



**the  
commissioner  
of  
internal  
revenue**



**nineteen sixty-eight  
annual report**

**for the fiscal year ended June 30, 1968**

**Internal Revenue Service/U.S. Treasury Department**



US Treasury Department

Commissioner  
**Internal Revenue Service**  
Washington, DC 20224

Hon. HENRY H. FOWLER  
*Secretary of the Treasury*  
Washington, D.C. 20220

Dear Mr. Secretary:

I welcome the opportunity and the privilege of presenting to you the Annual Report of the Internal Revenue Service for the fiscal year 1968.

The workload of the Service mirrors the burgeoning economy of our nation and so it is to be expected that, in terms of volume, last year's records have been surpassed in many areas. The following are illustrative of the impact: Receipts rose to \$153.6 billion, up \$5.3 billion; refunds totaled \$11.4 billion, a \$1.8 billion increase; returns filed reached 107.6 million, a gain of 2.2 million; revenue from delinquent returns totaled \$293.1 million, \$30.5 million higher; tax increases from mathematical verification of returns were \$266.8 million, up \$59.2 million; and the number of taxpayers assisted substantially increased.

The unprecedented build-up of the Service's workload in recent years underscores the wisdom of automating our returns processing operations. Yet the completion of a nationwide ADP network last year did not make it possible to cope fully with the massive and evergrowing document handling operations confronting us. Consequently, we have had to explore ways and means to further raise productivity in processing returns, mainly through intensifying our research effort. Among other avenues of exploration, our search led to a direct data entry system which has been successfully field tested. Designed to bypass traditional data transcription methods, the direct data entry system holds great promise of achieving substantial savings in transcription time as well as eliminating the need for punch cards. Tangible progress was also made in developing a practical long-range plan for an automatic data processing system capable of satisfying requirements of the future.

As it has throughout my term of office, taxpayer service continued to receive priority attention in 1968. Illustrative of noteworthy developments were: A new individual income tax return, Form 1040X, which offers a simple means for taxpayers to amend their original income tax returns and helps the Service expedite refunds on overpayment returns; a significant increase in revenue rulings published—from 415 to 602—marking the second successive year that a substantial gain occurred; and issuance of refunds within a period of 3 to 5 weeks to nearly all of the individuals who overpaid their taxes—the most successful refunding season in our history.

Much of the progress attained through improved tax administration during fiscal year 1968 is not quantifiable. This is particularly true in such activities as planning, protecting the integrity of the Service, recruitment and training, facilities management services, and public relations. I believe, however, that after reading the attached report, you will share with me a belief that the accomplishments in 1968 attest to the efficiency, effectiveness, and fairness of the Service's employees.

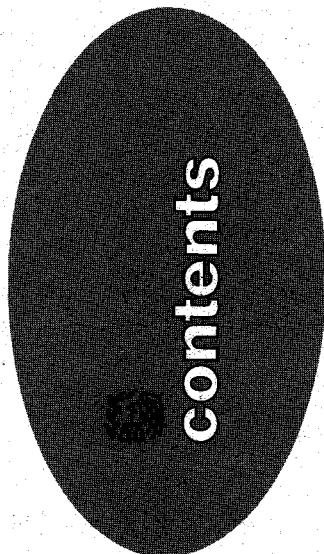
With kind regards,

Sincerely,

SHELDON S. COHEN,  
*Commissioner of Internal Revenue.*

## **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.



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mission  
of the  
service

**Notes:** All yearly data are on a fiscal year basis, unless otherwise specified. For example, data headed "1968" pertain to the fiscal year ended June 30, 1968, and "July 1" inventory items under this heading reflect inventories as of July 1, 1967. In many tables and charts, figures have been rounded and may not add to the totals which are based on unrounded figures.

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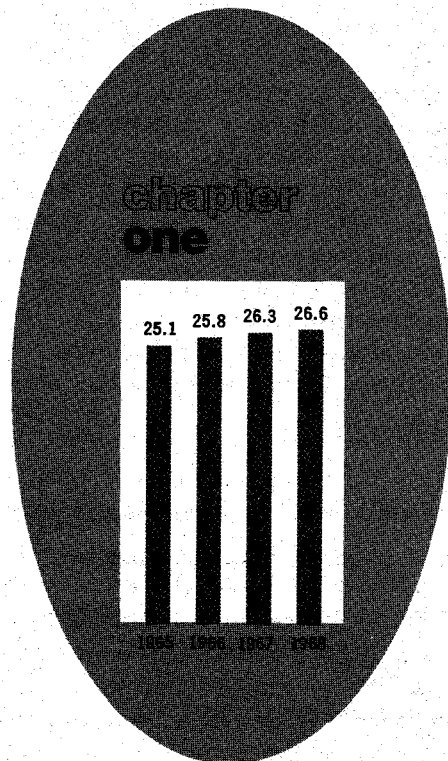
**report  
on  
operations**

**highlights**

Millions

| Item                              | 1967        | 1968        | Percent change |
|-----------------------------------|-------------|-------------|----------------|
| Gross collections                 | \$148,374.8 | \$153,636.8 | 3.5            |
| Refunds:                          |             |             |                |
| Number                            | 49.0        | 51.9        | 5.9            |
| Amount                            | \$9,630.9   | \$11,420.6  | 18.6           |
| Returns filed                     | 105.4       | 107.6       | 2.1            |
| Returns examined                  | 3.1         | 2.9         | -6.6           |
| Additional tax from enforcement   | \$2,833.0   | \$2,929.8   | 3.4            |
| Delinquent taxes collected, total | \$1,552.3   | \$1,521.9   | -2.0           |

\* Revised.



**Taxpayers Assisted**  
(Millions)

## Informing and Assisting Taxpayers

### Introduction

While the self-assessment basis of the American income tax system always has linked the taxpayer and the Internal Revenue Service inextricably together, the conversion of processing operations into a nationwide computer network has created an even closer relationship. Throughout the Commissioner's term of office, the Service has campaigned for mutual taxpayer-Service understanding and support. Never before in history have so many millions of people, anywhere, on their own initiative, calculated and paid taxes on such a scale and with such relatively few expressions of discontent, opposition, or difficulty.

### How IRS and the Taxpayer Interrelate

The Service was able to convey some of its philosophy of tax administration in a "Personal Letter" to American taxpayers with the annual distribution of Form 1040 in December. Alongside rights and obligations of taxpayers were listed some of those of the Internal Revenue Service: Evenhanded, reasonable, and courteous treatment of taxpayers; vigorous enforcement; and prompt action on taxpayer problems.

The system rests on a reciprocity of obligations and of assistance. With the help of taxpayers' views, whether gained individually or indirectly through liaison groups, the Service has sought to better serve the taxpayer and to make tax compliance as easy as it can be, in the knowledge that taxpayers will, in turn, cooperate fully in the joint endeavor of achieving fair, prompt, and economical tax administration.

### Satisfying the Public's Need-to-Know

In keeping with the President's program of budgetary restraint, every means was sought to meet the public's increasing demand for tax information at the least expense. The need to exercise ingenuity in finding inexpensive means to accomplish program objectives was stressed throughout the year, both in National Office planning and in field office operations.

Two examples of getting the job done effectively and economically are the annual TV half-hour presentation on how-to-file and a new 30-minute

film on automatic data processing, intended for tax practitioners—both items prepared at minimum cost through the use of considerable footage previously available.

Tax information was provided to private firms and commercial banks for use in customer service booklets and commercial bank newspaper advertisements, thereby reaching new and larger audiences of taxpayers. Also, tens of millions of taxpayers were served throughout the year, but especially during the filing period, by articles and feature stories providing tax return guidance in books, magazines, and newspapers (including question-and-answer columns in more than half of all dailies).

Other devices used to get maximum information coverage economically included district practitioner newsletters; periodic meetings at the district, regional, and National Office levels with legal and accounting liaison groups; and exhibits at conventions and fairs. Altogether, district offices published more than 5,000 different public information documents.

In addition to the materials distributed at the initiative of the Service, information was supplied in response to more than 40,000 direct inquiries from mass media and other sources.

## **Importance of Accuracy Emphasized**

Since the benefits of computer processing are lost to the extent incorrect information is fed into the machines, avoiding errors on tax returns is of critical importance. Accordingly, the error prevention campaign was greatly expanded in 1968.

In addition to providing TV and radio information about avoidable errors, the importance of accuracy on returns was stressed in news releases, magazine articles, question-and-answer columns, and on some 50,000 mail truck posters. The basic theme was that errors on returns inevitably delay refunds. The secondary message was a warning that the error frequency rate increases towards the close of the filing period, hence early filing is advantageous to taxpayers as well as to the Service.

To gain and hold public attention throughout the filing period, error rates were computed on a weekly basis for the five principal types of individual and business taxpayer errors: Use of wrong tax table, faulty arithmetic, missing attachments (W-2's and schedules), omitted or incorrect social security number, and failure to sign. In the business area, the most common errors were: Missing or incorrect business code, omitted identification number, and mis-

takes in arithmetic. By having these error rates regularly available, district offices were able to select for publicity the rates of greatest local concern and potential improvement.

## **Public Attention Directed to Audit Issues**

A new area of public information activity during the past filing period included four critical audit issues: Dependency exemptions, interest payments, contributions, and medical expenses. On each subject information packages were prepared and distributed to field offices for local release. By concentrating public attention on the areas of most frequent taxpayer misunderstanding and uncertainty, the greatest numerical gain can be made in acceptable returns; with improvement in the overall quality of returns, the time of examiners is correspondingly freed for the audit of more serious return deficiencies.

## **How the Public Can Help the Service Centers**

Another public information program introduced during the 1968 filing period revolved around six points on which taxpayer cooperation is of direct assistance to regional service centers in streamlining operations. News releases suggested: (1) filing returns in March (rather than April); (2) allowing 6 weeks for refund processing; (3) using of peel-off address labels; (4) sending payments for separate purposes on separate checks; (5) entering social security numbers on checks; and (6) matching joint, or separate, tax estimate returns with joint, or separate, use of Form 1040 or 1040A.

## **Broadcast and Film Assistance Multiplied**

The increasing reliance of the American people on TV and radio as information sources was reflected in expanded Service use of these media. Nine out of every ten TV stations and three out of every four radio stations in the country made use of the spots, slides, program inserts, and interview tapes developed in Washington for nationwide use. These dealt with the basics of how-to-file and changes in the tax laws, as well as reminders about common return errors and misunderstandings. These shorter presentations, intended for both network and individual station use, were supplemented by the annual how-to-file feature, narrated this year by the actor, E. G. Marshall.

District offices reported almost 4,000 locally origi-

nated TV and radio broadcasts and approximately 5,200 showings of Service films before civic groups and at theaters and schools. A new TV program was introduced this year following the filing period. Live 2-minute programs in color were made available to provide information on three principal subjects of taxpayer interest: reasons for refund delays, the audit process, and household servant taxes.

### Public Reading Rooms

The public reading rooms opened in the National Office and in the seven regional offices in June 1967, served more than 300 visitors, and provided more than 3,000 page copies of official documents during the fiscal year. For a list of reading rooms by location, see page 74.

## Year-Round Service to Taxpayers Increases for Fourth Consecutive Year

Year-round service to taxpayers who seek such help increased for the fourth consecutive year when 26.6 million taxpayers telephoned or visited Internal Revenue Service offices. This was 300,000 (1.2 percent) more than last year. Telephone inquiries continued to comprise the bulk of the total with 17 million (64 percent) taxpayers serviced in this way. While certainly sizeable, this nevertheless was a fractional decline of 0.6 percent from the record number of taxpayers who telephoned last year. On the other hand, more than 9.6 million taxpayers, almost 5 percent more than last year, visited Service offices.

### Taxpayer Service Representatives Spearheading Public Service Activities

In 1968 the Service concluded a 3-year program of selection and special training of approximately 900 taxpayer service representatives for the specific purpose of aiding and providing year-round service to taxpayers in 493 Service office locations. As a further aid, some 57 taxpayer service representatives provided itinerant service at 141 office locations not staffed with permanent taxpayer service personnel. The use of these employees on certain publicized days of the week has avoided the inconvenience previously experienced by taxpayers who visited or called the office only to find all technical employees out on official business. In addition, this service has

conserved the costly expenditure of technical time utilized in providing such services.

### Taxpayers served

| Type                            | 1967       | 1968       | Percent change |
|---------------------------------|------------|------------|----------------|
| Total taxpayers served .....    | 26,267,833 | 26,581,624 | 1.2            |
| Telephone service.....          | 17,095,801 | 17,000,993 | -0.6           |
| Service to office visitors..... | 9,172,032  | 9,580,631  | 4.5            |

### Early Detection of Taxpayer Problems and Up-to-Date Information Aids Taxpayers

The taxpayer inquiry sampling program, begun on January 1, 1967, continued to be used during 1968. This program serves as the primary device for detecting nationwide taxpayer problems. Inquiries are accumulated during taxpayers' requests for information and subsequently reviewed by management to determine the need for corrective actions. The top 25 taxpayer inquiries are consolidated and analyzed to determine areas requiring special clarification. As a direct result of this program, the forms package mailed annually to individual taxpayers now contains: Sales and gas tax tables; clarification of mailing addresses; an indexing system oriented to taxpayer interest; and more specific explanation of high interest areas. Data from this program are also translated into news releases; question-and-answer columns for newspapers; training materials for personnel performing taxpayer service functions; new public-use documents; and recommendations for special publications.

It is vitally important that personnel who aid taxpayers be up-to-date on current tax matters. Many questions identified under the taxpayer inquiry sampling program concern new tax legislation and tax law changes. Information on these and other Federal tax issues needed by Service personnel to provide citizens with current tax information is announced in a special internal information system entitled "TAXNEWS". Through this rapid information system, initiated in February 1967, personnel servicing taxpayers are informed of pertinent tax issues within a one-to-two day period.

### Steps Initiated to Further Improve Taxpayer Service

Recently, some significant steps were taken to increase Service effectiveness. All procedural matters affecting taxpayers who telephone or visit one of the more than 800 office locations are being consolidated into one Internal Revenue Manual chapter. This, in turn, is providing a taxpayer inquiry referral system



for processing taxpayer problems which could not be resolved at the point of contact. This new procedure enables taxpayers to initiate immediate action on their problem at any Service office regardless of the location where they filed their return. As a further part of this effort, clearance services provided departing aliens have also been included under general taxpayer service program activities. This, together with the reorganization of certain district office operating units, will bring the supervisory aspects of the taxpayer service program under the control of a single management activity.

## Tax Return Forms and Form Letters Activity Continues High

The success of the self-assessment system rests largely upon the quality of the tax return forms and related instructions which provide the primary direct line of communication between the Service and the Nation's taxpayers. Accordingly, the Service gave continued attention to forms improvement, with the result that activity remained high. The retroactive features of the Revenue and Expenditure Control Act of 1968, which was passed in June, also made it essential that many forms, instructions, and information notices be placed in taxpayers' hands within a short period of time.

The principal other developments which brought about the need for new or revised forms were:

- (1) Changes in the rules for making tax deposits,
- (2) Changes in the social security laws,
- (3) Changes which extended centralized filing, and
- (4) Changes in the law and rules relating to the interest equalization tax.

On June 10, 1968, copies and details of the new format of the 1968 Fiduciary Income Tax Return, Form 1041, were released to the public. Various schedules formerly included in the form will be issued as separate documents. Meetings were held with interested groups and organizations in and out of government in the course of developing the new approach. This new arrangement is expected to ease the task of persons filing fiduciary returns.

In April 1968, the Internal Revenue Service introduced a new amended individual income tax return, Form 1040X. Taxpayers who find that a mistake was made in the preparation of their tax return are no longer required to file a completely new return with repetitions of all items originally submitted. The new method, using Form 1040X,

requires only the changed items and minimal additional information to be shown. Use of the new Form 1040X provides several advantages to taxpayers. In addition to ease of form preparation, streamlined processing procedures especially designed for Form 1040X allow most additional refunds to be promptly handled.

In an effort to provide a simpler income tax return form for individuals, Form 1040Q, a questionnaire-type return, was developed and tested last year. A study of the results of the test indicates that too few persons would use this type return to justify its adoption. However, efforts are continuing to develop forms which will make the task of filing easier.

A complete list of forms developed and eliminated appears on page 84.

Progress was made in the program for improving the tone and quality of form letters. Many of these letters now reflect changes recommended by a consulting firm engaged last year to make a critical review of a selected group of form letters.

## Publications Guide Taxpayers

The Service published 80 booklets and pamphlets to provide self-help guidance for taxpayers. These special publications explain in easily understood language the technical provisions of the statute, regulations, and official rulings. They enhance voluntary compliance with the tax laws by providing detailed information that supplements the necessarily brief instructions accompanying the various tax return forms.

These publications range from the widely used *Your Federal Income Tax* to the new *Federal Tax Guide for Survivors, Executors, and Administrators*. The first explains and illustrates the income tax problems encountered by most individual taxpayers, whereas the latter was prepared for more limited use by those who deal with estate and income tax problems of the estates of decedents.

Further information about these and other taxpayer publications starts on page 82.

## Internal Revenue Bulletin Provides Library of Significant Technical Developments

Since 1919 the Service has added to the field of tax literature a 99-volume library that is in constant use in its own offices—National Office and field—

as well as in the offices of accountants, lawyers, and others across the land.

The *Internal Revenue Bulletin* is published weekly in order to serve its function as the Commissioner's authoritative instrument for frequent and regular communication of significant technical developments. Its contents are cumulated semiannually and published in bound volumes, known as *Cumulative Bulletins*, to serve a continuing tax research purpose.

Certain tax items (such as Public Laws and related committee reports, Treasury Decisions, Executive Orders, tax conventions, and court decisions) are published in the *Bulletin* as a matter of convenience for Service employees and others concerned with tax matters, although these items are available to some researchers through other sources. In addition, the *Bulletin* is the authoritative instrument of the Commissioner for announcing official rulings and procedures of the Service and for making other announcements of general interest to taxpayers, tax practitioners, and Service personnel.

The publication of rulings is an important purpose of the *Bulletin*. Published rulings guide taxpayers and tax practitioners in planning transactions as well as in preparing tax returns. They also guide revenue agents, conferees, and other Service personnel in determining proper tax liabilities. Uniformity of application of the often complex provisions of the tax statutes is high among the goals of effective tax administration. Availability of administrative interpretation through timely publication of official rulings enhances voluntary compliance by taxpayers and promotes uniform application by Service employees.

Recognition of the importance of these published rulings is reflected in the significant increase in the number of Revenue Rulings published—602 in 1968 as compared with 415 in 1967 and 329 in 1966. Some of these Revenue Rulings state the Service position on very limited and specific tax questions, such as which components of a coal transloading facility qualify for the investment credit, a subject covered by Revenue Ruling 68-297. The subject matter is quite comprehensive in others, such as Revenue Ruling 67-246 which provides guidelines regarding the deductibility as charitable contributions of payments made in connection with various types of fund-raising activities for charity.

Statements of internal practice and procedure that affect taxpayers' rights and duties are published in the *Bulletin* as Revenue Procedures. Procedures of

continuing significance are periodically incorporated into the Statement of Procedural Rules.

The 602 Revenue Rulings and 38 Revenue Procedures published during 1968 in the various tax areas are shown in the table below.

**Revenue Rulings and Revenue Procedures published**

| Type                                | Number |
|-------------------------------------|--------|
| Total.....                          | 640    |
| Administrative.....                 | 33     |
| Alcohol, tobacco, and firearms..... | 18     |
| Employment taxes.....               | 36     |
| Estate and gift taxes.....          | 27     |
| Excise taxes.....                   | 80     |
| Exempt organizations.....           | 81     |
| Income tax.....                     | 308    |
| Pension trusts.....                 | 55     |
| Self-employment tax.....            | 2      |

During the year the Service continued the program initiated last year for reviewing all ostensibly outstanding pre-1953 published rulings. Many of those older published rulings still represent the position of the Service regarding interpretation of similar provisions of current law. Many others, however, are not considered currently determinative for a variety of reasons: The statutory provisions may have been repealed or significantly revised; the regulations may have been changed; or the factual situations may not have been sufficiently described to permit clear application of the current statute and regulations. The review serves two purposes. First, those identified as not being currently determinative (more than 4,100) have been listed as "obsolete" in the *Bulletin*. Second, the Service will republish as Revenue Rulings under the current statute and regulations those conclusions identified as having applicability to future transactions. This republication will automatically result in the inclusion of these official Service interpretations in the finding lists and topical digests of the *Index-Digest Supplement*, a research aid covering all matters published in the *Cumulative Bulletins* since the beginning of 1953.

The *Index-Digest Supplement* has been published in bound volumes, each covering a four-year period, that are available for purchase by the public from the Superintendent of Documents. During the year a looseleaf *Index-Digest Quarterly System*, which previously had provided research assistance on a current basis for Service personnel only, was made available to the public on a subscription basis.

During the year 75 announcements of general interest were published in the *Bulletin*. Twelve listed the names of organizations, contributions to which are no longer deductible under section 170 of the Code; nine listed disaster areas in which losses qualify for the special tax treatment under section

165(h) of the Code; and one announced a tax agreement with the State of Alaska.

### Alcohol and Tobacco Industries Notified of Technical Changes

Annually the Service issues industry circulars to aid the alcohol and tobacco industries in keeping currently apprised of the requirements of internal revenue laws and regulations. The Service, in turn, receives the benefit of industry thinking in various operational and procedural areas; thus, voluntary compliance with laws and regulations is promoted.

Twenty-seven such circulars were issued during the year. Of these, seven announced the substance of Revenue Rulings and Revenue Procedures; twelve discussed proposed or actual regulatory changes; two discussed internal controls by proprietors of tobacco export warehouses to prevent the diversion of tax-exempt cigarettes; one announced the third and final hearing on proposed amendments to regulations relating to the labeling and advertising of distilled spirits; and the remaining circulars covered such subjects as the revision of forms, the use of beer adjuncts, malt beverage labeling, and legislation recently enacted.

### Letter Rulings and Technical Advice Memoranda Respond to Inquiries

Individuals and organizations seek letter rulings from the National Office regarding their status for Federal tax purposes and the tax effect of their transactions. District directors also request technical advice from the National Office in connection with the examination of returns or claims for refund or credit.

During the year 26,585 requests for letter rulings and 3,222 requests for technical advice were processed. They related to the tax categories and subject matter shown in the table below.

#### Requests for tax rulings and technical advice processed

| Subject                                         | Total  | Taxpayers' requests | Field requests |
|-------------------------------------------------|--------|---------------------|----------------|
| Total.....                                      | 29,807 | 26,585              | 3,222          |
| Accounting methods.....                         | 2,686  | 2,686               |                |
| Accounting periods.....                         | 9,822  | 9,822               |                |
| Actuarial matters.....                          | 80     | 36                  | 44             |
| Administrative provisions.....                  | 106    | 69                  | 37             |
| Alcohol and tobacco taxes.....                  | 5,626  | 4,164               | 1,462          |
| Earnings and profits.....                       | 614    |                     |                |
| Employment and self-employment taxes.....       | 384    | 339                 | 45             |
| Engineering questions (depreciation, etc.)..... | 245    | 140                 | 105            |
| Estate and gift taxes.....                      | 560    | 425                 | 135            |
| Exempt organizations.....                       | 2,767  | 2,489               | 278            |
| Other excise taxes.....                         | 460    | 340                 | 120            |
| Other income tax matters.....                   | 5,494  | 4,973               | 521            |
| Pension trusts.....                             | 963    | 488                 | 475            |

## Significant Increase in Determination Letters Issued on Pension Plans and Tax Exempt Organizations

District directors issue determination letters to employers on the tax qualification of pension, profit-sharing, stock bonus, annuity and bond purchase plans, and on the status for exemption from tax of related trusts and custodial accounts. Such letters are based on published principles and precedents which are applied to the facts in the cases considered.

During fiscal year 1968, 21,951 plans (exclusive of self-employed individual plans) covering 1,352,331 employees were held qualified. The number of plans approved during the fiscal year shows a significant increase over prior years. Data as to this activity appear in the table that follows.

#### Determination letters issued on employee benefit plans

| Item                                                       | Profit-sharing plans | Pension or annuity plans | Stock bonus plans |
|------------------------------------------------------------|----------------------|--------------------------|-------------------|
| Determination letters issued with respect to—              |                      |                          |                   |
| 1. Initial qualification of plans:                         |                      |                          |                   |
| a. Plans approved.....                                     | 9,861                | 12,072                   | 18                |
| Participating employees.....                               | 301,611              | 1,028,558                | 22,162            |
| b. Plans disapproved.....                                  | 114                  | 153                      |                   |
| 2. Termination of plans.....                               | 781                  | 646                      | 3                 |
| Cases closed without issuance of determination letter..... | 871                  | 1,223                    | 9                 |

In addition to the foregoing, 66,509 plans that include self-employed individuals were held qualified. Among the 105,419 participants in these plans were 74,753 self-employed individuals. The number of approved plans was more than four times the number approved in the immediately preceding year and was almost double the number approved in all prior years. (Determinations have been issued on self-employed plans since January 1, 1964). The details for fiscal year 1968 appear in the table that follows.

#### Determination letters issued on benefit plans for self-employed persons

| Item                                                       | Profit-sharing plans | Pension plans | Bond purchase plans |
|------------------------------------------------------------|----------------------|---------------|---------------------|
| Determinations issued with respect to—                     |                      |               |                     |
| 1. Initial qualification of plans:                         |                      |               |                     |
| a. Plans approved.....                                     | 29,721               | 36,238        | 550                 |
| Number of participants.....                                | 49,533               | 55,202        | 684                 |
| b. Plans disapproved.....                                  | 73                   | 122           | 5                   |
| 2. Termination of plans.....                               | 26                   | 30            | 2                   |
| Cases closed without issuance of determination letter..... | 645                  | 1,159         | 30                  |

District directors also issued 15,575 determination letters to organizations seeking exemption from Federal income tax under provisions of the Internal

Revenue Code that authorize exempt status for qualifying nonprofit organizations, including those engaged in charitable, religious, and educational activities. Of this total, 14,640 were letters of approval and 935 of disapproval. In addition, 2,429 were closed without the issuance of a determination letter.

## **Exempt Organization Master File Revamped**

The Service established an Exempt Organization Master File System in fiscal year 1965 to cope with a persistent rise in the number of organizations and pension trusts seeking tax exemption. The objectives are to use computers to generate mailing labels for returns; retrieve and provide information quickly by type, size and other significant characteristics of all tax exempt organizations; create a capacity for determining compliance with the filing requirements of the law; establish a more effective system for processing returns; and assist in selecting exempt organization returns for examination.

In fiscal year 1968 the system was upgraded by redefining systems objectives and redesigning many elements of the system.

The revised system will have the effect of leveling off most of the Exempt Organization Master File workload for the year, freeing returns for earlier audit action, and paving the way to undertake practical delinquency operations.

During fiscal year 1968 the number of individual organizations on the master file increased from 309,000 to 358,000 and pension trusts rose from 89,000 to 106,000.

## **Regulations Provide Interpretation of Internal Revenue Code**

Regulations interpreting the tax laws, authorized by the Internal Revenue Code, provide written

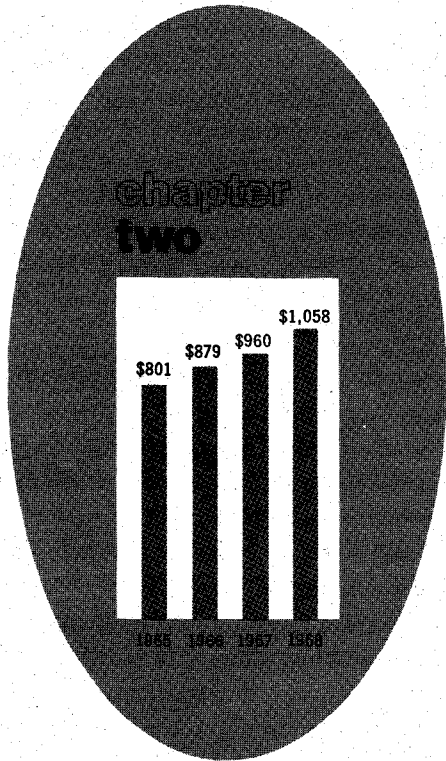
guidelines for the application of Code provisions by Service personnel and the public in general.

Proposed tax regulations are normally issued through the publication of the complete text in a notice of proposed rulemaking in the Federal Register. By this means, it is intended to give due publicity of the action proposed. Persons interested in the proposed text of the regulations are given an opportunity to comment in writing and orally at a public hearing. After consideration of comments and recommendations, accepted changes are made in the proposed text and a Treasury Decision containing the final regulations is prepared, signed by the Commissioner, approved by the Secretary of the Treasury or his delegate and published in the Federal Register. These regulations have the force and effect of law.

Occasionally it is necessary or appropriate to omit publication of a notice of proposed rulemaking. Under certain conditions taxpayers may be required to make important decisions under a new law soon after its enactment. In such cases temporary regulations are published without prior notice, followed by permanent regulations issued in the usual manner. In some cases it is permissible for regulations to be published without a notice of proposed rulemaking where a notice would be unnecessary or impractical or where the needs of the public are better served without such notice.

Twenty-eight final regulations, three temporary regulations, and twenty-two notices of proposed rulemaking, relating to matters other than alcohol and tobacco taxes, were published in the Federal Register during the year. Five public hearings attended by slightly over 400 persons were held on proposed regulations.

Six Treasury Decisions were issued relating to the administration of alcohol and tobacco regulations.



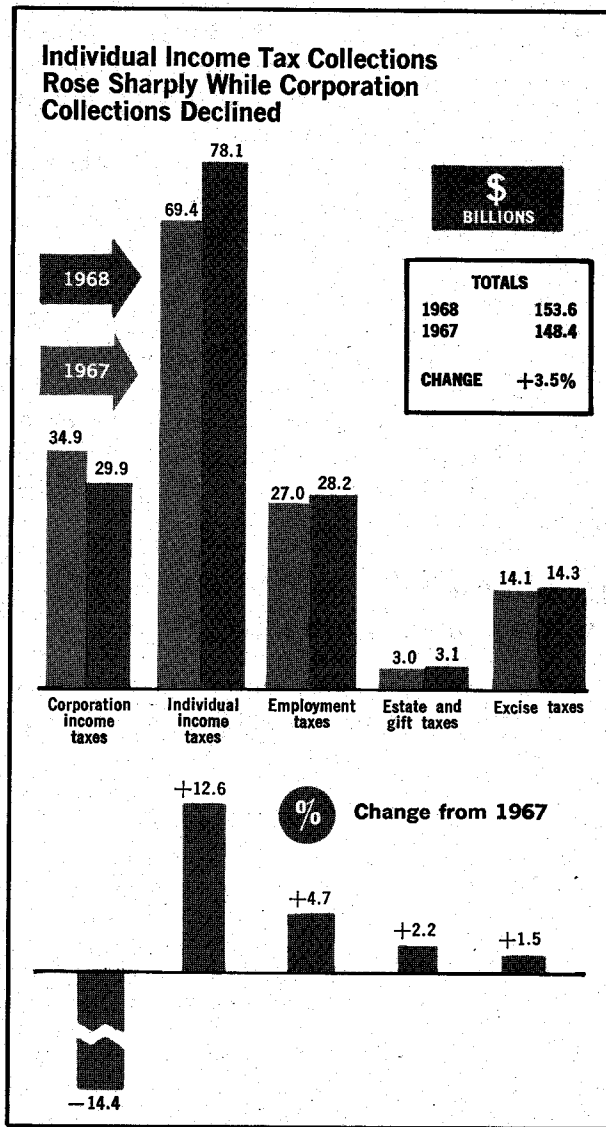
Average Collection  
Per Individual  
Income Tax Return

# Collections, Refunds, and Returns Filed

## Tax Collections Hit New Peak

This is the first year that revenue collections have exceeded \$150 billion. It is also the year which witnessed, in April 1968, the largest sum of taxes (almost \$21 billion) ever collected in any one calendar month including the record monthly receipts of \$7.6 billion of individual income taxes (other than withheld).

Another significant fact this year was the unusually sharp rise in individual income tax payments, particularly that portion deducted from wages and





paid by employers. Final figures show total individual payments (withheld and other) of \$78.1 billion, an increase of \$8.8 billion or 12.6 percent over fiscal year 1967.

As a result of this spectacular rise in the amount of taxes collected on individual wages and other income, the Service is able to report a continuation in the growth of total national revenue. Gross receipts were \$153.6 billion, up \$5.3 billion or 3.5 percent over the previous year.

## Corporation Income Tax Payments Decline

Another important development of the year was the decline in corporation income tax payments. The \$29.9 billion collected was \$5.0 billion or 14.4 percent less than last year. Since there were no rate changes affecting payments due during the year, the change in corporate income taxes was no doubt brought about by economic conditions.

Gross collections by class of tax for 1967 and 1968 are shown in the following table:

### Gross internal revenue collections

[In thousands of dollars. For details see table 3, p. 106]

| Source                                       | Percent of 1968 collections | 1967        | 1968        | Increase or decrease |         |
|----------------------------------------------|-----------------------------|-------------|-------------|----------------------|---------|
|                                              |                             |             |             | Amount               | Percent |
| Grand total <sup>1</sup> .....               | 100.0                       | 148,374,815 | 153,636,838 | 5,262,023            | 3.5     |
| Income taxes, total.....                     | 70.3                        | 104,288,420 | 108,021,345 | 3,732,925            | 3.6     |
| Corporation.....                             | 19.5                        | 34,917,825  | 29,896,520  | -5,021,305           | -14.4   |
| Individual, total.....                       | 50.9                        | 69,370,595  | 78,124,825  | 8,754,230            | 12.6    |
| Withheld by employers <sup>2</sup> .....     | 37.2                        | 50,520,874  | 57,214,373  | 6,693,499            | 13.2    |
| Other <sup>2</sup> .....                     | 13.6                        | 18,849,721  | 20,910,452  | 2,060,731            | 10.9    |
| Employment taxes, total.....                 | 18.4                        | 26,958,241  | 28,213,118  | 1,254,877            | 4.7     |
| Old-age and disability insurance, total..... | 17.4                        | 25,562,638  | 26,747,868  | 1,185,230            | 4.6     |
| Federal insurance contributions.....         | 16.4                        | 23,786,660  | 25,162,969  | 1,376,309            | 5.8     |
| Self-employment insurance contributions..... | 1.0                         | 1,775,978   | 1,584,899   | -191,079             | -10.8   |
| Unemployment insurance.....                  | 0.4                         | 602,745     | 606,802     | 4,057                | 0.7     |
| Railroad retirement.....                     | 0.6                         | 792,858     | 858,448     | 65,590               | 8.3     |
| Estate and gift taxes.....                   | 2.0                         | 3,014,406   | 3,081,979   | 67,573               | 2.2     |
| Excise taxes, total.....                     | 9.3                         | 14,113,748  | 14,320,396  | 206,648              | 1.5     |
| Alcohol.....                                 | 2.8                         | 4,075,723   | 4,287,184   | 211,461              | 5.2     |
| Tobacco.....                                 | 1.4                         | 2,079,869   | 2,121,769   | 41,900               | 2.0     |
| Other.....                                   | 5.1                         | 7,958,156   | 7,911,443   | -46,713              | -0.6    |

<sup>1</sup> Collections are adjusted to exclude amounts transferred to the Government of Guam. For details see table 1, p. 98 and footnote 5, p. 108.

<sup>2</sup> 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(a) 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.

## Effect of New Tax Law Not Reflected in This Year's Receipts

The Revenue and Expenditure Control Act of 1968, approved June 28, 1968, was enacted too late in the year to have an effect on tax revenues for the twelve months ended June 30, 1968. The retroactive application of the Act, increasing the tax rate by a 10 percent surcharge on corporate income tax from January 1, 1968, and on individual income tax from April 1, 1968, will be reflected in fiscal year 1969 collections. Other factors which may be expected to have an upward influence on future corporation income tax payments are the provisions of the new law for a gradual reduction of the \$100,000 exclusion formerly applicable to estimated tax and for a change from 70 percent to 80 percent in the determination of a possible underpayment penalty. These changes in the law should play an important part in future revenue trends.

## Excise Collections Rise

Excise tax revenue in 1968 continued the rising trend of last year, but the gain over 1967 (\$0.2 billion) was much less than the 1967 increase over 1966 (\$0.7 billion). The Revenue and Expenditure Control Act of 1968 extended the 7 percent excise on passenger automobile chassis, and the 10 percent tax on telephone services. Both rates are scheduled to drop to 5 percent on January 1, 1970, then decrease gradually until repeal effective January 1, 1973. The automobile tax, formerly 10 percent, was reduced to 7 percent under the Excise Tax Reduction Act of 1965, effective June 22, 1965 (refunds were payable to purchasers after May 14, 1965). This tax then was reduced under the same Act to 6 percent on January 1, 1966, and subsequently was restored to the 7 percent rate (March 16, 1966) by the Tax Adjustment Act of 1966 and continued at that level by the Revenue and Expenditure Control Act of

1968. These changes help to explain the recent decline in this source of revenue.

### **Higher Employment Tax Rates and Broadened Base Bring More Revenue**

Employment taxes paid in the past year under the Federal Insurance Contributions Act (FICA) increased substantially. One cause was the rate increases effective January 1, 1967, which raised the FICA tax rate from 4.2 percent to 4.4 percent on wages, assessed against employer and employee alike. A second elevating influence was the increase on January 1, 1968, in the amount of wages or income on which taxes are paid, from the former minimum of \$6,600 to the new level of \$7,800.

The \$1.4 billion increase in FICA tax collections represents a 5.8 percent gain over the prior year.

Railroad retirement tax rates increased from 7.95 percent to 8.65 (payable equally by employer and employee) effective January 1, 1967, and to 8.9 percent effective January 1, 1968. The changes, together with the first full fiscal year of railroad retirement supplemental tax collections, brought about an increase in revenue of approximately \$66 million (8.3 percent) for the year.

Federal unemployment tax collections, unchanged in rate, remained relatively stable in amount paid during the past year. In prior years, additional collections accrued from the reduction of credits allowed for employers' payments to various States. This year, however, all affected States made the required payments.

### **New Deposit System Coverage Expanded**

The Federal tax deposit system, providing for payment of taxes directly to designated banks, was established to accelerate the deposit of taxes to the credit of the Treasurer of the United States. This system, which provides greater coverage than the depositary receipt system which it replaced, was initially used last year by corporations in payment of estimated tax liabilities for tax years ended December 31, 1967, or later. Effective January 1, 1968, the system was extended to the payment of withholding and FICA taxes by employers and withholding agents, certain excise taxes, railroad

retirement tax, regular corporation income tax, and tax on business income of exempt corporations.

### **Filing Requirements Streamlined for Corporation Estimated Tax**

In addition to the use of Federal tax deposits, corporation income tax regulations were further streamlined. The requirement to file Form 1120ES, Declaration of Estimated Income, was eliminated. A worksheet, Form 1120W, is now provided to corporations for computing their periodic estimated tax payments. This worksheet was developed to assist taxpayers in computing their taxes and is not required to be filed. The deposit system, coordinated with the Service's master file processing, provides for an automatic validation of credits claimed on tax returns.

### **Interest Equalization Tax Extended**

Public Law 90-59, approved July 31, 1967, extended for 2 years the tax on foreign investments. The new law established new rates and stricter rules governing validation certificates. In fiscal year 1968, the total revenue reported from this tax was \$98.1 million as compared to \$19.9 million in 1967.

### **Interest/Principal Ratio Reduced on Refunds**

The number of refunds of all classes of tax totaled 51.9 million in 1968, a 5.9 percent increase over the prior year. These refunds covered tax overpayments of \$11.3 billion to which was added interest of \$121 million. This represents a rise of \$1.8 billion in principal (18.8 percent) and \$0.2 million in interest (0.2 percent). Despite this increase, the Service was able to reduce the interest paid as a percent of principal amount refunded. The ratio of interest to principal in 1968 was 1.07 percent as compared to 1.27 percent in 1967.

The following table shows the rise in number and amount of individual and corporation income overpayments which account for the overall upward trend. Excise tax cases declined in both number and amount. The greatest reduction in interest was made in the area of excise taxes. The decline in interest here was \$7.8 million (90 percent).

## Internal revenue refunds including interest

[For refunds by region and district, see table 5, p. 110]

| Type of tax                                                                         | Number     |            | Amount refunded<br>(principal and interest—<br>thousand dollars) |            | Amount of interest included<br>(thousand dollars) |         |
|-------------------------------------------------------------------------------------|------------|------------|------------------------------------------------------------------|------------|---------------------------------------------------|---------|
|                                                                                     | 1967       | 1968       | 1967                                                             | 1968       | 1967                                              | 1968    |
| Total refunds of internal revenue <sup>1 2</sup> .....                              | 49,004,545 | 51,899,098 | 9,630,864                                                        | 11,420,616 | 120,370                                           | 120,552 |
| Corporation income taxes.....                                                       | 130,263    | 149,695    | 1,019,829                                                        | 1,313,389  | 73,360                                            | 81,543  |
| Individual income and employment taxes, total <sup>2</sup> .....                    | 48,783,099 | 51,706,086 | 8,166,952                                                        | 9,829,887  | 33,819                                            | 34,304  |
| Excessive prepayment income tax <sup>2</sup> .....                                  | 47,719,580 | 51,039,242 | 7,593,008                                                        | 9,315,085  | 12,949                                            | 16,337  |
| Other income tax and Federal Insurance Contributions Act taxes <sup>3 8</sup> ..... | 1,029,913  | 632,642    | 567,286                                                          | 508,502    | 20,580                                            | 17,714  |
| Railroad retirement.....                                                            | 359        | 413        | 168                                                              | 521        | 3                                                 | 13      |
| Unemployment insurance.....                                                         | 33,247     | 33,789     | 6,490                                                            | 5,780      | 288                                               | 240     |
| Estate tax.....                                                                     | 7,475      | 7,677      | 37,913                                                           | 33,888     | 4,216                                             | 3,692   |
| Gift tax.....                                                                       | 735        | 817        | 2,660                                                            | 1,229      | 264                                               | 141     |
| Excise taxes, total <sup>7</sup> .....                                              | 82,973     | 34,823     | 403,510                                                          | 242,223    | 8,711                                             | 872     |
| Alcohol taxes <sup>4</sup> .....                                                    | 8,728      | 8,473      | 95,771                                                           | 98,632     | 9                                                 | 9       |
| Tobacco taxes <sup>4</sup> .....                                                    | 437        | 281        | 3,075                                                            | 1,439      | (*)                                               | (*)     |
| Manufacturers' and retailers' excise taxes, total <sup>7</sup> .....                | 7,157      | 5,132      | 287,337                                                          | 125,682    | 8,241                                             | 273     |
| Gasoline used on farms.....                                                         | n.a.       | 427        | 159,179                                                          | 87,015     |                                                   |         |
| Gasoline, nonhighway.....                                                           | n.a.       | 1,275      | 12,519                                                           | 26,503     |                                                   |         |
| Other <sup>5</sup> .....                                                            | 7,157      | 3,430      | 115,639                                                          | 12,164     | 8,241                                             | 273     |
| All other excise taxes <sup>6</sup> .....                                           | 66,651     | 20,937     | 17,328                                                           | 16,470     | 461                                               | 590     |

n.a. Not available.

<sup>1</sup> Figures have not been reduced to reflect reimbursements from the Federal Old-Age and Survivors, Federal Disability, and Federal Hospital Insurance Trust Funds amounting to \$262,715,000 in 1968 and \$282,156,250 in 1967; from the Highway Trust Fund amounting to \$114,387,000 in 1968 and \$211,507,037 in 1967; and from the Unemployment Trust Fund amounting to \$5,829,000 in 1968 and \$5,971,809 in 1967.

<sup>2</sup> Net of 165,809 undeliverable checks totaling \$24,137,000 in 1968 and 92,703 undeliverable checks totaling \$9,274,000 in 1967.

<sup>3</sup> Includes refunds "not otherwise classified."

<sup>4</sup> Includes drawbacks and stamps redemptions.

<sup>5</sup> Includes lubricating oil used for non-highway purposes.

<sup>6</sup> Includes narcotics, silver, wagering (excise and stamps), capital stock, and other excise tax refunds.

<sup>7</sup> Excludes gasoline tax refunds.

<sup>8</sup> Includes excess FICA credits.

\*Less than \$500.

## Returns Filed Increase

A total of 107.6 million returns of all types were filed in 1968, an increase of 2.2 million from last year. The 72.7 million Forms 1040 and 1040A accounted for 68 percent of the total, while the 22.3 million employment returns accounted for 21 percent. Together, these returns numbered 95 million and represented 88 percent of all returns filed, compared with 93 million and 88 percent last year.

The largest increase for any single type return filed was for Form 1040, which increased to 54.1 million—2.1 million more than last year. Conversely, Forms 1040A decreased 0.5 million from the 19.1 million filed in 1967. Employment returns increased 0.3 million returns.

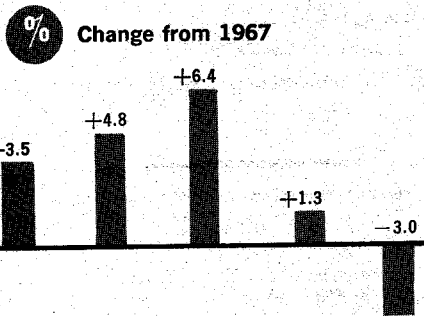
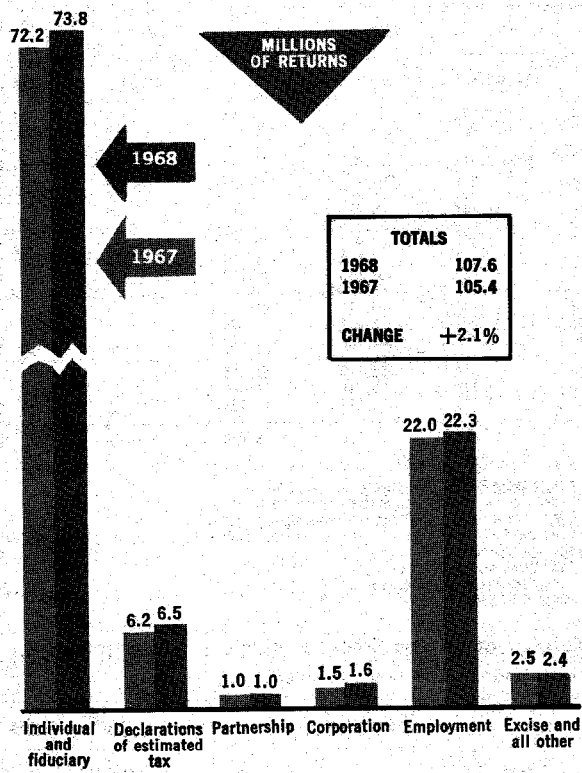
The following table presents data on returns filed by type of return for 1967 and 1968:

## Number of returns filed, by principal type of return

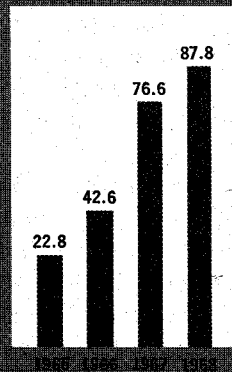
[Figures in thousands. For details, see table 6, p. 111]

| Type of return                                      | 1967    | 1968    |
|-----------------------------------------------------|---------|---------|
| Grand total.....                                    | 105,433 | 107,645 |
| Income tax, total.....                              | 81,502  | 83,508  |
| Individual and fiduciary, total.....                | 72,224  | 73,839  |
| Individual-citizens and resident aliens, total..... | 71,080  | 72,679  |
| Forms 1040.....                                     | 52,000  | 54,062  |
| Forms 1040A.....                                    | 19,080  | 18,617  |
| All other individual and fiduciary.....             | 1,144   | 1,159   |
| Declarations of estimated tax, total.....           | 6,233   | 6,450   |
| Individual.....                                     | 6,202   | 6,417   |
| Corporation.....                                    | 31      | 33      |
| Partnerships.....                                   | 956     | 1,002   |
| Corporations.....                                   | 1,526   | 1,623   |
| Other.....                                          | 562     | 595     |
| Employment tax, total.....                          | 22,039  | 22,323  |
| Employers' Form 941.....                            | 15,464  | 15,556  |
| Employers' Form 942 (household employees).....      | 4,387   | 4,406   |
| Employers' Form 943 (agricultural employees).....   | 580     | 629     |
| Railroad retirement, Forms CT-1, CT-2.....          | 20      | 23      |
| Unemployment insurance, Form 940.....               | 1,588   | 1,709   |
| Estate tax.....                                     | 113     | 119     |
| Gift tax.....                                       | 137     | 139     |
| Excise tax, total.....                              | 1,642   | 1,557   |
| Occupational tax.....                               | 981     | 948     |
| Form 720 (retailers, manufacturers, etc.).....      | 356     | 310     |
| Alcohol.....                                        | 22      | 21      |
| Tobacco.....                                        | 7       | 6       |
| Highway use tax.....                                | 223     | 220     |
| Other.....                                          | 54      | 52      |

### Returns Filed Continued to Rise Except in Excise Area



## chapter three



**Number of Accounts  
on the Master Files  
(Millions)**

# Automatic Data Processing

## Introduction

Over the past several years the Annual Reports of the Commissioner of Internal Revenue have included much information concerning the progress being made in installing the Service's automatic data processing system. These previous reports, for the most part, reflected the fact that the system was being installed on a gradual basis. Although certain implementation steps even yet remain to be accomplished, it is fair to say that the major aspects of the program were brought to fruition during the past year.

Hundreds of millions of transactions involved in receiving and accounting for the record \$153.6 billion in tax collections in 1968 were processed through the master file system. Most taxpayers received their refunds within a period of 3 to 5 weeks, marking the most successful refunding season in history. Forward strides were also made in the program for having taxpayers file their returns directly with internal revenue service centers.

As of June 30, 1968, the master file maintained on magnetic tape at the National Computer Center in Martinsburg, W. Va., contained almost seven million business accounts and 81 million accounts for individual taxpayers.

A far-reaching change in the procedures for accelerating the flow of tax money through the banking system was introduced. This new Federal tax deposit system, developed in coordination with the fiscal services of the Treasury Department, replaced the depositary receipt procedure that had been in effect for almost 20 years. The new system not only speeds up the availability of tax money to the Government, but it promises substantial benefits to the Internal Revenue Service by ultimately eliminating the flow of millions of checks and remittances through the deposit functions of the service centers and district offices.



The problems encountered in the early stages of implementation of the new depositing system were greater than expected. However, steps were taken to overcome most of the major problems, and other remedial measures will be applied as necessary until the new system is working smoothly.

The master file system, which made the new depositing procedures possible, is attaining one of its primary goals. The feature of the system under which all tax transactions of each taxpayer are recorded in one place is providing a truly effective information base from which to administer the tax laws and to assure fair and impartial treatment of all taxpayers.

### **Direct Filing Requirements Extended**

The phase-in of the program under which taxpayers file their individual income tax returns (Forms 1040 and 1040A) directly with the service centers continued in 1968 and will be completed with returns filed in 1970. In the Southeast Region, beginning in January, 1968, all individual income tax returns, whether refund, fully paid, or disclosing a balance due, were filed directly with the service center. In the other six regions all taxpayers requesting refunds were asked to file their returns directly with the centers. From January through May, countrywide, approximately 86 percent of the refundable returns were filed directly with the centers, compared with 83 percent last year.

Direct filing of certain quarterly business returns (Forms 941, 720, CT-1, and CT-2) now applies to five regions (Southeast, Mid-Atlantic, Central, Southwest, and Western). The two remaining regions, North-Atlantic and Midwest, will complete the program when these returns for the first quarter, due April 30, 1969, will be filed directly with the center. Direct service center filing of the selected annual business returns (Forms 940 and 1120) began in the Southeast Region in 1968 and will be in effect in all regions by 1970.

### **Form Letter Improvement Project**

Many of the forms, form letters, and notices produced as computer outputs were adaptations of earlier forms. It became apparent, however, that these computer adaptations were neither as informative nor as responsive as taxpayers have a right to expect from the Service. To effect needed improvements, the Service selected approximately 300 of its most used public communications and a prominent communications consulting firm was engaged to

make them concise, clearly understandable, and genuinely communicative. The new forms and notices are being utilized as the revisions are made—already nearly one-half of the selected group are in public use.

In addition to improving the selected forms and notices, the techniques and concepts of the consultant have been incorporated into the Service's training programs to insure continuing improvement in all forms developed or revised in the future.

## **Stress Placed on Improving Computer Input and Output**

### **Direct Data Entry System Installed**

After successful conclusion of a pilot test, the Service began the installation of its first operational direct data entry system in the Southwest Service Center this year. Installations in three more centers are planned for 1969, and in the remaining three service centers in 1970.

This new system provides for keyboard entry of transcribed data from original tax returns and other documents directly into a process control computer without the use of punched cards. The computer performs certain arithmetic and validity checks, signals the operator and identifies any error detected so it can be corrected immediately. The operator also can see on a video tube the data that she entered into the system through the keyboard. This reduces substantially keypunch verification and subsequent error resolution required under the punched card system. The verified data are written by the computer directly onto magnetic tape for input to the ADP master file.

Upon installation of these direct data entry systems in all seven service centers, the punching and processing of some 400 million cards a year will be eliminated. Reduction in key verification and error resolution requirements should produce savings of several million dollars a year.

### **More Payers Submit Information Documents on Magnetic Tape**

Magnetic tape, in lieu of paper documents, may be used by payers for reporting wage, interest, dividends, and certain other payments to individual and corporate taxpayers. This option enables business and government to capitalize on the capabilities of electronic computers to achieve substantial savings.

Increasing numbers of businesses are using magnetic tape for reporting information to the Service. This year 1,050 businesses submitted about 34 million documents on tape as compared with 590 concerns and 25 million documents last year. In 1968, payers furnished a total of 343 million information documents, either in the form of paper documents or by means of tape. Those on tape represented about 10 percent of the total.

These tape reports were used along with other information reports as part of the continuous efforts the Service is making to optimize this phase of the system. Preliminary results of this test show that over 17,000 delinquent returns were secured indicating a balance of tax due, plus penalty and interest, of \$3.5 million, and overpayments of \$1.0 million, for a net yield of \$2.5 million.

#### **Undeliverable Refund Checks Are Remailed**

Refund checks are often undeliverable because taxpayers have not notified the Post Office or the Internal Revenue Service of change of address. These checks are returned to the Service. Before redepositing the checks service centers search their records for later address information. If a corrected address cannot be located the amount of the refund is held in the master file for later credit. This procedure permits the earlier detection of errors. Corrected checks are remailed. This year 248,000 refund checks were returned to the Service by the Post Office Department. Of these, 135,000 or 54 percent, were remailed to the taxpayers.

#### **Service Deducts Unpaid Liabilities Before Issuing Refund**

Before an overpayment of tax is authorized for refund, the Service checks the taxpayer's master file account for unpaid liabilities. If any are found, the amount is deducted (offset) from the overpayment and applied to the taxpayer's outstanding balance. The remainder is refunded. A further function of the offset procedure, introduced in 1967 on a nationwide basis, is the application of overpayment of tax to non-master file accounts in delinquent status.

This year, about \$175 million of overpayments of tax were offset to unpaid liabilities in taxpayers' accounts. This offset capability has permitted the Service to collect many small balances which could not have been collected through other enforcement procedures without excessive cost.

## **ADP Processing Continues To Bring Good Results**

#### **Requests for Duplicate Refunds Are Detected**

Taxpayers, most of them with honest intent, sometimes file more than one income tax return. The duplicate returns are filed for various reasons, many times mistakenly for each statement of withholding tax received from employers. Only a few reflect attempts to defraud the government. However, the computer automatically rejects returns filed subsequent to the original and identifies them for investigation prior to making a refund if an overpayment is involved, thereby avoiding the cost which would be involved in recovering an erroneous refund. This year, duplicate refund requests in the amount of \$5.5 million were detected and investigated prior to refund action.

#### **ADP Verifies Taxpayer Arithmetic and Estimated Tax Payments**

Mathematical verification of returns filed by taxpayers is fundamental in computer processing. This includes the verification not only of the mathematical accuracy of taxpayers' computations, but also of the estimated tax credits claimed by individuals on their returns.

In 1968, about 6.7 percent of taxpayers who filed on Forms 1040 and 1040A erred in the preparation of their returns. Besides such common mistakes as errors in addition and subtraction, taxpayers failed to use the proper tax tables or tax schedules to determine their tax liabilities; or they failed to verify computations and the transfer of entries from associated schedules to the basic return. The ADP system detects discrepancies in the taxpayers' returns, makes the necessary corrections, and adjusts liabilities accordingly. This year an increase in liability was made for 4 percent of the taxpayers who filed on Form 1040 or 1040A, while a decrease in liability was made for 2.7 percent of these taxpayers.

Estimated tax payments claimed by taxpayers on Form 1040 are verified against the amount of prepayments posted to their accounts on the master file. Experience has shown that about 13 percent of the individuals who file declarations of estimated tax make an error in the amount of prepayments they later claim on their final tax return. However, the

discrepancies are detected and proper adjustments are made.

Overall, the above verification processes resulted in adjusting liabilities upward in the amount of \$410.5 million, and adjusting others downward by \$183.1 million, for a net yield from both processes of \$227.4 million. In addition, penalties totaling \$18 million were assessed for failure to make sufficient estimated tax payments.

#### **Validation of Social Security Numbers Keeps Taxpayer Records Accurate**

Since 1965 the ADP system has been validating the Social Security numbers on individual returns by comparing them with those on a master tape of numbers provided periodically by the Social Security Administration. Early in 1968, the Service established its own tape file of such numbers, beginning with an up-to-date master tape from the Social Security Administration. This new process greatly reduced the number of contacts with taxpayers or the Social Security Administration for validation of non-matching numbers. Nevertheless, more than one million taxpayers were contacted this year for failing to

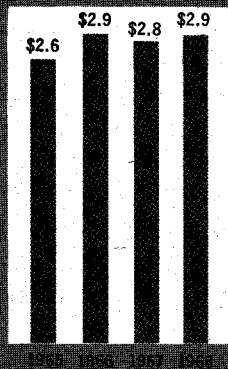
enter their Social Security numbers on their tax returns, or for entering the numbers incorrectly.

#### **Preaddressing Returns Is Profitable**

Each taxpayer who has an account on the master file receives blank returns prior to the filing period which are imprinted with his name, address, and Social Security or Employer Identification Number. Forms 1040 and 1120 are affixed with two-part "piggy-back" labels, the top part of which is removable for use on the Declaration of Estimated Tax or other uses. With nationwide implementation of the master file completed, all taxpayers who had filed returns for tax year 1966 received the pre-addressed returns for use in filing their tax year 1967 returns.

Experience accumulated this year shows that only 45 percent of the Form 1040 taxpayers, 51 percent of the Form 1040A taxpayers, and 54 percent of the Form 1120 taxpayers filed preaddressed returns. The use of preaddressed returns creates significant savings through faster and more accurate processing of returns, as well as assuring that all transactions of a taxpayer are posted to the proper account on the master file.

## chapter four



**Tax Increases  
From Enforcement**  
(Billions of Dollars)

# Enforcement Activities

## Introduction

Computer technology has significantly aided enforcement of the tax laws. Verification of taxpayer arithmetic, validation of claimed estimated tax payments, identification of duplicate returns showing a refund due, application of current refunds to prior tax liabilities—all have been aided by the computer, and all have helped insure collection of taxes owed. However, computer technology does not replace the human aspects of enforcement. Auditing of tax returns, consideration of appeals, uncovering complex schemes for tax evasion, discovering and stopping illicit distillery operations—these and other activities involving taxpayer compliance require highly skilled professional personnel. Some of the accomplishments of enforcement work are set forth below.

## Yield From Mathematical Verification Is Record

About 75 million Forms 1040 and 1040A filed by individuals were mathematically verified. Some of the reasons for the increase of 9.6 million or 14.6 percent over 1967 are: (1) carry over of tax year 1966 returns from fiscal year 1967 for processing in fiscal year 1968; (2) an increase in returns filed; and (3) faster processing of returns in the second half of fiscal year 1968 compared to the same period of fiscal year 1967.

Correction of taxpayers' arithmetic errors resulted in upward adjustment of tax liabilities (increases) of \$267 million and downward adjustments (decreases) of \$136 million. The net yield resulting from these adjustments amounted to \$131 million. Detailed results of this year's program are shown in the table below:

**Individual income tax returns mathematically verified**

| Item                                                      | Total   |         | Form 1040 |         | Form 1040A |        |
|-----------------------------------------------------------|---------|---------|-----------|---------|------------|--------|
|                                                           | 1967    | 1968    | 1967      | 1968    | 1967       | 1968   |
| Number..... thousands.....                                | 65,361  | 74,926  | 48,205    | 57,063  | 17,156     | 17,863 |
| Number of returns on which changes were made..... do..... | 3,895   | 5,034   | 2,991     | 3,824   | 904        | 1,210  |
| Returns with increase:                                    |         |         |           |         |            |        |
| Number..... do.....                                       | 2,389   | 3,008   | 1,852     | 2,288   | 537        | 720    |
| Amount..... thousand dollars.....                         | 207,605 | 266,763 | 167,865   | 210,989 | 39,740     | 55,774 |
| Returns with decrease:                                    |         |         |           |         |            |        |
| Number..... thousands.....                                | 1,506   | 2,026   | 1,139     | 1,536   | 367        | 480    |
| Amount..... thousand dollars.....                         | 94,281  | 135,867 | 76,161    | 107,770 | 18,120     | 28,097 |
| Net yield:                                                |         |         |           |         |            |        |
| Total..... do.....                                        | 113,324 | 130,896 | 91,704    | 103,219 | 21,620     | 27,677 |
| Average per return verified..... dollars.....             | 1.73    | 1.75    | 1.90      | 1.81    | 1.26       | 1.55   |

**Audit Program Strengthened**

**Computers Select Returns for Audit**

This was the second consecutive year that computers were used nationwide by the Service in its classification program to identify and to select returns most in need of examination. To strengthen this essential first step in the audit program, machine selection criteria are continually updated to include most recent Service experience and operations research results.

Beginning in 1969, the new "discriminant function" technique will be introduced in the selection of certain individual returns for audit. Under this technique, proven mathematical formulas will be programmed into computers to identify and to select returns for examination. This system, by weighing significant return characteristics, permits the ranking of selected returns by greatest potential tax error. The technique will provide uniform screening of individual returns and reduce both machine and manual selection costs. Furthermore, it is expected to lower the percentage of returns selected which result in no change of tax liability upon examination.

**Audit Continues Emphasis on Quality Examinations**

Returns are audited either by field audit techniques, conducted by revenue agents at the taxpayer's place of business or home, or by office audit procedures, conducted by tax technicians in Service offices, either by interview or correspondence.

This year a reduced number of examinations were planned to assure quality audits and to take into account the rising complexity of returns being filed. The 2.9 million returns examined in 1968 is a 6.6 percent decrease from the 3.1 million examined in 1967.

Increased emphasis on interview audits was stressed as the primary means of assuring quality audits. The interview audit is more effective in difficult office audit type returns and is used more frequently as the complexity of returns increases. This increased emphasis contributed, however, to the decline in number of examinations.

There were \$2.95 billion in additional taxes recommended in 1968; the third consecutive year that recommendations closely approached or exceeded \$3 billion.

The number of tax returns examined by type of return follows:

**Number of tax returns examined**

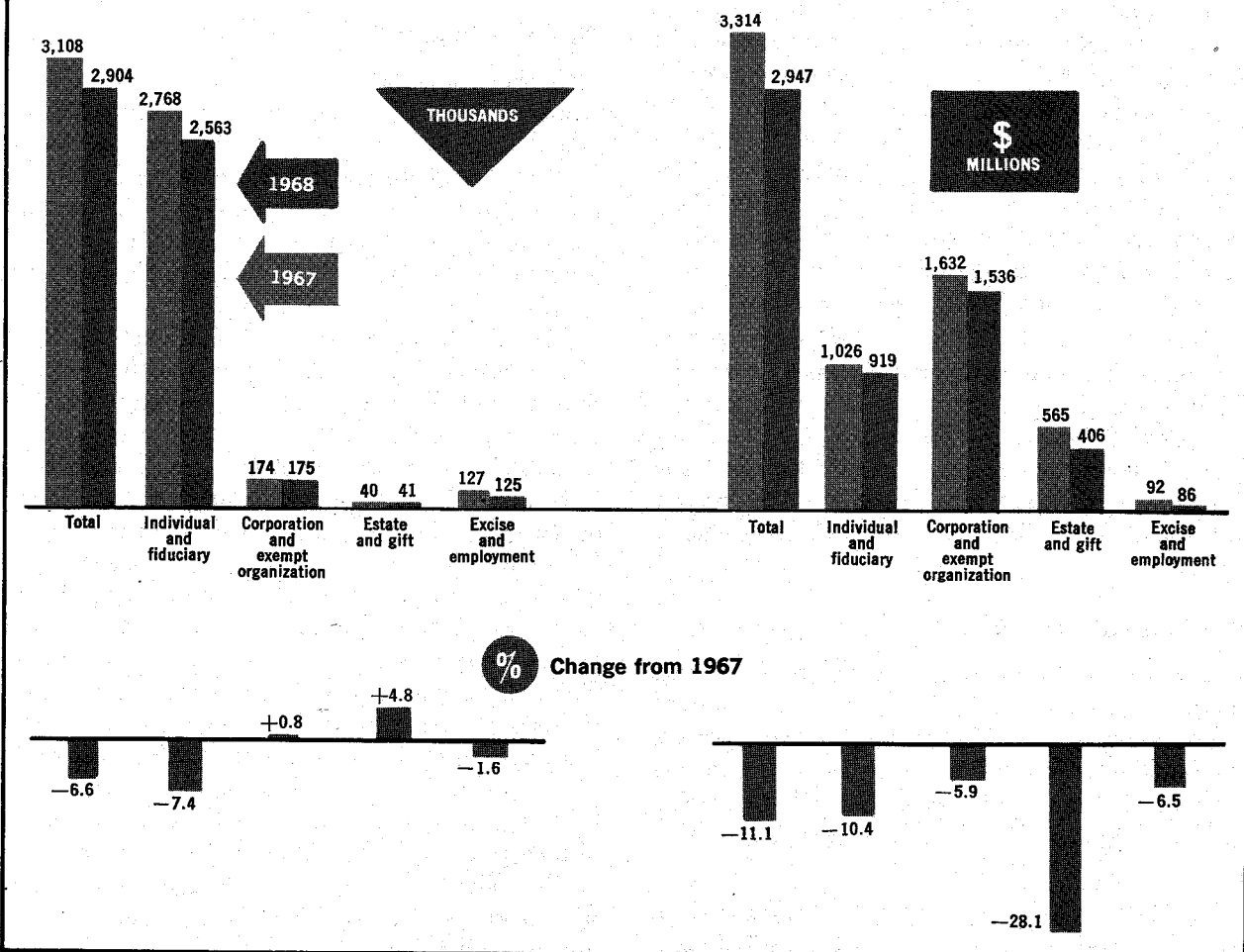
[Figures in thousands]

| Type of return                 | Total |       | Field |      | Office |       |
|--------------------------------|-------|-------|-------|------|--------|-------|
|                                | 1967  | 1968  | 1967  | 1968 | 1967   | 1968  |
| Grand total.....               | 3,108 | 2,904 | 731   | 747  | 2,377  | 2,157 |
| Income tax, total.....         | 2,942 | 2,738 | 590   | 601  | 2,352  | 2,136 |
| Corporation.....               | 162   | 163   | 160   | 162  | 2      | 1     |
| Individual and fiduciary.....  | 2,768 | 2,563 | 417   | 427  | 2,351  | 2,135 |
| Exempt organization.....       | 12    | 12    | 12    | 12   | (1)    | (1)   |
| Estate and gift tax.....       | 40    | 41    | 35    | 38   | 4      | 4     |
| Excise and employment tax..... | 127   | 125   | 106   | 108  | 20     | 17    |

<sup>1</sup> Less than 500.



### Number of Tax Returns Examined and Additional Tax and Penalties Recommended Decline



### Overassessments Are Also Disclosed Through Audit

In all tax examinations, agents are responsible for determining the correct tax liability. This means that examiners look for indications that taxpayers have overstated their liability. In 1968, Service examinations disclosed overassessments of \$177.9 million. This is exclusive of claims for refund initiated by taxpayers. The following table reflects the amount of overassessments recommended by type of tax:

### Overassessments of tax exclusive of claims for refund

| Type of tax                          | Amount recommended (thousands dollars) |         |
|--------------------------------------|----------------------------------------|---------|
|                                      | 1967                                   | 1968    |
| Total.....                           | 190,648                                | 177,929 |
| Individual and fiduciary income..... | 53,273                                 | 51,019  |
| Corporation income.....              | 121,358                                | 94,884  |
| Estate.....                          | 11,972                                 | 28,945  |
| Gift.....                            | 1,151                                  | 1,138   |
| Excise.....                          | 2,487                                  | 1,431   |
| Employment.....                      | 407                                    | 512     |

### **Continued Emphasis on Reduction of Inventory Backlog**

Service policy is to complete examination of individual returns within 26 months and corporation returns within 27 months of the due date for filing. For the last several years concentrated efforts have been directed toward full realization of this objective. A more current audit workload results in savings to taxpayers of substantial sums of interest since additional tax can be assessed earlier. Similarly, the Service benefits with lower interest payments where refunds are made. A current workload produces another benefit by reducing the need for extensions of the statute of limitations to complete an audit.

