of Appeals for the District of Columbia which had held that a suit seeking to have a Service summons declared null and void and the Commissioner enjoined from attempting to enforce it was, in substance, a suit against the United States to which it had not consented and was, therefore, subject to dismissal. The Court concluded that the petitioners had an adequate remedy at law and the complaint was subject to dismissal for want of equity. The Court distinguished between proceedings to compel compliance with a summons and proceedings against a person summoned for an attachment against him as for a contempt, approving reliance upon the

former proceedings where there has been a good faith challenge to the summons and confining the more severe action to cases where there has been either a default or a contumacious refusal to comply. The Court further indicated that the person summoned, or any interested party, may appear and challenge the summons at either the Service or the district court hearing and that an order directing compliance with a summons was an appealable order.

On March 23, 1964, the Supreme Court decided two tax cases.

In *Bruning v. United States*, 376 U.S. 358, the Court held that the Government could collect interest which accrued after the taxpayer filed a petition in bankruptcy where such postpetition interest was collected out of after-acquired assets as a personal liability of the taxpayer on a tax debt which survived bankruptcy. The decision was a significant victory for the Government, establishing the principle that interest on a tax debt may continue to accrue even after a taxpayer files a petition in bankruptcy.

In the estate tax case of *Jackson v. United States*, 376 U.S. 503, the Court held that the widow's allowance under California law does not qualify for the marital deduction under section 812(e) of the Internal Revenue Code of 1939 because it represents a terminable interest. The decision is based on the conclusion that entitlement to the marital deduction must be determined as of the date of death and amounts to a rejection of the contrary approach adopted in *United States v. First National Bank and Trust Company of Augusta*, 297 F. 2d 312 (5th Cir. 1961).

On June 1, 1964, the Court decided *United States v. State of Vermont*, 377 U.S. 351, affirming the Court of Appeals for the Second Circuit which had held that if the general Federal tax lien was sufficiently "choate" to prevail over a later specific local tax lien, a general State tax lien under an almost identically worded statute as the Federal tax lien must also be "choate" enough to prime a later general Federal tax lien. The Court rejected the contention of the United States that Federal tax liens are entitled to priority over any antecedent lien which is not sufficiently perfected to prevail against the priority which R.S. 3466 gives to claims of the United States in situations involving insolvency. The fact that the State had not attached the property involved, and thereby reduced it to possession, before the Federal tax liens arose is not determinative, since the standards applicable under such lien provisions and those applicable to an insolvent debtor under R.S. 3466 are different. The Court reasoned that since the assessment of the State tax is given the force of a judgment enabling administrative seizure of property to satisfy the tax, the general State tax lien was sufficiently

choate to prevail over the later arising Federal tax lien.

No case arising from a Tax Court decision was decided by the Supreme Court during the year. Certiorari, however, was granted in *Commissioner v. Clay Brown, et al.*, 325 F. 2d 313 (9th Cir. 1963), which involved a question of statutory interpretation of what constitutes a "sale" for purposes of the capital gains provisions. The Solicitor General has deemed this case as one of rare importance because of social, economic, and revenue implications of bootstrap sales of businesses to exempt organizations.

Although not directly involving Federal taxation or regulation of the liquor industry, in two recent important decisions, the Supreme Court further delineated the scope of the twenty-first amendment as applied to the power of a State to tax imported liquor and prohibit liquor exports. In *Department of Revenue v. Beam Distilling Co.*, 377 U.S. 341 (June 1, 1964), the Court held unconstitutional, as violating the export-import clause, Kentucky's attempt to apply its tax on distilled spirits shipped into the State to Scotch whisky imported into defendant's warehouses for nationwide distribution. Similarly, it held invalid New York's attempt to prohibit the shipment of liquor into that State in customs bond for export for sale to airline passengers going abroad. *Hostetter v. Idlewild Bon Voyage Liquor Corp.*, 377 U.S. 324 (June 1, 1964).

In the alcohol and tobacco tax field, the Supreme Court declined to review the affirmance by the Court of Appeals for the District of Columbia Circuit (*Seaway Beverages, Inc. v. Dillon*, 319 F. 2d 722 (1963), cert. denied 375 U.S. 923) of the denial, after hearing and administrative appeal, of a beer wholesaler's basic permit to a Chicago firm whose president and sole stockholder, while president of a predecessor corporation, had employed the notorious Tony Accardo as a beer salesman.

Criminal Cases

The Supreme Court has granted the Government's request that it review the decision of the Court of Appeals for the Fifth Circuit declaring unconstitutional the statutory presumptions (sec. 5601(b) I.R.C.) that evidence of defendant's unexplained presence at an illicit still would be deemed sufficient to authorize a conviction of possessing an unregistered still and of carrying on the business of a distillery without having given bond (*United States v. Barrett*, 322 F. 2d 292 (September 1963), cert. granted 375 U.S. 962). The Government has requested that the Court also review a similar and more recent decision in the second circuit (*United States v. Romano*, 330 F. 2d 566 (March 1964), petition for certiorari filed June 1, 1964).

The Court has also agreed to review the reversal by the Court of Appeals for the First Circuit of defendant's conviction for possession and operating an unlawful still on the ground that the investigator's affidavit did not establish probable cause for the issuance of the search warrant in that it did not specify which of the facts asserted were based on personal knowledge and which were the result of hearsay or of indirect hearsay and therefore the evidence resulting from the search could not be used to support the conviction. (*United States v. Ventresca*, 324 F. 2d 864, cert. granted June 22, 1964).

ACTIONS OF LOWER COURTS

In the collection litigation area three court of appeals cases received considerable interest. In *United States v. Ryan*, 320 F. 2d 500 (6th Cir. 1963), the court affirmed the district court's judgment and order enforcing a Service summons requiring the taxpayer to appear, testify, and produce his books and records for years in which collection of the tax was barred by the statute of limitations in the absence of fraud. The court rejected the taxpayer's contention that the Government must establish to the satisfaction of the district court that a reasonable basis exists for suspecting fraud or that probable cause exists for believing the taxpayer guilty of fraud. The court concluded that the imposition of a condition precedent on the exercise of the investigative powers of the Service was not authorized by Congress. To construe the statutes involved otherwise would permit the court and not the Government to determine whether an investigation was necessary and would convert a summary enforcement proceeding into a full scale trial to determine whether the Government had reasonable grounds or probable cause for the investigation. The Supreme Court granted the taxpayer's petition for certiorari on February 17, 1964.

In the case of *United States v. Powell*, 325 F. 2d 914 (3d Cir. 1963), the court reversed the district court's judgment and order requiring the taxpayers to produce, for reexamination, certain records for years in which the collection of tax was barred by the statute of limitations in the absence of fraud. The court concluded that the Special Agent's affidavit, filed in the district court, asserting that "he had reason to suspect" fraud in the taxpayer's computations did not form a basis for enforcement of the summons. The court rejected the Government's argument that the agent need not set out in his affidavit the facts which gave him reason to suspect fraud nor establish by testimony that his suspicion was reasonably grounded, pointing out that section 7604 of the 1954 Code prohibits subjecting a taxpayer "to unnecessary examination or investigations" and requires an application to enforce an ad-

ministrative summons be heard by the court and enforcement ordered only "if satisfactory proof is made." It concluded that since the agent here failed to make a disclosure as to whatever may have created his suspicion of fraud, the summons would not be enforced. Certiorari was granted on May 18, 1964.

In *First National City Bank, et al. v. United States*, 325 F. 2d 1020 (2d Cir. 1964), the court, sitting en banc, affirmed without further discussion by a four to three decision, the prior majority opinion of the court (321 F. 2d 14). The primary issue was whether a district court had jurisdiction to issue a preliminary injunction prohibiting a third party bank from disposing of deposits of the taxpayer in a foreign branch of the bank. The court in the earlier majority opinion had pointed out that under New York law, accounts in a foreign branch of the bank are not subject to attachment or execution by the process of a New York court served in New York on the main office of the bank because the main office and the foreign branch are separate entities and there is no debt due from the main office to the depositor in a foreign branch. The court concluded, therefore, that since there was no property within the United States to which the tax lien could attach, an action *in rem* could not be maintained. The Government had contended that this court itself had rejected the separate entity theory in *First National City Bank v. Internal Revenue Service*, 271 F. 2d 616 (2d Cir. 1959), where the main bank had been ordered to produce bank records physically located in a foreign branch.

The court dismissed this contention, maintaining that that decision did not constitute a rejection of the separate entity theory for all purposes and under all circumstances. The Government's petition for certiorari was granted on June 1, 1964.

The 30-year-old prohibition against labeling representations as to the age of neutral spirits, contained in the Distilled Spirits Labeling Regulations (27 CFR 5.39(e) and 5.39(d)(5)) under section 5 of the Federal Alcohol Administration Act (27 U.S.C. 205), has been challenged in a suit now pending review in the Court of Appeals for the District of Columbia Circuit. In *Joseph E. Seagram & Sons, Inc. v. Dillon*, the district court, by memorandum opinion of December 20, 1963 (Civil Action No. 263-63), disposed of a threefold attack on the denial of a certificate of approval for labels bearing the statement, "The grain neutral spirits in this product contribute a unique delightful taste of their own, the result of . . . storage for at least 4 years in specially selected used cooperage—barrels which were previously used for aging fine whiskies." The district court found (1) that the label violated the regulation, (2) that the regulation was valid, and (3) that there was no merit in law in Seagram's con-

tention that the regulation was arbitrarily applied to its product. Accordingly, it granted the Government's motion for summary judgment.

Once again, the validity of computing the distilled spirits tax on each proof gallon, or wine gallon if below proof (sec. 5001(a), I.R.C.), has been upheld against the charge that it discriminates against spirits imported in bottles which are usually bottled abroad at less than proof. The Court of Customs and Patent Appeals held that the wine gallon-proof gallon measure as applied to the \$1.50 increase of tax rates in 1951 did not violate the provisions in the General Agreement on Tariffs and Trade (G.A.T.T.) in that such agreement did not have the effect of freezing the rates on imports to those in effect in 1948. *China Liquor Distributing Co. v. United States*; *Hulse v. United States*, (May 1964).

The Court of Appeals for the Third Circuit has now joined five other circuits in holding that the judicial forfeitability of property is not defeated by the illegality of its seizure. In *United States v. \$1,058.00*, 323 F. 2d 211 (October 1963), the court overruled its holding in *United States v. One Plymouth Coupe*, 182 F. 2d 180 (1950), saying it was compelled to do so by the view expressed by the Supreme Court in *United States v. One Ford Coupe*, 272 U.S. 321 (1926), that, where forfeited property is seized by someone without legal authority, the United States may adopt the seizure with the same effect as if it had been made by someone duly authorized. Therefore the court declared the money forfeit, regardless of the question as to whether the Intelligence Division Special Agent who seized it had authority to execute the warrant.

However, the Court of Appeals for the Seventh Circuit in *United States v. \$5,608.30*, 326 F. 2d 359 (Jan. 1964), reversed the district court's forfeiture of money because that court had refused to consider a motion to suppress as evidence and to return the money because of its allegedly illegal seizure without a search warrant, on the ground that, if the search was illegal, evidence resulting therefrom should not have been admitted in the libel proceeding.

The familiar fact urged as probable cause for a search that the investigator, on approaching the suspected premises had detected the odor of untaxed whisky, received a blow in *United States v. Mullin*, 329 F. 2d 295 (4th Cir. March 1964), when the court held that the investigators' testimony that they saw cardboard boxes carried into a smokehouse (located close to defendant's dwelling) at night and, before entering to arrest the defendants, smelled illicit whisky, while it might have provided a sufficient basis for the issuance of a search warrant, would not justify a search and seizure without a warrant.

Of particular importance in the suppression of liquor

rings or syndicate operations where a group of bootleggers relies upon various local moonshine operations for its supplies is the decision of the Court of Appeals for the Fifth Circuit in *Sigers v. United States*, 321 F. 2d 843 (August 1963), holding that where an informer acts only under orders of the conspirators, the fact that he is the only connecting link between otherwise independent operations in an illicit whisky conspiracy and is not chargeable as a defendant does not prevent the operation from being tried as a single conspiracy, and that the fact that the informer, acting under orders given by the other conspirators, received the liquor from the moonshiners and delivered it in violation of law to the distributors, with the Government's permission, did not amount to entrapment or render the informer's testimony inadmissible to support the Government's case.

Jack B. Cooper, Miami Beach, Fla., was convicted of evading income taxes on profits he derived from the sale of aircraft to the Dominican Republic. Cooper contended that he had embezzled the funds and hence under the holding of *United States v. James*, 366 U.S. 213 (1960), could not be adjudged willful in not reporting these funds. However, the Court of Appeals for the Fifth Circuit affirmed the conviction and found that Cooper in fact had not embezzled. *Cooper v. United States*, 321 F. 2d 274. The Supreme Court denied certiorari.

In *United States v. Colamatteo*, 331 F. 2d 766, the Court of Appeals for the Seventh Circuit on May 7, 1964, granted the Government a writ of mandamus to require the district court judge to try Orlando P. Colamatteo before a jury, as desired by the Government. After the Government had refused to go to trial before that court without a jury as requested by the defendant, the judge had dismissed the indictment. An application for a writ of certiorari to review the decision of the circuit court is pending with the Supreme Court.

In the case of *United States v. Durant*, 324 F. 2d 859, another Court of Appeals for the Second Circuit case, the income tax evasion conviction of Lyndon A. Durant, Chicago, a pinball machine manufacturer, was affirmed. Durant charged more than 2,500 items of personal expense to his corporation. The court found adequate evidence of willfulness in the facts which included Durant's disregard of repeated warnings to him by Service agents that personal items such as, for example, personal travel and entertainment, gifts to ladies, etc., charged to the corporation as expense, were income to him. Review of the case was refused by the Supreme Court.

The Court of Appeals for the Third Circuit affirmed the conviction of Morris Goldberg, Philadelphia linen supply magnate, on charges of evading his personal

income taxes and those of his corporations. *Goldberg*, sentenced to a total of 7 years' imprisonment, was charged with evading taxes aggregating approximately \$1 million. The principal issue in the case, resolved in favor of the Government, was whether corporate books, improperly obtained by an employee of the corporation, could be introduced by the Government in evidence. *Goldberg v. United States*, 330 F.2d 30. Certiorari has been denied by the Supreme Court.

In March 1964, Fred T. Mackey, Gary, Indiana, who admittedly operated policy gambling since 1932, was convicted of income tax evasion, sentenced to 5 years' imprisonment and fined \$50,000. Deficiencies in income taxes and penalties aggregate approximately \$2 million. Mackey has appealed his conviction.

Earnest C. Harris, a coin machine operator of Fort Worth, Tex., and three of his employees, W. Harold McKenzie, Cecil Lancaster, and Captola Courtney, were convicted of evading Harris' income taxes for a 4-year period, by suppressing coin receipts. Harris, who was sentenced to serve 7 years in prison, has filed a notice of appeal. The other defendants pleaded guilty. Lancaster was placed on probation. Captola Courtney and McKenzie were each sentenced to serve 6 months in prison, to be followed by probation.

In *Katz v. United States*, 321 F.2d 7, the Court of Appeals for the First Circuit affirmed the income tax evasion convictions of three brothers and a brother-in-law. The fraud consisted of the diversion of funds from a corporation to the personal benefit of the defendants. The indictment alleged aggregate income tax deficiencies of nearly a quarter of a million dollars. Certiorari was denied by the Supreme Court.

On March 7, 1964, after a 5-week trial in the Western District of Pennsylvania, Anthony M. Grosso, referred to publicly as "Pittsburgh numbers boss," was found guilty on 20 counts of a 23-count indictment involving

federal wagering tax violations. Grosso was sentenced to 9 years in prison and was fined \$191,000. The conviction has been appealed. At the time of the indictment, newspaper publicity referred to the "Grosso Mob" as consisting of "Tony" Grosso, Sam (The Unlucky) Grosso, Jennie B. Grosso and Joseph Pino, all related, as running the "Grosso Combine." The latter three were charged with Grosso in the indictment. Upon their pleading guilty to Federal gambling tax violations, they were sentenced as follows: Sam Grosso, 3-year suspended sentence, \$10,000 fine and 5 years probation; Jennie B. Grosso, 1-year suspended sentence, \$2,000 fine and 1 year probation; Joseph Pino, 3-year suspended sentence, \$3,000 fine and 3 years probation. Wagering tax liabilities, inclusive of penalties, exceed \$6,400,000.

STATISTICS OF INCOME RELEASES

Individual Income Tax Returns, 1961, Preliminary (24 pages, 20 cents)

Individual Income Tax Returns, 1961 (233 pages, \$1.25)

Corporation Income Tax Returns with Accounting Periods Ended July 1961-June 1962, Preliminary (34 pages, 25 cents)

Corporation Income Tax Returns with Accounting Periods Ended July 1960-June 1961 (406 pages, \$2.25)

U.S. Business Tax Returns with Accounting Periods Ended July 1961-June 1962, Preliminary (45 pages, 35 cents)

U.S. Business Tax Returns with Accounting Periods Ended July 1961-June 1962 (274 pages, \$1.50)

Fiduciary, Gift, and Estate Tax Returns, Filed During Calendar Year 1961 (96 pages, 60 cents)

Statistics of Income publications may be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C., 20402.

Statistical Tables

Notes: All yearly data are on a fiscal year basis, unless otherwise specified. For example, data headed "1964" pertain to the fiscal year ended June 30, 1964, and "July 1" inventory items under this heading reflect inventories as of July 1, 1963.

In many tables and charts, figures have been rounded and may not add to the totals which are based on unrounded figures.

Internal revenue districts are listed in this section by the names of headquarters cities. Each district is identical with the boundaries of the State in which the headquarters city is located except for the States recapitulated at the bottom of tables 1, 5, 6, and 14. A map of the districts appears on page xii.