The Service is developing a mechanized system for controlling and monitoring returns in inventory. This system will provide a monthly inventory, by tax year, at the various processing and examining stages. The new system will enable field managers to pinpoint early those areas where over-age returns are building up and take immediate corrective action.

### **More Exempt Organization Returns Examined**

The Service continues to allocate a proportionate share of its audit examination program to exempt organization returns. The primary objective of the examination program is to assure that organizations receiving the benefit of tax exempt status confine their activities to those permitted under the exemption provisions of the law.

In 1968, 12,128 exempt organization returns were examined compared to 11,746 in 1967. Exam-

ining officers recommended revocation of the tax exempt status of 182 organizations and the remaining organizations were found to be operating as required by law.

### **Claims for Refund**

District audit divisions closed 372,414 claims for refund in 1968, for \$553.8 million, of which \$225.6 million were allowed and \$328.3 million disallowed.

Of the total number of claims closed, 319,377 were individual and fiduciary and 31,615 were corporation. On the other hand, corporation claims accounted for \$303.4 million, while individual and fiduciary accounted for \$160.8 million.

The number of excise tax claims declined from 16,581 last year to 10,770. This was attributable, in part, to a leveling off of claims resulting from the Excise Tax Reduction Act of 1965.

A total of 642 cases involving overassessments of \$348.1 million was reported to the Joint Committee on Internal Revenue Taxation in accordance with section 6405 of the Internal Revenue Code of 1954, which requires reports to the Committee of all refunds and credits of income, war profits, excess profits, estate, or gift taxes in excess of \$100,000. This was a decrease of 115 cases and \$151.7 million from the preceding year.

Establishment of a permanent staff of audit technical personnel at the service centers will result in faster processing of refunds to taxpayers, since one of their primary duties will be to classify claims.

The following table shows a detailed comparison by type of tax of the number of claims and amounts involved during the past 2 years.

**Claims for refund disposed of by district audit divisions, fiscal years 1967 and 1968**

| Class of tax            | Closed by audit divisions <sup>1</sup> |         |                           |         |         |         |            |         |
|-------------------------|----------------------------------------|---------|---------------------------|---------|---------|---------|------------|---------|
|                         | Number                                 |         | Amount (thousand dollars) |         |         |         |            |         |
|                         |                                        |         | Claimed by taxpayer       |         | Allowed |         | Disallowed |         |
|                         | 1967                                   | 1968    | 1967                      | 1968    | 1967    | 1968    | 1967       | 1968    |
| Total.....              | 437,598                                | 368,010 | 562,941                   | 400,116 | 268,616 | 212,523 | 294,326    | 187,593 |
| Individual income.....  | 375,679                                | 317,429 | 151,515                   | 148,805 | 113,686 | 108,352 | 37,829     | 40,453  |
| Corporation income..... | 33,571                                 | 30,246  | 244,130                   | 186,884 | 104,988 | 83,147  | 139,141    | 103,737 |
| Estate.....             | 1,962                                  | 2,000   | 24,165                    | 18,065  | 8,979   | 7,550   | 15,186     | 10,515  |
| Gift.....               | 353                                    | 274     | 2,598                     | 1,231   | 961     | 346     | 1,637      | 885     |
| Excise.....             | 15,897                                 | 10,159  | 135,892                   | 41,534  | 38,498  | 11,655  | 97,395     | 29,879  |
| Employment.....         | 10,136                                 | 7,902   | 4,641                     | 3,597   | 1,504   | 1,473   | 3,138      | 2,124   |

| Class of tax            | Protested-transferred to appellate divisions |       |                           |         |                                |        |            |         |
|-------------------------|----------------------------------------------|-------|---------------------------|---------|--------------------------------|--------|------------|---------|
|                         | Number                                       |       | Amount (thousand dollars) |         |                                |        |            |         |
|                         |                                              |       | Claimed by taxpayer       |         | Recommended by audit divisions |        |            |         |
|                         |                                              |       |                           |         | Allowed                        |        | Disallowed |         |
| 1967                    | 1968                                         | 1967  | 1968                      | 1967    | 1968                           | 1967   | 1968       |         |
| Total.....              | 5,461                                        | 4,404 | 178,842                   | 153,714 | 12,970                         | 13,030 | 165,872    | 140,683 |
| Individual income.....  | 2,876                                        | 1,948 | 19,440                    | 12,020  | 1,202                          | 1,051  | 18,238     | 10,969  |
| Corporation income..... | 1,352                                        | 1,369 | 122,109                   | 116,538 | 11,045                         | 11,469 | 111,064    | 105,068 |
| Estate.....             | 176                                          | 139   | 12,691                    | 10,271  | 417                            | 445    | 12,274     | 9,826   |
| Gift.....               | 32                                           | 58    | 20,586                    | 341     | 4                              | 4      | 20,582     | 341     |
| Excise.....             | 684                                          | 611   | 3,754                     | 14,191  | 299                            | 59     | 3,455      | 14,132  |
| Employment.....         | 341                                          | 279   | 262                       | 353     | 3                              | 6      | 259        | 347     |

<sup>1</sup> Includes claims allowed in full without formal examination of the return: 1967—298.3 thousand returns and \$109.5 million; 1968—253.8 thousand returns and \$107.2 million.

**Interest Equalization Tax Amended**

The purpose of the interest equalization tax is to increase the cost to foreign persons of obtaining capital in U.S. markets—thus tending to reduce the outflow of private capital from the United States and, in consequence, tending to improve the U.S. balance of payments with relation to foreign countries.

On July 15, 1967, the interest equalization tax law was amended by Public Law 90-59. The amendment was aimed at halting evasion of the interest equalization tax through the improper use of certificates of prior American ownership of foreign securities for the purpose of tax-free resales. The new law provides for issuance of validation certificates by district offices to U.S. persons who satisfy the requirements in the interest equalization tax law.

Another new provision of the law permits certain brokerage firms, banks or trust companies to be designated participating firms or participating custodians for purpose of documenting compliance with the interest equalization tax law in foreign security transactions. To receive such designation the firm or custodian must notify the Secretary of the Treasury that it agrees to comply with certain documentation, recordkeeping, reporting and auditing requirements. At the year's end, 979 firms had been designated participating firms and 75 banks or trust

companies had been designated participating custodians. District office personnel are visting firms and custodians which have been designated as participants to verify that they are complying with the recordkeeping requirements. The status of the participating firm or custodian may be terminated if:

1. A written request is filed with the Secretary of the Treasury, or
2. The Secretary of the Treasury has reasonable cause to believe a participating firm or custodian is failing to comply with the statutory or procedural requirements.

Interest equalization tax collections in 1968 totaled \$98.1 million.

**Use of Large Case Audit Techniques To Expand**

Increased benefits were realized by both the Service and the taxpayers from the large case audit program during the year. The program was introduced in 1966 but not widely used until 1967.

Professional organizations and industry as a whole gave this program widespread acceptance during 1968. For the most part, these organizations agree with concepts of a well managed, coordinated, multiple agent examination, and the concurrent audit of related returns.

Improved uniformity, better communications, and faster examinations are being realized in most instances. These benefits support the need to continue and to expand use of coordinated team audits and related techniques. In addition, the program is providing the Service with important workload information, and generating knowledge of large complex business organizations, both of which facilitate effective and efficient tax examinations.

Program techniques devised to accomplish an effective and efficient examination within a reasonable time span were applied to all very large complex industrial-type organizations examined in 1968. Expanded use of these techniques to other than the very large taxpayers is expected to occur gradually over the next 2 years.

Special meetings of agents and coordinators to discuss matters peculiar to specific industries continued to be held. These meetings contribute substantially to uniform application of law and regulations and consistency in raising and resolving issues.

## Appeals System Provided for Taxpayers

### Independent Administrative Review Given to Taxpayer Disagreements

Revenue agents and tax technicians examine about three million tax returns each year. They propose adjustments to reported tax liability in about 60 percent of the cases. They are able to dispose of most of these cases by agreement with the taxpayer, but it is inevitable that some disputed cases will arise.

Service policy is to provide an opportunity for taxpayers to resolve these disputes without litigation on a basis which is fair and impartial to both taxpayer and government. The Service makes every reasonable effort to give the taxpayer a prompt, convenient, and completely independent review of his case when a dispute does arise. In an overwhelming majority of cases this results in a mutually agreeable resolution of the controversy. As a result only 802 cases were tried in the Tax Court of the United States and 586 cases in the district courts and the Court of Claims in 1968.

### Early Hearings Provided

The appeals procedure is a decentralized, two-level procedure which provides opportunities for appeal at offices of the 58 district directors, at 40 regional appellate offices, and (on an "as needed"

basis) at other places where fulltime conference staffs are not maintained. Although district and regional offices have different authority and jurisdiction in disposing of tax disputes, the purpose of each is to provide the taxpayer with every reasonable opportunity to be heard and to bring about an early resolution of his tax case.

District conferees have the authority to resolve all cases but may not consider hazards of litigation (the evaluation of the respective chances to prevail in the event of trial). This authority is assigned to the Appellate Division, the second level of appeal.

Both offices offer conferences within a short time after the case is received. The convenience of the taxpayer as to date and time is a paramount consideration. In cases in which the tax at issue is less than \$2,500, a written protest is not required for a conference in the district office. As a result of changes made this year, the same rule now applies in the Appellate Division provided the taxpayer has first availed himself of a district conference. The taxpayer may represent himself or be represented by counsel at both district and regional offices.

In 1968, 39,639 cases were closed at the district conference level, to which 66 percent were agreed.

District conference activity is set forth in the following table:

**District conference case workload**

| Item                              | Field audit | Office audit | Total  |
|-----------------------------------|-------------|--------------|--------|
| Cases pending July 1.....         | 8,830       | 3,043        | 11,873 |
| Cases received.....               | 24,719      | 14,999       | 39,718 |
| Conferences completed.....        | 24,601      | 15,038       | 39,639 |
| Number agreed.....                | 15,200      | 10,822       | 26,022 |
| Agreed as a percent of total..... | 62          | 72           | 66     |
| Cases pending June 30.....        | 8,949       | 3,014        | 11,963 |

### Appellate Division Receipts Decline

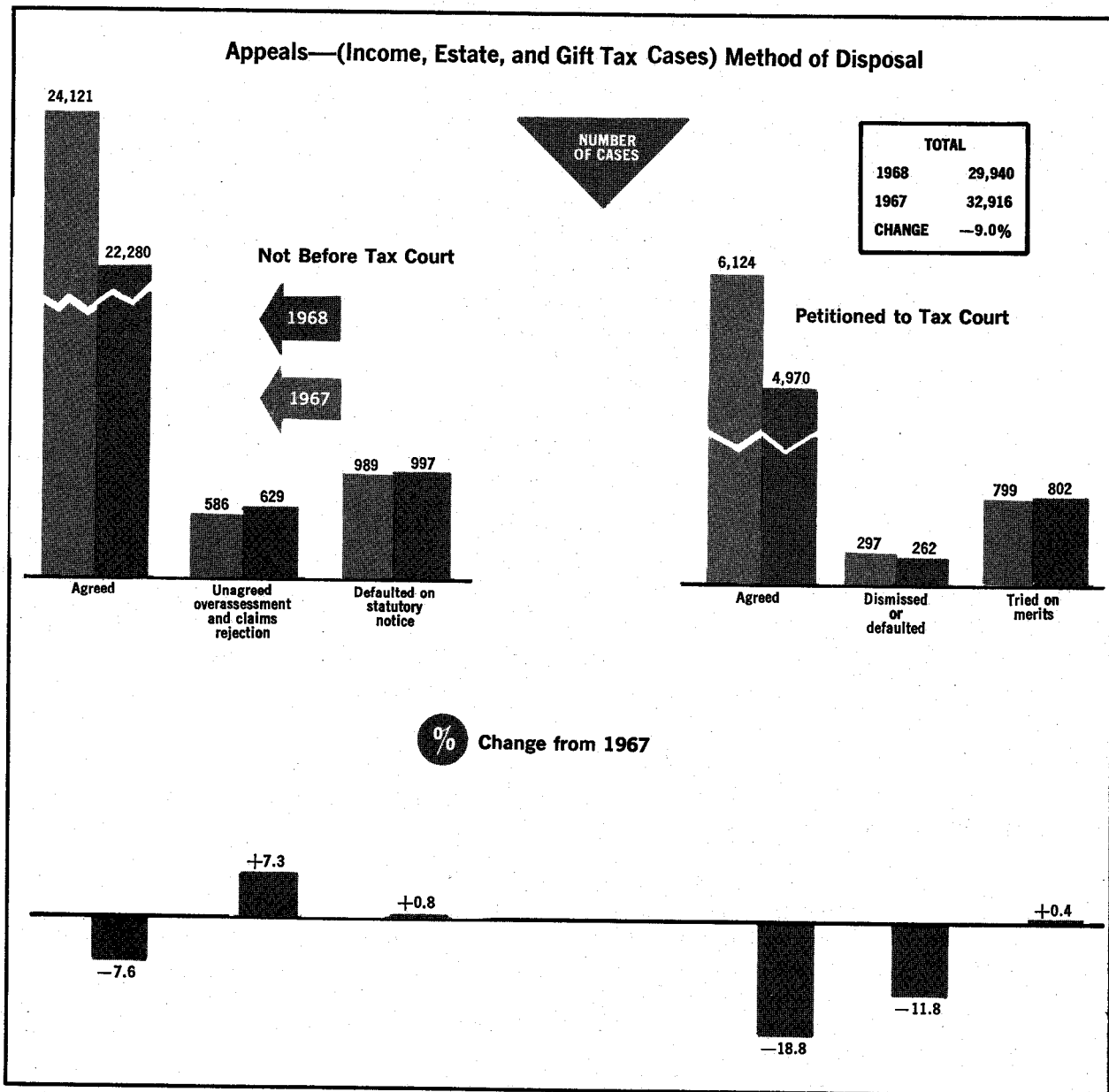
For the first time in years, case receipts in appellate were significantly lower (9 percent) than in the prior year, due primarily to the closing of a higher percentage of cases at the examining officer level. Disposals per appellate conferee averaged 48.5 cases, the same as for the prior year. For the three years 1966, 1967, and 1968, disposals per conferee averaged 48 cases, compared to an average of 41 cases for the 1963-1965 period. Inventory declined by 6 percent in 1968.

The major portion (over 80 percent) of the appellate workload consists of nondocketed cases. These are cases in which taxpayers have elected to try to resolve their tax disputes with the Service rather than take their cases direct to court. Over the

past five years, the Appellate Division has been able to close over 80 percent of these cases by agreement with the taxpayer. In 1968, 80.6 percent were closed by agreement.

Taxpayers filed petitions for hearings before the

Tax Court in 6,301 cases. On cases of this kind, which are known as docketed cases, settlement negotiations between taxpayers and appellate resulted in the closing of 87 percent without trial. As a result only 802 cases were tried in the Tax Court in 1968.



Cases considered by the Appellate Division range from the simplest to the most complex, from single issue cases to those with many issues, from those involving relatively few dollars to those involving millions of dollars. For 1968, the average dollars in dispute in each case disposed of was \$44,800.

The following tables show the processing of both nondocketed and docketed cases by the Appellate Division in 1967 and 1968, and for the 3-year periods ended June 30, 1965, and June 30, 1968. (For additional information see tables 15 and 16, page 118.)

**Appellate division processing of all cases for 1967-1968**  
**(Income, estate, gift, excise, employment and offers in compromise)**

| Status                                                                                      | Number of cases |          |        |             |          |        |
|---------------------------------------------------------------------------------------------|-----------------|----------|--------|-------------|----------|--------|
|                                                                                             | 1967            |          |        | 1968        |          |        |
|                                                                                             | Nondocketed     | Docketed | Total  | Nondocketed | Docketed | Total  |
| Pending July 1                                                                              | 24,164          | 10,024   | 34,188 | 23,005      | 9,292    | 33,097 |
| Received                                                                                    | 30,176          | 16,488   | 36,664 | 26,912      | 6,301    | 33,213 |
| Disposed of, total                                                                          | 30,535          | 7,220    | 37,755 | 29,012      | 6,034    | 35,046 |
| By agreement                                                                                | 25,281          | 6,124    | 31,405 | 23,416      | 4,970    | 28,386 |
| Unagreed: (Overassessments, claims, excise, employment, and offer in compromise rejections) | 1,531           |          | 1,531  | 1,473       |          | 1,473  |
| By taxpayer default on statutory notice or dismissal by Tax Court                           | 989             | 297      | 1,286  | 997         | 262      | 1,259  |
| By petition to the Tax Court                                                                | 2,734           |          | 2,734  | 3,126       |          | 3,126  |
| Tried in the Tax Court                                                                      |                 | 799      | 799    |             | 802      | 802    |
| Pending June 30                                                                             | 23,805          | 9,292    | 33,097 | 21,705      | 9,559    | 31,264 |

<sup>1</sup> Includes petitions filed in response to District Director's statutory notices.

**Appellate division processing of all cases for 3-year periods ended June 30, 1965 and June 30, 1968**  
**(Income, estate, gift, excise, employment and offers in compromise)**

| Status                                                                                      | Number of cases             |          |        |                             |          |         |
|---------------------------------------------------------------------------------------------|-----------------------------|----------|--------|-----------------------------|----------|---------|
|                                                                                             | 3-year period ended 6/30/65 |          |        | 3-year period ended 6/30/68 |          |         |
|                                                                                             | Nondocketed                 | Docketed | Total  | Nondocketed                 | Docketed | Total   |
| Pending, beginning of period                                                                | 12,755                      | 8,965    | 21,720 | 22,755                      | 9,384    | 32,139  |
| Received                                                                                    | 73,009                      | 17,713   | 90,722 | 86,934                      | 19,663   | 106,597 |
| Disposed of, total                                                                          | 63,009                      | 17,294   | 80,303 | 88,036                      | 19,488   | 107,524 |
| By agreement                                                                                | 48,726                      | 13,885   | 62,611 | 72,126                      | 16,289   | 88,415  |
| Unagreed: (Overassessments, claims, excise, employment, and offer in compromise rejections) | 4,331                       |          | 4,331  | 4,477                       |          | 4,477   |
| By taxpayer default on statutory notice or dismissal by Tax Court                           | 3,334                       | 843      | 4,177  | 3,111                       | 872      | 3,983   |
| By petition to the Tax Court                                                                | 6,618                       |          | 6,618  | 8,322                       |          | 8,322   |
| Tried in the Tax Court                                                                      |                             | 2,566    | 2,566  |                             | 2,327    | 2,327   |
| Pending, end of period                                                                      | 22,755                      | 9,384    | 32,139 | 21,705                      | 9,559    | 31,264  |

<sup>1</sup> Includes petitions filed in response to District Directors' statutory notices.  
<sup>2</sup> Reflects 52 case adjustments made to inventory July 1, 1966.

**Progress Continues in Delinquent Returns Program**

In a year of general budgetary limitations, the delinquent returns program held its own. In total, the Service secured 770,587 delinquent returns valued at \$293.1 million in unreported tax, interest, and penalties during the year. The majority, 719,000 returns assessed at \$256 million, were secured through the established delinquent returns program. The balance was secured as a by-product of audit examination.

While the number of returns secured was virtually the same as last year, the value assessed increased a rather substantial \$30.5 million. This latter was due to two factors: (1) Reduction in the number of taxpayer delinquent accounts established enabled the assignment of additional enforcement resources to delinquent returns work, and (2) this coupled with experience gained in the last few years through Taxpayer Compliance Measurement Program surveys and direct-lead programs yielded data which helped

management direct its effort into more productive areas.

**Utilization of ADP Continued**

No new programs were converted to ADP during the year. Instead, emphasis was placed on perfecting and extending existing programs. For example, a program tested during the last 3 years to identify taxpayers who underreport income or who fail to file required returns, became operational in 1968 and will go nationwide in 1969. This program, known as WAID (Wage and Information Document Matching Program) involves an internal annual check of information from returns filed within the data system to uncover potential tax violators. Similarly, both the entity and flexible issuance concepts, introduced in 1966, were further refined during the year. Under the entity concept, there is only one investigation for each taxpayer regardless of the type of tax and number of returns due. This method has reduced investigations by 18 percent. Since all returns due are secured at the time the investigation



made, enforcement effectiveness has been maintained. The flexible issuance system involves having the ADP system retain the compliance history and dollar liability of each taxpaying entity. A combination of flagrant noncompliance and high monetary delinquency causes the computer to set aside normal notice processing and issue an immediate notice for delinquency investigation.

### **Study on Delinquency in Federal Unemployment Taxes Undertaken**

The Internal Revenue Service, Department of Labor, and State Unemployment Insurance Services throughout the country coordinated a nationwide study in 1968 to discover the nature of delinquent filing with respect to Federal unemployment taxes. The study was confined to tax year 1966 and involved matching Service records with the various State records to identify potential nonfilers. The nature and scope of future programs in this tax area will depend on the results of the study, which are expected to be available in 1969.

### **Greater Use of ADP Helps Minimize Budget Reduction Impact on Taxpayer Delinquent Accounts**

Program changes necessitated by budgetary limitations reduced the number of delinquent accounts established in 1968 to 2.2 million. This was more than half a million, or 21 percent, below last year. Understandably, the amount of the delinquent tax involved, some \$2.1 billion, also was less than in 1967—a marked \$80 million less. Because of procedural changes made during the last 3 years to use the ADP system to assist in monitoring delinquent accounts, the statistics concerning declines in number and amount do not provide the full story. In 1968, workload adjustments required to accommodate budget reductions were accomplished by having the ADP system monitor and control a larger than originally planned number of delinquent accounts instead of by using enforcement personnel directly.

### **Closures Sizeable**

Despite cutbacks in travel funds and personnel replacements, managerial response to the changing nature of the workload coupled with increased use of ADP resulted in the closing of a still sizeable 2.4 million delinquent accounts in 1968. While this was

467,000 fewer than were closed in 1967, it was 139,000 more than were established in 1968. Of even greater significance, the \$2,054 million of delinquent accounts closed in 1968 was only \$12 million less than in 1967.

### **Further Inventory Reduction Achieved**

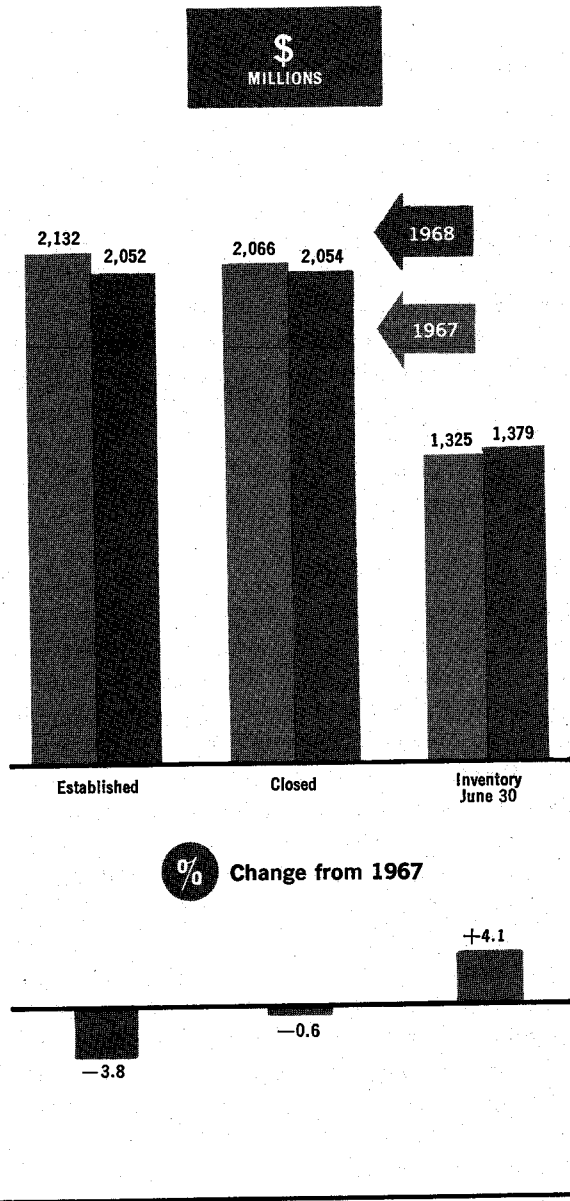
For the third consecutive year, the interaction of the number of closures exceeding the number of accounts established favorably reduced the ending inventory. The 608,000 accounts in inventory at year's end was 140,000 below last year's 748,000 accounts. Although the value of the inventory totaled \$1,379 million, some \$54 million higher than last year, this includes almost 47,000 delinquent accounts valued at over \$86 million which were awaiting the application of credits as the year ended. Allowances for these accounts would result in a still lower inventory but, more important, in a decline rather than an increase in inventory value from 1967.

### **Utilization of ADP Enlarged**

Continued effort was made during 1968 to increase the use of the ADP system as an additional deterrent to delinquency. For the second time on a nationwide basis, names of individuals owing income taxes or business taxes for periods prior to the Service's ADP system were input into the computer. During this year's processing of refunds, any prior liability was deducted before any refunds were made. This program collected some \$7 million on prior liabilities this year, compared to \$12 million collected by this means last year. The decline is an expected inherent part of the program since, as it continues into succeeding years, both the amount outstanding and the numbers involved will decrease. The system collected not only \$19 million automatically in the last 2 years, but also freed enforcement personnel for delinquency areas requiring personal contact as well as for deterring taxpayers from becoming long-term delinquents. Moreover, this is only one aspect of the Service's program. There is also an internal offset process carried on by the ADP system which captured in the neighborhood of \$168 million this year.

New ground was broken in 1968 in developing an automated workload forecasting system. Cyclical 1969 delinquent account workload has been developed for each district based on individual historical patterns. These will be tested and adjusted throughout 1969. If perfected, this ability to forecast workload will give management one of the most important tools for combating delinquency.

**Taxpayer Delinquent Accounts**  
Value of Accounts in Inventory Increase



Procedures were developed for ADP system followup of accounts impeding collection efforts either because of the taxpayer's financial condition or because of an inability to locate the taxpayer. Machine analyses are to be made of these accounts, including comparison with tax returns for subsequent years to determine collectibility and to assist in locating the taxpayer.

Substantial progress was also made in establishing, as a by-product of the ADP routine, a mechanized reporting system for management use. The basic data requirements and retrieval methods, established on a test basis in 1966, were further evaluated and refined during 1968. These efforts will continue throughout 1969.

The delinquent accounts activity is shown in the following table:

**Taxpayer delinquent accounts**

| Status                             | Number (thousands) |         | Amount (thousand dollars) |             |
|------------------------------------|--------------------|---------|---------------------------|-------------|
|                                    | 1967               | 1968    | 1967                      | 1968        |
| Established.....                   | \$2,818            | \$2,228 | \$2,132,058               | \$2,051,727 |
| Closed, total.....                 | \$2,834            | \$2,367 | \$2,065,658               | \$2,053,853 |
| By type of action:                 |                    |         |                           |             |
| Collected.....                     | \$2,368            | \$1,955 | \$1,503,999               | \$1,465,135 |
| Additional collections.....        |                    |         | 45,955                    | 56,085      |
| Other disposals <sup>1</sup> ..... | 467                | 413     | 515,704                   | 532,633     |
| Pending June 30, total.....        | 748                | 608     | 1,324,807                 | 1,378,762   |

<sup>1</sup> Includes disposals due to uncollectibility and erroneous and duplicate assessments.  
<sup>2</sup> Net of 1,324 items totaling \$2,358,000 (Puerto Rico Accelerated Collection Program not included).  
<sup>3</sup> Net of 366 items totaling \$740,000 (Puerto Rico Accelerated Collection Program not included).

**Number of Offers in Compromise Disposals Decline**

The number of offers in compromise cases processed during the year declined by 2,412 cases, or 19.7 percent from last year. Total liabilities involved increased by \$8.1 million, or 9.2 percent.

The following table provides a summary of compromise cases closed in the last 2 years:

## Offers in compromise disposals

| Type of tax or penalty                   | Number |       | Amount (thousand dollars) |        |        |        |
|------------------------------------------|--------|-------|---------------------------|--------|--------|--------|
|                                          | 1967   | 1968  | Liabilities               |        | Offers |        |
|                                          |        |       | 1967                      | 1968   | 1967   | 1968   |
| Offers accepted, total.....              | 9,260  | 7,089 | 23,179                    | 26,767 | 6,493  | 5,604  |
| Income, estate, and gift taxes.....      | 776    | 561   | 14,088                    | 20,509 | 3,858  | 3,549  |
| Employment and withholding taxes.....    | 650    | 443   | 5,533                     | 3,629  | 1,782  | 1,128  |
| Alcohol taxes.....                       | 72     | 72    | 284                       | 1,068  | 60     | 482    |
| Other excise taxes.....                  | 130    | 65    | 2,170                     | 789    | 505    | 196    |
| Delinquency penalties on all taxes.....  | 1,291  | 741   | 1,105                     | 772    | 215    | 155    |
| Specific penalties.....                  | 6,341  | 5,207 |                           |        | 74     | 84     |
| Offers rejected or withdrawn, total..... | 2,989  | 2,919 | 65,351                    | 69,880 | 9,590  | 10,477 |
| Income, estate, and gift taxes.....      | 1,252  | 1,380 | 48,320                    | 52,228 | 7,000  | 7,748  |
| Employment and withholding taxes.....    | 868    | 824   | 8,978                     | 8,950  | 2,060  | 2,124  |
| Alcohol taxes.....                       | 54     | 37    | 201                       | 106    | 35     | 19     |
| Other excise taxes.....                  | 172    | 175   | 7,063                     | 8,067  | 331    | 443    |
| Delinquency penalties on all taxes.....  | 622    | 483   | 789                       | 530    | 146    | 115    |
| Specific penalties.....                  | 21     | 20    |                           |        | 18     | 27     |

† Revised.

## Well-balanced Tax Fraud Investigation Program Stressed

Automatic data processing has already aided in discovering various types of tax frauds. It is being used to detect unreported income and to identify potentially fraudulent returns, false claims for tax refunds, and failure to file situations.

Subjects of tax fraud investigations included a cross section of taxpayers in all strata of society and all walks of life. Additional tax and penalties involved in completed cases of all types, including racketeers and subjects of the Government's drive on organized crime, exceeded the total amounts in all such cases last year. Types of violations successfully prosecuted included income tax evasion, willful failure to file a return, false claim for refund, and other tax law violations.

Serious legal and technical problems were encountered in intelligence investigations in the past year which prompted the holding of conferences with top tax officials of the Department of Justice, the Chief Counsel's Office, and various branches of the Internal Revenue Service.

### Prosecution for Wagering Tax Violations Affected by Supreme Court Decisions

In January of this year the Supreme Court in the cases of James Marchetti and Anthony M. Grosso reversed convictions for willful failure to register and pay the wagering occupational tax, and for willful failure to pay the excise tax imposed on wagering.

While the Court held the wagering tax provisions constitutional, it also held that persons who properly assert their constitutional privilege against self-incrimination may not be criminally punished for failure to comply with the requirements. The Service is continuing to gather and evaluate information concerning substantial wagering operations for use in income tax investigations of wagering operators in those instances where such investigations appear to be warranted, and for possible future use if remedial legislation is enacted. Civil enforcement efforts with respect to wagering occupational and excise taxes are continuing without substantial change.

The impact of the Supreme Court decisions is reflected in the substantial decline in the number of prosecution recommendations for wagering tax violations, as shown in the following summary of investigations:

### Tax fraud investigations

| Type                                    | 1967   | 1968  |
|-----------------------------------------|--------|-------|
| Investigations completed, total.....    | 10,703 | 9,739 |
| Prosecution recommendations, total..... | 2,015  | 1,620 |
| Fraud.....                              | 1,010  | 952   |
| Wagering.....                           | 941    | 586   |
| Coin-operated gaming devices.....       | 14     | 13    |
| Non-tax.....                            | 50     | 69    |
| Investigations in process, June 30..... | 6,936  | 7,217 |

A centralized intelligence information retrieval system has been in operation for gathering, collating, and disseminating within the Service, information regarding the financial affairs of racketeers and it is now being expanded to provide compatible systems in selected Internal Revenue Service districts.

## New Special Agents Receive Modern Intelligence Training

The work of a special agent of the Internal Revenue Service is unique in the field of criminal investigation. The usual criminal offense involves a single instrument of crime, such as a murder weapon or a counterfeit bill. Tax frauds investigated by special agents involve violations often committed over a period of years, with a variety of methods used to evade tax. As the taxpayer's records may have been lost, destroyed, altered, or concealed, the special agent must be able to find other sources of information from which to reconstruct the records of transactions. Therefore, all newly appointed special agents receive intensive training covering income tax laws and investigative techniques. This consists of a 5-week basic income tax law course devoted to Federal tax statutes and regulations, a 6-week course at the Treasury Law Enforcement School, covering investigative methods, and 7 weeks at the special agents basic training school, where courses in evidence, methods of proving taxable income, investigative reports, court procedures, and other subjects are studied. The basic training is concluded with the special agent participating as a witness in mock income tax trials. Approximately 1,200 special agents have received this training since 1960.



Mock trials are included in the Special Agent Basic Training School. In this picture the witness is a newly appointed special agent gaining experience in a courtroom atmosphere in an income tax evasion trial.

## New Steps Taken To Protect Employees From Threats of Violence

Threats and assaults against Service employees have increased in several districts. In an effort to

reduce the number of instances in which Internal Revenue Service employees are impeded by taxpayers in the performance of their duties, by means of threats or assaults, greater attention is being given by all levels of the Service to such incidents. Moreover, steps have been taken by the Department of Justice to swiftly prosecute violators by expeditiously processing cases in which prosecution is recommended for threatening or assaulting a Service employee.

## Referrals to Department of Justice Decrease

A total of 763 income and miscellaneous criminal cases, with prosecution recommendations involving 779 prospective defendants, were forwarded to the Department of Justice. Compared with the prior year this was a decrease of 11.7 percent in the volume of referrals. In 1968, indictments of such cases were down 3.7 percent and the total disposal of cases in those categories in the district courts decreased 5 percent.

In income, excise, and wagering tax criminal cases 638 defendants pleaded guilty or nolo contendere, 118 were convicted after trial, 39 were acquitted, and 944 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 |       |
|----------------------------------------------------|----------------------|-------|
|                                                    | 1967                 | 1968  |
| <b>Total</b>                                       |                      |       |
| Indictments and informations.....                  | 1,342                | 1,026 |
| Disposals, total.....                              | 1,356                | 1,739 |
| Plea, guilty or nolo contendere.....               | 928                  | 638   |
| Convicted after trial.....                         | 145                  | 118   |
| Acquitted.....                                     | 50                   | 39    |
| Nol-prossed or dismissed <sup>1</sup> .....        | 233                  | 944   |
| <b>Income and miscellaneous cases <sup>2</sup></b> |                      |       |
| Indictments and informations.....                  | 677                  | 652   |
| Disposals, total.....                              | 696                  | 660   |
| Plea, guilty or nolo contendere.....               | 520                  | 475   |
| Convicted after trial.....                         | 62                   | 89    |
| Acquitted.....                                     | 31                   | 31    |
| Nol-prossed or dismissed <sup>1</sup> .....        | 83                   | 65    |
| <b>Wagering tax cases</b>                          |                      |       |
| Indictments and informations.....                  | 665                  | 374   |
| Disposals, total.....                              | 660                  | 1,079 |
| Plea, guilty or nolo contendere.....               | 408                  | 163   |
| Convicted after trial.....                         | 83                   | 29    |
| Acquitted.....                                     | 19                   | 8     |
| Nol-prossed or dismissed.....                      | 150                  | 879   |

<sup>1</sup> Includes cases dismissed for the following reasons: 9 because of death of principal defendant, 3 because of serious illness, and 47 because principal defendant had pleaded guilty or had been convicted in a related case.

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

## Cases Involving Criminal Prosecution

Total additional taxes and penalties of \$118.3 million were involved in cases received in the Chief Counsel's Office with recommendations of criminal prosecution. This was an increase of \$19.3 million over 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 Commissioners (Intelligence) through the office of the Chief Counsel to the Department of Justice follows:

### Receipt and disposal of criminal cases in Chief Counsel's Office

| Status                                    | 1967  | 1968  |
|-------------------------------------------|-------|-------|
| Pending July 1 <sup>1</sup> .....         | 2,363 | 2,351 |
| Received, total.....                      | 1,212 | 1,128 |
| With recommendations for prosecution..... | 1,099 | 1,046 |
| With requests for opinion, etc.....       | 113   | 82    |
| Disposed of, total.....                   | 1,224 | 1,331 |
| Prosecution not warranted.....            | 113   | 128   |
| Department of Justice declined.....       | 79    | 124   |
| Prosecutions.....                         | 836   | 830   |
| Opinions delivered.....                   | 88    | 70    |
| All other closings.....                   | 108   | 179   |
| Pending June 30 <sup>1</sup> .....        | 2,351 | 2,148 |

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

<sup>2</sup> Includes wagering tax cases disposed of following the Marchetti and Grosso Supreme Court Decision.

Additional detail on legal workload involved in the prosecution of criminal cases by Service attorneys during the past 2 years is provided in the following table:

### Tax and penalty and number of tax years involved in criminal fraud case disposals

[Exclusive of wagering and coin-operated gaming device cases]

| Disposition                           | Tax years |       | Tax and penalty |               |
|---------------------------------------|-----------|-------|-----------------|---------------|
|                                       | 1967      | 1968  | 1967            | 1968          |
| Totals.....                           | 3,628     | 3,545 | \$72,339,471    | \$109,680,088 |
| Prosecutions.....                     | 2,675     | 2,575 | 44,232,208      | 44,360,302    |
| All other closings <sup>1</sup> ..... | 953       | 970   | 28,107,263      | 65,319,786    |

<sup>1</sup> Includes cases declined by Department of Justice.

## Summary of Additional Taxes From Direct Enforcement

Additional revenue resulting from direct enforcement of internal revenue laws has historically represented a relatively small part of total U.S. tax collections. In 1968, \$2.9 billion in additional tax, penalties, and interest were assessed as a direct result of enforcement programs, and \$1.5 billion delinquent taxes were collected. In addition, Service consideration of claims for refund resulted in the disallowance of \$0.3 billion claimed.

Important though this revenue is, the main importance of direct enforcement cannot be expressed in dollars. This importance lies in taxpayer compliance generated by public realization that the Service has an effective enforcement system, and in a balanced enforcement program aimed at equitable enforcement of the law for all taxpayers, regardless of position or wealth.

The table below sets forth for the last 2 years the source of additional tax, penalties, and interest assessed and certain other results of direct enforcement.

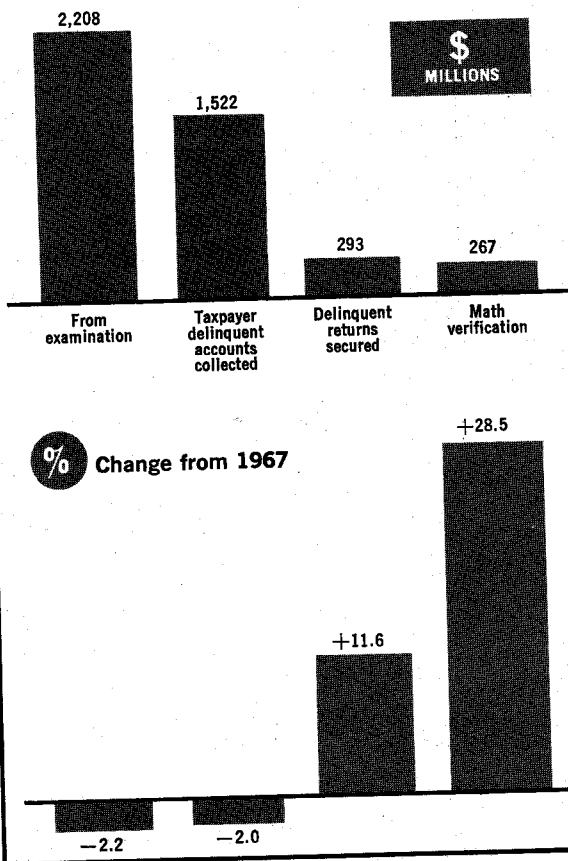
### Tax, penalties, and interest resulting from direct enforcement

[In thousands of dollars]

| Item                                                         | 1967      | 1968      |
|--------------------------------------------------------------|-----------|-----------|
| Additional tax, penalties, and interest assessed, total..... | 2,832,996 | 2,929,778 |
| From examination of tax returns, total.....                  | 2,256,933 | 2,208,151 |
| Income tax, total.....                                       | 1,942,739 | 1,820,476 |
| Corporation.....                                             | 1,150,638 | 1,075,447 |
| Individual and fiduciary:                                    |           |           |
| Prerefund audit.....                                         | 68,888    | 29,461    |
| Regular audit.....                                           | 723,214   | 715,568   |
| Estate and gift tax.....                                     | 254,802   | 289,533   |
| Employment tax (including withheld income tax).....          | 13,150    | 54,081    |
| Excise tax.....                                              | 46,242    | 44,080    |
| From mathematical verification of income tax returns.....    | 207,605   | 266,763   |
| From verification of estimated tax payments claimed.....     | 103,522   | 161,721   |
| From National Identity File.....                             | 2,271     | n.a.      |
| From delinquent returns secured, total.....                  | 262,665   | 293,143   |
| By district collection divisions.....                        | 206,118   | 255,566   |
| By district audit divisions.....                             | 56,547    | 37,577    |
| Claims disallowed, total.....                                | 392,199   | 326,067   |
| By district audit divisions.....                             | 294,326   | 187,593   |
| By regional appellate divisions.....                         | 97,873    | 138,474   |
| Delinquent taxes collected, total.....                       | 1,552,312 | 1,521,935 |

<sup>r</sup> Revised.  
n.a.—Not applicable.

**Results from Direct Enforcement**  
Mathematical Verification Shows  
Sizeable Increase



**Workflow in the Service and the Courts**

Information on work processing at each administrative level for the years 1967 and 1968 is set forth in the following tables. The data relates to actions completed by the Service during the year, and do not necessarily represent actions taken with respect to returns filed in the years indicated.

The unit of measurement beyond the audit level is on a case basis. A case may include a single tax return for a single year, or it may include a number of related returns and span a number of years.

**Workflow in the Internal Revenue Service and the courts, fiscal years 1967 and 1968**

| Item                                                                                  | 1967        | 1968        |
|---------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                       | Returns     |             |
| Tax returns filed, total.....                                                         | 105,432,742 | 107,645,062 |
| Individual income.....                                                                | 72,223,773  | 73,838,802  |
| Corporation income.....                                                               | 1,526,209   | 1,622,605   |
| Estate and gift.....                                                                  | 249,810     | 267,786     |
| Employment.....                                                                       | 22,039,001  | 22,322,719  |
| Excise.....                                                                           | 1,641,752   | 1,556,705   |
| Other income.....                                                                     | 7,752,197   | 8,046,445   |
| <b>INCOME, ESTATE, AND GIFT TAXES</b>                                                 |             |             |
| Number of returns examined (Includes Forms 990).....                                  | 2,981,188   | 2,779,156   |
| Returns with adjustments proposed by audit divisions.....                             | 2,059,340   | 1,838,715   |
| Disposed of by audit divisions:                                                       |             |             |
| Agreed, paid, or defaulted.....                                                       | 1,707,879   | 1,539,238   |
| Surveyed claims.....                                                                  | 291,310     | 248,255     |
| Transferred to appellate.....                                                         | 53,770      | 45,290      |
| Other.....                                                                            | 6,381       | 5,932       |
| <b>Cases</b>                                                                          |             |             |
| <b>Civil cases</b>                                                                    |             |             |
| Total received in appellate divisions.....                                            | 28,207      | 24,737      |
| Disposed of by appellate divisions:                                                   |             |             |
| Agreed, paid, or defaulted.....                                                       | 25,696      | 25,886      |
| Courts of original jurisdiction:                                                      |             |             |
| Tax Court:                                                                            |             |             |
| Total petitioned to Tax Court.....                                                    | 6,262       | 6,392       |
| Dismissed.....                                                                        | 315         | 275         |
| Settled by stipulation.....                                                           | 6,274       | 5,058       |
| Settled by Tax Court decision.....                                                    | 659         | 611         |
| Decided by Tax Court but appealed.....                                                | 249         | 235         |
| District courts and Court of Claims:                                                  |             |             |
| Total filed in district courts and Court of Claims.....                               | 1,436       | 1,403       |
| Settled in district courts and Court of Claims.....                                   | 852         | 792         |
| Decided by district courts and Court of Claims.....                                   | 541         | 586         |
| Courts of appeals:                                                                    |             |             |
| Settled by courts of appeals decision.....                                            | 413         | 243         |
| Favorable to Government.....                                                          | 283         | 170         |
| Favorable to taxpayers.....                                                           | 74          | 51          |
| Modified.....                                                                         | 56          | 22          |
| Decided by courts of appeals but reviewed by Supreme Court.....                       | 4           | 4           |
| Supreme Court:                                                                        |             |             |
| Settled by Supreme Court decision.....                                                | 4           | 4           |
| <b>Fraud cases <sup>1</sup></b>                                                       |             |             |
| Received for full-scale investigation in intelligence divisions.....                  | 1,991       | 2,249       |
| Disposed of by intelligence divisions:                                                |             |             |
| Prosecution recommended.....                                                          | 1,010       | 952         |
| Prosecution not recommended.....                                                      | 991         | 655         |
| Disposed of by Office of Chief Counsel:                                               |             |             |
| Prosecution not warranted, including cases declined by the Department of Justice..... | 192         | 252         |
| Prosecutions.....                                                                     | 836         | 830         |

<sup>1</sup> Revised.  
<sup>1</sup> Includes excise tax cases.



**Amounts of revenue involved at each level of the tax system, fiscal years 1967 and 1968**

[Millions of dollars]

| Item                                                                                                            | 1967    | 1968    |
|-----------------------------------------------------------------------------------------------------------------|---------|---------|
| Internal revenue collections, total.....                                                                        | 148,375 | 153,637 |
| Individual income taxes, total.....                                                                             | 69,371  | 78,125  |
| Withholding.....                                                                                                | 50,521  | 57,214  |
| Other.....                                                                                                      | 18,850  | 20,910  |
| Corporation income taxes.....                                                                                   | 34,918  | 29,897  |
| Estate and gift taxes.....                                                                                      | 3,014   | 3,082   |
| Employment taxes.....                                                                                           | 26,958  | 28,213  |
| Excise taxes.....                                                                                               | 14,114  | 14,320  |
| <b>INCOME, ESTATE, AND GIFT TAXES</b>                                                                           |         |         |
| Civil cases                                                                                                     |         |         |
| Additional tax and penalties in cases disposed of in audit divisions by agreement, payment, or default.....     | 1,370   | 1,370   |
| Additional tax and penalties in cases disposed of in appellate divisions by agreement, payment, or default..... | 256     | 325     |
| Additional tax and penalties determined by settlement in Tax Court.....                                         | 85      | 82      |
| Additional tax and penalties determined by Tax Court decisions:                                                 |         |         |
| Dismissed.....                                                                                                  | 9       | 3       |
| Decisions on merits.....                                                                                        | 16      | 14      |
| Additional tax and penalties in cases decided by Supreme Court and courts of appeals.....                       | 13      | 6       |
| Amount refunded to taxpayers as a result of refund suits.....                                                   | 63      | 55      |
| Fraud cases <sup>1</sup>                                                                                        |         |         |
| Deficiencies and penalties in cases disposed of in intelligence divisions:                                      |         |         |
| Prosecution recommended.....                                                                                    | 44      | 44      |
| Prosecution not warranted and cases declined by Department of Justice.....                                      | 28      | 65      |

<sup>1</sup> Includes excise taxes.

## Federal-State Exchange of Tax Information Moving to Computer Tapes

As a continuing effort to foster and strengthen tax administration in general, ways were explored to improve procedures for exchanging tax information with the taxing authorities of State governments. The furnishing to States of income tax data in magnetic tape form is the latest development in the long standing Federal-State Cooperative Exchange Program.

**Formal Exchange Agreements**—A formal exchange agreement was signed with the State of Alaska, and the existing agreement with the State of Nebraska was updated. At the end of the year, an agreement with the State of Georgia was undergoing final clearance; the conclusion of this agree-

ment would bring to 45 the total number of such agreements in effect with States and the District of Columbia.

**Computer Tape Exchanges**—Agreement was reached with 27 States and the District of Columbia for providing them with magnetic tapes of selected data elements from the Service's individual master file. Tapes were made available to States on a reimbursable basis in accordance with 5 U.S.C. 140 and sections 7515 and 7809 of the Federal tax laws, which authorize a user charge for such services. The use of computers enables Federal and State governments to furnish each other information from tax returns more efficiently and economically than was possible under the manual means used in years past. Participants in this first year's program for the tax year 1966 were: Alabama, Alaska, Arkansas, California, Delaware, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Missouri, Montana, Nebraska, New Mexico, New York, North Dakota, Oklahoma, Pennsylvania, Tennessee, Utah, Vermont, West Virginia, Wisconsin, and the District of Columbia.

In the effort to secure information necessary for the development of programs for the more expeditious exchange of tax data between the Service and State tax agencies, questionnaires were sent to 108 State tax agencies and employment security agencies to obtain basic information about the various types of data processing systems used by these agencies. Of the 50 State tax agencies (including the District of Columbia) responding to the questionnaire, 47 utilized computers in the administration of their laws—44 States used magnetic tape and 3 used punch cards only. Of the States with individual income tax laws, all except one utilized computers for processing such tax returns. Additionally, of the 51 employment security agencies, 30 used magnetic tape and 21 used punch cards only.

**Unauthorized Disclosures Subject to Prosecution**—The availability of Federal tax information to State tax officials under the exchange program is authorized in laws enacted by Congress. Beginning with the first excise tax on corporations in 1909, Congress provided that State tax officials could have access to corporation tax returns, and extended this

inspection right to individual income tax returns in 1935. For over 30 years, Federal law has required that income tax information be made available on a confidential basis, to State tax officials directly, and through them, to local tax officials to be used exclusively for tax administration purposes. State laws and regulations reciprocate by permitting the IRS to inspect State tax returns.

To protect the confidentiality of Federal tax returns, section 7213 of the Internal Revenue Code provides that "any officer, employee, or agent of any State or political subdivision" who makes an unauthorized disclosure from Federal income tax returns "shall be fined not more than \$1,000 or imprisoned not more than one year, or both." The fact that tax returns and tax-related information are available to States and through them to political subdivisions does not change the confidential nature of income tax returns. To insure the confidentiality of tax information supplied States and their political subdivisions, a joint Internal Revenue Service—State review of the controls employed to safeguard against improper disclosure of such information was initiated. As a result, guidelines for States to follow in the use and protection of tax information provided on magnetic tape were approved for inclusion in subsequent contracts, and when revisions to update Federal-State exchange agreements are being considered, appropriate guidance on safeguarding tax information will be included.

## **Alcohol and Tobacco Tax Enforcement Broadened on Several Fronts**

### **Operation Dry-Up Extended**

The Service continues to direct its main thrust in the alcohol and tobacco tax enforcement area towards the total elimination of commercial illicit distilling in the United States. Since the Service has apparently been successful in the near elimination of the syndicate-backed illicit alcohol plants on the eastern seaboard, the primary enforcement effort remains localized in the southeastern States. In 1968, 86.2 percent of the illegal distilleries and 92.6 percent of all mash were seized in the Southeast Region.

Five years ago the Service initiated an experimental enforcement program known as "Operation Dry-Up" in one of the southeastern States. After extensive and careful evaluation of the results and upon recognition of the value of this approach in reducing the number of commercial type violations,

the Service, in 1967 and 1968, extended Operation Dry-Up to two other southeastern States. As the result of extensive investigations, attendant publicity, and increased cooperation from State and local law enforcement officers, further inroads were made against illicit liquor traffic. In the three States in which Operation Dry-Up has been implemented, the number of major commercial size illegal distillery seizures (more than 2,000 gallons per run) in 1968 decreased by 24 percent from 1967. In addition to reducing the tremendous loss in tax revenue to the taxpayers from the production of moonshine whisky, Operation Dry-Up has provided strong evidence that it is directly responsible for increased sales of taxpaid alcoholic beverages in the areas where it is in effect. Thus, in addition to reducing the tax loss, this enforcement procedure increases the tax revenue, a double benefit for the taxpayer.

The increased pressure on the bootlegger has been accomplished by the judicious use of Service manpower. Success in sustaining the reduced number of violations in the States in which Operation Dry-Up has proven itself has been possible by maintaining only the number of investigators absolutely necessary to suppress the liquor law violator. The Service has every reason to believe that the past successes will continue in this enforcement endeavor.

Illegal distillery seizures and arrests decreased during 1968 by 10.8 percent and 18.0 percent, respectively. This decline is largely the result of the continuing success of Operation Dry-Up in retarding illicit liquor traffic in certain areas of the Southeast Region. An additional contributing factor is the diversion of limited manpower to the Firearms Program and the Organized Crime Drive.

### **Organized Crime Drive Stepped Up**

Fiscal year 1968 brought about the addition of eight major metropolitan area investigations of racketeering. Each of these area-wide investigations is directed toward syndicates, conspiracy groups, and racketeers engaged in illicit liquor activities or suspected of hidden ownership or concealed interest in legitimate liquor enterprises. Efforts in this direction were particularly successful in one major city area, where undercover agents penetrated the Mafia organization to perfect several criminal cases. While criminal prosecution has not been possible in all instances, information has been collected and turned over to State liquor commissions which have revoked the State liquor licenses of several retail outlets, thus depriving Cosa Nostra figures of their business "fronts."

Investigation has been completed in 30 out of 38 investigations authorized under the Organized Crime Drive Program, with prosecution recommended in 19 of these cases.

## **Firearms Activity Advanced to Major Enforcement Program**

The increased activity in the administration of the firearms laws parallels the rising concern on the part of the general public over firearms, their use in crime, and their control. This function has been advanced to a high priority enforcement program. Excluding the seven states which comprise the Southeast Region, approximately 40 percent of total special investigator manpower was expended on firearms investigations during 1968.

The registration and taxation requirements of the National Firearms Act are designed to deny the criminal element lawful access to machine guns, sawed-off shotguns and rifles, as well as other "gangster type" weapons. The Federal Firearms Act is intended to regulate the movement of firearms in interstate and foreign commerce and, like the National Firearms Act, has the underlying objective of preventing criminals from obtaining firearms. During 1968, the Omnibus Crime Control and Safe Streets Act became law. The weight of this law will increase the firearms workload substantially in the areas of: (1) "State Firearms Control Assistance" (title IV) and (2) "Unlawful Possession or Receipt of Firearms" (title VII). Studies are being completed that are aimed at determining the most efficient means of administering the new law in addition to the existing laws.

The Service is completing arrangements to assist the Department of Defense in screening applications to purchase surplus military firearms through the civilian marksmanship program. Since May 1967, a total of 24,066 applications have been screened through local and state police agencies to determine the suitability of the applicant to receive and possess firearms. Denial of 166 of these applications has been recommended.

The decision of the United States Supreme Court in *U.S. v. Haynes*, holding the registration requirements of the National Firearms Act unconstitutional on grounds of self-incrimination, has made necessary a reevaluation of criminal procedure as it regards development of firearms cases. The *Haynes* decision established that mere possession of an illegal unregistered firearm does not warrant criminal prose-

cution. A case must now be built upon the establishment of illegal transfer and/or manufacture, which involves a more extensive investigation. Investigations conducted under the firearms program during 1968 resulted in 919 criminal cases submitted for prosecution, up 27.6 percent from 1967, and in these cases 449 arrests were made and 1,092 firearms seized.

In 1968 there were 33,786 firearms record inspections made at the premises of Federal Firearms Act licensees. These inspections are designed to encourage voluntary compliance with the firearms laws, both Federal and State, by persons engaged in the firearms business. The inspections are also aimed at controlling unlawful out-of-State purchases of firearms by convicted felons and persons intent upon avoiding the firearms permit or licensing requirements of States in which they reside. Stemming from the firearms record inspections program, 5,652 referrals were made to State and local authorities reporting possible instances of noncompliance with State and local laws. Such referrals have continued to produce a high degree of cooperation between the Service and the enforcement agencies receiving the information.

## **Federal Assistance Rendered to States in Crime Control**

For many years the Service's alcohol and tobacco tax personnel have maintained outstanding liaison with other law enforcement organizations, including State and local agencies. An open exchange of information has been a major contributing factor in the success of law enforcement as it regards activities of mutual interest. Now, with ever increasing emphasis by the Federal Government on assistance to State and local governments in their fight against crime, the Service has established a system for reporting accomplishments in this area. This reporting should help intensify Service effort in maintaining the highest degree of cooperation nationwide. Since the program was instituted in September 1967, enforcement personnel have transmitted information on 6,319 violations to State and local enforcement authorities and to other Federal agencies. This does not include 5,652 referrals made in conjunction with the firearms record inspection program.

## **Militant Group Activity on the Rise**

The year has seen acceleration of activity in militant groups within the United States, with each group posing a serious threat to the community be-

cause of stockpiled firearms and explosives. Since many of these weapons were acquired in violation of the National and Federal Firearms Acts, an intensive investigation has been made of each group's traffic in firearms. As a result of these efforts, the leaders of two such organizations were arrested and successfully prosecuted for violation of Federal firearms laws. Intelligence gathered as a result of these investigations has been of tremendous help to local law enforcement officers in controlling these groups during critical situations within the community. To illustrate, it was through these investigations that three militants were convicted under State laws and sentenced to long terms for conspiring to blow up a police station, two private banks, and several public buildings in a major U.S. city.

### Seizures and Arrests Continue Decline

Investigative work in 1968 resulting in seizures and arrests are compared with 1967 data in the following table:

#### Seizures and arrests for alcohol, tobacco, and firearms violations

| Item                                          | 1967      | 1968      |
|-----------------------------------------------|-----------|-----------|
| <b>Seizures:</b>                              |           |           |
| Distilleries.....number.....                  | 4,636     | 4,136     |
| Stills at distilleries.....do.....            | 6,608     | 5,899     |
| Nontaxpaid distilled spirits.....gallons..... | 131,800   | 112,254   |
| Mash.....do.....                              | 3,125,442 | 2,697,345 |
| Vehicles.....number.....                      | 1,650     | 1,375     |
| Property (appraised value).....dollars.....   | 2,052,906 | 1,876,730 |
| <b>Arrests</b> .....number.....               | 6,507     | 5,338     |

<sup>1</sup> Includes 449 arrests for firearms violations, 5 for tobacco violations, and none for other violations in 1968 compared with 351 for firearms, 6 for tobacco, and 2 for other violations in 1967.

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

### Indictments and Disposals in Alcohol, Tobacco, and Firearms Cases

Recommendations for prosecution were presented to U.S. attorneys in a total of 2,627 cases involving 4,058 defendants as a result of actions taken against violations of alcohol, tobacco, and firearms laws.

A comparison of indictments and disposals for the last 2 years is shown below.

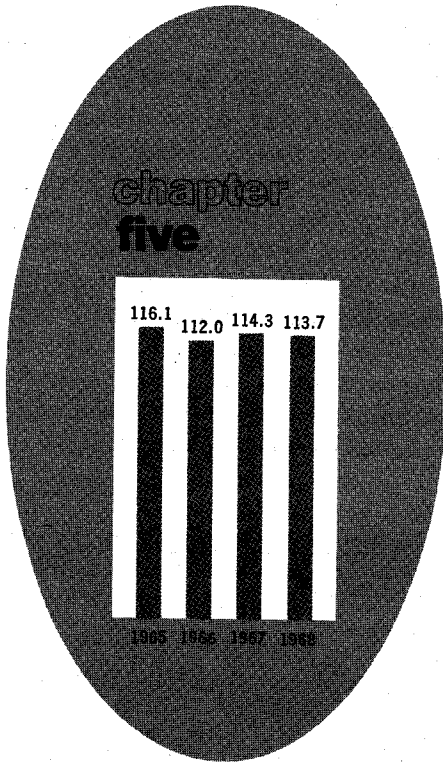
#### Results of criminal action in alcohol, tobacco, and firearms cases

| Action                               | Number of defendants |       |
|--------------------------------------|----------------------|-------|
|                                      | 1967                 | 1968  |
| Indictments and informations.....    | 3,830                | 3,462 |
| Disposals, total.....                | 3,705                | 3,625 |
| Plea, guilty or nolo contendere..... | 2,590                | 2,536 |
| Convicted after trial.....           | 485                  | 461   |
| Acquitted.....                       | 161                  | 147   |
| Not-pressed or dismissed.....        | 469                  | 481   |

### Chemical Analysis Gives Strong Support to Law Enforcement

The National Laboratory applied scientific methods, such as atomic absorption spectrophotometry and neutron activation analysis, to 2,200 samples examined during 1968 in connection with criminal cases. The samples examined were in the areas of illicit alcohol production, firearms control, tax depletion allowances, racketeering, art authentication, and income tax. Although the number of these samples increased by approximately 25 percent over last year, they were examined with no significant increase in personnel. This was due to the development of more efficient techniques and the installation of modern laboratory equipment, all of which allowed the National Laboratory to render more effective and timely service.

The National Laboratory and regional laboratories analyzed 8,120 samples of illicit alcohol during the year. This represented a decrease from 8,710 in 1967 and 9,260 in 1966. In contrast, narcotic drug samples examined over the past 3 years have increased from 6,400 in 1966 to 8,382 in 1967 and 11,500 in 1968.



Man-Days of Supervision  
Per Million Tax Gallons  
Distilled Spirits Produced

# Supervision of the Alcohol and Tobacco Industries

## Distilled Spirits Regulatory Studies Progress

In April 1967, the Service announced, after receiving comments and suggestions from interested industry members and evaluating the recommendations of the Distilled Spirits Standards and Labeling Survey Committee, that a series of three public hearings would be held to consider amendments in the regulations in title 27, Code of Federal Regulations, Part 5, "Labeling and Advertising of Distilled Spirits."

The first hearing was held in September 1967, and considered industry petitions to amend the regulations relating to the labeling of domestic whiskies and neutral spirits, particularly as affected by coo- perage. Under existing regulations, the traditional American-type whiskies such as bourbon and rye, must be matured in charred new oak barrels.

Canadian, Scotch, and Irish whiskies are aged primarily in used oak barrels and are generally lighter in flavor than the traditional American types. In recognition of a growing trend of American consumers toward lighter alcoholic products, and to permit production of a lighter product which could compete with imported whiskies, a new type of domestic whisky, to be known as "light whisky," was authorized in January 1968. It must be distilled at relatively high proof and stored in used cooperage. The word "light" describes the distinguishing character of the whisky. Sale of the new type whisky will not be authorized until July 1, 1972.

The second hearing was held in April 1968, and considered substantive changes in the regulations in areas (gin, vodka, label information, etc.) other than those which were the subject of the earlier hearing. At the close of the year a Treasury Decision was being drafted to dispose of the issues which were presented at this hearing. In addition, preliminary work has started on the preparation for the third hearing.

## **Actions Taken Relating to Industry Operations**

### **Alcoholic Beverage Advertising Spot Checked**

While it is not feasible to examine all alcoholic beverage advertising disseminated at producing, wholesaling, and importing levels throughout the United States, a sampling is made of advertising published in selected newspapers and magazines of general circulation in various regions of the United States. During the past fiscal year, advertisements in 18,856 newspapers and magazines were examined.

Distilled spirits are not generally advertised by radio and television because of restrictions imposed by the radio and television codes of the National Association of Broadcasters and the voluntary actions on the part of members of the Alcoholic Beverage Industry Trade Association. However, radio and television are employed for the advertising of wines and malt beverages. During the year, 1,185 broadcast or televised commercials were reviewed.

At the request of industry, 990 proposed advertisements and proposed advertising campaigns were examined to see if they were in compliance with Federal law. Unlike labels, advertisements are not required, under the statute, to be approved prior to dissemination.

### **Labels To Be Microfilmed**

In administering the provisions of the Federal Alcohol Administration Act and its related regulations, the Service received and processed 58,170 applications for certificate of label approval during 1968. As a result of the difficulty in maintaining files of this yearly volume, an employee suggestion was accepted whereby the application and certificate of label approval would be microfilmed. Based on this employee suggestion a microfilm system was developed that would improve substantially the quality of in-shop research and save valuable National Office space. Coincidentally, with development of the microfilm system, the alcoholic beverage industry developed a universal numeric code for alcoholic beverages; thus, it was found that the product identification part of the numeric code would be ideal for storage and retrieval use in conjunction with the microfilming system. A new application has been designed to facilitate filming, and the industry has been asked to submit all labels for approval on the new form starting July 1, 1968.

## **Offers in Compromise Processed**

Twenty-three cases were closed upon the acceptance of offers in compromise pursuant to section 7 of the Federal Alcohol Administration Act (27 U.S.C. 207). These cases involved such matters as the furnishing or giving of equipment, services, or things of value to retailers, or paying the retailers for advertising by alcoholic beverage permittees; practices which are contrary to the provisions of section 5(b) of the Act.

## **Permits Issued, Formulas Processed**

In the National Office, 42 permits to use tax-free spirits and 28 permits to use specially denatured spirits were issued to Government agencies. The National Office processed 839 formulas for rectified products, including such products as cordials, cocktails, and blended whiskies, and 251 formulas for wine. Of the 251 wine formulas approved, 88 were for nonbeverage wines (such as cooking wines and sauces) produced and withdrawn from bonded wine cellars free of tax pursuant to Public Law 90-73, which became effective December 1, 1967.

## **On-Premises Workload Continues Upward Trend**

Innovations at distilled spirits plants during the past few years have materially benefited plant proprietors. Among recent major changes were the increase in tax deferral periods from 10 to 15 days, the introduction of the taxpayment-on-shipment plan for distilled spirits, and changing the dates for filing tax returns to coincide with the end of the calendar month, thus facilitating comparisons between necessary accounting records and records maintained to meet Government requirements. The assignment of inspectors (on-premises) to distilled spirits plants is required by law and regulation, but more and more of the responsibility for insuring that operations comply with the law rests with the proprietors of the plants.

The amount of distilled spirits tax determined continued its historical upward trend with 227.7 million tax gallons of spirits being removed from bonded storage upon determination of tax, an increase of 2.9 percent from 1967 and 11.2 percent from 1965. Production of distilled spirits increased from 873.0 million tax gallons in 1967 to 905.5 million tax gallons in 1968. Tax-free withdrawals



similarly increased, totaling 611.8 million tax gallons as against 610.4 million tax gallons last year. Internal revenue bonded warehouses had on storage at the close of the fiscal year 1,149.9 million tax gallons, an increase of 3.0 percent from June 30, 1967. Production of rectified products totaled 109.6 million proof gallons while 288.4 million wine gallons of distilled spirits were bottled.

Excise tax collections from alcoholic beverages and tobacco continued their historical upward trend. In 1967, total collections exceeded 6 billion dollars for the first time in history. Fiscal 1968 collections from these sources of 6.3 billion dollars set a new alltime high.

Production figures for distilled spirits plants are given above. At other revenue-producing plants production was: Breweries—117.5 million barrels (31 gallons each); Wineries—248.6 million gallons of still and effervescent wines, 5.3 million gallons of vermouth and 16.3 million gallons of other special natural wines; and tobacco products factories 7.2 billion large cigars, 462.1 million small cigars and 570.7 billion cigarettes.

### **Inspection Program**

The number of plants and facilities requiring on-site inspections by inspectors decreased from 27,446 on June 30, 1967, to 26,783 at the end of fiscal 1968. In addition, inspectors have been used during the past few years to review the records of the approximately 100,000 Federal Firearms Act licensees. Inspections completed during the 1965-67 period were relatively stable being 30,552, 31,080, and 31,112 respectively for the 3 years. In 1968 two factors have affected total completions: First, a reduction in travel funds and in total man-years available have reduced the time which could be devoted to

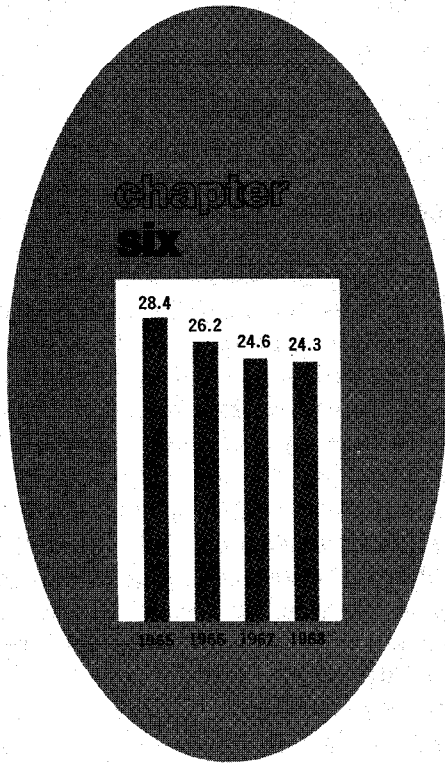
inspection; and second, the initial inspection of firearms records has largely been completed in most of the regions and inspectors are not being used as frequently on these inspections. Man-years devoted to inspection (including travel) were fairly well stabilized during the 1965-1967 period with 249.1, 243.3, and 242.2 man-years respectively being so used. These annual figures compare with 237.9 man-years devoted to inspections in fiscal 1968.

### **Chemical Analyses Made for Regulatory Work**

Over one hundred variations in materials are examined by the National Laboratory in conjunction with industrial regulatory work. Among these are fermented alcoholic beverages, distilled spirits products, toilet preparations, lubricants, flavors, tobacco, and food products containing alcohol. In carrying out its regulatory functions, the National Laboratory serves government by performing special research functions and serves industry by providing technical assistance in meeting compliance requirements.

During 1968, the National and regional laboratories analyzed 41,666 samples, an increase of 7.5 percent over last year. Analysis of 22,048 samples was made in connection with regulatory functions. The remaining samples were required for law enforcement cases. (See p. 36.)

In the National Laboratory 4,379 formulas for products manufactured with specially denatured alcohol were examined along with 2,398 formulas for nonbeverage food, flavors, and internal medicinal products and 10,568 related labels. The previous year's figures were 4,551, 2,600, and 13,412, respectively.



**Chief Counsel  
Case Receipts Per  
Hundred Thousand  
Returns Filed**

## **Legislative and Legal Activities**

### **Introduction**

The legal work of the Service is performed in the Office of the Chief Counsel. In the technical area, the Chief Counsel renders opinions to officials of the Service on substantive legal questions. The legal staff prepares drafts of proposed regulations implementing the tax laws and participates in the rulemaking process involving these regulations. The office also contributes greatly to the Treasury Department's legislative program. (See p. 42.) For a discussion of the regulations program, see Chapter 1, page 9.

The Chief Counsel represents the Commissioner in trying and in helping to settle cases docketed in the Tax Court of the United States. The legal staff also furnishes advice relating to refund litigation, collection litigation, criminal enforcement, alcohol and tobacco tax, and firearms matters. Criminal prosecution cases are shown under Chapter 4, Enforcement Activities, page 31. Important court actions are included in the Appendix beginning on page 84. Statistics on legal activities are shown in tables 17-24 on pages 119 and 120.

### **Caseload Inventory Up Slightly**

Caseload receipts in the Chief Counsel's Office during 1968 were 26,179, an increase of 197 cases from 1967. Disposals totaled 25,950, down 735 cases from 1967. At the end of the year the pending total caseload was 23,319, an increase of 229.

### **Civil Litigation**

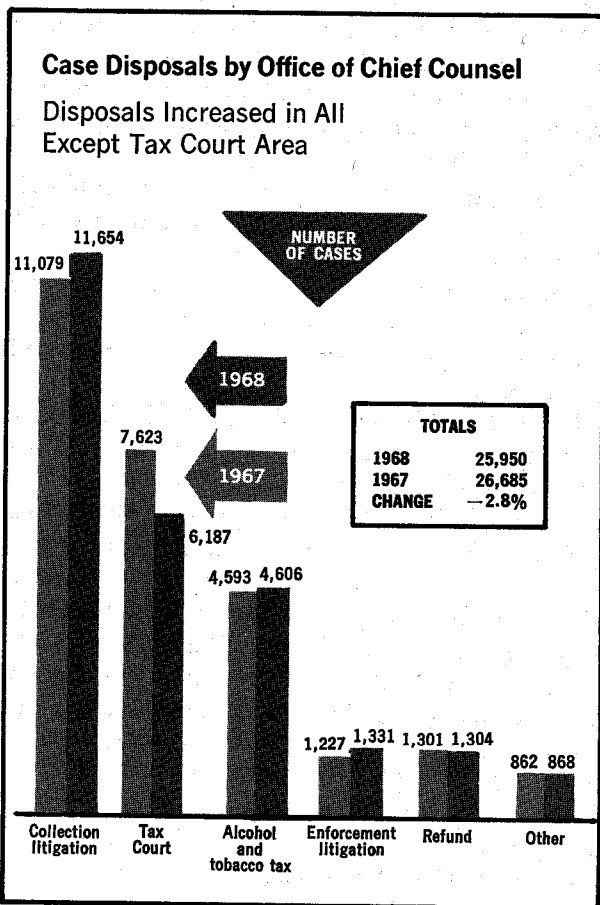
The Supreme Court rendered two decisions in Tax Court cases during the year. The Court decided both for the Government, reversing an appellate court decision in one and affirming the other. The Supreme Court also rendered two decisions in tax refund suits. The Government's position was sustained in both.

The Government won, in whole or in part, 192 of the 243 civil tax cases decided by courts of appeal

(exclusive of collection litigation and alcohol and tobacco tax legal matters). See table 20, p. 120. In the trial courts (Tax Court, Court of Claims, and U.S. 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 |      |
|-----------------------------------|-----------|------|-----------------|------|-----------------|------|
|                                   | 1967      | 1968 | 1967            | 1968 | 1967            | 1968 |
| Won.....                          | 230       | 213  | 32              | 48   | 269             | 301  |
| Lost.....                         | 77        | 84   | 35              | 19   | 127             | 150  |
| Partially won.....                | 125       | 120  | 10              | 3    | 68              | 65   |
| Percent won or partially won..... | 82        | 80   | 55              | 73   | 73              | 71   |



In the trial or settlement of cases in the Tax Court \$227.1 million was successfully defended. In refund suits in the Court of Claims and the U.S. district courts, \$40.1 million was successfully defended. A total of \$267.2 million of revenue was thus saved for the Government in these cases. At the end of the year \$1.8 billion was involved in taxes and penalties being contested in trial courts (see table below).

**Taxes in litigation**

[In thousands of dollars]

| Status               | Total     | Tax Court    |              | Refund litigation |
|----------------------|-----------|--------------|--------------|-------------------|
|                      |           | Deficiencies | Overpayments |                   |
| Pending July 1.....  | 1,633,067 | 1,148,272    | 49,645       | 435,150           |
| Received.....        | 613,664   | 489,670      | 27,691       | 96,303            |
| Disposed of.....     | 428,384   | 313,875      | 19,701       | 94,808            |
| Pending June 30..... | 1,818,346 | 1,324,067    | 57,634       | 436,645           |
| Amount saved.....    | 267,175   | 215,050      | 12,068       | 40,057            |

**Tort Claims Activity Increased**

The Service acted on 152 administrative claims under the Federal Tort Claims Act during the last year. The Service also acted on 73 claims under the Military Personnel and Civilian Employees' Claims Act of 1964. Claims under the Federal Tort Claims Act increased approximately 15 percent and claims under the Military Personnel and Civilian Employees' Claims Act of 1964 increased approximately 30 percent over the preceding year.

**Collection Litigation Legal Services**

Legal work relating to collection litigation matters handled at the national and field levels increased as compared to the preceding year. Case receipts for 1968 totaled 11,469 as compared to 11,288 cases received in 1967. There were 11,654 cases disposed of in 1968 compared with 11,081 last year. Due to the substantial number of case disposals, the inventory of pending cases at the end of 1968, amounting to 5,187, is down 185 cases from last year's ending inventory of 5,372 cases. With respect to case receipts, cases involving matters in court decreased by 357 in comparison to 1967. However, cases involving matters not in court, such as advisory opinions and lien discharge applications, substantially increased by 538 cases. In comparison to 1967, court case disposals for 1968 decreased by 86 cases and noncourt disposals increased by 659 cases. For detailed statistics on case receipts and disposals, see tables 22 through 24 on page 120.

Significant decisions by the Supreme Court and courts of appeals during the year relate not only to the collection of federal tax claims and liens but also involve the civil enforcement of internal revenue summons. These summons cases continue to be a major area of litigation at the appellate level. Sum-



maries of some of these cases may be found starting at page 84.

Extensive legal services were also furnished in connection with disclosure of information matters, with requests arising under the Freedom of Information Act (5 U.S.C. 552) which became effective July 4, 1967.

## Revenue Legislative Assistance Provided

The Service continued an active role in the development of legislation relating to internal revenue matters by providing technical assistance to other offices of the Treasury Department, to committees of Congress, and on occasion to other executive departments. The technical assistance was performed in several ways but principally by (1) preparing information reports, technical reports, drafts of bills and accompanying technical explanations and other data relating to legislative matters, and (2) attending public hearings and congressional committee meetings. Much of this activity was directed toward legislation which was enacted by the Congress during the year, although some was pending at the close of this year.

The Service carried out a number of research and study projects to develop information about tax administrative problems and to develop ways and means of simplifying certain areas of the tax law and to remove unintended benefits and inequities. Many legislative suggestions were considered and evaluated with detailed reports being furnished congressional committees and others concerned.

Six draft reports and technical memoranda were prepared for the Department on legislative proposals in the alcohol, tobacco, and firearms area. The Service prepared comments for departmental use on ten other legislative proposals in connection with alcohol, tobacco, and firearms functions.

### Important Legislation Completed During Year

The most important tax law enacted during the year was Public Law 90-364, the Revenue and Expenditure Control Act of 1968, which imposes a 10 percent annual surcharge on income taxes of both individuals and corporations. For individuals the surcharge is retroactive to April 1, 1968, while for corporations the surcharge is retroactive to January 1, 1968.

Other important provisions of Public Law 90-364 are: (1) Significant changes were made in the statute relating to payments of corporate estimated tax. (2) Interest from industrial development bonds is taxable, on and after May 1, 1968, under certain conditions. Special specific exemptions are provided, including an exemption for issues of \$1,000,000 or less. (3) Provision is made permitting a deduction for an amount paid or incurred for advertising in a political convention program in connection with the nomination of candidates for the offices of President and Vice President of the United States. (4) On or before December 31, 1968, the President is to submit to Congress proposals for a comprehensive reform of the Internal Revenue Code of 1954. (5) The excise taxes on telephone service and automobiles were extended until 1970 with provisions for gradual reduction and expiration at the end of 1972.

Congress enacted a number of other public laws relating to tax matters, some of the more important of which are listed below:

Public Law 90-59, extends the interest equalization tax until July 31, 1969, and authorizes the President to vary the rates.

Public Law 90-73, clarifies certain aspects of the procedure for establishing exemption from interest equalization tax for prior American ownership and compliance.

Public Law 90-78, establishes rules to determine entitlement to the personal exemption for children of divorced or separated parents.

Public Law 90-225, allows the 3-year carryback rule to apply to an unused investment credit created by a net operating loss carryback from a taxable year ending after July 31, 1967, and modifies other provisions relating to corporate transactions.

Public Law 90-240, permits mortgage guaranty insurance companies to deduct from gross income amounts added to certain contingency loss reserves under certain circumstances.

Public Law 90-248, modifies the Social Security tax by effecting an increase in the earnings base from \$6,600 to \$7,800 beginning in 1968.

Public Law 90-351 the "Omnibus Crime Control and Safe Streets Act of 1968" contains several titles which are of great significance in the law enforcement activities of the Service. Title IV repeals the Federal Firearms Act (52 Stat. 1250, 15 U.S.C. 901-910) and adds a new Chapter (Chapter 44) to Title 18 U.S.C. regulating commerce in firearms.

Title VII prohibits certain persons from receiving, possessing, or transporting any firearm in commerce or affecting commerce.



Title VIII permits the United States to appeal from pretrial orders granting motions for the return of seized property or for the suppression of evidence.

Title IX permits the issuance of search warrants for property that constitutes evidence of a criminal offense. This enlarges the lawful objects of a search as set forth in Rule 41(b), Federal Rules of Criminal Procedure.

Only one amendment to the alcohol and tobacco tax was enacted. Public Law 90-73 amended Section 5362 to permit the withdrawal free of tax of wine, or wine products, when rendered unfit for beverage use.

### Pending Tax Legislation

A proposed bill to amend the National Firearms Act was transmitted to both the Senate and the House on June 12, 1968, by the Secretary of the Treasury. The bill would overcome the adverse effect of recent decisions of the Supreme Court on the administration and enforcement of the National Firearms Act. It would also increase the rates of tax, and extend the coverage of the Act to destructive devices.

### Service Active in Firearms Legislation

The Service participated in the drafting of S. 1—Amendment Number 90, and H.R. 5384 which were introduced in the first session of the 90th Congress to incorporate the President's recommendations for control over traffic in firearms. Hearings on these bills were held by subcommittees of both the House and Senate Committees on the Judiciary. As the result of committee reports and Senate floor action, the substance of these bills, with some modifications (deletion of rifles and shotguns from the major controls) were adopted as Title IV of the Omnibus Crime Control and Safe Streets Act of 1968 (Public Law 90-351), which was enacted into law June 19, 1968. Subsequently, the Service collaborated with the Department of Justice in drafting and forwarding to the Congress two additional firearms control measures: H.R. 17735 and S. 3633 to bring long guns and ammunition under the controls adopted by Public Law 90-351; and H.R. 18110 and S. 3691 to require Federal registration of

all guns and either State or Federal licensing of all gun owners.

### Legislative Implementations

The Service plays an important role in the implementation of tax laws after their enactment. It issues news or technical information releases publicizing the provisions of new laws and develops appropriate amendments to the regulations reflecting legislative changes. It revises tax forms and instructions, revises publications, and issues special instructions and procedures to field offices.

### Interpretative Activities

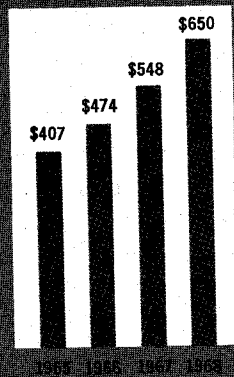
Interpretative activities remained at a high level during the year. Cases formally referred by the Assistant Commissioner (Technical) and by litigation divisions in the Office of Chief Counsel totaled 770 as compared with 761 last year, while dispositions totaled 767 as compared with 749 last year. At the close of the year the inventory of formally referred cases totaled 271. In addition to these formal referrals, 550 revenue rulings were given informal clearance during the year. The procedure for informal clearance of revenue rulings was terminated in the latter part of the year because the growing volume of such revenue rulings was seriously affecting ability to handle regular workload.

### Legal Staff Increases

As of June 30, 1968, the Chief Counsel's Office employed 1,282 persons, with 649 attorneys and 633 non-attorney employees. This represents an increase of 4 attorneys and a decrease of 26 non-attorney employees from last year. Attorneys are assigned to the National Office and regions as follows:

| <i>Office</i>              | <i>Number of attorneys</i> |
|----------------------------|----------------------------|
| National Office.....       | 247                        |
| Central Region.....        | 52                         |
| Mid-Atlantic Region.....   | 60                         |
| Midwest Region.....        | 58                         |
| North-Atlantic Region..... | 71                         |
| Southeast Region.....      | 47                         |
| Southwest Region.....      | 42                         |
| Western Region.....        | 72                         |

## Chapter seven



**Collections By Office  
of International Operations**  
(Millions of Dollars)

# International Activities

## Introduction

Activities of the Service in the international theatre embrace three major programs: (1) Administration of the tax laws as they apply to U.S. citizens living abroad, nonresident aliens, and foreign corporations; (2) negotiation with foreign countries and administration of tax conventions established to prevent economic double taxation of individuals and corporations subject to taxation by two or more countries, and (3) providing assistance requested by developing countries in upgrading and improving their tax administration systems.

## Foreign Tax Assistance

Since 1963 the Internal Revenue Service has been extending a broad range of technical assistance services to developing countries of the free world, at their request. The program, which was established to help meet the objectives of the Alliance for Progress, is conducted by the Service's Foreign Tax Assistance Staff in collaboration with the Agency for International Development (AID), Department of State. In the operation of the program, the Staff also maintains close liaison with international organizations having programs in the area of taxation, including the Organization of American States, the Inter-American Development Bank, the International Monetary Fund and the United Nations.

## Regional Self-Help Institution Idea Spreads

A fast-developing aspect of the program has been the promotion of institutions for the exchange of technical ideas, concepts, and experiences in tax administration among the principal tax administrators of countries in a particular region. The prototype for such organizations, the Inter-American Center for Tax Administrators, held its second annual general assembly in Buenos Aires in May 1968, and now has members from 20 countries of this hemisphere.



The President of the Center's executive council for the current year is Dr. Raul E. Cuello, Director-General of Taxation from Argentina. The executive council is composed of the Directors-General of Taxation from Chile, Mexico, Honduras, and the United States, the latter represented by Commissioner Sheldon S. Cohen, the first and immediate past president. The Center has planned an expanded program for its second year's existence, including the sponsorship of a seminar for directors of audit.

The success of the Center to date has generated considerable interest in developing similar organizations in other regions of the world, as part of the effort to institutionalize self-help in the tax field among the developing nations. The Service is assisting in the promotion of these organizations, and has participated in discussions concerning the potential of similar organizations in both Asia and Africa.

### **Overseas Advisors Continue Vital Services**

The basic feature of the Foreign Tax Assistance Staff program continues to be on-site advice and assistance rendered by long-term Service advisors assigned to overseas advisory teams. At present, there are 78 such advisors abroad who were reinforced this year by 33 specialists on 39 short-term (30-90 day) assignments. Selection for overseas positions continues to be basically from within the Service, except for a few sales and real property tax advisors who were borrowed from state tax agencies and the private sector.

Of the 21 overseas teams, 16 are located in Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay, and ROCAP (AID's Regional Office for Central America and Panama). The remaining 5 teams are in India, Korea, the Philippines, Turkey, and Vietnam.

Surveys of tax administration reform needs were completed in Guyana and Trinidad and Tobago, and in Haiti jointly with the Organization of American States.

### **Training of Foreign Officials Receives Continued Attention**

The second basic aspect of the Foreign Tax Assistance Program is orientation and training in the United States for foreign tax officials. This year 302 officials from 48 countries visited the Service. Over the past 5 years, 1,473 such officials have re-

ceived training and orientation in modern tax administration policies and practices in the IRS.

An integral part of this activity is the International Tax Training Series (INTAX), which was started in 1965 to provide seminars and courses for decision-makers, managers, and supervisors of tax agencies of the developing countries. Nine INTAX courses were taught in Spanish, Portuguese, and English for 106 participants this year. The remaining visitors were provided training or orientation specially designed to meet their particular needs.

A new phase of tax administration training was initiated this year by the Chilean Internal Tax Service's Training School. The school, established in 1964 with the assistance of the Agency for International Development and the Service, expanded its program this year to offer two training courses to foreign participants, one in audit supervision and the other in instructor training techniques. Thirty-one participants from other Latin American countries attended the courses. This is a notable achievement by a Latin American country in assuming regional responsibility and in furthering the self-help principle of the Alliance for Progress.

During the early part of the year representatives of the National Tax Administration Agency of Japan made an in-depth study of the operation of the Service's Foreign Tax Assistance Program, and then established a similar program in Tokyo to provide training and technical assistance to the developing countries of Asia. In May 1968, its first training course commenced with participants from Korea, the Philippines, Thailand, Nationalist China, Malaysia, and Ceylon.

One of the principal points of emphasis during the five years of the Foreign Tax Assistance Program has been to encourage the participating countries to develop and institutionalize their own in-service training programs. Encouraging signs of the success of this effort are now evident. In Latin America in 1963, only one country had in-service training. Now, 15 countries of that region have such programs as a permanent feature. During the past 5 years, the new training institutions of these countries have provided almost 10,000 man-months of training resulting in about 16,000 course completions by tax personnel of the countries. The courses have been concentrated mainly in the crucial areas of audit, supervision, and instructor training.

### **Assistance Rendered to Micronesia**

A recurring aspect of the foreign assistance program involves technical assistance to U.S. territories

and possessions, including America Samoa, Guam, and the Virgin Islands. During the year this assistance was also extended, at the request of the Department of the Interior, to Micronesia, a United Nation's Trust Territory for which the United States is trustee.

## Alcohol and Tobacco Tax Activity in International Field Continues

A representative of the Alcohol and Tobacco Division attended, as chairman of the U.S. observer delegation, a series of meetings of the Committee of Senior Officials on Wines and Spirits of the Council of Europe. Committee deliberations led to the draft of a convention to define spirits and wines which, upon adoption, will permit free movement of defined products between the Council's 18 member nations. Approval of the convention by the Council of Ministers is anticipated in September of 1968. U.S. interests which were concerned with possible restrictions on exports and imports and with recognition of bourbon whiskey as a distinctive American product were substantially served.

## New Tax Conventions Negotiated

Attorneys from the Office of the Chief Counsel, as representatives of the Commissioner of Internal Revenue, assisted the Treasury Department in negotiations with seven countries concerning bilateral income tax conventions and with two countries concerning bilateral estate tax conventions. In six cases the negotiations took place outside the United States.

On June 6, 1968, the Senate ratified (subject to certain reservations) income tax conventions with France, Brazil, and the Philippines. Instruments of ratification of a supplementary income tax convention with Canada were exchanged on December 20, 1967, and instruments of ratification of an income tax convention with Trinidad and Tobago were exchanged on December 19, 1967. Instruments of ratification of a protocol to an estate tax convention with Greece were exchanged on October 27, 1967.

## International Operations Has Active Year

### Worldwide Assistance Given to U.S. Taxpayers

For the 15th consecutive year, the Service fur-

nished worldwide tax assistance to U.S. taxpayers living abroad. Participating in the 1968 overseas taxpayer compliance program were 15 field agents, 6 office auditors and 3 assistant revenue service representatives, who visited 126 cities in 50 countries, plus Guam, Wake, Okinawa, and the Panama Canal Zone.

The Office of International Operations (OIO) and The Judge Advocate General of the Army again teamed up to provide classroom income tax instruction to some 850 servicemen at 13 military tax schools in Canada, the Canal Zone, Europe, and the Far East. Fourteen of the OIO agents taking part in the overseas taxpayer compliance program also served as instructors. Military personnel completing these courses were assigned as tax assistants within the military community. This joint effort on the part of OIO and the Department of the Army helped to expand the scope of the tax assistance program by making available income tax advice to upwards of two-thirds of the Armed Forces abroad.

The Service, continuing with its "self-help" program, updated the document, *Answers to Questions Most Frequently Asked by U.S. Taxpayers Abroad*, first published in 1967. This booklet is available for reference purposes in all U.S. embassies and consulates abroad. During the 1968 filing period, tax information in it was used in television and radio broadcasts and newspapers to assist the maximum number of U.S. taxpayers abroad with their tax problems. Additional steps were taken to assist overseas taxpayers through widely publicized tax seminars and lectures held by the revenue service representatives at their posts in England, France, Germany, and Italy.

### Overseas Posts Active

The Service maintains nine foreign posts in Bonn, London, Manila, Mexico City, Ottawa, Paris, Rome, Sao Paulo, and Tokyo. These overseas offices are managed by revenue service representatives who are responsible for specified surrounding geographical areas and perform functions for all branches of the Service. These representatives assist U.S. citizens overseas in complying with their U.S. tax responsibilities and, as part of their normal duties, they audit returns, collect taxes, and hold conferences. In addition, these representatives maintain close liaison with tax authorities of foreign governments on the administration of tax treaties, exchange of information and other matters of mutual interest.

On January 18, 1968, the President issued a directive establishing a four point program aimed at

reduction in dollar expenditure abroad, general streamlining of overseas operations and a reduction in American personnel overseas. Under phase I of this directive, "on-board" overseas strength of the Office of International Operations was cut by three persons, leaving a total complement of eighteen technical and nine clerical employees at the nine foreign posts. To achieve savings of 25 percent in foreign travel funds, the overseas staffs limited their official travel on work assignments to cover only the most essential program needs. Reduction goals established under phase I were met during the current year.

#### **New Action Taken Under Foreign Investors Tax Act**

Further implementing action was taken by the Service during the year under the provisions of the Foreign Investors Tax Act.

Nonresident aliens filing their U.S. income tax returns for the 1967 tax year were introduced to a new return, Form 1040NR. This return provides for the new reporting requirements of nonresident aliens under the Foreign Investors Tax Act, including the new concept of "effectively connected" income. Consolidated on this single Form 1040NR are all the features of three prior Forms 1040B, 1040NB, and 1040NB-a.

The Act changed some of the withholding tax concepts concerning income received by nonresident aliens. To familiarize withholding agents with these changes, the Service distributed through the local offices a new withholding tax booklet, *Withholding Tax on Nonresident Aliens and Foreign Corporations* (Document No. 5582). Articles were published in trade magazines and other periodicals which reach withholding agents in the sports and entertainment industries who may have unique withholding problems. These articles alert withholding agents of their primary responsibility to withhold tax and advise them of changes in withholding requirements made by the Foreign Investors Tax Act.

Beginning in 1968, deposits of tax required to be withheld under Chapter 3 of the Code are now accompanied by Form 512, *Federal Tax Deposit, Tax Withheld at Source on Nonresident Aliens, Foreign Corporations, and Tax-Free Covenant Bonds*. Amounts deposited with the Form 512 are credited against any tax due on the annual Form 1042 filed by the withholding agent. The quarterly filing of Form 4277 is not necessary unless it is used to remit amounts not previously deposited during a particular quarter.

#### **Joint Task Force Established to Study U.S.- Possession Problems**

The income tax laws of several U.S. possessions mirror the Internal Revenue Code. Under this arrangement, a dual law concept has developed and a separate taxing jurisdiction for the United States and these possessions is recognized. Application of the dual law concept has resulted in confusion among taxpayers in filing returns and administrative problems to the Service, particularly where the income is subject to tax in both jurisdictions. Recognizing the need to resolve these problems, the Treasury Department established a task force to study the tax structure and make recommendations for an equitable solution. The task force includes representatives from the Department of the Interior, Treasury, Internal Revenue Service, and certain possessions.

#### **Increased Utilization of Economists in Tax Cases**

National Office economists have become increasingly active in cases which require the development of the economic aspects of allocations of income and deductions among taxpayers under section 482 of the Internal Revenue Code. A substantial portion of the available manpower was utilized on active court cases, many of which were prime cases involving economic issues such as intra-company pricing and service fees.

Economists assisted attorneys from both the Justice Department and Chief Counsel in developing economic evidence and issues for use in litigated cases. An increasing need for economic advice resulted in economists concentrating on large cases and other priority matters.

Economists also assisted in preparing cases for discussions between governments for relief of double taxation under U.S. tax treaties. They further provided technical comment on drafts of the new section 482 regulations and related guidelines, and participated in the development of instructional material concerning the economic content of cases developed under the new regulations.

#### **Compliance by U.S. Investors Abroad**

The 1962 Revenue Act eliminated many tax abuses involving U.S. direct investments abroad. Consistent with this major change, a related statute (section 6046) provided a procedure to measure compliance of U.S. persons investing in foreign corporations. Section 6046 requires that Form 959, *U.S. Information Return With Respect to the Creation or Organization, or Reorganization, of a For-*

*ign Corporation*, be filed by U.S. persons owning a 5 percent or more interest in foreign corporations. U.S. persons who are officers or directors in such foreign corporations are also required to file. Reports received under these provisions are used in developing Treasury and Service programs involving U.S.-foreign transactions.

As the fiscal year began, the Service had identified 31,770 foreign corporations in which U.S. persons own at least 5 percent of the stock. During the year, 2,904 new foreign corporations were identified from 5,134 Form 959's filed.

### **Expansion of Automatic Data Processing to OIO Under Study**

The Service's automatic data processing system is designed to handle a high volume of tax returns having similar characteristics. The returns filed with OIO by U.S. citizens residing abroad represent a low volume operation with high complexities. For the most part, these returns contain items not found in returns filed by stateside citizens, which necessitates data programs tailored to meet the characteristics peculiar to these returns. Because of these problems, the inclusion of OIO citizen returns in the ADP system has been deferred.

Now that all stateside Form 1040 and 1040A returns are in the system, a task force is studying the problems that must be overcome in order that returns filed from foreign areas can be processed by the system.

### **Relief From Economic Double Taxation Provided**

Revenue Procedure 64-54 provides for administrative relief from economic double taxation where section 482 allocations are made between United States controlling taxpayers and their controlled foreign entities. During the past fiscal year, 41 requests for relief involving 114 tax years were received. These requests involved over \$32 million in income allocations representing requests for tax offset totaling \$3.7 million. During this same period, 28 requests totaling \$1.5 million in tax offsets were approved and closing agreements executed.

Requests for relief under Revenue Procedure 64-54 require a detailed analysis of the respective foreign tax laws to determine the treatment of the allocated amount under such laws. Provisions of the foreign tax law, such as the carryback and carry-over provisions, can have a significant effect on the amount of tax offset to be allowed. The relief pro-

visions of Revenue Procedure 64-54 do not apply for years beginning after December 31, 1964.

### **Increase Noted in Competent Authority Activity**

Discussions with treaty countries involving double taxation and other administrative matters constitute an important part of the competent authority activity under the treaties. There has been a significant increase in these activities in 1968, which is attributed to an increase in the activities of foreign tax authorities, a greater number of U.S. businesses investing overseas, and a larger number of U.S. persons residing abroad.

Further increases in competent authority claims are anticipated since relief from double taxation under the provision of Revenue Procedure 64-54 is terminating. For years beginning after December 31, 1964, taxpayers who are subjected to economic double taxation due to section 482 allocations made between related domestic-foreign entities, may apply for relief to the competent authority, if a treaty country is involved.

The competent authority cases received during this past year included a variety of issues. Among these were problems of source of income, dual residence, allocation of income and deductions, treatment of income of missile base employees, taxation of social security pensions, and situs of property in estate tax matters. These cases required contact with seventeen treaty countries during the year.

### **Foreign Investments in the United States**

United States sourced income not effectively connected with the conduct of a trade or business in the United States is subject to withholding tax at source before it is remitted to the nonresident alien payee. Withholding agents file Form 1042, which summarizes all income payments and tax withheld. Form 1042S is an information document which is attached to the Form 1042 identifying the recipient of the income, the nature and amount of income paid and the amount of tax withheld. Tax is either withheld at the statutory rate of 30 percent if the recipient of the income is a resident of a nontreaty country, or withheld at a reduced rate as prescribed by the particular treaty.

The United States has income tax treaties with 22 foreign countries. Under the automatic exchange provisions of the income tax treaties, the Service is

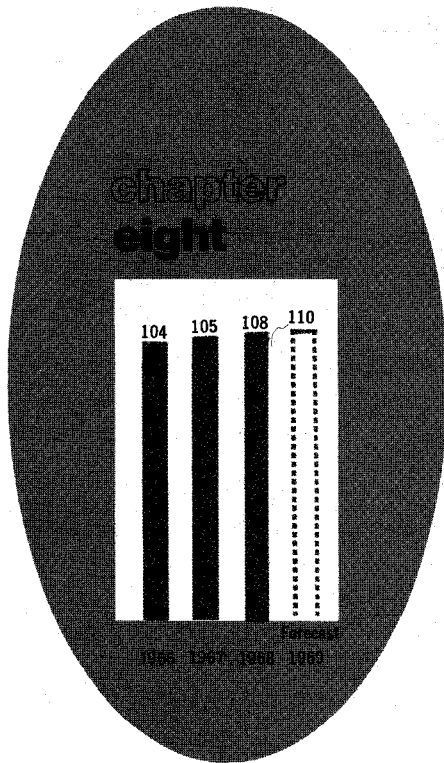
required to exchange information documents with the treaty countries. During calendar year 1967, over 378,000 information documents were sent to treaty countries. In return, the Service received over 165,000 documents from treaty countries giving similar information on income received by United States taxpayers from sources within these countries.

The following table is an analysis of the tax withheld from nonresident alien persons. The table shows that persons from Canada, Switzerland, and the United Kingdom continue to be the largest investors in U.S. enterprises. The amounts in the third column, headed "Tax From Foreign Governments or Withholding Agents," represents the additional tax remitted to the United States in excess of the effective treaty rate on income received by persons not eligible for the reduced treaty rate of tax.

**Tax withheld from payments to nonresident alien persons of treaty and nontreaty countries, calendar year 1966**

| Country                                                                   | Number of information documents | Thousand dollars                            |                                                    |                    |
|---------------------------------------------------------------------------|---------------------------------|---------------------------------------------|----------------------------------------------------|--------------------|
|                                                                           |                                 | Tax withheld by domestic withholding agents | Tax from foreign governments or withholding agents | Total tax withheld |
| Total .....                                                               | 516, 423                        | 122, 857                                    | 22, 559                                            | 145, 416           |
| <b>Treaty countries:</b>                                                  |                                 |                                             |                                                    |                    |
| Australia .....                                                           | 3, 771                          | 332                                         |                                                    | 332                |
| Austria .....                                                             | 1, 541                          | 124                                         | ( <sup>1</sup> )                                   | 124                |
| Belgium and overseas territories .....                                    | 9, 751                          | 2, 098                                      | 87                                                 | 2, 185             |
| Canada .....                                                              | 201, 882                        | 27, 782                                     | 800                                                | 28, 582            |
| Denmark .....                                                             | 1, 852                          | 185                                         | ( <sup>1</sup> )                                   | 185                |
| Finland .....                                                             | 365                             | 98                                          |                                                    | 98                 |
| France .....                                                              | 14, 443                         | 4, 062                                      | 21                                                 | 4, 083             |
| Federal Republic of Germany .....                                         | 18, 703                         | 1, 768                                      |                                                    | 1, 768             |
| Greece .....                                                              | 2, 654                          | 203                                         |                                                    | 203                |
| Honduras .....                                                            | 597                             | 25                                          |                                                    | 25                 |
| Ireland .....                                                             | 3, 251                          | 393                                         | 2                                                  | 395                |
| Italy .....                                                               | 7, 297                          | 887                                         |                                                    | 887                |
| Japan .....                                                               | 2, 062                          | 580                                         |                                                    | 580                |
| Luxembourg .....                                                          | 2, 293                          | 413                                         | 95                                                 | 508                |
| Netherlands .....                                                         | 5, 223                          | 5, 951                                      | 215                                                | 6, 166             |
| Netherlands Antilles .....                                                | 2, 684                          | 4, 942                                      | 31                                                 | 4, 973             |
| New Zealand .....                                                         | 8, 305                          | 71                                          | ( <sup>1</sup> )                                   | 71                 |
| Norway .....                                                              | 4, 387                          | 237                                         |                                                    | 237                |
| Pakistan .....                                                            | 171                             | 31                                          |                                                    | 31                 |
| Sweden .....                                                              | 3, 770                          | 879                                         |                                                    | 879                |
| Switzerland .....                                                         | 33, 058                         | 24, 485                                     | 21, 052                                            | 45, 537            |
| Union of South Africa .....                                               | 957                             | 288                                         |                                                    | 288                |
| United Kingdom and overseas territories .....                             | 49, 402                         | 29, 922                                     | 255                                                | 30, 177            |
| Nontreaty countries by forms 1042S .....                                  | 103, 078                        | 15, 853                                     |                                                    | 15, 853            |
| Treaty and nontreaty countries by coupon bond information documents ..... | 34, 926                         | 1, 247                                      |                                                    | 1, 247             |

<sup>1</sup> Amount too small to report. Included in the totals on the first line.



**Returns Filed**  
(Millions)

## Planning Activities

### Research Projects Geared to Solutions of Administrative Problems

Research activities continued to be directed primarily toward solutions to the myriad of administrative problems involved in both the present and proposed tax systems. In the course of these activities, a variety of fact finding surveys and studies were carried out to provide data for the solution of these problems. While the chief objective of all research projects was to effect increased taxpayer compliance or an overall improvement in tax administration, the impacts of proposed changes on the taxpayer reporting burden were kept constantly in mind; in fact, a significant proportion of research activities was concentrated on improving instructions and tax forms to make the overall taxing process more understandable and less burdensome to taxpayers.

*Studies to Measure and Improve Compliance*—Among the compliance-oriented studies conducted were: (1) the continuation of prior years' nationwide survey of taxpayer compliance in reporting interest from the redemption of Series E Savings Bonds; (2) a study of compliance among agricultural workers in reporting wages; (3) a study to pinpoint characteristics of employers who fail to comply fully with the requirements for withholding and paying income and social security taxes; (4) a study to determine the extent to which employers comply with the Federal unemployment tax laws; and (5) a followup on last year's study of payees who are required, but fail, to supply their taxpayer identifying number to payers.

*Assistance Provided in the Treasury Legislative Program*—Alternative administrative procedures and their implications were developed and updated throughout the year to provide assistance in the formulation of Treasury legislative proposals or to implement final Congressional actions. In connection with the Revenue and Expenditure Control Act of 1968, alternative withholding rates and tables were developed and their impact on relative

over- and underwithholding was measured in context with various effective dates for the legislation. Additionally, the administrative impact of other legislative proposals were the subject of specific studies and detailed analyses or comments.

## **Systems Development Emphasizes Design of the ADP System and Reduction of Data Input Costs**

Principal emphasis in the systems development area continues to be placed on the short-range problem of improvement of data transcription methods and the long-range problem of the design of a data processing system to satisfy the requirements of the future. Concurrently, several other studies of systems and equipment have been carried out in areas of more limited scope.

### **Transcription Methods**

The direct data entry system provides a means for entering data from source documents directly into a computer, validating the accuracy of the data by means of the computer and signalling the operator if corrective action is required. Advantages of this technique over conventional key punching and key verification operations include substantial reductions in key stroke requirements, elimination of much replication of effort in verification, simplified correction procedures and elimination of the card-to-tape conversion operation.

A pilot installation of this system was successfully tested in the Southeast Service Center. This small scale (24 operator stations) version of the system permitted the observation of operator performance under actual production conditions, and the direct comparison of productivity under the old and new systems on identical work. Analysis of the test results indicate that the direct data entry system will increase transcription productivity by more than 25 percent.

The pilot installation was designed to test human factors and procedural concepts. It was also essential to validate the capability of the proposed equipment to handle the processing requirements imposed by several hundred operators, rather than the two dozen operators on the pilot system. To this end, a computer program was developed which can simulate the performance of the full-scale system, and which did indeed demonstrate that the production system can handle anticipated work loads. The

simulation program was also designed that it will have continuing use. Parametric values describing operator performance, document characteristics and equipment specifications can easily be altered, and the "building block" construction of the simulator also permits the evaluation of the impact of changes in systematic approaches or in programming techniques. It is anticipated that the experience gained in this simulation study will be put to use in many further systems development projects.

## **Continuation of the Service's Long-Range Research Study—the Taxpayer Compliance Measurement Program**

In 1962, the Service inaugurated a long-range research study called the Taxpayer Compliance Measurement Program (TCMP). It is designed to provide scientifically collected data from which new knowledge will be obtained concerning levels of compliance, enforcement needs and allocation of enforcement resources. TCMP also provides a reliable data base for use in other Special Studies which are an integral part of the Service's Planning-Programming-Budgeting System.

TCMP involves the major tax enforcement areas of Delinquent Accounts and Returns and Individual and Corporation Returns Filed.

Owing to the Fiscal Year 1968 budgetary reduction, the Service was forced to cancel a Delinquent Accounts survey and a Delinquent Returns Farm Business survey and postpone scheduled surveys of Individual and Corporation Returns Filed. However during 1968, results of the initial Individual Returns Filed survey of 1963 individual returns filed in 1964 were used to develop a new computerized audit selection technique. This new method uses an advanced mathematical classification technique, known as discriminant function, to rank individual income tax returns filed in decreasing order of urgency of need of examination. When compared to other selection methods, simulation results indicate that the new selection method will produce such positive benefits as: (1) higher tax change yields from returns examined, (2) lower audit classification and related data processing costs, (3) fewer tax returns audited with little or no tax change.

The Service is installing the new audit selection method for the high volume, low-income classes of 1968 individual returns filed in 1969. The new



method will be installed for the 1969 medium and high-income individual returns filed in 1970.

In summary, TCMP is a scientific research program which gathers objective data for improved decision making in the enforcement areas of Federal tax administration. These decisions cover a variety of areas such as size of enforcement resources needed; the optimum selection of workload and the related allocation of available resources; technical areas where additional taxpayer education is profitable and areas where new legislation seems desirable for improved tax administration.

### **Effectiveness of Planning-Programming-Budgeting Continues to Mature as Service Management Tool**

The Planning-Programming-Budgeting System (PPBS) continues to be the Service's management tool for the examination and evaluation of major program alternatives and the long-range planning of Service activities, forecasting their accomplishments and resource requirements. The PPB System was refined to focus on major program issues, reducing the amount of program planning material requiring executive attention.

During this year PPBS analytical techniques were not only used to project fiscal year 1969-1974 program plans, but choices were also developed for effecting the fiscal year 1968 appropriation decisions with the least loss in tax revenue yields.

All Service studies and significant staff projects were assigned relative priorities; controls were instituted to avoid any duplication of effort and to assure that scarce research and staff resources are expended on only the most vital studies and projects. Due to the fiscal year 1968 economy reduction, sharp temporary curtailments had to be made to research projects.

Among studies which are continuing, research is being conducted to establish alternative audit programs which are aimed at obtaining equity through efforts directed at achieving equal compliance levels among all classes of individual and business taxpayers, as well as optimizing the tax yield represented by direct audit revenue and indirect effects of enforcement on voluntary compliance with the tax laws.

### **50 Years of Statistics of Income**

During fiscal year 1968, the Service released two Statistics of Income volumes in the 1965 tax year series, which represented the fiftieth consecutive year of the publication of statistics with respect to the operation of the income tax laws as required by the Internal Revenue Code. These two 1965 volumes—one for individual income tax returns and the other for fiduciary, gift, and estate tax returns—will be followed by reports on corporate and noncorporate businesses to be released early in fiscal year 1969.

The first volume of Statistics of Income was for 1916, but it contained data for individuals back to 1913 and for corporations back to 1909, the initial years of income taxation. In the succeeding 50 years, the Statistics of Income program has developed from a small report used for tax administration purposes to a set of volumes containing many complex analyses which also supply benchmark data needed for economic and financial research. Great improvements have been made in the type and quality of data presented. The publication of the reports has been speeded up, with further improvements scheduled through the use of more efficient methods, including wider use of computer technology.

A list of Statistics of Income reports published during the year appears on page 93. In addition to the reports for 1965 mentioned above, some early estimates of 1966 data were made available; however, not all of the information was in published form. The highlights of the most recent data in each area are:

1. Individual income taxpayers reported \$468.5 billion of adjusted gross income for tax year 1966, almost a 10 percent increase over 1965 and the largest single-year increase under the current tax law. Taxable income of \$286.3 billion remained after subtraction of exemptions and deductions. While taxable income rose 12 percent over 1965, the income tax before credits of \$56.8 billion for 1966 was 13 percent greater than the preceding year. Some summary data for 1966 are presented in the table on page 53.

2. Advance estimates of financial data from business tax returns for 1966 were delivered to the Commerce Department for use in revising the gross national product and national income accounts. The first estimate of corporate net income for 1966 was \$88.8 billion, almost a 20 percent increase over the \$74.2 billion reported for 1965. Because of this

sharp rise in net income, income tax before credits increased to \$34.8 billion, almost 25 percent above the 1964 figure, when lower tax rates under the Revenue Act of 1964 were first put into effect. Tax return data also show that corporate business receipts rose slightly to a new high of \$1.2 trillion. In the unincorporated sector, advance estimates for 1966 show that the 9.1 million sole proprietorships, Schedules C and F, Forms 1040, had business receipts amounting to \$207.4 billion, a 4 percent increase over 1965. Sole proprietorship net profit increased by 7.7 percent to \$30 billion. For partnerships, business receipts amounted to \$78.2 billion and net profit was \$10.4 billion, increases over 1965 of 6.2 percent and 7.7 percent, respectively.

3. Data on the income from estates and trusts and the transfer of wealth through gifts and estates, based on returns filed during 1966, show that: Fiduciaries reported \$8.5 billion of total income from estates and trusts; almost \$4 billion of gifts were reported by individuals on gift tax returns; and

\$21.9 billion of gross estate was reported on estate tax returns of decedents.

## Tax Models Aid in Forecasting and More Efficient Tax Administration

During each of the last 5 years, since the development of the "Tax Model," the Service has relied increasingly on simulation models for tax research. Three simulation models were developed in response to the need for quick and reliable estimates of the revenue effect of proposed changes in the tax law. When the individual tax model proved its effectiveness, similar models were developed for sole proprietorships and for corporations. Each tax model consists of a magnetic tape file containing a randomly selected sample of taxpayer records, and computer programs capable of manipulating these records so that the tax (or other related items) on each return can be determined under prescribed conditions.

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

| Item                                                       | Income year |                 |         |                 |         |
|------------------------------------------------------------|-------------|-----------------|---------|-----------------|---------|
|                                                            | 1962        | 1963            | 1964    | 1965            | 1966    |
| <b>A. Number of returns</b>                                |             |                 |         |                 |         |
| (Thousands)                                                |             |                 |         |                 |         |
| All individual returns, total.....                         | 62,712      | 63,943          | 65,376  | 67,596          | 70,160  |
| Taxable.....                                               | 50,092      | 51,323          | 51,306  | 53,701          | 56,709  |
| Nontaxable.....                                            | 12,620      | 12,620          | 14,069  | 13,896          | 13,451  |
| Returns with itemized deductions, total.....               | 26,451      | 28,154          | 26,910  | 27,872          | 28,560  |
| Taxable.....                                               | 24,351      | 25,828          | 25,009  | 25,957          | 26,792  |
| Nontaxable.....                                            | 2,100       | 2,326           | 1,900   | 1,915           | 1,768   |
| Returns with standard deductions, total <sup>1</sup> ..... | 36,261      | 35,789          | 38,446  | 39,724          | 41,600  |
| Taxable.....                                               | 25,741      | 25,495          | 26,297  | 27,744          | 29,917  |
| Nontaxable <sup>1</sup> .....                              | 10,520      | 10,294          | 12,169  | 11,980          | 11,683  |
| <b>B. Sources of income</b>                                |             |                 |         |                 |         |
| (Million dollars)                                          |             |                 |         |                 |         |
| Adjusted gross income, total.....                          | 348,701     | 368,778         | 396,660 | 429,201         | 468,451 |
| Salaries and wages <sup>2</sup> .....                      | 283,373     | 299,443         | 323,266 | 347,150         | 381,067 |
| Business, farm, and profession.....                        | 23,925      | 23,872          | 25,628  | 27,953          | 30,258  |
| Dividends in adjusted gross income <sup>3</sup> .....      | 10,640      | 11,452          | 11,917  | 12,961          | 13,998  |
| Interest received <sup>3</sup> .....                       | 7,155       | 9,212           | 10,125  | 11,296          | 13,225  |
| Partnership.....                                           | 9,344       | 9,313           | 9,731   | 10,606          | 10,726  |
| Capital gains.....                                         | 5,771       | 6,449           | 7,939   | 10,181          | 9,941   |
| Other income <sup>4</sup> .....                            | 8,491       | 9,037           | 8,055   | 9,055           | 9,236   |
| <b>C. Itemized deductions</b>                              |             |                 |         |                 |         |
| (Million dollars)                                          |             |                 |         |                 |         |
| Itemized deductions, total.....                            | 41,661      | 46,053          | 46,832  | 50,739          | 54,566  |
| Taxes.....                                                 | 13,045      | } Not tabulated | 14,071  | } Not tabulated | 17,468  |
| Interest paid.....                                         | 10,274      |                 | 12,457  |                 | 14,971  |
| Contributions.....                                         | 7,516       |                 | 8,327   |                 | 9,122   |
| Medical and dental expense.....                            | 6,079       |                 | 7,095   |                 | 7,681   |
| Other deductions.....                                      | 4,747       |                 | 4,882   |                 | 5,322   |

Note.—Returns classified as taxable are those with income tax after credits.

<sup>1</sup> Includes returns with no adjusted gross income.

<sup>2</sup> For 1962-63, reduced by sick pay exclusion and certain employee business expenses. For 1964-1966 gross salaries are shown.

<sup>3</sup> Except for 1966, excludes amounts reported on Forms 1040A.

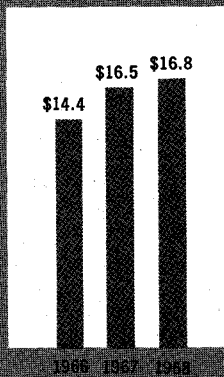
<sup>4</sup> Reduced by self-employed pension deduction for 1963 and by self-employed pension deduction, sick pay exclusion, employee business expense deduction, and employee moving expense deduction for 1964-1966.

The 1966 individual tax model contains about 80 income, deduction, and tax related items from each of 86,610 Form 1040 and 1040A tax returns; the 1966 sole proprietorship tax model and the 1966 corporation tax model will contain the same number of data items for samples of about 130,000 tax returns and 49,000 tax returns, respectively.

During the past year the Service used the 1964 individual tax model to aid in estimating how various groups will be affected by the surcharge that has just become law. In addition to their value as a forecasting tool, the tax models provide information about the characteristics, or profile, of groups of tax-

payers. Currently, for example, the 1966 individual tax model is being used to isolate the characteristics of the increasing number of taxpayers that are receiving large refunds. During the period covering tax years 1964-1966, the number of individual income tax returns with refunds has risen by 26 percent, with an even sharper increase, 46 percent, in the amount of refunds. The information provided by the tax model will help the Service determine the reasons for these increases and enable the development of appropriate operating plans to fulfill the obligation to administer the tax laws as efficiently as possible.

chapter  
nine



Cost Reduction and  
Management Improvement  
Savings  
(Millions)

# Management Activities

## Service Sets Another Savings Record

Since the Government-wide program for cost reduction and management improvement was initiated by the President 3 years ago, the Service has documented and reported savings, as follows:

|      |                |
|------|----------------|
| 1966 | \$14.4 million |
| 1967 | \$16.5 million |
| 1968 | \$16.8 million |

The record high savings of \$16.8 million attained by the Service was achieved in the face of funding limitations which resulted in the deferral of several major projects. Adherence to an austerity budget generated a large number of less significant actions which, taken collectively, resulted in recurring savings. These savings are included in the \$16.8 million figure—which has not been offset by the administrative costs of various actions made necessary by the expenditure reductions.

Recognizing the continuing need for economy and better management, the Service is challenging its personnel to equal or exceed, during the next two years, the outstanding results achieved last year.

### Incentive Awards Recipients Recognized, Program Revitalized

Thirty-two Service employees were honored at the Treasury Department annual awards ceremony in September, three of whom received the meritorious service award.

Internal Revenue Service conducted a Service-wide review of the incentive awards program in line with recent appraisals made by Congress and the Civil Service Commission. A complete revision of the Service's regulations will be distributed early in 1969. The new regulations are designed to improve operations of the program, renew interest, and enlarge participation by placing greater responsibility in the hands of line management; reducing delays in processing and evaluating; simplifying procedures; and reducing the volume of paperwork in justifying performance awards.

## Financial Management Meets Budgetary Challenges

The Service has made a concerted effort to get maximum benefit from its available resources in accomplishing its work programs. This effort has incorporated the Planning-Programming-Budgeting System and related Special Studies Program; the Taxpayer Compliance Measurement Program; the annual operating financial plan; the position management system; the master file automatic data processing system; reorganization and consolidation of offices, and work planning and control of resources to the lowest feasible operating levels.

For fiscal year 1968 the Internal Revenue Service was authorized an increase of 1,445 positions and \$47.2 million over 1967. However, because of expenditure restrictions of \$16.2 million the Service was unable to realize 1,212 of the man-years of work planned for 1968.

### Service Responds to Limited Resources

Service operations in 1968 were severely affected by the reductions in Federal expenditures imposed by Public Law 90-218. When the Service was first warned of the cuts, almost all additional enforcement personnel authorized in the 1968 appropriation had already been hired. To lay off these new employees would have had an immediate effect on morale, and very likely would have permanently damaged the Service's ability to hire quality people. Hence, cuts had to be taken in other areas, which upset the balance of Service programs and operations.

The Service was forced to severely restrict subsequent hiring of both technical and clerical personnel. As attrition occurred, this caused considerable imbalances among programs and geographic areas. To keep things going, professionals had to be assigned to lower grade work. Cuts in money available for travel not only eliminated important managerial and supervisory travel, but also cut significantly into casework travel. Training for the Service's managers, supervisors, and advanced technical employees was canceled. Enough relief was allowed later in the year to permit the filling of critical clerical and taxpayer assistance jobs, performing of case-related travel, and covering of some other expenses directly related to tax enforcement operations.

The Service is faced with even more stringent restrictions in fiscal year 1969. Top management of-

officials took early note of this, and began in the fall of 1967 to prepare the Service for a balanced operation in 1969. To avoid the loss of adaptability and flexibility that occurred in 1968, severe restrictions were imposed on the advance commitment of new employees to fill vacancies and cover anticipated attrition in technical enforcement jobs. Supplementary controls and more timely reporting were established. Simplified and streamlined methods of reporting and control, with less detail, and between higher levels of management, have helped insure that resource management decisions are made promptly, and that plan managers have the flexibility to respond realistically to the shortage in resources.

The distribution of obligations in fiscal year 1967 and 1968 is shown below. For more detail by appropriation and activity, see table 26, page 122.

### Appropriations and obligations

(In millions of dollars)

| Appropriation                          | Appropriated <sup>1</sup> |       | Obligated |       | Percentage obligated |      |
|----------------------------------------|---------------------------|-------|-----------|-------|----------------------|------|
|                                        | 1967                      | 1968  | 1967      | 1968  | 1967                 | 1968 |
| Salaries and expenses.....             | 18.9                      | 19.9  | 18.8      | 19.6  | 99.5                 | 98.5 |
| Revenue accounting and processing..... | 173.0                     | 179.4 | 172.6     | 178.9 | 99.8                 | 99.7 |
| Compliance.....                        | 473.2                     | 496.8 | 472.5     | 496.1 | 99.9                 | 99.9 |
| Total.....                             | 665.1                     | 696.1 | 663.9     | 694.6 | 99.8                 | 99.8 |
| Increase 1968 over 1967.....           |                           | +31.0 |           | +30.7 |                      |      |

<sup>1</sup> Includes adjustments for appropriation transfers and pay increase supplementals.

Man-years authorized and realized, by appropriation for 1967 and 1968 (exclusive of reimbursements) are compared below:

### Man-years authorized and realized

| Appropriation                          | Authorized |        | Realized |        | Percentage realized |       |
|----------------------------------------|------------|--------|----------|--------|---------------------|-------|
|                                        | 1967       | 1968   | 1967     | 1968   | 1967                | 1968  |
| Salaries and expenses.....             | 1,484      | 1,479  | 1,459    | 1,497  | 98.3                | 101.2 |
| Revenue accounting and processing..... | 21,201     | 21,948 | 22,012   | 22,897 | 103.8               | 104.3 |
| Compliance.....                        | 42,624     | 42,609 | 42,332   | 42,866 | 99.3                | 100.6 |
| Total.....                             | 65,309     | 66,036 | 65,803   | 67,260 | 100.8               | 101.9 |
| Increase 1968 over 1967.....           |            | +727   |          | +1,457 |                     |       |

For more detail by appropriation, by activity, and also obligations by districts, regions, and National Office, see tables 25 and 26 on pages 121 and 122.

### Financial Management Intern Program Started

The Financial Management Intern Program was developed during fiscal year 1968 as a means of

identifying, recruiting, and training promising college graduates who have majored in business administration, finance, accounting, computer science, or related fields for careers in Federal financial management.

Entering interns are given one year of training to equip them for trainee staff positions as computer system analysts, systems accountants, or budget analysts in the National Office.

Three interns were hired for the first year of the program and another was scheduled to enter on duty in late summer. Selections were made from the Federal Service Examination Register, coupled with some thirty on-campus interviews at several colleges.

### **On-Site Review of Financial Plans Improved**

A new approach for reviewing proposed regional financial plans reduced on-site review time in the regions from 10 to 4 days. Also, in lieu of a three-member on-site review team, the proposed plans are reviewed first in the National Office; then only one senior budget official makes the on-site review. Under the new approach, each National Office budget analyst examines the proposed financial plan within his area of budgetary responsibility and develops a point list for use in briefing the review official who will make the on-site review. A copy of this list is also supplied to the region so that they also are prepared for the review. As a result the quality of review is improved and, in addition, this approach yields a saving in travel funds.

### **Computerized Payroll System Expanded**

Since 1963, the Service has added payroll operations for other Treasury components, namely, Bureau of Customs, Exchange Stabilization Fund, Saving Bonds Division, and Office of the Secretary to its already automated payroll system. With the pending conversion of Secret Service manual payroll operations to the Service payroll system, total accounts serviced by this system will approximate 90,000 during peak employment periods.

### **Accounting for Centralized Training Revised**

Procedures to decentralize the accounting for centralized training programs were developed during the year for implementation at the beginning of fiscal year 1969. While maintaining adequate fund control, these procedures will eliminate duplication of recordkeeping at the national and regional offices. The final result will be an overall reduction in the

detailed recordkeeping necessary under former procedures for accounting for these costs.

### **Direct Mailing of Salary Checks Scheduled**

An automated system has been designed to mail salary checks directly from the regional disbursing center. Under this system each employee is given the option of having his pay check mailed to a bank or other designated address or receiving his salary check by personal delivery. Because of fiscal constraints during 1968, the Service was unable to implement the direct mailing system last year as planned. The system is now awaiting computer programming and it is anticipated that it will be put into effect during 1969. Plans also call for expanding this direct mailing system to include U.S. Savings Bonds and Savings Notes.

## **Personnel and Training Programs Focus on Individuals and Occupations**

The personnel programs of the Service during the past year have emphasized meeting the needs of individuals while still providing broad services to the organization. Major accomplishments were made in the areas of redeployment, recruiting, equal employment, and occupational studies. During the last year, after several years of intensive planning, the pilot region completed ADP redeployment involving 1,000 employees; goals for increased quality of recruits were met in a highly competitive labor market; active Service participation increased in a wide variety of equal employment programs; and plans were completed to study and make improvements in the structure of several Service occupations.

### **Pilot Region Successfully Completes ADP Conversion Program**

Since the beginning of the data processing conversion in 1962, the Service, through its redeployment program, has made every effort to minimize any adverse impact on affected employees. The redeployment program involves constant planning of training and placements, making full use of actions made possible by attrition in the workforce.

As a result of concentrated redeployment efforts throughout the conversion period, the Southeast Region was able to redeploy practically all of the original manual processing workforce of over 1,000 individuals without resorting to involuntary separa-

rations, transfers or downgradings. Of the 155 employees remaining as of the final phase-out of manual operations, 85 were placed at their permanent grade; 14 were placed at a higher grade; 43 were placed at a lower grade; 3 transferred to service centers; and 10 retired. No involuntary separations were required.

In line with Southeast's favorable end-of-line conversion, the Servicewide redeployment program also has been continuing successfully. There are only about 2,000 employees remaining to be redeployed out of the initial 12,000 employees affected. The 10,000 employees have been redeployed without resorting to any adverse personnel actions or involuntary transfers. It appears that all remaining redeployment can be accomplished with minimum adverse impact.

### **Recruitment Followup Goes Into Second Phase**

The Service in June launched phase 2 of its Recruitment Followup Program designed to provide the Service with an on-going assessment of its major recruitment, selection, training, manpower utilization and appraisal systems. Phase 1, begun in January 1965, provided personal background data (including oral interview results, test scores, grade point average, college major, and experience) on all appointees in seven major enforcement positions. Phase 2 will record followup data over a period of years on most of these appointees, so that the phase 1 data may be analyzed in terms of success in training, on-the-job performance, and separations.

The system is designed to produce reliable answers to a wide variety of manpower questions which are important to all levels of management. For example: How many semester hours in accounting are required for quality performance in a particular occupation? Do business majors make better revenue officers than liberal arts majors? Can higher starting salaries be justified to the Civil Service Commission? Which occupations are suitable for junior college graduates and how do these recruits compare with those coming from four year colleges? How effective are our various training programs? Some

equally important questions involve the turnover situation. For example: Why are people leaving the Service, how many, and how does the current situation compare with previous years? What are the grade, regional, occupational variations? Complete information necessary for answering these questions should be available starting July 1969.

### **Technical Recruiting Peaks Level Off**

The task of finding or reassigning qualified personnel for professional positions has been quite challenging for the past 3 years, and in 1968, a year of relative austerity, appreciable gains were made, especially in the number and quality of revenue agents and tax technicians. A substantial number of previously committed positions was filled early in the year. However, during the last 6 months of the year, relatively few persons were recruited for enforcement positions due to budgetary reductions and resulting controls on college recruitment. Some campus contacts continued with students, faculty and placement officers but travel and other budgetary restrictions required that these be limited.

The concentration in seven service centers of returns processing operations formerly performed in 58 district offices resulted in a heavy demand on the service center labor markets. To secure 15,000 seasonal employees to fill the card punch operator, clerk, and tax examiner positions required to process 1967 tax returns, over 100,000 applications for employment were obtained and processed. In an increasingly tight labor market, especially for clerical employees, expectations are for continued keen competition in the immediate years ahead.

Detailed information about several Service professional positions was added to that already published in the Internal Revenue Service's College Recruiter's Handbook. This information, and the nationwide recruitment concept, help Service recruiters meet the various recruitment needs of all Service offices, regardless of location.

Man-years realized during each of the past 2 years and employees on rolls at the close of 1967 and 1968 are shown in the following table:



## Personnel summary

| Location and type                        | Man-years realized |        | Number on rolls at close of year |        |
|------------------------------------------|--------------------|--------|----------------------------------|--------|
|                                          | 1967               | 1968   | 1967                             | 1968   |
| Service, total.....                      | 65,946             | 67,574 | 65,122                           | 65,177 |
| Permanent.....                           | 58,628             | 60,412 | 58,640                           | 59,517 |
| Temporary.....                           | 7,318              | 7,162  | 6,482                            | 5,660  |
| National Office.....                     | 13,894             | 13,967 | 3,852                            | 3,700  |
| Field service, total <sup>2</sup> .....  | 62,052             | 63,607 | 61,270                           | 61,477 |
| Data processing, total.....              | 20,378             | 21,447 | 19,468                           | 19,585 |
| Collection, total.....                   | 10,268             | 10,213 | 10,029                           | 9,951  |
| Revenue officers.....                    | 6,097              | 6,278  | 6,027                            | 6,030  |
| Other.....                               | 4,171              | 3,935  | 4,002                            | 3,921  |
| Audit, total.....                        | 20,560             | 21,155 | 20,824                           | 21,154 |
| Revenue agents.....                      | 12,878             | 13,430 | 12,882                           | 13,061 |
| Office auditors and tax technicians..... | 3,121              | 3,147  | 3,145                            | 3,001  |
| Other <sup>3</sup> .....                 | 4,561              | 4,578  | 4,797                            | 5,092  |
| Intelligence, total.....                 | 2,346              | 2,386  | 2,380                            | 2,388  |
| Special agents.....                      | 1,726              | 1,769  | 1,740                            | 1,731  |
| Other.....                               | 620                | 617    | 640                              | 657    |
| Alcohol and tobacco tax, total.....      | 2,611              | 2,607  | 2,637                            | 2,610  |
| Investigators.....                       | 964                | 981    | 968                              | 985    |
| Inspectors—general.....                  | 444                | 434    | 442                              | 416    |
| Inspectors—on premises.....              | 416                | 418    | 426                              | 414    |
| Other.....                               | 787                | 774    | 801                              | 795    |
| Appellate, total.....                    | 1,643              | 1,623  | 1,658                            | 1,596  |
| Appellate conferees.....                 | 727                | 717    | 731                              | 696    |
| Auditors.....                            | 164                | 161    | 162                              | 152    |
| Other.....                               | 752                | 745    | 765                              | 748    |
| Administration.....                      | 2,836              | 2,711  | 2,785                            | 2,734  |
| Regional Counsel.....                    | 752                | 782    | 776                              | 786    |
| Regional Inspection.....                 | 658                | 683    | 713                              | 673    |

<sup>1</sup> Includes terminal leave man-years for entire Service.

<sup>2</sup> Includes Office of International Operations, National Computer Center, and IRS Data Center.

<sup>3</sup> Includes overseas employees hired locally (7 in 1967 and 3 in 1968).

## Cooperative Work-Study Program

Students majoring in accounting as undergraduates may work part-time during the year and full-time during summer training for eventual careers with the Service after graduation. This work-study program for accounting undergraduates continued to grow in coverage and effectiveness in competing with other employers. One hundred and thirty-one colleges and universities have entered into co-op agreements with district offices since the program began in June 1966. In the academic year 1967-68, 46 high-quality co-op students who completed the program accepted offers of career employment with the Service.

Field management support for the program also has grown, and the Service will enter the academic year 1968-69 with about 91 participating co-op students. Plans made to discuss the program with additional colleges and to increase the number of students participating were deferred temporarily, due to financial limitations. However, the co-op program is expected to double or triple in the next several years.

## Maximum Utilization of Skills and Training Refined

The Service has diligently pursued the goals of Operation MUST (Maximum Utilization of Skills and Training) since its adoption in 1966, and has further defined these goals in terms of specific programs. MUST is a Governmentwide drive aimed primarily at countering the effects of labor market shortages while, at the same time, possibly providing increased opportunities for the disadvantaged.

Following 2 years of pilot efforts in three regions, the Service is announcing a Servicewide Enforcement Technician Program—a recruitment and training program designed to hire GS-4 trainees who will be targeted following one year of training for several different technical enforcement positions. More than thirty GS-4 trainees were hired in the three pilot regions. Most of them since have been promoted as GS-5 revenue officers or tax technicians.

A successfully concluded National Office pilot program for hiring and training GS-1 and GS-2 office aids will serve as the basis for a Servicewide effort this year.

Other MUST projects underway or in the planning stages include: (1) A plan for hiring high school graduates who are among the top ten percent of their graduating class, have been accepted by colleges, and require financial assistance (they will be employed during Christmas, spring, and summer vacations); (2) a possible program for testing, counseling, and training other employees to insure the maximum utilization of their skills and potential; and (3) participation in the Civil Service Commission's effort to assist qualified recent veterans in a program of combined education and work.

## Minority Hiring Increases

Negroes comprise 10.3 percent of the Internal Revenue Service workforce, a figure which is close to the estimated percentage of Negroes in the total U.S. population. Further, considerable progress has been made in appointing and promoting Negroes to higher level jobs. Even though Negro employment has decreased in grades 1-4 due to ADP redeployment, the most recent report shows the following changes since June 1965:

| Grade      | Increase | Percent increase |
|------------|----------|------------------|
| 5-8.....   | 469      | 41               |
| 9-11.....  | 7        | 1                |
| 12-18..... | 77       | 44               |

The above minority group employment increases are reflected in recruitment for technical positions;

for example, nationwide recruitment of Negro accountants for revenue agent positions in the 1966-1968 period increased by 138 percent over the prior period of 1963-1965.

During the year all field offices and the National Office prepared reports on significant developments in the Equal Employment Opportunity Program. The objective was to obtain a Servicewide picture of all accomplishments to date. The reports indicate that significant steps have been taken by operating officials to promote the program and that efforts to recruit minority group members are positive in nature.

Many means are being used by field offices to involve themselves in community problems. Methods used include: cooperating with other Federal and local employers through the Federal Executive Boards and Associations and other similar groups; conducting EEO seminars for supervisors and managers; recruiting at colleges and high schools that enroll a substantial number of minority group members, and using minority group employees as members of the recruiting team whenever possible; maintaining contacts with minority group organizations through personal visits, correspondence, and telephone calls; participating in career days, job fairs, and conventions held by minority groups and schools; contacting school counselors and students to discuss educational and employment qualifications, careers, and youth motivation; and counseling minority employees on such matters as promotion, self-development, qualifications, and career plans.

Service efforts in equal employment were noted as "one of the most effective programs" in a review of the book, *The Negro in Federal Employment: The Quest for Equal Opportunity*, which appeared in the December 1967 issue of the *Monthly Labor Review*.

### **Special Emphasis Programs Broadened**

Over the past few years, the Service has rapidly increased its programs to provide employment for economically and educationally disadvantaged young people. These programs, funded largely by sources other than the Service, provide each enrollee with direct financial benefits and an introduction to the world of work. Because many of the young people hired are inexperienced, a major aim is to increase knowledge of and motivation toward opportunities in Government and business.

This year, as in the past, the Service served as both host and employer of disadvantaged youths. A variety of employment programs, most of which

were created by the Economic Opportunities Act of 1964, gave the Service the opportunity to provide meaningful and constructive employment.

In cooperation with State and local agencies and educational institutions, the Service was host to disadvantaged young people who needed employment to continue their education and to those who had dropped out of school and needed to develop skills for future full-time employment.

The Service in June had hired 1,345 of the disadvantaged under the Youth Opportunity Program. All were between ages 16 and 21 and had demonstrated their need for employment to continue their education. Many district and regional offices actively participated with community and educational organizations to locate candidates for Service positions. In many instances, Service officials were members of special committees for employment of disadvantaged youngsters.

To help the enrollees compete in today's complex working society, each appointing office designed and conducted its own formal and informal training programs. Both kinds of programs included counseling opportunities. For example, in San Francisco the Service joined with other Federal agencies on "The Mayor's Committee" to hire and train the economically disadvantaged. The Service hired fifteen persons, mostly from Hunters Point, as youth trainees. They served under temporary appointments and were given training in writing, speaking, and mathematics to help them pass the Civil Service's office aid examination. This was followed by negotiations with the San Francisco School District to develop a program for all the underprivileged hired by Federal agencies in the Bay area.