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Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas
 (In thousands of dollars. See table 3, p. 82, for tax rates and further breakdown of national totals by sources)

Internal revenue regions, districts, States, and other areas ¹ (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Total internal revenue collections	Corporation income tax ²	Individual income and employment taxes			
			Total	Income tax not with- held and self-em- ployment tax ³	Income tax withheld and old-age and disability insurance ⁴	Unemploy- ment insurance
	(1)	(2)	(3)	(4)	(5)	(6)
United States, total.....	112,260,257	24,300,863	71,592,859	16,218,065	53,830,968	859,964
Southeast region.....	8,837,624	1,487,719	5,258,802	1,433,389	3,714,133	20,422
Atlanta.....	1,415,391	236,244	957,085	229,284	715,749	12,580
Birmingham.....	726,075	108,998	582,916	146,231	425,506	7,153
Columbia.....	489,959	91,850	369,132	89,265	273,559	80
Greensboro.....	2,738,295	477,003	954,655	231,700	707,441	310
Jackson.....	842,533	39,422	281,661	87,380	190,349	329
Jacksonville.....	1,803,001	284,606	1,319,887	459,187	837,003	9,573
Nashville.....	1,041,970	179,556	790,167	213,542	565,427	1,135
Northwest region.....	4,383,085	1,133,329	4,334,106	1,396,137	2,937,969	84,896
Augusta.....	270,344	41,529	210,009	53,333	151,565	2,496
Boston.....	3,221,613	608,903	2,343,627	523,473	1,785,722	3,451
Burlington.....	120,646	15,917	84,079	25,570	58,635	853
Hartford.....	1,944,718	375,593	1,342,055	350,553	969,353	7,674
Portsmouth.....	235,984	32,370	193,104	45,236	145,480	40
Providence.....	469,529	79,018	351,232	68,971	277,631	13
Midwest region.....	16,826,440	3,583,023	11,239,285	2,497,392	8,742,320	181,083
Aberdeen.....	152,889	17,300	126,464	48,931	76,473	1,094
Chicago.....	7,344,778	1,685,678	4,826,721	896,775	3,787,743	83,463
Des Moines.....	856,388	163,297	642,478	222,736	413,006	514
Fargo.....	134,035	10,951	116,817	50,671	65,213	19
Minneapolis.....	1,950,380	428,777	1,303,765	279,173	1,008,927	308
Omaha.....	664,886	88,205	487,457	143,782	314,173	24,940
St. Louis.....	2,596,494	538,307	1,728,791	363,239	1,305,699	39,546
St. Paul.....	1,764,467	392,119	1,226,711	251,057	978,453	31,500
Springfield.....	1,353,122	246,368	771,087	241,029	529,869	7,429
Central region.....	20,868,104	6,253,537	10,806,858	2,068,288	8,742,320	181,083
Cincinnati.....	2,284,981	557,785	1,496,781	313,513	1,165,388	893
Cleveland.....	4,408,392	963,413	2,819,108	459,382	2,287,923	40,740
Detroit.....	9,382,587	3,087,805	3,966,432	688,436	3,210,885	6,771
Indianapolis.....	2,549,350	412,427	1,737,453	345,151	1,373,671	835
Louisville.....	1,844,540	179,129	1,575,104	173,739	1,380,441	15,489
Parkersburg.....	398,255	58,978	311,381	84,478	222,292	63
Southwest region.....	9,964,269	1,389,630	6,276,221	1,606,311	4,670,318	62,827
Albuquerque.....	24,783	212,183	157,954	57,954	152,398	1,976
Austin.....	363,208	1,401,978	411,891	967,134	6,425	15,929
Cheyenne.....	107,027	8,075	84,796	35,990	48,126	3
Dallas.....	1,353,949	253,080	1,345,364	444,521	890,428	9,175
Denver.....	1,348,563	128,101	1,081,134	168,415	874,451	6,136
Little Rock.....	358,881	42,103	284,801	107,128	174,101	171
New Orleans.....	928,317	179,137	663,929	212,178	443,880	751
Oklahoma City.....	1,091,472	176,721	630,816	177,255	446,179	343
Wichita.....	738,063	120,423	573,219	191,079	350,446	26,914
New York region.....	20,167,630	6,223,277	11,904,911	2,244,423	9,443,624	160,778
Albany.....	1,221,727	310,003	864,555	113,496	738,663	2,459
Brooklyn.....	2,270,364	257,706	1,848,957	578,925	1,244,945	9,838
Buffalo.....	2,048,536	466,587	1,373,696	284,851	1,072,680	97
Manhattan.....	14,626,823	5,289,051	7,921,722	1,267,151	6,397,155	52,872
Mid-Atlantic region.....	18,043,648	3,837,339	10,740,287	2,259,147	8,224,011	140,764
Baltimore.....	2,629,382	300,734	1,988,006	402,664	1,531,993	38,254
Newark.....	3,513,804	747,510	2,345,134	603,361	1,704,160	3,724
Philadelphia.....	4,092,930	728,063	2,811,302	599,487	2,119,512	58,623
Pittsburgh.....	2,995,936	503,656	2,052,349	295,316	1,718,885	14,280
Richmond.....	1,823,564	251,513	1,122,850	241,404	844,943	26,037
Wilmington.....	986,032	505,763	420,747	107,915	307,878	2
Western region.....	14,428,111	2,058,821	10,621,942	2,772,186	7,899,988	48,981
Anchorage.....	81,299	4,651	74,143	12,124	61,778	641
Boise.....	206,624	30,238	168,890	44,851	121,827	257
Helena.....	187,267	26,440	151,991	53,646	96,815	250
Honolulu.....	225,433	52,416	227,280	50,646	174,314	157
Los Angeles.....	6,061,185	910,449	4,554,745	1,152,074	3,346,561	806
Phoenix.....	427,550	46,378	356,026	113,051	239,183	159
Portland.....	746,948	105,589	604,429	163,556	432,215	2,633
Reno.....	240,646	37,195	182,827	58,070	122,933	1,654
Salt Lake City.....	324,575	50,483	237,495	52,731	196,374	1,103
San Francisco.....	4,473,523	612,206	3,241,824	817,664	2,347,724	42,577
Seattle.....	1,382,847	180,477	1,077,292	253,944	811,703	600
Office of International Operations.....	277,880	32,439	276,615	163,616	109,031	688
Puerto Rico.....	108,232	127	60,249	4,437	52,600	3,212
Other.....	269,668	32,312	215,366	159,179	55,431	68
Undistributed:						
Depository receipts ¹	-316,910		-409,468		-423,014	13,546
Transferred to Government of Guam.....	-3,810		-3,810			
Withheld taxes of Federal employees.....	-13,715		-13,715		-13,715	
Totals for States not shown above						
(a) California.....	10,534,708	1,522,655	7,796,569	1,969,730	5,694,285	43,383
(b) Illinois.....	8,697,901	1,332,066	5,597,807	1,137,803	4,398,612	66,169
(c) New York.....	20,167,510	6,323,327	11,908,931	2,244,423	9,453,624	60,778
(d) Ohio.....	6,693,373	1,521,198	4,315,889	773,494	3,453,282	41,633
(e) Pennsylvania.....	4,088,866	1,231,719	4,863,650	858,802	3,837,638	72,909
(f) Texas.....	4,240,209	716,286	2,745,342	856,412	1,842,185	15,599

Footnotes on p. 84.

ANNUAL REPORT • STATISTICAL TABLES

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

(In thousands of dollars. See table 3, p. 82, for tax rates and further breakdown of national totals by sources)

Internal revenue regions, districts, States, and other areas ¹	Estate tax	Gift tax	Excise taxes, total (sum of columns 11, 26, 31, 34, 42, 47, and 66)	Alcohol taxes						
				Distilled spirits taxes						
				Total	Imported (collected by Customs)	Domestic ²	Rectification ³	Occupational ⁴	Other ⁵	Total
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
United States, total.	2,110,982	305,312	13,850,232	3,677,409	2,575,320	504,824	2,029,870	25,449	14,268	3,209
Southeast region.	290,961	21,100	1,613,241	68,064	42,313	25,943	18,413	457	618	588
Atlanta (Georgia)	25,452	3,325	143,285	11,457	5,933	1,712	3,704	339	103	74
Birmingham (Alabama)	13,245	1,918	18,998	1,198	1,105	985	(*)	38	37	45
Columbia (South Carolina)	8,807	1,542	18,628	1,208	818	652	(*)	5	5	111
Greensboro (North Carolina)	28,137	5,213	1,273,286	1,792	1,558	1,265	42	25	225	82
Jackson (Mississippi)	7,117	971	13,762	215	128	10	10	118	75	43
Jacksonville (Florida)	98,848	5,494	94,167	36,148	18,842	16,406	1,221	118	250	39
Nashville (Tennessee)	18,111	1,114	18,111	14,047	8,919	1,022	12,795	12	53	49
Northwest region.	173,873	16,480	385,597	164,185	155,686	11,099	122,315	1,332	1,027	13
Augusta (Maine)	11,596	1,083	5,326	1,796	1,517	5	1	1	1	3
Boston (Massachusetts)	74,022	6,971	187,590	94,688	80,158	18,524	60,219	827	585	10
Burlington (Vermont)	59,910	6,894	160,266	69,639	67,427	7,056	59,869	261	231	10
Hartford (Connecticut)	6,363	1,366	3,411	187	146	89	21	35	(*)	4
Portsmouth (New Hampshire)	16,072	946	22,313	13,812	2,338	1,544	669	8	118	(*)
Providence (Rhode Island)	288,246	23,928	1,704,947	854,797	361,467	4,941	306,457	4,941	2,712	86
Midwest region.	288,246	23,928	1,704,947	854,797	361,467	4,941	306,457	4,941	2,712	86
Aberdeen (South Dakota)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Chicago (Illinois)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Des Moines (Iowa)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Fargo (North Dakota)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Lincoln (Nebraska)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Omaha (Nebraska)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
St. Louis (Missouri)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Springfield (Illinois)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Central region.	288,246	23,928	1,704,947	854,797	361,467	4,941	306,457	4,941	2,712	86
Cincinnati (Ohio)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Cleveland (Ohio)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Detroit (Michigan)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Indianapolis (Indiana)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Louisville (Kentucky)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Parkburg (West Virginia)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Southeast region.	290,961	21,100	1,613,241	68,064	42,313	25,943	18,413	457	618	588
Albuquerque (New Mexico)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Austin (Texas)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Chattanooga (Tennessee)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Dallas (Texas)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Denver (Colorado)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Little Rock (Arkansas)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
New Orleans (Louisiana)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Oklahoma City (Oklahoma)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Wichita (Kansas)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
New York region.	288,246	23,928	1,704,947	854,797	361,467	4,941	306,457	4,941	2,712	86
Albany (New York)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Brooklyn (New York)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Buffalo (New York)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Manhattan (New York)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Mid-Atlantic region.	288,246	23,928	1,704,947	854,797	361,467	4,941	306,457	4,941	2,712	86
Baltimore (Maryland and D.C.)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Newark (New Jersey)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Philadelphia (Pennsylvania)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Pittsburgh (Pennsylvania)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Richmond (Virginia)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Wilmington (Delaware)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Western region.	288,246	23,928	1,704,947	854,797	361,467	4,941	306,457	4,941	2,712	86
Anchorage (Alaska)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Boise (Idaho)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Butte (Montana)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Honolulu (Hawaii)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Los Angeles (California)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Phoenix (Arizona)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Portland (Oregon)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Reno (Nevada)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Salt Lake City (Utah)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
San Francisco (California)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Seattle (Washington)	120,268	1,389	701,638	116,021	84,256	34,668	47,180	1,409	955	45
Office of International Operations.	20,808	554	92,558	1	1	1	1	1	1	1
Other.	20,808	554	92,558	1	1	1	1	1	1	1
Undistributed:										
Depository receipts:										
Transferred to Government of Guam.										
Withheld taxes of Federal employees.										

Totals for States not shown above

(a) California	290,783	15,575	919,125	347,194	228,967	55,574	169,874	1,672	1,832	14
(b) Illinois	141,931	11,173	1,014,923	338,664	230,584	34,668	289,996	4,594	1,274	51
(c) New York	356,713	47,192	1,531,348	347,849	226,771	54,311	199,810	1,534	1,534	61
(d) Ohio	27,174	1,694	1,742,419	181,514	9,067	120,109	1,090	938	11	13
(e) Pennsylvania	115,889	82,034	795,573	217,056	141,478	22,333	115,555	2,068	1,167	153
(f) Texas	93,497	14,773	670,309	43,763	11,810	11,161	439		209	1

Footnotes on p. 84.

ANNUAL REPORT • STATISTICAL TABLES

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

(In thousands of dollars. See table 3, p. 82, for tax rates and further breakdown of national totals by sources)

					Alcohol taxes—Continued								
Internal revenue regions, districts, States, and other areas ¹					Wines, cordials, etc., taxes			Beer taxes					
					Total	Imported (collected by Customs)	Domestic	Occupational taxes ²	Total	Imported (collected by Customs)	Domestic	Occupational taxes ²	
(States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)					(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	
United States, total					310,342	9,039	96,740	2,483	891,938	5,320	882,083	4,534	
Southeast region					2,992	267	1,135	539	23,889	219	22,588	651	
Atlanta (Georgia)					478	22	400	57	5,046	7	4,981	57	
Birmingham (Alabama)					5	5	1	1	87	19	(*)	68	
Columbia (South Carolina)					263	12	146	103	119	10	(*)	109	
Greensboro (North Carolina)					114	9	1	104	120	19	(*)	82	
Jackson (Mississippi)					6	6	6	6	121	18	(*)	121	
Jacksonville (Florida)					1,221	317	648	260	18,064	162	18,004	118	
Nashville (Tennessee)					7	7	7	7	82	(*)	(*)	82	
Northwest region					2,859	626	2,263	68	25,740	134	25,373	124	
Augusta (Maine)					1	1	1	1	86	11	(*)	86	
Boston (Massachusetts)					1,094	357	728	9	13,436	132	13,292	11	
Burlington (Vermont)					58	(*)	58	(*)	5	5	(*)	40	
Hartford (Connecticut)					1,350	119	1,231	(*)	863	18	797	41	
Portsmouth (New Hampshire)					1	1	1	1	41	41	(*)	41	
Providence (Rhode Island)					165	51	113	1	11,309	21	11,284	4	
Midwest region					9,308	1,190	7,807	333	284,023	333	282,783	965	
Aberdeen (South Dakota)					6,771	861	5,908	2	24,995	268	24,681	45	
Chicago (See (b) below)					102	1	97	5	367	1	248	177	
Des Moines (Iowa)					1	(*)	1	1	172	(*)	(*)	107	
Fargo (North Dakota)					193	153	37	2	114,414	60	114,213	142	
Milwaukee (Wisconsin)					1	1	1	1	5,758	2	5,721	36	
Omaha (Nebraska)					1,583	99	1,585	297	6	78,002	60	77,982	10
St. Louis (Missouri)					255	76	178	1	35,557	5	35,333	213	
St. Paul (Minnesota)					3	3	3	3	26,312	5	26,284	9	
Springfield (See (b) below)					4,538	506	3,354	655	108,469	442	108,015	22	
Central region					621	49	572	122	13,003	12	12,980	24	
Cincinnati (See (d) below)					1,844	237	1,396	216	39,000	406	38,372	30	
Cleveland (See (d) below)					880	38	942	(*)	21,085	21	21,048	33	
Detroit (Michigan)					22	22	22	22	499	499	(*)	111	
Indianapolis (Indiana)					1,001	223	426	253	85,822	146	85,794	36	
Louisville (Kentucky)					2	(*)	2	(*)	179	179	(*)	361	
Parkersburg (West Virginia)					372	193	(*)	2	31,450	105	30,985	8	
Southwest region					51	51	51	51	8	8	(*)	8	
Albuquerque (New Mexico)					51	51	51	51	8	8	(*)	8	
Austin (See (f) below)					51	51	51	51	8	8	(*)	8	
Cheyenne (Wyoming)					51	51	51	51	8	8	(*)	8	
Dallas (See (c) below)					51	51	51	51	8	8	(*)	8	
Denver (Colorado)					51	51	51	51	8	8	(*)	8	
Little Rock (Arkansas)					51	51	51	51	8	8	(*)	8	
New Orleans (Louisiana)					99	91	8	(*)	18,489	36	18,334	119	
Oklahoma City (Oklahoma)					(*)	(*)	(*)	(*)	800	800	677	9	
Wichita (Kansas)					18,336	4,263	14,028	44	102,792	2,797	99,138	687	
New York region					236	3	345	1	174	1	174	9	
Albany (See (c) below)					236	3	345	1	174	1	174	9	
Brooklyn (See (c) below)					236	3	345	1	174	1	174	9	
Buffalo (See (c) below)					9,553	107	9,446	2	22,992	711	22,095	185	
Manhattan (See (c) below)					6,045	456	1,893	36	13,943	2,086	11,267	185	
Mid-Atlantic region					1,094	136	1,358	30	27,648	218	27,440	60	
Baltimore (Maryland and D.C.)					6,589	6	6,589	(*)	68,083	68,083	(*)	19	
Newark (New Jersey)					2,753	350	2,362	1	48,761	129	48,476	11	
Philadelphia (See (a) below)					1,731	71	1,650	203	24,065	22	23,954	11	
Pittsburgh (See (a) below)					1	1	1	1	2,315	2	2,181	11	
Richmond (Virginia)					1	1	1	1	2	2	(*)	2	
Wilmington (Delaware)					59,965	1,077	58,516	36	97,133	687	96,766	485	
Western region					3,657	47	3,657	47	47	47	(*)	47	
Anchorage (Alaska)					3,657	47	3,657	47	47	47	(*)	47	
Boise (Idaho)					3,657	47	3,657	47	47	47	(*)	47	
Butte (Montana)					3,657	47	3,657	47	47	47	(*)	47	
Honolulu (Hawaii)					27	25	2	2	1,657	153	1,631	47	
Los Angeles (See (a) below)					5,631	604	5,027	(*)	38,766	496	38,112	159	
Phoenix (Arizona)					151	(*)	151	141	1,279	(*)	1,265	14	
Portland (Oregon)					1	25	20	106	2,849	17	2,786	4	
Reno (Nevada)					1	1	1	1	6	6	(*)	6	
Salt Lake City (Utah)					1	1	1	1	2,273	2	2,237	36	
San Francisco (See (a) below)					53,056	384	52,555	117	20,773	186	20,482	106	
Seattle (See (a) below)					954	40	914	1	25,010	34	24,939	34	
Offices of International Operations					1	1	1	1	14	14	14	14	
Puerto Rico					1	1	1	1	14	14	14	14	
Other					1	1	1	1	14	14	14	14	
Unallocated					1	1	1	1	14	14	14	14	
Depository receipts					1	1	1	1	14	14	14	14	
Transferred to Government of Guam					1	1	1	1	14	14	14	14	
Withheld taxes of Federal employees					1	1	1	1	14	14	14	14	
Totals for States not shown above					58,687	988	57,582	117	55,540	682	58,593	294	
(a) California					6,773	861	5,908	93	51,307	268	50,965	57	
(b) Illinois					18,336	4,263	14,028	44	14,028	792	13,538	74	
(c) New York					1,536	213	1,025	298	32,069	56	31,960	53	
(d) Ohio					2,753	390	2,362	1	72,826	129	72,430	44	
(e) Pennsylvania					423	193	(*)	231	31,530	105	30,965	44	
(f) Texas													

ANNUAL REPORT • STATISTICAL TABLES

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

(In thousands of dollars. See table 3, p. 82, for tax rates and further breakdown of national totals by sources)