All Service supervisors receive a booklet on supervising the disadvantaged entitled "Adjusting to the World of Work." This special guide developed by the Service for its supervisors was reprinted by the Civil Service Commission and distributed to other Federal offices. The Vice President also asked for copies which he sent to the National Alliance of Businessmen and other groups through the President's Council on Youth Opportunity.

### **Service Recognized for Employing the Handicapped**

Equal employment, in the Service, means opportunity for everyone. This year there has been special success in the hiring and training of the handicapped. Civil Service Commission Chairman John W. Macy, Jr., honored the Service with two awards: one to the agency and the other to an individual employee. Both awards were presented at the June 1968

Conference on Federal Employment of the Handicapped for outstanding cooperation in this area. Cited specifically were the Service's expansion of employment possibilities for the blind, and its model issuances on the employment of the blind and the mentally retarded.

Joseph Hunt, Commissioner of the Social and Rehabilitation Service, Department of Health, Education, and Welfare, said of the program, "The initiative of Internal Revenue Service in Washington and the active cooperation with our State Vocational Rehabilitation agencies is a model not only for government agencies but for other employers as well."

A successful pilot program in the Little Rock District employed two blind taxpayer service representatives upon completion of their training under an initial \$10,000 grant from HEW to the Arkansas Enterprises for the Blind. One of these individuals was especially outstanding and was subsequently promoted to the position of tax examiner. At year's end, plans were launched for greater use of the Arkansas Enterprises facility to train taxpayer service representatives. Chances were excellent that the Rehabilitation Services Administration would give the Arkansas Enterprises for the Blind a 3-year, \$100,000 grant to train a minimum of 50 blind persons for the Service.

Service centers are among the leading employers of the handicapped within the Service. For instance, the Governor of Massachusetts honored the North-Atlantic Service Center with a Citation for Meritorious Service, largely for its achievements in the employment of the mentally restored. Under the leadership of its Director, Irvin S. Osborn, the Southwest Service Center has employed 247 handicapped employees since the start of the program, including 32 totally deaf and 23 partially deaf. This figure comprises approximately one-fifth of the Service Center's employment. For his devotion to the program for hiring the handicapped, the Director received the John E. Fogarty Public Personnel Award.

#### **Other Civic Responsibilities Met**

For many years, the Service has carefully controlled "moonlighting," outside employment. The aim is to avoid conflict-of-interest situations, real or apparent, and additional duties that could preclude a full day's effective performance for IRS. However, the Service has recognized the element of social responsibility in this area. In the last two years, the Service twice liberalized its regulations to encourage

qualified attorney employees to give free legal service to the poor where there is no conflict with Service objectives and interests.

As another aspect of civic responsibility, the Service has authorized up to seven days paid absence from duty, without charge to leave, for employees called to emergency National Guard duty during civil disturbances. The step was taken because military leave, by Federal regulations, cannot be used for this purpose.

#### **Career Systems Further Developed**

The Service is continuing to develop and implement improvements in its career programs. This effort is aimed at complete coverage of all major occupations by career systems for the identification, development, and selection of qualified employees for technical, professional, and supervisory advancement. Individuals will benefit from having a variety of avenues for development and advancement available to them, while the Service will benefit by being able to utilize employees in jobs which take the greatest possible advantage of their talents.

At year's end, a career program handbook had been completed. The handbook will provide central principles and philosophy for career programs designed to identify and develop candidates for supervisory and managerial positions. A management development handbook, nearing completion, will provide guidelines for training and development of potential and incumbent supervisors, managers, and executives. Several projects were underway to develop better selection and evaluation tools, and to provide greater systemic integration of functional, regional, and executive career programs.

#### **Revenue Officer Occupation and Working Environment Studied**

Last year a study group was formed to look into revenue officer attitudes, morale, and motivation with the objective of improving the working climate for this key frontline occupation. The group was composed of people from both the field and the National Office, including two district directors and representatives from the Collection and Personnel Divisions. They interviewed over 500 revenue officers and group supervisors, and close to 100 regional and district officials. A final report, detailing the findings of the study and making numerous recommendations for change, was submitted to the Assistant Commissioner (Compliance) in June 1967.

Since that time, several positive steps have been

taken towards increased job satisfaction for revenue officers based on information and suggestions gathered by the study group. Procedures have been rewritten to maximize the delegation of authority to individual revenue officers and to eliminate restrictions and controls that hampered independent professional judgment. Grass roots involvement in scheduling and planning work has also been revitalized and reemphasized, providing the field with a greater degree of flexibility in these areas.

The Collection and Personnel Divisions have jointly undertaken a comprehensive study of the revenue officer occupation to determine, among other things, whether the existing grade structure is adequate and to what extent the hazards of the job can and should be recognized as a classification factor in determining grade level. Some changes already have taken place as a direct result of this study including rewriting recruitment brochures to bring them more into line with the realities of the revenue officer occupation. The significant thing is that major substantive changes for the better are taking place in the working environment of the revenue officer as a result of the study group's efforts and of management commitment at all levels of the organization.

#### **In-Service Recruitment, Special Salaries Strengthen Special Agent Force**

Effective in July 1967, the Civil Service Commission approved a nationwide special salary rate for GS-5 through 9 special agents. (This proposal was pending with the Civil Service Commission at the end of 1967.) When the special salary rates were authorized, the Commission also approved payment of travel and transportation expenses to the first post of duty for new appointees at the above grade levels. Implementing the provisions of the Federal Salary Act of 1967, the Commission continued the rates for special agents, as well as those previously approved for revenue agents, accountants and auditors, attorneys (estate tax), and law clerk trainees (estate tax).

The in-Service recruitment program, initiated last year to identify and select employees for special agent positions in the intelligence activity, has successfully stimulated interest in these careers. About 65 percent of the special agents employed during fiscal year 1968 were appointed through noncompetitive actions. The substantial reduction in special agent attrition in 1968 is attributed, in part, to the increase in the number of employees entering this occupation who had made career commitments to

the Service. Further benefits were the decrease in the time required to train many of these special agents, and in their training costs, since a large number of the in-Service placements already have completed the basic income tax law training given by the Service. Through concerted local and nationwide internal placement efforts, the Service hopes to continue to interest qualified employees in seeking consideration for this field of work.

#### **Estate Tax Examiners Reclassified as Attorneys**

After a lengthy study, the Civil Service Commission in April determined that the position of estate tax examiner was a professional legal position and, as such, properly classifiable in the GS-905 attorney series. The Commission also established a new classification title, attorney (estate tax), for this occupation. The practical impact of this decision was to move about 800 positions from the competitive service to the excepted service, and to make bar membership a requirement of the job.

The Service has negotiated several agreements with the Commission in order to implement this decision as quickly as possible without adversely affecting employees or disrupting the estate tax function. The Commission has granted authority to extend special higher salary rates to recruits entering the new attorney (estate tax) occupation. The Commission also has agreed to let the Service retain in the GS-920 series those estate tax examiners who have demonstrated ability to perform the work but who are not members of the bar. The Commission has also agreed to retain recently appointed estate tax examiners in the competitive service until they have completed their probationary periods (one year of service). This will give them competitive status, so that they will later be eligible to move back to the competitive service.

#### **Employee-Management Cooperation Activity Accelerates**

Under the spirit and intent of Executive Order 10988, the Service continued its emphasis on strengthening relations with organized employee groups.

The year was marked by a significant increase in employee organization activity. The number of Service employees represented by these organizations increased by approximately 8,000. At the end of the year, 43,000 employees were exclusively represented by four employee organizations, an increase of 23,000 over the past 3 years.

Negotiations activity also increased sharply. During the year, the Service negotiated 11 collective bargaining agreements, for a total of 16 since 1965. Fourteen other agreements are also in the process of being negotiated.

### **Preventive Health Care Coverage Broadened**

During the past 3 years the Service put into operation or joined other Federal agencies in planning 61 health units providing occupational health programs to keep more than 45,000 Service employees on the job through preventive health measures.

Thirteen of the health units are Internal Revenue Service units, and a number of them provide services to employees of other Federal agencies; the remaining 48 health units are operated by other agencies.

### **Training Evolves With Changes in Tax Law Administration**

Administering the most efficient tax system in the world requires a widespread variety of skills and knowledges. The major task of training in the Service is insuring that these necessary skills and knowledges are developed and maintained. Training programs for support activities, from executive development to card punch operator training, comprise a portion of this effort; however, it is training in tax law and tax administration activities which provides the Service with the skills needed to perform the actual tax work.

Tax law and tax administration courses cover many different subjects. For instance, tax law training is given in individual and corporation income, estate, and gift, insurance company income, pension trust, exempt organization, excise, and all other Federal taxes. Training in these tax areas is provided for both new and experienced employees. Under tax administration training, courses are taught in such techniques as auditing, collection, and criminal enforcement.

The service recently has developed several programs aimed at improving its ability to administer specific areas of the law. An automatic data processing course acquaints revenue agents with the operations of the ADP system and teaches them how to use the information in the system when auditing returns. Training in international issues prepares Service employees to apply the provisions of the tax law that affect foreign taxpayers with U.S. income and U.S. taxpayers with foreign income. The large case training program helps revenue agents conduct

effective team audits of corporate giants. The advanced training program for revenue officers concentrates on sophisticated legal collection problems. These programs are representative of the efforts needed to keep up with changing legal and administrative requirements.

### **Training Technology Advances**

Several years ago the Service began an intensive effort to improve the quality of its employee training by greater utilization of training technology—the applied science of learning and teaching—which not only allows the Service to do entirely new things, but helps to do more efficiently the things done in the past, as well as making training easier for both trainees and instructors.

The Service has worked principally in four different areas: EDEX (group programmed instruction by an audio-visual teaching machine); instructional, closed-circuit television; algorithms and other forms of decision tables; and task analysis (analyzing jobs in terms of the behavior needed to do that job).

In the data processing function, there are fully operational EDEX programs for several different courses taught in the seven service centers. Savings in instructor and trainee time have already offset initial equipment and program development costs, with estimated recurring savings of \$200,000 per year. EDEX also is used for teaching income tax law in an experimental program being tested in three regional training centers and the National Training Center. This experiment already has demonstrated that some types of tax law training can be programmed for more efficient learning in less classroom time. The Service also hopes to use EDEX, along with other forms of programmed instruction and more traditional teaching methods, to redesign a major compliance recruit training course.

The instructional, closed-circuit television system at the National Training Center is now used routinely in some kinds of technical skills training, instructor training, and other situations where videotaping of trainee performance can increase training effectiveness. Instructional television will be used to video-tape additional programs for use in the regional training centers, helping insure uniform training and consistently high instruction quality throughout the country.

Algorithms (decision tables) are a method of organizing complex, factual information into a series of steps that can be followed logically to reach a decision. The Service is testing an algorithm-based

course for temporary taxpayer service representatives to teach them to answer the "50 most frequently asked tax questions." This highly promising program should allow taxpayer assistants with minimum tax law experience to answer most of the questions asked by taxpayers. An algorithm-based course likewise will be developed to meet the income tax law training needs of revenue officers. Algorithms also can be used for non-training tasks, such as developing job aids, analyzing complex tax laws, and writing Service procedures. Once developed, an algorithm can be converted into conventional prose for clear, well-organized writing.

### **ADP Training Acquires New Look**

With full implementation of nationwide individual master file coverage, the Service began to concentrate on data processing support functions. The service center training program has a high priority because of its critical role in the ADP system.

The fluctuating workload, large seasonal workforce, production processing cycles and constantly changing processing procedures at the service centers dictated that the training system would have to be as sophisticated as the data processing system it supported if there were to be improved performance in terms of timely and accurate service to taxpayers.

By June 1967, the Service had designed a training system which was an integral part of the total ADP process, was timely and precise in identifying and meeting the training needs of the organization, and was flexible enough to be modified.

The final design contained five basic components: (1) Analyzing service center processing operations to determine the specific tasks to be performed in each job category; (2) converting job tasks to end-of-course performance objectives that could be precisely measured; (3) designing a training program to bring trainees to peak performance as quickly as possible; (4) evaluating and measuring trainee performance during and at the end of each training session to determine learning progress; and, finally, (5) evaluating and measuring performance on the job.

### **Taxpayer Education Program Available to More People**

In the past, the Service's taxpayer education efforts have centered largely around the Understanding Taxes Program, although in the last several years other approaches have also been expanded.

Understanding Taxes is still the largest program. A general student text, a text for farm students, and a teacher's guide are distributed free to high schools, junior high schools, business schools, and other groups that want them. In 1968, the Service printed 4 million general student texts, 600,000 farm student texts, and 113,000 teacher's guides.

The Service annually presents Tax Education Institutes, usually two days each, during the tax filing period. These are for professional tax practitioners and anyone else who helps others fill out their tax returns. Office of Economic Opportunity neighborhood workers, military legal officers, county farm agents, company personnel officers, and others have participated. The institutes have been expanding in the past few years, with over 35,000 persons attending institutes in all fifty states in 1968.

The Service also has developed recently a number of taxpayer education programs for the general public, for example, for small businessmen such as service station operators who have unique problems. Other programs have been developed in conjunction with bar associations, certified public accountants associations, and local newspapers, to help these groups aid the general public. In addition, the Service now encourages its employees to teach local adult education programs.

## **Facilities Management Contributes to Improved Tax Administration**

### **Need for Office Space Continues**

The Service accommodated its peak force of 77,000 employees in 11.5 million square feet of space. Fifty-seven percent of this space is in federally-owned buildings. The balance of 43 percent is leased by the General Services Administration at an annual cost of \$18.1 million. The use of federally-owned space increased by 5 percent over last year as more new federal office buildings became available.

Even while the last of the automatic data processing service centers was under construction, the Nation's growing economy was already operating to increase center workloads at a rate greater than they were built to handle. Consequently, just 2 years ago, the Service decided to expand the centers to handle these workloads and to accommodate added computers and such productivity-increasing devices as direct data entry systems. The Southwest Regional Service Center was the first center enlarged. Con-

struction has started at the Southeast Service Center and architectural and engineering plans for the other five centers are in process. Off-site processing and storage space is being used in the interim by those centers that have not as yet been expanded.

Continuing efforts are being made to provide Service employees with a comfortable, professional working environment. Of the offices presently in unsatisfactory space, the most significant are district headquarters offices in Chicago, Indianapolis, and Wilmington. In all instances, however, appropriate action has been initiated to correct deficiencies.

### **Renovation of National Headquarters Office Space**

The Service recently completed a four and one-half year renovation project in its National Office Building. This project, accomplished in cooperation with the General Services Administration, was designed to improve the physical work environment of National Office employees. The interior of the building was converted to modern, well-lighted, air-conditioned office space. Traditional office layouts were changed and much of the old furniture was replaced with more functional, space-saving furniture. The total new environment provides a much more efficient, comfortable, and pleasant place to work.

### **Furniture and Equipment Improved**

In 1968, a 5-year Servicewide program to replace worn out, obsolete office furniture was completed. The long-range project to replace remaining obsolete, inefficient, and uneconomical equipment also progressed despite a reduction in funds. Plans called for this program to be substantially completed by the end of 1969.

Testing of prototype furniture components for taxpayer reception and service areas continued during 1968. The Service's objective has been to identify furniture pieces which would be economical and efficient, and provide comfort and privacy for taxpayers. The furniture also must be adaptable for use in different-sized offices and in varying amounts during the filing and nonfiling periods. The regions doing the testing have made a number of suggestions for improvements but, basically, they have endorsed the use of the experimental furniture and attested to its usefulness in their operations. Testing and improvement of this furniture will continue. Intentions are to extend its use gradually as funds become available.

Further improvements in the newly-installed automated property accounting system resulted in man-hour savings in both the field and the National Office. Future modification plans for 1969 and subsequent years will be aimed at extending the system to achieve a higher level of equipment and furniture utilization. Improved equipment utilization has become a pressing problem for the Service, particularly during the past several years with procurement of larger, more sophisticated, and more expensive units for the operation of the ADP system.

The Service operates a fleet of approximately 1,250 motor vehicles for law enforcement purposes and leases an additional 1,875 vehicles from the General Services Administration for administrative purposes. Service employees who use these vehicles or their own cars in the course of their duties drive over 96 million miles each year. The management of this massive transportation operation was closely reviewed, and recommendations were made to effect savings both in management time and costs. Significant improvements were obtained in the internal management of the Service's enforcement fleet. Service officials worked closely with the General Services Administration and representatives of employee organizations in attempting to achieve an optimum vehicle management program which would serve the best interest of the Service while at the same time assuring the most equitable reimbursement possible for employees who use their own vehicles. This program is continuing into 1969.

### **Printing Management Negotiates Recruiting Breakthrough**

There was a real breakthrough in 1968 recruiting for printing management trainees. For several years, the Service has had a formal Civil Service Commission training agreement under which it employs college graduates with a 4-year degree in printing management who also have passed the Federal Service Entrance Examination. The Service now has negotiated with the Civil Service Commission premium salaries for this highly specialized recruitment area. The new rates are expected to provide a recruiting stimulus that will better enable the Service to continue filling its career pipeline in printing management with qualified, technically-trained employees.

### **Official Stationery Redesigned**

The Service completed a redesign of all stationery and envelopes in 1968. The letterhead used on the



transmittal letter for this report is illustrative of the new look. This letterhead represents one small part of the total stationery redesign program which started in 1966. Servicewide use of this new stationery has been phased in to allow for depletion of existing stocks of old stationery.

### Number of Forms Reduced

Cost reduction and improved operations continue to be important benefits resulting from the forms management program of the Service. Efforts to standardize and consolidate needed forms and form letters and to eliminate unnecessary ones resulted in a reduction of 516 forms or 3 percent during the year—approximately doubling last year's accomplishments. Also, attention continued on improving the tone, clarity, and appearance of notices and form letters going to the public. This year's form management results are summarized in the following table:

**Forms and form letters**

| Prescribed by                                                                                  | Opening inventory | Newly developed | Eliminated | Closing inventory | Net change |
|------------------------------------------------------------------------------------------------|-------------------|-----------------|------------|-------------------|------------|
| Total.....                                                                                     | 16,361            | 2,177           | 2,693      | 15,845            | -516       |
| National Office (used at headquarters and servicewide).....                                    | 5,656             | 354             | 166        | 5,844             | +188       |
| Regional offices (used by regional headquarters components or 2 or more district offices)..... | 7,519             | 571             | 1,154      | 6,936             | -583       |
| District offices (used by local districts and their subordinate offices).....                  | 1,351             | 255             | 559        | 1,047             | -304       |
| Service Centers.....                                                                           | 1,666             | 919             | 777        | 1,808             | +142       |
| Data Center.....                                                                               | 169               | 78              | 37         | 210               | +41        |

### Maximum Use Made of Federal Records Centers

Floor space and file equipment valued at \$1,180,000 was made available for reuse by the retirement or destruction of 369,000 cubic feet of records. Of this amount, 205,000 cubic feet were sent to Federal records centers for storage; the remainder was destroyed. The 584,000 cubic feet of records currently in file rooms and offices throughout the Service is a new low; by comparison, more than 1,034,000 cubic feet of Service records are in lower-cost Federal records center storage.

### Processing 320 Million Pieces of Mail

This year the Post Office Department carried nearly 320 million pieces of mail for the Service. The Service paid \$6.9 million for handling its outgoing mail. Close liaison with postal representatives

to reduce mail handling costs and insure prompt and accurate delivery of mail continued to benefit both agencies. Results of joint agreements have included such things as presorting (by ZIP Code sequence) as much first class mail as possible; increasing Service use of cartons instead of mail sacks for large mailouts; providing information about the weight, number of pieces and destination points of large mailouts so the Post Office Department might better plan manpower and transportation needs; and staging mailouts so that large quantities of mail may be sent directly to post offices actually making deliveries to the public thus by-passing intermediate handling.

In 1969, both agencies will study the possibilities of greater joint use of space and equipment and a postal delivery procedure that may permit the Service to eliminate one major mail sorting operation at each of the seven service centers.

### Disabling Injury Rate Lowest Ever

During calendar year 1967, the Service realized a significant accomplishment by recording the lowest disabling injury frequency rate in the fifteen-year period of record keeping. The rate of 2.6 represents a 16 percent improvement over the calendar 1966 experience. Rich dividends were received from the Treasury Department's year-long Falls Prevention Campaign—disabling injuries resulting from falls were reduced by 13 percent in the Service.

Thirty-three district offices and service centers were presented awards during 1967 in recognition of either one or more years or one million man-hours worked without sustaining a disabling injury. The Los Angeles District, which formerly had had difficulty establishing a good safety record, passed the 2-million man-hour period without a disabling injury—currently one of the finest safety records in the Service.

Servicewide accident prevention efforts during the past three years have resulted in averting more than 200 personal injuries, with an estimated saving to the Government of over \$371,000 in direct costs for medical care, lost production time, and property damage.

### Vehicle Safety Improves

Continuing efforts to improve driver habits and attitudes resulted in a 5-percent reduction in the frequency rate of motor vehicle accidents during calendar year 1967 over 1966. Approximately 96

million miles were driven during 1967 with only 672 accidents reported. The motor vehicle accident frequency rate of 7 accidents per million miles driven is one of the lowest Service rates recorded, and represents a significant improvement over the 1964, 1965, and 1966 rates of 8.5, 8.1, and 7.4, respectively.

### **Telecommunications Services Increased**

The Internal Revenue Service is one of the largest users of voice communications as the most effective, expeditious, and economical means of doing business. And, increased emphasis on the expanded use of the telephone over the past three years is directly responsible for faster and more responsive service to the public, improved internal operations, and better utilization of Service manpower. A telephone call on a tax matter permits two-way communicating and often eliminates the costly and time-consuming exchange of two or more written communications. In-depth studies of the purpose and cost of telephone transactions in major Service field installations disclose that a written communication requires 15 times as much manpower as a telephone call. In addition to doing more and more Service-initiated business on the telephone, we have continued testing the concept of centralized answering of incoming taxpayer service telephone inquiries at three district headquarters offices—Little Rock, Baltimore, and Los Angeles. The specially-designed telephone systems and long lines circuitry involved are costly, but these costs are offset by improved service to the public, as well as more productive use of Service technical and supervisory personnel. Although telephone costs increased during fiscal year 1968, expenditures for another communications medium—teletype messages—were reduced by 25 percent.

### **Revenue Accounting Operations Transferred to Service Centers**

As of January 1, 1968, accounting operations for all regions except Midwest were moved to the regional service centers. Midwest's operations will be transferred next year. Collections with returns still filed by taxpayers at district offices, or on outstanding accounts for taxes due, are deposited to the credit of the service center director. Although accounting controls are consolidated, computer or manual abstracts of revenue receipts, returns filed, refunds issued, and other data of public interest are still

available for each internal revenue district and kind of tax.

### **Elimination of Alcohol and Tobacco Tax Combination Branch Offices**

During 1968 the alcohol and tobacco tax organizational structure changes in field offices were completed. The previous structure included 16 combination branch offices, each headed by a supervisor-in-charge, as well as one or more assistant supervisors-in-charge.

Under the new organizational structure, supervisor-in-charge positions were eliminated. Assistant supervisor-in-charge positions were replaced by chief special investigator for enforcement functions and chief inspector for permissive functions. These new positions carry with them principal supervisory authority in a given geographical area. Each new office was located geographically according to workload requirements.

Prior to the reorganization, enforcement and permissive branch chiefs in the regional office served as staff advisors to the Assistant Regional Commissioner (A&TT). Under the new structure the branch chiefs retain this responsibility and, in addition, have been given direct authority over line supervisors at the branch office level.

These organizational changes, in addition to eliminating one level of supervision, serve to clarify lines of authority and responsibility, and allow for maximum flexibility in locating branch offices according to the workload needs of each alcohol and tobacco tax function.

### **Inspection Guards Integrity and Audits Operations**

One of the principal missions of the inspection service is to protect the integrity of the Service from within and from attempts by persons outside the Service to corrupt it, thus insuring that the Service earns the confidence of citizens in honest and impartial tax administration. In fulfilling this mission, the inspection service acts as an independent fact-finding body which reports directly to the Commissioner. This activity includes both internal audit and internal security functions. Major investigations, such as fraud on the revenue, which involve both functions, are closely coordinated.

### **Internal Audit Assists Management in Maintaining Effective Programs**

Internal audit, as an integral part of the management control system of the Service, assists all levels of management by furnishing them with objective analyses, appraisals, and recommendations on the activities examined. Although all activities and functions are examined and reported upon, major emphasis is placed on those which are most closely related to the collection of tax revenues and the enforcement of the tax laws, and most susceptible to breaches of integrity. During 1968, more than 85 percent of the direct internal audit staff time was spent on examinations of data processing, collection, audit, intelligence, and alcohol and tobacco tax functions, while an additional 11.5 percent was devoted to integrity matters. Audits of automatic data processing activities are on a continuing basis by internal auditors stationed at the seven regional service centers.

Actions by management on problem areas detected by internal audits resulted in significant improvements in operating efficiency and effectiveness and in improved taxpayer relations. Many of these improvements are measurable in terms of their impact on the revenue—additional taxes assessed or collected, refunds reduced or recouped, interest costs reduced, collection action accelerated, etc.—and in terms of reduced operating costs. For 1968, these accomplishments are conservatively estimated to total more than \$48 million.

For example, internal audit tests in several district offices disclosed inadequacies in classification and selection procedures for returns filed by small business corporations (Form 1120-S). Management took immediate action on internal audit's recommendations for procedural changes and tax form revision to more readily identify cases with potential additional tax.

In another instance internal audit tests disclosed a computer program deficiency that caused the tax liability on certain unemployment tax returns not to be assessed. This resulted in the erroneous refund of remittances and the failure to bill unpaid taxes due. Management promptly suspended processing until the computer program could be corrected and initiated action to collect the erroneous refunds.

Reviews at three regional service centers of newly assumed functions disclosed that more than \$1 million of balances due on manually processed, non-master file tax returns had escaped assessment and billing because adequate controls had not been established. Revised procedures were promptly put

in force which prevented this potential revenue loss. Also, an estimated 9,000 erroneous notices of non-receipt of tax returns were issued to employers because their returns had not been properly indexed. Local officials established temporary controls to prevent issuance of erroneous notices until revised procedures could be issued by the National Office.

### **Internal Security Provides Major Safeguards**

Thorough investigations are made of the character, reputation, and loyalty of all persons appointed to positions involving taxpayer contact, handling money, and other key Service functions. These investigations are one of the basic safeguards in the Service's integrity program. Another safeguard is the investigation of allegations that employees, acting independently or in collusion with taxpayers or their representatives, have violated Service regulations or criminal statutes. Inspection also makes investigations of actual or suspected attempts by taxpayers or their representatives to bribe Service employees.

### **Special Grand Jury Probes Attempts to Bribe Internal Security Inspector**

In January 1968, 26 employees and former employees of the Service and one tax practitioner were arrested on charges of trying to bribe an inspector to furnish them confidential information from inspection files or to quash investigations pertaining to corrupt activities on their part or on the part of tax practitioners and taxpayers. From the inception of these bribe attempts, the inspector worked closely with his superiors and the United States Attorney's Office. Following the arrests, the U.S. Attorney impaneled a special grand jury to further probe these corrupt activities. As a result, four more employees, four additional practitioners, and one taxpayer were arrested. At yearend investigation was continuing, hundreds of questionable tax returns were being scrutinized, and prosecution actions were pending on all 36 defendants.

These arrests are in line with the policy of the Service to police itself by waging a constant and vigorous campaign to identify and expose any actual or potential sources of corruption in tax administration.

### **Numerous Other Attempted Bribers Prosecuted**

In the past 3 years prosecutions were initiated against 66 additional persons for attempting to bribe Service employees in tax cases. The employees to

whom these bribes were offered immediately reported them and cooperated in the ensuing investigations and prosecutions. These attempted bribers came from all walks of life and from various parts of the country; some examples:

A sales executive in New York offered a \$5,000 bribe to a revenue agent.

A public accountant in New Jersey offered a \$1,000 bribe to a revenue agent regarding a tax examination of a client.

A vending machine operator in Florida offered a \$4,000 bribe to a revenue agent.

A wigmaker in Ohio offered a \$1,500 bribe to a tax examiner.

The owner of a cocktail lounge in Chicago offered a \$300 bribe to a revenue officer.

### Prosecutions Increased Substantially in 1968

In the past 3 years prosecutions were initiated against 177 persons for a variety of offenses involving corruption or attempted corruption of tax administration, including the above-mentioned cases. There was a substantial increase in prosecutions in 1968 as shown in the following table:

#### Prosecutions initiated

| Persons involved                                               | Number arrested or indicted |      |      |       |
|----------------------------------------------------------------|-----------------------------|------|------|-------|
|                                                                | 1966                        | 1967 | 1968 | Total |
| Employees or former employees of Internal Revenue Service..... | 21                          | 10   | 37   | 68    |
| Taxpayers, tax practitioners and others.....                   | 31                          | 23   | 55   | 109   |
| Total.....                                                     | 52                          | 33   | 92   | 177   |

### Major Schemes To Defraud Investigated

The above prosecutions included individuals involved in major schemes designed to defraud the Government of substantial taxes due.

Teams composed of internal auditors and internal security inspectors investigate these breaches of integrity involving actual or potential frauds on the revenue by employees or through collusion between employees and non-Service people. One of these investigations involved four Service employees, all of whom have been separated from the Service, and a tax practitioner. The practitioner, who was both an attorney and a CPA, was sentenced to 9 months imprisonment after being convicted of 17 counts of paying bribes and gratuities to the four employees.

Three of the four employees pleaded guilty to receiving money from the practitioner and the fourth is awaiting trial. Another involved widespread corruption among Service employees and tax practitioners in the preparation, processing, and examination of income tax returns. Criminal action has been taken against 25 employees, 10 of whom have already been convicted. Tax deficiencies totaling more than \$7 million have been proposed as a result of this investigation.

In another instance an IRS clerical employee, a former employee, an operator of a tax service, and several taxpayers were prosecuted for conspiring to defraud the internal revenue of some \$40,000 by falsification and manipulation of tax documents.

An allegation that an unidentified employee was involved in a nationwide refund scheme was investigated during the last filing period. All of the approximately 250 fraudulent returns, claiming refunds of about \$100,000, were detected before the refunds could be issued. The perpetrator of the fraudulent scheme, an ex-convict, was sentenced to 3 years imprisonment. No indication of employee involvement was disclosed.

Another investigation disclosed that two revenue officers were converting property seized for the payment of delinquent taxes to their own use. Both employees were prosecuted, convicted, and sentenced to prison. Management took immediate action to correct weaknesses in controls that permitted these improper activities to go undetected.

One of the most rewarding aspects of the work of inspection is that many investigations result in the exoneration of wrongfully accused employees. As in prior years, the majority of accused employees were cleared after investigation.

### Investigations Completed

Internal security investigations of all types completed during the year totaled 12,081—a slight decrease from last year's record of 12,373 cases—but 22 percent higher than in 1966. In addition, police record checks were made in 3,191 individuals considered for short-term temporary appointments and 1,307 persons hired in connection with economic and educational opportunity programs.

There follows a tabulation of the types of investigations completed during the past 3 years and the resulting disciplinary actions:

## Investigations and disciplinary actions

| Type of investigation and action                                                      | 1966  | 1967   | 1968   |
|---------------------------------------------------------------------------------------|-------|--------|--------|
| Total investigations closed.....                                                      | 9,864 | 12,373 | 12,081 |
| Personnel investigations                                                              |       |        |        |
| Number of cases closed, total.....                                                    | 7,340 | 10,027 | 9,920  |
| Character and security investigations.....                                            | 3,430 | 5,484  | 6,022  |
| Conduct investigations.....                                                           | 809   | 632    | 505    |
| Special inquiries.....                                                                | 3,101 | 3,911  | 3,393  |
| Actions taken by Service management officials as a result of personnel investigations |       |        |        |
| Disciplinary actions, total.....                                                      | 770   | 657    | 534    |
| Separations, total <sup>1</sup> .....                                                 | 239   | 225    | 195    |
| Bribery, extortion, or collusion.....                                                 | 22    | 7      | 25     |
| Embezzlement or theft of Government funds or property.....                            | 11    | 5      | 7      |
| Failure of employee to pay proper tax.....                                            | 20    | 17     | 9      |
| Falsification or distortion of Government reports, records, etc.....                  | 94    | 98     | 89     |
| Unauthorized outside activity.....                                                    | 8     | 8      | 5      |
| Failure to discharge duties properly.....                                             | 5     | 11     | 9      |
| Refusal to cooperate.....                                                             | 2     | 0      | 0      |
| Divulgence of confidential information.....                                           | 0     | 2      | 5      |
| Acceptance of fees or gratuities.....                                                 | 22    | 12     | 2      |
| Personal and other misconduct.....                                                    | 55    | 65     | 44     |
| Suspensions from duty and pay.....                                                    | 58    | 48     | 27     |
| Reprimands, warnings, reassignments, transfers, or demotions.....                     | 473   | 384    | 312    |
| Nondisciplinary actions.....                                                          | 6,570 | 9,370  | 9,386  |
| Other investigations                                                                  |       |        |        |
| Number of cases closed, total.....                                                    | 2,524 | 2,346  | 2,161  |
| Applications for admission to practice before the Internal Revenue Service.....       | 715   | 902    | 736    |
| Charges against Attorneys, CPA's and Enrollees.....                                   | 113   | 107    | 102    |
| Federal tort claims.....                                                              | 204   | 145    | 163    |
| Attempted bribery.....                                                                | 85    | 90     | 89     |
| Investigations for other Treasury bureaus.....                                        | 1,407 | 1,102  | 1,071  |

<sup>1</sup> 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.

## Assistance to Other Government Organizations

As in the past several years internal audit, at the request of the Territorial Governor, provided internal audit assistance in the development and installation of a modern tax system for the Virgin Islands. Since this program was initiated tax collections increased from \$8.9 million in 1962 to \$29.8 million in 1967.

A total of 1,071 investigations were conducted for other Treasury bureaus. Among these investigations was an extensive probe of collusion in the transporting and sale of narcotics which resulted in the arrest or indictment of 8 persons, including one Federal and five local law enforcement officers. Another investigation was successful in identifying a leak of confidential information regarding Treasury bond financing; the person guilty of improper disclosure of the information was not an employee of the Treasury Department. A joint investigation conducted with Secret Service negated allegations that

there were leaks of information concerning the silver policies of the Treasury Department. As in prior years, inspection furnished assistance to the Secret Service in protection of the President and certain other persons.

## Advisory Group Aids Service

The Commissioner's Advisory Group is appointed for the purpose of suggesting ways in which the Service can improve its operations, and to provide constructive criticism of Service policies, procedures, and programs. Membership of the Advisory Group includes outstanding attorneys, accountants, business executives, economists and educators from all parts of the United States. The Advisory Group provides a means for frank interchanges with individuals outside the Service, and helps in keeping the Service constantly attentive to the opinions and desires of the public.

The Advisory Group appointed in July, 1967, made up of the individuals listed below, met with the Commissioner and other top Service officials on four occasions during the year.

Bernard Barnett

CPA  
Oppenheim, Appel, Dixon &  
Co.  
140 Broadway  
New York, N.Y.

Carl W. Brieske  
Assistant Treasurer  
The Kroger Company  
1014 Vine Street  
Cincinnati, Ohio

Edwin S. Cohen  
Professor  
University of Virginia Law  
School  
Clark Memorial Hall  
Charlottesville, Va.

Raymond E. Graichen  
CPA  
Lybrand, Ross Bros. &  
Montgomery  
2000 Packard Bldg.  
Philadelphia, Pa.

Harding L. Lawrence  
President, Braniff Airways  
Exchange Park  
Dallas, Tex.

Leonard Lesser  
AFL-CIO  
Industrial Union Department  
815 16th Street, NW.  
Washington, D.C.

A. Byrne Litschgi

Attorney  
Shackleford, Farrior, Stall-  
ings, Glos & Evans  
P.O. Box 3324  
Tampa, Fla.

Max E. Meyer  
Attorney  
Lord, Bissell & Brook  
135 South LaSalle Street  
Chicago, Ill.

John S. Nolan  
Attorney  
Miller & Chevalier  
1700 Pennsylvania Avenue  
N.W.  
Washington, D.C.

Edwin J. Reimann  
Public Accountant  
Reimann, Wursten and Lewis  
2063 McClelland Street  
Salt Lake City, Utah

Ernest L. Wehner  
CPA  
Arthur Andersen & Company  
1700 Bank of the Southwest  
Bldg.  
Houston, Tex.

Robert M. Winokur  
Attorney  
Taylor & Winokur  
351 California Street  
San Francisco, Calif.

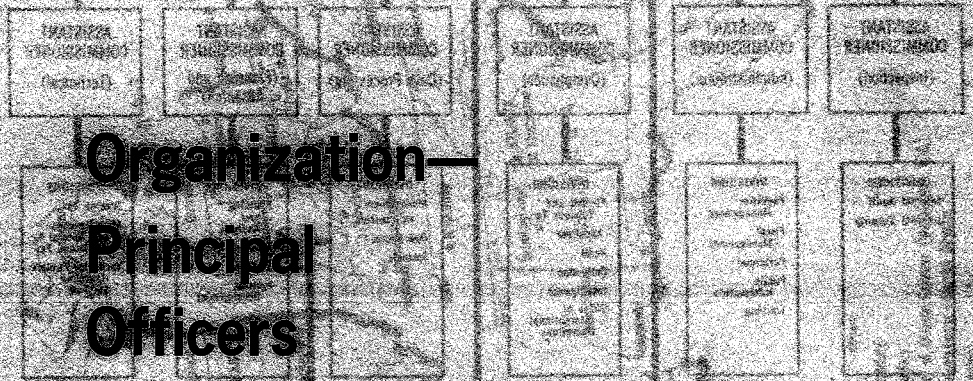


INTERNAL REVENUE SERVICE ORGANIZATION

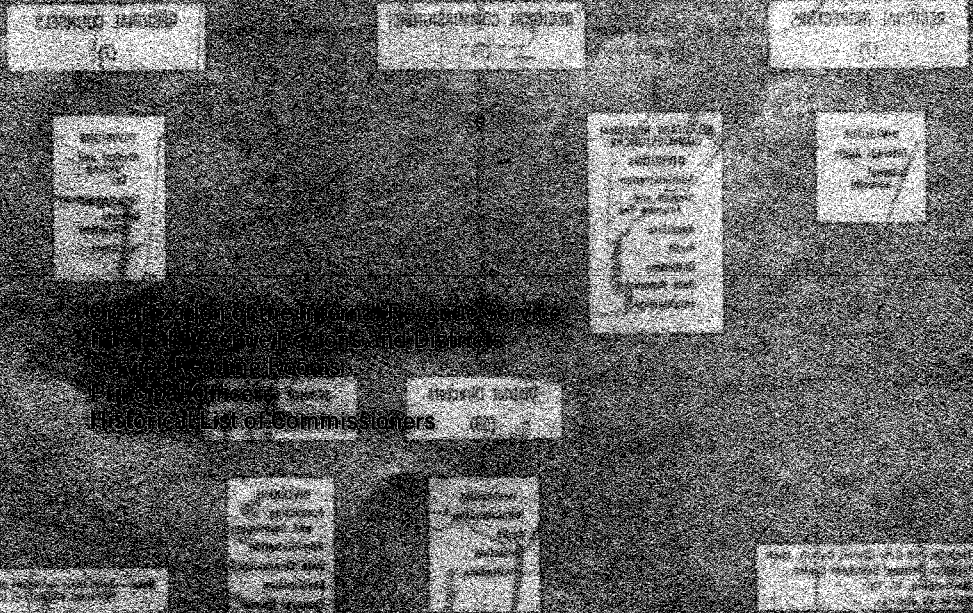
U.S. TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

COMMISSIONER

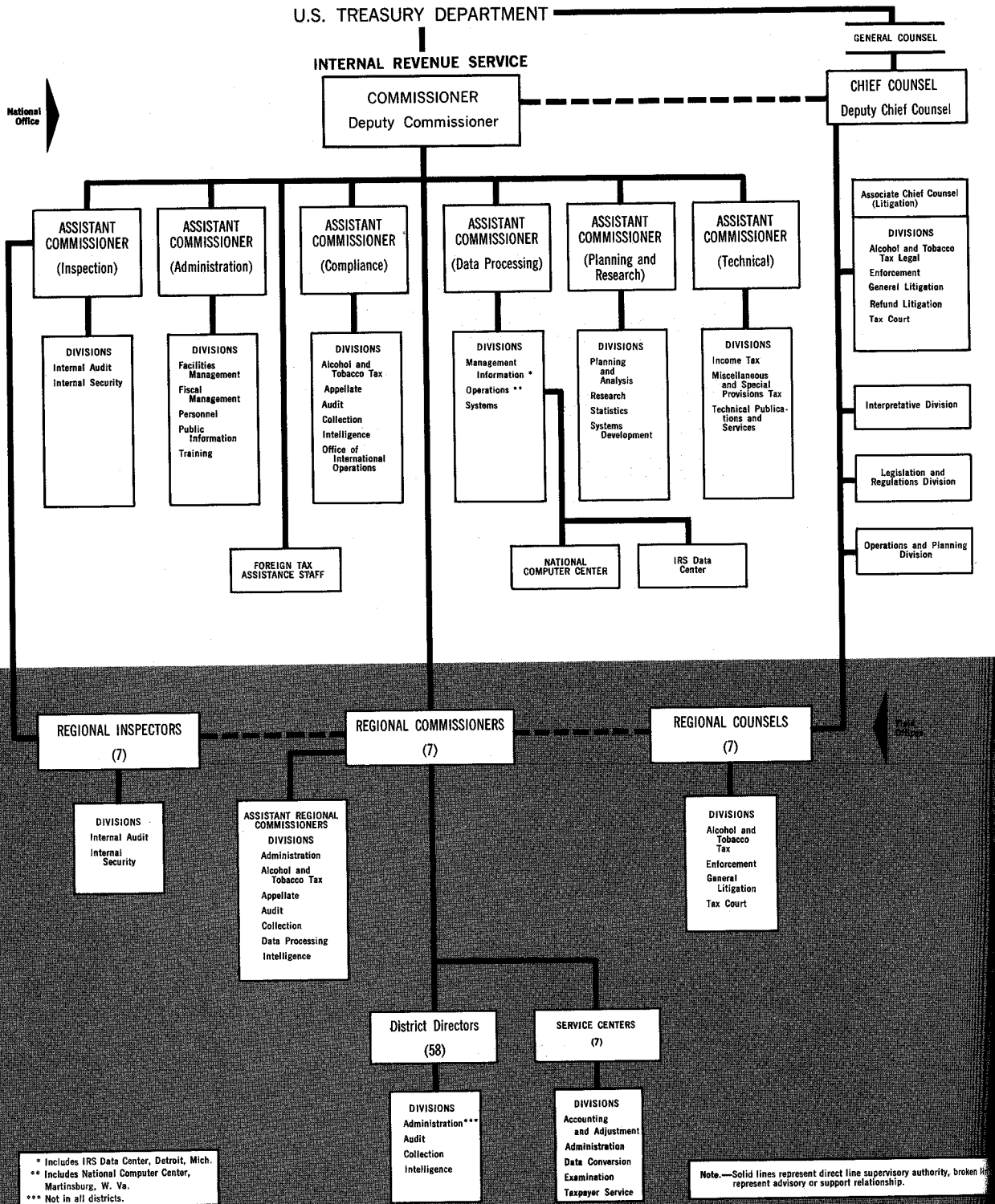


Organization  
Principal  
Officers



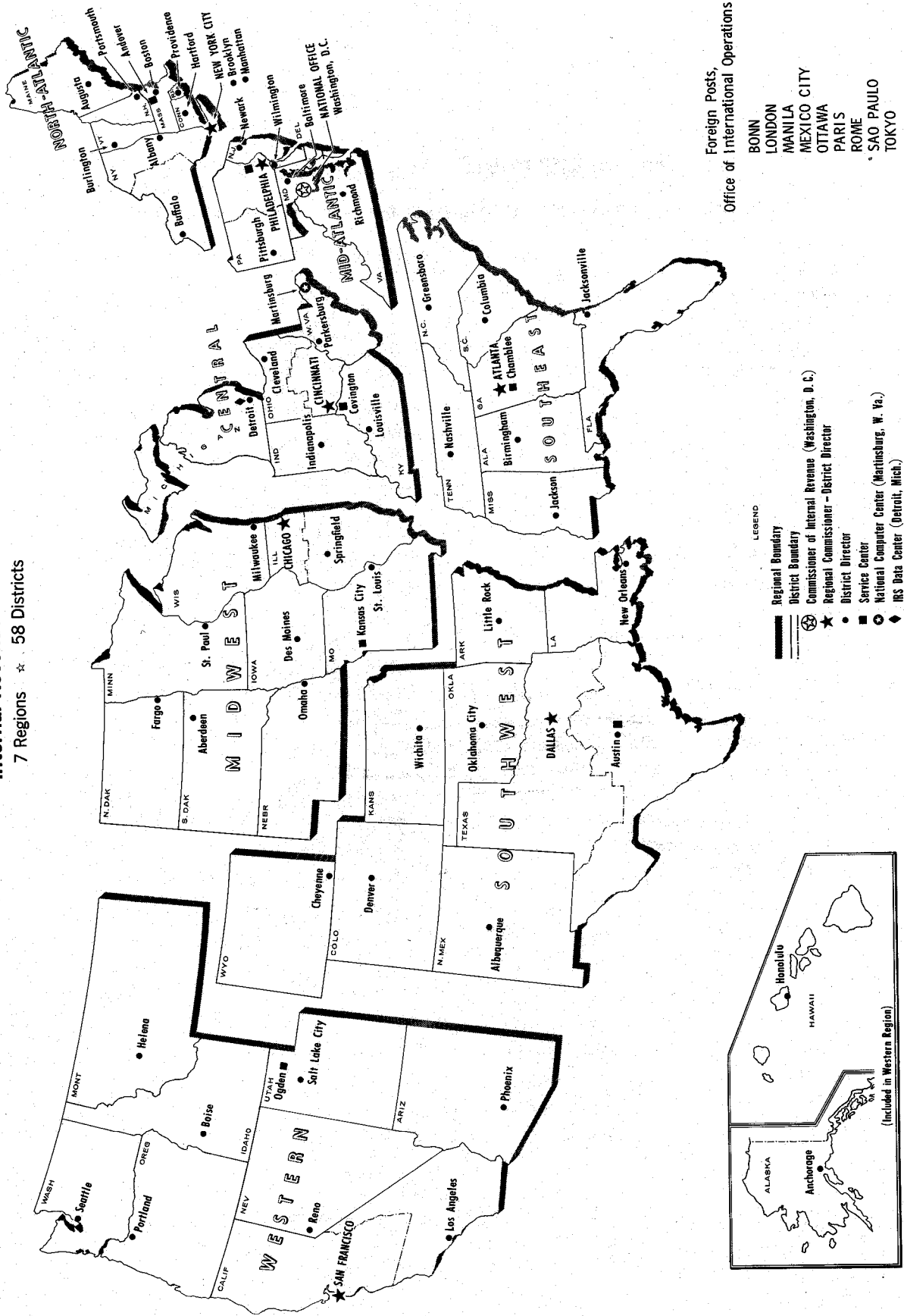


# INTERNAL REVENUE SERVICE ORGANIZATION



# Internal Revenue Service

7 Regions ☆ 58 Districts



## Internal Revenue Service Reading Rooms

(Locations of reading rooms same as mailing address unless otherwise indicated)

### NATIONAL OFFICE

Mail Address:

Director, Public Information Division  
Internal Revenue Service  
1111 Constitution Avenue NW.  
Washington, D.C. 20224

### CENTRAL REGION

Mail Address:

Regional Public Information Officer  
Room 7106  
Federal Office Bldg.  
550 Main Street  
Cincinnati, Ohio 45202

### MID-ATLANTIC REGION

Mail Address:

Regional Public Information Officer  
P.O. Box 12805  
Philadelphia, Pa. 19108

Location:

401 N. Broad Street

### MIDWEST REGION

Mail Address:

Regional Public Information Officer  
17 N. Dearborn Street  
Chicago, Ill. 60602

### NORTH-ATLANTIC REGION

Mail Address:

Regional Public Information Officer  
Room 1102  
90 Church Street  
New York, N.Y. 10007

### SOUTHEAST REGION

Mail Address:

Regional Public Information Officer  
P.O. Box 926  
Atlanta, Ga. 30301

Location:

Federal Office Building  
275 Peachtree Street

### SOUTHWEST REGION

Mail Address:

Regional Public Information Officer  
1600 Patterson Street  
Dallas, Tex. 75201

### WESTERN REGION

Mail Address:

Regional Public Information Officer  
Flood Building  
870 Market Street  
San Francisco, Calif. 94102

# Principal Officers of the Internal Revenue Service

As of June 30, 1968

## NATIONAL OFFICERS

### OFFICE OF THE COMMISSIONER

Commissioner..... Sheldon S. Cohen  
Deputy Commissioner..... William H. Smith  
Assistant to the Commissioner  
Edwin M. Perkins  
Assistant to the Commissioner... James H. Miller  
Chairman, Tax Forms Coordinating Committee  
James N. Kinsel  
Assistant to the Deputy Commissioner  
Donald C. Dawkins  
Director, Foreign Tax Assistance Staff  
L. Harold Moss

### ADMINISTRATION

Assistant Commissioner..... Edward F. Preston  
Director, Program Staff... Julius H. Lauderdale  
Division Directors:  
Facilities Management..... Leo C. Inglesby  
Fiscal Management... Gray W. Hume, Jr.  
Personnel..... Albert J. Schaffer  
Public Information..... Joseph S. Rosapepe  
Training..... Stanley Goldberg

### COMPLIANCE

Assistant Commissioner..... Donald W. Bacon  
Deputy Assistant Commissioner... Leon C. Green  
Division Directors:  
Alcohol and Tobacco Tax... Harold A. Serr  
Appellate..... Arthur H. Klotz  
Audit..... Singleton B. Wolfe  
Collection..... Harold E. Snyder  
Intelligence..... William A. Kolar  
Office of International Operations  
Clarence I. Fox, Jr.

### DATA PROCESSING

Assistant Commissioner..... Robert L. Jack  
Deputy Assistant Commissioner  
Garrett DeMots  
Division Directors:  
Management Information  
William E. Palmer

### IRS Data Center, Detroit, Mich.

Lawrence P. Doss  
Operations..... Clinton L. Walsh  
National Computer Center, Martinsburg,  
W. Va..... John E. Stewart  
Systems..... Donald G. Elsberry

### INSPECTION

Assistant Commissioner... Vernon D. Acree, Jr.  
Executive Assistant..... Fred G. Robinette  
Division Directors:  
Internal Audit..... Francis I. Geibel  
Internal Security..... William F. McCarthy

### PLANNING AND RESEARCH

Assistant Commissioner..... Albert W. Brisbin  
Division Directors:  
Planning and Analysis..... Marius Farioletti  
Research..... James R. Turner  
Statistics..... Vito Natrella  
Systems Development  
Lancelot W. Armstrong

### TECHNICAL

Assistant Commissioner..... Harold T. Swartz  
Deputy Assistant Commissioner  
Richard J. Stakem, Jr.  
Division Directors:  
Income Tax..... John W. S. Littleton  
Miscellaneous and Special Provisions  
Tax..... Linder Hamblen  
Technical Publications and Services  
August F. Pohlig

### OFFICE OF CHIEF COUNSEL

Chief Counsel..... Lester R. Uretz  
Deputy Chief Counsel..... Vacant  
Executive Assistant to the Chief Counsel  
Thomas McP. Davis  
Special Assistant to the Chief Counsel  
Arthur B. White

**NATIONAL OFFICERS—Continued**

|                                                             |                                                             |        |
|-------------------------------------------------------------|-------------------------------------------------------------|--------|
| Special Assistant to the Chief Counsel<br>Lester Stein      | Associate Chief Counsel .....                               | Vacant |
| Special Assistant to the Chief Counsel<br>W. Dean Mathis    | Executive Assistant to the Associate Chief<br>Counsel ..... | Vacant |
| Technical Advisor to the Chief Counsel<br>Samuel R. McClurd | Technical Advisor to the Chief Counsel<br>Paul E. Treusch   |        |
| Technical Advisor to the Chief Counsel<br>Robert B. Jacoby  | Division Directors:                                         |        |
| Division Directors:                                         | Alcohol and Tobacco Tax Legal<br>John W. Coggins            |        |
| Interpretative..... Richard M. Hahn                         | Enforcement..... William F. McAleer                         |        |
| Legislation and Regulations<br>James F. Dring               | General Litigation... J. Walter Feigenbaum                  |        |
| Operations and Planning<br>William P. Crewe                 | Refund Litigation..... John L. Withers                      |        |
|                                                             | Tax Court..... John T. Rogers                               |        |

**REGIONAL AND DISTRICT OFFICERS**

**Central Region**

All Regional Offices at 550 Main Street, Cincinnati, Ohio 45202, unless a different address is indicated

Regional Commissioner..... Charles G. Keebler

Assistant Regional Commissioners:

Administration..... F. Dean McCrory  
Alcohol and Tobacco Tax..... Rex D. Davis  
Appellate..... W. Franklin Hammack  
Audit..... Michael A. DeGuire  
Collection..... William J. Grabo  
Data Processing..... Wayne S. Kegerreis  
Intelligence..... Harold B. Holt

District Directors:

Cincinnati, Ohio 45202.... Paul A. Schuster  
Cleveland, Ohio 44199... Frank S. Turbett, Jr.  
Detroit, Mich. 48226... Ambrose M. Stoepler  
Indianapolis, Ind. 46204.... James E. Daly  
Louisville, Ky. 40202..... Robert J. Dath  
Parkersburg, W. Va. 26101... Hugh D. Jones

Director, Central Service Center, Covington, Ky. 41019..... Everett L. Meek  
Regional Counsel..... Clarence E. Price  
Regional Inspector..... William A. Costello

**Mid-Atlantic Region**

All Regional Offices at 2 Penn Center Plaza, Philadelphia, Pa. 19102 unless a different address is indicated

Regional Commissioner..... Dean J. Barron

Assistant Regional Commissioners:

Administration..... Americo P. Attorri  
Alcohol and Tobacco Tax  
Charles R. Peterson  
Appellate..... Victor Cuniglio

Audit..... Dwight L. James, Jr.  
Collection..... William F. Culliney  
Data Processing..... Anthony L. Carrea  
Intelligence..... Amerigo R. Manzi

District Directors:

Baltimore, Md. 21202..... Irving Machiz  
Newark, N.J. 07102..... Joseph M. Shotz  
Philadelphia, Pa. 19108  
Seymour I. Friedman

Pittsburgh, Pa. 15222..... H. Alan Long  
Richmond, Va. 23240..... James P. Boyle  
Wilmington, Del. 19802... James H. Kennedy

Director, Mid-Atlantic Service Center, Philadelphia, Pa. 19155..... Earl L. Torgerson  
Regional Counsel..... Cecil H. Haas  
Regional Inspector, Bankers Securities Building, Walnut & Juniper Streets, Philadelphia, Pa. 19017  
Emanuel M. Schuster





**REGIONAL AND DISTRICT OFFICERS—Continued**

**Southeast Region—Continued**

Director, Southeast Service Center, Chamblee, Ga. 30006 ..... Claude A. Kyle  
Regional Counsel ..... Henry C. Stockell, Jr.  
Regional Inspector ..... Earl L. Fuoss

**Southwest Region**

All Regional Offices at 1114 Commerce Street, Dallas, Tex. 75202 unless a different address is indicated

Regional Commissioner ..... B. Frank White

Assistant Regional Commissioners:

|                                             |                                         |
|---------------------------------------------|-----------------------------------------|
| Alcohol and Tobacco Tax .. James G. Carroll | Collection .. Alfred N. Kay             |
| Appellate .. G. Clifton Witt                | Data Processing .. George M. Oliver     |
| Audit .. Lawrence M. Stewart                | Intelligence .. William E. Beloate, Jr. |

District Directors:

|                                           |                  |                                            |
|-------------------------------------------|------------------|--------------------------------------------|
| Albuquerque, N. Mex. 87101                | William M. Coard | Little Rock, Ark. 72203 .. Fred W. Johnson |
| Austin, Tex. 78701 .. R. L. Phinney       |                  | New Orleans, La. 70130 .. Chester A. Usry  |
| Cheyenne, Wyo. 82001 .. Richard L. Hutt   |                  | Oklahoma City, Okla. 73102                 |
| Dallas, Tex. 75201 .. Ellis Campbell, Jr. |                  | Clyde L. Bickerstaff                       |
| Denver, Colo. 80202 .. Arthur A. Kennedy  |                  | Wichita, Kans. 67202 .. Harry F. Scribner  |

Director, Southwest Service Center, Austin, Tex. 78740 ..... Ervin B. Osborn  
Regional Counsel, 1025 Elm Street, Dallas, Tex. 75202 ..... William B. Riley  
Regional Inspector, 1511 Bryan Street, Dallas, Tex. 75201 ..... David O. Lowry, Jr.

**Western Region**

All Regional Offices at 870 Market Street, San Francisco, Calif. 94102 unless a different address is indicated

Regional Commissioner ..... Homer O. Croasmun

Assistant Regional Commissioners:

|                                              |                                       |
|----------------------------------------------|---------------------------------------|
| Administration .. Joseph T. Davis            | Audit .. Raymond F. Harless           |
| Alcohol and Tobacco Tax .. Brenton G. Thorne | Collection .. Charles D. Moran        |
| Appellate .. Gardiner B. Willmarth           | Data Processing .. Willard L. Pierson |
|                                              | Intelligence .. Herman F. Kuehl       |

District Directors:

|                                                  |                                                 |
|--------------------------------------------------|-------------------------------------------------|
| Anchorage, Alaska 99501 .. Lewis J. Conrad       | Reno, Nev. 89502 .. Warren A. Bates             |
| Boise, Idaho 83701 .. Calvin E. Wright           | Salt Lake City, Utah 84110 .. Roland V. Wise    |
| Helena, Mont. 59601 .. Nelson L. Seeley          | San Francisco, Calif. 94102 .. Joseph M. Cullen |
| Honolulu, Hawaii 96813 .. Evan S. Lloyd          | Seattle, Wash. 98121 .. Neal S. Warren          |
| Los Angeles, Calif. 90012 .. Frank S. Schmidt    |                                                 |
| Phoenix, Ariz. 85025 .. George D. Patterson, Jr. |                                                 |
| Portland, Oreg. 97204 .. Arthur G. Erickson      |                                                 |

Director, Western Service Center, Ogden, Utah 84405 ..... Robert H. Terry

Regional Counsel, 447 Sutter St., San Francisco, Calif. 94108 ..... Richard C. Schwartz

Regional Inspector, 1076 Mission Street, San Francisco, Calif. 94103 ..... Henry A. Feltz

## Historical List of 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  |
| Sheldon S. Cohen      | Maryland       | Jan. 25, 1965  | -----          |

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. Mires, of Washington, from Aug. 16 to Aug. 19, 1930; Pressly

R. Baldrige, 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 to Jan. 24, 1965.

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# Appendix

Taxpayer Publications  
Tax Forms Activity  
Supreme Court Decisions  
Actions of Lower Courts  
Statistics of Income Reports Published

## Appendix

### TAXPAYER PUBLICATIONS

*Your Federal Income Tax*, Publication No. 17, is designed to help taxpayers find answers to their tax questions and to assist them in preparing their individual income tax returns. This publication, written in nontechnical language, is revised each year to include the latest changes in the Federal tax laws, regulations, and official rulings.

New features in the 1968 edition include a listing, by State, showing where to file tax returns and a table showing how to claim additional withholding allowances on the basis of itemized deductions. The new deduction for medical insurance and the new support test for children of divorced parents are explained.

The 160-page booklet follows an established pattern and includes such taxpayer aids as a comprehensive index and a filled-in tax return with entries keyed through page references to explanations of the law and examples of its application to actual situations.

With sales of 918,482 copies of the 1968 edition, *Your Federal Income Tax* continues to be a "best seller" of the Government Printing Office. The Internal Revenue Service used an additional 150,000 copies in its Understanding Taxes Program, Taxpayer Assistance Program, and other training and educational projects. The publication is available at 50 cents a copy at the Government Printing Office and local Internal Revenue Services offices.

The *Teaching Taxes Program*, used in 24,900 high schools and colleges during 1968, is based on Publications No. 19, 21, and 22, described below.

*Teachers Guide*, Publication No. 19, contains answers to the tax problems appearing in the student text, information on the 50 most asked tax questions, a wall chart of Forms 1040 and 1040A, and other teaching aids.

*Understanding Taxes*, the student text, is published in a 28-page general edition, Publication No. 21, and a Farm Edition, Publication No. 22. Both editions have illustrated step-by-step explanations of the preparation of typical income tax returns, answers to practical problems, and supplementary questions and problems. Introductory chapters discuss civic responsibility, U.S. tax history, and the Federal budget. Publication No. 22 devotes an additional eight pages to farm tax situations.

Of the 3,872,000 students who participated in the 1968 Understanding Taxes Program, 3,430,000 used the general text and 442,000 used the Farm

Edition. A total of 83,000 *Teachers Guides* were distributed.

*Tax Guide for U.S. Citizens Abroad*, Publication No. 54, is prepared to assist American citizens who are residents of foreign countries or are abroad for specified periods. It explains the conditions under which income earned abroad may be partially or fully tax exempt, and other special rules that affect Americans living outside the United States. Some 530,000 copies of this booklet were printed for free distribution through Internal Revenue Service offices and U.S. Embassies and Consulates in all parts of the world.

*The Farmer's Tax Guide*, Publication No. 225, is a 64-page booklet in which the tax problems of farmers are explained in everyday terms. A total of 1,080,000 free copies were distributed by Internal Revenue Service offices and extension agents of the Department of Agriculture.

The 1968 edition features a tax calendar to remind farmers of their tax obligations throughout the year. Filled-in samples of an income tax return and the accompanying schedules that farmers normally use refer the reader to sections of the booklet where the various entries are explained. There are illustrations of depreciation, farm income, and expense records, and discussions of income, employment, and self-employment taxes with examples showing how the rules apply to specific situations.

*Tax Guide for Small Business*, Publication No. 334, provides answers to tax questions concerning sole proprietorships, partnerships, and corporations. It explains in nontechnical language how Federal income, excise, social security, and withholding taxes apply, and gives examples of typical situations.

A Check List of activities subject to Federal taxes shows the forms to be filed and the pages on which each situation is discussed. A Tax Calendar for Businessmen reminds readers of the actions they must take during the year to comply with the Federal tax laws.

Approximately 250,000 copies of this 160-page booklet were sold during the year at 50 cents a copy by the Government Printing Office and Internal Revenue Service. Another 90,000 were printed for internal use by the Service.

*A Guide to Federal Estate and Gift Taxation*, Publication No. 448 (12-67), furnishes a summary of the principal provisions of the Federal estate and gift tax laws and regulations in force as of December 1967. In addition to 14,808 copies sold at 25 cents a copy by the Government Printing Office, 6,500 were printed for internal use by the Service.

*Tobacco Tax Guide.*—A compilation was made of basic reference material to assist manufacturers of taxable tobacco products and others concerned to comply with Federal tobacco tax laws and regulations. This document, referred to as Publication No. 464, may be purchased for \$3.50 from the U.S. Government Printing Office, Washington, D.C. 20402.

## New Free Taxpayer Information Publications

*Social Security for Clergymen* is a joint Internal Revenue Service-Social Security Administration pamphlet—IRS Publication No. 484 and Social Security Publication No. SS1-9—that is available to the public free through the offices of both organizations. It explains the new exemption provisions for clergymen under the 1967 amendments to the social security laws, the reporting of earnings, the computation of net earnings from self-employment, and other matters of interest to clergymen.

*Moving Expenses—Tax Information for Employees and Employers*, Publication No. 521, supplements the instructions on moving expenses in Circular E, *Employer's Tax Guide*. It contains information concerning the deduction of employees' moving expenses and the requirements for withholding tax on payments made by an employer to defray all or part of the expenses associated with relocation of employees.

*Valuation of Donated Property*, Publication No. 561, explains in detail the methods to be used in determining the fair market value of property other than cash donated to religious, educational, charitable, and other qualified organizations.

A major portion of the pamphlet is devoted to the problems of determining the fair market value of such donated property as household goods, used clothing, objects of art, books, and stocks and bonds. It lists information an individual must provide with his tax return and outlines items to be included in an appraisal report.

Prepared principally for individuals who claim charitable deductions, the publication also should be helpful to professional appraisers.

*Federal Tax Guide for Survivors, Executors, and Administrators*, Document No. 5581, was developed to assist executors and administrators who deal with the tax problems of decedents and their estates. It discusses the evaluation, management, distribution,

and termination of estates for income tax purposes and devotes some attention to the Federal estate tax. Other topics covered include the tax treatment of payments to beneficiaries, the exclusion of certain funds from estate or survivor income, and taxation of insurance proceeds. Examples illustrate the various rules and provide guidance for preparing the necessary tax returns.

*Withholding Tax on Nonresident Aliens and Foreign Corporations*, Document No. 5582, was added to the list of free taxpayer information pamphlets this year because of changes in the withholding tax provisions brought about by the Foreign Investors Tax Act of 1966 (Public Law 89-809). Designed to help the withholding agent understand his obligations, it contains a table of withholding rates under income tax treaties.

*Employee Educational Expenses*, Document No. 5952, explains the liberalized deduction for educational expenses under the income tax regulations issued in 1967. The document was developed in response to many requests received by the Internal Revenue Service and the Department of Health, Education, and Welfare.

*Tax Information for Students and Parents*, Document No. 5972, was developed in response to nearly a million queries by the public during the filing period concerning students as dependents, student exemptions, student income, and filing requirements. The document discussed such matters as student filing requirements, procedures for getting a refund of tax withheld if a student earns less than \$600, the conditions under which a parent may claim a student as a dependent, and the parent's responsibility for a minor's income tax liability.

Sixty-three additional information documents and publications, from 2 to 24 pages in length, were distributed free to taxpayers in numbers ranging from 55,000 to 1,270,000 copies. Each publication or document contains a detailed explanation of the tax law that applies to the area it covers. The National Office and field offices enclose copies of appropriate publications with replies to inquiries from taxpayers, and local offices provide copies of pamphlets upon request. A list of the additional publications and documents follows:

| <i>Title</i>                                                              | <i>Publication<br/>number</i> |
|---------------------------------------------------------------------------|-------------------------------|
| Farmers Gas Tax Credit.....                                               | 308                           |
| Federal Use Tax on Trucks, Truck-Tractors and Buses.....                  | 349                           |
| Federal Gas Tax Credit or Refund for Nonhighway and<br>Transit Users..... | 378                           |
| Travel, Entertainment, and Gift Expenses.....                             | 463                           |



|                                                                                                          | <i>Document<br/>number</i> |
|----------------------------------------------------------------------------------------------------------|----------------------------|
| Personal Exemptions and Dependents.....                                                                  | 5013                       |
| Moving 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 1968.....                                                                | 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                       |
| Excise Taxes for 1968.....                                                                               | 5054                       |
| Rents and Royalties Income.....                                                                          | 5060                       |
| Losses From Operating a Business.....                                                                    | 5062                       |
| Interest Deductions.....                                                                                 | 5074                       |
| Taxes.....                                                                                               | 5075                       |
| Filing Your Tax Return.....                                                                              | 5107                       |
| Installment and Deferred-Payment Sales.....                                                              | 5108                       |
| Alimony.....                                                                                             | 5109                       |
| Other "Page 2" Deductions.....                                                                           | 5110                       |
| Estimated Tax and Tax Withholding.....                                                                   | 5111                       |
| Disasters, Casualties, and Thefts.....                                                                   | 5174                       |
| Accounting Periods and Methods.....                                                                      | 5175                       |
| Bad Debts.....                                                                                           | 5176                       |
| Withholding from Wages by Employer.....                                                                  | 5177                       |
| Repairs and Improvements.....                                                                            | 5178                       |
| Partnerships.....                                                                                        | 5179                       |
| Corporations.....                                                                                        | 5180                       |
| Sale of a Business.....                                                                                  | 5181                       |
| Community Property.....                                                                                  | 5192                       |
| If Your Return is Examined.....                                                                          | 5202                       |
| Tax Information for Visitors to the United States.....                                                   | 5371                       |
| Condemnations of Private Property for Public Use.....                                                    | 5383                       |
| Decedents.....                                                                                           | 5446                       |
| Tax Tips for Homeowners.....                                                                             | 5447 ✓                     |
| Investment Income and Expenses.....                                                                      | 5448                       |
| Cost or Other Basis of Assets.....                                                                       | 5516                       |
| Foreign Tax Credit for U.S. Citizens and Resident Aliens.....                                            | 5517                       |
| Importance of Adequate Records.....                                                                      | 5518                       |
| How to Apply for Exemption for Your Organization.....                                                    | 5551                       |
| Highlights of 1967 Tax Changes.....                                                                      | 5552                       |
| Income Averaging.....                                                                                    | 5553                       |
| Sales and Other Dispositions of Depreciable Property.....                                                | 5554                       |
| Tax Benefits for Older Americans.....                                                                    | 5569 ✓                     |
| Information Reporting Requirements of Sponsors of Contests or Sporting Events.....                       | 5572                       |
| Scholarships and Fellowships.....                                                                        | 5575                       |
| Income Tax Deductions for U.S. Government Civilian Employees Stationed Abroad.....                       | 5583                       |
| Dual-Status Tax Years of Alien Taxpayers.....                                                            | 5584                       |
| Social Security for Clergymen and Religious Workers Abroad.....                                          | 5586                       |
| Preparation of Form 1040NR.....                                                                          | 5587                       |
| Tax Advice for Foreign Scholars and Visitors on Official Educational and Cultural Exchange Programs..... | 5588                       |
| U.S. Tax Guide for Aliens.....                                                                           | 5589                       |
| American Scholars Abroad and U.S. Income Tax.....                                                        | 5590                       |
| Retirement Plans for Self-Employed Individuals.....                                                      | 5592                       |
| Credit Sales by Dealers in Personal Property.....                                                        | 5593                       |
| Reporting Your Tips for Federal Tax Purposes.....                                                        | 5640                       |

The Service also publishes the following publications which are available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at the price indicated.

|                                                                                                                                                                               | <i>Publication<br/>number</i> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| Law and Regulations Relating to Employee Pension, Annuity, Profit-Sharing, Stock Bonus and Bond Purchase Plans Including Plans for Self-Employed Individuals (Price 60¢)..... | 337 (2-66)                    |
| Pension Trust Procedures and Guides for Qualification (Price 35¢).....                                                                                                        | 377 (3-66)                    |

## TAX FORMS ACTIVITY

The following new forms were issued:

| <i>Form Number</i>     | <i>Title</i>                                                                                                                                           |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1040X.....             | Amended U.S. Individual Income Tax Return.                                                                                                             |
| 1040-ES (Spanish)..... | Declaration of Estimated Income Tax for Individuals (In Spanish).                                                                                      |
| 1040NR.....            | U.S. Nonresident Alien Income Tax Return.                                                                                                              |
| 1099M.....             | U.S. Information Return of Distributions by Regulated Investment Companies During Calendar Year.                                                       |
| 1120-ES (Amended)..... | Amended Declaration of Estimated Income Tax for Corporation.                                                                                           |
| 1120-W.....            | U.S. Corporation Worksheet for Computation of Estimated Income Tax.                                                                                    |
| 2848-D.....            | Authorization and Declaration.                                                                                                                         |
| 4322.....              | Validation Certificate of Prior American Ownership and Interest Equalization Tax Compliance.                                                           |
| 4322-A.....            | Application for Validation Certificate of Prior American Ownership and Interest Equalization Tax Compliance.                                           |
| 4347.....              | Information Return by Persons Receiving Program Payments from the U.S. Department of Agriculture.                                                      |
| 4361.....              | Application for Exemption from Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners.              |
| 4415.....              | Election to Exempt from Self-Employment Coverage Fees Received by Certain Public Officers and Employees of a State or a Political Subdivision Thereof. |

The following forms were eliminated:

|               |                                                                         |
|---------------|-------------------------------------------------------------------------|
| 1040B.....    | U.S. Nonresident Alien Income Tax Return.                               |
| 1040-Q.....   | U.S. Individual Income Tax Return (Questionnaire Version).              |
| 1040NB.....   | U.S. Nonresident Alien Income Tax Return.                               |
| 1040NB-a..... | U.S. Nonresident Alien Income Tax Return.                               |
| 2848-A.....   | Limited Power of Attorney.                                              |
| 3625.....     | Certificate of American Ownership—Interest Equalization Tax.            |
| 3626.....     | Certificate of American Ownership by Nominee—Interest Equalization Tax. |

## SUPREME COURT DECISIONS

### Civil Cases

Two cases concerning priorities of claims in Bankruptcy Act proceedings were decided by the

Court. In *Joint Industry Board of the Electrical Industry v. United States*, 36 U.S.L. Week 4438 (U.S. May 20, 1968), the Court, affirming the Court of Appeals for the Second Circuit, held that claims against the bankrupt employer for unpaid contributions to an employee's annuity plan are not wages entitled to priority under section 64a(2) of the Bankruptcy Act. An annuity plan was established by a collective bargaining agreement between a local union and associations of electrical contractors. The employers contribute for each day worked by their employees. Payments are made to trustees who administer the contributions under the plan. The contractor-taxpayer was adjudicated bankrupt and the Joint Industry Board filed a claim including payments under the plan which were due but not paid during the three months prior to the commencement of the bankruptcy proceeding. They asserted priority under section 64a(2) of the Act claiming that the payments due were wages. The Government which had filed a claim for priority under section 64a(4) objected to the allowance of the Board's priority claims, taking the position accepted by the Court that such payments were not wages. The Government's interest laid in the fact that payment of such claims as wages reduced the amount available to pay the taxes.

In the other bankruptcy case, *Reading Company v. Francis Brown, Trustee*, 36 U.S.L. Week 4524 (U.S. June 3, 1968), the United States entered the case on the side of the trustee in bankruptcy who had successfully argued that certain tort claims resulting from a fire caused by the negligence of a contractor hired by the receiver having control of the debtor's estate during an arrangement under Chapter XI of the Bankruptcy Act were not entitled in the ensuing bankruptcy to the priority that section 64a(1) of the Act gives unpaid expenses of administration of the arrangement. Payment of the tort claims as section 64a(1) priority claims would reduce the amount in the estate otherwise available for payment of the tax claims. The bankrupt corporate taxpayer originally filed a petition for an arrangement under Chapter XI; a receiver was appointed to conduct the business; during this period a fire destroyed a structure owned by the estate; such fire spread to adjoining premises of the Reading Company and others; and these parties filed claims styled as administrative expenses of the arrangement which in the ensuing bankruptcy liquidation became claims for administration expenses entitled to first priority under section 64a(1). The trustee successfully moved to expunge these

claims on the ground that they were not expenses of administration. The Court reversing the circuit court held "that damages resulting from the negligence of a receiver acting within the scope of his authority as receiver give rise to 'actual and necessary costs' of a Chapter XI arrangement."

In a civil summons enforcement case, *Justice v. United States*, 390 U.S. 199 (1968) the Court affirmed without opinion the decision of the Three Judge District Court for Eastern District of Kentucky, *United States v. First National Bank of Pikeville*, 274 F. Supp. 283 (E.D. Ky. 1967), denying the taxpayers' suit to enjoin the enforcement of summons to several banks to produce bank records on the taxpayers' banking transactions. The district court had found that the investigation being conducted by the Internal Revenue Service was to determine the accuracy of the taxpayers' income tax returns and further had held that the fact that the summons might be used to obtain information for subsequent use in a criminal proceeding would not of itself render the enforcement of summons statute (section 7604 IRC 1954) unconstitutional, since the taxpayers could appear in any subsequent action and assert their constitutional or other claims challenging the summons.

On December 11, 1967, the Supreme Court resolved a conflict among the circuits when it reversed the Sixth Circuit and upheld the Commissioner's overnight rule as a valid construction of the statutory phrase "away from home" as used in section 162(a)(2) of the 1954 Code. *United States v. Correll*, 389 U.S. 299 (1967), reversing 369 F. 2d 87 (6th Cir. 1966). The *Correll* case involved a traveling salesman for a wholesale food company who deducted the cost of breakfasts and lunches on 150 to 175 mile trips which he routinely made between 5:00 a.m. and 5:30 p.m. of the same day. In holding that the "overnight" or "sleep or rest" rule bore no rational relationship to the business necessity of the meal expenses, the Sixth Circuit aligned itself with the Eighth Circuit, which had previously rejected the rule in *Hanson v. Commissioner*, 298 F. 2d 391 (8th Cir. 1962). Arrayed against The Sixth and Eighth Circuits was the First Circuit, which upheld the rule in *Commissioner v. Bagley*, 374 F. 2d 204 (1st Cir. 1967), cert. denied 389 U.S. 1046 (1968).

In resolving the conflict in favor of the Government, the Supreme Court stated that the overnight rule provides a means of interpreting the travel expense statute so as to achieve ease and certainty of application as well as substantial fairness to tax-

payers. As a result of this landmark decision in the travel expense area, the uncertainty which existed for many years concerning the validity of the overnight rule was ended, and the sharp conflict which the rule engendered among the courts was put to rest.

In a brief per curiam opinion in which the Supreme Court granted the Government's petition for a writ of certiorari and reversed the judgment of the Tenth Circuit, capital gains treatment was denied on the proceeds from the sale of oil production payments under the authority of *Commissioner v. P. G. Lake*, 356 U.S. 260 (1958). *Wiseman v. Barby*, 390 U.S. 339 (1968), reversing 380 F. 2d 121 (10th Cir. 1967). The taxpayers, as grantors of an oil and gas lease, reserved a one-eighth royalty and a \$300,000 production payment; the production payment was then sold to third parties for \$300,000. The significance of the decision lies in the fact that it overruled a decision which tended to erode the principles set forth by the Supreme Court in the landmark *P. G. Lake* case, which was in direct conflict with the Fifth Circuit's decision in *United States v. Foster*, 324 F. 2d 702 (5th Cir. 1963), and which set an erroneous legal precedent in a number of states which have a considerable amount of mineral activity.

The Commissioner was successful in contending that certain minority stockholders in a "spin-off" realized ordinary income on their exercise of stock rights received from a controlling corporation to purchase a controlled corporation's common stock (in the amount of the difference between the per share option price and the fair market value of a share of that stock) at the moment of exercise and on the sale of such rights. *Commissioner v. Gordon; Baan v. Commissioner*, 391 U.S. 83 (1968). By so holding, the Court reversed the Second Circuit's opinion in *Gordon* and affirmed the Ninth Circuit's decision in *Baan*. The Court observed it was clear that when a corporation sells corporate property to its shareholders at less than its fair market value, it is a taxable "distribution of property" within the scope of section 316 of the Code unless the case falls within some specific exception and, it agreed with the Commissioner that the exception provided in section 355 had not been met. Although the Commissioner had urged several grounds to justify his position that the section 355 provisions had not been met, the Court considered and based its decision upon only one of the said grounds. Thus, section 355(a)(1)(D) requires that the "distribution" divest the controlling corporation of at least 80 percent

control of the controlled corporation. While it was not necessary, the Court observed, that the entire divestiture occur within a single tax year, there must be a binding commitment by the controlling corporation to divest itself of control and, although in fact the initial and second distribution (occurring 2 years later) in this case did divest the controlling corporation of control, an acknowledged plan of total divestiture was lacking at the time of the initial distribution. The Court specifically found it unnecessary to decide, as in *Palmer v. Commissioner*, 302 U.S. 63 (1937), whether an issue of rights to purchase at less than fair market value was itself a dividend or whether a dividend occurred only at the time of purchase.

A petition for certiorari filed by the plaintiff in a civil suit against Alcohol Tax investigators arising out of a Presidential protection assignment was denied.

## Criminal Cases

On January 29, 1968, the Court decided *Haynes v. United States*, 390 U.S. 85, holding that a proper claim of the constitutional privilege against self-incrimination provides a full defense to prosecution either for failure to register a firearm under Section 5841, or for possession of an unregistered firearm under Section 5851. Since possession of an unregistered firearm was the most commonly charged offense under the National Firearms Act, and since other offenses under the Act are difficult or sometimes impossible to prove, this decision has had a serious adverse impact on firearms enforcement.

In *Marchetti v. United States*, 390 U.S. 39 (1968) the Supreme Court reversed the taxpayer's conviction for willful failure to register and pay the special wagering tax. Also, in *Grosso v. United States*, 390 U.S. 62 (1968) which was decided on the same day, a conviction for willfully failing to pay the excise tax imposed on wagering, for willfully failing to pay the special occupational tax, and one count of conspiracy to defraud the United States by evading payment of both taxes was reversed. Marchetti claimed that the statutory obligations to register and to pay the occupational tax violated his Fifth Amendment privilege against self-incrimination. Grosso contended that payment of the excise tax would have required him to incriminate himself. The court in overruling *United States v. Kah-riger*, 345 U.S. 22 (1953) and *Lewis v. United States*, 348 U.S. 419 (1955), held that those who properly assert their constitutional privileges against

self-incrimination may not be criminally punished for failing to comply with their filing requirements. The court did not strike down the civil portion of the wagering tax provisions. The court also held that the required records doctrine, *Shapiro v. United States*, 335 U.S. 1 (1948) was not applicable to these cases.

On March 5, 1968, the Supreme Court in reversing the judgment of the District Court for the Southern Judicial District of Indiana in *United States v. Habig, et al.*, 390 U.S. 222 (1968), concluded that the statute of limitations begins to run from the date of actual filing and not from the statutory due date of a return. The defendants in this case had been indicted for tax evasion and for aiding and assisting in the preparation and presentation of a false tax return. In each instance the underlying return was statutorily due on May 15, 1960, but an extension with respect to filing had been granted until August 15, 1960. The underlying returns were actually filed on August 12, 1960, and August 15, 1960. The indictments were returned within 6 years of the actual filings, but more than 6 years after the statutory due dates computed without regard to extensions.

The Supreme Court concluded in *Mathis v. United States*, 391 U.S. 1 (1968) that admissions made by a taxpayer while incarcerated to an internal revenue agent who failed to give the *Miranda* warning were inadmissible. In this case a revenue agent performing a routine tax investigation obtained admissions from Mathis that he had signed the 1960 and 1961 income tax returns and signatures on consents to extend the statute of limitations, which signatures were ultimately used as exemplars by a handwriting expert. This evidence, together with proof of the falsity of the two returns, resulted in Mathis' conviction for filing false claims for refunds.

In *Will v. United States*, 389 U.S. 90 (1967) the Supreme Court vacated a writ of mandamus and remanded the case to the court of appeals for the Seventh Circuit. The Circuit Court had issued the writ which directed the trial judge in a tax evasion case to vacate his order compelling the government to make a pretrial disclosure of persons who allegedly had heard the taxpayer make incriminating statements. The Supreme Court held that mandamus is a drastic remedy which does not apply in the absence of a showing by the government that the trial judge adopted a policy of deliberate disregard of the criminal discovery rules. It was also found that the request was not for a disclosure of a list of government witnesses, since it was probable that the gov-

ernment would call other witnesses not involved in the disclosure request.

## ACTIONS OF LOWER COURTS

### Civil Cases

The Fifth Circuit in *United States v. William J. Rochelle, Trustee*, 348 F. 2d 748 (5th Cir. 1967), cert. denied 390 U.S. 946 (1968) considered the question whether money obtained from a swindle is taxable income to the swindler. The court in reversing the district court and the Referee in Bankruptcy held that money which had been obtained by the individual taxpayer, now in bankruptcy, from third parties by false representations, the use of which represented an economic benefit to him, is taxable to him, notwithstanding the fact the transactions were alleged to be in the form of loans. The trial court had found that the taxpayer in this instance was a borrower of money which he promised to return and had held that the subjective intent of the borrower, undisclosed to trusting lenders, not to repay the money did not convert the loans into taxable income. The circuit court concluding that economic benefit accrued to the taxpayer held the income to be taxable.

In the case of *Trinity Universal Insurance Company v. United States*, 382 F. 2d 317 (5th Cir. 1967), cert. denied 390 U.S. 906 (1968) the Government was contending that it had a right of setoff on account of employment taxes owed by a defense production contractor in default, against the contractor's surety on its performance bond who completed the contract. The contractor was awarded a contract for the construction of a nuclear warfare laboratory at an Air Force base; the surety company executed a performance bond and a payment bond required by the Miller Act; when 90 percent of the contract had been completed and most of the progress payments made, the contractor defaulted and its right to proceed was terminated; Federal employment taxes were unpaid; the surety in discharge of its obligations agreed with the Government to complete the contract and did so, expending a substantial amount of money; and the surety was paid for completing the contract and was paid the retainage for the work done by the contractor, less the amount of the unpaid employment taxes. The surety sued to recover the amount withheld and setoff by the Government for the employment taxes of the contractor. The district court upheld the right of the Govern-

ment to setoff but the court of appeals reversed holding the setoff was improper. The court held that a surety under a Miller Act performance bond who undertakes to complete the project is entitled to the funds in the hands of the Government not as a creditor and subject to setoff, but as a subrogee having the same rights to the funds as the Government. The surety is entitled to have the full contract price applied to the performance of the contract. The surety is not liable for taxes of the contractor.

Court cases concerning the enforcement of civil summonses continue to be an active and significant area of litigation. One of the several important cases in this area is the case of *Selinger v. Bigler*, 377 F. 2d 542 (9th Cir. 1967), cert denied 389 U.S. 904 (1967), wherein the circuit court affirming the district court, denied the petitioner taxpayer's motion to suppress and return copies of his records which were obtained with his consent by a special agent and an internal revenue agent. The cause came before the district court by means of a preindictment pleading under Federal Rules of Criminal Procedure 41(e), whereby the petitioner filed a motion for return of property and to suppress evidence, alleging that the defendants, special agent and internal revenue agent, had illegally photocopied petitioner's books, records and other memoranda in the course of an investigation of petitioner's business, a sole proprietorship. Petitioner also contended that his constitutional right to counsel was violated under *Escobedo v. Illinois*, 378 U.S. 478 (1964). The court of appeals affirmed the district court which had found that the records were voluntarily made available and that the evidence was not illegally obtained and had held that none of the petitioner's constitutional rights had been violated.

Another important summons enforcement case was decided by the Third Circuit in *United States v. Dauphin Deposit Trust Company*, 385 F. 2d 129 (3rd Cir. 1967), cert. denied 390 U.S. 921 (1968). In this matter a summons was served on a bank requiring it to produce records regarding the transactions of four customers. The bank refused to comply, arguing as its primary objection that the summonses were so expansive that the financial burden of locating, retrieving and reproducing the requested material amounted to an unreasonable search and seizure in violation of the Fourth Amendment and a deprivation of property without due process of law in violation of the Fifth Amendment, *i.e.*, the financial burden constitutes a taking of private property without just compensation. The district court granted the Government's petition for enforcement

and the bank appealed. The court of appeals in affirming the district court held that the bank was not requested to submit to an unreasonable burden and that the summonses, as limited by the Government's petition to enforce, were not unduly indefinite. The court also pointed out that in view of the bank's refusals to cooperate in the slightest degree its arguments as to the extent of the burdens put on it "became plainly speculative."

In the case of *Jules Hairstylists of Maryland, Inc. v. United States*, 389 F. 2d 389 (4th Cir. 1968), cert. denied 36 U.S.L. Week 3452 (U.S. May 27, 1968), the Court affirmed per curiam the decision of the District Court for the District of Maryland in favor of the Government. The three plaintiffs, corporations who employ beauticians in the operation of their beauty salons, sought to have the district court declare sections 3102(a) and (c) and 3402(k) of the Internal Revenue Code unconstitutional and enjoin the Director from enforcing them. The plaintiffs alleged that these sections are ambiguous, arbitrary, discriminatory, invalid and offensive to the Fifth Amendment as an undue burden on them as employers, an uncompensated taking of property, and an invasion of privacy. They requested that a three-judge court be convened.

The Code sections in question require an employer to receive reports from employees who are recipients of \$20.00 or more in tips in each calendar month in the course of their employment, to withhold income and social security taxes on the amount of tips reported to the extent of the employee's funds within the employer's control, to accept from the employee any tender of money to pay the taxes when the employee's funds with the employer are insufficient, and to account for such withheld taxes and money paid over by an employee.

The district court in granting the Government's motion to dismiss and denying the request for a three-judge court held that in the absence of the United States' consent to be sued the employers had no standing to bring suit to enjoin the Government from enforcing the Code provisions. The employers were only collection agents for the Government and thus had no right to bring suit as taxpayers. The Government had made no levy on property of the employers and, therefore, the employers had no right to bring suit under section 7426 of the Code as non-taxpayers. Furthermore, the employers could not overcome the provisions of section 7421 providing statutory prohibition against suits to restrain assessment or collection of taxes. Since the employers had no standing to bring an injunction suit, they like-

wise had no standing to request the convening of a three-judge court. In addition, the court held that it had no power to hear a motion for a declaratory judgment as to the constitutionality of the particular Code provisions since Section 2201 of Title 28 of the United States Code is explicit that no Federal court may render a declaratory judgment with respect to Federal taxes.

*United States v. The Donruss Company*, 384 F. 2d 292 (6th Cir. 1967), cert. granted April 22, 1968, involves the important question of whether in applying the tax imposed on accumulated earnings of a corporation "availed of for the purpose of avoiding the income tax with respect to its shareholders," it is necessary that the corporation have as its "dominant, controlling, or impelling" motive the avoidance of income tax on its stockholders, as the Sixth Circuit held, or whether it is sufficient, as the Government contends, that the avoidance motive be but one of the purposes of the accumulation. The Sixth Circuit's "dominant purpose" test is in conflict with the views of the Second and Fifth Circuits as expressed in *Trico Products Corp. v. Commissioner*, 137 F. 2d 424 (2d Cir. 1943), cert. denied 320 U.S. 799 (1943), and *Barrow Manufacturing Co. v. Commissioner*, 294 F. 2d 79 (5th Cir. 1961), cert. denied 369 U.S. 817 (1962). But see, *Young Motor Co. v. Commissioner*, 281 F. 2d 488 (1st Cir. 1960). The Supreme Court has now granted certiorari in *Donruss*.

In *Skelly Oil Co. v. United States*, 392 F. 2d 128 (10th Cir. 1968), affirming upon rehearing 376 F. 2d 497 (10th Cir. 1967), the Court of Appeals held that the taxpayer, which had taken depletion deductions on income received in the years 1952 through 1957 and held under a claim of right, was not required under section 1341 of the 1954 Code to reduce its deductions in a later year for refunds made to customers by the amount of such depletion deductions. The court treated the question as a question of interpreting section 1341, without reference to other sections of the Code, and could find no statutory support for limiting the deduction in the year of repayment. The issue is one of first impression and of considerable administrative importance, particularly in light of recent Supreme Court decisions to the effect that the Federal Power Commission has the right to set area rates for natural gas and to authorize retroactive refunds where appropriate. A petition for a writ of certiorari has now been filed by the Solicitor General.

In a decision which could liberalize the treatment of employer-paid scholarships, the Court of Appeals

for the Third Circuit held that stipends received by the plaintiff-employees from their employer while on leaves of absence to enable them to complete their work as candidates for doctoral degrees constitute excludable scholarships under section 117 of the Code. *Johnson, et al v. Bingler*, 396 F. 2d 258 (3rd Cir. 1968). In rejecting the "indicia of compensation" criteria of section 1.117-4(c)(1) of the regulations, the court stated that "any reasonable stipend which comes within the common understanding of what constitutes a scholarship, is paid to finance the schooling of a degree candidate, and does not fall within the limitation of section 117(b)(1) is excluded from gross income." The court also limited the effectiveness of section 1.117-4(c)(2) of the regulations (the "primary purpose" rule) by holding the indirect benefits derived by the employer to be beyond the scope of the regulation. The Third Circuit's decision is in conflict with *Ussery v. United States*, 296 F. 2d 582 (5th Cir. 1961) and *Woddail v. Commissioner*, 321 F. 2d 721 (10th Cir. 1963), in both of which the validity of the regulation was upheld. See also, *Stewart v. United States*, 363 F. 2d 355 (6th Cir. 1966) and *Reese v. Commissioner*, 373 F. 2d 742 (4th Cir. 1967).

An important decision in the realm of exempt organizations was rendered by the Court of Appeals for the First Circuit in *United States v. Knapp Brothers Shoe Manufacturing Corporation*, 384 F. 2d 692 (1st Cir. 1967), cert. denied 390 U.S. 989 (1968). In that case three individuals formed the taxpayer, which then acquired all the assets of a successful shoe manufacturer, the purchase price to be paid out of earnings. The sole distributee of both income and property was New York University. In denying the charitable contributions deduction to the corporate plaintiff, the First Circuit expanded the ambit of its decision in *Crosby Valve and Gage Company v. Commissioner*, 380 F. 2d 146 (1st Cir. 1967), and in so doing, emphasized the Congressional intent to place charitably owned businesses which were not themselves charities on the same footing as their non charitable competitors. Both First Circuit decisions will strengthen the Service's position in the feeder organization area.

The case of *Empey v. United States*, 272 F. Supp. 851 (D. Colo. 1967), represented the first judicial testing of section 301.7701-2 of the regulations and was one of first impression in its consideration of the proper tax classification of a professional service organization under the "Kintner" regulations as amended by T.D. 6797 on February 2, 1965. The court held that the classification of an incorporated



organization as a partnership is inconsistent with the statutory definitions of "partnership" and "corporation" as found in section 7701(a), and concluded that the regulations are inconsistent with the statute and the judicial construction thereof and that they constitute the exercise of a non-delegable legislative function and are invalid and unenforceable. To the same effect is *O'Neill v. United States*, 281 F. Supp. 359 (N.D. Ohio 1968). *Empey* and *O'Neill* are now on appeal to the Tenth and Sixth Circuits, respectively.

In *Jefferson Standard Life Insurance Co. v. United States*, 272 F. Supp. 97 (M.D. N.C. 1967), now on appeal to the Fourth Circuit, the district court held that (1) in computing the taxable investment income of a life insurance company, deferred and uncollected premiums and due and unpaid premiums, including the "loading" related to such premiums, are includible in "assets" as that term is used in section 805(b)(4), and (2) in computing gain or loss from operations under section 809, "loading" on deferred and uncollected premiums is not deductible. This was the first decision in which the position of the Government on these two important life insurance industry issues was upheld. It was rejected in *Franklin Life Insurance Company v. United States*, — F. Supp. — (S.D. Ill. 1967), which is now on appeal to the 7th Circuit. *Jefferson Standard* and *Franklin Life* constitute the principal vehicles for an ultimate determination of these two extremely important issues under the Life Insurance Company Tax Act of 1959.

A major development in the area concerning educational expense deductions is portended by the opinion of the Seventh Circuit in *Furner v. Commissioner*, 393 F. 2d 292 (7th Cir. 1968). Therein, a junior high school teacher was held by the Tax Court not to be engaged in her profession (teaching) when she resigned her position as a social studies teacher (being unable to obtain a "leave of absence" because of school policies), attended a graduate school for a year (obtaining a Master's degree), thereafter resuming the teaching of social studies at a junior high school in another State. Accordingly, her claimed educational expenses for the period in which she was a full-time student were disallowed. The Appellate Court reversed and, in doing so, established the test of deductibility to be the answer to the question of whether the relationship of the course of study to intended future performances as a teacher is such that the expenses thereof can reasonably be considered ordinary and necessary in carrying on the business of teaching. The Court not

only factually distinguished *Canter v. United States*, 354 F. 2d 352 (Ct. Cls. 1965) but also specifically disagreed with the rationale employed by the Court of Claims where it held, at the Commissioner's urging, that a person must be either engaged in remunerative activity or have a definite connection, such as a leave of absence, with a position to be treated as being engaged in that trade or business. On the basis of the factual distinction and an inability to indicate the present administrative importance of this decision, the Solicitor General declined to file a petition for certiorari in the Supreme Court. Administratively, it appears that this opinion could have vast effect upon future educational expenses claimed by teachers and possible others engaged in professional endeavors.

In another case the Third Circuit, in reversing the Tax Court, refused to impute fraud to a corporation, although sustaining the Tax Court's finding that the president and 50 percent stockholder of the corporation who signed and filed a fraudulent corporate return dominated the corporation's business affairs and intended to avoid the payment of corporate income taxes. *Asphalt Industries v. Commissioner*, 384 F. 2d 229 (3rd Cir. 1967). This case, though not in direct conflict, nevertheless represents a conflict in principle with the law of agency as decided in *Gleason v. Seaboard Air Line Railway Co.*, 278 U.S. 349 (1929) and *The Crescent Mfg. Co. v. Commissioner*, 181 F. 2d 185 (6th Cir. 1950). It specifically rejects the imputation of a corporate officer's fraud to the corporation in those cases in which the corporate officer is not a majority stockholder. It is expected that the Commissioner will further litigate in similar cases.

The Commissioner received a significant decision regarding the imposition of the accumulated earnings surtax in *Estate of Goodall, et al v. Commissioner*, 391 F. 2d 775 (8th Cir. 1968), petition for certiorari filed May 29, 1968, by taxpayer. Therein, the Eighth Circuit held that, for purposes of computing the surtax, the specific deduction for taxes did not include the tax liability resulting from a contest of that liability by a taxpayer until the contest was finally determined by litigation or agreed upon by the taxpayer. This was held to be so because the legislative purpose of the accumulated earnings tax (similar to the personal holding company tax) differs from determination of the issues of whether a distribution by a corporation constitutes a dividend or return of capital, or in determining the capital investment credit for Federal excess profits tax pur-

poses and where, in both of the latter instances, the deduction has been held allowable.

The United States Court of Appeals for the Second Circuit handed down several opinions in cases of first impression. In one such opinion, the Commissioner was successful in obtaining a reversal of the Tax Court's decision when it was held that a subsidiary should carry over and retain a parent's original date of production and cost of liquor inventories (maintained under the LIFO accounting provisions) upon a transfer thereof by the parent to a subsidiary pursuant to section 351, rather than averaging the separate costs of such inventories held by the parent as of the date of transfer and then integrating both inventories. *Joseph E. Seagram & Sons, Inc. v. Commissioner*, 394 F. 2d 738 (2nd Cir. 1968). In another opinion, the first appellate court case concerning section 1244 stock, it was held by the Second Circuit, reversing the Tax Court, that an adopted corporate resolution stating that the stock of the corporation would "be issued pursuant to section 1244" was sufficient to entitle the taxpayer to an ordinary loss deduction in the year said stock became worthless. The Court noted that, at the time the corporate resolution was adopted, the Commissioner's regulations (neither proposed nor promulgated) had not been issued and it limited its decision to the particular facts of the case. The subsequently promulgated regulations [i.e., Reg. sec. 1.1244(c)-1(c)] require that a corporate plan state the period in which the stock will be offered (and that such offering will not exceed 2 years) and also state the amount in dollars to be received for the stock. *Eger v. Commissioner*, 393 F. 2d 243 (2nd Cir. 1968). Lastly, in a novel case, the Second Circuit was the first appellate court to grant costs of litigation (exclusive of attorney's fees) to a taxpayer in a civil tax case pursuant to 28 U.S.C.A. sec. 2412, as amended by the Act of July 18, 1966, which allows appellate courts (but not the Tax Court) to grant such costs to the prevailing party. *Lamb v. Commissioner*, 390 F. 2d 157 (2nd Cir. 1968).

The Commissioner successfully resisted a taxable corporation's attempt to deduct its equity interest in certain bonds assigned to a tax-exempt organization as a charitable deduction under section 170 of the Code when the stock of the corporation was owned entirely by that tax-exempt organization. Said holding was based upon a comparison between the "unfair competition" that had resulted in legislation with regard to "feeder" organizations and that existent in this case where a wholly-owned subsidiary earned the income and then donated it to its

exempt parent rather than having the exempt parent, itself, earn this unrelated business income, *Crosby Valve and Gage Co. v. Commissioner*, 380 F. 2d 146 (1st Cir. 1967). The Commissioner was also successful in withstanding a taxpayer's attempt to extend the rationale of reserved "economic interests" in natural resources (where a seller reserves to himself a portion of the future income from the interest sold to a purchaser) to the future sale of fire and casualty insurance renewals by a purchaser. *Hibler v. Commissioner*, 46 T.C. 663 (1966), aff'd *per curiam*, 383 F.2d 989 (5th Cir. 1967), cert. denied 390 U.S. 949 (1968).

The Commissioner won a significant victory in the qualification of pension, profit-sharing, and stock bonus plans area when the Second Circuit reversed a decision of the Tax Court which had held, contrary to the Commissioner's determination, that a profit-sharing and retirement plan for its salaried employees was not discriminatory in favor of "highly paid" employees within the meaning of section 401(a)(3)(B) and (4) of the 1954 Code. The Court held, in substance, agreeing with the contention of the Commissioner, that an administrative determination holding a plan discriminatory should not be set aside unless that determination represents a position that is arbitrary or unreasonable. *Commissioner v. Pepsi-Cola Niagara Bottling Corp.*, 399 F. 2d 390 (2nd Cir. 1968), reversing 48 T.C. 75 (1967).

The Fifth Circuit, in *Irwin v. Commissioner*, 390 F. 2d 91 (5th Cir. 1968), has agreed with the Ninth Circuit [*United States v. Marshall*, 357 F. 2d 294 (9th Cir. 1966)] in holding, for purposes of applying the installment sale provisions, that payments made by the purchaser, during the year of sale, of non-mortgage liabilities (due by the seller to a third person and assumed by the purchaser) are not to be included in the total payments received by the seller in the year of sale. The inclusion thereof would, as the Commissioner had contended, cause the payments received to exceed 30 percent of the selling price and eliminate the gain from installment sale treatment. It is of interest to note that, shortly after the Fifth Circuit's decision, the Tax Court, in a reviewed opinion (four dissents), vigorously reaffirmed its position that such payments were part of the payments received in the year of sale, expressly declining to follow *Irwin* and *Marshall*, *J. Carl Horneff and Lulu Horneff*, 50 T.C. 63 (No. 10), (1968).

The Seventh Circuit has joined with the Second Circuit [*Sullivan v. Commissioner*, 368 F. 2d 1007

(2nd Cir. 1966)] in rejecting the Commissioner's contention, which had been upheld by the Tax Court, that a taxpayer is entitled to a deduction for transporting his tools to and from work only if it could be established that the taxpayer's primary purpose was to carry the tools and not merely to commute to work. In *Tyne v. Commissioner*, 385 F. 2d 40 (7th Cir. 1967), the Court held that, although a taxpayer could not evade the rule disallowing the deduction for commuting expenses by throwing a hammer, wrench and a screwdriver into his automobile trunk when he drives to work, he can deduct that portion of his reasonable driving expense which is allocable to the transportation of tools when his job requires that he bring tools which could not be readily carried by the taxpayer. Further litigation is probable in establishing the guidelines for a proper allocation of such expenses.

In *United States v. Branker, et al.*, 395 F. 2d 881, 68-1 USTC 9376 (2nd Cir. 1968), six appellants, two of whom were former employees of the Internal Revenue Service, were convicted of various offenses arising out of fraudulent schemes to avoid payment of income taxes and to obtain tax refunds to which the recipients were not entitled. The appellants were tried together on 81 counts. Their principal contention on appeal was that their motions for separate trials should have been granted after the conspiracy count was dismissed at the close of the Government's case. The Court of Appeals held that the two former Internal Revenue Service employees were not prejudiced by the joinder since they had central roles in most of the schemes charged in the indictments. The court reversed and remanded with respect to the other four defendants, holding that they were prejudiced by the joinder since a huge portion of the testimony did not relate to them but to the manifold criminal activities of the two former Service employees.

In a case involving the investigation of commercial bribery in the legal liquor industry, it was held that the director of the Service's Alcohol and Tobacco Tax Division was not given specific authority to investigate violations of the Federal Alcohol Administration Act, and therefore that investigatory subpoenas in aid of an investigation not authorized by statute should not issue and would not be enforced. *Serr v. Sullivan*, 270 F. Supp. 544 (E.D. Pa. 1967), aff'd. 390 F. 2d 619 (3rd Cir. 1968); *Hiram Walker Incorporated v. Serr*, 377 F. Supp. 3 (E.D. Pa. 1967). It was stated that the Act authorized the issuance of subpoenas only in the course of adminis-

trative proceedings to annul, deny or revoke an FAA Act permit.

## Criminal Cases

The most significant decisions in the alcohol and firearms areas hinged on interpretations of several recent Supreme Court cases. Most lower courts have held that *Katz v. United States*, 389 U.S. 347 (1967) (which barred the use of evidence obtained by electronic surveillance of a telephone booth used by the defendant) does not govern the use of recorded or overheard conversations where a party to the conversation has consented to the recording or listening. Typical cases are *Long v. United States*, 387 F. 2d 377 (5th Cir. 1968) cert. den. 390 U.S. 952 (1968) and *Handsford v. United States*, 390 F. 2d 373 (5th Cir. 1968) cert. den. May 20, 1968 391 U.S. 915.

Two courts of appeals have ruled otherwise, holding that *Katz* does bar the use of such evidence. The Solicitor General has authorized the filing of petitions for rehearing en banc in both cases on the grounds that the Supreme Court has denied petitions for certiorari in six cases presenting this issue since its decision in *Katz*. *United States v. White*, — F. 2d — (7th Cir. 1968); *Epps v. United States*, — F. 2d — (10th Cir. 1968). The petition in *White* has been granted.

In the cases of *Camara v. Municipal Court*, 387 U.S. 523 (1967) and *See v. Seattle*, 387 U.S. 541 (1967), the Court held that a fire marshal could not inspect a locked warehouse for fire hazards, and a housing code inspector could not inspect a dwelling in an apartment house, except upon proper consent, unless a search warrant procedure is followed. Defendants in several cases have urged these decisions as a bar to the use of evidence obtained by alcohol tax investigators during retail liquor dealer inspections conducted without warrants. This defense has been rejected in all cases thus far decided. *United States v. Duffy*, 282 F. Supp. 777 (D.C. S.D. NY 1968). *Hess v. Alcohol and Tobacco Tax Unit*, unreported (D.C. N.D. NY 1968); *United States v. Sessions*, unreported (D.C. N.D. Ga. 1968).

The recent decisions of the Supreme Court in *Marchetti v. United States*, 390 U.S. 39 (1968); *Grosso v. United States*, 390 U.S. 62 (1968); *Haynes v. United States*, 390 U.S. 85 (1968) have, as anticipated, created problems in criminal and forfeiture proceedings under the National Firearms

Act, the wagering tax laws, and the laws relating to liquor. These decisions held that a person could not be convicted criminally for failure to register under the wagering tax laws, failure to pay the wagering excise tax, or failure to register a firearm since requiring the information to be furnished would compel the person to incriminate himself. *Haynes* has required the dismissal of many cases where the defendant was charged with possession of an unregistered firearm. Typical is *Drennon v. United States*, 393 F. 2d 342 (8th Cir. 1968).

*Haynes* has also cast a cloud on other provisions of the Act which relate to possession and the unlawful making or transfer of firearms. *Della Rocca v. United States*, 388 F. 2d 525 (2d Cir. 1968), certiorari granted, judgment vacated, and case remanded April 29, 1968, 390 U.S. 745.

The district courts and two courts of appeal have taken conflicting positions on the application of *Marchetti* and *Grosso* to wagering tax forfeitures. The Seventh Circuit has held that forfeitures are barred, *United States v. \$8,670.00, Donald Angelini, Claimant*, 393 F. 2d 499 (7th Cir. 1968); while the Sixth Circuit has held that they are not, *United States v. One 1965 Buick, et al.*, 329 F. 2d 672 (6th Cir. 1968). It is reasonably certain that the conflict will be resolved by the Supreme Court.

Of great concern is the attempt to apply the rationale of *Marchetti*, *Grosso*, and *Haynes* to liquor cases. Defendants charged with possession of an unregistered still, distilling without having given bond, possession of unstamped containers, etc., have claimed that compliance with the statutory requirements of registration, giving bond, applying for stamps, etc., would have incriminated them. District courts, with one exception, have refused to accept this contention, *United States v. Allen, et al.*, unreported (D.C. S.D. N.Y. March 5, 1968); *United States v. Benton, et al.*, unreported (D.C. N.D. Ga. April 5, 1968); *United States v. Miller*, unreported (D.C. N.D. Ga. April 5, 1968); *United States v. Anderson*, unreported (D.C. N.D. Ga. April 5, 1968); *United States v. Richardson, et al.*, *United States v. Beason et al.*, *United States v. Davis*, all unreported (D.C. M.D. Ala., April 25, 1968), *United States v. McGee*, 282 F. Supp. 550 (D.C. M.D. Tenn. 1968), the exception being two cases decided in the Eastern District of Tennessee in April 1968 *United States v. Fine* and *United States v. Lackey*, not yet reported.

No cases involving this issue have been decided by a court of appeal, but appeals from several con-

victions have been filed. A hopeful note was sounded by the Supreme Court in denying certiorari in a case where this issue was raised for the first time in the petition. *Cochran v. United States*, 389 F. 2d 326 (10th Cir. 1968) cert. den. May 20, 1968, 391 U.S. 913.

The Seventh and Eighth Circuits have now joined the First, Fourth, Sixth, and Ninth Circuit Courts of Appeal in holding that a special agent of the Internal Revenue Service is not required to warn a taxpayer of his right to counsel at the investigative stage of an examination. *Froham v. United States*, 380 F. 2d 832 (8th Cir. 1967); *Mansfield v. United States*, 381 F. 2d 961 (7th Cir. 1967).

At the close of the fiscal year, Fred B. Black, Jr., one-time business associate of former Senate Aide Robert G. (Bobby) Baker, was in the process of being retried for income tax violations. After his conviction in 1964, 353 F. 2d 885 (D.C. Cir. 1965) and the denial of certiorari, 384 U.S. 927 (1965) the Solicitor General filed a memorandum with the Supreme Court advising it that agents of the Federal Bureau of Investigation, in a matter unrelated to Black's tax case, had conducted an electronic surveillance of Black's rooms in a Washington, D.C., hotel. The Solicitor General stated that none of the evidence presented to the Grand Jury or used at Black's trial was obtained, either directly or indirectly from any improper source. The Supreme Court remanded the case for a new trial, 385 U.S. 26 (1966). Upon remand the defendant filed various motions including a motion for discovery. Since all of the information obtained directly or indirectly from the monitored conversations was in the F.B.I. Headquarter's file, the Government was directed to make those files available to the court for an in camera inspection. *United States v. Black*, 282 F. Supp. 35, (U.S.D. D.C. 1968), 68-1 USTC 9412.

## STATISTICS OF INCOME REPORTS PUBLISHED

Individual Income Tax Returns, 1965 (224 pp., \$2.00).

Individual Income Tax Returns, 1966, Preliminary (26 pp., 20¢).

U.S. Business Tax Returns, 1964 (213 pp., \$1.25).

U.S. Business Tax Returns, 1965, Preliminary (25 pp., 20¢).

Corporation Income Tax Returns, 1963, (429 pp., \$2.25).

Corporation Income Tax Returns, 1964, Preliminary (41 pp., 25¢).

Corporation Income Tax Returns, 1965, Preliminary (31 pp., 25¢).

Fiduciary, Gift, and Estate Tax Returns, 1965 (114 pp., \$1.25).

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

STATISTICS OF INCOME  
REPORTS PUBLISHED

Individual Income Tax Returns, 1965 (1965)  
Individual Income Tax Returns, 1964 (1964)  
Individual Income Tax Returns, 1963 (1963)  
Individual Income Tax Returns, 1962 (1962)  
Individual Income Tax Returns, 1961 (1961)  
Individual Income Tax Returns, 1960 (1960)  
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Individual Income Tax Returns, 1950 (1950)

# Statistical Tables

**Notes:**

All yearly data are on a fiscal year basis, unless otherwise specified. For example, data headed "1968" pertain to the fiscal year ended June 30, 1968, and "July 1" inventory items under this heading reflect inventories as of July 1, 1967.

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 75.

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## Statistical Tables

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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. 106, for tax rates and further breakdown of national totals by sources]

| Internal revenue regions, districts, States, and other areas <sup>1</sup><br>(States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | Total internal revenue collections | Corporation income tax <sup>2</sup> | Individual income and employment taxes |                                                                |                                                                           |                     |                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------|----------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------------|---------------------|------------------------|
|                                                                                                                                                                                                  |                                    |                                     | Total                                  | Income tax not withheld and self-employment tax <sup>3,4</sup> | Income tax withheld and old-age and disability insurance <sup>5,6,7</sup> | Railroad retirement | Unemployment insurance |
|                                                                                                                                                                                                  | (1)                                | (2)                                 | (3)                                    | (4)                                                            | (5)                                                                       | (6)                 | (7)                    |
| <b>United States, total</b>                                                                                                                                                                      | <b>153,636,838</b>                 | <b>29,896,520</b>                   | <b>106,337,943</b>                     | <b>22,495,351</b>                                              | <b>52,377,342</b>                                                         | <b>858,448</b>      | <b>606,802</b>         |
| <b>North-Atlantic Region</b>                                                                                                                                                                     | <b>39,766,833</b>                  | <b>9,691,590</b>                    | <b>27,301,829</b>                      | <b>4,724,742</b>                                               | <b>22,297,891</b>                                                         | <b>135,715</b>      | <b>143,480</b>         |
| Albany (See (c) below)                                                                                                                                                                           | 1,849,222                          | 345,080                             | 1,451,681                              | 166,268                                                        | 1,274,208                                                                 | 3,937               | 7,268                  |
| Augusta (Maine)                                                                                                                                                                                  | 411,057                            | 51,390                              | 340,373                                | 79,176                                                         | 254,772                                                                   | 4,433               | 1,992                  |
| Boston (Massachusetts)                                                                                                                                                                           | 4,755,100                          | 854,309                             | 3,571,463                              | 707,338                                                        | 2,839,712                                                                 | 5,746               | 18,668                 |
| Brooklyn (See (c) below)                                                                                                                                                                         | 3,372,823                          | 361,016                             | 2,821,572                              | 784,021                                                        | 2,013,262                                                                 | 10,442              | 13,848                 |
| Buffalo (See (c) below)                                                                                                                                                                          | 3,300,953                          | 751,841                             | 2,341,421                              | 402,671                                                        | 1,925,991                                                                 | 208                 | 12,551                 |
| Burlington (Vermont)                                                                                                                                                                             | 189,566                            | 21,224                              | 155,075                                | 40,112                                                         | 113,099                                                                   | 1,066               | 797                    |
| Hartford (Connecticut)                                                                                                                                                                           | 3,056,857                          | 532,216                             | 2,247,754                              | 502,794                                                        | 1,722,802                                                                 | 11,221              | 10,937                 |
| Manhattan (See (c) below)                                                                                                                                                                        | 21,669,454                         | 6,592,684                           | 13,437,799                             | 1,873,565                                                      | 11,393,407                                                                | 98,589              | 72,238                 |
| Portsmouth (New Hampshire)                                                                                                                                                                       | 386,395                            | 45,099                              | 327,778                                | 66,124                                                         | 259,803                                                                   | 55                  | 1,795                  |
| Providence (Rhode Island)                                                                                                                                                                        | 775,407                            | 136,731                             | 606,913                                | 102,673                                                        | 500,835                                                                   | 18                  | 3,387                  |
| <b>Mid-Atlantic Region</b>                                                                                                                                                                       | <b>24,080,351</b>                  | <b>3,888,573</b>                    | <b>17,521,231</b>                      | <b>3,073,094</b>                                               | <b>14,059,980</b>                                                         | <b>300,991</b>      | <b>87,165</b>          |
| Baltimore (Maryland and D.C.)                                                                                                                                                                    | 4,092,512                          | 403,988                             | 3,285,170                              | 504,015                                                        | 2,659,418                                                                 | 110,332             | 11,406                 |
| Newark (New Jersey)                                                                                                                                                                              | 5,855,707                          | 1,119,592                           | 4,164,795                              | 881,721                                                        | 3,254,312                                                                 | 6,269               | 22,493                 |
| Philadelphia (See (e) below)                                                                                                                                                                     | 6,363,812                          | 919,655                             | 4,729,345                              | 833,089                                                        | 3,763,223                                                                 | 108,454             | 72,438                 |
| Pittsburgh (See (e) below)                                                                                                                                                                       | 4,140,157                          | 698,792                             | 3,060,501                              | 411,635                                                        | 2,617,852                                                                 | 13,961              | 17,053                 |
| Richmond (Virginia)                                                                                                                                                                              | 2,513,176                          | 286,062                             | 1,669,401                              | 341,426                                                        | 1,257,477                                                                 | 61,970              | 8,528                  |
| Wilmington (Delaware)                                                                                                                                                                            | 1,114,987                          | 460,483                             | 612,019                                | 101,209                                                        | 507,699                                                                   | 5                   | 3,105                  |
| <b>Southeast Region</b>                                                                                                                                                                          | <b>13,166,006</b>                  | <b>1,967,611</b>                    | <b>9,296,401</b>                       | <b>2,180,382</b>                                               | <b>7,825,372</b>                                                          | <b>33,769</b>       | <b>57,078</b>          |
| Atlanta (Georgia)                                                                                                                                                                                | 2,488,051                          | 419,888                             | 1,822,265                              | 327,204                                                        | 1,482,396                                                                 | 2,337               | 10,328                 |
| Birmingham (Alabama)                                                                                                                                                                             | 1,122,438                          | 161,200                             | 913,481                                | 204,104                                                        | 695,828                                                                   | 7,788               | 5,760                  |
| Columbia (South Carolina)                                                                                                                                                                        | 829,953                            | 115,641                             | 676,298                                | 140,182                                                        | 531,337                                                                   | 179                 | 4,599                  |
| Greensboro (North Carolina)                                                                                                                                                                      | 3,567,050                          | 571,188                             | 1,743,250                              | 334,392                                                        | 1,394,718                                                                 | 1,527               | 12,613                 |
| Jackson (Mississippi)                                                                                                                                                                            | 531,311                            | 63,753                              | 447,481                                | 123,711                                                        | 320,272                                                                   | 511                 | 2,987                  |
| Jacksonville (Florida)                                                                                                                                                                           | 2,986,346                          | 376,001                             | 2,381,394                              | 743,648                                                        | 1,606,146                                                                 | 19,049              | 12,551                 |
| Nashville (Tennessee)                                                                                                                                                                            | 1,640,857                          | 259,940                             | 1,312,231                              | 307,141                                                        | 994,473                                                                   | 2,378               | 8,239                  |
| <b>Central Region</b>                                                                                                                                                                            | <b>29,690,441</b>                  | <b>5,413,020</b>                    | <b>18,719,322</b>                      | <b>2,841,022</b>                                               | <b>15,713,451</b>                                                         | <b>76,855</b>       | <b>87,994</b>          |
| Cincinnati (See (d) below)                                                                                                                                                                       | 3,436,792                          | 777,729                             | 2,421,879                              | 432,300                                                        | 1,974,098                                                                 | 2,912               | 12,569                 |
| Cleveland (See (d) below)                                                                                                                                                                        | 6,692,291                          | 1,181,381                           | 4,676,121                              | 641,872                                                        | 3,975,521                                                                 | 36,309              | 22,420                 |
| Detroit (Michigan)                                                                                                                                                                               | 12,649,256                         | 2,620,433                           | 7,330,204                              | 952,327                                                        | 6,331,729                                                                 | 11,576              | 34,572                 |
| Indianapolis (Indiana)                                                                                                                                                                           | 3,860,905                          | 524,985                             | 2,895,094                              | 468,621                                                        | 2,413,735                                                                 | 1,833               | 10,905                 |
| Louisville (Kentucky)                                                                                                                                                                            | 2,491,416                          | 242,654                             | 932,749                                | 237,908                                                        | 665,874                                                                   | 24,160              | 4,807                  |
| Parkersburg (West Virginia)                                                                                                                                                                      | 559,782                            | 65,839                              | 463,275                                | 107,995                                                        | 352,496                                                                   | 64                  | 2,720                  |
| <b>Midwest Region</b>                                                                                                                                                                            | <b>26,199,055</b>                  | <b>4,757,503</b>                    | <b>19,133,311</b>                      | <b>3,315,357</b>                                               | <b>15,421,853</b>                                                         | <b>297,356</b>      | <b>98,245</b>          |
| Aberdeen (South Dakota)                                                                                                                                                                          | 199,651                            | 19,814                              | 167,808                                | 57,625                                                         | 109,423                                                                   | 2                   | 758                    |
| Chicago (See (b) below)                                                                                                                                                                          | 11,366,734                         | 2,287,870                           | 8,214,599                              | 1,207,834                                                      | 6,822,345                                                                 | 140,527             | 43,893                 |
| Des Moines (Iowa)                                                                                                                                                                                | 1,304,909                          | 207,315                             | 1,033,716                              | 302,456                                                        | 724,652                                                                   | 1,792               | 4,815                  |
| Fargo (North Dakota)                                                                                                                                                                             | 187,735                            | 12,738                              | 165,820                                | 58,264                                                         | 106,812                                                                   | 33                  | 711                    |
| Milwaukee (Wisconsin)                                                                                                                                                                            | 3,079,873                          | 614,264                             | 2,205,474                              | 376,584                                                        | 1,816,476                                                                 | 579                 | 11,836                 |
| Omaha (Nebraska)                                                                                                                                                                                 | 943,777                            | 106,778                             | 739,135                                | 184,299                                                        | 508,265                                                                   | 43,460              | 3,111                  |
| St. Louis (Missouri)                                                                                                                                                                             | 4,314,622                          | 684,089                             | 3,175,201                              | 488,686                                                        | 2,614,287                                                                 | 55,646              | 16,583                 |
| St. Paul (Minnesota)                                                                                                                                                                             | 2,914,748                          | 572,377                             | 2,162,366                              | 330,851                                                        | 1,766,801                                                                 | 53,843              | 10,871                 |
| Springfield (See (b) below)                                                                                                                                                                      | 1,887,006                          | 252,257                             | 1,269,193                              | 309,257                                                        | 952,793                                                                   | 1,475               | 5,669                  |
| <b>Southwest Region</b>                                                                                                                                                                          | <b>13,804,157</b>                  | <b>1,732,984</b>                    | <b>10,222,175</b>                      | <b>2,410,142</b>                                               | <b>7,679,967</b>                                                          | <b>82,058</b>       | <b>50,007</b>          |
| Albuquerque (New Mexico)                                                                                                                                                                         | 340,048                            | 23,798                              | 298,503                                | 67,254                                                         | 229,888                                                                   | 8                   | 1,352                  |
| Austin (See (f) below)                                                                                                                                                                           | 3,764,738                          | 460,738                             | 2,450,651                              | 630,610                                                        | 1,803,212                                                                 | 3,570               | 13,259                 |
| Cheyenne (Wyoming)                                                                                                                                                                               | 121,969                            | 7,144                               | 102,206                                | 35,313                                                         | 66,439                                                                    | 5                   | 449                    |
| Dallas (See (f) below)                                                                                                                                                                           | 2,943,214                          | 474,563                             | 2,270,664                              | 568,486                                                        | 1,677,300                                                                 | 12,340              | 12,538                 |
| Denver (Colorado)                                                                                                                                                                                | 1,936,202                          | 133,359                             | 1,618,635                              | 208,902                                                        | 1,396,849                                                                 | 8,362               | 4,522                  |
| Little Rock (Arkansas)                                                                                                                                                                           | 542,122                            | 61,226                              | 441,066                                | 136,601                                                        | 301,359                                                                   | 357                 | 2,749                  |
| New Orleans (Louisiana)                                                                                                                                                                          | 1,524,387                          | 212,626                             | 1,213,182                              | 301,373                                                        | 904,634                                                                   | 1,107               | 6,068                  |
| Oklahoma City (Oklahoma)                                                                                                                                                                         | 1,564,480                          | 213,771                             | 985,684                                | 228,665                                                        | 731,586                                                                   | 89                  | 5,344                  |
| Wichita (Kansas)                                                                                                                                                                                 | 1,066,998                          | 145,769                             | 861,583                                | 232,937                                                        | 568,701                                                                   | 56,220              | 3,726                  |
| <b>Western Region</b>                                                                                                                                                                            | <b>21,376,268</b>                  | <b>2,408,688</b>                    | <b>17,241,010</b>                      | <b>3,494,568</b>                                               | <b>13,584,891</b>                                                         | <b>82,073</b>       | <b>79,478</b>          |
| Anchorage (Alaska)                                                                                                                                                                               | 118,827                            | 7,954                               | 108,267                                | 16,627                                                         | 91,217                                                                    | (*)                 | 423                    |
| Boise (Idaho)                                                                                                                                                                                    | 337,240                            | 36,610                              | 290,995                                | 62,444                                                         | 226,208                                                                   | 428                 | 1,616                  |
| Helena (Montana)                                                                                                                                                                                 | 244,276                            | 25,201                              | 208,180                                | 67,397                                                         | 139,657                                                                   | 184                 | 942                    |
| Honolulu (Hawaii)                                                                                                                                                                                | 440,237                            | 53,611                              | 367,835                                | 66,053                                                         | 300,109                                                                   | 9                   | 1,664                  |
| Los Angeles (See (a) below)                                                                                                                                                                      | 8,812,169                          | 1,088,671                           | 7,108,870                              | 1,420,875                                                      | 5,653,339                                                                 | 921                 | 33,735                 |
| Phoenix (Arizona)                                                                                                                                                                                | 613,180                            | 46,921                              | 540,387                                | 144,923                                                        | 392,717                                                                   | 158                 | 2,590                  |
| Portland (Oregon)                                                                                                                                                                                | 1,151,313                          | 138,446                             | 964,858                                | 209,811                                                        | 745,405                                                                   | 4,613               | 5,029                  |
| Reno (Nevada)                                                                                                                                                                                    | 308,093                            | 40,658                              | 248,258                                | 61,219                                                         | 185,820                                                                   | 2                   | 1,217                  |
| Salt Lake City (Utah)                                                                                                                                                                            | 404,623                            | 52,653                              | 329,877                                | 65,282                                                         | 261,185                                                                   | 1,755               | 1,655                  |
| San Francisco (See (a) below)                                                                                                                                                                    | 6,643,639                          | 679,959                             | 5,172,077                              | 1,002,161                                                      | 4,075,238                                                                 | 73,213              | 21,465                 |
| Seattle (Washington)                                                                                                                                                                             | 2,302,670                          | 238,003                             | 1,901,705                              | 377,777                                                        | 1,513,999                                                                 | 789                 | 9,141                  |
| <b>Office of International Operations</b>                                                                                                                                                        | <b>680,162</b>                     | <b>45,873</b>                       | <b>537,876</b>                         | <b>80,858</b>                                                  | <b>431,830</b>                                                            | <b>1,733</b>        | <b>3,355</b>           |
| Puerto Rico                                                                                                                                                                                      | 199,297                            | 132                                 | 127,896                                | 6,919                                                          | 117,729                                                                   |                     | 3,247                  |
| Other                                                                                                                                                                                            | 480,866                            | 45,840                              | 389,780                                | 73,739                                                         | 314,200                                                                   | 1,733               | 108                    |
| <b>Undistributed:</b>                                                                                                                                                                            |                                    |                                     |                                        |                                                                |                                                                           |                     |                        |
| Federal tax deposits and depository receipts <sup>8</sup>                                                                                                                                        | -15,581,913                        |                                     | -14,109,939                            |                                                                | -13,957,836                                                               |                     | -152,103               |
| Transferred to Government of Guam                                                                                                                                                                | -7,114                             |                                     | -7,114                                 |                                                                | -7,114                                                                    |                     |                        |
| Gasoline, lubricating oil, and excess FICA credits <sup>7</sup>                                                                                                                                  | 365,453                            | 9,432                               | 374,885                                | 374,885                                                        |                                                                           |                     |                        |
| Withheld taxes of Federal employees <sup>9</sup>                                                                                                                                                 | 127,157                            |                                     | 127,157                                |                                                                | 127,157                                                                   |                     |                        |
| <b>Totals for States not shown above</b>                                                                                                                                                         |                                    |                                     |                                        |                                                                |                                                                           |                     |                        |
| (a) California                                                                                                                                                                                   | 15,455,808                         | 1,768,630                           | 12,280,947                             | 2,423,036                                                      | 9,728,577                                                                 | 74,134              | 55,200                 |
| (b) Illinois                                                                                                                                                                                     | 13,253,740                         | 2,540,127                           | 9,483,792                              | 1,517,091                                                      | 7,775,137                                                                 | 142,002             | 49,561                 |
| (c) New York                                                                                                                                                                                     | 30,192,452                         | 8,050,621                           | 20,052,472                             | 3,226,925                                                      | 16,606,868                                                                | 113,176             | 105,904                |
| (d) Ohio                                                                                                                                                                                         | 10,129,083                         | 1,959,109                           | 7,098,000                              | 1,074,171                                                      | 5,949,619                                                                 | 39,221              | 34,989                 |
| (e) Pennsylvania                                                                                                                                                                                 | 10,503,969                         | 1,618,447                           | 7,789,845                              | 1,244,723                                                      | 6,381,075                                                                 | 122,415             | 41,632                 |
| (f) Texas                                                                                                                                                                                        | 6,707,952                          | 935,302                             | 4,721,316                              | 1,199,097                                                      | 3,480,512                                                                 | 15,910              | 25,797                 |

See footnotes on p. 108.

**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. 106, for tax rates and further breakdown of national totals by sources]

| Internal revenue regions, districts, States, and other areas <sup>1</sup> | Estate tax<br>(8) | Gift tax<br>(9) | Excise taxes, total (sum of columns 11, 26, 30, 31, 37, 38, and 50)<br>(10) | Total<br>(11)    | Alcohol taxes    |                                         |                               |                                    |                                   |                            |
|---------------------------------------------------------------------------|-------------------|-----------------|-----------------------------------------------------------------------------|------------------|------------------|-----------------------------------------|-------------------------------|------------------------------------|-----------------------------------|----------------------------|
|                                                                           |                   |                 |                                                                             |                  | Total<br>(12)    | Imported (collected by Customs)<br>(13) | Domestic <sup>2</sup><br>(14) | Rectification <sup>3</sup><br>(15) | Occupational <sup>4</sup><br>(16) | Other <sup>5</sup><br>(17) |
|                                                                           |                   |                 |                                                                             |                  |                  |                                         |                               |                                    |                                   |                            |
| <b>United States, total</b>                                               | <b>2,710,254</b>  | <b>371,725</b>  | <b>14,320,396</b>                                                           | <b>4,287,237</b> | <b>3,196,911</b> | <b>765,104</b>                          | <b>2,389,950</b>              | <b>28,284</b>                      | <b>12,630</b>                     | <b>944</b>                 |
| <b>North-Atlantic Region</b>                                              | <b>646,211</b>    | <b>127,576</b>  | <b>1,999,627</b>                                                            | <b>601,650</b>   | <b>453,311</b>   | <b>253,262</b>                          | <b>195,368</b>                | <b>2,101</b>                       | <b>2,532</b>                      | <b>48</b>                  |
| Albany (See (c) below)                                                    | 30,189            | 1,981           | 20,292                                                                      | 11,758           | 280              | 1                                       | 1                             | 1                                  | 278                               | 1                          |
| Augusta (Maine)                                                           | 11,379            | 891             | 7,024                                                                       | 2,085            | 1,830            | 6                                       | 1,677                         | 104                                | 33                                | 9                          |
| Boston (Massachusetts)                                                    | 95,071            | 17,753          | 216,503                                                                     | 107,605          | 96,081           | 23,723                                  | 71,155                        | 822                                | 377                               | 5                          |
| Brooklyn (See (c) below)                                                  | 93,652            | 8,162           | 88,421                                                                      | 68,890           | 5,371            | —                                       | 4,761                         | 63                                 | 533                               | 14                         |
| Buffalo (See (c) below)                                                   | 73,729            | 8,964           | 124,999                                                                     | 79,838           | 41,483           | —                                       | 41,010                        | 1                                  | 471                               | 1                          |
| Burlington (Vermont)                                                      | 6,232             | 879             | 6,155                                                                       | 4,334            | 4,319            | —                                       | 4,256                         | —                                  | 64                                | (*)                        |
| Hartford (Connecticut)                                                    | 85,411            | 16,090          | 175,387                                                                     | 81,614           | 79,567           | —                                       | 66,825                        | 204                                | 208                               | 9                          |
| Manhattan (See (c) below)                                                 | 226,475           | 70,723          | 1,341,772                                                                   | 232,219          | 222,567          | —                                       | 50,756                        | 903                                | 444                               | 5                          |
| Portsmouth (New Hampshire)                                                | 10,453            | 810             | 2,256                                                                       | 264              | 230              | —                                       | 194                           | 4                                  | 32                                | —                          |
| Providence (Rhode Island)                                                 | 13,621            | 1,324           | 16,818                                                                      | 13,043           | 1,583            | —                                       | (*)                           | —                                  | 92                                | —                          |
| <b>Mid-Atlantic Region</b>                                                | <b>398,813</b>    | <b>62,938</b>   | <b>2,208,797</b>                                                            | <b>715,508</b>   | <b>522,254</b>   | <b>74,203</b>                           | <b>435,039</b>                | <b>10,609</b>                      | <b>2,030</b>                      | <b>374</b>                 |
| Baltimore (Maryland and D.C.)                                             | 60,012            | 7,078           | 336,263                                                                     | 235,178          | 205,479          | 25,638                                  | 174,304                       | 5,191                              | 328                               | 18                         |
| Newark (New Jersey)                                                       | 110,909           | 14,243          | 446,168                                                                     | 224,739          | 126,091          | —                                       | 124,487                       | 664                                | 655                               | 284                        |
| Philadelphia (See (e) below)                                              | 111,846           | 10,998          | 591,968                                                                     | 175,004          | 136,250          | 46,087                                  | 87,475                        | 2,186                              | 500                               | 3                          |
| Pittsburgh (See (e) below)                                                | 45,948            | 12,522          | 322,394                                                                     | 70,368           | 46,958           | —                                       | 43,990                        | 2,568                              | 370                               | 31                         |
| Richmond (Virginia)                                                       | 44,946            | 3,158           | 509,609                                                                     | 10,178           | 7,437            | 2,479                                   | 4,783                         | —                                  | 137                               | 38                         |
| Wilmington (Delaware)                                                     | 25,152            | 14,939          | 2,394                                                                       | 41               | 40               | —                                       | —                             | —                                  | 40                                | —                          |
| <b>Southeast Region</b>                                                   | <b>245,051</b>    | <b>26,593</b>   | <b>1,630,351</b>                                                            | <b>88,059</b>    | <b>57,355</b>    | <b>31,281</b>                           | <b>25,086</b>                 | <b>37</b>                          | <b>601</b>                        | <b>349</b>                 |
| Atlanta (Georgia)                                                         | 40,555            | 2,026           | 203,317                                                                     | 13,051           | 7,602            | 2,445                                   | 4,934                         | 21                                 | 108                               | 94                         |
| Birmingham (Alabama)                                                      | 16,145            | 2,644           | 28,968                                                                      | 1,783            | 1,585            | —                                       | 1,472                         | —                                  | 47                                | 38                         |
| Columbia (South Carolina)                                                 | 15,224            | 1,795           | 20,994                                                                      | 1,652            | 1,067            | —                                       | 857                           | —                                  | 53                                | 48                         |
| Greensboro (North Carolina)                                               | 32,776            | 2,459           | 1,217,376                                                                   | 2,150            | 1,832            | 1,687                                   | —                             | —                                  | 25                                | 89                         |
| Jackson (Mississippi)                                                     | 8,368             | 630             | 11,079                                                                      | 185              | 84               | —                                       | —                             | —                                  | 40                                | 30                         |
| Jacksonville (Florida)                                                    | 107,499           | 14,340          | 107,113                                                                     | 50,232           | 26,297           | 24,721                                  | 1,284                         | 16                                 | 263                               | 13                         |
| Nashville (Tennessee)                                                     | 24,484            | 2,698           | 41,504                                                                      | 19,006           | 18,888           | —                                       | 18,785                        | (*)                                | 65                                | 37                         |
| <b>Central Region</b>                                                     | <b>517,143</b>    | <b>30,683</b>   | <b>5,210,273</b>                                                            | <b>1,381,911</b> | <b>1,284,230</b> | <b>211,792</b>                          | <b>1,063,128</b>              | <b>9,443</b>                       | <b>1,839</b>                      | <b>35</b>                  |
| Cincinnati (See (d) below)                                                | 58,446            | 5,439           | 173,300                                                                     | 145,023          | 132,396          | —                                       | 130,782                       | 1,413                              | 198                               | 3                          |
| Cleveland (See (d) below)                                                 | 71,211            | 7,914           | 755,664                                                                     | 101,872          | 85,876           | 79,849                                  | 5,293                         | 55                                 | 676                               | 2                          |
| Detroit (Michigan)                                                        | 74,132            | 10,440          | 2,614,047                                                                   | 202,325          | 169,310          | 131,943                                 | 36,353                        | 391                                | 611                               | 11                         |
| Indianapolis (Indiana)                                                    | 76,900            | 3,936           | 359,989                                                                     | 283,961          | 260,472          | —                                       | 254,606                       | 5,634                              | 231                               | 2                          |
| Louisville (Kentucky)                                                     | 23,024            | 1,891           | 1,291,097                                                                   | 645,909          | 633,649          | —                                       | 631,608                       | 1,949                              | 88                                | 4                          |
| Parkersburg (West Virginia)                                               | 13,429            | 1,063           | 16,176                                                                      | 2,822            | 2,526            | —                                       | 2,477                         | (*)                                | 34                                | 15                         |
| <b>Midwest Region</b>                                                     | <b>390,623</b>    | <b>43,288</b>   | <b>1,874,350</b>                                                            | <b>773,155</b>   | <b>456,172</b>   | <b>68,961</b>                           | <b>380,896</b>                | <b>4,309</b>                       | <b>2,742</b>                      | <b>65</b>                  |
| Aberdeen (South Dakota)                                                   | 4,684             | 209             | 7,136                                                                       | 88               | 54               | —                                       | —                             | —                                  | 54                                | —                          |
| Chicago (See (b) below)                                                   | 152,921           | 18,135          | 693,209                                                                     | 171,179          | 152,963          | 52,530                                  | 98,838                        | 703                                | 635                               | 56                         |
| Des Moines (Iowa)                                                         | 32,508            | 1,317           | 30,054                                                                      | 455              | 139              | —                                       | 1                             | —                                  | 138                               | —                          |
| Fargo (North Dakota)                                                      | 3,489             | 237             | 5,451                                                                       | 98               | 82               | —                                       | —                             | —                                  | 50                                | —                          |
| Milwaukee (Wisconsin)                                                     | 40,213            | 5,246           | 214,676                                                                     | 134,018          | 4,621            | 2,818                                   | 1,034                         | 6                                  | 763                               | (*)                        |
| Omaha (Nebraska)                                                          | 23,440            | 2,210           | 72,214                                                                      | 7,260            | 123              | —                                       | (*)                           | —                                  | 120                               | 3                          |
| St. Louis (Missouri)                                                      | 58,198            | 5,370           | 391,763                                                                     | 125,445          | 30,913           | 9,153                                   | 21,107                        | 322                                | 326                               | 5                          |
| St. Paul (Minnesota)                                                      | 40,499            | 7,614           | 131,901                                                                     | 50,409           | 10,291           | 4,427                                   | 5,622                         | 84                                 | 158                               | 1                          |
| Springfield (See (b) below)                                               | 34,680            | 2,830           | 327,946                                                                     | 284,203          | 256,987          | —                                       | 253,494                       | 3,194                              | 298                               | —                          |
| <b>Southwest Region</b>                                                   | <b>265,337</b>    | <b>39,968</b>   | <b>1,543,692</b>                                                            | <b>152,980</b>   | <b>38,890</b>    | <b>27,095</b>                           | <b>11,333</b>                 | <b>4</b>                           | <b>390</b>                        | <b>57</b>                  |
| Albuquerque (New Mexico)                                                  | 7,137             | 1,662           | 8,948                                                                       | 25               | 23               | —                                       | —                             | (*)                                | 23                                | (*)                        |
| Austin (See (f) below)                                                    | 56,181            | 16,370          | 780,796                                                                     | 53,640           | 16,616           | 16,263                                  | 304                           | —                                  | 46                                | 2                          |
| Cheyenne (Wyoming)                                                        | 3,525             | 388             | 8,706                                                                       | 14               | 13               | —                                       | —                             | —                                  | 13                                | —                          |
| Dallas (See (f) below)                                                    | 81,921            | 8,508           | 107,558                                                                     | 13,025           | 204              | —                                       | 162                           | —                                  | 41                                | 1                          |
| Denver (Colorado)                                                         | 24,705            | 2,461           | 157,042                                                                     | 43,501           | 63               | —                                       | (*)                           | —                                  | 62                                | (*)                        |
| Little Rock (Arkansas)                                                    | 9,960             | 973             | 28,898                                                                      | 466              | 26               | —                                       | 6                             | —                                  | 16                                | 5                          |
| New Orleans (Louisiana)                                                   | 25,884            | 2,914           | 69,780                                                                      | 40,030           | 20,811           | 10,832                                  | 9,814                         | 4                                  | 154                               | 6                          |
| Oklahoma City (Oklahoma)                                                  | 26,879            | 3,422           | 354,703                                                                     | 1,186            | 65               | —                                       | 7                             | —                                  | 15                                | 43                         |
| Wichita (Kansas)                                                          | 29,125            | 3,261           | 27,261                                                                      | 1,091            | 1,060            | —                                       | 1,040                         | —                                  | 20                                | 1                          |
| <b>Western Region</b>                                                     | <b>434,961</b>    | <b>39,625</b>   | <b>1,252,484</b>                                                            | <b>515,832</b>   | <b>326,620</b>   | <b>98,485</b>                           | <b>225,008</b>                | <b>616</b>                         | <b>2,496</b>                      | <b>16</b>                  |
| Anchorage (Alaska)                                                        | 291               | 7               | 2,307                                                                       | 140              | 135              | —                                       | 110                           | —                                  | 25                                | —                          |
| Boise (Idaho)                                                             | 4,883             | 754             | 4,297                                                                       | 78               | 36               | —                                       | —                             | —                                  | 36                                | —                          |
| Helena (Montana)                                                          | 6,345             | 332             | 4,218                                                                       | 1,485            | 707              | —                                       | 631                           | 3                                  | 71                                | —                          |
| Honolulu (Hawaii)                                                         | 5,631             | 1,203           | 11,958                                                                      | 5,047            | 2,787            | 2,576                                   | 111                           | 1                                  | 100                               | —                          |
| Los Angeles (See (a) below)                                               | 184,830           | 15,644          | 414,155                                                                     | 145,410          | 89,087           | 38,967                                  | 48,977                        | 115                                | 1,021                             | 8                          |
| Phoenix (Arizona)                                                         | 18,278            | 1,046           | 6,547                                                                       | 1,927            | 178              | —                                       | 21                            | —                                  | 157                               | —                          |
| Portland (Oregon)                                                         | 13,372            | 1,550           | 33,087                                                                      | 9,883            | 5,446            | 1,642                                   | 3,712                         | —                                  | 92                                | (*)                        |
| Reno (Nevada)                                                             | 5,968             | 854             | 12,355                                                                      | 76               | 72               | —                                       | —                             | —                                  | 71                                | 1                          |
| Salt Lake City (Utah)                                                     | 3,872             | 547             | 17,675                                                                      | 1,557            | 8                | —                                       | —                             | —                                  | 8                                 | —                          |
| San Francisco (See (a) below)                                             | 158,937           | 11,920          | 620,745                                                                     | 290,233          | 207,616          | 37,211                                  | 169,242                       | 487                                | 672                               | 5                          |
| Seattle (Washington)                                                      | 32,154            | 5,669           | 125,139                                                                     | 59,997           | 20,548           | 17,957                                  | 2,335                         | 11                                 | 243                               | 2                          |
| <b>Office of International Operations</b>                                 | <b>12,535</b>     | <b>1,182</b>    | <b>72,796</b>                                                               | <b>58,141</b>    | <b>58,089</b>    | <b>25</b>                               | <b>56,899</b>                 | <b>1,165</b>                       | <b>—</b>                          | <b>—</b>                   |
| Puerto Rico                                                               | 60                | 336             | 70,872                                                                      | 58,117           | 58,064           | —                                       | 56,899                        | 1,165                              | —                                 | —                          |
| Other                                                                     | 12,475            | 846             | 1,924                                                                       | 25               | 25               | —                                       | (*)                           | —                                  | —                                 | —                          |
| Undistributed:                                                            |                   |                 |                                                                             |                  |                  |                                         |                               |                                    |                                   |                            |
| Federal tax deposits and depository receipts *                            |                   |                 | 1,471,973                                                                   |                  |                  |                                         |                               |                                    |                                   |                            |
| Gasoline, lubricating oil, and excess FICA credits *                      |                   |                 |                                                                             |                  |                  |                                         |                               |                                    |                                   |                            |
| Transferred to Government of Guam                                         |                   |                 |                                                                             |                  |                  |                                         |                               |                                    |                                   |                            |
| Withheld taxes of Federal employees                                       |                   |                 |                                                                             |                  |                  |                                         |                               |                                    |                                   |                            |
| <b>Totals for States not shown above</b>                                  |                   |                 |                                                                             |                  |                  |                                         |                               |                                    |                                   |                            |
| (a) California                                                            | 343,767           | 27,564          | 1,034,901                                                                   | 435,643          | 296,703          | 76,177                                  | 218,219                       | 601                                | 1,692                             | 13                         |
| (b) Illinois                                                              | 187,601           | 21,065          | 1,021,155                                                                   | 455,382          | 409,950          | 52,530                                  | 352,332                       | 3,897                              | 1,133                             | 57                         |
| (c) New York                                                              | 424,044           | 89,836          | 1,575,484                                                                   | 392,706          | 269,701          | 211,470                                 | 55,518                        | 967                                | 1,726                             | 21                         |
| (d) Ohio                                                                  | 129,657           | 13,353          | 928,964                                                                     | 246,895          | 218,272          | 79,849                                  | 136,076                       | 1,469                              | 874                               | 5                          |
| (e) Pennsylvania                                                          | 157,795           | 23,520          | 914,362                                                                     | 245,372          | 183,208          | 46,087                                  | 131,464                       | 4,753                              | 870                               | 34                         |
| (f) Texas                                                                 | 138,102           | 24,878          | 888,354                                                                     | 66,666           | 16,819           | 16,263                                  | 467                           | —                                  | 87                                | 3                          |

See footnotes on p. 108.