Internal revenue regions, districts, States, and other areas ¹	Tobacco taxes					Stamp taxes on documents and other instruments ¹		
	Total	Cigarettes ²	Cigars ³	Manu- factured tobacco ⁴	Other ⁵	Total	Sales by postmasters	Sales by district directors
	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)
United States, total	2,052,545	1,976,675	94,305	57,444	2,118	173,634	81,565	129,049
Southeast region	1,346,385	1,224,935	14,094	8,423	631	8,787	7,231	1,527
Atlanta (Georgia)	1,325	(*)	1,325	(*)	(*)	1,568	1,249	420
Birmingham (Alabama)	639	(*)	639	(*)	(*)	513	409	104
Columbia (South Carolina)	2,161	(*)	2,161	(*)	(*)	1,122	1,068	54
Greensboro (North Carolina)	1,230,312	1,224,873	(*)	4,903	535	448	340	108
Jackson (Mississippi)	5,829	62	5,733	(*)	14	2,978	2,419	559
Jacksonville (Florida)	1,740	39	1,620	(*)	81	1,210	1,003	207
Nashville (Tennessee)	283	(*)	(*)	19	2	6,293	2,893	3,399
Northwest region	1,117	(*)	(*)	(*)	(*)	201	191	10
Augusta (Maine)	19	(*)	(*)	9	1	3,806	1,204	2,602
Boston (Massachusetts)	(*)	(*)	(*)	(*)	(*)	117	89	28
Burlington (Vermont)	(*)	(*)	(*)	(*)	(*)	1,502	957	545
Hartford (Connecticut)	(*)	(*)	(*)	(*)	(*)	234	174	59
Pasadena (New Hampshire)	(*)	(*)	(*)	(*)	(*)	378	220	158
Providence (Rhode Island)	2,134	1	19	(*)	18	22,152	6,788	15,384
Midwest region	1,157	(*)	(*)	(*)	(*)	11,837	1,633	10,204
Aberdeen (South Dakota)	(*)	(*)	(*)	(*)	(*)	186	170	16
Chicago (Illinois)	(*)	(*)	(*)	(*)	(*)	877	870	7
Des Moines (Iowa)	(*)	(*)	(*)	(*)	(*)	148	135	13
Fargo (North Dakota)	63	(*)	37	15	11	2,791	1,195	1,596
Milwaukee (Wisconsin)	(*)	(*)	(*)	(*)	(*)	692	421	270
Omaha (Nebraska)	(*)	(*)	(*)	(*)	(*)	2,817	1,576	1,241
St. Louis (Missouri)	(*)	(*)	(*)	(*)	(*)	2,708	1,939	768
St. Paul (Minnesota)	(*)	(*)	(*)	(*)	(*)	97	97	0
Springfield (See (b) below)	402,515	331,634	6,868	5,227	25	10,158	4,724	5,433
Central region	1,139	(*)	(*)	(*)	(*)	6,723	1,672	5,051
Cincinnati (See (d) below)	1,318	(*)	1,318	(*)	(*)	1,616	1,199	417
Cleveland (See (d) below)	1,365	(*)	1,365	(*)	(*)	3,374	1,472	1,902
Detroit (Michigan)	779	(*)	779	(*)	(*)	1,201	880	321
Indianapolis (Indiana)	396,797	391,694	1,291	3,112	(*)	930	436	494
Louisville (Kentucky)	1,110	(*)	1,110	(*)	(*)	303	265	38
Parkersburg (West Virginia)	895	(*)	895	(*)	(*)	13,389	8,897	4,492
Southeast region	1,101	(*)	(*)	(*)	(*)	1,963	1,115	848
Albuquerque (New Mexico)	(*)	(*)	(*)	(*)	(*)	141	115	26
Austin (See (f) below)	(*)	(*)	(*)	(*)	(*)	2,791	1,195	1,596
Chattanooga (Tennessee)	(*)	(*)	(*)	(*)	(*)	1,414	833	581
Dallas (See (f) below)	(*)	(*)	(*)	(*)	(*)	489	357	132
Denver (Colorado)	(*)	(*)	(*)	(*)	(*)	1,518	903	615
Little Rock (Arkansas)	(*)	(*)	(*)	(*)	(*)	1,109	387	722
New Orleans (Louisiana)	(*)	(*)	(*)	(*)	(*)	701	549	152
Oklahoma City (Oklahoma)	(*)	(*)	(*)	(*)	(*)	68,715	2,028	66,687
Wichita (Kansas)	(*)	(*)	(*)	(*)	(*)	520	387	133
New York region	1,101	(*)	(*)	(*)	(*)	1,963	1,115	848
Albany (See (c) below)	(*)	(*)	(*)	(*)	(*)	1,058	80	978
Brooklyn (See (c) below)	(*)	(*)	(*)	(*)	(*)	63,946	2,028	61,918
Buffalo (See (c) below)	(*)	(*)	(*)	(*)	(*)	13,896	4,272	9,624
Manhattan (See (c) below)	331,639	320,000	29,295	1,319	808	2,237	1,202	1,035
Mid-Atlantic region	1,101	(*)	(*)	(*)	(*)	1,963	1,115	848
Baltimore (Maryland and D.C.)	(*)	(*)	(*)	(*)	(*)	3,614	1,374	2,240
Newark (New Jersey)	26,125	4	25,125	451	808	1,872	1,374	498
Philadelphia (See (e) below)	662	(*)	662	(*)	(*)	1,772	1,539	233
Pittsburgh (See (e) below)	364,485	359,997	2,079	2,406	4	1,489	66	1,423
Richmond (Virginia)	(*)	(*)	(*)	(*)	(*)	27,228	16,727	10,501
Wilmington (Delaware)	(*)	(*)	(*)	(*)	(*)	239	204	35
Western region	1,101	(*)	(*)	(*)	(*)	1,963	1,115	848
Anchorage (Alaska)	(*)	(*)	(*)	(*)	(*)	239	204	35
Boise (Idaho)	(*)	(*)	(*)	(*)	(*)	997	868	128
Helena (Montana)	(*)	(*)	(*)	(*)	(*)	426	20	406
Honolulu (Hawaii)	(*)	(*)	(*)	(*)	(*)	6,664	664	6,000
Los Angeles (See (e) below)	(*)	(*)	(*)	(*)	(*)	946	306	640
Phoenix (Arizona)	(*)	(*)	(*)	(*)	(*)	463	312	150
Portland (Oregon)	(*)	(*)	(*)	(*)	(*)	15,010	13,007	2,003
Reno (Nevada)	(*)	(*)	(*)	(*)	(*)	1,843	613	1,231
Salt Lake City (Utah)	(*)	(*)	(*)	(*)	(*)	82	82	0
San Francisco (See (e) below)	(*)	(*)	(*)	(*)	(*)	82	82	0
Seattle (Washington)	(*)	(*)	(*)	(*)	(*)	82	82	0
Office of International Operations	5,957	(*)	(*)	(*)	(*)	5,957	(*)	(*)
Other	5,957	(*)	(*)	(*)	(*)	5,957	(*)	(*)
Undistributed:								
Depository receipts								
Transferred to Government of Guam								
Withheld taxes of Federal employees								
Totals for States not shown above								
(a) California	122	(*)	1	27	34	21,674	13,007	8,667
(b) Illinois	1,157	(*)	43	10	1,140	11,933	1,633	10,301
(c) New York	672	(*)	43	163	65	65,711	2,025	63,686
(d) Ohio	2,458	(*)	4	1,921	517	10,350	1,572	8,778
(e) Pennsylvania	27,050	(*)	4	25,777	452	5,486	1,374	4,112
(f) Texas	101	(*)	(*)	99	(*)	5,640	2,173	3,467

Footnotes on p. 84.

ANNUAL REPORT • STATISTICAL TABLES

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

(In thousands of dollars. See table 3, p. 82, for tax rates and further breakdown of national totals by sources)

	Manufacturers' excise taxes									
Internal revenue regions, districts, States, and other areas ¹	Total	Gasoline	Lubricating oil, etc.	Tires (wholly or in part of rubber), inner tubes, and tread rubber	Motor vehicles, chassis, bodies, parts, and accessories	Radio and television sets, phonographs, and components, etc.	Refrigerators, freezers, air conditioners, etc.; electric, gas, and oil appliances	Other ¹¹		
(States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)		
United States, total	6,020,543	2,618,570	76,238	413,483	2,325,678	197,695	340,374	250,728		
Southeast region	3,581,175	1,587,687	662	3,678	11,776	4,279	7,891	4,482		
Atlanta (Georgia)	18,255	13,306	74	1,315	2,428	11	36	1,022		
Birmingham (Alabama)	6,888	3,261	1	349	2,707	7	355	26		
Columbia (South Carolina)	7,620	6,710	154	(*)	152	5	310	26		
Greensboro (North Carolina)	20,179	16,547	95	2	2,173	50	65	747		
Jackson (Mississippi)	5,684	1,738	4	1,864	532	2	1,473	71		
Jacksonville (Florida)	10,235	7,256	94	21	1,857	273	91	64		
Nashville (Tennessee)	19,768	17,169	140	127	1,921	3,931	5,001	2,181		
Northwest region	96,343	23,233	28	26,114	8,799	2,289	5,328	1,479		
Augusta (Maine)	1,850	1,482	61	61	20	(*)	268	45		
Boston (Massachusetts)	27,279	11,478	120	(*)	23	2,695	2,448	268		
Burlington (Vermont)	372	317	(*)	(*)	5	(*)	(*)	(*)		
Hartford (Connecticut)	60,119	5,002	8	25,738	4,006	5	5,631	15,744		
Portsmouth (New Hampshire)	1,240	636	(*)	(*)	22	3	13	8		
Providence (Rhode Island)	4,283	1,696	(*)	(*)	25	(*)	(*)	(*)		
Midwest region	639,175	396,616	9,846	5,797	92,131	78,110	38,029	32,925		
Aberdeen (South Dakota)	3,510	3,376	3	(*)	2	130	(*)	(*)		
Chicago (See (b) below)	434,707	257,468	7,007	(*)	353	61,560	68,308	14,761		
Des Moines (Iowa)	17,155	10,220	101	140	1,980	1,124	2,486	1,105		
Fargo (North Dakota)	1,915	1,370	19	(*)	10	509	46	6,637		
Milwaukee (Wisconsin)	45,522	23,474	174	(*)	10	12,997	46	2,185		
Omaha (Nebraska)	5,551	4,568	256	(*)	10	537	10	653		
St. Louis (Missouri)	57,440	44,854	1,075	1,190	6,558	230	2,430	1,103		
St. Paul (Minnesota)	46,293	33,457	892	101	6,460	1,554	3,291	81		
Springfield (See (b) below)	26,981	17,789	38	3	3,310	4,836	2,924	43,798		
Central region	2,688,268	201,258	5,708	280,738	2,050,915	13,516	67,223	49,778		
Cincinnati (See (d) below)	25,605	3,546	76	716	7,480	422	4,908	6,599		
Cleveland (See (d) below)	447,907	78,444	2,235	280,258	96,580	667	37,035	7,744		
Detroit (Michigan)	2,046,219	27,758	419	318	1,951,119	11,827	37,035	3,500		
Indianapolis (Indiana)	52,570	18,227	391	13	23,354	3,877	3,207	7,444		
Louisville (Kentucky)	93,391	71,087	2,475	13	1,273	723	15,443	3,773		
Parkersburg (West Virginia)	2,575	2,196	112	19	205	(*)	(*)	(*)		
Southeast region	866,612	883,824	23,148	17,447	15,727	3,608	3,748	1,243		
Albuquerque (New Mexico)	4,509	4,465	(*)	(*)	38	(*)	(*)	(*)		
Austin (See (f) below)	498,772	476,234	14,402	(*)	867	1,623	27	1,213		
Cheyenne (Wyoming)	8,393	8,384	2	(*)	263	6	(*)	(*)		
Dallas (See (f) below)	44,734	32,240	177	(*)	2,658	6,343	17	130		
Denver (Colorado)	25,178	10,621	(*)	(*)	11,512	17	(*)	61		
Little Rock (Arkansas)	14,404	13,634	20	(*)	768	43	29	213		
New Orleans (Louisiana)	5,084	3,608	332	(*)	4	855	6	42		
Oklahoma City (Oklahoma)	252,628	242,875	7,982	(*)	1,666	66	6	8		
Wichita (Kansas)	12,913	11,403	233	(*)	1,108	7	99	81		
New York region	778,619	461,973	18,994	66,310	28,779	64,964	8,777	102,717		
Albany (See (c) below)	1,784	1,784	69	2,044	4,744	5,333	3,855	4,428		
Brooklyn (See (c) below)	21,025	1,519	69	2,044	4,744	5,333	3,855	4,428		
Buffalo (See (c) below)	74,510	9,817	41	5,968	3,225	18,139	906	34		
Manhattan (See (c) below)	163,341	15,984	15,984	15,984	63,341	16,739	2,536	63,341		
North Atlantic region	965,612	382,098	14,645	22,677	90,888	27,739	14,310	19,898		
Baltimore (Maryland and D.C.)	37,600	15,282	159	17,497	979	3,116	89	89		
Newark (New Jersey)	161,161	13,652	679	71,157	767	7,157	1,052	7,061		
Philadelphia (See (e) below)	190,412	152,646	4,051	2,612	11,578	8,288	8	8		
Pittsburgh (See (e) below)	228,731	194,591	9,379	1,793	6,125	3,858	6,195	6,888		
Richmond (Virginia)	7,240	5,387	7	1,063	7	103	51	176		
Washington (District of Columbia)	460	387	(*)	2,503	10,960	5,338	4,659	14,810		
Western region	360,891	295,703	6,465	2,801	2,801	5,338	4,659	14,810		
Anchorage (Alaska)	1,852	1,528	(*)	(*)	(*)	(*)	(*)	(*)		
Helena (Montana)	176	125	(*)	(*)	(*)	(*)	(*)	(*)		
Honolulu (Hawaii)	244	(*)	(*)	(*)	(*)	(*)	(*)	(*)		
Los Angeles (See (a) below)	202,139	163,988	4,261	1,414	13,978	4,235	4,213	10,010		
Phoenix (See (a) below)	262	10	(*)	(*)	1	200	19	261		
Portland (Oregon)	8,114	1,070	(*)	(*)	13	6,468	10	(*)		
Reno (Nevada)	395	39	(*)	(*)	(*)	10	15	(*)		
Salt Lake City (Utah)	3,020	1,402	(*)	1,058	271	2	51	2		
San Francisco (See (a) below)	132,347	121,988	2,191	(*)	3,479	880	53	118		
Seattle (Washington)	12,025	5,229	(*)	(*)	2,206	53	1	(*)		
Office of International Operations	4	4	4	4	4	4	4	4		
Puerto Rico	4	4	4	4	4	4	4	4		
Other	4	4	4	4	4	4	4	4		
Undistributed:	4	4	4	4	4	4	4	4		
Depository receipts:	4	4	4	4	4	4	4	4		
Transferred to Government of Guam:	4	4	4	4	4	4	4	4		
Withheld taxes of Federal employees:	4	4	4	4	4	4	4	4		
Totals for States not shown above										
(a) California	334,487	285,966	6,452	2,472	17,457	5,115	4,264	12,252		
(b) Illinois	461,688	275,277	7,046	3,356	62,962	73,144	17,685	25,205		
(c) New York	736,510	461,973	16,994	56,330	25,779	64,946	9,183	102,717		
(d) Ohio	473,512	81,990	2,311	280,258	20,501	6,060	1,982	2,501		
(e) Pennsylvania	419,143	347,237	6,405	4,102	17,695	12,141	12,992	11,111		
(f) Texas	543,506	500,473	14,579	6,430	8,611	3,370	1,554	1,554		

ANNUAL REPORT • STATISTICAL TABLES

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued
(In thousands of dollars. See table 3, p. 82, for tax rates and further breakdown of national totals by sources)

Internal revenue regions, districts, States, and other areas ¹ (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Retailers' excise taxes					Miscellaneous excise taxes			
	Total	Luggage, etc.	Jewelry, etc.	Furs	Tobacco preparations	Total	Admissions		
							Theaters, concerts, athletic contests, etc. ²	Roof gardens, cabarets, etc. ²	Club dues and initiation fees
	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)
United States, total	478,013	78,704	189,437	30,016	176,857	2,546,331	47,053	41,025	75,120
Southeast region	41,697	6,792	18,483	1,423	14,988	158,888	3,158	3,528	7,348
Atlanta (Georgia)	7,870	1,497	3,515	273	2,585	96,212	525	380	1,068
Birmingham (Alabama)	4,177	426	1,914	174	1,463	5,251	50	170	714
Columbia (South Carolina)	2,527	372	1,052	67	1,037	4,188	131	44	501
Greensboro (North Carolina)	7,902	1,060	3,373	203	2,902	14,793	322	104	1,340
Jackson (Mississippi)	2,402	372	1,052	67	1,037	4,188	131	44	501
Jacksonville (Florida)	11,137	1,705	5,016	370	4,046	24,920	1,857	2,624	2,193
Nashville (Tennessee)	6,059	1,198	2,407	255	2,198	7,849	200	132	1,106
Northwest region	28,594	4,314	11,829	1,522	15,945	171,240	2,428	1,728	5,179
Augusta (Maine)	3,977	562	1,498	48	1,498	4,981	101	69	160
Boston (Massachusetts)	16,707	2,876	7,119	892	5,820	45,072	1,531	939	2,253
Burlington (Vermont)	383	56	225	17	245	1,000	25	15	75
Hartford (Connecticut)	7,450	785	2,344	418	3,903	21,312	295	357	2,126
Portsmouth (New Hampshire)	678	100	352	29	196	1,071	211	30	147
Providence (Rhode Island)	2,310	354	1,093	116	974	4,526	202	275	388
Midwest region	78,151	18,065	29,894	6,237	23,813	150,483	5,724	4,888	10,581
Aberdeen (South Dakota)	815	85	389	30	310	1,873	59	53	69
Chicago (See (b) below)	34,658	7,370	13,167	3,539	10,579	103,216	2,758	2,078	4,884
Des Moines (Iowa)	3,501	512	1,498	132	1,366	7,901	101	77	102
Fargo (North Dakota)	708	88	346	33	241	1,242	14	77	56
Madison (Wisconsin)	5,548	740	2,443	515	1,850	23,198	475	688	1,006
Omaha (Nebraska)	2,530	373	1,037	122	958	40,004	222	219	384
St. Louis (Missouri)	16,854	5,208	5,393	1,235	5,014	108,270	742	687	1,641
St. Paul (Minnesota)	8,336	1,358	3,866	491	2,622	14,321	720	961	1,218
Springfield (See (b) below)	3,160	512	1,498	121	1,377	10,372	134	503	585
Central region	56,798	7,838	21,815	2,884	18,938	162,464	3,929	4,474	9,494
Cincinnati (See (d) below)	11,030	2,037	4,577	476	3,940	15,456	479	565	1,416
Cleveland (See (b) below)	10,097	1,544	4,449	598	3,706	32,040	821	1,125	2,502
Detroit (Michigan)	16,771	2,701	8,485	1,189	6,386	32,233	1,388	1,044	3,046
Indianapolis (Indiana)	7,555	973	3,786	350	2,446	29,904	447	639	1,238
Louisville (Kentucky)	3,162	486	1,559	135	982	9,617	374	74	869
Parkburg (West Virginia)	297	69	269	96	198	736	102	10	106
Southeast region	42,892	5,885	20,634	1,780	14,894	142,838	1,778	2,270	6,478
Albuquerque (New Mexico)	1,266	128	514	28	595	2,835	111	347	235
Austin (See (b) below)	1,451	241	669	43	608	2,167	519	207	519
Chattanooga (Georgia)	481	53	24	14	174	1,624	3	85	85
Dallas (See (f) below)	13,713	1,472	7,852	664	3,725	24,842	425	431	2,194
Denver (Colorado)	3,960	598	1,421	23	1,028	54,099	331	879	1,219
Little Rock (Arkansas)	2,754	328	945	51	930	4,199	106	234	367
New Orleans (Louisiana)	4,850	786	2,047	245	1,772	17,382	237	555	886
Oklahoma City (Oklahoma)	3,756	592	1,541	100	1,222	8,672	98	20	864
Wichita (Kansas)	2,840	377	1,174	110	1,178	7,199	69	175	1,009
New York region	112,878	21,284	34,908	5,922	48,383	287,779	15,213	4,764	11,480
Albany (See (c) below)	2,122	295	930	67	726	4,999	436	417	762
Brooklyn (See (c) below)	8,879	1,706	3,391	691	3,091	10,750	3,946	651	2,545
Buffalo (See (c) below)	10,400	1,292	6,010	556	2,542	13,437	673	857	1,888
Manhattan (See (c) below)	91,177	17,971	24,578	6,604	42,024	238,593	10,158	2,839	6,206
Mid-Atlantic region	49,409	9,484	22,615	4,272	18,478	138,394	6,399	4,834	12,628
Baltimore (Maryland and D.C.)	10,886	1,654	5,271	802	3,159	35,326	1,917	1,451	2,338
Newark (New Jersey)	11,842	1,692	1,787	1,349	4,075	42,478	1,735	1,794	2,747
Philadelphia (See (a) below)	13,052	2,121	4,407	1,459	4,065	70,664	1,784	813	2,809
Pittsburgh (See (a) below)	7,604	1,133	3,033	372	3,067	16,801	424	292	1,927
Richmond (Virginia)	5,573	813	2,405	258	2,097	20,862	206	126	1,472
Wilmington (Delaware)	652	81	322	33	216	1,263	333	40	335
Western region	73,231	9,832	30,906	3,937	29,993	238,834	9,090	11,281	11,081
Anchorage (Alaska)	397	29	205	35	129	7,115	20	120	3
Boise (Idaho)	1,075	107	438	19	312	1,981	15	183	86
Butte (Montana)	858	104	378	40	335	2,079	21	212	119
Honolulu (Hawaii)	718	783	973	6	502	5,059	148	815	213
Los Angeles (See (a) below)	33,949	4,736	13,968	2,289	12,857	54,883	5,706	4,684	9,484
Phoenix (Arizona)	2,268	274	1,062	57	900	4,129	270	494	585
Portland (Oregon)	3,347	431	1,396	97	1,423	6,714	196	897	542
Reno (Nevada)	1,128	105	570	60	392	12,359	46	3,399	93
Salt Lake City (Utah)	2,170	227	756	50	1,137	10,577	132	82	361
San Francisco (See (a) below)	20,762	2,350	8,665	1,056	8,590	106,076	2,168	2,737	3,383
Seattle (Washington)	5,625	702	2,544	203	2,175	33,163	567	732	983
Office of International Operations									
Puerto Rico									
Other									
Undistributed:									
Depository receipts:									
Transferred to Government of Guam									
Withheld taxes of Federal employees									

Totals for States not shown above

(a) California	54,612	7,087	22,633	3,345	21,347	160,959	7,975	6,315	8,067
(b) Illinois	37,099	7,257	14,714	3,609	11,687	113,288	2,892	2,581	5,481
(c) New York	112,578	21,264	34,908	8,022	48,383	287,779	15,213	4,764	11,480
(d) Ohio	21,127	3,381	9,025	1,074	7,646	67,506	1,300	1,689	3,918
(e) Pennsylvania	20,680	3,254	8,440	1,074	7,365	47,465	2,208	1,635	4,736
(f) Texas	24,065	2,923	12,751	998	7,384	46,009	816	947	2,428

Footnotes on p. 84.

ANNUAL REPORT • STATISTICAL TABLES

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued
(In thousands of dollars. See table 3, p. 82, for tax rates and further breakdown of national totals by sources)

Internal revenue regions, districts, States, and other areas (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Miscellaneous excise taxes—Continued							
	Toll tele- phone serv- ice, tele- graph, cable, radio, etc.	Wire mileage service, wire and equip- ment service	General telephone service	Transporta- tion of persons ¹	Use of safe deposit boxes	Coconut and other veg- etable oils processed	Sugar	Diesel and special motor fuels
	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)
United States, total.	289,830	18,278	830,548	106,062	7,423	14	98,411	128,079
Southeast region.	45,429	1,548	83,074	12,905	881	1	4,772	9,289
Atlanta (Georgia)	37,086	710	40,106	8,351	79	(*)	4,133	1,570
Birmingham (Alabama)	530	88	516	1	61	(*)	267	1,085
Columbia (South Carolina)	404	61	462	1	28	(*)	8	938
Greensboro (North Carolina)	2,710	143	6,109	1	75	(*)	2	1,427
Jackson (Mississippi)	47	13	127	1	33	(*)	3	671
Jacksonville (Florida)	3,769	89	4,631	4,121	231	(*)	358	1,745
Nashville (Tennessee)	624	41	1,124	30	74	(*)	1	1,832
Northwest region.	19,218	1,187	27,748	1,781	487	(*)	2,551	3,237
Augusta (Maine)	148	30	126	1	28	(*)	1	334
Boston (Massachusetts)	12,371	239	19,149	1,773	253	(*)	2,551	1,543
Burlington (Vermont)	86	13	66	(*)	15	(*)	(*)	219
Hartford (Connecticut)	6,552	827	8,348	(*)	4	(*)	(*)	141
Portsmouth (New Hampshire)	(*)	58	36	3	22	(*)	(*)	83
Providence (Rhode Island)	(*)	36	36	3	39	(*)	(*)	91
Midwest region.	79,688	2,274	124,787	41,697	1,372	9	798	5,476
Aberdeen (South Dakota)	144	34	250	26	26	(*)	(*)	15
Chicago (See (b) below)	19,204	765	37,222	23,493	520	(*)	1,187	2,227
Des Moines (Iowa)	1,409	67	1,833	3	133	(*)	1	1,630
Fargo (North Dakota)	147	10	281	23	20	(*)	312	1,599
Madison (Wisconsin)	5,672	220	10,518	1	153	(*)	238	1,599
Omaha (Nebraska)	14,896	376	21,172	4	72	(*)	545	1,336
St. Louis (Missouri)	34,908	784	48,888	13,452	202	(*)	1	1,736
St. Paul (Minnesota)	578	51	1,361	4,719	132	(*)	1	1,736
Springfield (See (b) below)	2,330	58	3,262	1	117	(*)	1	1,244
Central region.	38,274	1,478	75,246	413	940	1	3,852	15,946
Cincinnati (See (d) below)	3,301	156	5,955	14	111	(*)	2	1,243
Cleveland (See (d) below)	14,003	549	22,775	5	309	(*)	1	5,347
Detroit (Michigan)	10,962	267	25,168	46	265	(*)	1,352	2,550
Indianapolis (Indiana)	7,265	235	11,630	332	153	(*)	11	3,482
Louisville (Kentucky)	1,230	25	1,764	2	57	(*)	(*)	2,872
Parkburg (West Virginia)	1,508	243	4,194	1	42	(*)	2	2,178
Southeast region.	29,548	843	28,798	5,878	682	2	29,178	27,718
Albuquerque (New Mexico)	245	142	23	23	23	(*)	1,429	9,429
Austin (Texas)	587	102	502	443	160	(*)	3,142	9,429
Cheyenne (Wyoming)	33	30	30	(*)	12	(*)	(*)	92
Dallas (See (f) below)	3,906	210	4,081	5,892	142	(*)	(*)	1,516
Denver (Colorado)	13,581	327	19,614	1,291	69	(*)	14,746	5,164
Little Rock (Arkansas)	218	21	505	3	40	(*)	40	1,810
New Orleans (Louisiana)	328	25	224	25	10	(*)	11,288	4,101
Oklahoma City (Oklahoma)	361	369	4	3	40	(*)	3	1,810
Wichita (Kansas)	1,290	70	1,362	1,070	100	(*)	1	1,377
New York region.	61,588	8,318	76,799	32,232	1,978	(*)	84,418	14,378
Albany (See (c) below)	112	744	14	14	233	(*)	(*)	1,429
Brooklyn (See (c) below)	1	14	8	786	171	(*)	(*)	11,277
Buffalo (See (c) below)	1,888	87	3,358	13	111	(*)	(*)	11,277
Manhattan (See (c) below)	58,552	8,165	72,689	30,575	610	(*)	34,418	11,277
Mid-Atlantic region.	44,289	2,231	76,906	987	1,199	1	4,261	18,285
Baltimore (Maryland and D.C.)	7,898	391	14,283	839	137	(*)	4,261	18,285
Newark (New Jersey)	13,463	189	15,840	133	326	(*)	1	2,855
Philadelphia (See (e) below)	16,063	802	34,608	99	326	(*)	4,162	3,577
Pittsburgh (See (e) below)	1,728	59	2,858	2	151	(*)	6,862	2,057
Richmond (Virginia)	5,130	61	6,275	(*)	2	(*)	(*)	3,077
Wilmington (Delaware)	6	(*)	4	1	25	(*)	1	1,429
Western region.	61,781	1,727	73,491	10,719	1,185	1	15,209	22,955
Anchorage (Alaska)	424	297	424	282	24	(*)	(*)	73
Boise (Idaho)	78	7	103	(*)	2	(*)	(*)	73
Helena (Montana)	154	24	179	(*)	34	(*)	(*)	67
Honolulu (Hawaii)	719	24	2,052	520	22	(*)	7	73
Los Angeles (See (a) below)	11,124	542	10,476	7,067	294	(*)	(*)	6,008
Phoenix (Arizona)	31	31	86	(*)	11	(*)	(*)	1,525
Portland (Oregon)	504	8	646	(*)	11	(*)	(*)	1,525
Reno (Nevada)	81	10	63	528	16	(*)	7,583	1,066
Salt Lake City (Utah)	132	80	60	22	22	(*)	1,525	1,066
San Francisco (See (a) below)	28,235	822	44,311	563	509	(*)	7,519	1,066
Seattle (Washington)	9,868	234	15,119	1,764	117	(*)	2,667	98
Office of International Operations.				378	151		2,667	98
Puerto Rico.								
Other.				378				
Undistributed:								
Depository receipts.								
Transferred to Government of Guam.								
Withheld taxes of Federal employees.								

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued
(In thousands of dollars. See table 3, p. 82, for tax rates and further breakdown of national totals by sources)

Internal revenue regions, districts, States, and other areas ¹ (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Miscellaneous excise taxes—Continued						Unclassified excise taxes	
	Narcotics and marihuana, including occupational taxes	Coin-operated amusement and gaming devices	Bowling alleys, pool tables, etc.	Wagering taxes		Use tax on highway motor vehicles		
				Occupational	Wagers			
	(59)	(60)	(61)	(62)	(63)	(64)	(65)	(66)
United States, total.....	1,282	22,763	5,606	617	5,439	100,199	140	106,878
Southeast region.....	73	2,604	502	38	681	11,396	28	4,022
Alabama.....	9	446	80	5	81	1,580	7	1
Birmingham.....	9	32	55	2	1,524	1,524	1	—85
Columbia.....	7	673	43	2	35	829	1	—412
Greensboro.....	11	70	82	2	12	2,531	3	—2,418
Jackson.....	5	398	43	6	52	767	(*)	2,711
Jacksonville.....	20	174	120	5	274	2,568	(*)	—3,068
Nashville.....	11	745	79	8	121	1,509	10	2
Tennessee.....	28	343	341	109	188	4,700	12	31
Northwest region.....	18	27	22	(*)	40	2	2	2
Augusta.....	19	171	158	24	24	2,051	21	20
Boston.....	1	9	102	(*)	57	184	4	(*)
Burlington.....	8	100	12	72	57	1,448	1	—
Hartford.....	2	35	24	8	79	234	1	—
Portsmouth.....	3	28	25	4	382	179	2	—
Providence.....	3	28	25	4	382	179	(*)	35
Midwest region.....	142	1,793	1,008	102	1,338	15,628	28	170
Albany.....	2	149	30	1	3	511	(*)	3
Chicago.....	388	388	248	11	162	4,387	10	6
Des Moines.....	7	121	11	1	121	1,518	1	—
Fargo.....	2	31	34	(*)	9	228	1	—
Milwaukee.....	10	218	160	4	2	2,234	3	10
Omaha.....	12	90	66	5	61	1,085	2	7
St. Louis.....	34	275	148	6	29	2,753	7	10
St. Paul.....	9	130	112	5	27	2,149	12	1
Springfield.....	7	353	113	7	39	1,385	2	1
Central region.....	148	2,775	1,008	102	1,338	15,628	28	8,577
Cincinnati.....	16	291	111	5	101	1,699	1	27
Cleveland.....	52	307	242	24	65	4,127	1	2,078
Detroit.....	28	272	9	9	35	4,884	14	16
Indianapolis.....	35	466	132	34	683	3,133	5	3,613
Louisville.....	9	763	91	13	223	1,047	3	—46
Parkerburg.....	4	679	67	16	738	1,731	1	—27
Southeast region.....	138	2,768	673	64	845	54,295	17	2,428
Albuquerque.....	3	44	23	1	6	353	(*)	4
Austin.....	168	177	116	12	39	2,340	4	159
Cheyenne.....	1	105	14	7	7	340	1	4,399
Dallas.....	13	65	114	1	22	4,095	5	2,833
Denver.....	7	138	70	1	7	1,565	1	1
Little Rock.....	4	376	40	7	77	1,005	5	2,639
New Orleans.....	19	1,004	84	26	278	929	1	909
Oklahoma City.....	16	82	113	10	33	1,722	2	—6,42
Wichita.....	7	305	99	2	23	1,306	4	—
Northwest region.....	287	408	506	27	179	6,854	28	28
Albany.....	73	76	56	6	9	752	16	—
Brooklyn.....	98	89	149	6	32	1,460	2	—
Buffalo.....	33	168	210	6	66	1,771	7	—
Manhattan.....	83	75	90	8	71	2,771	7	—
Mid-Atlantic region.....	248	4,337	878	49	488	54,961	74	3,340
Baltimore.....	15	2,679	131	13	69	1,627	6	—6,04
Newark.....	232	330	256	3	11	3,250	3	—16,211
Philadelphia.....	63	470	215	10	156	4,785	15	25,48
Pittsburgh.....	13	449	187	17	165	2,505	11	—6,78
Richmond.....	21	195	111	3	36	1,384	4	5,37
Wilmington.....	1	12	8	25	291	36	36	—4,62
Western region.....	118	8,459	648	193	1,659	17,000	104	13
Alaska.....	(*)	122	8	4	21	83	(*)	(*)
Boise.....	2	33	30	(*)	39	581	(*)	(*)
Helena.....	2	98	17	23	39	525	5	(*)
Honolulu.....	3	129	35	(*)	288	288	(*)	(*)
Los Angeles.....	52	227	207	3	139	4,681	15	1
Phoenix.....	5	164	37	1	12	710	1	—
Portland.....	6	383	64	7	4	1,779	2	—
Reno.....	2	6,208	30	5	925	210	(*)	2
Salt Lake City.....	3	263	30	39	80	600	39	—
San Francisco.....	30	214	116	7	36	5,928	39	—
Seattle.....	11	754	88	102	399	1,605	39	1
Office of International Operations.....	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Unallocated:	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Depository receipts ²								92,558
Transferred to Government of Guam.....								
Withheld taxes of Federal employees.....								
Totals for States not shown above.....	81	440	324	10	175	10,609	54	71
(a) California.....	81	440	324	10	175	10,609	54	71
(b) Illinois.....	66	721	361	18	221	5,772	12	28
(c) New York.....	287	408	506	27	179	6,854	28	28
(d) Ohio.....	68	598	353	29	264	5,826	3	2,340
(e) Pennsylvania.....	76	920	372	27	321	7,289	26	18,71
(f) Texas.....	81	241	230	13	121	7,096	9	7,22

Footnotes on p. 84.

Table 2.—Internal revenue collections by sources and by quarter

(In thousands of dollars)

Source of revenue	Quarter ended—			
	Sept. 30, 1963 (1)	Dec. 31, 1963 (2)	Mar. 31, 1964 (3)	June 30, 1964 (4)
Grand total.....	25,169,260	22,447,381	31,224,768	33,418,848
Corporation income tax ¹	4,563,283	4,679,108	7,887,910	7,370,562
Individual income and employment taxes, total.....	16,510,303	13,829,724	19,656,853	21,595,978
Income tax not withheld and self-employment tax ²	2,702,539	770,436	4,312,246	8,532,848
Income tax withheld and old-age and disability insurance ³	13,856,928	12,910,892	14,362,978	12,999,270
Railroad retirement ⁴	145,536	144,417	152,758	151,152
Unemployment insurance.....	5,299	3,979	828,872	12,708
Estate tax.....	536,735	439,901	531,760	600,595
Gift tax.....	7,693	7,245	26,357	264,017
Excise taxes, total.....	3,551,246	3,491,402	3,319,888	3,587,696
Alcohol taxes, total.....	873,418	989,481	767,256	947,344
Distilled spirits ⁵	597,304	754,812	547,539	675,665
Wines, cordials, etc.....	21,722	28,834	31,763	27,923
Beer ⁶	254,392	205,834	187,954	243,756
Tobacco taxes, total ⁷	539,779	536,878	433,726	542,162
Cigarettes.....	522,543	517,503	415,652	520,967
Cigars.....	12,560	14,464	13,019	16,266
Other.....	4,677	4,911	5,045	4,929
Stamp taxes on documents, other instruments, and playing cards, total.....	39,561	42,379	46,674	42,999
Issues and transfers of bonds of indebtedness or capital stock, foreign insurance policies, and deeds of conveyance:				
Sales by postmasters.....	12,330	12,435	14,646	12,154
Sales by district directors.....	25,239	27,770	29,537	28,570
Playing cards, silver bullet transfers.....	1,992	2,175	2,491	2,276
Manufacturers' excise taxes, total.....	1,570,148	1,372,049	1,590,363	1,487,982
Gasoline.....	681,936	684,545	645,143	606,745
Lubricating oil, etc.....	21,850	19,084	17,762	17,620
Tires (wholly or in part of rubber), inner tubes, and tread rubber.....	112,876	100,123	96,838	101,646
Motor vehicles, chassis, bodies, parts, and accessories.....	612,502	419,923	673,595	619,656
Radio and television sets, phonographs, components, etc.....	41,100	53,848	55,433	47,215
Refrigerators, freezers, air-conditioners, etc.; electric, gas, and oil appliances.....	39,534	31,818	30,542	38,381
Other ⁸	62,608	71,049	56,720	56,720
Retailers' excise taxes, total.....	110,760	99,187	165,931	99,134
Luggage, etc.....	19,823	16,052	26,942	15,786
Jewelry, etc.....	44,044	37,800	71,425	36,167
Furs.....	4,363	5,625	13,152	6,877
Toilet preparations.....	42,430	39,710	54,412	40,305
Miscellaneous excise taxes, total.....	415,277	414,070	396,984	320,300
Admissions:				
Theaters, concerts, athletic contests, etc. ⁹	12,241	14,470	9,872	10,469
Rooftop gardens, cabarets, etc.....	10,324	10,705	10,080	9,916
Club dues and initiation fees.....	21,846	15,647	15,918	21,710
Toll telephone service, telegraph, cable, radio, etc.; wire mileage service, wire and equipment service.....	93,038	112,173	101,266	73,131
General telephone service.....	116,774	152,948	155,125	105,741
Transportation of persons ¹⁰	26,157	29,389	27,958	21,958
Use of safe deposit boxes.....	1,764	1,829	1,603	2,226
Coconut and other vegetable oils processed.....	4	1	24,416	7
Sugar.....	25,993	26,991	32,767	31,151
Diesel and special motor fuels.....	31,121	33,077	32,767	31,151
Narcotics and marihuana, including occupational taxes.....	361	209	141	571
Coin-operated amusement and gaming devices.....	15,125	1,108	840	5,689
Bowling alleys, pool tables, etc.....	3,340	545	324	1,397
Wagering taxes:				
Occupational.....	307	83	74	153
Wagers.....	1,350	1,546	1,128	1,355
Use tax on highway motor vehicles.....	55,817	12,659	15,344	16,380
Other ¹¹	115	102	65	59
Unclassified excise taxes:				
Unapplied collections.....	670	884	13,157	—883
Undistributed depository receipts ¹²	1,633	36,474	—54,204	148,656

Footnotes on p. 84.

Table 3.—Internal revenue collections by sources, fiscal years 1964 and 1963

(In thousands of dollars)

Source of revenue	Fiscal year	
	1964 (1)	1963 (2)
Grand total, all sources	112,260,257	105,925,395
Corporation income taxes, total ¹	24,300,863	22,336,134
Regular	24,298,859	22,334,205
Exempt organization business income tax	1,904	1,929
Individual income and employment taxes, total	71,592,859	67,992,067
Income tax not withheld and self-employment tax ²	16,318,069	15,204,971
Income tax withheld and old-age and disability insurance, total ³	53,830,068	51,266,988
Received with returns	54,253,082	50,289,180
Undistributed depositary receipts ⁴	-423,014	977,808
Railroad retirement, total	593,864	571,644
Railroad employment compensation tax; employers' tax 7½ percent, employees' tax 7½ percent; both imposed on taxable portion of wages	580,295	577,957
Received with returns	13,546	-6,334
Undistributed depositary receipts ⁴	22	21
Railroad employees' representative tax, 14½ percent on taxable portion of wages		
Unemployment insurance, employers of 4 or more persons taxed 3.1 percent on taxable portion of wages, effective January 1, 1964 (for calendar years 1963 and 1962, 3.35 and 3.5 percent respectively); credit allowed up to 90 percent of tax for contributions to State unemployment funds	850,858	948,464
Estate tax, graduated rates from 3 percent on first \$5,000 of net estate in excess of \$60,000 exemption to 77 percent on portion over \$10,000,000; credit allowed for State death taxes	2,110,992	1,971,614
Gift tax, graduated rates from 2½ percent on first \$5,000 of net gifts in excess of \$30,000 exemption to 57½ percent on portion over \$10,000,000; \$3,000 annual exclusion for each donee	305,313	215,843
Excise taxes, total	13,950,232	13,409,737
Alcohol taxes, total	3,577,499	3,441,656
Distilled spirits taxes, total	2,575,320	2,507,068
Imported (collected by Customs, rates same as domestic)	504,824	459,157
Domestic, \$10.50 per proof gallon or wine gallon when below proof ¹	2,025,328	2,006,275
Rectification, 30 cents per proof gallon	28,446	25,510
Occupational taxes:		
Nonbeverage manufacturers of spirits, \$25, \$50, \$100 per year	87	77
Rectifiers:		
Less than 20,000 proof gallons, \$110 per year	23	8
20,000 proof gallons or more, \$220 per year	27	23
Retail dealers in liquor or medicinal spirits, \$54 per year	13,377	13,236
Wholesale liquor dealers, \$255 per year	750	685
Manufacturers of stills, \$55 per year	5	5
Stillers or condensers manufactured, \$22 each	1,202	1,989
Wines, cordials, etc., taxes, total	110,242	103,733
Imported (collected by Customs, rates same as domestic)	9,039	7,951
Domestic (\$100 wines, 17 cents, 67 cents, \$2.25 per wine gallon; sparkling wines, \$3.40; artificially carbonated wines, \$2.40; liquors, cordials, \$1.92)	98,740	93,920
Occupational taxes:		
Retail dealers in wines or in wines and beer, \$54 per year	2,280	1,718
Wholesale dealers in wines or in wines and beer, \$255 per year	183	144
Beer taxes, total	891,936	830,855
Imported (collected by Customs, rates same as domestic)	5,320	4,631
Domestic, \$9 per barrel of 31 gallons ¹	882,083	820,761
Occupational taxes:		
Brewers:		
Less than 500 barrels, \$55 per year	158	53
500 barrels or more, \$110 per year	19	21
Retail dealers in beer, \$24 per year (includes limited retail dealers in wines or beer, \$2.20 per month)	3,437	4,489
Wholesale dealers in beer, \$123 per year	919	880
Tobacco taxes, total	2,052,545	2,079,237
Cigarettes, total	1,976,675	2,010,524
Class A (small), \$4 per thousand	1,976,675	2,010,524
Class B (large), \$8.40 per thousand ¹	(*)	(*)
Prepayments		
Cigars, total	56,309	50,232
Large cigars, classified by intended retail prices, total ¹	55,658	50,094
Class A (Retailing at not over 2½ cents each), \$2.50 per thousand	72	55
Class B (Over 2½ cents, not over 4 cents each), \$3 per thousand	1,436	1,081
Class C (Over 4 cents, not over 6 cents each), \$4 per thousand	13,224	10,773
Class D (Over 6 cents, not over 8 cents each), \$7 per thousand	6,921	6,916
Class E (Over 8 cents, not over 15 cents each), \$10 per thousand	27,089	25,126
Class F (Over 15 cents, not over 20 cents each), \$15 per thousand	3,913	3,682
Class G (Over 20 cents each), \$20 per thousand	3,004	2,852

Footnotes on p. 84.