**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. 106, for tax rates and further breakdown of national totals by sources]

| Internal revenue regions, districts, States, and other areas <sup>1</sup><br><br>(States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | Alcohol taxes—Continued      |                                               |                  |                                             |                |                                               |                               |                                             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------------------------|------------------|---------------------------------------------|----------------|-----------------------------------------------|-------------------------------|---------------------------------------------|
|                                                                                                                                                                                                      | Wines, cordials, etc., taxes |                                               |                  |                                             | Beer taxes     |                                               |                               |                                             |
|                                                                                                                                                                                                      | Total<br>(18)                | Imported<br>(collected by<br>Customs)<br>(19) | Domestic<br>(20) | Occupational<br>taxes <sup>11</sup><br>(21) | Total<br>(22)  | Imported<br>(collected by<br>Customs)<br>(23) | Domestic <sup>8</sup><br>(24) | Occupational<br>taxes <sup>12</sup><br>(25) |
| <b>United States, total</b> .....                                                                                                                                                                    | <b>127,263</b>               | <b>12,721</b>                                 | <b>112,618</b>   | <b>1,924</b>                                | <b>963,062</b> | <b>5,964</b>                                  | <b>953,606</b>                | <b>3,492</b>                                |
| <b>North-Atlantic Region</b> .....                                                                                                                                                                   | <b>29,368</b>                | <b>6,300</b>                                  | <b>23,033</b>    | <b>35</b>                                   | <b>118,971</b> | <b>3,241</b>                                  | <b>115,002</b>                | <b>728</b>                                  |
| Albany..... (See (c) below)                                                                                                                                                                          | 1,201                        |                                               | 1,198            | 3                                           | 10,277         |                                               | 10,199                        | 79                                          |
| Augusta..... (Maine)                                                                                                                                                                                 | 185                          | (*)                                           | 184              | (*)                                         | 70             | 5                                             | (*)                           | 65                                          |
| Boston..... (Massachusetts)                                                                                                                                                                          | 1,137                        | 647                                           | 486              | 4                                           | 10,387         | 175                                           | 10,209                        | 3                                           |
| Brooklyn..... (See (c) below)                                                                                                                                                                        | 3,744                        |                                               | 3,736            | 9                                           | 59,775         |                                               | 59,557                        | 218                                         |
| Buffalo..... (See (c) below)                                                                                                                                                                         | 14,534                       | 190                                           | 14,342           | 2                                           | 23,821         | 745                                           | 22,945                        | 131                                         |
| Burlington..... (Vermont)                                                                                                                                                                            | 11                           | (*)                                           |                  | 11                                          | 4              |                                               | (*)                           | 2                                           |
| Hartford..... (Connecticut)                                                                                                                                                                          | 1,290                        | 271                                           | 1,017            | 1                                           | 756            | 5                                             | 713                           | 38                                          |
| Manhattan..... (See (c) below)                                                                                                                                                                       | 7,193                        | 5,118                                         | 2,069            | 5                                           | 2,460          | 2,304                                         | (*)                           | 156                                         |
| Portsmouth..... (New Hampshire)                                                                                                                                                                      | 1                            |                                               | (*)              | (*)                                         | 34             |                                               |                               | 34                                          |
| Providence..... (Rhode Island)                                                                                                                                                                       | 74                           | 73                                            |                  | 1                                           | 11,386         | 6                                             | 11,378                        | 2                                           |
| <b>Mid-Atlantic Region</b> .....                                                                                                                                                                     | <b>12,681</b>                | <b>1,087</b>                                  | <b>11,516</b>    | <b>79</b>                                   | <b>180,572</b> | <b>393</b>                                    | <b>179,844</b>                | <b>336</b>                                  |
| Baltimore..... (Maryland and D.C.)                                                                                                                                                                   | 1,026                        | 595                                           | 418              | 13                                          | 28,672         | 235                                           | 28,389                        | 49                                          |
| Newark..... (New Jersey)                                                                                                                                                                             | 7,147                        |                                               | 7,144            | 3                                           | 91,501         |                                               | 91,479                        | 22                                          |
| Philadelphia..... (See (e) below)                                                                                                                                                                    | 2,990                        | 441                                           | 2,548            | 1                                           | 35,764         | 136                                           | 35,531                        | 97                                          |
| Pittsburgh..... (See (e) below)                                                                                                                                                                      | 1                            |                                               |                  | 1                                           | 23,409         |                                               | 23,333                        | 77                                          |
| Richmond..... (Virginia)                                                                                                                                                                             | 1,517                        | 51                                            | 1,405            | 61                                          | 1,224          | 21                                            | 1,111                         | 91                                          |
| Wilmington..... (Delaware)                                                                                                                                                                           | (*)                          |                                               |                  | (*)                                         | 1              |                                               |                               | 1                                           |
| <b>Southeast Region</b> .....                                                                                                                                                                        | <b>3,527</b>                 | <b>782</b>                                    | <b>2,073</b>     | <b>672</b>                                  | <b>27,178</b>  | <b>321</b>                                    | <b>26,152</b>                 | <b>705</b>                                  |
| Atlanta..... (Georgia)                                                                                                                                                                               | 849                          | 65                                            | 728              | 57                                          | 4,599          | 19                                            | 4,521                         | 59                                          |
| Birmingham..... (Alabama)                                                                                                                                                                            | 72                           | 71                                            |                  | 1                                           | 127            | 35                                            |                               | 92                                          |
| Columbia..... (South Carolina)                                                                                                                                                                       | 470                          | 19                                            | 336              | 115                                         | 115            | 17                                            |                               | 98                                          |
| Greensboro..... (North Carolina)                                                                                                                                                                     | 179                          | 26                                            | 3                | 151                                         | 139            | 27                                            |                               | 112                                         |
| Jackson..... (Mississippi)                                                                                                                                                                           | 1                            |                                               |                  | 99                                          |                |                                               |                               | 99                                          |
| Jacksonville..... (Florida)                                                                                                                                                                          | 1,950                        | 602                                           | 1,006            | 342                                         | 21,985         | 223                                           | 21,630                        | 131                                         |
| Nashville..... (Tennessee)                                                                                                                                                                           | 5                            |                                               |                  | 5                                           | 114            |                                               |                               | 114                                         |
| <b>Central Region</b> .....                                                                                                                                                                          | <b>5,087</b>                 | <b>880</b>                                    | <b>3,621</b>     | <b>586</b>                                  | <b>92,594</b>  | <b>448</b>                                    | <b>91,934</b>                 | <b>212</b>                                  |
| Cincinnati..... (See (d) below)                                                                                                                                                                      | 971                          |                                               | 862              | 109                                         | 11,656         |                                               | 11,640                        | 16                                          |
| Cleveland..... (See (d) below)                                                                                                                                                                       | 1,184                        | 453                                           | 490              | 240                                         | 14,812         | 31                                            | 14,744                        | 37                                          |
| Detroit..... (Michigan)                                                                                                                                                                              | 1,971                        | 427                                           | 1,404            | 140                                         | 31,043         | 416                                           | 30,610                        | 17                                          |
| Indianapolis..... (Indiana)                                                                                                                                                                          | 86                           |                                               |                  | 86                                          | 23,403         |                                               | 23,382                        | 21                                          |
| Louisville..... (Kentucky)                                                                                                                                                                           | 865                          |                                               | 865              | 1                                           | 11,395         |                                               | 11,350                        | 45                                          |
| Parkersburg..... (West Virginia)                                                                                                                                                                     | 11                           |                                               | (*)              | 11                                          | 285            |                                               | 208                           | 77                                          |
| <b>Midwest Region</b> .....                                                                                                                                                                          | <b>8,320</b>                 | <b>1,710</b>                                  | <b>6,597</b>     | <b>13</b>                                   | <b>308,663</b> | <b>399</b>                                    | <b>307,609</b>                | <b>654</b>                                  |
| Aberdeen..... (South Dakota)                                                                                                                                                                         |                              |                                               |                  |                                             | 34             |                                               |                               | 34                                          |
| Chicago..... (See (b) below)                                                                                                                                                                         | 5,881                        | 1,234                                         | 4,645            | 1                                           | 12,335         | 293                                           | 12,015                        | 28                                          |
| Des Moines..... (Iowa)                                                                                                                                                                               | 92                           |                                               | 84               | 8                                           | 223            |                                               | 107                           | 116                                         |
| Fargo..... (North Dakota)                                                                                                                                                                            | 2                            | 2                                             |                  |                                             | 14             | (*)                                           |                               | 14                                          |
| Milwaukee..... (Wisconsin)                                                                                                                                                                           | 269                          | 222                                           | 45               | 2                                           | 129,128        | 97                                            | 128,892                       | 139                                         |
| Omaha..... (Nebraska)                                                                                                                                                                                | 53                           |                                               | 53               |                                             | 7,084          |                                               | 7,055                         | 29                                          |
| St. Louis..... (Missouri)                                                                                                                                                                            | 1,747                        | 143                                           | 1,604            | (*)                                         | 92,786         | 4                                             | 92,683                        | 99                                          |
| St. Paul..... (Minnesota)                                                                                                                                                                            | 273                          | 109                                           | 164              | 1                                           | 39,845         | 5                                             | 39,669                        | 170                                         |
| Springfield..... (See (b) below)                                                                                                                                                                     | 2                            |                                               | 1                | 1                                           | 27,214         |                                               | 27,188                        | 26                                          |
| <b>Southwest Region</b> .....                                                                                                                                                                        | <b>1,451</b>                 | <b>536</b>                                    | <b>765</b>       | <b>149</b>                                  | <b>112,649</b> | <b>220</b>                                    | <b>112,023</b>                | <b>405</b>                                  |
| Albuquerque..... (New Mexico)                                                                                                                                                                        | 2                            |                                               | 1                | (*)                                         | 1              |                                               |                               | 1                                           |
| Austin..... (See (f) below)                                                                                                                                                                          | 514                          | 403                                           | (*)              | 111                                         | 36,511         | 158                                           | 36,161                        | 192                                         |
| Cheyenne..... (Wyoming)                                                                                                                                                                              | (*)                          |                                               |                  | (*)                                         | 2              |                                               |                               | 2                                           |
| Dallas..... (See (f) below)                                                                                                                                                                          | 32                           |                                               |                  | 32                                          | 12,790         |                                               | 12,750                        | 40                                          |
| Denver..... (Colorado)                                                                                                                                                                               | 1                            |                                               |                  | 1                                           | 43,437         |                                               | 43,421                        | 16                                          |
| Little Rock..... (Arkansas)                                                                                                                                                                          | 421                          |                                               | 416              | 5                                           | 19             |                                               |                               | 19                                          |
| New Orleans..... (Louisiana)                                                                                                                                                                         | 482                          | 133                                           | 348              | 1                                           | 18,738         | 63                                            | 18,633                        | 42                                          |
| Oklahoma City..... (Oklahoma)                                                                                                                                                                        | 1                            |                                               |                  | 1                                           | 1,121          |                                               | 1,058                         | 64                                          |
| Wichita..... (Kansas)                                                                                                                                                                                | (*)                          |                                               |                  | (*)                                         | 31             |                                               | (*)                           | 31                                          |
| <b>Western Region</b> .....                                                                                                                                                                          | <b>66,820</b>                | <b>1,426</b>                                  | <b>65,005</b>    | <b>389</b>                                  | <b>122,393</b> | <b>942</b>                                    | <b>120,999</b>                | <b>451</b>                                  |
| Anchorage..... (Alaska)                                                                                                                                                                              | 1                            | (*)                                           |                  | (*)                                         | 5              | 2                                             |                               | 2                                           |
| Boise..... (Idaho)                                                                                                                                                                                   | (*)                          |                                               |                  | (*)                                         | 42             |                                               |                               | 42                                          |
| Helena..... (Montana)                                                                                                                                                                                | 2                            | (*)                                           | 1                | 1                                           | 777            | 1                                             | 756                           | 20                                          |
| Honolulu..... (Hawaii)                                                                                                                                                                               | 57                           | 55                                            | (*)              | 2                                           | 2,203          | 87                                            | 2,114                         | 2                                           |
| Los Angeles..... (See (a) below)                                                                                                                                                                     | 3,334                        | 725                                           | 2,595            | 14                                          | 52,989         | 529                                           | 52,288                        | 172                                         |
| Phoenix..... (Arizona)                                                                                                                                                                               | 29                           | (*)                                           |                  | 29                                          | 1,720          | 1                                             | 1,704                         | 15                                          |
| Portland..... (Oregon)                                                                                                                                                                               | 162                          | 32                                            | 18               | 112                                         | 4,275          | 14                                            | 4,216                         | 44                                          |
| Reno..... (Nevada)                                                                                                                                                                                   | (*)                          |                                               |                  | (*)                                         | 4              |                                               | (*)                           | 3                                           |
| Salt Lake City..... (Utah)                                                                                                                                                                           |                              |                                               |                  |                                             | 1,548          |                                               | 1,520                         | 29                                          |
| San Francisco..... (See (a) below)                                                                                                                                                                   | 62,052                       | 515                                           | 61,377           | 160                                         | 20,565         | 264                                           | 20,211                        | 91                                          |
| Seattle..... (Washington)                                                                                                                                                                            | 1,184                        | 97                                            | 1,014            | 73                                          | 38,265         | 45                                            | 38,190                        | 30                                          |
| <b>Office of International Operations</b> .....                                                                                                                                                      | <b>9</b>                     |                                               | <b>9</b>         |                                             | <b>43</b>      |                                               | <b>43</b>                     |                                             |
| Puerto Rico.....                                                                                                                                                                                     | 9                            |                                               | 9                |                                             | 43             |                                               | 43                            |                                             |
| Other.....                                                                                                                                                                                           |                              |                                               |                  |                                             |                |                                               |                               |                                             |
| <b>Undistributed:</b>                                                                                                                                                                                |                              |                                               |                  |                                             |                |                                               |                               |                                             |
| Federal tax deposits and depository receipts <sup>6</sup> .....                                                                                                                                      |                              |                                               |                  |                                             |                |                                               |                               |                                             |
| Gasoline, lubricating oil, and excess FICA credits <sup>7</sup> .....                                                                                                                                |                              |                                               |                  |                                             |                |                                               |                               |                                             |
| Transferred to Government of Guam.....                                                                                                                                                               |                              |                                               |                  |                                             |                |                                               |                               |                                             |
| Withheld taxes of Federal employees.....                                                                                                                                                             |                              |                                               |                  |                                             |                |                                               |                               |                                             |
| <b>Totals for States not shown above</b> .....                                                                                                                                                       |                              |                                               |                  |                                             |                |                                               |                               |                                             |
| (a) California.....                                                                                                                                                                                  | 65,386                       | 1,240                                         | 63,972           | 174                                         | 73,554         | 793                                           | 72,499                        | 263                                         |
| (b) Illinois.....                                                                                                                                                                                    | 5,882                        | 1,234                                         | 4,646            | 2                                           | 39,550         | 293                                           | 39,203                        | 53                                          |
| (c) New York.....                                                                                                                                                                                    | 26,671                       | 5,308                                         | 21,345           | 19                                          | 96,333         | 3,049                                         | 92,700                        | 583                                         |
| (d) Ohio.....                                                                                                                                                                                        | 2,154                        | 453                                           | 1,352            | 349                                         | 26,468         | 31                                            | 26,384                        | 53                                          |
| (e) Pennsylvania.....                                                                                                                                                                                | 2,990                        | 441                                           | 2,548            | 1                                           | 59,174         | 136                                           | 58,864                        | 174                                         |
| (f) Texas.....                                                                                                                                                                                       | 546                          | 403                                           | (*)              | 143                                         | 49,300         | 158                                           | 48,910                        | 232                                         |

See footnotes on p. 108.



**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. 106, for tax rates and further breakdown of national totals by sources]

| Internal revenue regions, districts, States, and other areas <sup>1</sup><br>(States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | Tobacco taxes    |                                 |                             |                             | Total stamp taxes on documents and other instruments <sup>14</sup><br>(30) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------------------|-----------------------------|-----------------------------|----------------------------------------------------------------------------|
|                                                                                                                                                                                                  | Total<br>(26)    | Cigarettes <sup>8</sup><br>(27) | Cigars <sup>9</sup><br>(28) | Other <sup>13</sup><br>(29) |                                                                            |
| <b>United States, total</b>                                                                                                                                                                      | <b>2,122,277</b> | <b>2,066,159</b>                | <b>54,937</b>               | <b>1,181</b>                | <b>46,721</b>                                                              |
| <b>North-Atlantic Region</b>                                                                                                                                                                     | <b>928</b>       | <b>109</b>                      | <b>374</b>                  | <b>445</b>                  | <b>6,731</b>                                                               |
| Albany (See (c) below)                                                                                                                                                                           | 21               |                                 | 21                          |                             | 65                                                                         |
| Augusta (Maine)                                                                                                                                                                                  | 1                |                                 |                             | 1                           | 155                                                                        |
| Boston (Massachusetts)                                                                                                                                                                           | 3                |                                 | 3                           |                             | 1,216                                                                      |
| Brooklyn (See (c) below)                                                                                                                                                                         | 13               | 2                               | 8                           | 3                           | 460                                                                        |
| Buffalo (See (c) below)                                                                                                                                                                          | 34               |                                 | (*)                         | 34                          | 471                                                                        |
| Burlington (Vermont)                                                                                                                                                                             | (*)              |                                 |                             | (*)                         | 115                                                                        |
| Hartford (Connecticut)                                                                                                                                                                           | 230              |                                 | 230                         |                             | 928                                                                        |
| Manhattan (See (c) below)                                                                                                                                                                        | 625              | 107                             | 112                         | 406                         | 2,974                                                                      |
| Portsmouth (New Hampshire)                                                                                                                                                                       | (*)              | (*)                             | (*)                         | (*)                         | 152                                                                        |
| Providence (Rhode Island)                                                                                                                                                                        | 1                | (*)                             |                             | (*)                         | 195                                                                        |
| <b>Mid-Atlantic Region</b>                                                                                                                                                                       | <b>484,620</b>   | <b>459,764</b>                  | <b>24,811</b>               | <b>45</b>                   | <b>5,855</b>                                                               |
| Baltimore (Maryland and D.C.)                                                                                                                                                                    | 20               | (*)                             |                             | 19                          | 970                                                                        |
| Newark (New Jersey)                                                                                                                                                                              | 233              |                                 | 208                         | 25                          | 1,723                                                                      |
| Philadelphia (See (e) below)                                                                                                                                                                     | 22,717           | 5                               | 22,712                      | (*)                         | 520                                                                        |
| Pittsburgh (See (e) below)                                                                                                                                                                       | 347              |                                 | 347                         |                             | 1,428                                                                      |
| Richmond (Virginia)                                                                                                                                                                              | 461,303          | 459,759                         | 1,544                       | 1                           | 1,065                                                                      |
| Wilmington (Delaware)                                                                                                                                                                            | (*)              | (*)                             | (*)                         |                             | 149                                                                        |
| <b>Southeast Region</b>                                                                                                                                                                          | <b>1,176,457</b> | <b>1,160,455</b>                | <b>15,372</b>               | <b>630</b>                  | <b>5,293</b>                                                               |
| Atlanta (Georgia)                                                                                                                                                                                | 847              |                                 | 847                         | (*)                         | 926                                                                        |
| Birmingham (Alabama)                                                                                                                                                                             | 1,735            |                                 | 1,735                       | (*)                         | 401                                                                        |
| Columbia (South Carolina)                                                                                                                                                                        | 2,296            | 29                              | 2,267                       | (*)                         | 387                                                                        |
| Greensboro (North Carolina)                                                                                                                                                                      | 1,160,794        | 1,160,274                       | 39                          | 481                         | 676                                                                        |
| Jackson (Mississippi)                                                                                                                                                                            |                  |                                 |                             |                             | 260                                                                        |
| Jacksonville (Florida)                                                                                                                                                                           | 10,667           | 152                             | 10,480                      | 35                          | 1,918                                                                      |
| Nashville (Tennessee)                                                                                                                                                                            | 118              |                                 | 4                           | 114                         | 725                                                                        |
| <b>Central Region</b>                                                                                                                                                                            | <b>450,545</b>   | <b>445,825</b>                  | <b>4,685</b>                | <b>5</b>                    | <b>5,941</b>                                                               |
| Cincinnati (See (d) below)                                                                                                                                                                       | 107              |                                 | 103                         | 4                           | 1,852                                                                      |
| Cleveland (See (d) below)                                                                                                                                                                        | 1,196            | 46                              | 1,149                       | 1                           | 552                                                                        |
| Detroit (Michigan)                                                                                                                                                                               | 3                | 1                               | 1                           | 1                           | 2,096                                                                      |
| Indianapolis (Indiana)                                                                                                                                                                           | 728              | (*)                             | 728                         |                             | 725                                                                        |
| Louisville (Kentucky)                                                                                                                                                                            | 448,238          | 445,778                         | 2,460                       |                             | 505                                                                        |
| Parkersburg (West Virginia)                                                                                                                                                                      | 244              |                                 | 244                         |                             | 211                                                                        |
| <b>Midwest Region</b>                                                                                                                                                                            | <b>15</b>        | <b>(*)</b>                      | <b>12</b>                   | <b>2</b>                    | <b>6,340</b>                                                               |
| Aberdeen (South Dakota)                                                                                                                                                                          |                  |                                 |                             |                             | 96                                                                         |
| Chicago (See (b) below)                                                                                                                                                                          | 6                |                                 | 4                           | 2                           | 2,721                                                                      |
| Des Moines (Iowa)                                                                                                                                                                                |                  |                                 |                             |                             | 466                                                                        |
| Fargo (North Dakota)                                                                                                                                                                             | (*)              |                                 |                             | (*)                         | 95                                                                         |
| Milwaukee (Wisconsin)                                                                                                                                                                            | 6                |                                 | 6                           | (*)                         | 855                                                                        |
| Omaha (Nebraska)                                                                                                                                                                                 |                  |                                 |                             |                             | 266                                                                        |
| St. Louis (Missouri)                                                                                                                                                                             | 2                | (*)                             | 2                           | (*)                         | 988                                                                        |
| St. Paul (Minnesota)                                                                                                                                                                             | (*)              | (*)                             | (*)                         |                             | 802                                                                        |
| Springfield (See (b) below)                                                                                                                                                                      |                  |                                 |                             |                             | 51                                                                         |
| <b>Southwest Region</b>                                                                                                                                                                          | <b>113</b>       | <b>2</b>                        | <b>108</b>                  | <b>4</b>                    | <b>5,722</b>                                                               |
| Albuquerque (New Mexico)                                                                                                                                                                         |                  |                                 |                             |                             | 142                                                                        |
| Austin (See (f) below)                                                                                                                                                                           | 112              | 1                               | 108                         | 3                           | 1,050                                                                      |
| Cheyenne (Wyoming)                                                                                                                                                                               |                  |                                 |                             |                             | 91                                                                         |
| Dallas (See (f) below)                                                                                                                                                                           | (*)              |                                 |                             | (*)                         | 1,807                                                                      |
| Denver (Colorado)                                                                                                                                                                                |                  |                                 |                             |                             | 648                                                                        |
| Little Rock (Arkansas)                                                                                                                                                                           | (*)              |                                 |                             | (*)                         | 243                                                                        |
| New Orleans (Louisiana)                                                                                                                                                                          | 1                | 1                               |                             | (*)                         | 725                                                                        |
| Oklahoma City (Oklahoma)                                                                                                                                                                         | (*)              |                                 |                             | (*)                         | 619                                                                        |
| Wichita (Kansas)                                                                                                                                                                                 |                  |                                 |                             |                             | 397                                                                        |
| <b>Western Region</b>                                                                                                                                                                            | <b>79</b>        | <b>5</b>                        | <b>25</b>                   | <b>50</b>                   | <b>12,784</b>                                                              |
| Anchorage (Alaska)                                                                                                                                                                               | (*)              |                                 |                             | (*)                         | 56                                                                         |
| Boise (Idaho)                                                                                                                                                                                    | (*)              |                                 |                             | (*)                         | 131                                                                        |
| Helena (Montana)                                                                                                                                                                                 | (*)              |                                 |                             | (*)                         | 120                                                                        |
| Honolulu (Hawaii)                                                                                                                                                                                | 8                | (*)                             |                             | 8                           | 126                                                                        |
| Los Angeles (See (a) below)                                                                                                                                                                      | 42               | (*)                             | 20                          | 21                          | 3,314                                                                      |
| Phoenix (Arizona)                                                                                                                                                                                | 1                |                                 |                             | 1                           | 399                                                                        |
| Portland (Oregon)                                                                                                                                                                                | 1                |                                 | (*)                         | (*)                         | 527                                                                        |
| Reno (Nevada)                                                                                                                                                                                    |                  |                                 |                             |                             | 202                                                                        |
| Salt Lake City (Utah)                                                                                                                                                                            | 1                |                                 |                             | 1                           | 122                                                                        |
| San Francisco (See (a) below)                                                                                                                                                                    | 24               | 4                               | 3                           | 18                          | 6,906                                                                      |
| Seattle (Washington)                                                                                                                                                                             | 3                | 1                               |                             | 2                           | 892                                                                        |
| <b>Office of International Operations</b>                                                                                                                                                        | <b>9,550</b>     |                                 | <b>9,550</b>                |                             | <b>44</b>                                                                  |
| Puerto Rico                                                                                                                                                                                      | 9,550            |                                 | 9,550                       |                             |                                                                            |
| Other                                                                                                                                                                                            |                  |                                 |                             |                             | 44                                                                         |
| <b>Undistributed:</b>                                                                                                                                                                            |                  |                                 |                             |                             |                                                                            |
| Federal tax deposits and depository receipts <sup>6</sup>                                                                                                                                        |                  |                                 |                             |                             |                                                                            |
| Gasoline, lubricating oil, and excess FICA credits <sup>7</sup>                                                                                                                                  |                  |                                 |                             |                             |                                                                            |
| Transferred to Government of Guam                                                                                                                                                                |                  |                                 |                             |                             |                                                                            |
| Withheld taxes of Federal employees                                                                                                                                                              |                  |                                 |                             |                             |                                                                            |
| <b>Totals for States not shown above</b>                                                                                                                                                         |                  |                                 |                             |                             |                                                                            |
| (a) California                                                                                                                                                                                   | 66               | 4                               | 23                          | 38                          | 10,220                                                                     |
| (b) Illinois                                                                                                                                                                                     | 6                |                                 | 4                           | 2                           | 2,772                                                                      |
| (c) New York                                                                                                                                                                                     | 693              | 109                             | 141                         | 443                         | 3,970                                                                      |
| (d) Ohio                                                                                                                                                                                         | 1,303            | 46                              | 1,253                       | 4                           | 2,404                                                                      |
| (e) Pennsylvania                                                                                                                                                                                 | 23,064           | 5                               | 23,059                      | (*)                         | 1,948                                                                      |
| (f) Texas                                                                                                                                                                                        | 112              | 1                               | 108                         | 3                           | 2,857                                                                      |

See footnotes on p. 108.

**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. 106, for tax rates and further breakdown of national totals by sources]

| Internal revenue regions, districts, States, and other areas <sup>1</sup><br><br>(States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | Manufacturers' excise taxes |                  |                       |                                                                    |                                                         |                     | Total retailers excise taxes <sup>16</sup> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------|-----------------------|--------------------------------------------------------------------|---------------------------------------------------------|---------------------|--------------------------------------------|
|                                                                                                                                                                                                      | Total                       | Gasoline         | Lubricating oil, etc. | Tires (wholly or in part of rubber), inner tubes, and tread rubber | Motor vehicles, chassis, bodies, parts, and accessories | Other <sup>15</sup> |                                            |
|                                                                                                                                                                                                      | (31)                        | (32)             | (33)                  | (34)                                                               | (35)                                                    | (36)                |                                            |
| <b>United States, total</b> .....                                                                                                                                                                    | <b>5,713,973</b>            | <b>3,030,792</b> | <b>92,311</b>         | <b>483,139</b>                                                     | <b>2,054,746</b>                                        | <b>46,985</b>       | <b>866</b>                                 |
| <b>North-Atlantic Region</b> .....                                                                                                                                                                   | <b>787,433</b>              | <b>611,660</b>   | <b>18,521</b>         | <b>109,959</b>                                                     | <b>18,564</b>                                           | <b>28,730</b>       | <b>200</b>                                 |
| Albany..... (See (c) below).....                                                                                                                                                                     | 3,378                       | 2,427            | 2                     | 49                                                                 | 891                                                     | 10                  | (*)                                        |
| Augusta..... (Maine).....                                                                                                                                                                            | 2,276                       | 2,012            | (*)                   | 193                                                                | 71                                                      | (*)                 | -3                                         |
| Boston..... (Massachusetts).....                                                                                                                                                                     | 18,557                      | 15,667           | 96                    | 238                                                                | 1,274                                                   | 1,282               | 5                                          |
| Brooklyn..... (See (c) below).....                                                                                                                                                                   | 10,110                      | 3,053            | 29                    | 4,737                                                              | 2,090                                                   | 201                 | -3                                         |
| Buffalo..... (See (c) below).....                                                                                                                                                                    | 23,180                      | 12,048           | 58                    | 9,300                                                              | 1,098                                                   | 677                 | (*)                                        |
| Burlington..... (Vermont).....                                                                                                                                                                       | 545                         | 429              | (*)                   | 35                                                                 | 8                                                       | 72                  | 176                                        |
| Hartford..... (Connecticut).....                                                                                                                                                                     | 55,893                      | 6,272            | 4                     | 32,607                                                             | 1,845                                                   | 15,165              | 20                                         |
| Manhattan..... (See (c) below).....                                                                                                                                                                  | 670,259                     | 567,191          | 18,331                | 62,479                                                             | 11,029                                                  | 11,229              | 4                                          |
| Portsmouth..... (New Hampshire).....                                                                                                                                                                 | 882                         | 776              | (*)                   | 18                                                                 | 76                                                      | 13                  | (*)                                        |
| Providence..... (Rhode Island).....                                                                                                                                                                  | 2,353                       | 1,785            |                       | 246                                                                | 240                                                     | 82                  | (*)                                        |
| <b>Mid-Atlantic Region</b> .....                                                                                                                                                                     | <b>642,540</b>              | <b>488,811</b>   | <b>16,948</b>         | <b>43,630</b>                                                      | <b>91,123</b>                                           | <b>2,028</b>        | <b>81</b>                                  |
| Baltimore..... (Maryland and D.C.).....                                                                                                                                                              | 48,113                      | 15,389           | 136                   | 31,952                                                             | 396                                                     | 241                 | 30                                         |
| Newark..... (New Jersey).....                                                                                                                                                                        | 84,713                      | 23,831           | 2,520                 | 1,355                                                              | 56,470                                                  | 538                 | 47                                         |
| Philadelphia..... (See (e) below).....                                                                                                                                                               | 259,639                     | 217,836          | 4,833                 | 7,544                                                              | 28,902                                                  | 524                 | 15                                         |
| Pittsburgh..... (See (e) below).....                                                                                                                                                                 | 242,506                     | 225,146          | 9,432                 | 2,613                                                              | 4,838                                                   | 477                 | -10                                        |
| Richmond..... (Virginia).....                                                                                                                                                                        | 7,020                       | 6,131            | 1                     | 166                                                                | 470                                                     | 253                 | (*)                                        |
| Wilmington..... (Delaware).....                                                                                                                                                                      | 549                         | 478              | 27                    |                                                                    | 48                                                      | -4                  | (*)                                        |
| <b>Southeast Region</b> .....                                                                                                                                                                        | <b>83,383</b>               | <b>64,370</b>    | <b>691</b>            | <b>6,277</b>                                                       | <b>10,283</b>                                           | <b>2,042</b>        | <b>70</b>                                  |
| Atlanta..... (Georgia).....                                                                                                                                                                          | 13,257                      | 10,305           | 116                   | 1,134                                                              | 1,541                                                   | 161                 | -8                                         |
| Birmingham..... (Alabama).....                                                                                                                                                                       | 10,699                      | 5,561            | 13                    | 2,030                                                              | 3,045                                                   | 50                  | 88                                         |
| Columbia..... (South Carolina).....                                                                                                                                                                  | 10,094                      | 8,802            | 149                   | 86                                                                 | 589                                                     | 468                 | (*)                                        |
| Greensboro..... (North Carolina).....                                                                                                                                                                | 24,415                      | 21,721           | 47                    | 1,133                                                              | 1,473                                                   | 41                  | -6                                         |
| Jackson..... (Mississippi).....                                                                                                                                                                      | 4,622                       | 2,606            | 30                    | 1,588                                                              | 365                                                     | 34                  | -3                                         |
| Jacksonville..... (Florida).....                                                                                                                                                                     | 9,932                       | 7,220            | 152                   | 154                                                                | 1,273                                                   | 1,133               | -4                                         |
| Nashville..... (Tennessee).....                                                                                                                                                                      | 10,364                      | 7,955            | 185                   | 153                                                                | 1,917                                                   | 154                 | 2                                          |
| <b>Central Region</b> .....                                                                                                                                                                          | <b>2,376,351</b>            | <b>252,795</b>   | <b>6,621</b>          | <b>303,953</b>                                                     | <b>1,811,179</b>                                        | <b>1,883</b>        | <b>19</b>                                  |
| Cincinnati..... (See (d) below).....                                                                                                                                                                 | 7,784                       | 4,913            | 633                   | 999                                                                | 1,201                                                   | 38                  | 12                                         |
| Cleveland..... (See (d) below).....                                                                                                                                                                  | 464,673                     | 103,949          | 2,383                 | 310,987                                                            | 46,887                                                  | 468                 | 12                                         |
| Detroit..... (Michigan).....                                                                                                                                                                         | 1,780,691                   | 32,354           | -47                   | -8,393                                                             | 1,755,705                                               | 1,071               | -3                                         |
| Indianapolis..... (Indiana).....                                                                                                                                                                     | 29,060                      | 21,950           | 591                   | 57                                                                 | 6,255                                                   | 208                 | -3                                         |
| Louisville..... (Kentucky).....                                                                                                                                                                      | 92,635                      | 88,441           | 3,058                 | 126                                                                | 996                                                     | 13                  | 2                                          |
| Parkersburg..... (West Virginia).....                                                                                                                                                                | 1,508                       | 1,188            | 3                     | 177                                                                | 135                                                     | 4                   | (*)                                        |
| <b>Midwest Region</b> .....                                                                                                                                                                          | <b>521,641</b>              | <b>425,465</b>   | <b>10,314</b>         | <b>3,266</b>                                                       | <b>75,651</b>                                           | <b>6,915</b>        | <b>487</b>                                 |
| Aberdeen..... (South Dakota).....                                                                                                                                                                    | 4,092                       | 3,938            | 3                     | (*)                                                                | 151                                                     | (*)                 | 466                                        |
| Chicago..... (See (b) below).....                                                                                                                                                                    | 313,103                     | 246,116          | 6,040                 | 1,459                                                              | 57,326                                                  | 2,162               | (*)                                        |
| Des Moines..... (Iowa).....                                                                                                                                                                          | 13,830                      | 11,254           | 71                    | 210                                                                | 2,081                                                   | 215                 | (*)                                        |
| Fargo..... (North Dakota).....                                                                                                                                                                       | 3,038                       | 1,380            | 26                    | 13                                                                 | 1,593                                                   | 26                  | (*)                                        |
| Milwaukee..... (Wisconsin).....                                                                                                                                                                      | 41,645                      | 34,003           | 113                   | 127                                                                | 6,830                                                   | 572                 | 1                                          |
| Omaha..... (Nebraska).....                                                                                                                                                                           | 6,422                       | 5,718            | 239                   | 26                                                                 | 382                                                     | 57                  | 1                                          |
| St. Louis..... (Missouri).....                                                                                                                                                                       | 65,588                      | 58,885           | 1,958                 | 1,196                                                              | 3,521                                                   | 28                  | (*)                                        |
| St. Paul..... (Minnesota).....                                                                                                                                                                       | 50,024                      | 41,923           | 1,781                 | 218                                                                | 2,324                                                   | 3,778               | 18                                         |
| Springfield..... (See (b) below).....                                                                                                                                                                | 23,898                      | 22,246           | 83                    | 17                                                                 | 1,474                                                   | 77                  | 2                                          |
| <b>Southwest Region</b> .....                                                                                                                                                                        | <b>977,067</b>              | <b>915,311</b>   | <b>29,649</b>         | <b>18,413</b>                                                      | <b>12,528</b>                                           | <b>1,165</b>        | <b>51</b>                                  |
| Albuquerque..... (New Mexico).....                                                                                                                                                                   | 5,033                       | 4,924            | (*)                   | 30                                                                 | 73                                                      | 6                   | (*)                                        |
| Austin..... (See (f) below).....                                                                                                                                                                     | 592,945                     | 565,684          | 20,328                | 3,779                                                              | 3,068                                                   | 85                  | 15                                         |
| Cheyenne..... (Wyoming).....                                                                                                                                                                         | 3,696                       | 3,680            | 1                     | 1                                                                  | 10                                                      | 4                   | (*)                                        |
| Dallas..... (See (f) below).....                                                                                                                                                                     | 48,540                      | 42,819           | 164                   | 1,111                                                              | 4,189                                                   | 258                 | 5                                          |
| Denver..... (Colorado).....                                                                                                                                                                          | 34,937                      | 20,149           | 13                    | 13,372                                                             | 1,211                                                   | 193                 | 2                                          |
| Little Rock..... (Arkansas).....                                                                                                                                                                     | 19,342                      | 18,361           | 65                    | 25                                                                 | 389                                                     | 521                 | (*)                                        |
| New Orleans..... (Louisiana).....                                                                                                                                                                    | 8,438                       | 7,309            | 481                   | 18                                                                 | 575                                                     | 55                  | 25                                         |
| Oklahoma City..... (Oklahoma).....                                                                                                                                                                   | 249,652                     | 238,657          | 8,308                 | 47                                                                 | 2,596                                                   | 44                  | 1                                          |
| Wichita..... (Kansas).....                                                                                                                                                                           | 14,484                      | 13,729           | 290                   | 30                                                                 | 436                                                     | -1                  | 4                                          |
| <b>Western Region</b> .....                                                                                                                                                                          | <b>325,200</b>              | <b>272,560</b>   | <b>9,566</b>          | <b>3,641</b>                                                       | <b>35,411</b>                                           | <b>4,022</b>        | <b>-44</b>                                 |
| Anchorage..... (Alaska).....                                                                                                                                                                         | 15                          | 8                |                       | 6                                                                  | 1                                                       | (*)                 | (*)                                        |
| Boise..... (Idaho).....                                                                                                                                                                              | 1,563                       | 1,216            |                       | 57                                                                 | 102                                                     | 188                 | 3                                          |
| Helena..... (Montana).....                                                                                                                                                                           | 268                         | 208              |                       | 19                                                                 | 26                                                      | 14                  | 1                                          |
| Honolulu..... (Hawaii).....                                                                                                                                                                          | 727                         | 105              |                       | 139                                                                | 475                                                     | 8                   |                                            |
| Los Angeles..... (See (a) below).....                                                                                                                                                                | 166,060                     | 144,550          | 5,101                 | 1,922                                                              | 13,217                                                  | 1,270               | -48                                        |
| Phoenix..... (Arizona).....                                                                                                                                                                          | 220                         | 54               | 3                     | 63                                                                 | 83                                                      | 6                   | -5                                         |
| Portland..... (Oregon).....                                                                                                                                                                          | 10,602                      | 1,316            |                       | 231                                                                | 8,981                                                   | 72                  | (*)                                        |
| Reno..... (Nevada).....                                                                                                                                                                              | 4,296                       | 1,252            |                       | 13                                                                 | 30                                                      |                     | 1                                          |
| Salt Lake City..... (Utah).....                                                                                                                                                                      | 4,568                       | 1,527            | 34                    | 103                                                                | 719                                                     | 2,183               | -1                                         |
| San Francisco..... (See (a) below).....                                                                                                                                                              | 126,878                     | 119,021          | 4,416                 | 943                                                                | 2,214                                                   | 285                 | 1                                          |
| Seattle..... (Washington).....                                                                                                                                                                       | 14,007                      | 4,303            | 10                    | 145                                                                | 9,553                                                   | -4                  | 3                                          |
| <b>Office of International Operations</b> .....                                                                                                                                                      | <b>357</b>                  | <b>22</b>        |                       |                                                                    | <b>55</b>                                               | <b>280</b>          | <b>1</b>                                   |
| Puerto Rico.....                                                                                                                                                                                     |                             |                  |                       |                                                                    |                                                         |                     |                                            |
| Other.....                                                                                                                                                                                           | 357                         | 22               |                       |                                                                    | 55                                                      | 280                 | 1                                          |
| <b>Undistributed:</b>                                                                                                                                                                                |                             |                  |                       |                                                                    |                                                         |                     |                                            |
| Federal tax deposits and depositary receipts <sup>6</sup> .....                                                                                                                                      |                             |                  |                       |                                                                    |                                                         |                     |                                            |
| Gasoline, lubricating oil, and excess FICA credits <sup>7</sup> .....                                                                                                                                |                             |                  |                       |                                                                    |                                                         |                     |                                            |
| Transferred to Government of Guam.....                                                                                                                                                               |                             |                  |                       |                                                                    |                                                         |                     |                                            |
| Withheld taxes of Federal employees.....                                                                                                                                                             |                             |                  |                       |                                                                    |                                                         |                     |                                            |
| <b>Totals for States not shown above</b>                                                                                                                                                             |                             |                  |                       |                                                                    |                                                         |                     |                                            |
| (a) California.....                                                                                                                                                                                  | 292,937                     | 263,570          | 9,517                 | 2,865                                                              | 15,431                                                  | 1,555               | -47                                        |
| (b) Illinois.....                                                                                                                                                                                    | 337,001                     | 268,363          | 6,123                 | 1,476                                                              | 58,800                                                  | 2,239               | 468                                        |
| (c) New York.....                                                                                                                                                                                    | 706,928                     | 584,719          | 18,420                | 76,564                                                             | 15,108                                                  | 12,116              | 22                                         |
| (d) Ohio.....                                                                                                                                                                                        | 472,457                     | 108,862          | 3,016                 | 311,986                                                            | 48,087                                                  | 506                 | 24                                         |
| (e) Pennsylvania.....                                                                                                                                                                                | 502,145                     | 442,982          | 14,264                | 10,157                                                             | 33,740                                                  | 1,002               | 4                                          |
| (f) Texas.....                                                                                                                                                                                       | 641,485                     | 608,503          | 20,492                | 4,890                                                              | 7,258                                                   | 343                 | 20                                         |

See footnotes on p. 108.

**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. 106, for tax rates and further breakdown of national totals by sources]

| Internal revenue regions, districts, States, and other areas <sup>1</sup><br>(States represented by single districts indicated in parentheses;<br>totals for other States shown at bottom of table) | Miscellaneous excise taxes |                                                                                                                |                                                        |                                            |                |                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------|----------------|--------------------------------------|
|                                                                                                                                                                                                     | Total                      | Admissions<br>theaters,<br>concerts,<br>athletic<br>contests, roof<br>gardens,<br>cabarets, etc. <sup>18</sup> | Telephone,<br>wire, etc., and<br>equipment<br>services | Transportation<br>of persons <sup>17</sup> | Sugar          | Diesel and<br>special motor<br>fuels |
|                                                                                                                                                                                                     | (38)                       | (39)                                                                                                           | (40)                                                   | (41)                                       | (42)           | (43)                                 |
| <b>United States, total</b>                                                                                                                                                                         | <b>1,858,843</b>           | <b>1,150</b>                                                                                                   | <b>1,105,478</b>                                       | <b>199,274</b>                             | <b>102,270</b> | <b>201,818</b>                       |
| <b>North-Atlantic Region</b>                                                                                                                                                                        | <b>457,800</b>             | <b>120</b>                                                                                                     | <b>217,306</b>                                         | <b>61,737</b>                              | <b>39,659</b>  | <b>27,833</b>                        |
| Albany (See (c) below)                                                                                                                                                                              | 3,700                      | 9                                                                                                              | 1,895                                                  | 51                                         | 16             | 798                                  |
| Augusta (Maine)                                                                                                                                                                                     | 2,202                      | (*)                                                                                                            | 1,403                                                  | 8                                          | 704            | 544                                  |
| Boston (Massachusetts)                                                                                                                                                                              | 65,959                     | 13                                                                                                             | 52,377                                                 | 3,190                                      | 2,124          | 2,011                                |
| Brooklyn (See (c) below)                                                                                                                                                                            | 2,872                      | 40                                                                                                             | 20                                                     | 188                                        | 3              | 582                                  |
| Buffalo (See (c) below)                                                                                                                                                                             | 12,672                     | 15                                                                                                             | 7,078                                                  | 1,662                                      | 23             | 1,865                                |
| Burlington (Vermont)                                                                                                                                                                                | 22,768                     | 1                                                                                                              | 19,229                                                 | 4                                          | 1              | 303                                  |
| Hartford (Connecticut)                                                                                                                                                                              | 22,455                     | 6                                                                                                              | 19,252                                                 | 4                                          | 1              | 1,593                                |
| Manhattan (See (c) below)                                                                                                                                                                           | 347,695                    | 37                                                                                                             | 135,884                                                | 56,616                                     | 36,786         | 19,703                               |
| Portsmouth (New Hampshire)                                                                                                                                                                          | 743                        | (*)                                                                                                            | 161                                                    | 13                                         | 2              | 274                                  |
| Providence (Rhode Island)                                                                                                                                                                           | 654                        | -1                                                                                                             | 7                                                      |                                            | (*)            | 161                                  |
| <b>Mid-Atlantic Region</b>                                                                                                                                                                          | <b>219,743</b>             | <b>319</b>                                                                                                     | <b>155,209</b>                                         | <b>7,457</b>                               | <b>5,358</b>   | <b>28,224</b>                        |
| Baltimore (Maryland and D.C.)                                                                                                                                                                       | 36,917                     | 41                                                                                                             | 28,755                                                 | 2,231                                      | 1              | 1,626                                |
| Newark (New Jersey)                                                                                                                                                                                 | 57,402                     | 176                                                                                                            | 48,007                                                 | 30                                         | 148            | 3,450                                |
| Philadelphia (See (e) below)                                                                                                                                                                        | 78,268                     | 35                                                                                                             | 57,538                                                 | 74                                         | 5,180          | 8,642                                |
| Pittsburgh (See (e) below)                                                                                                                                                                          | 21,097                     | 2                                                                                                              | 5,518                                                  | 613                                        | 4              | 11,140                               |
| Richmond (Virginia)                                                                                                                                                                                 | 25,271                     | 64                                                                                                             | 15,389                                                 | 4,507                                      | 25             | 3,185                                |
| Wilmington (Delaware)                                                                                                                                                                               | 788                        | (*)                                                                                                            | 2                                                      | 2                                          | (*)            | 182                                  |
| <b>Southeast Region</b>                                                                                                                                                                             | <b>191,296</b>             | <b>74</b>                                                                                                      | <b>122,642</b>                                         | <b>25,493</b>                              | <b>9,381</b>   | <b>15,995</b>                        |
| Atlanta (Georgia)                                                                                                                                                                                   | 119,462                    | 7                                                                                                              | 93,483                                                 | 15,952                                     | 4,725          | 2,761                                |
| Birmingham (Alabama)                                                                                                                                                                                | 9,849                      | (*)                                                                                                            | 1,280                                                  | 60                                         | 3,853          | 1,731                                |
| Columbia (South Carolina)                                                                                                                                                                           | 4,057                      | 12                                                                                                             | 1,135                                                  | 98                                         | 4              | 1,290                                |
| Greensboro (North Carolina)                                                                                                                                                                         | 20,903                     | 6                                                                                                              | 13,025                                                 | 1,584                                      | 3              | 2,818                                |
| Jackson (Mississippi)                                                                                                                                                                               | 2,833                      | (*)                                                                                                            | 246                                                    | 1                                          | (*)            | 1,085                                |
| Jacksonville (Florida)                                                                                                                                                                              | 26,695                     | 17                                                                                                             | 11,345                                                 | 7,775                                      | 786            | 2,709                                |
| Nashville (Tennessee)                                                                                                                                                                               | 7,597                      | 31                                                                                                             | 2,127                                                  | 20                                         | 9              | 2,701                                |
| <b>Central Region</b>                                                                                                                                                                               | <b>188,003</b>             | <b>70</b>                                                                                                      | <b>138,693</b>                                         | <b>688</b>                                 | <b>2,018</b>   | <b>27,821</b>                        |
| Cincinnati (See (d) below)                                                                                                                                                                          | 15,715                     | 23                                                                                                             | 11,863                                                 | 46                                         | 6              | 1,548                                |
| Cleveland (See (d) below)                                                                                                                                                                           | 58,535                     | 27                                                                                                             | 44,544                                                 | 50                                         | 375            | 8,817                                |
| Detroit (Michigan)                                                                                                                                                                                  | 56,815                     | 12                                                                                                             | 46,429                                                 | 91                                         | 1,580          | 4,114                                |
| Indianapolis (Indiana)                                                                                                                                                                              | 33,543                     | 2                                                                                                              | 23,967                                                 | 483                                        | 8              | 4,978                                |
| Louisville (Kentucky)                                                                                                                                                                               | 13,892                     | 7                                                                                                              | 4,545                                                  | 15                                         | 49             | 7,472                                |
| Parkersburg (West Virginia)                                                                                                                                                                         | 9,503                      | (*)                                                                                                            | 7,345                                                  | 4                                          | (*)            | 992                                  |
| <b>Midwest Region</b>                                                                                                                                                                               | <b>381,508</b>             | <b>329</b>                                                                                                     | <b>252,586</b>                                         | <b>77,454</b>                              | <b>1,181</b>   | <b>26,372</b>                        |
| Aberdeen (South Dakota)                                                                                                                                                                             | 1,829                      | 1                                                                                                              | 501                                                    | 1                                          | (*)            | 731                                  |
| Chicago (See (b) below)                                                                                                                                                                             | 131,579                    | 126                                                                                                            | 70,948                                                 | 41,837                                     | 447            | 10,080                               |
| Des Moines (Iowa)                                                                                                                                                                                   | 9,199                      | 17                                                                                                             | 4,746                                                  | 30                                         | 103            | 2,364                                |
| Fargo (North Dakota)                                                                                                                                                                                | 1,335                      | 5                                                                                                              | 551                                                    | 2                                          | 9              | 487                                  |
| Milwaukee (Wisconsin)                                                                                                                                                                               | 25,995                     | 38                                                                                                             | 20,556                                                 | 61                                         | 1              | 2,213                                |
| Omaha (Nebraska)                                                                                                                                                                                    | 41,341                     | (*)                                                                                                            | 38,682                                                 | 5                                          | 1              | 1,440                                |
| St. Louis (Missouri)                                                                                                                                                                                | 139,003                    | 32                                                                                                             | 105,374                                                | 25,670                                     | 600            | 3,540                                |
| St. Paul (Minnesota)                                                                                                                                                                                | 19,828                     | 42                                                                                                             | 3,189                                                  | 9,839                                      | 17             | 3,801                                |
| Springfield (See (b) below)                                                                                                                                                                         | 11,400                     | 66                                                                                                             | 8,038                                                  | 9                                          | 2              | 1,716                                |
| <b>Southwest Region</b>                                                                                                                                                                             | <b>161,941</b>             | <b>150</b>                                                                                                     | <b>99,988</b>                                          | <b>9,143</b>                               | <b>29,110</b>  | <b>44,612</b>                        |
| Albuquerque (New Mexico)                                                                                                                                                                            | 2,431                      | -5                                                                                                             | 167                                                    | 23                                         | (*)            | 1,785                                |
| Austin (See (f) below)                                                                                                                                                                              | 29,838                     | 52                                                                                                             | 1,718                                                  | 974                                        | 3,970          | 18,881                               |
| Cheyenne (Wyoming)                                                                                                                                                                                  | 1,856                      |                                                                                                                | 81                                                     | 3                                          |                | 1,430                                |
| Dallas (See (f) below)                                                                                                                                                                              | 26,585                     | 20                                                                                                             | 10,339                                                 | 6,308                                      | (*)            | 5,542                                |
| Denver (Colorado)                                                                                                                                                                                   | 62,691                     | 14                                                                                                             | 41,546                                                 | 1,770                                      | 15,904         | 1,783                                |
| Little Rock (Arkansas)                                                                                                                                                                              | 4,201                      | 4                                                                                                              | 1,109                                                  | 11                                         |                | 1,821                                |
| New Orleans (Louisiana)                                                                                                                                                                             | 14,671                     | 14                                                                                                             | 528                                                    | 20                                         | 9,236          | 1,971                                |
| Oklahoma City (Oklahoma)                                                                                                                                                                            | 12,442                     | 41                                                                                                             | 1,052                                                  | 28                                         | (*)            | 9,226                                |
| Wichita (Kansas)                                                                                                                                                                                    | 7,226                      | 9                                                                                                              | 3,447                                                  | 6                                          |                | 2,173                                |
| <b>Western Region</b>                                                                                                                                                                               | <b>254,975</b>             | <b>88</b>                                                                                                      | <b>158,887</b>                                         | <b>16,716</b>                              | <b>13,193</b>  | <b>31,815</b>                        |
| Anchorage (Alaska)                                                                                                                                                                                  | 1,641                      | (*)                                                                                                            | 1,096                                                  | 315                                        |                | 44                                   |
| Boise (Idaho)                                                                                                                                                                                       | 2,038                      | -1                                                                                                             | 191                                                    | 34                                         | (*)            | 1,081                                |
| Helena (Montana)                                                                                                                                                                                    | 1,846                      | 44                                                                                                             | 370                                                    | 39                                         | (*)            | 850                                  |
| Honolulu (Hawaii)                                                                                                                                                                                   | 4,186                      | (*)                                                                                                            | 2,766                                                  | 695                                        | 3              | 150                                  |
| Los Angeles (See (a) below)                                                                                                                                                                         | 62,320                     | 15                                                                                                             | 29,303                                                 | 13,124                                     | 274            | 12,837                               |
| Phoenix (Arizona)                                                                                                                                                                                   | 3,371                      | 1                                                                                                              | 320                                                    | 187                                        | (*)            | 1,980                                |
| Portland (Oregon)                                                                                                                                                                                   | 5,694                      | 10                                                                                                             | 1,608                                                  | 18                                         | 5              | 1,720                                |
| Reno (Nevada)                                                                                                                                                                                       | 11,215                     | 3                                                                                                              | 145                                                    | 335                                        | 2              | 932                                  |
| Salt Lake City (Utah)                                                                                                                                                                               | 8,951                      | (*)                                                                                                            | 165                                                    | (*)                                        | 6,593          | 1,241                                |
| San Francisco (See (a) below)                                                                                                                                                                       | 114,609                    | 13                                                                                                             | 89,565                                                 | 969                                        | 6,316          | 9,830                                |
| Seattle (Washington)                                                                                                                                                                                | 39,107                     | 2                                                                                                              | 33,359                                                 | 1,000                                      | 1              | 1,152                                |
| <b>Office of International Operations</b>                                                                                                                                                           | <b>3,577</b>               |                                                                                                                | <b>167</b>                                             | <b>588</b>                                 | <b>2,369</b>   | <b>44</b>                            |
| Puerto Rico                                                                                                                                                                                         | 2,371                      |                                                                                                                |                                                        |                                            | 2,369          |                                      |
| Other                                                                                                                                                                                               | 1,206                      |                                                                                                                | 167                                                    | 588                                        |                | 44                                   |
| <b>Undistributed:</b>                                                                                                                                                                               |                            |                                                                                                                |                                                        |                                            |                |                                      |
| Federal tax deposits and depository receipts <sup>6</sup>                                                                                                                                           |                            |                                                                                                                |                                                        |                                            |                |                                      |
| Gasoline, lubricating oil, and excess FICA credits <sup>7</sup>                                                                                                                                     |                            |                                                                                                                |                                                        |                                            |                |                                      |
| Transferred to Government of Guam                                                                                                                                                                   |                            |                                                                                                                |                                                        |                                            |                |                                      |
| Withheld taxes of Federal employees                                                                                                                                                                 |                            |                                                                                                                |                                                        |                                            |                |                                      |
| <b>Totals for States not shown above</b>                                                                                                                                                            |                            |                                                                                                                |                                                        |                                            |                |                                      |
| (a) California                                                                                                                                                                                      | 176,928                    | 29                                                                                                             | 118,869                                                | 14,093                                     | 6,589          | 22,667                               |
| (b) Illinois                                                                                                                                                                                        | 142,978                    | 193                                                                                                            | 78,986                                                 | 41,846                                     | 449            | 11,796                               |
| (c) New York                                                                                                                                                                                        | 367,059                    | 101                                                                                                            | 144,877                                                | 58,517                                     | 36,828         | 22,947                               |
| (d) Ohio                                                                                                                                                                                            | 74,250                     | 50                                                                                                             | 56,407                                                 | 96                                         |                | 10,365                               |
| (e) Pennsylvania                                                                                                                                                                                    | 99,365                     | 38                                                                                                             | 63,056                                                 | 687                                        | 5,184          | 19,782                               |
| (f) Texas                                                                                                                                                                                           | 56,423                     | 72                                                                                                             | 12,057                                                 | 7,282                                      | 3,970          | 24,423                               |

See footnotes on p. 108.