Table 3.—Internal revenue collections by sources, fiscal years 1964-1963—Continued

(In thousands of dollars)

Source of revenue	Fiscal year	
	1964 (1)	1963 (2)
Excise taxes, total—Continued		
Tobacco taxes, total—Continued		
Cigars, total—Continued		
Small cigars, 75 cents per thousand	649	137
Prepayments	1	(*)
Tobacco materials, tobacco products, and cigarette papers and tubes (Customs) ¹	1,373	1,434
Manufactured tobacco, 10 cents per pound	17,444	16,381
Cigarette papers and tubes, papers ½ cent per 50; tubes 1 cent per 50	745	662
Tobacco materials—Violations, sec. 5731, Internal Revenue Code of 1954	(*)	4
Stamp taxes on documents, other instruments, and playing cards, total	171,614	149,069
Issues and transfers of bonds of indebtedness or capital stock, foreign insurance policies, and deeds of conveyance: ¹		
Sales by postmasters	11,565	45,687
Playing cards, 13 cents per pack	8,851	8,574
Silver bullion transfers, 50 percent of profit; repealed, effective June 5, 1963	43	124
Manufacturers' excise taxes, total	6,020,543	5,610,309
Gasoline, 4 cents per gallon	2,618,370	2,497,316
Lubricating oil, etc., 8 cents per gallon; cutting oil, 3 cents per gallon	76,316	74,410
Tires (wholly or in part of rubber), inner tubes, and tread rubber:		
Tires, highway type, 10 cents per pound, other, 5 cents per pound, except laminated tires (other than type used on highway vehicles), 1 cent per pound	366,478	355,767
Inner tubes, 10 cents per pound	22,219	19,478
Tread rubber, 5 cents per pound	22,786	23,615
Motor vehicles, chassis, bodies, parts, and accessories:		
Passenger automobiles, chassis, bodies, etc., 10 percent	1,745,969	1,559,510
Trucks and buses, chassis, bodies, etc., 10 percent	330,945	303,144
Parts and accessories for automobiles, trucks, etc., 8 percent	225,762	224,507
Radio and television sets, phonographs, components, etc., 10 percent	197,595	184,270
Refrigerators, freezers, air-conditioners, etc., 5 percent; self-contained air-conditioning units, 10 percent	62,799	61,498
Electric, gas, and oil appliances, 5 percent	27,516	26,422
Pistols and revolvers, 10 percent	1,837	1,618
Photograph records, 10 percent	25,098	27,421
Musical instruments, 10 percent	21,748	20,175
Sporting goods (other than fishing rods, creels, etc.), 10 percent	20,633	18,099
Fishing rods, creels, etc., 10 percent	7,342	6,300
Business and store machines, 10 percent	71,897	74,845
Cameras, lenses, film, etc., 10 percent; household type projectors, 5 percent	29,580	28,500
Electric light bulbs and tubes, 10 percent	41,511	35,998
Firearms (other than pistols and revolvers), shotguns, and cartridges, 11 percent	17,455	16,235
Mechanical pencils, pens, 10 percent; lighters 10 cents per lighter (\$1 or more); 10 percent (less than \$1)	9,299	8,674
Matches, 2 cents per thousand (but not to exceed 10 percent of selling price); fancy wooden or colored stems, 5½ cents per thousand	4,359	4,102
Retailers' excise taxes, total	475,013	443,558
Luggage, etc., 10 percent	78,704	74,019
Jewelry, etc., 10 percent	185,437	181,907
Furs, 10 percent	30,016	29,287
Toilet preparations, 10 percent	176,857	156,351
Miscellaneous excise taxes, total	1,546,631	1,619,656
Admissions taxes, total	88,079	82,583
Theaters, concerts, athletic contests, etc.:		
Admissions, 1 cent for each 10 cents or major fraction thereof of the amount paid in excess of \$1 ¹	45,889	41,688
Ticket brokers' sales, 10 percent of amounts in excess of box office price ¹	526	552
Leases of boxes or seats, 10 percent of the amount for which similar accommodations are sold ¹	480	420
Admissions sold by proprietors in excess of established price, 50 percent of such excess	158	127
Roof gardens, cabarets, etc., 10 percent of total paid for admissions, services, etc.	41,026	39,794
Club dues and initiation fees, 20 percent (if dues or fees are in excess of \$10 per year)	75,120	71,097
Toll telephone service, telegraph, cable, radio, etc., 10 percent	360,330	339,246
Wire mileage service, 10 percent; wire and equipment service, 8 percent	19,278	25,372
General telephone service, 10 percent	530,588	515,987
Transportation of—		
Oil by pipeline, 4½ percent; repealed, effective Aug. 1, 1958	10	9
Persons, 10 percent; repealed, effective Nov. 16, 1962, except on air transportation which was reduced to 5 percent	106,062	233,921
Property, 3 percent of amount paid, except coal which is 4 cents per ton; repealed, effective Aug. 1, 1958	277	451
Use of safe deposit boxes, 10 percent	7,423	6,514
Coconut and other vegetable oils processed, 2 cents per pound; repealed, effective Aug. 31, 1963	14	12
Sugar, approximately ½ cent per pound	95,411	99,903
Diesel and special motor fuels, 4 cents per gallon (in some instances 2 cents per gallon)	128,079	113,012
Narcotics and marihuana, total ¹	1,262	1,153
Narcotics	1,187	1,085
Marihuana	55	68
Coin-operated amusement and gaming devices, \$10 and \$250 per device, per year	22,763	20,253
Bowling alleys, pool tables, etc., \$20 per alley or table, per year	5,606	4,897
Wagering taxes:		
Occupational tax, \$50 per year	617	531
Wagers, 10 percent of amount wagered	5,439	5,167
Use tax on highway motor vehicles weighing over 25,000 pounds, \$3.00 per 1,000 pounds per year (installment privileges permitted)	100,199	99,481
Adulterated or process or renovated butter, filled cheese, unadulterated butter and oleomargarine (domestic and imported) ¹	3	5
Firearms transfer and occupational taxes ¹	50	54
Unclassified excise taxes:		
Unapplied collections	13,828	3,710
Undistributed depositary receipts ⁴	92,558	62,541

Footnotes on p. 84.

Table 4.—Internal revenue collections by principal sources, fiscal year 1940 through 1964
(In thousands of dollars)

Fiscal year ended June 30	Total internal revenue collections	Income and profits taxes			Employment taxes ¹	Estate and gift taxes	Alcohol taxes ²	Tobacco taxes ³	Manufacturers' excise taxes	All other taxes
		Total	Corporation income and profits taxes ⁴	Individual income taxes ⁵						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
1964	112,260,257	78,891,218	24,300,863	54,590,354	17,002,504	2,416,303	3,577,499	2,052,545	6,020,543	2,299,645
1963	105,925,395	75,323,714	22,336,134	52,987,581	15,004,486	2,187,457	3,441,656	2,079,237	5,610,308	2,278,536
1962	99,440,833	71,945,305	21,793,711	50,151,594	13,708,171	2,035,187	3,341,282	2,025,786	5,120,340	2,243,817
1961	94,401,085	67,917,941	21,764,940	46,153,001	12,502,451	1,916,392	3,212,801	1,991,117	4,896,802	1,963,582
1960	91,774,803	67,125,126	22,179,414	44,945,711	11,158,589	1,626,348	3,193,714	1,931,504	4,735,129	2,004,394
1959	79,797,973	58,826,254	18,091,509	40,734,744	8,853,744	1,352,982	3,002,096	1,806,816	3,958,789	1,997,292
1958	79,978,476	59,101,874	20,533,316	38,568,558	8,644,386	1,410,925	2,946,461	1,734,021	3,974,135	1,946,675
1957	80,171,971	60,560,425	21,530,635	39,029,772	7,580,522	1,377,999	2,973,195	1,674,080	3,761,925	2,243,856
1956	75,112,643	56,636,164	21,298,522	35,337,642	7,295,784	1,171,237	2,920,574	1,615,497	3,456,013	2,019,380
1955	66,288,692	49,914,826	18,764,720	31,150,106	6,219,665	936,267	2,742,840	1,571,213	2,865,016	2,018,866
1954	69,919,991	54,360,014	21,546,322	32,813,691	5,107,623	935,121	2,783,012	1,580,229	2,689,133	2,464,859
1953	69,686,535	54,130,732	21,594,515	32,536,217	4,718,403	891,284	2,780,925	1,654,911	2,862,788	2,647,492
1952	65,009,585	50,741,017	21,465,910	29,275,107	4,464,264	833,147	2,549,120	1,565,182	2,348,943	2,507,933
1951	50,445,689	37,384,870	14,387,569	22,997,309	3,627,479	729,730	2,546,808	1,380,396	2,383,677	2,352,719
1950	38,957,132	28,007,659	10,854,351	17,153,308	2,644,575	706,227	2,219,202	1,328,464	1,836,053	2,214,951
1949	40,463,125	29,605,491	11,553,669	18,051,822	2,476,113	796,538	2,210,607	1,321,875	1,771,533	2,280,969
1948	41,864,542	31,172,191	10,174,410	20,997,781	2,381,342	899,345	2,255,327	1,300,280	1,649,234	2,206,823
1947	39,108,388	29,019,756	9,676,459	19,343,297	2,024,365	779,291	2,474,762	1,237,768	1,448,260	2,147,184
1946	32,072,097	23,158,138	12,553,602	10,604,536	1,700,828	676,831	2,526,165	1,165,519	922,671	2,421,944
1945	43,800,388	35,061,526	16,027,213	19,034,313	1,779,177	643,055	2,309,866	932,145	782,511	2,292,108
1944	40,121,760	33,027,802	14,766,796	18,261,005	1,738,372	511,210	1,618,775	988,483	503,462	1,733,655
1943	22,371,386	16,798,888	9,668,956	6,629,932	1,498,705	447,496	1,423,646	823,857	504,746	1,274,048
1942	13,047,869	8,096,884	4,744,083	3,352,800	1,085,362	432,540	1,048,517	780,382	771,902	821,642
1941	7,370,108	3,471,124	2,052,469	1,417,655	825,616	407,058	820,066	698,077	617,373	430,564
1940	5,340,432	2,129,669	1,147,592	982,017	833,521	360,071	624,253	608,518	447,088	337,392

See footnotes below.

Footnotes for tables 1-4

NOTE.—Calendar year figures, by regions, districts, States, and other areas, for selected types of taxes, may be obtained from the Public Information Division, Internal Revenue Service, Washington, D.C., 20224. Floor stocks taxes are reported separately only during the periods in which the collections are of significant amounts. Relatively small amounts collected in subsequent periods are merged with the amounts shown for the related class of tax.

¹ Less than \$500.
² Revised.

³ The receipts in the various States do not indicate the Federal tax burden of each, since in many instances, taxes are collected in one State from residents of another State. For example, withholding taxes reported by employers located near State lines may include substantial amounts withheld from salaries of employees who reside in neighboring States.

⁴ Includes tax on unrelated business income of exempt organizations.

⁵ Collections of individual income tax not withheld include old-age and disability insurance taxes on self-employment income. Similarly, the collections of income tax withheld are reported in combined amount with old-age and disability insurance taxes on salaries and wages. Estimated separate national totals for individual income tax and for old-age and disability insurance taxes are shown in the text table on p. 7 and are used in obtaining national totals for individual income taxes and employment taxes in table 4. Amounts of old-age and disability insurance tax collections, classified by States, are compiled by the Social Security Administration as a by-product of its wage and income record-keeping operations and are published periodically in the Social Security Bulletin.

⁶ Effective for taxable years beginning after 1960, self-employment tax and taxes imposed by the Federal Insurance Contributions Act are applicable with respect to

Guam and American Samoa. Amounts of such taxes collected in Guam and American Samoa are combined with similar taxes reported for Office of International Operations—Other.

⁷ Beginning with fiscal year 1957, the United States total is adjusted to exclude withheld individual income taxes transferred to the Government of Guam in accordance with the provisions of Public Law 569, approved August 1, 1950 (64 Stat. 392). This adjustment amounted to \$5,810,161 for 1964.

⁸ Includes railroad employment compensation tax and tax on railroad employee representatives.

⁹ Tax payments made to banks, under the depositary receipts system, are included in internal revenue collections for the period in which the depositary receipts are issued. However, such payments are not classified by internal revenue districts (nor by tax subclasses to which excise tax payments relate) until the depositary receipts are received in the internal revenue offices with tax returns. Accordingly, the items shown as "Undistributed depositary receipts" represent the amount of depositary receipts issued, less the amount of depositary receipts received with returns and distributed by district and tax class.

¹⁰ Amounts of taxes collected on Puerto Rican products coming into the United States are covered into the Treasury of Puerto Rico under the provisions of sec. 765(a)(3) of the Internal Revenue Code of 1954. Such amounts are included in overall collections results (tables 1 through 4), beginning with 1955, and are shown separately in table 7.

¹¹ Includes occupational tax on manufacturers of stills, rectifiers, wholesale liquor dealers, retail dealers in liquor or medicinal spirits, and nonbeverage manufacturers of spirits.

¹² Includes seizures, penalties, etc., and tax on stills or condensers manufactured.

¹³ Includes occupational taxes on wholesale and retail dealers in wines or in wines and beer.

Footnotes for tables 1-4—Continued

¹⁴ Includes occupational taxes on brewers and wholesale and retail beer dealers.

¹⁵ Includes taxes on cigarette papers and tubes, court fines, penalties, and taxes on leaf tobacco sold or removed in violation of sec. 5731, Internal Revenue Code.

¹⁶ Issues and transfers of bonds of indebtedness or capital stock, foreign insurance policies, and deeds of conveyance.

¹⁷ Includes taxes on pistols and revolvers; phonograph records; musical instruments; sporting goods; fishing rods, creels, etc.; business and store machines; cameras, lenses, film, and projectors; electric light bulbs and tubes; firearms, shells, and cartridges; mechanical pencils, pens, and lighters; and matches.

¹⁸ Includes taxes on ticket brokers' sales, on leases of boxes or seats, and on admissions sold by proprietors in excess of established prices, as well as general admissions tax.

¹⁹ Transportation of persons: Rate 10 percent; repealed, effective November 16, 1962, except on air transportation which was reduced to 5 percent.

²⁰ Includes taxes on transportation of property and oil by pipeline (repealed, effective August 1, 1958); adulterated and process or renovated butter, filled cheese, and imported adulterated butter and oleomargarine; firearms transfer; and occupational taxes.

²¹ Corporation income tax rates: Effective January 1, 1964, first \$25,000 of net income, normal tax of 22 percent; net income in excess of \$25,000, combined normal and surtax of 50 percent. Normal tax and surtax also apply to net income derived from certain exempt organizations from unrelated trade or business. Prior to January 1, 1964, rates were 30 percent and 52 percent, respectively.

²² Rates of tax are as follows:
Individual income tax: Effective January 1, 1964, graduated rates from 16 percent on taxable income not over \$500 to 77 percent on amounts of taxable income over \$200,000. Prior to January 1, 1964, rates were 30 percent to 91 percent.

²³ Old-age and disability insurance taxes on self-employment taxable income, 5.4 percent for taxable year 1963, and 4.7 percent for taxable year 1962.

²⁴ Rates of tax are as follows:
Income tax withheld: Effective on the seventh day following the enactment of the new Act on February 26, 1964, 14 percent of wages in excess of exemptions.

Prior to the effective date, taxes were withheld at the rate of 18 percent.

²⁵ Old-age and disability insurance taxes on salaries and wages: Employers' and employees' tax each 3½ percent beginning January 1, 1963, and 3¼ percent for 1962, both imposed on taxable portions of wages.

²⁶ Collected by Customs beginning October 1, 1961, as authorized by Part 275.62 of Title 26, Code of Federal Regulations.

²⁷ Issues of stock: 10 cents per \$100 or major fraction thereof of actual value, except that such rate shall be 4 cents per \$100 if issued after April 8, 1960, by a corporation which qualifies as a regulated investment company or a real estate investment trust. Issues of bonds: 11 cents per \$100 face value. Transfers of stock: 4 cents per \$100 or major fraction thereof of actual value; transfers of bonds, 5 cents per \$100 face value. Foreign insurance policies: 1 cent or 4 cents per \$1 of premium. Deeds of conveyance: \$100 to \$500, 55 cents; each additional \$500 or fraction thereof, 55 cents.

²⁸ In the case of certain racetracks, the following rates apply:

Admissions: 1 cent for each 5 cents of amount paid. Ticket brokers' sales: 20 percent of excess charges. Leases of boxes or seats: 20 percent.

²⁹ Narcotics, 1 cent per ounce; narcotics order blanks, \$1 per hundred. Marihuana, \$1 per ounce; marihuana order blanks, 2 cents each. Amounts shown also include occupational taxes levied on manufacturers, dealers, and practitioners. For classes and rates of occupational taxes see table 14.

³⁰ Adulterated butter: 10 cents per pound. Process or renovated butter: ¼ cent per pound. Domestic filled cheese: 1 cent per pound. Imported filled cheese: 8 cents per pound. Imported adulterated butter and oleomargarine: 15 cents per pound. Occupational taxes are levied on manufacturers or dealers in these products and are included in the amounts shown.

³¹ Transfers of machineguns, short-barreled firearms, silencers, etc., \$200 each; certain guns with combination shotgun and rifle barrels, and other special types of firearms, \$5 each. Occupational taxes are levied on manufacturers, importers, or dealers in firearms and are included in the amounts shown.

Table 5.—Internal revenue refunds including interest
(In thousands of dollars)

Internal revenue regions, districts, States, and other areas (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Total (1)	Corporation income (2)	Individual income and employment taxes		Estate (5)	Gift (6)	Excise ¹ (7)
			Excessive prorations (3)	Other (4)			
United States, total²	7,203,978	868,229	6,688,685	202,106	24,733	728	229,696
Southeast region	708,589	48,588	622,462	16,296	1,288	90	17,748
Atlanta (Georgia)	110,999	7,122	96,356	2,236	230	6	4,868
Birmingham (Alabama)	17,607	1,797	17,607	1,872	100	1	1,797
Columbia (South Carolina)	55,773	2,767	51,027	694	143	13	1,125
Greensboro (North Carolina)	120,102	11,197	101,607	1,629	201	34	5,434
Jackson (Mississippi)	43,385	2,374	36,687	785	33	1	2,374
Jacksonville (Florida)	194,325	14,542	170,311	7,365	542	30	1,334
Nashville (Tennessee)	96,890	6,789	85,652	1,764	144	6	2,946
Northwest region	485,897	59,487	373,580	9,434	1,383	71	2,946
Augusta (Maine)	29,872	1,543	25,872	58	4	1	531
Boston (Massachusetts)	228,783	27,286	192,004	4,242	1,393	29	3,830
Burlington (Vermont)	12,634	447	9,870	260	6	1	247
Hartford (Connecticut)	126,465	23,634	94,954	2,818	1,706	30	3,923
Portland (New Hampshire)	23,134	2,574	19,550	723	102	3	208
Providence (Rhode Island)	46,837	3,574	30,370	685	103	1	103
Midwest region	1,097,778	134,443	792,840	27,008	3,404	100	69,482
Chicago (Illinois)	18,376	463	12,866	647	48	(*)	4,351
Chicago (See (b) below)	33,487	55,889	236,218	9,311	796	25	9,448
Des Moines (Iowa)	18,534	1,571	16,562	92	383	8	1,566
Fargo (North Dakota)	17,405	878	11,408	495	84	(*)	4,540
Milwaukee (Wisconsin)	133,728	10,238	115,289	2,527	293	8	5,353
Omaha (Nebraska)	42,636	3,769	32,654	98	12	7	3,769
St. Louis (Missouri)	150,286	15,431	116,928	3,962	692	7	13,266
St. Paul (Minnesota)	144,321	17,177	113,638	3,366	586	29	9,125
Springfield (See (b) below)	85,186	6,206	69,277	891	18	1	6,206
Central region	1,017,729	129,064	830,840	26,407	1,528	109	70,762
Cincinnati (See (d) below)	152,504	19,946	124,075	3,173	368	5	4,936
Cleveland (See (d) below)	259,038	35,119	210,356	9,906	38	38	12,604
Detroit (Michigan)	339,740	58,050	264,012	7,548	254	47	9,929
Indianapolis (Indiana)	146,350	8,103	128,073	3,261	624	16	8,662
Louisville (Kentucky)	74,688	3,551	64,392	1,771	82	2	3,551
Parkburg (West Virginia)	44,030	3,295	39,452	949	94	(*)	2,440
Southeast region	785,448	121,688	678,288	33,131	1,493	114	23,341
Albuquerque (New Mexico)	37,228	1,855	28,589	726	96	11	2,880
Austin (See (f) below)	211,579	68,423	131,616	4,986	273	50	3,821
Cheyenne (Wyoming)	11,311	1,617	5,612	10	10	10	644
Dallas (See (f) below)	141,517	12,687	114,898	9,852	216	29	3,836
Denver (Colorado)	75,137	5,298	64,299	1,842	101	8	6,242
Little Rock (Arkansas)	37,464	1,405	33,300	1,318	78	(*)	3,363
New Orleans (Louisiana)	98,937	19,888	75,172	2,571	172	1	1,132
Oklahoma City (Oklahoma)	14,454	4,585	63,516	4,573	148	12	5,221
Wichita (Kansas)	71,998	5,978	57,286	2,364	422	7	5,942
New York region	828,436	185,990	639,078	18,793	5,146	49	18,379
Albany (See (c) below)	63,709	7,693	54,028	656	401	3	918
Brooklyn (See (c) below)	256,123	15,219	230,825	726	726	2	4,874
Buffalo (See (c) below)	160,373	9,075	141,580	1,502	1,502	20	5,038
Manhattan (See (c) below)	348,232	154,004	172,545	10,493	2,518	23	9,549
Mid-Atlantic region	1,023,322	161,431	861,120	23,336	2,813	102	38,437
Baltimore (Maryland and D.C.)	170,865	13,527	143,135	4,649	486	32	9,035
Newark (New Jersey)	278,528	29,175	228,871	5,799	990	30	14,063
Philadelphia (See (e) below)	270,610	30,826	220,620	6,257	890	6	9,011
Pittsburgh (See (e) below)	149,765	12,007	133,319	3,071	244	31	1,092
Richmond (Virginia)	134,065	8,537	118,685	2,716	177	3	3,548
Wilmington (Delaware)	16,780	2,160	13,490	823	193	1	288
Western region	1,373,878	132,882	1,192,488	43,872	8,307	84	37,743
Anchorage (Alaska)	10,660	746	9,206	578	3	1	179
Boise (Idaho)	22,727	1,095	18,360	1,208	1	1	1,560
Helena (Montana)	20,431	689	17,399	857	3	1	1,451
Honolulu (Hawaii)	32,761	4,389	26,609	954	508	(*)	302
Los Angeles (See (a) below)	634,864	57,906	553,451	18,621	1,193	11	3,841
Phoenix (Arizona)	58,492	4,739	50,679	2,296	151	1	636
Portland (Oregon)	66,819	4,584	57,953	2,934	190	2	1,156
Reno (Nevada)	22,567	1,166	19,959	1,748	68	1	126
Salt Lake City (Utah)	38,708	1,348	35,897	1,084	8	(*)	371
San Francisco (See (a) below)	341,007	26,605	297,169	9,375	1,174	53	6,630
Seattle (Washington)	123,341	9,319	105,761	4,577	1,979	16	1,689
Office of International Operations	40,954	862	34,688	4,092	134	(*)	22
Puerto Rico	5,703	3	5,427	259	194	(*)	14
Other	34,252	858	29,459	3,832	194	(*)	9
Bureau of Customs	4,447						1,447
Totals for States not shown above							
(a) California	975,871	84,511	850,662	27,996	2,367	64	10,272
(b) Illinois	417,684	61,894	325,495	11,113	288	44	18,150
(c) New York	828,436	185,990	599,078	18,793	5,146	49	19,379
(d) Ohio	411,512	55,065	334,911	12,979	573	43	7,940
(e) Pennsylvania	420,375	42,834	388,939	8,389	1,134	37	6,103
(f) Texas	553,197	81,110	446,514	17,348	489	79	7,657

¹ Includes drawbacks and stamp redemptions.² Figures have not been reduced to reflect reimbursements from the Federal Old-Age and Survivors and Federal Disability Insurance Trust Funds amounting to \$165,600,000 in 1964 and \$139,425,000 in 1963; from the Highway Trust Fund amounting to \$126,637,000 in 1964 and \$126,319,000 in 1963; and from the Unemployment Trust Fund amounting to \$4,291,000 in 1964 and \$3,097,000 in 1963.³ Net of \$4,870 undeliverable checks totaling \$3,636,000. ⁴ Less than \$500.

Table 6.—Number of returns filed, by internal revenue regions, districts, States, and other areas

Internal revenue regions, districts, States, and other areas (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Total (1)	Individual income tax ¹ (2)	Corporation income tax ² (3)	Partnership ³ (4)	Declarations of estimated tax and all other income taxes ⁴ (5)	Employment taxes ⁵ (6)	Estate tax ⁶ (7)	Gift tax ⁷ (8)	Excise taxes ⁸ (9)
United States, total	100,066,188	64,292,895	1,567,400	983,512	7,645,649	21,783,220	87,339	107,172	1,928,061
Southeast region	14,933,833	2,488,584	148,797	106,773	639,318	4,101	13,068	445,141	485,141
Atlanta (Georgia)	1,176,850	1,176,850	14,844	844	500,323	1,026	1,923	64,652	64,652
Birmingham (Alabama)	1,362,458	874,109	12,454	11,555	65,435	342,533	613	1,208	54,551
Columbia (South Carolina)	2,238,450	1,429,164	32,034	14,211	405,785	1,411	692	241	692
Greensboro (North Carolina)	778,830	465,698	7,944	9,131	37,240	213,066	1,217	2,081	87,337
Jackson (Mississippi)	2,907,585	1,765,264	54,749	25,124	208,530	451	3,355	44	61,677
Jacksonville (Florida)	1,100,218	16,011	19,550	8,143	470,369	838	1,254	76,085	114,081
Nashville (Tennessee)	6,180,843	4,180,445	109,855	38,808	848,690	1,271,633	6,948	7,891	238,774
Augusta (Maine)	545,077	349,743	7,190	408	121,585	480	558	24,385	24,385
Boston (Massachusetts)	3,100,818	2,059,200	54,940	29,129	869,129	2,766	3,881	83,851	181,851
Burlington (Vermont)	227,505	135,893	3,012	2,091	16,004	58,540	204	195	11,566
Hartford (Connecticut)	1,610,434	1,036,214	27,119	12,976	321,717	1,543	2,140	56,347	56,347
Portland (New Hampshire)	247,816	147,816	5,801	2,801	65,778	359	1,857	359	1,857
Providence (Rhode Island)	492,180	330,999	10,982	2,659	37,441	97,273	391	458	16,967
Midwest region	15,430,302	9,831,810	181,283	176,480	1,288,680	1,228,791	18,483	17,238	625,689
Chicago (South Dakota)	300,696	234,431	3,816	7,710	92,723	2,768,418	4,979	52,534	652,247
Chicago (See (b) below)	4,322,110	2,863,905	60,280	43,389	427,988	801,591	4,327	5,761	120,369
Des Moines (Iowa)	1,560,247	959,718	14,793	24,399	357,322	2,391	1,641	67,516	67,516
Fargo (North Dakota)	1,210,266	54,316	4,421	16,353	82,931	2,713	993	18,323	18,323
Milwaukee (Wisconsin)	2,237,457	1,413,321	31,845	50,440	199,138	456,526	2,034	2,542	111,511
Omaha (Nebraska)	848,411	520,686	8,448	11,890	60,674	197,807	1,317	1,727	45,042
St. Louis (Missouri)	3,325,475	1,902,048	32,034	25,064	487,200	1,919,845	1,750	2,927	91,577
St. Paul (Minnesota)	1,829,769	1,188,550	23,515	21,469	130,174	382,084	1,785	1,423	80,769
Springfield (See (b) below)	1,551,631	998,455	12,176	19,028	118,725	334,721	2,053	1,485	64,988
Central region	15,430,302	9,831,810	181,283	176,480	1,288,680	1,228,791	18,483	17,238	625,689
Cincinnati (See (d) below)	2,048,326	1,364,361	24,397	17,067	137,816	402,756	1,603	2,212	70,458
Cleveland (See (d) below)	2,048,326	1,364,361	24,397	17,067	137,816	402,756	1,603	2,212	70,458
Detroit (Michigan)	3,583,857	2,538,994	41,474	37,380	287,288	608,424	2,391	3,265	128,756
Indianapolis (Indiana)	2,422,300	1,532,766	28,346	20,044	161,062	586,483	1,155	2,996	167,817
Louisville (Kentucky)	1,379,086	898,639	11,827	17,147	78,777	312,602	922	1,158	57,020
Parkburg (West Virginia)	408,723	267,108	5,221	3,925	43,954	176,548	390	467	42,510
Southeast region	15,430,302	9,831,810	181,283	176,480	1,288,680	1,228,791	18,483	17,238	625,689
Albuquerque (New Mexico)	450,884	293,649	4,571	9,361	101,020	204	582	20,854	20,854
Austin (See (f) below)	2,671,531	1,659,462	28,789	28,738	166,332	648,390	1,673	3,031	133,118

Table 7.—Internal revenue tax collected in Puerto Rico on manufactured products coming into the United States, by objects of taxation

Objects of taxation	As of June 30—	
	1964	1963
Total.....	45,153	42,465
Distilled spirits.....	38,310	36,524
Distilled spirits, rectification tax.....	672	979
Wine.....	(*)	32
Beer.....	14	32
Cigars, large:		
Class A.....	(*)	(*)
Class B.....		1
Class C.....	598	467
Class D.....	110	7
Class E.....	3,453	2,869
Class F.....	1,677	1,480
Class G.....	118	107
Cigars, small.....		
Cigarettes, large.....		
Cigarettes, small.....		
Manufactured tobacco (chewing, smoking, and snuff).....	(*)	(*)

* Less than \$500.

Note.—Amounts of taxes collected in Puerto Rico on tobacco and liquor manufactures coming into the United States are covered into the Treasury of Puerto Rico under the provisions of section 7552(a)(3) of the Internal Revenue Code of 1954. Such amounts are included in overall collections results (Tables 1 through 4), beginning with 1955.

Table 8.—Establishments qualified to engage in the production, distribution, storage, or use of alcohol and alcoholic liquors

Class of establishment	As of June 30—	
	1964	1963
Distilled spirits plants:		
Plants (net number).....	355	360
Facilities:		
Production.....	176	188
Warehousing.....	267	267
Bottling in bond.....	60	59
Denaturing.....	48	48
Taxpaid bottling.....	148	144
Rectifying.....	128	125
Denatured and tax-free products (dealers, users, etc.):		
Dealers in specially denatured alcohol and denatured rum.....	43	42
Users of specially denatured alcohol and denatured rum.....	3,680	3,685
Reprocessors, rebottlers, etc., of specially denatured alcohol articles.....	1,104	1,122
Users of tax-free alcohol.....	7,484	7,476
Beer: Breweries.....	199	198
Wines:		
Bonded wine cellars.....	438	448
Taxpaid wine bottling houses.....	99	103
Vinegar: Vinegar factories using vaporizing process.....	3	4
Beverage dealers:		
Importers.....	1,857	1,806
Wholesale dealers in liquors.....	3,713	3,772
Wholesale dealers in beer.....	7,077	7,133
Retail dealers in liquors.....	277,635	282,351
Retail dealers in beer.....	145,165	145,651
Other:		
Manufacturers of nonbeverage products (drawback).....	881	918
Fruit-flavor concentrate plants.....	47	46
Bottle manufacturers.....	109	107

Table 9.—Establishments qualified to handle tobacco materials, or to engage in the production or exportation of tobacco products and cigarette papers and tubes

Class of establishment	As of June 30—	
	1964	1963
Manufacturers of tobacco products.....	480	505
Manufacturers of cigarette papers and tubes.....	4	4
Dealers in tobacco materials.....	2,062	2,112
Tobacco export warehouses.....	147	128

Table 10.—Permits relating to distilled spirits under chapter 51, Internal Revenue Code, 1954

Status	Total	Section 5171, I. R. Code		Section 5271, I. R. Code			
		Distilled spirits plants	Dealers in specially denatured alcohol	Specialty denatured alcohol	Specialty denatured rum	Tax-free alcohol	
(1)	(2)	(3)	(4)	(5)	(6)		
In effect July 1, 1963.....	11,406	209	42	3,637	26	7,472	
Issued.....	598	25	5	309	1	258	
Terminated, total.....	594	31	4	311	2	246	
Revoked.....	1						
Otherwise terminated.....	593	31	4	310	2	246	
In effect June 30, 1964.....	11,410	203	43	3,655	25	7,484	
Amended.....	591	14	8	204		365	

* Revised.

Table 11.—Permits for operations relating to alcoholic beverages under the Federal Alcohol Administrative Act

Status	Grand total	Distilled spirits plants ¹				Wine producers and blenders	Wine blenders	Importers	Wholesalers
		Total ²	Distillers	Warehousing and bottling	Rectifiers				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
In effect July 1, 1963.....	13,621	483	203	212	149	377	56	1,805	10,900
Issued.....	1,466	32	16	23	23	39	5	246	1,144
Terminated, total.....	1,571	70	30	23	21	44	9	194	1,254
Revoked.....	3							1	2
Otherwise terminated.....	1,568	70	30	23	21	44	9	193	1,252
In effect June 30, 1964.....	13,516	445	189	212	151	372	52	1,857	10,790
Amended.....	1,413	252				77	3	254	827

¹ Excludes permits for Customs manufacturing bonded warehouses since such establishments are not required to qualify as distilled spirits plants.² Column (2) does not represent the sum of (3), (4), and (5) since one permit may cover more than one activity.

* Revised.

Table 12.—Permits relating to tobacco, under chapter 52, Internal Revenue Code, 1954

Status	Total	Manufacturers of tobacco products	Export warehouse proprietors
(1)	(2)	(3)	
In effect July 1, 1963.....	633	505	128
Issued.....	77	43	34
Terminated, total.....	83	68	15
Revoked.....	83	68	15
Otherwise terminated.....			
In effect June 30, 1964.....	627	480	147
Amended.....	71	45	26

Table 13.—Label activity under Federal Alcohol Administration Act

Type of label	Applications acted upon			
	Total	Certificates issued		Disapproved
	(1)	Approval	Exemptions	(4)
(2)	(3)	(4)		
Grand total.....	50,805	48,738	958	1,109
Distilled spirits, total.....	21,099	20,579	16	504
Domestic.....	19,291	18,846	16	429
Imported.....	1,808	1,733		75
Wines, total.....	27,126	25,619	942	565
Domestic.....	7,849	6,823	942	84
Imported.....	19,277	18,796		481
Malt beverages, total.....	2,580	2,540		40
Domestic.....	1,917	1,906		11
Imported.....	663	634		29

Table 14.—Number of occupational tax stamps issued, covering fiscal year 1964, or portion thereof, by class of tax and by internal revenue regions, districts, and States

Internal revenue regions, districts, and States (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Total number of occupational tax stamps issued	Distilled spirits									
		Manu- factur- ers of stills, \$35	Rectifiers		Retail dealers			Manufacturers of non- beverage products			
			Less than 20,000 proof gallons, \$110	20,000 proof gallons or more, \$220	Wholesale dealers, \$255	At large, \$54	Medi- cinal spirits, \$54	Not exceed- ing 25 gallons, \$25	Not exceed- ing 50 gallons, \$50	More than 50 gallons, \$100	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
United States, total	1,183,458	314	40	85	2,838	247,052	473	1,262	72	100	758
Southeast region	114,488		1	2	221	9,380	32	8	34	18	3
Atlanta (Georgia)	14,709			1	37	1,510		2	10	1	
Birmingham (Alabama)	9,830				3	1,511					
Columbia (South Carolina)	13,681				14	947					
Greensboro (North Carolina)	16,857				49	173		7	4		
Jackson (Mississippi)	11,448				21	1,162					
Jacksonville (Florida)	28,813		1	1	23	4,336			3		
Nashville (Tennessee)	18,142				29	721		2	1		
Northwest region	68,069	3	8	10	187	16,443	2	545	7	6	20
Augusta (Maine)	6,394				1	402					
Boston (Massachusetts)	28,241	3	2	5	110	7,761		545	3	4	45
Burlington (Vermont)	2,791				1	480					
Hartford (Connecticut)	18,614		1	2	3	5,153					
Portsmouth (New Hampshire)	4,602				1	534					
Providence (Rhode Island)	5,418				23	1,821					
Midwest region	205,179	5	6	7	434	44,852	254	433	15	9	183
Aberdeen (South Dakota)	5,780				16	972					
Chicago (See (b) below)	48,188	2	1	4	140	15,411	1	2	6	6	71
Des Moines (Iowa)	18,310				12	2,317					
Fargo (North Dakota)	4,174				3	1,054					
Milwaukee (Wisconsin)	45,548		1		91	13,732	2	374	1	1	11
Omaha (Nebraska)	9,956				12	1,830	64				
St. Louis (Missouri)	28,819	4	3		55	5,919	143	4	2	1	39
St. Paul (Minnesota)	23,567				28	2,720	6	32	2	1	14
Springfield (See (b) below)	19,830				70	5,027					
Central region	174,779	15	6	2	424	46,958	48	39	7	8	83
Cincinnati (See (d) below)	23,364				137	6,277					
Cleveland (See (d) below)	40,573				198	11,004					
Detroit (Michigan)	54,014				154	15,456	10	15	3	2	15
Indianapolis (Indiana)	24,608				20	5,335					
Louisville (Kentucky)	15,720	3	2	14	80	2,018	19				
Parkburg (West Virginia)	13,500				31	1,278					
Southeast region	139,292	6	1	1	282	16,928	58	200	6	10	38
Albuquerque (New Mexico)	4,672				28	1,387					
Austin (See (f) below)	40,780				34	2,121					
Chattanooga (Tennessee)	2,969				1	703					
Dallas (See (f) below)	17,573	4			37	1,643	10	2	1	1	10
Denver (Colorado)	12,148				20	2,606	47	195			
Little Rock (Arkansas)	8,387				9	767					
New Orleans (Louisiana)	25,107		1		76	5,274			1	2	8
Oklahoma City (Oklahoma)	13,523				17	949					
Wichita (Kansas)	13,863				31	1,278					
New York region	136,298	22	4	4	149	28,141	34	2	12	28	112
Albany (See (c) below)	16,880	13	1	1	10	4,915	13		6	24	9
Brooklyn (See (c) below)	39,414	3	1	2	35	6,704	11		1	10	11
Buffalo (See (c) below)	36,679	5			28	9,205					
Manhattan (See (c) below)	37,293	1			78	7,317					
Mid-Atlantic region	174,779	43	10	10	187	40,958	158	8	8	8	144
Baltimore (Maryland and D.C.)	30,572		2	6	53	5,807	75	1	3	2	18
Newark (New Jersey)	40,832	28	7	3	63	13,551	18		1	2	73
Philadelphia (See (e) below)	90,965	11	1	0	51	12,301	2		2	5	55
Pittsburgh (See (e) below)	29,076	2		1	2	8,273		3	1	1	10
Richmond (Virginia)	19,590				9	181					
Wilmington (Delaware)	2,300				9	845	24				
Western region	181,971	17	10	22	835	48,545	6	44	9	7	104
Anchorage (Alaska)	2,152				14	737					
Boise (Idaho)	6,336				1	651					
Helena (Montana)	6,633				1	1,613					
Honolulu (Hawaii)	3,906		3		28	1,103		1	6	5	45
Los Angeles (See (a) below)	56,420		1	6	223	15,943					
Phoenix (Arizona)	9,572				63	2,646					
Portland (Oregon)	13,935				70	1,333					
Reno (Nevada)	4,948				24	1,300					
Salt Lake City (Utah)	5,972				1	132		42			
San Francisco (See (a) below)	50,888	15	6	13	263	14,544			1	2	48
Seattle (Washington)	22,431	2		1	143	5,543			2		3
Totals for States not shown above											
(e) California	107,408	15	7	21	486	30,487	5	1	7	5	93
(d) Illinois	66,018	5	1	6	210	20,438	1		12	6	80
(c) New York	136,298	22	4	4	149	28,141	34	2	12	28	112
(f) Ohio	63,937	8	1	3	335	17,281	19	3	6	5	39
(e) Pennsylvania	80,041	18	1	9	55	20,574	2	4	3	5	63
(f) Texas	56,353	5			71	2,764	10	3	2	1	22