**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. 106, for tax rates and further breakdown of national totals by sources]

| Internal revenue regions, districts, States, and other areas <sup>1</sup><br><br>(States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | Miscellaneous excise taxes—Continued                             |                                          |                          |                    |                                               |                   |                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------|--------------------------|--------------------|-----------------------------------------------|-------------------|---------------------------------------|
|                                                                                                                                                                                                      | Narcotics and marijuana including occupational taxes<br><br>(44) | Coin-operated gaming devices<br><br>(45) | Wagering taxes           |                    | Use tax on highway motor vehicles<br><br>(48) | Other<br><br>(49) | Unclassified excise taxes<br><br>(50) |
|                                                                                                                                                                                                      |                                                                  |                                          | Occupational<br><br>(46) | Wagers<br><br>(47) |                                               |                   |                                       |
| <b>United States, total</b>                                                                                                                                                                          | <b>1,615</b>                                                     | <b>14,806</b>                            | <b>416</b>               | <b>4,695</b>       | <b>106,918</b>                                | <b>118,303</b>    | <b>288,480</b>                        |
| <b>North-Atlantic Region</b>                                                                                                                                                                         | <b>354</b>                                                       | <b>103</b>                               | <b>49</b>                | <b>100</b>         | <b>11,930</b>                                 | <b>98,610</b>     | <b>144,886</b>                        |
| Albany (See (c) below)                                                                                                                                                                               | 42                                                               | 2                                        | 1                        | 4                  | 807                                           | 75                | 1,369                                 |
| Augusta (Maine)                                                                                                                                                                                      | 3                                                                |                                          | (*)                      |                    | 488                                           | 51                | 305                                   |
| Boston (Massachusetts)                                                                                                                                                                               | 41                                                               | 59                                       | 9                        | 14                 | 2,172                                         | 1,950             | 25,165                                |
| Brooklyn (See (c) below)                                                                                                                                                                             | 130                                                              | 4                                        | 10                       | 15                 | 1,392                                         | 588               | 5,972                                 |
| Buffalo (See (c) below)                                                                                                                                                                              | 44                                                               |                                          | 11                       | 32                 | 1,823                                         | 119               | 8,808                                 |
| Burlington (Vermont)                                                                                                                                                                                 | 1                                                                |                                          | 2                        |                    | 213                                           | 14                | 394                                   |
| Hartford (Connecticut)                                                                                                                                                                               | 11                                                               | 10                                       |                          | 1                  | 1,365                                         | 189               | 14,092                                |
| Manhattan (See (c) below)                                                                                                                                                                            | 77                                                               | 24                                       | 3                        | 26                 | 3,049                                         | 95,491            | 87,978                                |
| Portsmouth (New Hampshire)                                                                                                                                                                           | 2                                                                | 4                                        | 4                        | 5                  | 260                                           | 20                | 215                                   |
| Providence (Rhode Island)                                                                                                                                                                            | 3                                                                |                                          | 6                        | 3                  | 342                                           | 113               | 599                                   |
| <b>Mid-Atlantic Region</b>                                                                                                                                                                           | <b>350</b>                                                       | <b>1,504</b>                             | <b>65</b>                | <b>202</b>         | <b>15,687</b>                                 | <b>5,369</b>      | <b>140,450</b>                        |
| Baltimore (Maryland and D.C.)                                                                                                                                                                        | 16                                                               | 1,272                                    | 6                        | 17                 | 2,167                                         | 784               | 15,036                                |
| Newark (New Jersey)                                                                                                                                                                                  | 221                                                              | 43                                       | 3                        | 13                 | 3,353                                         | 1,957             | 77,312                                |
| Philadelphia (See (e) below)                                                                                                                                                                         | 75                                                               | 8                                        | 19                       | 21                 | 5,117                                         | 1,559             | 55,805                                |
| Pittsburgh (See (e) below)                                                                                                                                                                           | 14                                                               | 83                                       | 18                       | 108                | 2,838                                         | 759               | 13,342                                |
| Richmond (Virginia)                                                                                                                                                                                  | 23                                                               | 96                                       | 2                        | 29                 | 1,848                                         | 102               | 4,772                                 |
| Wilmington (Delaware)                                                                                                                                                                                | 1                                                                | (*)                                      | 16                       | 14                 | 363                                           | 207               | 866                                   |
| <b>Southeast Region</b>                                                                                                                                                                              | <b>80</b>                                                        | <b>1,562</b>                             | <b>20</b>                | <b>439</b>         | <b>15,431</b>                                 | <b>1,083</b>      | <b>85,793</b>                         |
| Atlanta (Georgia)                                                                                                                                                                                    | 10                                                               | 125                                      | 6                        | 73                 | 2,167                                         | 154               | 55,783                                |
| Birmingham (Alabama)                                                                                                                                                                                 | 10                                                               | (*)                                      | 1                        | 97                 | 2,660                                         | 156               | 4,413                                 |
| Columbia (South Carolina)                                                                                                                                                                            | 7                                                                | 493                                      | 1                        | 38                 | 958                                           | 21                | 2,507                                 |
| Greensboro (North Carolina)                                                                                                                                                                          | 9                                                                | 26                                       | 2                        | 7                  | 3,283                                         | 140               | 8,443                                 |
| Jackson (Mississippi)                                                                                                                                                                                | 5                                                                | 242                                      | 7                        | 52                 | 1,130                                         | 65                | 3,183                                 |
| Jacksonville (Florida)                                                                                                                                                                               | 18                                                               | 3                                        | 2                        | 86                 | 3,384                                         | 465               | 7,773                                 |
| Nashville (Tennessee)                                                                                                                                                                                | 21                                                               | 667                                      | 1                        | 87                 | 1,850                                         | 82                | 3,691                                 |
| <b>Central Region</b>                                                                                                                                                                                | <b>144</b>                                                       | <b>704</b>                               | <b>57</b>                | <b>1,329</b>       | <b>15,852</b>                                 | <b>526</b>        | <b>807,532</b>                        |
| Cincinnati (See (d) below)                                                                                                                                                                           | 20                                                               | 201                                      | 4                        | 71                 | 1,856                                         | 77                | 2,807                                 |
| Cleveland (See (d) below)                                                                                                                                                                            | 25                                                               | 66                                       | 10                       | 196                | 4,232                                         | 193               | 128,825                               |
| Detroit (Michigan)                                                                                                                                                                                   | 29                                                               | 1                                        | 4                        | 40                 | 4,520                                         | -5                | 572,121                               |
| Indianapolis (Indiana)                                                                                                                                                                               | 53                                                               | 156                                      | 23                       | 646                | 3,066                                         | 162               | 11,974                                |
| Louisville (Kentucky)                                                                                                                                                                                | 5                                                                | 11                                       | 6                        | 248                | 1,440                                         | 94                | 89,916                                |
| Parkersburg (West Virginia)                                                                                                                                                                          | 12                                                               | 270                                      | 10                       | 127                | 738                                           | 5                 | 1,888                                 |
| <b>Midwest Region</b>                                                                                                                                                                                | <b>150</b>                                                       | <b>457</b>                               | <b>22</b>                | <b>311</b>         | <b>17,997</b>                                 | <b>4,648</b>      | <b>191,204</b>                        |
| Aberdeen (South Dakota)                                                                                                                                                                              | 2                                                                | 114                                      | 1                        | 3                  | 467                                           | 8                 | 1,032                                 |
| Chicago (See (b) below)                                                                                                                                                                              | 56                                                               | 25                                       | 4                        | 84                 | 4,857                                         | 3,114             | 74,155                                |
| Des Moines (Iowa)                                                                                                                                                                                    | 7                                                                |                                          | 2                        | 29                 | 1,855                                         | 46                | 6,104                                 |
| Fargo (North Dakota)                                                                                                                                                                                 | 1                                                                | (*)                                      | 1                        | 7                  | 267                                           | 4                 | 884                                   |
| Milwaukee (Wisconsin)                                                                                                                                                                                | 16                                                               |                                          | 3                        | (*)                | 2,618                                         | 487               | 12,156                                |
| Omaha (Nebraska)                                                                                                                                                                                     | 20                                                               | 42                                       | 2                        | 104                | 995                                           | 49                | 16,923                                |
| St. Louis (Missouri)                                                                                                                                                                                 | 30                                                               | 91                                       | 4                        | 32                 | 3,165                                         | 463               | 60,737                                |
| St. Paul (Minnesota)                                                                                                                                                                                 | 11                                                               | 16                                       | 1                        | 23                 | 2,443                                         | 446               | 10,820                                |
| Springfield (See (b) below)                                                                                                                                                                          | 7                                                                | 168                                      | 5                        | 29                 | 1,330                                         | 31                | 8,393                                 |
| <b>Southwest Region</b>                                                                                                                                                                              | <b>112</b>                                                       | <b>964</b>                               | <b>89</b>                | <b>336</b>         | <b>14,674</b>                                 | <b>2,762</b>      | <b>245,817</b>                        |
| Albuquerque (New Mexico)                                                                                                                                                                             | 3                                                                | 10                                       | (*)                      | (*)                | 427                                           | 21                | 1,317                                 |
| Austin (See (f) below)                                                                                                                                                                               | 43                                                               | 8                                        | 13                       | 125                | 3,198                                         | 856               | 103,197                               |
| Cheyenne (Wyoming)                                                                                                                                                                                   | 1                                                                | 25                                       | 5                        | 2                  | 298                                           | 12                | 3,049                                 |
| Dallas (See (f) below)                                                                                                                                                                               | 14                                                               |                                          | 4                        | 50                 | 3,882                                         | 426               | 17,594                                |
| Denver (Colorado)                                                                                                                                                                                    | 15                                                               | 23                                       | (*)                      | 2                  | 1,535                                         | 99                | 15,263                                |
| Little Rock (Arkansas)                                                                                                                                                                               | 3                                                                | 157                                      | 2                        | 56                 | 1,023                                         | 14                | 4,647                                 |
| New Orleans (Louisiana)                                                                                                                                                                              | 21                                                               | 572                                      | 58                       | 47                 | 1,044                                         | 1,161             | 5,889                                 |
| Oklahoma City (Oklahoma)                                                                                                                                                                             | 6                                                                | 78                                       | 6                        | 37                 | 1,875                                         | 92                | 90,803                                |
| Wichita (Kansas)                                                                                                                                                                                     | 7                                                                | 92                                       | 1                        | 17                 | 1,393                                         | 81                | 4,057                                 |
| <b>Western Region</b>                                                                                                                                                                                | <b>425</b>                                                       | <b>9,513</b>                             | <b>113</b>               | <b>1,978</b>       | <b>17,239</b>                                 | <b>5,005</b>      | <b>143,647</b>                        |
| Anchorage (Alaska)                                                                                                                                                                                   | (*)                                                              | 69                                       | 2                        | 9                  | 73                                            | 33                | 456                                   |
| Boise (Idaho)                                                                                                                                                                                        | 3                                                                |                                          | (*)                      | (*)                | 721                                           | 9                 | 484                                   |
| Helena (Montana)                                                                                                                                                                                     | 2                                                                | 40                                       | 15                       | 31                 | 445                                           | 8                 | 499                                   |
| Honolulu (Hawaii)                                                                                                                                                                                    | 96                                                               | 92                                       | (*)                      | (*)                | 349                                           | 35                | 1,863                                 |
| Los Angeles (See (a) below)                                                                                                                                                                          | 211                                                              | 54                                       | 5                        | 134                | 4,442                                         | 1,921             | 37,058                                |
| Phoenix (Arizona)                                                                                                                                                                                    | 13                                                               | 80                                       | 1                        | 9                  | 701                                           | 80                | 6,35                                  |
| Portland (Oregon)                                                                                                                                                                                    | 13                                                               | 282                                      | 1                        | 4                  | 1,836                                         | 198               | 6,380                                 |
| Reno (Nevada)                                                                                                                                                                                        | 15                                                               | 8,172                                    | 6                        | 1,312              | 275                                           | 18                | 566                                   |
| Salt Lake City (Utah)                                                                                                                                                                                | 3                                                                | 187                                      | 21                       | 58                 | 654                                           | 28                | 2,479                                 |
| San Francisco (See (a) below)                                                                                                                                                                        | 51                                                               | 1                                        | 5                        | 17                 | 6,060                                         | 1,780             | 82,095                                |
| Seattle (Washington)                                                                                                                                                                                 | 19                                                               | 536                                      | 57                       | 404                | 1,682                                         | 895               | 11,131                                |
| <b>Office of International Operations</b>                                                                                                                                                            |                                                                  |                                          |                          |                    | <b>107</b>                                    | <b>301</b>        | <b>1,125</b>                          |
| Puerto Rico                                                                                                                                                                                          |                                                                  |                                          |                          |                    |                                               | 2                 | 834                                   |
| Other                                                                                                                                                                                                |                                                                  |                                          |                          |                    | 107                                           | 299               | 291                                   |
| <b>Undistributed:</b>                                                                                                                                                                                |                                                                  |                                          |                          |                    |                                               |                   |                                       |
| Federal tax deposits and depository receipts <sup>6</sup>                                                                                                                                            |                                                                  |                                          |                          |                    |                                               |                   | -1,471,973                            |
| Gasoline, lubricating oil, and excess FICA credits <sup>7</sup>                                                                                                                                      |                                                                  |                                          |                          |                    |                                               |                   |                                       |
| Transferred to Government of Guam                                                                                                                                                                    |                                                                  |                                          |                          |                    |                                               |                   |                                       |
| Withheld taxes of Federal employees                                                                                                                                                                  |                                                                  |                                          |                          |                    |                                               |                   |                                       |
| <b>Totals for States not shown above</b>                                                                                                                                                             |                                                                  |                                          |                          |                    |                                               |                   |                                       |
| (a) California                                                                                                                                                                                       | 262                                                              | 55                                       | 10                       | 151                | 10,503                                        | 3,700             | 119,153                               |
| (b) Illinois                                                                                                                                                                                         | 63                                                               | 193                                      | 9                        | 112                | 6,186                                         | 3,144             | 82,548                                |
| (c) New York                                                                                                                                                                                         | 294                                                              | 30                                       | 25                       | 78                 | 7,070                                         | 96,272            | 104,127                               |
| (d) Ohio                                                                                                                                                                                             | 45                                                               | 266                                      | 14                       | 267                | 6,088                                         | 268               | 131,632                               |
| (e) Pennsylvania                                                                                                                                                                                     | 88                                                               | 91                                       | 37                       | 128                | 7,955                                         | 2,318             | 42,463                                |
| (f) Texas                                                                                                                                                                                            | 58                                                               | 8                                        | 17                       | 175                | 7,080                                         | 1,282             | 120,791                               |

See footnotes on p. 108.

**Table 2.—Internal revenue collections by sources and by quarters**

[In thousands of dollars]

| Source of revenue                                                                       | Quarter ended— <sup>39</sup> |                      |                      |                      |
|-----------------------------------------------------------------------------------------|------------------------------|----------------------|----------------------|----------------------|
|                                                                                         | Sept. 30, 1967<br>(1)        | Dec. 31, 1967<br>(2) | Mar. 31, 1968<br>(3) | June 30, 1968<br>(4) |
| Grand total.....                                                                        | 33,090,782                   | 29,876,200           | 38,498,338           | 52,171,518           |
| Corporation income tax <sup>2</sup> .....                                               | 5,620,459                    | 5,724,727            | 6,030,055            | 12,521,279           |
| Individual income and employment taxes, total.....                                      | 23,303,818                   | 19,821,877           | 28,355,630           | 34,856,617           |
| Income tax not withheld and self-employment tax <sup>3,4</sup> .....                    | 3,439,289                    | 814,815              | 5,949,668            | 12,291,579           |
| Income tax withheld and old-age and disability insurance <sup>3,5</sup> .....           | 19,649,669                   | 18,801,784           | 21,610,074           | 22,315,816           |
| Railroad retirement.....                                                                | 210,863                      | 201,489              | 207,028              | 239,067              |
| Unemployment insurance.....                                                             | 3,996                        | 3,789                | 588,860              | 10,156               |
| Estate tax.....                                                                         | 703,712                      | 628,725              | 656,669              | 721,148              |
| Gift tax.....                                                                           | 9,109                        | 8,236                | 20,577               | 333,802              |
| Excise taxes, total.....                                                                | 3,453,683                    | 3,692,636            | 3,435,406            | 3,738,671            |
| Alcohol taxes, total.....                                                               | 995,900                      | 1,247,722            | 858,978              | 1,184,637            |
| Distilled spirits <sup>6</sup> .....                                                    | 693,952                      | 988,048              | 651,782              | 863,130              |
| Wines, cordials, etc.....                                                               | 27,418                       | 37,043               | 23,459               | 39,343               |
| Beer <sup>6</sup> .....                                                                 | 274,530                      | 222,631              | 183,737              | 282,164              |
| Tobacco taxes, total <sup>6</sup> .....                                                 | 553,360                      | 546,916              | 449,792              | 572,208              |
| Cigarettes.....                                                                         | 539,703                      | 530,807              | 439,864              | 555,786              |
| Cigars.....                                                                             | 13,343                       | 15,766               | 9,595                | 16,233               |
| Other.....                                                                              | 314                          | 343                  | 334                  | 190                  |
| Stamp taxes on documents, other instruments, and playing cards, total.....              | 22,193                       | 18,749               | 5,999                | 1,781                |
| Manufacturers' excise taxes, total.....                                                 | 1,463,662                    | 1,308,645            | 1,490,604            | 1,451,063            |
| Gasoline.....                                                                           | 752,256                      | 803,325              | 761,728              | 713,493              |
| Lubricating oil, etc.....                                                               | 21,298                       | 23,061               | 19,742               | 28,210               |
| Tires (wholly or in part of rubber), inner tubes, and tread rubber.....                 | 133,323                      | 117,657              | 133,444              | 104,714              |
| Motor vehicles, chassis, bodies, parts, and accessories.....                            | 543,313                      | 352,250              | 566,445              | 592,737              |
| Radio and television sets, phonographs, components, etc.....                            | 672                          | -30                  | -64                  | 18                   |
| Refrigerators, freezers, air-conditioners, etc.; electric, gas, and oil appliances..... | 163                          | 29                   | 4                    | 476                  |
| Other.....                                                                              | 12,636                       | 12,353               | 9,303                | 11,424               |
| Retailers' excise taxes, total.....                                                     | 361                          | 110                  | 359                  | 35                   |
| Luggage, etc.....                                                                       | 6                            | (*)                  | -9                   | 8                    |
| Jewelry, etc.....                                                                       | 214                          | 86                   | 121                  | 21                   |
| Furs.....                                                                               | 10                           | 23                   | 247                  | 6                    |
| Toilet preparations.....                                                                | 130                          | (*)                  | (*)                  | 1                    |
| Miscellaneous excise taxes, total.....                                                  | 467,043                      | 492,048              | 455,184              | 444,568              |
| Admissions: <sup>10</sup>                                                               |                              |                      |                      |                      |
| Theaters, concerts, athletic contests, etc.....                                         | 32                           | 31                   | 13                   | 1                    |
| Roof gardens, cabarets, etc.....                                                        | 459                          | 467                  | 114                  | 34                   |
| Club dues and initiation fees.....                                                      | 286                          | 541                  | 132                  | 578                  |
| Telephone wires, etc., and equipment services.....                                      | 259,949                      | 313,887              | 280,925              | 250,718              |
| Transportation of persons <sup>11</sup> .....                                           | 44,992                       | 50,679               | 55,170               | 48,433               |
| Use of safe deposit boxes <sup>12</sup> .....                                           | (*)                          | -6                   | -1                   | (*)                  |
| Coconut and other vegetable oil processed.....                                          | (*)                          | 1                    |                      |                      |
| Sugar.....                                                                              | 27,077                       | 29,516               | 28,019               | 19,658               |
| Diesel and special motor fuels.....                                                     | 47,551                       | 53,103               | 50,809               | 50,455               |
| Narcotics and marihuana, including occupational taxes.....                              | 523                          | 298                  | 159                  | 635                  |
| Coin-operated amusement devices, bowling alleys, pool tables, etc. <sup>13</sup> .....  | 9                            | 11                   | 7                    | 30                   |
| Coin-operated gaming devices.....                                                       | 10,837                       | 664                  | 219                  | 3,086                |
| Wagering taxes:                                                                         |                              |                      |                      |                      |
| Occupational.....                                                                       | 217                          | 86                   | 28                   | 85                   |
| Wagers.....                                                                             | 1,436                        | 1,369                | 588                  | 1,302                |
| Use tax on highway motor vehicles.....                                                  | 62,171                       | 9,632                | 14,252               | 22,863               |
| Other.....                                                                              | 11,506                       | 31,771               | 26,750               | 46,689               |
| Unclassified excise taxes.....                                                          | -48,836                      | 78,446               | 174,491              | 84,379               |

See footnotes on p. 103.

**Table 3.—Internal revenue collections by sources, fiscal years 1967 and 1968**

(In thousands of dollars)

| Source of revenue                                                                                                                                                                                                       | Fiscal year |             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                                                                                                                                                         | 1967<br>(1) | 1968<br>(2) |
| Grand total, all sources.....                                                                                                                                                                                           | 148,374,815 | 153,636,838 |
| Corporation income taxes, total <sup>1a</sup> .....                                                                                                                                                                     | 34,917,825  | 29,896,520  |
| Regular.....                                                                                                                                                                                                            | 34,914,910  | 29,893,255  |
| Exempt organization business income tax.....                                                                                                                                                                            | 2,916       | 3,265       |
| Individual income and employment taxes, total.....                                                                                                                                                                      | 96,328,836  | 106,337,943 |
| Income tax not withheld and self-employment tax <sup>3 &amp; 20</sup> .....                                                                                                                                             | 20,625,699  | 22,495,351  |
| Income tax withheld and old-age and disability insurance, total <sup>3 &amp; 20</sup> .....                                                                                                                             | 74,307,534  | 82,377,342  |
| Railroad retirement, total.....                                                                                                                                                                                         | 792,858     | 858,448     |
| Unemployment insurance, employers of 4 or more persons taxed 3.1 percent on taxable portion of wages, effective Jan. 1, 1964, credit allowed up to 90 percent of tax for contributions to State unemployment funds..... | 602,745     | 606,802     |
| 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.....                         | 2,728,580   | 2,710,254   |
| 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.....                       | 285,826     | 371,725     |
| Excise taxes, total.....                                                                                                                                                                                                | 14,113,748  | 14,320,396  |
| Alcohol taxes, total.....                                                                                                                                                                                               | 4,075,723   | 4,287,237   |
| Distilled spirits taxes, total.....                                                                                                                                                                                     | 3,007,418   | 3,196,911   |
| Imported (collected by Customs, rates same as domestic).....                                                                                                                                                            | 682,603     | 765,104     |
| Domestic, \$10.50 per proof gallon or wine gallon when below proof <sup>8</sup> .....                                                                                                                                   | 2,284,748   | 2,389,950   |
| Rectification, 30 cents per proof gallon <sup>8</sup> .....                                                                                                                                                             | 24,238      | 28,284      |
| Occupational taxes:<br>Nonbeverage manufacturers of spirits, \$25, \$50, \$100, per year.....                                                                                                                           | 76          | 75          |
| Rectifiers:<br>Less than 20,000 proof gallons, \$110 per year.....                                                                                                                                                      | 13          | 17          |
| 20,000 proof gallons or more, \$220 per year.....                                                                                                                                                                       | 24          | 34          |
| Retail dealers in liquor or medicinal spirits, \$54 per year.....                                                                                                                                                       | 14,274      | 11,846      |
| Wholesale liquor dealers, \$255 per year.....                                                                                                                                                                           | 689         | 654         |
| Manufacturers of stills, \$55 per year.....                                                                                                                                                                             | 5           | 4           |
| Seizures, penalties, etc.....                                                                                                                                                                                           | 745         | 942         |
| Stills or condensers manufactured, \$22 each.....                                                                                                                                                                       | 3           | 2           |
| Wines, cordials, etc., taxes, total.....                                                                                                                                                                                | 122,498     | 127,263     |
| Imported (collected by Customs, rates same as domestic).....                                                                                                                                                            | 11,872      | 12,721      |
| Domestic (Still-wines, 17 cents, 67 cents, \$2.25 per wine gallon; sparkling wines, \$3.40; artificially carbonated wines, \$2.40; liqueurs, cordials, \$1.92).....                                                     | 108,093     | 112,618     |
| Occupational taxes:<br>Retail dealers in wines or in wines and beer, \$54 per year.....                                                                                                                                 | 2,351       | 1,795       |
| Wholesale dealers in wines or in wines and beer \$255 per year.....                                                                                                                                                     | 181         | 128         |
| Beer taxes, total.....                                                                                                                                                                                                  | 945,808     | 963,062     |
| Imported (collected by Customs, rates same as domestic).....                                                                                                                                                            | 6,018       | 5,964       |
| Domestic, \$9 per barrel of 31 gallons <sup>8</sup> .....                                                                                                                                                               | 935,396     | 953,606     |
| Occupational taxes:<br>Brewers:<br>Less than 500 barrels, \$55 per year.....                                                                                                                                            | 3           | 1           |
| 500 barrels or more, \$110 per year.....                                                                                                                                                                                | 16          | 14          |
| Retail dealers in beer, \$24 per year (includes limited retail dealers in wines or beer, \$2.20 per month).....                                                                                                         | 3,540       | 2,799       |
| Wholesale dealers in beer, \$123 per year.....                                                                                                                                                                          | 835         | 678         |
| Tobacco taxes, total.....                                                                                                                                                                                               | 2,079,869   | 2,122,277   |
| Cigarettes, total.....                                                                                                                                                                                                  | 2,023,090   | 2,066,159   |
| Small (Class A), \$4 per thousand.....                                                                                                                                                                                  | 2,023,090   | 2,066,152   |
| Large (Class B), \$8.40 per thousand, except if over 6½ inches long \$4 per thousand for each 2¼ inches or fraction thereof <sup>8</sup> .....                                                                          | 1           | 5           |
| Prepayments.....                                                                                                                                                                                                        |             | 1           |
| Cigars, total.....                                                                                                                                                                                                      | 55,736      | 54,937      |
| Large cigars, total <sup>8</sup> .....                                                                                                                                                                                  | 55,414      | 54,572      |
| Class A (retailing at not over 2¼ cents each), \$2.50 per thousand.....                                                                                                                                                 | 280         | 313         |
| Class B (over 2½ cents, not over 4 cents each), \$3 per thousand.....                                                                                                                                                   | 1,627       | 1,730       |
| Class C (over 4 cents, not over 6 cents each), \$4 per thousand.....                                                                                                                                                    | 13,249      | 13,523      |
| Class D (over 6 cents, not over 8 cents each), \$7 per thousand.....                                                                                                                                                    | 5,432       | 5,772       |
| Class E (over 8 cents, not over 15 cents each), \$10 per thousand.....                                                                                                                                                  | 26,680      | 25,015      |
| Class F (over 15 cents, not over 20 cents each), \$15 per thousand.....                                                                                                                                                 | 4,567       | 4,696       |
| Class G (over 20 cents each), \$20 per thousand.....                                                                                                                                                                    | 3,579       | 3,522       |
| Small cigars, 75 cents per thousand.....                                                                                                                                                                                | 303         | 342         |
| Prepayments.....                                                                                                                                                                                                        | 19          | 22          |
| Cigars, cigarettes, cigarette papers and cigarette tubes (Customs).....                                                                                                                                                 | 401         | 550         |
| Miscellaneous tobacco.....                                                                                                                                                                                              | 2           | 17          |
| Cigarette papers and tubes, papers ½ cent per 50; tubes 1 cent per 50.....                                                                                                                                              | 639         | 614         |
| Stamp taxes on documents, other instruments, and playing cards, total.....                                                                                                                                              | 68,260      | 48,721      |

See footnotes on p. 108.



**Table 3.—Internal revenue collections by sources, fiscal years 1967 and 1968—Continued**

[In thousands of dollars]

| Source of revenue                                                                                                                                     | Fiscal year |             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                                                                                       | 1967<br>(1) | 1968<br>(2) |
| <b>Excise taxes—Continued</b>                                                                                                                         |             |             |
| Manufacturers' excise taxes, total                                                                                                                    | 5,478,347   | 5,713,973   |
| Gasoline, 4 cents per gallon                                                                                                                          | 2,932,894   | 3,030,792   |
| Lubricating oil, etc., 6 cents per gallon; cutting oil, 3 cents per gallon <sup>28</sup>                                                              | 92,573      | 92,311      |
| 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 | 448,975     | 439,751     |
| Inner tubes, 10 cents per pound                                                                                                                       | 29,696      | 22,442      |
| Tread rubber, 5 cents per pound                                                                                                                       | 25,082      | 26,945      |
| Motor vehicles, chassis, bodies, parts, and accessories:                                                                                              |             |             |
| Passenger automobiles, chassis, bodies, etc., 7 percent <sup>29</sup>                                                                                 | 1,413,833   | 1,530,777   |
| Trucks and buses, chassis, bodies, etc., 10 percent                                                                                                   | 468,910     | 447,743     |
| Parts and accessories for automobiles, trucks, etc., 8 percent <sup>30</sup>                                                                          | 34,640      | 76,226      |
| Radio and television sets, phonographs, components, etc., 10 percent <sup>27</sup>                                                                    | -1,329      | 597         |
| Refrigerators, freezers, air-conditioners, etc., 5 percent; self-contained air-conditioning units, 10 percent <sup>31</sup>                           | -2,650      | 436         |
| Electric, gas, and oil appliances, 5 percent <sup>27</sup>                                                                                            | -758        | 236         |
| Pistols and revolvers, 10 percent                                                                                                                     | 4,176       | 4,745       |
| Phonograph records, 10 percent <sup>27</sup>                                                                                                          | 2,323       | -62         |
| Musical instruments, 10 percent <sup>27</sup>                                                                                                         | -1,349      | -45         |
| Sporting goods (other than fishing rods, creels, etc.), 10 percent <sup>27</sup>                                                                      | -193        | 40          |
| Fishing rods, creels, etc., 10 percent                                                                                                                | 9,824       | 9,228       |
| Business and store machines, 10 percent <sup>27</sup>                                                                                                 | -461        | 10          |
| Cameras, lenses, film, etc., 10 percent; household type projectors, 5 percent <sup>27</sup>                                                           | -341        | -75         |
| Electric light bulbs and tubes, 10 percent <sup>32</sup>                                                                                              | -1,042      | 494         |
| Firearms (other than pistols and revolvers), shells, and cartridges, 11 percent                                                                       | 27,806      | 31,372      |
| Mechanical pencils, pens, 10 percent; lighters, 10 cents per lighter (\$1 or more) 10 percent (less than \$1) <sup>27</sup>                           | 378         | 9           |
| Matches, 2 cents per thousand (but not to exceed 10 percent of selling price); fancy wooden or colored stems, 5½ cents per thousand <sup>27</sup>     | 5           |             |
| Retailers' excise taxes, total <sup>27</sup>                                                                                                          | 3,619       | 866         |
| Luggage, etc., 10 percent                                                                                                                             | 555         | 5           |
| Jewelry, etc., 10 percent                                                                                                                             | 1,643       | 442         |
| Furs, 10 percent                                                                                                                                      | 204         | 287         |
| Toilet preparations, 10 percent                                                                                                                       | 1,218       | 131         |
| Miscellaneous excise taxes, total                                                                                                                     | 1,732,062   | 1,858,843   |
| Admissions taxes, total <sup>33</sup>                                                                                                                 | 3,399       | 1,150       |
| Theaters, concerts, athletic contests, etc.:                                                                                                          |             |             |
| Admissions, 1 cent for each 10 cents or major fraction thereof of the amount paid in excess of \$1                                                    | 313         | 73          |
| Ticket brokers' sales, 10 percent of amounts in excess of box office price                                                                            | 6           | 2           |
| Leases of boxes or seats, 10 percent of the amount for which similar accommodations are sold                                                          | 1           | (*)         |
| Admissions sold by proprietors in excess of established price, 50 percent of such excess                                                              | 37          | 1           |
| Roof gardens, cabarets, etc., 10 percent of total paid for admissions, services, etc.                                                                 | 3,041       | 1,074       |
| Club dues and initiation fees, 20 percent (if dues or fees are in excess of \$10 year) <sup>34</sup>                                                  | 1,825       | 1,536       |
| Telephones, wire mileage, etc., services, 10 percent; wire and equipment services, 8 percent <sup>34</sup>                                            | 1,101,893   | 1,105,478   |
| Transportation of—                                                                                                                                    |             |             |
| Oil by pipeline, 4½ percent; repealed effective Aug. 1, 1958                                                                                          | (*)         | (*)         |
| Persons, 10 percent; repealed, effective Nov. 16, 1962, except on air transportation which was reduced to 5 percent                                   | 170,323     | 199,274     |
| Property, 3 percent of amount paid, except coal which is 4 cents per ton; repealed, effective Aug. 1, 1958                                            | 31          | 30          |
| Use of safe deposit boxes, 10 percent <sup>35</sup>                                                                                                   | 33          | -7          |
| Coconut and other vegetable oils processed, 2 cents per pound repealed, effective Aug. 31, 1963                                                       | (*)         | 1           |
| Sugar, approximately ¼ cent per pound                                                                                                                 | 104,203     | 102,270     |
| Diesel and special motor fuels, 4 cents per gallon (in some instances 2 cents per gallon)                                                             | 182,147     | 201,918     |
| Narcotics and marihuana, total <sup>36</sup>                                                                                                          | 1,340       | 1,615       |
| Narcotics                                                                                                                                             | 1,163       | 1,300       |
| Marihuana                                                                                                                                             | 177         | 315         |
| Coin-operated amusement devices \$10 per device, per year, bowling alleys, pool tables, etc., \$20 per alley or table, per year <sup>37</sup>         | 93          | 57          |
| Coin-operated gaming devices, \$250 per device per year                                                                                               | 16,680      | 14,806      |
| Wagering taxes                                                                                                                                        |             |             |
| Occupational tax, \$50 per year                                                                                                                       | 572         | 416         |
| Wagers, 10 percent of amount wagered                                                                                                                  | 5,624       | 4,695       |
| Use tax on highway vehicles weighing over 26,000 pounds, \$3 per 1,000 pounds per year (installment privileges permitted)                             | 108,178     | 108,918     |
| Adulterated butter and filled cheese (imported and domestic); process or renovated butter and imported oleomargarine <sup>37</sup>                    | 7           | 2           |
| Firearms transfer and occupational taxes <sup>38</sup>                                                                                                | 73          | 84          |
| Interest equalization                                                                                                                                 | 19,898      | 98,143      |
| Foreign insurance                                                                                                                                     | 15,762      | 18,457      |
| Unclassified excise taxes                                                                                                                             | 675,967     | 286,480     |

See footnotes on p. 108.

**Table 4.—Internal revenue collections by principal sources, fiscal years 1940 through 1968**

[In thousands of dollars]

| Fiscal year ended June 30 | Total internal revenue collections | Income and profits taxes |                                                   |                                      | Employment taxes <sup>2</sup> | Estate and gift taxes | Alcohol taxes <sup>6</sup> | Tobacco taxes <sup>8</sup> | Manufacturers' excise taxes | All other taxes |
|---------------------------|------------------------------------|--------------------------|---------------------------------------------------|--------------------------------------|-------------------------------|-----------------------|----------------------------|----------------------------|-----------------------------|-----------------|
|                           |                                    | Total                    | Corporation income and profits taxes <sup>3</sup> | Individual income taxes <sup>3</sup> |                               |                       |                            |                            |                             |                 |
|                           | (1)                                | (2)                      | (3)                                               | (4)                                  | (5)                           | (6)                   | (7)                        | (8)                        | (9)                         | (10)            |
| 1940                      | 5,340,452                          | 2,129,609                | 1,147,592                                         | 982,017                              | 833,521                       | 360,071               | 624,253                    | 608,518                    | 447,088                     | 337,392         |
| 1941                      | 7,370,108                          | 3,471,124                | 2,053,469                                         | 1,417,655                            | 925,856                       | 407,058               | 820,056                    | 698,077                    | 617,373                     | 430,564         |
| 1942                      | 13,047,869                         | 8,006,884                | 4,744,083                                         | 3,262,800                            | 1,185,362                     | 432,540               | 1,048,517                  | 780,982                    | 771,902                     | 821,682         |
| 1943                      | 22,371,386                         | 16,298,888               | 9,668,956                                         | 6,629,932                            | 1,498,705                     | 447,496               | 1,423,646                  | 923,857                    | 504,746                     | 1,274,048       |
| 1944                      | 40,121,760                         | 33,027,802               | 14,766,796                                        | 18,261,005                           | 1,738,372                     | 511,210               | 1,618,778                  | 988,483                    | 503,462                     | 1,733,655       |
| 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       |
| 1946                      | 40,672,097                         | 31,258,138               | 12,553,602                                        | 18,704,536                           | 1,700,828                     | 676,832               | 2,526,165                  | 1,165,519                  | 922,671                     | 2,421,944       |
| 1947                      | 39,108,386                         | 29,019,756               | 9,676,459                                         | 19,343,297                           | 2,024,365                     | 779,291               | 2,474,762                  | 1,237,768                  | 1,425,260                   | 2,147,184       |
| 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       |
| 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       |
| 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       |
| 1951                      | 50,445,686                         | 37,384,879               | 14,387,569                                        | 22,997,309                           | 3,627,479                     | 729,730               | 2,546,808                  | 1,380,396                  | 2,383,677                   | 2,392,719       |
| 1952                      | 65,009,586                         | 50,741,017               | 21,466,910                                        | 29,274,107                           | 4,464,264                     | 833,147               | 2,549,120                  | 1,565,162                  | 2,348,943                   | 2,507,933       |
| 1953                      | 69,686,535                         | 54,130,732               | 21,594,515                                        | 32,536,217                           | 4,718,403                     | 891,284               | 2,780,925                  | 1,654,811                  | 2,862,788                   | 2,647,492       |
| 1954                      | 69,919,991                         | 54,360,014               | 21,546,320                                        | 32,813,691                           | 5,107,623                     | 935,121               | 2,783,012                  | 1,580,229                  | 2,699,133                   | 2,464,859       |
| 1955                      | 66,288,692                         | 49,914,826               | 18,264,722                                        | 31,650,106                           | 6,219,665                     | 936,267               | 2,742,840                  | 1,571,213                  | 2,856,016                   | 2,018,866       |
| 1956                      | 75,112,649                         | 56,636,164               | 21,298,522                                        | 35,337,642                           | 7,295,784                     | 1,171,237             | 2,920,574                  | 1,613,487                  | 3,456,013                   | 2,019,380       |
| 1957                      | 80,171,971                         | 60,560,425               | 21,530,653                                        | 39,029,772                           | 7,580,522                     | 1,377,989             | 2,973,195                  | 1,674,050                  | 3,761,925                   | 2,243,856       |
| 1958                      | 79,978,476                         | 59,101,874               | 20,533,316                                        | 38,568,559                           | 8,644,386                     | 1,410,925             | 2,946,461                  | 1,734,021                  | 3,974,135                   | 2,166,675       |
| 1959                      | 79,797,973                         | 58,826,254               | 18,091,509                                        | 40,734,744                           | 8,893,744                     | 1,352,982             | 3,002,096                  | 1,806,816                  | 3,958,789                   | 1,997,292       |
| 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       |
| 1961                      | 94,401,086                         | 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       |
| 1962                      | 99,440,839                         | 71,945,305               | 21,295,711                                        | 50,649,594                           | 12,708,171                    | 2,035,187             | 3,341,282                  | 2,025,736                  | 5,120,340                   | 2,264,817       |
| 1963                      | 105,929,395                        | 75,323,714               | 22,336,134                                        | 52,987,581                           | 15,004,486                    | 2,187,457             | 3,441,656                  | 2,079,237                  | 5,610,309                   | 2,278,536       |
| 1964                      | 112,260,257                        | 78,891,218               | 24,300,863                                        | 54,590,354                           | 17,002,504                    | 2,416,303             | 3,577,499                  | 2,092,545                  | 6,020,543                   | 2,299,645       |
| 1965                      | 114,434,634                        | 79,792,016               | 26,131,334                                        | 53,660,683                           | 17,104,306                    | 2,745,532             | 3,772,634                  | 2,148,594                  | 6,418,145                   | 2,453,406       |
| 1966                      | 128,879,961                        | 92,131,794               | 30,834,243                                        | 61,297,552                           | 20,256,133                    | 3,093,922             | 3,814,378                  | 2,073,956                  | 5,613,869                   | 1,895,909       |
| 1967                      | 148,374,815                        | 104,288,420              | 34,917,825                                        | 69,370,595                           | 26,958,241                    | 3,014,406             | 4,075,723                  | 2,079,869                  | 5,478,347                   | 2,479,809       |
| 1968                      | 153,636,838                        | 108,021,345              | 29,896,520                                        | 78,124,825                           | 28,213,118                    | 3,081,979             | 4,287,237                  | 2,122,277                  | 5,713,973                   | 2,196,909       |

**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.

\* Less than \$500.

<sup>†</sup> Revised.

<sup>1</sup> 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.

<sup>2</sup> Includes tax on unrelated business income of exempt organizations.

<sup>3</sup> Collections of individual income tax not withheld include old-age, survivors, disability, and hospital insurance taxes on self-employment income. Similarly, the collections of income tax withheld are reported in combined amounts with old-age, survivors, disability, and hospital insurance taxes on salaries and wages. Estimated separate national totals for individual income tax and for old-age, survivors, disability, and hospital insurance taxes are shown in the text table on p. 11 and are used in obtaining national totals for individual income taxes and employment taxes in table 4.

<sup>4</sup> 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.

<sup>5</sup> 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 630, approved Aug. 1, 1950 (64 Stat. 392). This adjustment amounted to \$7,114,091.64 for 1968.

<sup>6</sup> Tax payments made to banks, under the depository receipts system or the Federal tax deposit system, are included in the internal revenue collections for the period in which the depository receipts are issued or the Federal tax deposit is purchased. However, such payments are not classified by internal revenue districts (nor by tax subclasses to which excise tax payments relate) until the depository receipts are received with tax returns or until the Federal tax deposit payment is applied to the taxpayer's liability in the internal revenue offices. Accordingly, the items shown as "Undistributed Federal tax deposits and depository receipts" represent the amount of Federal tax deposit forms purchased but not yet applied to the taxpayer's liability and the amount of depository receipts issued, less the amount of depository receipts received with returns and distributed by district and tax subclass.

<sup>7</sup> Represents credits allowable on income tax returns for certain gasoline and lubricating oil tax payments and for excess payments under the Federal Insurance Contributions Act (FICA).

<sup>8</sup> Amounts of internal revenue taxes collected on Puerto Rican products transported to the United States or consumed in the island (less refunds, drawbacks, and expenses) are covered into the Treasury of Puerto Rico under provisions of secs. 7652(a)(3) and 5314(a)(4) of the Internal Revenue Code of 1954. The gross amounts are included in overall collections results (tables 1 through 4), beginning with 1955 and are shown separately in table 7.

<sup>9</sup> Includes occupational tax on manufacturers of stills, rectifiers, wholesale liquor dealers, retail dealers in liquor or medicinal spirits, and nonbeverage manufacturers of spirits.

<sup>10</sup> Includes seizures, penalties, etc., and tax on stills or condensers manufactured.



Footnotes for tables 1-4—Continued

<sup>11</sup> Includes occupational taxes on wholesale and retail dealers in wines or in wines and beer.

<sup>12</sup> Includes occupational taxes on brewers and wholesale and retail beer dealers.

<sup>13</sup> Includes taxes on cigarette papers and tubes. Also includes court fines, penalties, and taxes on leaf tobacco sold or removed in violation of sec. 5731, Internal Revenue Code; and manufactured tobacco, repealed effective Jan. 1, 1966 (Public Law 89-44).

<sup>14</sup> Includes stamp taxes on deeds of conveyances, repealed effective Jan. 1, 1968, issues and transfers of bonds of indebtedness or capital stock, repealed Jan. 1, 1966, playing cards, repealed June 22, 1965, and silver bullion, repealed June 5, 1963.

<sup>15</sup> Includes taxes on fishing equipment, and taxes on the following items which were repealed by Public Law 89-44: Phonograph records; musical instruments; sporting goods (except fishing equipment); business and store machines; cameras, lenses, film, and projectors; electric light bulbs, and tubes; mechanical pencils, pens, and lighters; matches; radio and television sets, phonographs, components, etc.; refrigerators, freezers, air-conditioners, etc.; electric, gas and oil appliances.

<sup>16</sup> Includes taxes on luggage, jewelry, furs, toilet preparations; repealed effective June 22, 1965 (Public Law 89-44).

<sup>17</sup> Transportation of persons: Rate 10 percent, repealed effective Nov. 16, 1962, except on air transportation which was reduced to 5 percent.

<sup>18</sup> Includes taxes on adulterated butter and filled cheese (imported and domestic), process or renovated butter and imported oleomargarine; firearms transfer; and occupational taxes. Includes taxes on the following items which were repealed by Public Law 89-44: Club dues and initiation fees; coin-operated amusement devices; bowling alleys, pool tables, etc.; and use of safety deposit boxes. Also includes taxes on coconut and other vegetable oils processed (repealed effective Aug. 31, 1963) and transportation of property and oil by pipeline (repealed effective Aug. 1, 1958).

<sup>19</sup> Corporation income tax rates: Effective Jan. 1, 1965, first \$25,000 of net income normal tax of 22 percent; net income in excess of \$25,000 combined normal and surtax of 48 percent. Normal tax and surtax also apply to net income derived by certain exempt organizations from unrelated trade or business.

<sup>20</sup> Rates of tax are as follows: Individual income tax: Effective Jan. 1, 1965, graduated rates from 14 percent on taxable income not over \$500 to 70 percent on amounts of taxable income over \$100,000. Old-age, survivors, disability, and hospital insurance taxes on self-employment taxable income, 6.4 percent for taxable year 1967 on income through \$6,600 and 6.4 percent for taxable year 1968 on income through \$7,800.

<sup>21</sup> Rates of tax are as follows: Income tax withheld: Effective July 1, 1967, graduated withholding, 14 percent to 33 percent of wages in excess of exemptions (Public Law 89-368). Old-age, survivors, and disability insurance taxes, and hospital insurance taxes on salaries and wages: Employers' and employees' tax each, 4.4 percent (3.9 percent for old-age, survivors, and disability insurance plus 0.5 percent for hospital insurance benefits), effective Jan. 1, 1967. For taxable year 1968, a combined tax rate of 4.4 percent (3.8 percent for social security and 0.6 percent for hospital insurance) applies. For 1967 the tax applies to wages up to \$6,600 and for 1968 the tax applies to wages up to \$7,800 paid by the employer and received by the employee.

<sup>22</sup> Includes railroad employment compensation tax 8.65 percent for calendar year 1967, and 8.90 percent for calendar year 1968. Tax applies to employers and employees, both imposed on taxable portion of wages.

<sup>23</sup> Effective Oct. 31, 1966, includes (a) a tax on income of each employee representative equal to 2 cents per man-hour for which compensation is paid to him; and (b) a tax imposed on each employer equal to 2 cents for each man-hour for which compensation is paid to employees.

<sup>24</sup> Railroad employees representative tax, 17.3 percent for calendar year 1967 and 17.8 percent for calendar year 1968, on taxable portion of wages.

<sup>25</sup> Repealed, effective Jan. 1, 1966 (Public Law 89-44).

<sup>26</sup> Issues and transfers of stocks and bonds, repealed, effective Jan. 1, 1966. Sales by directors for fiscal year 1966 includes tax on foreign insurance policies (1 percent or 4 cents per \$1 of premium) payable by return on and after Jan. 1, 1966. Deeds of conveyances; \$100 to \$500, 55 cents; each additional \$500 or fraction thereof, 55 cents; repealed effective Jan. 1, 1968.

<sup>27</sup> Repealed, effective June 22, 1965 (Public Law 89-44).

<sup>28</sup> Cutting oil, repealed Jan. 1, 1966 (Public Law 89-44).

<sup>29</sup> Rate 10 percent through May 14, 1965; 7 percent from May 15, 1965, through Dec. 31, 1965; 6 percent, Jan. 1, 1966, through Mar. 15, 1966 (Public Law 89-44). Under the Tax Adjustment Act of 1966, rate restored to 7 percent effective Mar. 16, 1966 (Public Law 89-368). The rate scheduled to drop to 2 percent on April 1, 1968, but was continued at 7 percent to April 30 1968, by Joint Resolution (Public Law 90-285). Under the Revenue and Expenditure Control Act of June 28, 1968 (Public Law 90-364) rate restored retroactively, to 7 percent.

<sup>30</sup> Automobile parts and accessories (except truck parts), repealed, effective Jan. 1, 1966 (Public Law 89-44).

<sup>31</sup> Air conditioners, repealed, effective May 15, 1965. Refrigerators and freezers, repealed, effective June 22, 1965 (Public Law 89-44).

<sup>32</sup> Sales of light bulbs for incorporation in articles upon which the manufacturer's tax was repealed effective June 22, 1965 (e.g., refrigerators), are free of tax on and after such date. Tax on all other light bulbs and tubes, repealed, effective Jan. 1, 1966 (Public Law 89-44).

<sup>33</sup> Repealed, effective noon, Dec. 31, 1965 (Public Law 89-44).

<sup>34</sup> General and toll telephone and teletypewriter service reduced to 3 percent, effective Jan. 1, 1966. Private communications service, telegraph service, and wire equipment service, repealed, effective Jan. 1, 1966 (Public Law 89-44). For general and toll telephone service and for teletypewriter exchange service, the rate of tax on amounts paid on bills first rendered on or after Apr. 1, 1966, for services rendered after Jan. 31, 1966, is increased from 3 to 10 percent of the amount paid (Public Law 89-368). For general and toll telephone service and for teletypewriter exchange service, the rate of tax was scheduled to be reduced from 10 percent to 1 percent on amounts paid on bills first rendered on or after April 1, 1968. By joint resolution (Public Law 90-285) the 10 percent rate was continued to April 30, 1968. Under the Revenue and Expenditure Control Act of June 28, 1968 (Public Law 90-364) rate restored retroactively to 10 percent.

<sup>35</sup> Repealed effective July 1, 1965 (Public Law 89-44).

<sup>36</sup> 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.

<sup>37</sup> 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.

<sup>38</sup> 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.

<sup>39</sup> Negative figures (excluding unapplied collections and undistributed depository receipts) stem primarily from floor stock credits taken on certain taxes repealed by the Excise Tax Reduction Act of 1965.

**Table 5.—Internal revenue refunds, including interest**

*Section 6611*

[In thousands of dollars]

| Internal revenue regions, districts, States, and other areas<br><br>(States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | Total<br>(1)      | Corporation income<br>(2) | Individual income and employment taxes |                | Estate<br>(5) | Gift<br>(6)  | Excise <sup>1</sup><br>(7) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------|----------------------------------------|----------------|---------------|--------------|----------------------------|
|                                                                                                                                                                                         |                   |                           | Excessive prepayments<br>(3)           | Other<br>(4)   |               |              |                            |
| <b>United States, total<sup>2</sup></b>                                                                                                                                                 | <b>11,420,617</b> | <b>1,313,389</b>          | <b>9,515,085</b>                       | <b>514,003</b> | <b>33,858</b> | <b>1,229</b> | <b>1,242,223</b>           |
| <b>North-Atlantic Region</b>                                                                                                                                                            | <b>1,635,927</b>  | <b>310,698</b>            | <b>1,445,706</b>                       | <b>45,053</b>  | <b>7,634</b>  | <b>155</b>   | <b>30,680</b>              |
| Albany (See (c) below)                                                                                                                                                                  | 78,980            | 3,085                     | 74,046                                 | 1,288          | 229           | 6            | 326                        |
| Augusta (Maine)                                                                                                                                                                         | 40,687            | 2,102                     | 37,698                                 | 647            | 162           | 3            | 75                         |
| Boston (Massachusetts)                                                                                                                                                                  | 334,116           | 45,215                    | 277,265                                | 6,145          | 1,050         | 12           | 4,429                      |
| Brooklyn (See (c) below)                                                                                                                                                                | 362,924           | 16,376                    | 332,055                                | 6,779          | 1,699         | 8            | 6,008                      |
| Buffalo (See (c) below)                                                                                                                                                                 | 248,736           | 11,261                    | 231,376                                | 2,985          | 681           | 27           | 2,406                      |
| Burlington (Vermont)                                                                                                                                                                    | 16,442            | 480                       | 15,599                                 | 352            | 31            | 14           | 7                          |
| Hartford (Connecticut)                                                                                                                                                                  | 187,195           | 11,561                    | 165,272                                | 3,868          | 831           | 25           | 5,639                      |
| Manhattan (See (c) below)                                                                                                                                                               | 485,021           | 214,087                   | 235,140                                | 21,278         | 2,744         | 57           | 11,715                     |
| Portsmouth (New Hampshire)                                                                                                                                                              | 35,423            | 2,620                     | 31,987                                 | 713            | 81            | 5            | 17                         |
| Providence (Rhode Island)                                                                                                                                                               | 50,404            | 3,912                     | 45,308                                 | 999            | 127           | 29           | 58                         |
| <b>Mid-Atlantic Region</b>                                                                                                                                                              | <b>1,622,530</b>  | <b>194,141</b>            | <b>1,357,325</b>                       | <b>23,274</b>  | <b>7,292</b>  | <b>2</b>     | <b>40,473</b>              |
| Baltimore (Maryland and D.C.)                                                                                                                                                           | 297,086           | 26,336                    | 252,074                                | 3,999          | 705           | 3            | 13,970                     |
| Newark (New Jersey)                                                                                                                                                                     | 411,811           | 30,471                    | 359,645                                | 5,554          | 1,041         | 2            | 15,098                     |
| Philadelphia (See (a) below)                                                                                                                                                            | 403,720           | 59,216                    | 330,940                                | 5,356          | 1,170         | 23           | 7,014                      |
| Pittsburgh (See (a) below)                                                                                                                                                              | 270,421           | 52,417                    | 212,275                                | 4,176          | 384           | 1            | 1,167                      |
| Richmond (Virginia)                                                                                                                                                                     | 206,852           | 21,761                    | 178,613                                | 3,343          | 422           | 1            | 2,713                      |
| Wilmington (Delaware)                                                                                                                                                                   | 32,640            | 3,940                     | 23,778                                 | 842            | 3,569         | 83           | 510                        |
| <b>Southeast Region</b>                                                                                                                                                                 | <b>980,456</b>    | <b>81,598</b>             | <b>884,492</b>                         | <b>22,267</b>  | <b>3,360</b>  | <b>93</b>    | <b>8,646</b>               |
| Atlanta (Georgia)                                                                                                                                                                       | 167,252           | 12,505                    | 146,194                                | 4,734          | 273           | 8            | 3,538                      |
| Birmingham (Alabama)                                                                                                                                                                    | 115,496           | 6,713                     | 105,790                                | 2,655          | 217           | 5            | 117                        |
| Columbia (South Carolina)                                                                                                                                                               | 77,739            | 5,832                     | 70,356                                 | 1,162          | 282           | 18           | 88                         |
| Greensboro (North Carolina)                                                                                                                                                             | 159,908           | 20,603                    | 133,469                                | 2,529          | 474           | 12           | 2,822                      |
| Jackson (Mississippi)                                                                                                                                                                   | 54,582            | 3,238                     | 49,852                                 | 1,271          | 56            | 10           | 155                        |
| Jacksonville (Florida)                                                                                                                                                                  | 270,212           | 17,894                    | 242,794                                | 6,937          | 1,763         | 30           | 792                        |
| Nashville (Tennessee)                                                                                                                                                                   | 135,266           | 14,814                    | 116,036                                | 2,979          | 295           | 8            | 1,133                      |
| <b>Central Region</b>                                                                                                                                                                   | <b>1,718,570</b>  | <b>267,733</b>            | <b>1,403,708</b>                       | <b>24,166</b>  | <b>2,586</b>  | <b>83</b>    | <b>20,294</b>              |
| Cincinnati (See (d) below)                                                                                                                                                              | 235,380           | 20,570                    | 207,213                                | 3,455          | 513           | 18           | 3,611                      |
| Cleveland (See (d) below)                                                                                                                                                               | 363,840           | 27,478                    | 328,380                                | 5,684          | 909           | 30           | 1,359                      |
| Detroit (Michigan)                                                                                                                                                                      | 681,754           | 189,771                   | 474,553                                | 8,290          | 393           | 31           | 8,715                      |
| Indianapolis (Indiana)                                                                                                                                                                  | 263,347           | 21,392                    | 233,765                                | 3,371          | 328           | 3            | 4,488                      |
| Louisville (Kentucky)                                                                                                                                                                   | 108,096           | 4,506                     | 98,549                                 | 2,703          | 292           | 3            | 2,045                      |
| Parkersburg (West Virginia)                                                                                                                                                             | 66,154            | 4,015                     | 61,248                                 | 662            | 152           | 3            | 76                         |
| <b>Midwest Region</b>                                                                                                                                                                   | <b>1,540,431</b>  | <b>168,796</b>            | <b>1,307,531</b>                       | <b>39,715</b>  | <b>4,476</b>  | <b>409</b>   | <b>19,508</b>              |
| Aberdeen (South Dakota)                                                                                                                                                                 | 20,561            | 1,065                     | 18,579                                 | 779            | 81            | 2            | 68                         |
| Chicago (See (b) below)                                                                                                                                                                 | 544,792           | 64,995                    | 455,749                                | 14,008         | 1,595         | 128          | 8,318                      |
| Des Moines (Iowa)                                                                                                                                                                       | 115,432           | 6,666                     | 103,649                                | 4,313          | 324           | 5            | 475                        |
| Fargo (North Dakota)                                                                                                                                                                    | 18,695            | 540                       | 17,147                                 | 931            | 38            | 3            | 38                         |
| Milwaukee (Wisconsin)                                                                                                                                                                   | 215,660           | 29,438                    | 181,011                                | 3,795          | 554           | 23           | 839                        |
| Omaha (Nebraska)                                                                                                                                                                        | 61,954            | 7,426                     | 52,054                                 | 1,958          | 333           | 6            | 176                        |
| St. Louis (Missouri)                                                                                                                                                                    | 233,006           | 23,906                    | 195,207                                | 5,586          | 921           | 222          | 7,163                      |
| St. Paul (Minnesota)                                                                                                                                                                    | 198,714           | 25,608                    | 166,424                                | 5,223          | 317           | 3            | 1,139                      |
| Springfield (See (b) below)                                                                                                                                                             | 131,618           | 9,152                     | 117,723                                | 3,122          | 313           | 20           | 1,289                      |
| <b>Southwest Region</b>                                                                                                                                                                 | <b>1,025,042</b>  | <b>112,962</b>            | <b>865,202</b>                         | <b>37,103</b>  | <b>4,160</b>  | <b>398</b>   | <b>5,265</b>               |
| Albuquerque (New Mexico)                                                                                                                                                                | 42,270            | 3,851                     | 36,786                                 | 1,527          | 65            | 2            | 41                         |
| Austin (See (f) below)                                                                                                                                                                  | 261,013           | 35,873                    | 211,815                                | 9,875          | 2,439         | 54           | 957                        |
| Cheyenne (Wyoming)                                                                                                                                                                      | 15,386            | 990                       | 13,389                                 | 633            | 179           | 159          | 35                         |
| Dallas (See (f) below)                                                                                                                                                                  | 208,815           | 28,567                    | 168,658                                | 9,253          | 667           | 46           | 1,624                      |
| Denver (Colorado)                                                                                                                                                                       | 109,791           | 8,192                     | 97,792                                 | 3,262          | 158           | 20           | 366                        |
| Little Rock (Arkansas)                                                                                                                                                                  | 55,677            | 4,957                     | 48,570                                 | 1,867          | 102           | 22           | 159                        |
| New Orleans (Louisiana)                                                                                                                                                                 | 141,305           | 14,963                    | 121,608                                | 4,129          | 257           | 5            | 343                        |
| Oklahoma City (Oklahoma)                                                                                                                                                                | 100,540           | 10,235                    | 85,043                                 | 3,733          | 113           | 3            | 1,413                      |
| Wichita (Kansas)                                                                                                                                                                        | 90,246            | 5,335                     | 81,541                                 | 2,824          | 180           | 40           | 327                        |
| <b>Western Region</b>                                                                                                                                                                   | <b>2,264,437</b>  | <b>172,646</b>            | <b>2,018,687</b>                       | <b>56,642</b>  | <b>3,718</b>  | <b>111</b>   | <b>12,631</b>              |
| Anchorage (Alaska)                                                                                                                                                                      | 24,456            | 728                       | 22,881                                 | 724            | 1             | 1            | 122                        |
| Boise (Idaho)                                                                                                                                                                           | 40,241            | 11,295                    | 27,620                                 | 1,169          | 31            | 9            | 25                         |
| Helena (Montana)                                                                                                                                                                        | 28,486            | 1,068                     | 26,343                                 | 994            | 47            | 2            | 48                         |
| Honolulu (Hawaii)                                                                                                                                                                       | 49,302            | 6,777                     | 41,718                                 | 687            | 69            | 2            | 2,702                      |
| Los Angeles (See (a) below)                                                                                                                                                             | 1,071,620         | 83,156                    | 958,034                                | 26,095         | 1,584         | 49           | 56                         |
| Phoenix (Arizona)                                                                                                                                                                       | 84,347            | 4,759                     | 77,439                                 | 1,916          | 171           | 6            | 113                        |
| Portland (Oregon)                                                                                                                                                                       | 106,144           | 9,626                     | 93,383                                 | 2,842          | 176           | 3            | 25                         |
| Reno (Nevada)                                                                                                                                                                           | 39,546            | 3,471                     | 35,267                                 | 753            | 29            | 34           | 55                         |
| Salt Lake City (Utah)                                                                                                                                                                   | 55,443            | 3,109                     | 51,443                                 | 802            | 34            | 3            | 8,694                      |
| San Francisco (See (a) below)                                                                                                                                                           | 573,903           | 38,835                    | 508,915                                | 16,196         | 1,229         | 34           | 663                        |
| Seattle (Washington)                                                                                                                                                                    | 190,949           | 9,823                     | 175,645                                | 4,463          | 346           | 8            | 18                         |
| <b>Office of International Operations</b>                                                                                                                                               | <b>64,798</b>     | <b>4,834</b>              | <b>52,433</b>                          | <b>3,872</b>   | <b>661</b>    | <b>(*)</b>   | <b>2</b>                   |
| Puerto Rico                                                                                                                                                                             | 8,650             | 17                        | 8,142                                  | 489            | (*)           | (*)          | 16                         |
| Other                                                                                                                                                                                   | 53,148            | 4,797                     | 44,291                                 | 3,383          | 660           |              | 102,737                    |
| <b>Gasoline, lubricating oil and excess FICA credits<sup>4</sup></b>                                                                                                                    | <b>365,452</b>    |                           |                                        | <b>262,715</b> |               |              | <b>1,974</b>               |
| <b>Bureau of Customs</b>                                                                                                                                                                | <b>1,974</b>      |                           |                                        |                |               |              |                            |
| Totals for States not shown above                                                                                                                                                       |                   |                           |                                        |                |               |              |                            |
| (a) California                                                                                                                                                                          | 1,645,523         | 121,991                   | 1,466,949                              | 42,292         | 2,813         | 83           | 11,396                     |
| (b) Illinois                                                                                                                                                                            | 676,410           | 74,147                    | 573,472                                | 17,130         | 1,909         | 147          | 9,606                      |
| (c) New York                                                                                                                                                                            | 1,175,660         | 244,809                   | 872,609                                | 32,330         | 5,352         | 96           | 20,456                     |
| (d) Ohio                                                                                                                                                                                | 599,220           | 48,048                    | 535,593                                | 9,139          | 1,422         | 24           | 4,970                      |
| (e) Pennsylvania                                                                                                                                                                        | 674,141           | 111,633                   | 543,215                                | 9,532          | 1,555         | 48           | 8,181                      |
| (f) Texas                                                                                                                                                                               | 469,828           | 64,440                    | 380,473                                | 19,128         | 3,106         | 100          | 2,581                      |

\*Less than \$500.

<sup>1</sup> Includes drawbacks.

<sup>2</sup> Figures have not been reduced to reflect reimbursements from the Federal Old Age and Survivors, Federal Disability and Federal Hospital Insurance Trust Funds amounting to \$262,715,000 in 1968 and \$282,156,250 in 1967; from the Highway Trust Fund amounting to \$114,387,000 in 1968 and \$211,507,037 in 1967; and from the Unemployment Trust Fund amounting to \$5,829,000 in 1968 and \$5,971,809 in 1967.

<sup>3</sup> Net of 165,809 undeliverable checks deposited totaling \$24,137,000.

<sup>4</sup> Represents credits allowable on income tax returns for certain gasoline and lubricating oil tax payments and for excess Social Security payments under the Federal Insurance Contribution Act (FICA).