Table 14.—Number of occupational tax stamps issued, covering fiscal year 1964, or portion thereof, by class of tax and by internal revenue regions, districts, and States—Continued

Internal revenue regions, districts, and States (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Wines						Beer					Temporary dealers in liquor (wines or beer), \$2.25 per month
	Wholesale dealers		Retail dealers		Brewers		Wholesale dealers		Retail dealers			
	Wines, \$255	Wines and beer, \$255	Wines, \$54	Wines and beer, \$54	Less than 500 barrels, \$55	500 barrels or more, \$110	Wholesale dealers, \$123	Retail dealers, \$24	Retail dealers at large, \$24			
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)		
United States, total	120	569	176	33,865	2	200	7,948	143,743	285	6,968		
Southeast region	16	139	22	8,715	7	2	493	23,880	83	3		
Atlanta (Georgia)	1	15		708			59	1,564				
Birmingham (Alabama)	3	30		1,482			61	2,657				
Columbia (South Carolina)		30		1,482			34	3,522		40		
Greensboro (North Carolina)	10	30	73	1,878			73	4,256				
Jackson (Mississippi)		64	3	102			68	3,038				
Jacksonville (Florida)				4,454	5		107	3,985		3		
Nashville (Tennessee)							91	4,478		26		
Northwest region	3	28	2	863	7		174	6,732		428		
Augusta (Maine)							51	2,581				
Boston (Massachusetts)		3		96	5	27	139	7		188		
Burlington (Vermont)	1	23	2	840			3	167				
Hartford (Connecticut)				5			54	2,247		236		
Portsmouth (New Hampshire)							1	1,383				
Providence (Rhode Island)		2		10			10	33				
Midwest region	6	64	10	139	64	1	3,942	23,483	23	1,678		
Aberdeen (See (b) below)							54	1,353		15		
Chicago (See (b) below)	3	1	1	1	4		239	285		50		
Des Moines (Iowa)				96			178	4,412	3			
Fargo (North Dakota)							1	316		8		
Milwaukee (Wisconsin)				8		30	442	4,075		565		
Omaha (Nebraska)							2	1,151		5		
St. Louis (Missouri)	2	62	5	2			135	4,184	13	362		
St. Paul (Minnesota)	1	3	3			12	312	7,360	7	219		
Springfield (See (b) below)				16		4	140	265		89		
Central region	15	133	28	10,427	2	28	789	7,462	2	888		
Cincinnati (See (d) below)	4	14	5	1,463		1	70	230		1		
Cleveland (See (d) below)	4	5	10	3,438		7	109	542		285		
Detroit (Michigan)	5	112	5	3,060	2	7	134	170		245		
Indianapolis (Indiana)		2	5	2,116			5	46		5		
Louisville (Kentucky)	1						5	118		2		
Parkersburg (West Virginia)				362			1	2,248		170		
Southeast region	4	35	4	4,434	13	1	1,944	32,164	21	148		
Albuquerque (New Mexico)	1			1			3	15				
Austin (See (f) below)	1	7	3	3,530		6	437	15,011		29		
Chattanooga (Tennessee)							52	101		47		
Dallas (See (f) below)				638			152	3,142	10	32		
Denver (Colorado)						3	69	1,177	20	8		
Little Rock (Arkansas)	2	28		218		37	1,525			285		
New Orleans (Louisiana)				14		3	99	3,784		12		
Oklahoma City (Oklahoma)				5		1	103	4,866	1	17		
Wichita (Kansas)							92	3,543		45		
New York region	42	4	13	167	13	14	883	29,478	56	798		
Albany (See (c) below)	7			65		4	89	3,162		23		
Brooklyn (See (c) below)	3			17		7	191	8,883	50	50		
Buffalo (See (c) below)	31	1	9	71		1	211	6,582		525		
Manhattan (See (c) below)	3	63					102	6,751		70		
Mid-Atlantic region	13	51	1	3,980	39	2	2,288	7,833	83	1,277		
Baltimore (Maryland and D.C.)		1		545		6	135	2,060		718		
Newark (New Jersey)	5		1			6	164	262		594		
Philadelphia (See (c) below)	3					1	1,065	1,081	82	4		
Pittsburgh (See (e) below)	2			6		7	792	474		1		
Richmond (Virginia)	3	47		3,428	2	82	3,978			45		
Wilmington (Delaware)									1			
Western region	23	133	25	6,962	29	644	16,223	6	1,173			
Anchorage (Alaska)							17	32				
Boise (Idaho)							66	1,556		3		
Helena (Montana)						3	81	563		5		
Honolulu (Hawaii)		1	2	30			9	26		2		
Los Angeles (See (a) below)						4	130	5,742		139		
Phoenix (Arizona)				467		1	9	401		4		
Portland (Oregon)		21		1,926		59	1,682			135		
Reno (Nevada)						1	132			11		
Salt Lake City (Utah)						41	1,235		1	11		
San Francisco (See (a) below)	23	80	20	2,553	2	6	180	3,609	5	810		
Seattle (Washington)		7	3	72		35	1,243			24		
Totals for States not shown above												
(a) California	23	80	20	2,553		12	310	9,351	5	948		
(b) Illinois	3	3	2	20		12	379	550		887		
(c) New York	42	4	13	167		14	593	25,478	50	708		
(d) Ohio	8	19	15	4,899		15	178	5,153		15		
(e) Pennsylvania	5			6		25	1,897	1,525		15		
(f) Texas	1	7	3	4,168		6	569	18,153	10	61		

Table 14.—Number of occupational tax stamps issued, covering fiscal year 1964, or portion thereof, by class of tax and by internal revenue regions, districts, and States—Continued

Internal revenue regions, districts, and States (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Narcotics					Marihuana				
	Manufacturers, importers, and compounders of opium, etc., \$24	Wholesale dealers, \$12	Retail dealers, \$3	Practitioners, \$1	Dealers in unrefined preparations, \$1	Manufacturers, \$24	Dealers, \$3	Producers and millers, \$1	Practitioners, \$1	Laboratories, \$1
	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)
United States, total	540	1,511	15,798	394,478	1,403	412	8	7	1	63
Southwest region	8	151	7,392	30,841	198	36			1	1
Albuquerque (New Mexico)		45	1,209	4,681	10	3				
Albany (See (c) below)		12	967	2,244	10	3				
Birmingham (Alabama)		1	652	2,402	5	2				
Columbia (South Carolina)		13	1,069	4,990	125	13				
Greensboro (North Carolina)		9	506	2,138	12	2				
Jackson (Mississippi)		28	1,685	8,139	12	6				
Jacksonville (Florida)		4	32	1,174	4,747	24	9			
Nashville (Tennessee)		7	64	3,469	22,069	62	47			
Northwest region	7	64	3,469	22,069	62	47				
Augusta (Maine)		5	261	1,440	1	1				
Boston (Massachusetts)		32	1,848	11,695	14	29				
Burlington (Vermont)		2	96	519						
Hartford (Connecticut)		15	958	5,781	11	12				
Portsmouth (New Hampshire)		1	3	165	985	2	1			
Providence (Rhode Island)		1	3	165	985	2	1			
Midwest region	25	172	8,448	41,912	189	50	2	2	1	25
Abideen (South Dakota)		3	240	755	2	2				
Chicago (See (b) below)		6	37	2,435	12,544	34				
Des Moines (Iowa)		28	802	3,797	31	6				
Fargo (North Dakota)		3	198	732						
Omaha (Nebraska)		3	18	1,151	6,143	6	3			
St. Louis (Missouri)		12	31	1,340	6,922	51	13			
St. Paul (Minnesota)		23	995	5,560	6	3				
Springfield (See (b) below)		2	19	720	3,226	25				
Central region	29	177	7,499	39,641	143	49	3	3	10	2
Cincinnati (See (d) below)		5	31	1,119	5,953	27	13			
Cleveland (See (d) below)		8	12	568	9,949	27	14			
Detroit (Michigan)		12	55	2,344	12,248	48	11			
Indianapolis (Indiana)		3	26	1,315	5,855	30	8			
Louisville (Kentucky)		1	9	379	2,053	11	3			
Parkburg (West Virginia)		4	133	7,183	32,398	78	18			
Southwest region	4	133	7,183	32,398	78	18				
Albuquerque (New Mexico)		3	296	1,151	10	4				
Austin (See (f) below)		2	1,542	7,512	17	4				
Cheyenne (Wyoming)		2	34	1,406	6,644	16	1			
Dallas (See (f) below)		2	34	1,406	6,644	16	1			
Denver (Colorado)		2	24	687	3,684	7				
Little Rock (Arkansas)		5	5	587	2,087	6	1			
New Orleans (Louisiana)		1	16	1,029	4,501	3	5			
Oklahoma City (Oklahoma)		14	14	859	3,383	13	2			
Wichita (Kansas)		1	6	644	2,914	4				
New York region	17	78	6,078	42,679	892	89	1	1	8	1
Albany (See (c) below)		1	8	546	3,153	57	6			
Brooklyn (See (c) below)		6	26	2,431	14,856	112	11			
Buffalo (See (c) below)		2	13	1,235	8,102	228	11			
Manhattan (See (c) below)		8	31	1,858	16,448	195	31			
Mid-Atlantic region	38	138	945	43,669	292	96	1	1	7	4
Baltimore (Maryland and D.C.)		3	28	1,204	7,625	5	10			
Newark (New Jersey)		10	28	1,921	11,037	31	32			
Philadelphia (See (e) below)		19	4	2,544	13,077	58	35			
Pittsburgh (See (e) below)		1	9	1,254	5,991	10	8			
Richmond (Virginia)		5	10	912	5,166	184	6			
Wilmington (Delaware)		2	130	664	4	3				
Western region	15	218	7,651	63,882	82	58	1	1	8	7
Anchorage (Alaska)		1	42	216						
Boise (Idaho)		2	238	946						
Helena (Montana)		4	254	994						
Honolulu (Hawaii)		11	98	2,619	21,732	22	2			
Los Angeles (See (a) below)		9	466	2,283						
Portland (Oregon)		2	17	596	3,327	7	3			
Reno (Nevada)		5	142	518						
Salt Lake City (Utah)		11	283	1,505						
San Francisco (See (a) below)		1	36	1,871	15,350	17	19			
Seattle (Washington)		1	27	1,036	4,997	3				
Totals for States not shown above										
(a) California	12	134	4,490	37,082	45	21	1	1	4	6
(b) Illinois	36	56	135	15,804	59	41				1
(c) New York	17	78	6,070	42,579	592	59	1	1	8	1
(d) Ohio	13	73	2,604	15,012	54	27		2	9	4
(e) Pennsylvania	20	50	3,798	19,068	88	43	1			
(f) Texas	2	62	2,948	14,156	33	5				

Table 14.—Number of occupational tax stamps issued, covering fiscal year 1964, or portion thereof, by class of tax and by internal revenue regions, districts, and States—Continued

Internal revenue regions, districts, and States (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	National Firearms Act					Coin-operated devices, billiard, pool, and bowling alley premises					Adulterated, process or renovated butter, and filled cheese	Wagering, \$50
	Manufacturers or Importers		Pawn-brokers, Class 3, \$300	Dealers, other than pawn-brokers, Class 4, \$200	Dealers, Class 5, \$10	Billiard or pool room and bowling alley premises, \$20 per table or alley	Amusement device premises, \$10 per device	Gaming device premises, \$250 per device				
	Class 1, \$500	Class 2, \$25										
	(33)	(34)	(35)	(36)					(37)	(38)			(39)	(40)	(41)	(42)
United States, total.	18	8	2	60	94	50,320	287,343	28,310	69	7,468		
Southwest region.												
Atlanta (Georgia)				2	23	3,839	34,128	8,299	19	435		
Birmingham (Alabama)						554	3,524	581		43		
Columbia (South Carolina)						333	1,970		1	45		
Greensboro (North Carolina)						419	2,468		1,613	36		
Jackson (Mississippi)					5	867	3,155			19		
Jacksonville (Florida)					2	294	2,888		985	99		
Nashville (Tennessee)				2	7	755	6,037		47	18		
Nashville (Tennessee)					6	586	4,084	2,029		139		
Northwest region.												
Augusta (Maine)					3	1,873	12,284	253		337		
Boston (Massachusetts)					3	217	1,418					
Burlington (Vermont)						736	4,871	200		67		
Hartford (Connecticut)					2	646	3,386		35	9		
Portsmouth (New Hampshire)						163	890	12		246		
Providence (Rhode Island)						111	1,451			15		
Midwest region.												
Abideen (South Dakota)				13	3	13,344	62,884	1,478		299		
Chicago (See (b) below)					5	1,635	5,940			18		
Des Moines (Iowa)						1,616	4,981			11		
Fargo (North Dakota)						376	3,381	15		22		
Milwaukee (Wisconsin)					2	3,388	15,488		1	10		
Omaha (Nebraska)					1	773	3,039		129	39		
St. Louis (Missouri)					1	1,402	8,820		474	15		
St. Paul (Minnesota)					1	834	5,298		48	13		
Springfield (See (b) below)						1,291	8,284	307		86		
Central region.												
Cincinnati (See (d) below)				8	29	10,868	48,199	6,898	34	1,243		
Cleveland (See (d) below)					3	766	5,940	589	10	41		
Detroit (Michigan)				7	7	2,569	11,351	231		154		
Indianapolis (Indiana)				2	2	5,284	14,085		17	7		
Louisville (Kentucky)				2	7	1,005	6,386	1,312		54		
Parkburg (West Virginia)					2	699	4,407	1,798		177		
Southwest region.												
Albuquerque (New Mexico)				2	17	527	4,407	1,351	1	269		
Austin (See (f) below)					2	146	1,595	22		6		
Cheyenne (Wyoming)					1	1,449	8,864		16	125		
Dallas (See (f) below)						1,035	236			26		
Denver (Colorado)					2	632	3,145			9		
Little Rock (Arkansas)						509	2,692			163		
New Orleans (Louisiana)					1	366	2,764		2	824		
Oklahoma City (Oklahoma)					9	544	6,706	2,594		425		
Wichita (Kansas)					1	469	2,518	196		196		
New York region.												
Albany (See (c) below)				8	3	1,868	22,893			41		
Brooklyn (See (c) below)						303	4,463			13		
Buffalo (See (c) below)						452	3,450			45		
Manhattan (See (c) below)						1,104	9,223			2		
Mid-Atlantic region.												
Baltimore (Maryland and D.C.)				14	15	319	3,887			45		
Newark (See (e) below)						8,288	49,138	5,560		494		
Philadelphia (See (e) below)						421	7,423	3,709		90		
Pittsburgh (See (e) below)					3	2,740	10,075			93		
Richmond (Virginia)					7	366	2,764			824		
Wilmington (Delaware)					1	4	1,382	9,941		741		
Western region.												
Anchorage (Alaska)						900	4,201			417		
Boise (Idaho)						60	452			2		
Helena (Montana)					10	4,672	36,796	9,223		8,948		
Honolulu (Hawaii)						86	618			161		
Los Angeles (See (a) below)						258	1,609			3		
Portland (Oregon)						203	2,025			570		
Reno (Nevada)						1,162	189			3		
Salt Lake City (Utah)						1,402	8,198			11		
San Francisco (See (a) below)						265	2,343			22		
Seattle (Washington)						516	3,140			15		
						78	1,047			124		
						182	1,274			632		
						894	10,565			11		
						587	4,685	1,907		2,096		
Totals for States not shown above												
(a) California	4	1		15	2	2,296	18,783	36	4	2		
(b) Illinois				8	1	32,078	125,589	48	2	16		
(c) New York	2	1		6	1	2,178	23,033	2		6		
(d) Ohio	1	1		10	3	3,335	17,791	820	11	13		
(e) Pennsylvania				2	8	3,339	17,791	820	11	13		
(f) Texas			2	1	8	2,081	12,009	28	16	13		

Table 15.—Appellate Division receipts and dispositions of protested income, profits, estate, and gift tax cases prior to issuance of statutory notice of deficiency (pre-90-day cases)

A. Progress of work				
Status	Number of cases (1)	Amount stated in revenue agent's report (thousand dollars)		
		Deficiency in tax (2)	Penalty (3)	Overassessment (4)
Pending July 1.....	12,653	836,261	42,048	159,471
Received.....	21,494	844,744	25,351	125,265
Disposed of, total.....	18,616	596,912	29,554	92,444
By agreement.....	14,189	415,071	19,279	85,799
Unagreed overassessments and claim rejections.....	459	122	24	5,123
By issuance of statutory notices—transferred to 90-day status.....	3,968	181,719	10,251	1,522
Pending June 30.....	15,531	1,084,093	37,845	192,292

B. Results obtained in dispositions

Method	Number of cases (1)	Appellate determination (thousand dollars)		
		Deficiency in tax (2)	Penalty (3)	Overassessment (4)
Disposed of, total.....	18,616	328,100	14,354	95,483
By agreement.....	14,189	141,555	6,681	90,454
Unagreed overassessments and claim rejections.....	459	45	3	3,956
By issuance of statutory notice—transferred to 90-day status.....	3,968	186,500	7,670	1,072

Table 16.—Appellate Division receipts and disposition of protested income, profits, estate, and gift tax cases in which statutory notices of deficiency were outstanding (90-day cases)

A. Progress of work				
Status	Number of cases (1)	Amount stated in statutory notice (thousand dollars)		
		Deficiency in tax (2)	Penalty (3)	Overassessment (4)
Pending July 1.....	1,159	52,170	4,366	266
Received, total.....	4,377	214,213	8,016	982
Statutory notices issued by Appellate Division.....	3,775	185,998	7,679	966
Statutory notices issued by district directors and received during 90-day period.....	592	27,215	337	16
Disposed of, total.....	4,146	194,934	9,538	971
By agreement.....	953	41,299	297	148
By taxpayer default.....	1,165	76,545	1,679	196
By petition to the Tax Court—transferred to docketed status.....	2,028	127,090	7,562	628
Pending June 30.....	1,390	71,445	2,844	277

¹ Difference from table 15—transferred to 90-day status—is caused by cases being combined or split for the purpose of issuing the statutory notice, cases in transit, etc.

B. Results obtained in dispositions

Method	Number of cases (1)	Appellate determination (thousand dollars)		
		Deficiency in tax (2)	Penalty (3)	Overassessment (4)
Disposed of, total.....	4,146	184,835	9,472	1,021
By agreement.....	953	31,200	231	197
By taxpayer default.....	1,165	76,545	1,679	196
By petition to the Tax Court—transferred to docketed status.....	2,028	127,090	7,562	628

Table 17.—Appellate Division receipts and dispositions of income, profits, estate, and gift tax cases petitioned to the Tax Court (docketed cases)

A. Progress of work				
Status	Number of cases (1)	Amount petitioned (thousand dollars)		
		Deficiency in tax (2)	Penalty (3)	Overassessment (4)
Pending July 1.....	8,631	952,047	94,681	9,384
Received, total.....	5,614	379,420	29,366	1,115
Petitions filed in response to— District directors' statutory notices.....	3,767	254,429	22,274	457
Appellate Division's statutory notices.....	1,847	124,991	7,092	658
Disposed of, total.....	6,265	487,159	28,339	8,394
By stipulated agreement.....	5,002	386,722	22,889	2,848
By dismissal by the Tax Court or taxpayer default.....	328	5,183	626	2
Tried before the Tax Court on the merits.....	935	95,254	4,824	5,543
Pending June 30.....	7,980	844,308	95,708	2,105

¹ Difference from table 16—transferred to docketed status—is caused by excluding district directors' statutory notices considered by Appellate in 90-day status, cases in transit, etc.

B. Results obtained in dispositions

Method	Number of cases (1)	Appellate determination (thousand dollars)		
		Deficiency in tax (2)	Penalty (3)	Overassessment (4)
Disposed of, total.....	6,265	194,078	11,682	16,488
By stipulated agreement.....	5,002	95,227	6,441	10,943
By dismissal by the Tax Court or taxpayer default.....	328	3,597	417	2
Tried before the Tax Court on the merits.....	935	95,254	4,824	5,543

¹ Represents amounts petitioned. Results as to decisions rendered by Tax Court during the year are shown in table 19.

Table 18.—Office of Chief Counsel—Processing of income, profits, estate, and gift tax cases in the Tax Court

Status	Number of cases (1)	Amount in dispute (thousand dollars)		
		Deficiency		Overpayment (4)
		Tax (2)	Penalty (3)	
Pending July 1.....	9,948	829,489	96,930	141,421
Filed or reopened.....	5,690	377,228	30,894	22,236
Disposed of.....	6,160	357,400	24,959	84,658
Pending June 30.....	9,478	845,316	102,866	79,000

¹ For analysis of disposals, see table 19.

Table 19.—Office of Chief Counsel—Results obtained in income, profits, estate, and gift tax cases disposed of in the Tax Court

Basis of closing	Number (1)	Amount in dispute		Amount approved		Percent saved or recovered	
		Deficiency and penalty (2)	Overpayment (3)	Deficiency and penalty (4)	Overpayment (5)	Deficiency and penalty (6)	Overpayment (7)
Total.....	6,160	382,359	84,658	132,671	8,581	34.7	89.9
Dismissed.....	346	2,847	4	2,842	(*)	92.8	89.0
Decision on merits.....	657	47,714	7,659	24,844	1,203	52.1	84.3
Agreed settlement.....	4,947	331,799	76,995	105,184	7,378	31.7	90.4

*Less than \$500.

Table 20.—Office of Chief Counsel—Receipt and disposal of Tax Court cases in courts of appeals and in Supreme Court

Status	In courts of appeals				In Supreme Court			
	Number of cases	Amount in dispute (thousand dollars)		Amount approved (thousand dollars)	Number of cases	Amount in dispute (thousand dollars)		Amount approved (thousand dollars)
		Deficiency and penalty	Over-payment			Deficiency and penalty	Over-payment	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Pending July 1, total.....	593	31,719	738		3	496		
Appealed by Commissioner.....	155	3,174	3					
Appealed by taxpayers.....	411	20,589	205		3	496		
Appealed by both.....	27	7,956	530					
Appealed, total.....	349	38,375	142		6	138	(*)	
By Commissioner.....	73	6,832	23		6	138	(*)	
By taxpayers.....	270	23,809	116					
By both.....	6	7,735	3					
Disposed of, total.....	512	26,222	596	16,130	20	3	496	496
Favorable to Commissioner.....	223	15,446	519	15,353	9	3	496	496
Favorable to taxpayers.....	92	6,144	75		12			
Modified.....	27	1,660		612				
Settled.....	5	480		165				
Dismissed.....	165	2,491	3					
Pending June 30, total.....	430	43,872	283		6	138		
Appealed by Commissioner.....	54	6,505	22		6	138		
Appealed by taxpayers.....	364	28,423	252					
Appealed by both.....	12	7,944	9					

* Less than \$500.

Table 21.—Office of Chief Counsel—Receipt and disposal of suits filed by taxpayers in Federal courts and actions by the United States for recovery of erroneous refunds

Status	Total	Refund suits (other than alcohol, tobacco, and fire-arms taxes) ¹		Perpetuation of testimony and damage actions	Erroneous refunds
		Court of Claims	District courts		
		(1)	(2)			(3)	(4)	(5)
Pending July 1:					
Cases.....	3,249	471	2,747	7	24
Amount in dispute.....	401,809	233,108	167,262	12	1,427
Received:					
Cases.....	1,514	152	1,342	10	10
Amount in dispute.....	126,505	61,587	64,400	33	485
Disposed of:					
Cases.....	1,618	160	1,437	11	10
Amount in dispute.....	137,033	77,736	59,087		210
Refunded:					
Amount.....	45,058	22,629	22,429		
Percent of amount disposed of.....	32.88	29.11	37.96		
Pending June 30:					
Cases.....	3,145	463	2,652	6	24
Amount in dispute.....	391,281	216,959	172,575	45	1,702

¹ The number of cases disposed of does not agree with the number of cases in which decisions were rendered by these courts during the year, due to settlement by stipulation, dismissals, and time required for retrial, recomputation of tax, etc. In the Court of Claims, the number of decisions was 36, of which 14 were for the Government, 15 against the Government, and 7 partly for and partly against the Government. In the district courts 452 decisions were rendered, of which 227 were for the Government, 180 against the Government, and 45 partly for and partly against the Government. For decisions by the courts of appeals and Supreme Court, see Table 22.

Table 22.—Office of Chief Counsel—Decisions of courts of appeals and Supreme Court in civil tax cases

Court	Total	For the Government	Against the Government	Partly for and partly against the Government
	(1)	(2)	(3)	(4)
Total.....	524	348	139	37
By courts of appeals, total.....	520	344	139	37
Originally tried in—				
Tax Court.....	372	251	93	28
District courts.....	148	93	46	9
By Supreme Court, total.....	4	4		
Originally tried in—				
Tax Court.....	3	3		
District courts.....	1	1		

Note.—Except for Supreme Court cases, the cases covered by tables 24 and 25 are not included.

Table 23.—Office of Chief Counsel—Receipt and disposal of collection, injunction, summons, and disclosure cases

Status	Number of cases
Pending July 1.....	1,467
Received.....	2,045
Total.....	3,512
Disposed of.....	1,808
Pending June 30.....	1,704

Note.—This table includes cases handled at national and regional levels which are under consideration for suit or are in suit in Federal and State courts. It does not include cases relating to alcohol, tobacco, and firearms taxes, nor to insolvency and debtor proceedings (table 24), or appeal and other cases which are included in table 25.

Table 24.—Office of Chief Counsel—Receipt and disposal of insolvency and debtor proceedings

Status	Total	Reorganization proceedings ¹	Bankruptcy and Receivership proceedings ²	Miscellaneous insolvency proceedings ³
	(1)	(2)	(3)	(4)
Pending July 1.....	2,079	1,170	484	425
Received.....	3,328	1,606	1,210	512
Total.....	5,407	2,776	1,694	937
Disposed of.....	3,337	1,732	1,095	510
Pending June 30.....	2,070	1,044	599	427

¹ Proceedings instituted under the following section or chapters of the Bankruptcy Act: Sec. 77 (railroad reorganizations) and chs. X (Corporate reorganizations), XI (arrangements as to unsecured indebtedness), XII (real property arrangements), and XIII (wage earners' plans), which involve tax claims and other rights and interests of the United States.

² Bankruptcy liquidation proceedings and Federal or State receivership proceedings which involve tax claims of the United States.

³ Proceedings relating to corporate dissolutions, insolvent banks, assignments for the benefit of creditors, or administration of estates of decedents, which involve tax claims of the United States.

Note.—Includes cases handled at national and regional levels.

Table 25.—Office of Chief Counsel—Receipt and disposal of miscellaneous court cases, lien cases not in court, non-court collection litigation cases, and appeal cases

Status	Total	Miscellaneous court cases ¹	Lien cases not in court ²	Noncourt collection litigation cases ³	Appeal cases ⁴
	(1)	(2)	(3)	(4)	(5)
Pending July 1.....	1,283	293	110		175
Received.....	6,614	779	2,183	705	289
Total.....	7,897	1,072	2,293	4,068	464
Disposed of.....	6,617	725	2,187	3,418	287
Pending June 30.....	1,280	347	106	650	177

¹ Includes suits for foreclosure by mortgagees or other secured creditors, and suits to quiet title to which the United States is made a party.

² Primarily applications for discharge of property from tax liens.

³ Primarily memorandums on collection litigation matters from regional counsel to district directors which are not related to court proceedings or lien cases.

⁴ Includes cases in Federal and State appellate courts relating to insolvency and debtor proceedings, lien cases in court, and collection, summons, and injunction cases.

Note.—Includes cases handled at national and regional levels.

Table 26.—Office of Chief Counsel—Caseload report

Activity	Pending July 1 (1)	Receipts (2)	Disposals (3)	Pending June 30 (4)
Total.....	22,434	27,637	28,766	21,305
Administration.....	102	245	144	203
Alcohol and Tobacco Tax.....	463	4,882	4,770	575
National Office.....	92	1,116	1,069	139
Field.....	371	3,766	3,701	436
Collection Litigation.....	4,829	12,103	11,878	5,054
National Office.....	595	857	1,156	306
Field.....	4,234	11,236	10,722	4,748
Enforcement.....	2,956	1,493	2,345	2,104
National Office.....	80	86	92	74
Field.....	2,876	1,407	2,253	2,030
Interpretative Division.....	202	761	755	208
Joint Committee Division.....	89	592	579	102
Refund Litigation Division.....	3,249	1,514	1,618	3,145
Tax Court ¹	10,544	6,047	6,677	9,914
National Office.....	596	355	515	436
Field.....	9,948	5,692	6,162	9,478

¹ Nondocketed cases not included.

Table 27.—Obligations incurred by the Internal Revenue Service

(In thousands of dollars)

Internal revenue office, district, or region	Total	Personnel compensation and benefits	Travel	Equipment	Other
(1)	(2)	(3)	(4)	(5)	(6)
A. National Office and regional totals (including district directors' offices and service centers)					
Total Internal Revenue Service ¹	549,692	479,055	17,272	12,060	41,305
National Office	64,109	34,820	2,118	5,881	21,290
Southeast region	54,309	48,575	2,230	529	2,975
Northeast region	32,493	29,483	764	277	1,970
Midwest region	71,063	63,069	2,155	948	2,899
Central region	60,462	55,923	1,894	793	1,852
Southwest region	49,771	44,757	2,141	975	1,898
New York region	60,014	56,348	818	964	2,399
Mid-Atlantic region	67,357	62,716	1,599	714	1,883
Western region	71,084	64,212	2,297	894	3,681
Regional council	7,802	7,802	184	63	167
Regional inspection	6,625	5,534	866	8	8
Office of Information Operations	4,525	4,211	226	16	72
B. Regional commissioners' offices (excluding district directors' offices and service centers)					
Southeast region	9,670	7,937	508	106	1,120
Northeast region	3,308	3,308	125	35	241
Midwest region	6,979	6,041	247	145	546
Central region	1,830	1,584	168	79	179
Southwest region	9,343	8,336	333	220	554
Omaha (Southwest region)	4,992	4,356	214	94	329
New York region	245	212	25	9	9
Mid-Atlantic region	6,664	6,131	115	50	378
Western region	9,991	8,713	316	202	760
Western region	7,441	6,533	275	183	349
C. Regional costs undistributed					
Southeast region	289		289		
Northeast region	141		141		(*)
Midwest region	184		184		
Central region	236		236		
Southwest region	236		236		25
New York region	125		125		
Mid-Atlantic region	177		177		
Western region	460		377		83
D. District directors' offices and service centers					
Southeast:					
Atlanta	5,866	5,431	210	70	155
Birmingham	4,077	3,792	146	23	115
Columbia	2,807	2,612	105	18	71
Greensboro	6,403	5,951	255	44	153
Jackson	2,468	2,275	114	15	84
Jacksonville	9,532	9,108	410	95	319
Nashville	5,284	4,848	176	77	185
Chamblee Service Center	7,512	6,621	17	80	794
Northeast:					
Augusta	1,785	1,663	67	11	44
Boston	11,031	10,471	187	83	290
Burlington	923	849	38	9	27
Hartford	6,179	5,870	128	35	146
Portsmouth	1,264	1,181	37	10	36
Providence	2,076	1,980	24	21	51
Lawrence Service Center	5,165	3,961	17	72	1,135
Midwest:					
Aberdeen	1,415	1,345	88	51	30
Chicago	18,946	17,920	228	517	1,201
Des Moines	4,821	4,460	187	64	109
Fargo	1,243	1,130	76	7	30
Minneapolis	6,662	6,216	181	110	155
Omaha	3,015	2,812	100	17	86
Springfield	5,259	4,876	208	59	125
St. Louis	7,189	6,531	208	153	197
Kansas City	1,825	1,713	87	24	24
St. Paul	6,197	5,878	174	18	127
Kansas City Service Center	5,495	4,562	19	41	873
Central:					
Cincinnati	7,387	6,945	174	114	154
Cleveland	11,524	10,919	270	90	246
Detroit	14,528	13,722	330	112	365
Indianapolis	7,685	7,240	216	74	155
Louisville	4,763	4,414	181	49	119
Parkburg	2,948	2,713	124	23	88
Cincinnati Service Center	1,449	1,135	29	112	172

See footnotes at end of table.

Table 27.—Obligations incurred by the Internal Revenue Service—Continued

(In thousands of dollars)

Internal revenue office, district, or region	Total	Personnel compensation and benefits	Travel	Equipment	Other
(1)	(2)	(3)	(4)	(5)	(6)
D. District directors' offices and service centers—Continued					
Southwest:					
Albuquerque	1,973	1,797	87	14	74
Austin	9,474	8,709	366	132	267
Cheyenne	1,044	942	65	5	31
Dallas	9,354	8,614	372	155	213
Denver	4,167	3,819	116	115	118
Little Rock	2,739	2,437	168	39	86
New Orleans	5,331	4,954	134	112	131
Oklahoma City	4,357	4,064	153	30	110
Wichita	4,319	3,656	148	33	243
Austin Service Center	1,496	959	40	245	252
New York:					
Albany	3,617	3,400	88	18	111
Brooklyn	15,133	14,145	131	422	435
Buffalo	6,938	6,531	166	29	212
Syracuse	1,792	1,711	48	33	33
Manhattan	25,625	24,519	139	446	721
Puerto Rico	119	110	6	(*)	3
Mid-Atlantic:					
Baltimore	9,814	9,433	149	21	211
Camden	1,946	1,855	49	1	32
Newark	12,365	11,830	162	92	282
Philadelphia	12,745	12,239	228	25	254
Pittsburgh	8,297	7,849	155	127	166
Scranton	1,353	1,299	30	20	25
Richmond	5,871	5,450	238	142	142
Wilmington	1,531	1,468	29	10	23
Philadelphia Service Center	3,268	2,572	45	215	434
Western:					
Anchorage	824	715	67	5	36
Boise	1,543	1,407	66	13	58
Butte	1,677	1,510	97	22	48
Honolulu	1,613	1,523	39	11	40
Los Angeles	20,896	19,602	467	91	736
Phoenix	2,807	2,604	80	20	93
Portland	4,112	3,859	114	25	114
Reno	1,747	1,497	123	26	101
Salt Lake City	1,832	1,680	47	16	62
San Francisco	14,610	13,371	322	437	481
Seattle	6,094	5,695	181	16	202
San Francisco Regional Training Center	51	51		9	12
Ogden Service Center	5,356	4,656	32	21	1,248

¹ Includes \$1,210,551 financed from reimbursements.² Does not include \$1,493,440 rental transfer to General Services Administration.

(*) Less than \$500.

Table 28.—Obligations incurred by Internal Revenue Service, by activity

(In thousands of dollars)

Activity	Total		Personnel compensation and benefits		Other	
	1964	1963	1964	1963	1964	1963
Total obligations.....	549,692	500,804	479,055	440,542	70,637	60,262
Revenue accounting and returns processing:						
Total.....	141,664	123,086	110,824	100,008	30,840	23,078
Districts' manual operations.....	84,176	83,210	71,570	70,899	12,606	12,311
Service center automated operations.....	46,205	31,304	29,823	22,406	16,382	8,898
Statistical reporting.....	4,628	4,320	3,900	3,256	728	1,064
Internal audit and security.....	3,513	2,299	2,929	1,882	584	417
Executive direction.....	3,142	1,953	2,602	1,565	540	388
Securing and maintaining compliance with tax laws:						
Total.....	408,028	377,718	368,231	340,534	39,797	37,184
Audit of tax returns.....	202,363	184,867	187,086	171,429	15,277	13,438
Collection of delinquent accounts and securing delinquent returns.....	93,581	86,387	83,379	76,948	10,202	9,539
Tax fraud and special investigations.....	29,257	26,577	25,065	22,815	4,232	3,762
Alcohol and tobacco tax regulatory work.....	33,428	32,139	27,691	26,395	5,737	5,744
Taxpayer conferences and appeals.....	18,464	17,101	17,389	16,087	1,075	1,014
Rulings, technical planning, and special technical services.....	8,590	7,836	7,803	7,085	787	751
Legal services.....	13,199	12,713	12,250	11,678	949	1,035
Internal audit and security.....	4,807	5,451	4,608	4,466	799	985
Executive direction.....	4,299	4,647	3,560	3,731	739	916

Note.—1963 amounts shown include \$398,000 earned reimbursements and \$151,000 for the Director of Practice. They do not include appropriation transfer to GSA for rent of space amounting to \$930,000. 1964 amounts shown include

\$1,211,000 earned reimbursements. They do not include appropriation transfer to GSA for rent of space amounting to \$1,493,000.

Table 29.—Quantity and cost statistics for printing

Class of work	1964			1963		
	Quantity (thousands)		Cost (thousand dollars)	Quantity (thousands)		Cost (thousand dollars)
	Items or sets (1)	Packages (2)		Items or sets (4)	Packages (5)	
Total.....			9,654			8,850
Packages of tax returns and instructions for major mailings to taxpayer, total.....	441,489	79,921	1,258	411,597	69,918	1,208
Package 1 (Form 1040 and instructions—16 pages).....	55,136	18,379	255	50,145	16,715	218
Package 2 (Form 1040, Schedules B, D, 1040ES, and instructions—28 pages).....	148,442	18,555	410	136,320	17,040	400
Package 3 (Form 1040, Schedules B, C, D, 1040ES, and instructions—40 pages).....	67,539	6,144	200	77,726	7,966	237
Package 4 (Form 1040, Schedules B, D, F, 1040ES, and instructions—40 pages).....	33,049	3,004	104	31,625	2,875	102
Package 5 (Form 1065, Schedule D, and instructions—16 pages).....	5,358	1,072	18	5,180	1,036	15
Package 6 (Form 1120, Schedule D, and instructions—24 pages).....	6,123	1,225	29	5,625	1,125	28
Package 7 (Form 1040A, instructions, and return envelope).....	54,124	27,062	132	40,000	20,000	95
Employment tax package—Pub. 393 (Forms-7018, 941a, W-2, W-4, and Pub. 213—28 pages).....	71,668	4,480	110	64,976	4,061	93
Other tax returns, instructions, public-use forms, and pamphlets.....	1,510,536		4,094	1,283,354		3,982
Administrative forms and pamphlets.....	501,513		3,010	531,863		2,452
Field printing.....	113,070		415	100,300		368
Excise tax stamps.....	1,976,798		877	1,944,922		840

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