**Table 6.—Number of returns filed, by internal revenue regions, districts, States, and other areas**

| Internal revenue regions, districts, States, and other areas<br>(States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | Total<br>(1)       | Individual income tax <sup>1</sup><br>(2) | Corporation income tax<br>(3) | Partnership<br>(4) | Declaration of estimated tax and all other income taxes<br>(5) | Employment taxes<br>(6) | Estate tax<br>(7) | Gift tax<br>(8) | Excise taxes<br>(9) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------------|-------------------------------|--------------------|----------------------------------------------------------------|-------------------------|-------------------|-----------------|---------------------|
| <b>United States, total</b>                                                                                                                                                         | <b>107,645,062</b> | <b>72,793,517</b>                         | <b>1,622,605</b>              | <b>1,001,557</b>   | <b>6,090,172</b>                                               | <b>22,322,720</b>       | <b>119,272</b>    | <b>138,514</b>  | <b>1,556,705</b>    |
| <b>North-Atlantic Region</b>                                                                                                                                                        | <b>17,847,830</b>  | <b>11,774,143</b>                         | <b>427,741</b>                | <b>146,325</b>     | <b>1,516,983</b>                                               | <b>3,794,434</b>        | <b>22,997</b>     | <b>28,403</b>   | <b>226,804</b>      |
| Albany (See (c) below)                                                                                                                                                              | 991,493            | 674,181                                   | 16,919                        | 8,517              | 73,302                                                         | 195,784                 | 1,577             | 1,384           | 19,829              |
| Augusta (Maine)                                                                                                                                                                     | 554,691            | 371,781                                   | 7,574                         | 3,268              | 39,418                                                         | 121,747                 | 1,635             | 1,587           | 9,731               |
| Boston (Massachusetts)                                                                                                                                                              | 3,256,063          | 2,243,620                                 | 67,482                        | 16,053             | 285,773                                                        | 601,028                 | 4,065             | 4,895           | 33,147              |
| Brooklyn (See (c) below)                                                                                                                                                            | 3,835,070          | 2,674,810                                 | 94,696                        | 31,307             | 271,971                                                        | 712,690                 | 4,811             | 3,482           | 41,203              |
| Buffalo (See (c) below)                                                                                                                                                             | 2,423,705          | 1,722,572                                 | 36,024                        | 19,056             | 182,857                                                        | 422,081                 | 3,811             | 2,553           | 34,751              |
| Burlington (Vermont)                                                                                                                                                                | 256,834            | 163,838                                   | 3,983                         | 2,160              | 19,193                                                         | 63,315                  | 343               | 347             | 4,755               |
| Hartford (Connecticut)                                                                                                                                                              | 1,815,501          | 1,240,076                                 | 32,579                        | 15,763             | 169,367                                                        | 328,134                 | 1,889             | 3,715           | 23,978              |
| Manhattan (See (c) below)                                                                                                                                                           | 3,768,903          | 2,034,847                                 | 148,723                       | 44,926             | 413,828                                                        | 1,062,202               | 4,954             | 10,174          | 49,249              |
| Portsmouth (New Hampshire)                                                                                                                                                          | 417,451            | 282,855                                   | 6,940                         | 2,588              | 22,509                                                         | 96,581                  | 490               | 603             | 4,953               |
| Providence (Rhode Island)                                                                                                                                                           | 528,119            | 365,563                                   | 12,821                        | 2,687              | 39,765                                                         | 100,872                 | 490               | 713             | 5,208               |
| <b>Mid-Atlantic Region</b>                                                                                                                                                          | <b>15,797,973</b>  | <b>10,843,178</b>                         | <b>228,566</b>                | <b>125,998</b>     | <b>1,189,986</b>                                               | <b>3,099,525</b>        | <b>17,430</b>     | <b>17,768</b>   | <b>197,966</b>      |
| Baltimore (Maryland and D.C.)                                                                                                                                                       | 2,726,234          | 1,902,157                                 | 35,835                        | 21,104             | 182,885                                                        | 546,049                 | 2,750             | 2,889           | 32,565              |
| Newark (New Jersey)                                                                                                                                                                 | 4,023,930          | 2,725,955                                 | 85,542                        | 36,150             | 323,078                                                        | 797,178                 | 4,919             | 5,531           | 45,577              |
| Philadelphia (See (e) below)                                                                                                                                                        | 4,066,792          | 2,791,687                                 | 48,646                        | 32,964             | 353,014                                                        | 783,073                 | 4,181             | 4,394           | 48,833              |
| Pittsburgh (See (e) below)                                                                                                                                                          | 2,307,568          | 1,660,747                                 | 23,253                        | 16,114             | 163,351                                                        | 408,842                 | 2,951             | 2,239           | 30,071              |
| Richmond (Virginia)                                                                                                                                                                 | 2,282,470          | 1,566,598                                 | 29,264                        | 17,528             | 136,295                                                        | 491,781                 | 1,909             | 2,152           | 36,943              |
| Wilmington (Delaware)                                                                                                                                                               | 299,979            | 196,034                                   | 6,046                         | 2,038              | 27,363                                                         | 63,606                  | 420               | 555             | 3,917               |
| <b>Southeast Region</b>                                                                                                                                                             | <b>13,476,320</b>  | <b>8,847,839</b>                          | <b>188,749</b>                | <b>107,743</b>     | <b>807,183</b>                                                 | <b>3,243,306</b>        | <b>10,620</b>     | <b>16,519</b>   | <b>168,349</b>      |
| Atlanta (Georgia)                                                                                                                                                                   | 2,137,113          | 1,406,444                                 | 26,838                        | 14,114             | 111,435                                                        | 547,839                 | 1,339             | 2,702           | 26,402              |
| Birmingham (Alabama)                                                                                                                                                                | 1,492,915          | 999,543                                   | 15,620                        | 11,053             | 72,778                                                         | 369,652                 | 750               | 1,467           | 22,032              |
| Columbia (South Carolina)                                                                                                                                                           | 1,172,843          | 781,876                                   | 13,809                        | 8,105              | 64,236                                                         | 283,510                 | 550               | 947             | 19,810              |
| Greensboro (North Carolina)                                                                                                                                                         | 2,408,942          | 1,685,289                                 | 31,675                        | 19,997             | 132,527                                                        | 549,717                 | 1,711             | 2,672           | 27,354              |
| Jackson (Mississippi)                                                                                                                                                               | 874,317            | 559,561                                   | 9,549                         | 9,210              | 44,737                                                         | 232,430                 | 492               | 813             | 17,525              |
| Jacksonville (Florida)                                                                                                                                                              | 3,502,447          | 2,247,388                                 | 68,874                        | 26,760             | 282,194                                                        | 820,408                 | 4,561             | 6,123           | 46,139              |
| Nashville (Tennessee)                                                                                                                                                               | 1,882,343          | 1,277,818                                 | 19,384                        | 18,504             | 95,796                                                         | 441,753                 | 1,226             | 1,775           | 26,087              |
| <b>Central Region</b>                                                                                                                                                               | <b>14,980,478</b>  | <b>10,451,816</b>                         | <b>202,694</b>                | <b>120,366</b>     | <b>1,061,770</b>                                               | <b>2,770,677</b>        | <b>12,746</b>     | <b>15,063</b>   | <b>206,177</b>      |
| Cincinnati (See (d) below)                                                                                                                                                          | 2,127,980          | 1,468,451                                 | 27,740                        | 14,731             | 178,517                                                        | 407,075                 | 1,862             | 2,473           | 27,131              |
| Cleveland (See (d) below)                                                                                                                                                           | 3,306,855          | 2,324,112                                 | 55,213                        | 21,316             | 246,854                                                        | 610,253                 | 3,226             | 3,883           | 42,004              |
| Detroit (Michigan)                                                                                                                                                                  | 4,401,826          | 3,127,643                                 | 53,748                        | 33,698             | 328,054                                                        | 788,895                 | 2,997             | 4,201           | 62,590              |
| Indianapolis (Indiana)                                                                                                                                                              | 2,692,894          | 1,939,671                                 | 35,523                        | 19,924             | 182,711                                                        | 471,613                 | 2,874             | 2,415           | 38,163              |
| Louisville (Kentucky)                                                                                                                                                               | 1,514,716          | 1,027,780                                 | 18,844                        | 19,875             | 98,796                                                         | 325,358                 | 1,246             | 1,389           | 21,428              |
| Parkersburg (West Virginia)                                                                                                                                                         | 165,207            | 1,603,909                                 | 11,626                        | 10,828             | 46,838                                                         | 166,883                 | 541               | 722             | 14,860              |
| <b>Midwest Region</b>                                                                                                                                                               | <b>16,289,324</b>  | <b>11,099,487</b>                         | <b>222,059</b>                | <b>164,282</b>     | <b>1,293,033</b>                                               | <b>3,221,280</b>        | <b>24,784</b>     | <b>21,372</b>   | <b>243,027</b>      |
| Aberdeen (South Dakota)                                                                                                                                                             | 373,272            | 238,948                                   | 4,345                         | 5,806              | 22,246                                                         | 91,052                  | 590               | 601             | 9,684               |
| Chicago (See (b) below)                                                                                                                                                             | 4,767,512          | 3,347,461                                 | 69,045                        | 34,764             | 393,333                                                        | 863,965                 | 5,905             | 6,657           | 46,837              |
| Des Moines (Iowa)                                                                                                                                                                   | 1,536,136          | 1,043,254                                 | 18,748                        | 23,462             | 96,849                                                         | 320,824                 | 5,959             | 2,203           | 24,382              |
| Fargo (North Dakota)                                                                                                                                                                | 337,755            | 221,672                                   | 3,811                         | 5,107              | 18,212                                                         | 81,136                  | 482               | 507             | 6,828               |
| Milwaukee (Wisconsin)                                                                                                                                                               | 2,378,616          | 1,604,842                                 | 36,442                        | 20,233             | 213,194                                                        | 453,474                 | 2,737             | 2,829           | 44,865              |
| Omaha (Nebraska)                                                                                                                                                                    | 864,396            | 557,003                                   | 11,258                        | 11,740             | 67,075                                                         | 197,036                 | 1,745             | 2,181           | 16,358              |
| St. Louis (Missouri)                                                                                                                                                                | 2,455,413          | 1,650,154                                 | 39,177                        | 23,325             | 194,105                                                        | 507,562                 | 1,973             | 1,658           | 37,459              |
| St. Paul (Minnesota)                                                                                                                                                                | 1,983,477          | 1,356,684                                 | 25,173                        | 23,521             | 164,666                                                        | 372,565                 | 2,904             | 2,277           | 35,687              |
| Springfield (See (b) below)                                                                                                                                                         | 1,592,747          | 1,079,469                                 | 14,060                        | 16,324             | 123,353                                                        | 333,666                 | 2,489             | 2,459           | 20,927              |
| <b>Southwest Region</b>                                                                                                                                                             | <b>12,398,902</b>  | <b>8,117,412</b>                          | <b>146,745</b>                | <b>145,953</b>     | <b>854,351</b>                                                 | <b>2,893,390</b>        | <b>11,289</b>     | <b>18,220</b>   | <b>211,942</b>      |
| Albuquerque (New Mexico)                                                                                                                                                            | 463,548            | 313,978                                   | 4,989                         | 2,453              | 29,120                                                         | 104,189                 | 302               | 289             | 7,920               |
| Austin (See (f) below)                                                                                                                                                              | 3,122,403          | 2,091,868                                 | 29,806                        | 39,888             | 196,026                                                        | 707,016                 | 2,169             | 4,297           | 51,333              |
| Cheyenne (Wyoming)                                                                                                                                                                  | 214,384            | 136,730                                   | 3,018                         | 2,764              | 15,684                                                         | 50,856                  | 196               | 461             | 4,675               |
| Dallas (See (f) below)                                                                                                                                                              | 2,507,459          | 1,581,759                                 | 28,850                        | 40,726             | 184,933                                                        | 625,275                 | 2,620             | 3,751           | 39,545              |
| Denver (Colorado)                                                                                                                                                                   | 1,119,625          | 724,908                                   | 19,014                        | 15,434             | 95,306                                                         | 241,133                 | 1,259             | 1,916           | 20,655              |
| Little Rock (Arkansas)                                                                                                                                                              | 865,129            | 565,102                                   | 10,436                        | 2,248              | 51,751                                                         | 219,289                 | 524               | 1,178           | 14,601              |
| New Orleans (Louisiana)                                                                                                                                                             | 1,571,467          | 1,032,262                                 | 22,376                        | 13,558             | 97,993                                                         | 377,024                 | 829               | 1,471           | 26,014              |
| Oklahoma City (Oklahoma)                                                                                                                                                            | 1,274,340          | 841,688                                   | 15,878                        | 12,165             | 83,588                                                         | 292,279                 | 1,345             | 2,075           | 25,822              |
| Wichita (Kansas)                                                                                                                                                                    | 1,260,547          | 829,117                                   | 12,378                        | 16,317             | 99,950                                                         | 276,329                 | 2,045             | 2,534           | 21,377              |
| <b>Western Region</b>                                                                                                                                                               | <b>16,539,767</b>  | <b>11,212,664</b>                         | <b>206,634</b>                | <b>191,196</b>     | <b>1,332,541</b>                                               | <b>3,264,745</b>        | <b>18,232</b>     | <b>20,833</b>   | <b>283,922</b>      |
| Anchorage (Alaska)                                                                                                                                                                  | 114,680            | 80,938                                    | 2,023                         | 1,973              | 4,178                                                          | 23,602                  | 27                | 33              | 1,906               |
| Boise (Idaho)                                                                                                                                                                       | 362,639            | 235,367                                   | 5,215                         | 5,125              | 23,441                                                         | 84,047                  | 407               | 525             | 8,512               |
| Helena (Montana)                                                                                                                                                                    | 400,842            | 251,197                                   | 5,978                         | 4,912              | 28,233                                                         | 94,696                  | 762               | 1,110           | 13,954              |
| Honolulu (Hawaii)                                                                                                                                                                   | 887,150            | 265,451                                   | 6,599                         | 4,452              | 32,812                                                         | 71,023                  | 234               | 509             | 6,070               |
| Los Angeles (See (a) below)                                                                                                                                                         | 6,507,378          | 4,504,006                                 | 82,235                        | 80,310             | 519,659                                                        | 1,221,668               | 6,886             | 7,967           | 84,647              |
| Phoenix (Arizona)                                                                                                                                                                   | 809,039            | 549,385                                   | 11,682                        | 9,736              | 61,634                                                         | 161,329                 | 735               | 1,170           | 13,368              |
| Portland (Oregon)                                                                                                                                                                   | 1,101,859          | 725,302                                   | 15,402                        | 9,046              | 90,361                                                         | 236,754                 | 1,119             | 1,479           | 22,396              |
| Reno (Nevada)                                                                                                                                                                       | 262,693            | 181,472                                   | 4,691                         | 3,533              | 15,386                                                         | 49,229                  | 172               | 126             | 8,084               |
| Salt Lake City (Utah)                                                                                                                                                               | 481,354            | 326,384                                   | 8,531                         | 5,641              | 31,382                                                         | 95,685                  | 356               | 1,013           | 12,362              |
| San Francisco (See (a) below)                                                                                                                                                       | 4,315,901          | 2,897,160                                 | 39,355                        | 52,319             | 373,940                                                        | 868,067                 | 5,919             | 5,349           | 73,792              |
| Seattle (Washington)                                                                                                                                                                | 1,787,232          | 1,196,002                                 | 24,923                        | 14,149             | 151,515                                                        | 358,645                 | 1,615             | 1,552           | 38,831              |
| <b>Office of International Operations</b>                                                                                                                                           | <b>499,868</b>     | <b>337,148</b>                            | <b>2,397</b>                  | <b>194</b>         | <b>21,805</b>                                                  | <b>134,956</b>          | <b>1,465</b>      | <b>324</b>      | <b>1,579</b>        |
| Puerto Rico                                                                                                                                                                         | 200,410            | 71,673                                    | 2,227                         | 5                  | 568                                                            | 127,182                 | 4                 | 23              | 728                 |
| Other                                                                                                                                                                               | 299,458            | 265,475                                   | 2,170                         | 189                | 21,237                                                         | 7,774                   | 1,461             | 301             | 851                 |
| Totals for States not shown above                                                                                                                                                   |                    |                                           |                               |                    |                                                                |                         |                   |                 |                     |
| (a) California                                                                                                                                                                      | 10,823,279         | 7,401,166                                 | 121,590                       | 132,629            | 893,599                                                        | 2,089,735               | 12,805            | 13,316          | 158,439             |
| (b) Illinois                                                                                                                                                                        | 6,360,259          | 4,426,930                                 | 83,105                        | 51,088             | 516,686                                                        | 1,197,631               | 8,394             | 9,116           | 67,309              |
| (c) New York                                                                                                                                                                        | 11,019,171         | 7,106,410                                 | 296,362                       | 103,806            | 941,958                                                        | 2,392,757               | 15,253            | 17,593          | 145,032             |
| (d) Ohio                                                                                                                                                                            | 5,434,835          | 3,792,563                                 | 82,953                        | 36,041             | 425,371                                                        | 1,017,328               | 5,088             | 6,356           | 69,135              |
| (e) Pennsylvania                                                                                                                                                                    | 6,374,360          | 4,452,434                                 | 71,899                        | 49,078             | 516,365                                                        | 1,191,915               | 7,132             | 6,633           | 78,904              |
| (f) Texas                                                                                                                                                                           | 5,629,862          | 3,673,627                                 | 58,656                        | 80,614             | 380,959                                                        | 1,332,291               | 4,789             | 8,048           | 90,878              |

<sup>1</sup>Includes 114,181 forms 1040B, NB, NBA, PR, and VI which are included in "All other individual and fiduciary" returns in the table on p. 13.

**Table 7.—Internal revenue tax collected on Puerto Rican manufactured products transported to the United States, by objects of taxation**

[In thousands of dollars]

| Objects of taxation                       | As of June 30— |        |
|-------------------------------------------|----------------|--------|
|                                           | 1967           | 1968   |
| Total.....                                | 59,803         | 67,667 |
| Distilled spirits.....                    | 49,389         | 56,899 |
| Distilled spirits, rectification tax..... | 994            | 1,165  |
| Wine.....                                 | 6              | 9      |
| Beer.....                                 | 63             | 43     |
| Cigars, large:                            |                |        |
| Class A.....                              | 2              | 2      |
| Class B.....                              | 1,451          | 1,382  |
| Class C.....                              | 24             | 64     |
| Class D.....                              | 6,348          | 6,635  |
| Class E.....                              | 1,379          | 1,320  |
| Class F.....                              | 145            | 147    |
| Cigars, small.....                        |                |        |
| Cigarettes, large.....                    |                |        |
| Cigarettes, small.....                    |                |        |

Note.—Amounts of internal revenue taxes collected on Puerto Rican tobacco and liquor manufactures transported to the United States, or consumed in the island (less refunds, drawbacks, and expenses), are covered into the Treasury of Puerto Rico under the provisions of secs. 7652(a)(3) and 5314(a)(4) of the Internal Revenue Code of 1954. The gross 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— |         |
|------------------------------------------------------------------------------|----------------|---------|
|                                                                              | 1967           | 1968    |
| Distilled spirits plants:                                                    |                |         |
| Plants (net number).....                                                     | 349            | 343     |
| Facilities:                                                                  |                |         |
| Production.....                                                              | 165            | 160     |
| Warehousing.....                                                             | 286            | 282     |
| Bottling in bond.....                                                        | 56             | 55      |
| Denaturing.....                                                              | 52             | 51      |
| Taxpaid bottling.....                                                        | 150            | 147     |
| Rectifying.....                                                              | 138            | 137     |
| Denatured and tax-free products (dealers, users, etc.):                      |                |         |
| Dealers in specially denatured alcohol and denatured rum.....                | 44             | 45      |
| Users of specially denatured alcohol and denatured rum.....                  | 3,548          | 3,491   |
| Reprocessors, rebottlers, etc., of specially denatured alcohol articles..... | 971            | 958     |
| Users of tax-free alcohol.....                                               | 7,429          | 7,400   |
| Beer: Breweries.....                                                         | 167            | 158     |
| Wines:                                                                       |                |         |
| Bonded wine cellars.....                                                     | 428            | 432     |
| Taxpaid wine bottling houses.....                                            | 78             | 76      |
| Vinegar: Vinegar factories using vaporizing process.....                     | 3              | 3       |
| Beverage dealers:                                                            |                |         |
| Importers.....                                                               | 1,955          | 2,035   |
| Wholesale dealers in liquors.....                                            | 3,625          | 3,556   |
| Wholesale dealers in beer.....                                               | 6,574          | 6,393   |
| Retail dealers in liquors.....                                               | 281,511        | 277,909 |
| Retail dealers in beer.....                                                  | 136,244        | 132,783 |
| Other:                                                                       |                |         |
| Manufacturers of nonbeverage products (drawback).....                        | 815            | 811     |
| Fruit-flavor concentrate plants.....                                         | 49             | 49      |
| Bottle manufacturers.....                                                    | 109            | 111     |

**Table 9.—Establishments qualified to engage in the production or exportation of cigars, cigarettes and cigarette papers and tubes**

| Class of establishment                           | As of June 30— |      |
|--------------------------------------------------|----------------|------|
|                                                  | 1967           | 1968 |
| Manufacturers of tobacco products.....           | 282            | 253  |
| Manufacturers of cigarette papers and tubes..... | 3              | 3    |
| Tobacco export warehouses.....                   | 170            | 177  |

**Table 10.—Permits relating to distilled spirits under chapter 51, Internal Revenue Code, 1954**

| Status                    | Total  | Sec. 5171, I.R. Code | Sec. 5271, I.R. Code                   |                             |                         |                  |
|---------------------------|--------|----------------------|----------------------------------------|-----------------------------|-------------------------|------------------|
|                           |        |                      | Dealers in specially denatured alcohol | Users of—                   |                         |                  |
|                           |        |                      |                                        | Specially denatured alcohol | Specially denatured rum | Tax-free alcohol |
| (1)                       | (2)    | (3)                  | (4)                                    | (5)                         | (6)                     |                  |
| In effect July 1, 1967    | 11,230 | 209                  | 44                                     | 3,525                       | 23                      | 7,429            |
| Issued.....               | 635    | 10                   | 2                                      | 326                         | 6                       | 291              |
| Terminated, total.....    | 720    | 13                   | 1                                      | 380                         | 6                       | 320              |
| Revoked.....              | 2      |                      |                                        | 1                           |                         | 1                |
| Otherwise terminated..... | 718    | 13                   | 1                                      | 379                         | 6                       | 319              |
| In effect June 30, 1968.  | 11,145 | 206                  | 45                                     | 3,471                       | 23                      | 7,400            |
| Amended.....              | 684    | 21                   | 1                                      | 257                         |                         | 405              |



**Table 11.—Permits for operations relating to alcoholic beverages under the Federal Alcohol Administration Act**

| Status                  | Grand Total | Distilled spirits plants <sup>1</sup> |            |                          |            | Wine producers and blenders | Wine blenders | Importers | Wholesalers |
|-------------------------|-------------|---------------------------------------|------------|--------------------------|------------|-----------------------------|---------------|-----------|-------------|
|                         |             | Total <sup>2</sup>                    | Distillers | Warehousing and bottling | Rectifiers |                             |               |           |             |
|                         | (1)         | (2)                                   | (3)        | (4)                      | (5)        | (6)                         | (7)           | (8)       | (9)         |
| In effect July 1, 1967  | 12,945      | 385                                   | 176        | 189                      | 155        | 361                         | 45            | 1,955     | 16,199      |
| Issued                  | 1,293       | 21                                    | 8          | 12                       | 14         | 26                          | 8             | 278       | 959         |
| Terminated, total       | 1,481       | 39                                    | 16         | 19                       | 15         | 28                          | 6             | 199       | 1,209       |
| Revoked                 | 9           |                                       |            |                          |            |                             |               |           | 9           |
| Otherwise terminated    | 1,472       | 39                                    | 16         | 19                       | 15         | 28                          | 6             | 199       | 1,200       |
| In effect June 30, 1968 | 12,757      | 367                                   | 168        | 182                      | 154        | 359                         | 47            | 2,035     | 9,949       |
| Amended                 | 1,537       | 201                                   |            |                          |            | 99                          | 5             | 343       | 889         |

<sup>1</sup> Excludes permits for customs manufacturing bonded warehouses since such establishments are not required to qualify as distilled spirits plants.

<sup>2</sup> Column (2) does not represent the sum of (3), (4), and (5) since one permit may cover more than one activity.

**Table 12.—Permits relating to tobacco under chapter 52, Internal Revenue Code 1954**

| Status                  | Total | Manufacturers of tobacco products | Export warehouse proprietors |
|-------------------------|-------|-----------------------------------|------------------------------|
|                         |       |                                   |                              |
| In effect July 1, 1967  | 452   | 282                               | 170                          |
| Issued                  | 68    | 27                                | 41                           |
| Terminated, total       | 90    | 56                                | 34                           |
| Revoked                 | 1     | 1                                 |                              |
| Otherwise terminated    | 89    | 55                                | 33                           |
| In effect June 30, 1968 | 430   | 253                               | 177                          |
| Amended                 | 60    | 33                                | 27                           |

**Table 13.—Label activity under Federal Alcohol Administration Act**

| Type of label            | Applications acted upon |                     |            |              |
|--------------------------|-------------------------|---------------------|------------|--------------|
|                          | Total                   | Certificates issued |            | Dis-approved |
|                          |                         | Approvals           | Exemptions |              |
| Grand total              | 58,170                  | 56,437              | 861        | 882          |
| Distilled spirits, total | 21,086                  | 20,550              | 156        | 380          |
| Domestic                 | 19,619                  | 19,200              | 156        | 263          |
| Imported                 | 1,467                   | 1,350               |            | 117          |
| Wines, total             | 34,494                  | 33,319              | 695        | 480          |
| Domestic                 | 10,456                  | 9,705               | 695        | 56           |
| Imported                 | 24,038                  | 23,614              |            | 424          |
| Malt beverages, total    | 2,590                   | 2,568               |            | 22           |
| Domestic                 | 1,728                   | 1,720               |            | 8            |
| Imported                 | 862                     | 848                 |            | 14           |

**Table 14.—Number of occupational tax stamps issued, covering fiscal year 1968, or portion thereof, by class of tax and by internal revenue regions, districts, and States**

| Internal revenue regions, districts, and States<br>(States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | Total number of occupational tax stamps issued<br>(1) | Distilled spirits                                  |                                                             |                                                           |                                       |                                   |                             |                                           |                                                     |                                                      |                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------|---------------------------------------|-----------------------------------|-----------------------------|-------------------------------------------|-----------------------------------------------------|------------------------------------------------------|-------------------------------------------------|
|                                                                                                                                                                        |                                                       | Manu-<br>facturers<br>of<br>stills,<br>\$55<br>(2) | Rectifiers                                                  |                                                           | Wholesale<br>dealers,<br>\$255<br>(5) | Retail dealers                    |                             | Medic-<br>inal<br>spirits,<br>\$54<br>(8) | Manufacturers of<br>nonbeverage products            |                                                      |                                                 |
|                                                                                                                                                                        |                                                       |                                                    | Less<br>than<br>20,000<br>proof<br>gallons,<br>\$110<br>(3) | 20,000<br>proof<br>gallons<br>or<br>more,<br>\$220<br>(4) |                                       | Retail<br>dealers,<br>\$54<br>(6) | At<br>large,<br>\$54<br>(7) |                                           | Not<br>exceed-<br>ing 25<br>gallons,<br>\$25<br>(9) | Not<br>exceed-<br>ing 50<br>gallons,<br>\$50<br>(10) | More<br>than<br>50<br>gallons,<br>\$100<br>(11) |
| <b>United States, total</b>                                                                                                                                            | <b>836,884</b>                                        | <b>137</b>                                         | <b>43</b>                                                   | <b>88</b>                                                 | <b>2,518</b>                          | <b>231,844</b>                    | <b>1,767</b>                | <b>1,003</b>                              | <b>42</b>                                           | <b>66</b>                                            | <b>663</b>                                      |
| <b>North-Atlantic Region</b>                                                                                                                                           | <b>154,546</b>                                        | <b>34</b>                                          | <b>3</b>                                                    | <b>14</b>                                                 | <b>258</b>                            | <b>45,292</b>                     | <b>32</b>                   | <b>551</b>                                | <b>19</b>                                           | <b>25</b>                                            | <b>123</b>                                      |
| Albany (See (c) below)                                                                                                                                                 | 12,798                                                | 18                                                 |                                                             |                                                           | 7                                     | 5,586                             | 23                          |                                           | 5                                                   | 1                                                    | 2                                               |
| Augusta (Maine)                                                                                                                                                        | 4,478                                                 | 1                                                  | 1                                                           | 2                                                         | 1                                     | 441                               |                             |                                           |                                                     |                                                      | 2                                               |
| Boston (Massachusetts)                                                                                                                                                 | 24,054                                                | 2                                                  | 1                                                           | 7                                                         | 78                                    | 7,794                             | 1                           | 545                                       | 6                                                   | 10                                                   | 34                                              |
| Brooklyn (See (c) below)                                                                                                                                               | 32,165                                                |                                                    |                                                             |                                                           | 10                                    | 7,459                             | 4                           |                                           | 1                                                   | 4                                                    | 18                                              |
| Buffalo (See (c) below)                                                                                                                                                | 24,561                                                | 12                                                 |                                                             |                                                           | 31                                    | 8,989                             | 1                           |                                           | 1                                                   | 2                                                    | 17                                              |
| Burlington (Vermont)                                                                                                                                                   | 2,518                                                 |                                                    |                                                             |                                                           | 1                                     | 556                               |                             | 5                                         |                                                     |                                                      |                                                 |
| Hartford (Connecticut)                                                                                                                                                 | 14,593                                                |                                                    | 1                                                           | 3                                                         | 33                                    | 5,172                             |                             |                                           |                                                     |                                                      | 9                                               |
| Manhattan (See (c) below)                                                                                                                                              | 32,196                                                | 1                                                  |                                                             | 1                                                         | 77                                    | 6,952                             |                             |                                           | 4                                                   | 3                                                    | 38                                              |
| Portsmouth (New Hampshire)                                                                                                                                             | 3,346                                                 |                                                    |                                                             | 1                                                         | 1                                     | 610                               |                             |                                           |                                                     |                                                      | 3                                               |
| Providence (Rhode Island)                                                                                                                                              | 3,837                                                 |                                                    |                                                             |                                                           | 19                                    | 1,733                             | 3                           |                                           | 2                                                   | 5                                                    |                                                 |
| <b>Mid-Atlantic Region</b>                                                                                                                                             | <b>111,540</b>                                        | <b>43</b>                                          | <b>3</b>                                                    | <b>12</b>                                                 | <b>195</b>                            | <b>37,773</b>                     | <b>48</b>                   | <b>5</b>                                  | <b>2</b>                                            | <b>1</b>                                             | <b>148</b>                                      |
| Baltimore (Maryland and D.C.)                                                                                                                                          | 20,190                                                |                                                    | 1                                                           | 3                                                         | 23                                    | 5,693                             | 4                           |                                           |                                                     |                                                      | 15                                              |
| Newark (New Jersey)                                                                                                                                                    | 26,933                                                | 23                                                 | 1                                                           | 4                                                         | 92                                    | 11,981                            | 32                          |                                           |                                                     |                                                      | 65                                              |
| Philadelphia (See (e) below)                                                                                                                                           | 28,855                                                | 12                                                 | 1                                                           | 4                                                         | 44                                    | 10,641                            | 4                           |                                           | 2                                                   | 1                                                    | 52                                              |
| Pittsburgh (See (e) below)                                                                                                                                             | 17,513                                                |                                                    |                                                             | 1                                                         | 18                                    | 7,944                             |                             | 2                                         |                                                     |                                                      | 6                                               |
| Richmond (Virginia)                                                                                                                                                    | 16,314                                                | 8                                                  |                                                             |                                                           | 6                                     | 765                               | 2                           | 2                                         |                                                     |                                                      | 8                                               |
| Wilmington (Delaware)                                                                                                                                                  | 1,735                                                 |                                                    |                                                             |                                                           | 12                                    | 749                               | 6                           | 1                                         |                                                     |                                                      |                                                 |
| <b>Southeast Region</b>                                                                                                                                                | <b>97,084</b>                                         |                                                    |                                                             | <b>4</b>                                                  | <b>217</b>                            | <b>10,125</b>                     | <b>1</b>                    | <b>12</b>                                 |                                                     |                                                      | <b>54</b>                                       |
| Atlanta (Georgia)                                                                                                                                                      | 12,134                                                |                                                    |                                                             | 1                                                         | 36                                    | 1,714                             | 1                           |                                           |                                                     |                                                      | 13                                              |
| Birmingham (Alabama)                                                                                                                                                   | 8,771                                                 |                                                    |                                                             |                                                           | 7                                     | 816                               |                             | 3                                         |                                                     |                                                      | 4                                               |
| Columbia (South Carolina)                                                                                                                                              | 12,100                                                |                                                    |                                                             |                                                           | 14                                    | 999                               |                             |                                           |                                                     |                                                      | 1                                               |
| Greensboro (North Carolina)                                                                                                                                            | 14,003                                                |                                                    |                                                             |                                                           | 54                                    | 187                               |                             | 7                                         |                                                     |                                                      | 6                                               |
| Jackson (Mississippi)                                                                                                                                                  | 8,925                                                 |                                                    |                                                             |                                                           | 11                                    | 892                               |                             |                                           |                                                     |                                                      | 4                                               |
| Jacksonville (Florida)                                                                                                                                                 | 27,607                                                |                                                    |                                                             | 2                                                         | 67                                    | 4,717                             |                             | 2                                         |                                                     |                                                      | 8                                               |
| Nashville (Tennessee)                                                                                                                                                  | 13,544                                                |                                                    |                                                             | 1                                                         | 28                                    | 800                               |                             | 2                                         |                                                     |                                                      | 18                                              |
| <b>Central Region</b>                                                                                                                                                  | <b>109,152</b>                                        | <b>43</b>                                          | <b>16</b>                                                   | <b>21</b>                                                 | <b>485</b>                            | <b>36,171</b>                     | <b>45</b>                   | <b>18</b>                                 | <b>4</b>                                            | <b>15</b>                                            | <b>70</b>                                       |
| Cincinnati (See (d) below)                                                                                                                                             | 16,205                                                | 8                                                  |                                                             | 1                                                         | 97                                    | 4,552                             | 10                          |                                           | 2                                                   | 3                                                    | 22                                              |
| Cleveland (See (d) below)                                                                                                                                              | 25,366                                                | 7                                                  | 2                                                           | 1                                                         | 147                                   | 9,249                             |                             | 6                                         | 2                                                   | 12                                                   |                                                 |
| Detroit (Michigan)                                                                                                                                                     | 33,840                                                | 5                                                  | 3                                                           | 3                                                         | 134                                   | 14,259                            | 20                          | 11                                        |                                                     |                                                      | 27                                              |
| Indianapolis (Indiana)                                                                                                                                                 | 17,108                                                |                                                    | 1                                                           | 2                                                         | 22                                    | 5,625                             |                             |                                           |                                                     |                                                      | 16                                              |
| Louisville (Kentucky)                                                                                                                                                  | 8,871                                                 | 22                                                 | 9                                                           | 14                                                        | 82                                    | 1,861                             | 15                          |                                           |                                                     |                                                      | 4                                               |
| Parkersburg (West Virginia)                                                                                                                                            | 7,762                                                 | 1                                                  | 1                                                           |                                                           | 3                                     | 625                               |                             | 1                                         |                                                     |                                                      | 1                                               |
| <b>Midwest Region</b>                                                                                                                                                  | <b>123,751</b>                                        | <b>10</b>                                          | <b>5</b>                                                    | <b>12</b>                                                 | <b>395</b>                            | <b>45,725</b>                     | <b>1,307</b>                | <b>294</b>                                | <b>9</b>                                            | <b>7</b>                                             | <b>135</b>                                      |
| Aberdeen (South Dakota)                                                                                                                                                | 3,667                                                 |                                                    |                                                             |                                                           | 12                                    | 979                               |                             | 1                                         |                                                     |                                                      | 1                                               |
| Chicago (See (b) below)                                                                                                                                                | 29,605                                                | 2                                                  | 2                                                           | 6                                                         | 123                                   | 13,462                            | 2                           | 2                                         | 4                                                   | 4                                                    | 66                                              |
| Des Moines (Iowa)                                                                                                                                                      | 10,940                                                |                                                    |                                                             |                                                           | 4                                     | 2,835                             |                             | 11                                        | 1                                                   | 1                                                    | 4                                               |
| Fargo (North Dakota)                                                                                                                                                   | 2,286                                                 |                                                    |                                                             |                                                           | 9                                     | 1,022                             |                             | 1                                         |                                                     |                                                      |                                                 |
| Milwaukee (Wisconsin)                                                                                                                                                  | 26,324                                                |                                                    | 1                                                           | 1                                                         | 82                                    | 13,228                            | 2                           | 235                                       | 2                                                   |                                                      | 11                                              |
| Omaha (Nebraska)                                                                                                                                                       | 6,221                                                 |                                                    |                                                             |                                                           | 36                                    | 2,047                             | 52                          | 8                                         |                                                     | 1                                                    | 3                                               |
| St. Louis (Missouri)                                                                                                                                                   | 18,703                                                | 6                                                  | 2                                                           | 2                                                         | 49                                    | 5,666                             | 253                         | 2                                         | 1                                                   |                                                      | 30                                              |
| St. Paul (Minnesota)                                                                                                                                                   | 16,429                                                |                                                    |                                                             | 1                                                         | 11                                    | 2,826                             | 19                          | 30                                        | 1                                                   | 1                                                    | 12                                              |
| Springfield (See (b) below)                                                                                                                                            | 9,576                                                 | 2                                                  |                                                             | 2                                                         | 69                                    | 4,639                             |                             | 4                                         |                                                     |                                                      | 8                                               |
| <b>Southwest Region</b>                                                                                                                                                | <b>101,755</b>                                        | <b>4</b>                                           | <b>3</b>                                                    | <b>2</b>                                                  | <b>218</b>                            | <b>16,323</b>                     | <b>302</b>                  | <b>95</b>                                 | <b>1</b>                                            | <b>17</b>                                            | <b>32</b>                                       |
| Albuquerque (New Mexico)                                                                                                                                               | 2,966                                                 |                                                    | 1                                                           |                                                           | 22                                    | 1,348                             |                             |                                           |                                                     |                                                      |                                                 |
| Austin (See (f) below)                                                                                                                                                 | 31,648                                                | 2                                                  | 1                                                           |                                                           | 36                                    | 2,013                             | 139                         | 3                                         |                                                     | 1                                                    | 11                                              |
| Cheyenne (Wyoming)                                                                                                                                                     | 946                                                   |                                                    |                                                             |                                                           | 1                                     | 658                               |                             |                                           |                                                     |                                                      |                                                 |
| Dallas (See (f) below)                                                                                                                                                 | 14,954                                                | 2                                                  | 1                                                           |                                                           | 25                                    | 1,531                             | 92                          | 2                                         | 1                                                   | 10                                                   | 3                                               |
| Denver (Colorado)                                                                                                                                                      | 8,939                                                 |                                                    |                                                             |                                                           | 20                                    | 2,769                             | 71                          | 89                                        |                                                     | 5                                                    | 4                                               |
| Little Rock (Arkansas)                                                                                                                                                 | 5,899                                                 |                                                    |                                                             |                                                           | 12                                    | 774                               |                             |                                           |                                                     | 1                                                    | 1                                               |
| New Orleans (Louisiana)                                                                                                                                                | 16,653                                                |                                                    | 1                                                           |                                                           | 51                                    | 5,139                             |                             |                                           |                                                     |                                                      | 9                                               |
| Oklahoma City (Oklahoma)                                                                                                                                               | 11,204                                                |                                                    |                                                             |                                                           | 18                                    | 906                               |                             |                                           |                                                     |                                                      | 1                                               |
| Wichita (Kansas)                                                                                                                                                       | 8,546                                                 |                                                    |                                                             |                                                           | 33                                    | 1,185                             |                             | 1                                         |                                                     |                                                      | 3                                               |
| <b>Western Region</b>                                                                                                                                                  | <b>139,056</b>                                        | <b>3</b>                                           | <b>13</b>                                                   | <b>25</b>                                                 | <b>750</b>                            | <b>40,435</b>                     | <b>32</b>                   | <b>28</b>                                 | <b>7</b>                                            | <b>1</b>                                             | <b>103</b>                                      |
| Anchorage (Alaska)                                                                                                                                                     | 1,266                                                 |                                                    |                                                             |                                                           | 15                                    | 657                               |                             |                                           |                                                     |                                                      | 1                                               |
| Boise (Idaho)                                                                                                                                                          | 3,353                                                 |                                                    |                                                             |                                                           | 1                                     | 655                               |                             |                                           |                                                     |                                                      |                                                 |
| Helena (Montana)                                                                                                                                                       | 4,118                                                 |                                                    | 1                                                           |                                                           | 1                                     | 1,497                             | 1                           |                                           |                                                     |                                                      |                                                 |
| Honolulu (Hawaii)                                                                                                                                                      | 2,684                                                 |                                                    | 3                                                           |                                                           | 27                                    | 1,177                             |                             | 3                                         |                                                     |                                                      | 1                                               |
| Los Angeles (See (a) below)                                                                                                                                            | 46,930                                                |                                                    | 3                                                           | 6                                                         | 223                                   | 14,627                            |                             |                                           | 3                                                   |                                                      | 44                                              |
| Phoenix (Arizona)                                                                                                                                                      | 7,137                                                 |                                                    |                                                             |                                                           | 58                                    | 2,718                             | 18                          |                                           |                                                     |                                                      |                                                 |
| Portland (Oregon)                                                                                                                                                      | 10,336                                                |                                                    |                                                             |                                                           | 55                                    | 1,262                             |                             |                                           |                                                     |                                                      | 3                                               |
| Reno (Nevada)                                                                                                                                                          | 4,113                                                 |                                                    | 1                                                           |                                                           | 26                                    | 1,408                             |                             | 25                                        |                                                     |                                                      |                                                 |
| Reno (Utah)                                                                                                                                                            | 4,207                                                 |                                                    |                                                             |                                                           |                                       | 163                               |                             |                                           |                                                     |                                                      | 1                                               |
| Salt Lake City (See (a) below)                                                                                                                                         | 38,915                                                | 3                                                  | 5                                                           | 18                                                        | 234                                   | 12,320                            | 13                          |                                           | 3                                                   | 1                                                    | 49                                              |
| Seattle (Washington)                                                                                                                                                   | 15,997                                                |                                                    |                                                             | 1                                                         | 110                                   | 3,951                             |                             |                                           | 1                                                   |                                                      | 4                                               |
| Totals for States not shown above                                                                                                                                      |                                                       |                                                    |                                                             |                                                           |                                       |                                   |                             |                                           |                                                     |                                                      |                                                 |
| (a) California                                                                                                                                                         | 85,845                                                | 3                                                  | 8                                                           | 24                                                        | 457                                   | 26,947                            | 13                          |                                           | 6                                                   | 1                                                    | 93                                              |
| (b) Illinois                                                                                                                                                           | 39,181                                                | 4                                                  | 2                                                           | 8                                                         | 192                                   | 18,101                            | 2                           | 6                                         | 4                                                   | 4                                                    | 74                                              |
| (c) New York                                                                                                                                                           | 101,720                                               | 31                                                 |                                                             | 1                                                         | 125                                   | 28,986                            | 28                          | 1                                         | 11                                                  | 10                                                   | 75                                              |
| (d) Ohio                                                                                                                                                               | 41,571                                                | 15                                                 | 2                                                           | 2                                                         | 244                                   | 13,801                            | 10                          | 6                                         | 4                                                   | 15                                                   | 22                                              |
| (e) Pennsylvania                                                                                                                                                       | 46,368                                                | 12                                                 | 1                                                           | 5                                                         | 62                                    | 18,585                            | 4                           | 2                                         | 2                                                   | 1                                                    | 58                                              |
| (f) Texas                                                                                                                                                              | 46,602                                                | 4                                                  | 1                                                           |                                                           | 61                                    | 3,544                             | 231                         | 5                                         | 1                                                   | 11                                                   | 14                                              |



**Table 14.—Number of occupational tax stamps issued, covering fiscal year 1968, or portion thereof, by class of tax and by internal revenue regions, districts, and States—Continued**

| Internal revenue regions, districts, and States<br>(States represented by single districts indicated in parentheses;<br>totals for other States shown at bottom of table) | Wines             |                             |                |                            | Beer                                                     |                                |                            |                                        |                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-----------------------------|----------------|----------------------------|----------------------------------------------------------|--------------------------------|----------------------------|----------------------------------------|---------------------------------------------------------------------------------|
|                                                                                                                                                                           | Wholesale dealers |                             | Retail dealers |                            | Brewers<br>500 barrels<br>of more,<br>\$110 <sup>1</sup> | Wholesale<br>dealers,<br>\$123 | Retail<br>dealers,<br>\$24 | Retail<br>dealers<br>at large,<br>\$24 | Temporary<br>dealers in<br>liquor,<br>(wines<br>of beer)<br>\$2.20 per<br>month |
|                                                                                                                                                                           | Wines,<br>\$255   | Wines<br>and beer,<br>\$255 | Wines,<br>\$54 | Wines<br>and beer,<br>\$54 |                                                          |                                |                            |                                        |                                                                                 |
|                                                                                                                                                                           | (12)              | (13)                        | (14)           | (15)                       | (16)                                                     | (17)                           | (18)                       | (19)                                   | (20)                                                                            |
| <b>United States, total</b>                                                                                                                                               | <b>97</b>         | <b>526</b>                  | <b>151</b>     | <b>43,144</b>              | <b>150</b>                                               | <b>6,667</b>                   | <b>132,711</b>             | <b>72</b>                              | <b>4,168</b>                                                                    |
| <b>North-Atlantic Region</b>                                                                                                                                              | <b>37</b>         | <b>45</b>                   | <b>15</b>      | <b>1,147</b>               | <b>13</b>                                                | <b>758</b>                     | <b>27,437</b>              | <b>26</b>                              | <b>569</b>                                                                      |
| Albany (See (c) below)                                                                                                                                                    |                   |                             |                | 20                         | 1                                                        | 82                             | 2,893                      | 5                                      | 48                                                                              |
| Augusta (Maine)                                                                                                                                                           |                   |                             |                |                            |                                                          | 46                             | 2,247                      |                                        |                                                                                 |
| Boston (Massachusetts)                                                                                                                                                    |                   | 8                           | 1              | 103                        | 4                                                        | 46                             | 86                         |                                        | 107                                                                             |
| Brooklyn (See (c) below)                                                                                                                                                  | 3                 | 9                           | 1              | 25                         |                                                          | 233                            | 7,998                      | 21                                     | 3                                                                               |
| Buffalo (See (c) below)                                                                                                                                                   | 2                 | 1                           |                | 7                          | 6                                                        | 193                            | 5,354                      |                                        | 276                                                                             |
| Burlington (Vermont)                                                                                                                                                      |                   | 22                          | 2              | 923                        |                                                          | 1                              | 106                        |                                        | 3                                                                               |
| Hartford (Connecticut)                                                                                                                                                    |                   | 1                           | 1              | 2                          | 1                                                        | 39                             | 2,010                      |                                        | 102                                                                             |
| Manhattan (See (c) below)                                                                                                                                                 | 32                | 4                           | 10             | 56                         |                                                          | 84                             | 5,326                      |                                        | 29                                                                              |
| Portsmouth (New Hampshire)                                                                                                                                                |                   |                             |                |                            |                                                          | 24                             | 1,384                      |                                        |                                                                                 |
| Providence (Rhode Island)                                                                                                                                                 |                   |                             |                | 11                         | 1                                                        | 10                             | 33                         |                                        | 1                                                                               |
| <b>Mid-Atlantic Region</b>                                                                                                                                                | <b>7</b>          | <b>57</b>                   | <b>43</b>      | <b>5,365</b>               | <b>31</b>                                                | <b>1,757</b>                   | <b>6,778</b>               | <b>4</b>                               | <b>351</b>                                                                      |
| Baltimore (Maryland and D.C.)                                                                                                                                             |                   | 3                           | 41             | 401                        | 5                                                        | 91                             | 1,605                      |                                        | 194                                                                             |
| Newark (New Jersey)                                                                                                                                                       | 4                 | 3                           |                | 80                         | 5                                                        | 135                            | 339                        | 2                                      | 131                                                                             |
| Philadelphia (See (c) below)                                                                                                                                              |                   |                             | 1              | 11                         | 13                                                       | 794                            | 861                        |                                        |                                                                                 |
| Pittsburgh (See (c) below)                                                                                                                                                | 1                 |                             |                | 9                          | 7                                                        | 661                            | 472                        |                                        |                                                                                 |
| Richmond (Virginia)                                                                                                                                                       | 2                 | 50                          | 1              | 4,856                      | 1                                                        | 72                             | 3,482                      |                                        |                                                                                 |
| Wilmington (Delaware)                                                                                                                                                     |                   | 1                           |                | 8                          |                                                          | 4                              | 19                         |                                        | 26                                                                              |
| <b>Southeast Region</b>                                                                                                                                                   | <b>12</b>         | <b>133</b>                  | <b>49</b>      | <b>12,196</b>              | <b>4</b>                                                 | <b>485</b>                     | <b>26,766</b>              | <b>1</b>                               | <b>27</b>                                                                       |
| Atlanta (Georgia)                                                                                                                                                         | 7                 | 13                          | 10             | 1,024                      | 1                                                        | 56                             | 2,073                      |                                        |                                                                                 |
| Birmingham (Alabama)                                                                                                                                                      | 2                 |                             |                | 17                         |                                                          | 75                             | 3,342                      | 1                                      | 1                                                                               |
| Columbia (South Carolina)                                                                                                                                                 |                   | 35                          | 1              | 2,085                      |                                                          | 25                             | 3,625                      |                                        |                                                                                 |
| Greensboro (North Carolina)                                                                                                                                               | 2                 | 36                          | 28             | 2,489                      |                                                          | 62                             | 4,302                      |                                        |                                                                                 |
| Jackson (Mississippi)                                                                                                                                                     |                   | 1                           | 1              | 42                         |                                                          | 76                             | 4,391                      |                                        | 8                                                                               |
| Jacksonville (Florida)                                                                                                                                                    | 1                 | 49                          | 9              | 6,528                      | 3                                                        | 111                            | 4,666                      |                                        |                                                                                 |
| Nashville (Tennessee)                                                                                                                                                     |                   |                             |                | 11                         |                                                          | 80                             | 4,361                      |                                        | 17                                                                              |
| <b>Central Region</b>                                                                                                                                                     | <b>16</b>         | <b>137</b>                  | <b>9</b>       | <b>11,592</b>              | <b>22</b>                                                | <b>697</b>                     | <b>6,627</b>               | <b>22</b>                              | <b>367</b>                                                                      |
| Cincinnati (See (d) below)                                                                                                                                                | 4                 | 8                           |                | 2,775                      | 5                                                        | 55                             | 482                        |                                        | 119                                                                             |
| Cleveland (See (d) below)                                                                                                                                                 | 1                 | 7                           | 2              | 3,633                      | 3                                                        | 83                             | 566                        |                                        | 88                                                                              |
| Detroit (Michigan)                                                                                                                                                        | 10                | 116                         | 5              | 3,028                      | 5                                                        | 110                            | 145                        | 20                                     | 131                                                                             |
| Indianapolis (Indiana)                                                                                                                                                    |                   | 6                           | 2              | 1,987                      | 4                                                        | 276                            | 260                        |                                        | 24                                                                              |
| Louisville (Kentucky)                                                                                                                                                     |                   |                             |                | 4                          | 3                                                        | 114                            | 1,908                      | 2                                      | 25                                                                              |
| Parkersburg (West Virginia)                                                                                                                                               | 1                 |                             |                | 165                        | 2                                                        | 109                            | 3,266                      |                                        |                                                                                 |
| <b>Midwest Region</b>                                                                                                                                                     | <b>1</b>          | <b>11</b>                   | <b>8</b>       | <b>88</b>                  | <b>41</b>                                                | <b>1,397</b>                   | <b>19,616</b>              | <b>11</b>                              | <b>1,975</b>                                                                    |
| Aberdeen (South Dakota)                                                                                                                                                   |                   |                             |                |                            |                                                          | 50                             | 1,251                      |                                        | 13                                                                              |
| Chicago (See (b) below)                                                                                                                                                   |                   |                             |                |                            | 3                                                        | 187                            | 183                        |                                        | 546                                                                             |
| Des Moines (Iowa)                                                                                                                                                         |                   |                             |                | 56                         | 1                                                        | 138                            | 3,080                      | 1                                      | 7                                                                               |
| Fargo (North Dakota)                                                                                                                                                      |                   |                             |                |                            |                                                          | 42                             | 234                        |                                        |                                                                                 |
| Milwaukee (Wisconsin)                                                                                                                                                     |                   | 10                          |                | 14                         | 18                                                       | 351                            | 3,967                      |                                        | 664                                                                             |
| Omaha (Nebraska)                                                                                                                                                          |                   |                             |                |                            | 2                                                        | 76                             | 924                        |                                        | 1                                                                               |
| St. Louis (Missouri)                                                                                                                                                      | 1                 |                             | 5              | 3                          | 6                                                        | 135                            | 3,698                      | 3                                      | 209                                                                             |
| St. Paul (Minnesota)                                                                                                                                                      |                   | 1                           | 3              | 2                          | 8                                                        | 265                            | 6,037                      | 7                                      | 183                                                                             |
| Springfield (See (b) below)                                                                                                                                               |                   | 1                           |                | 13                         | 3                                                        | 143                            | 242                        |                                        | 348                                                                             |
| <b>Southwest Region</b>                                                                                                                                                   | <b>5</b>          | <b>28</b>                   | <b>16</b>      | <b>5,939</b>               | <b>16</b>                                                | <b>1,812</b>                   | <b>31,686</b>              | <b>7</b>                               | <b>116</b>                                                                      |
| Albuquerque (New Mexico)                                                                                                                                                  | 1                 |                             | 1              |                            |                                                          | 11                             | 19                         |                                        | 19                                                                              |
| Austin (See (f) below)                                                                                                                                                    | 1                 | 4                           | 9              | 4,522                      | 7                                                        | 405                            | 14,179                     |                                        | 21                                                                              |
| Cheyenne (Wyoming)                                                                                                                                                        |                   |                             |                |                            |                                                          | 45                             | 89                         |                                        | 14                                                                              |
| Dallas (See (f) below)                                                                                                                                                    | 2                 |                             | 1              | 1,141                      | 2                                                        | 154                            | 3,109                      | 4                                      | 8                                                                               |
| Denver (Colorado)                                                                                                                                                         |                   |                             | 2              | 32                         | 3                                                        | 64                             | 1,255                      |                                        |                                                                                 |
| Little Rock (Arkansas)                                                                                                                                                    | 2                 | 21                          | 2              | 214                        |                                                          | 46                             | 1,364                      | 1                                      |                                                                                 |
| New Orleans (Louisiana)                                                                                                                                                   | 1                 | 1                           | 1              | 11                         | 3                                                        | 98                             | 3,061                      |                                        | 19                                                                              |
| Oklahoma City (Oklahoma)                                                                                                                                                  |                   |                             |                | 18                         | 1                                                        | 99                             | 5,394                      | 2                                      | 6                                                                               |
| Wichita (Kansas)                                                                                                                                                          |                   |                             |                | 1                          |                                                          | 96                             | 3,216                      |                                        | 29                                                                              |
| <b>Western Region</b>                                                                                                                                                     | <b>19</b>         | <b>115</b>                  | <b>11</b>      | <b>6,817</b>               | <b>29</b>                                                | <b>574</b>                     | <b>23,967</b>              | <b>1</b>                               | <b>743</b>                                                                      |
| Anchorage (Alaska)                                                                                                                                                        |                   |                             |                | 8                          |                                                          | 10                             | 20                         |                                        | 3                                                                               |
| Boise (Idaho)                                                                                                                                                             |                   |                             |                | 1                          | 1                                                        | 62                             | 1,397                      |                                        | 29                                                                              |
| Helena (Montana)                                                                                                                                                          |                   |                             |                |                            |                                                          | 7                              | 620                        |                                        | 12                                                                              |
| Honolulu (Hawaii)                                                                                                                                                         |                   | 2                           | 2              | 29                         | 2                                                        | 68                             | 32                         |                                        | 115                                                                             |
| Los Angeles (See (a) below)                                                                                                                                               |                   |                             |                |                            | 6                                                        | 122                            | 4,715                      |                                        | 1                                                                               |
| Phoenix (Arizona)                                                                                                                                                         |                   | 6                           |                | 685                        | 1                                                        | 11                             | 389                        |                                        | 144                                                                             |
| Portland (Oregon)                                                                                                                                                         |                   | 30                          |                | 2,042                      | 1                                                        | 57                             | 1,410                      |                                        | 6                                                                               |
| Reno (Nevada)                                                                                                                                                             |                   |                             |                | 3                          |                                                          | 15                             | 106                        |                                        | 5                                                                               |
| Salt Lake City (Utah)                                                                                                                                                     |                   |                             |                |                            | 1                                                        | 35                             | 1,119                      | 1                                      |                                                                                 |
| San Francisco (See (a) below)                                                                                                                                             | 18                | 65                          | 9              | 2,560                      | 7                                                        | 147                            | 2,991                      |                                        | 420                                                                             |
| Seattle (Washington)                                                                                                                                                      | 1                 | 12                          |                | 1,489                      | 4                                                        | 37                             | 1,008                      |                                        | 8                                                                               |
| Totals for States not shown above                                                                                                                                         |                   |                             |                |                            |                                                          |                                |                            |                                        |                                                                                 |
| (a) California                                                                                                                                                            | 18                | 65                          | 9              | 2,560                      | 13                                                       | 269                            | 7,706                      |                                        | 535                                                                             |
| (b) Illinois                                                                                                                                                              | 1                 | 1                           |                | 13                         | 6                                                        | 330                            | 425                        |                                        | 894                                                                             |
| (c) New York                                                                                                                                                              | 37                | 14                          | 11             | 108                        | 7                                                        | 592                            | 21,571                     | 26                                     | 356                                                                             |
| (d) Ohio                                                                                                                                                                  | 5                 | 15                          | 2              | 6,408                      | 8                                                        | 138                            | 1,048                      |                                        | 207                                                                             |
| (e) Pennsylvania                                                                                                                                                          | 1                 |                             | 1              |                            | 20                                                       | 1,435                          | 1,333                      |                                        |                                                                                 |
| (f) Texas                                                                                                                                                                 | 1                 | 6                           | 10             | 5,663                      | 9                                                        | 599                            | 17,288                     | 4                                      | 33                                                                              |

<sup>1</sup> Includes 5 brewers of less than 500 barrels at \$55.

**Table 14.—Number of occupational tax stamps issued, covering fiscal year 1968, or portion thereof, by class of tax and by internal revenue regions, districts, and States—Continued**

| Internal revenue regions, districts, and States<br>(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 unbranded preparations, \$1 | Laboratories, etc., \$1 | Manufacturers, \$24 | Dealers, \$3 | Producers and millers, \$1 | Practitioners, \$1 | Laboratories, \$1 |
|                                                                                                                                                                        | (21)                                                           | (22)                    | (23)                | (24)               | (25)                                   | (26)                    | (27)                | (28)         | (29)                       | (30)               | (31)              |
| <b>United States, total</b>                                                                                                                                            | <b>118</b>                                                     | <b>920</b>              | <b>95,384</b>       | <b>326,263</b>     | <b>1,333</b>                           | <b>417</b>              | <b>4</b>            | <b>233</b>   | <b>8</b>                   | <b>834</b>         | <b>55</b>         |
| <b>North-Atlantic Region</b>                                                                                                                                           | <b>17</b>                                                      | <b>122</b>              | <b>9,436</b>        | <b>67,534</b>      | <b>570</b>                             | <b>112</b>              | <b>1</b>            |              |                            | <b>14</b>          | <b>8</b>          |
| Albany (See (c) below)                                                                                                                                                 | 1                                                              | 7                       | 572                 | 3,461              | 54                                     | 8                       |                     |              |                            |                    |                   |
| Augusta (Maine)                                                                                                                                                        | 1                                                              | 3                       | 799                 | 1,488              | 1                                      | 2                       |                     |              |                            |                    |                   |
| Boston (Massachusetts)                                                                                                                                                 | 2                                                              | 26                      | 1,832               | 12,956             | 44                                     | 29                      |                     |              |                            | 7                  | 4                 |
| Brooklyn (See (f) below)                                                                                                                                               | 5                                                              | 23                      | 2,383               | 13,833             | 118                                    | 14                      |                     |              |                            |                    |                   |
| Buffalo (See (g) below)                                                                                                                                                | 2                                                              | 16                      | 1,174               | 8,240              | 201                                    | 11                      |                     |              |                            | 2                  |                   |
| Burlington (Vermont)                                                                                                                                                   | 1                                                              | 2                       | 99                  | 796                |                                        | 2                       |                     |              |                            |                    |                   |
| Hartford (Connecticut)                                                                                                                                                 | 1                                                              | 11                      | 97                  | 6,199              | 8                                      | 8                       |                     |              |                            | 1                  |                   |
| Manhattan (See (c) below)                                                                                                                                              | 5                                                              | 24                      | 1,649               | 17,715             | 137                                    | 30                      | 1                   |              |                            | 4                  | 4                 |
| Portsmouth (New Hampshire)                                                                                                                                             | 1                                                              | 3                       | 161                 | 1,129              |                                        | 2                       |                     |              |                            |                    |                   |
| Providence (Rhode Island)                                                                                                                                              | 1                                                              | 7                       | 264                 | 1,717              | 17                                     | 6                       |                     |              |                            |                    |                   |
| <b>Mid-Atlantic Region</b>                                                                                                                                             | <b>22</b>                                                      | <b>95</b>               | <b>6,655</b>        | <b>48,552</b>      | <b>181</b>                             | <b>91</b>               |                     |              |                            | <b>3</b>           | <b>5</b>          |
| Baltimore (Maryland and D.C.)                                                                                                                                          | 2                                                              | 19                      | 1,053               | 8,624              | 7                                      | 9                       |                     |              |                            | 3                  |                   |
| Newark (New Jersey)                                                                                                                                                    | 12                                                             | 24                      | 1,217               | 12,652             | 33                                     | 37                      |                     |              |                            |                    |                   |
| Philadelphia (See (e) below)                                                                                                                                           | 16                                                             | 29                      | 2,165               | 14,092             | 38                                     | 27                      |                     |              |                            |                    | 5                 |
| Pittsburgh (See (e) below)                                                                                                                                             | 1                                                              | 12                      | 1,208               | 6,713              | 14                                     | 9                       |                     |              |                            |                    |                   |
| Richmond (Virginia)                                                                                                                                                    | 1                                                              | 8                       | 893                 | 5,748              | 63                                     | 6                       |                     |              |                            |                    |                   |
| Wilmington (Delaware)                                                                                                                                                  | 1                                                              | 3                       | 119                 | 759                | 6                                      | 3                       |                     |              |                            | 1                  | 1                 |
| <b>Southeast Region</b>                                                                                                                                                | <b>5</b>                                                       | <b>125</b>              | <b>7,377</b>        | <b>54,107</b>      | <b>166</b>                             | <b>29</b>               |                     |              |                            |                    |                   |
| Atlanta (Georgia)                                                                                                                                                      | 1                                                              | 30                      | 1,290               | 5,656              | 6                                      | 2                       |                     |              |                            |                    |                   |
| Birmingham (Alabama)                                                                                                                                                   | 1                                                              | 13                      | 974                 | 3,470              | 8                                      | 3                       |                     |              |                            | 1                  |                   |
| Columbia (South Carolina)                                                                                                                                              | 1                                                              | 10                      | 642                 | 2,653              | 4                                      | 2                       |                     |              |                            |                    |                   |
| Greensboro (North Carolina)                                                                                                                                            | 1                                                              | 12                      | 1,110               | 5,940              | 104                                    | 11                      |                     |              |                            |                    |                   |
| Jackson (Mississippi)                                                                                                                                                  | 1                                                              | 9                       | 624                 | 2,166              | 7                                      | 7                       |                     |              |                            |                    |                   |
| Jacksonville (Florida)                                                                                                                                                 | 1                                                              | 25                      | 1,631               | 9,736              | 14                                     | 3                       |                     |              |                            |                    | 1                 |
| Nashville (Tennessee)                                                                                                                                                  | 4                                                              | 26                      | 1,116               | 4,886              | 23                                     | 8                       |                     |              | 7                          | 10                 | 25                |
| <b>Central Region</b>                                                                                                                                                  | <b>26</b>                                                      | <b>144</b>              | <b>7,203</b>        | <b>41,535</b>      | <b>130</b>                             | <b>48</b>               |                     |              |                            | <b>7</b>           | <b>21</b>         |
| Cincinnati (See (d) below)                                                                                                                                             | 6                                                              | 25                      | 1,036               | 6,389              | 9                                      | 9                       |                     |              |                            | 8                  | 1                 |
| Cleveland (See (d) below)                                                                                                                                              | 3                                                              | 31                      | 1,455               | 9,726              | 28                                     | 13                      |                     |              | 7                          | 1                  | 1                 |
| Detroit (Michigan)                                                                                                                                                     | 9                                                              | 43                      | 2,179               | 13,462             | 45                                     | 11                      |                     |              |                            |                    |                   |
| Indianapolis (Indiana)                                                                                                                                                 | 6                                                              | 24                      | 1,348               | 6,181              | 29                                     | 10                      |                     |              |                            | 1                  | 2                 |
| Louisville (Kentucky)                                                                                                                                                  | 1                                                              | 11                      | 818                 | 3,725              | 7                                      | 3                       |                     |              |                            |                    | 1                 |
| Parkersburg (West Virginia)                                                                                                                                            | 2                                                              | 10                      | 367                 | 2,052              | 1                                      | 1                       |                     |              |                            |                    | 6                 |
| <b>Midwest Region</b>                                                                                                                                                  | <b>23</b>                                                      | <b>150</b>              | <b>9,599</b>        | <b>40,490</b>      | <b>113</b>                             | <b>50</b>               | <b>3</b>            | <b>231</b>   | <b>1</b>                   | <b>802</b>         | <b>16</b>         |
| Aberdeen (South Dakota)                                                                                                                                                | 1                                                              | 3                       |                     |                    |                                        |                         |                     |              |                            | 783                |                   |
| Chicago (See (b) below)                                                                                                                                                | 5                                                              | 35                      | 2,237               | 12,584             | 25                                     | 13                      |                     | 231          |                            |                    | 1                 |
| Des Moines (Iowa)                                                                                                                                                      | 1                                                              | 26                      | 771                 | 3,966              | 17                                     | 5                       |                     |              |                            | 3                  | 1                 |
| Fargo (North Dakota)                                                                                                                                                   | 1                                                              | 2                       | 197                 | 749                |                                        |                         |                     |              |                            |                    |                   |
| Milwaukee (Wisconsin)                                                                                                                                                  | 4                                                              | 17                      | 1,150               | 6,549              | 6                                      | 5                       | 1                   |              |                            |                    |                   |
| Omaha (Nebraska)                                                                                                                                                       | 1                                                              | 10                      | 2,359               | 5,14               | 5                                      | 4                       | 1                   | 2            | 1                          | 16                 | 1                 |
| St. Louis (Missouri)                                                                                                                                                   | 9                                                              | 25                      | 1,225               | 6,981              | 38                                     | 12                      |                     |              |                            |                    |                   |
| St. Paul (Minnesota)                                                                                                                                                   | 1                                                              | 17                      | 957                 | 6,000              | 4                                      | 3                       | 1                   |              |                            |                    | 3                 |
| Springfield (See (b) below)                                                                                                                                            | 3                                                              | 15                      | 703                 | 3,147              | 18                                     | 8                       |                     |              |                            |                    |                   |
| <b>Southwest Region</b>                                                                                                                                                | <b>3</b>                                                       | <b>114</b>              | <b>7,292</b>        | <b>34,575</b>      | <b>70</b>                              | <b>25</b>               |                     |              |                            |                    | <b>4</b>          |
| Albuquerque (New Mexico)                                                                                                                                               | 1                                                              | 3                       | 278                 | 1,248              | 6                                      | 3                       |                     |              |                            |                    |                   |
| Austin (See (f) below)                                                                                                                                                 | 1                                                              | 21                      | 1,657               | 8,450              | 17                                     | 7                       |                     |              |                            |                    | 1                 |
| Cheyenne (Wyoming)                                                                                                                                                     | 1                                                              | 5                       |                     | 11                 |                                        |                         |                     |              |                            |                    |                   |
| Dallas (See (f) below)                                                                                                                                                 | 1                                                              | 28                      | 1,522               | 7,236              | 19                                     | 5                       |                     |              |                            |                    |                   |
| Denver (Colorado)                                                                                                                                                      | 1                                                              | 18                      | 637                 | 3,336              | 5                                      | 2                       |                     |              |                            |                    |                   |
| Little Rock (Arkansas)                                                                                                                                                 | 1                                                              | 5                       | 592                 | 2,222              | 4                                      | 1                       |                     |              |                            |                    | 1                 |
| New Orleans (Louisiana)                                                                                                                                                | 1                                                              | 21                      | 1,062               | 4,848              | 7                                      | 5                       |                     |              |                            |                    |                   |
| Oklahoma City (Oklahoma)                                                                                                                                               | 1                                                              | 12                      | 842                 | 3,663              | 10                                     | 2                       |                     |              |                            |                    | 2                 |
| Wichita (Kansas)                                                                                                                                                       | 1                                                              | 6                       | 697                 | 3,061              | 2                                      |                         |                     |              |                            |                    |                   |
| <b>Western Region</b>                                                                                                                                                  | <b>12</b>                                                      | <b>170</b>              | <b>7,848</b>        | <b>59,431</b>      | <b>135</b>                             | <b>62</b>               |                     |              |                            | <b>4</b>           | <b>6</b>          |
| Anchorage (Alaska)                                                                                                                                                     | 1                                                              | 1                       | 40                  | 225                |                                        |                         |                     |              |                            |                    |                   |
| Boise (Idaho)                                                                                                                                                          | 1                                                              | 2                       | 240                 | 988                |                                        | 1                       |                     |              |                            |                    | 1                 |
| Helena (Montana)                                                                                                                                                       | 1                                                              | 4                       | 257                 | 1,043              | 1                                      | 1                       |                     |              |                            |                    |                   |
| Honolulu (Hawaii)                                                                                                                                                      | 1                                                              | 5                       | 99                  | 1,121              | 21                                     | 2                       |                     |              |                            |                    |                   |
| Los Angeles (See (a) below)                                                                                                                                            | 8                                                              | 64                      | 2,699               | 24,081             | 87                                     | 29                      |                     |              |                            |                    | 3                 |
| Phoenix (Arizona)                                                                                                                                                      | 1                                                              | 11                      | 443                 | 2,612              | 3                                      | 4                       |                     |              |                            | 1                  | 1                 |
| Portland (Oregon)                                                                                                                                                      | 3                                                              | 15                      | 597                 | 3,942              | 6                                      | 5                       |                     |              |                            |                    |                   |
| Reno (Nevada)                                                                                                                                                          | 1                                                              | 5                       | 135                 | 639                |                                        |                         |                     |              |                            |                    |                   |
| Salt Lake City (Utah)                                                                                                                                                  | 1                                                              | 8                       | 271                 | 1,594              | 2                                      |                         |                     |              |                            | 3                  | 1                 |
| San Francisco (See (a) below)                                                                                                                                          | 1                                                              | 32                      | 2,048               | 17,945             | 11                                     | 12                      |                     |              |                            |                    |                   |
| Seattle (Washington)                                                                                                                                                   | 1                                                              | 23                      | 1,019               | 5,241              | 4                                      | 8                       |                     |              |                            |                    |                   |
| <b>Totals for States not shown above</b>                                                                                                                               |                                                                |                         |                     |                    |                                        |                         |                     |              |                            |                    |                   |
| (a) California                                                                                                                                                         | 9                                                              | 96                      | 4,747               | 42,026             | 98                                     | 41                      |                     |              |                            |                    | 3                 |
| (b) Illinois                                                                                                                                                           | 8                                                              | 50                      | 2,940               | 15,731             | 43                                     | 21                      |                     |              |                            |                    | 1                 |
| (c) New York                                                                                                                                                           | 13                                                             | 70                      | 5,778               | 43,249             | 508                                    | 63                      | 1                   |              |                            | 6                  | 4                 |
| (d) Ohio                                                                                                                                                               | 9                                                              | 56                      | 2,491               | 16,115             | 28                                     | 24                      |                     |              | 7                          | 9                  | 22                |
| (e) Pennsylvania                                                                                                                                                       | 17                                                             | 41                      | 3,373               | 20,805             | 52                                     | 36                      |                     |              |                            |                    | 5                 |
| (f) Texas                                                                                                                                                              | 1                                                              | 49                      | 3,179               | 15,686             | 36                                     | 12                      |                     |              |                            |                    | 1                 |



Table 14.—Number of occupational tax stamps issued, covering fiscal year 1968, or portion thereof, by class of tax and by internal revenue regions, districts, and States—Continued

| Internal revenue regions, districts, and States<br>(States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | National Firearms Act      |               |                              |                                                 |                        | Coin-operated gaming device premises, \$250 per device | Adulterated, processed 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 |                                                        |                                                              |                |
|                                                                                                                                                                        | Class 1, \$500             | Class 2, \$25 |                              |                                                 |                        |                                                        |                                                              |                |
|                                                                                                                                                                        | (32)                       | (33)          | (34)                         | (35)                                            | (36)                   | (37)                                                   | (38)                                                         | (39)           |
| <b>United States, total</b>                                                                                                                                            | <b>36</b>                  | <b>20</b>     | <b>1</b>                     | <b>84</b>                                       | <b>50</b>              | <b>20,139</b>                                          | <b>39</b>                                                    | <b>5,089</b>   |
| <b>North-Atlantic Region</b>                                                                                                                                           |                            |               |                              |                                                 |                        |                                                        |                                                              |                |
| Albany (See (c) below)                                                                                                                                                 | 9                          | 3             |                              | 17                                              | 5                      | 243                                                    | 1                                                            | 74             |
| Augusta (Maine)                                                                                                                                                        | 1                          | 1             |                              |                                                 |                        |                                                        |                                                              | 2              |
| Boston (Massachusetts)                                                                                                                                                 | 1                          |               |                              | 1                                               | 2                      |                                                        |                                                              |                |
| Brooklyn (See (c) below)                                                                                                                                               | 1                          |               |                              | 5                                               |                        | 208                                                    | 1                                                            | 26             |
| Buffalo (See (c) below)                                                                                                                                                | 1                          |               |                              | 1                                               |                        |                                                        |                                                              |                |
| Burlington (Vermont)                                                                                                                                                   | 1                          |               |                              |                                                 |                        |                                                        |                                                              | 21             |
| Hartford (Connecticut)                                                                                                                                                 |                            |               |                              |                                                 |                        |                                                        |                                                              |                |
| Manhattan (See (c) below)                                                                                                                                              | 4                          |               |                              | 3                                               | 2                      | 25                                                     |                                                              | 1              |
| Portsmouth (New Hampshire)                                                                                                                                             |                            |               |                              | 6                                               | 1                      |                                                        |                                                              | 3              |
| Providence (Rhode Island)                                                                                                                                              |                            | 2             |                              | 1                                               |                        | 10                                                     |                                                              | 14             |
| <b>Mid-Atlantic Region</b>                                                                                                                                             |                            |               |                              |                                                 |                        |                                                        |                                                              |                |
| Baltimore (Maryland and D.C.)                                                                                                                                          | 10                         | 2             |                              | 8                                               | 9                      | 3,053                                                  |                                                              | 204            |
| Newark (New Jersey)                                                                                                                                                    | 1                          |               |                              | 6                                               | 3                      | 2,370                                                  |                                                              | 10             |
| Philadelphia (See (e) below)                                                                                                                                           | 9                          |               |                              |                                                 |                        | 52                                                     |                                                              |                |
| Pittsburgh (See (e) below)                                                                                                                                             |                            | 1             |                              |                                                 | 2                      | 25                                                     |                                                              | 14             |
| Richmond (Virginia)                                                                                                                                                    |                            | 1             |                              | 1                                               | 1                      | 300                                                    |                                                              | 132            |
| Wilmington (Delaware)                                                                                                                                                  |                            |               |                              | 1                                               | 3                      | 305                                                    |                                                              | 30             |
| <b>Southeast Region</b>                                                                                                                                                |                            |               |                              |                                                 |                        |                                                        |                                                              |                |
| Atlanta (Georgia)                                                                                                                                                      | 1                          |               |                              | 5                                               | 10                     | 4,935                                                  | 9                                                            | 183            |
| Birmingham (Alabama)                                                                                                                                                   |                            |               |                              | 2                                               | 2                      | 207                                                    |                                                              | 233            |
| Columbia (South Carolina)                                                                                                                                              |                            |               |                              | 1                                               | 1                      | 2                                                      |                                                              | 32             |
| Greensboro (North Carolina)                                                                                                                                            |                            |               |                              | 1                                               |                        | 1,962                                                  |                                                              | 38             |
| Jackson (Mississippi)                                                                                                                                                  |                            |               |                              |                                                 | 2                      | 37                                                     |                                                              | 14             |
| Jacksonville (Florida)                                                                                                                                                 |                            |               |                              |                                                 |                        | 615                                                    |                                                              | 79             |
| Nashville (Tennessee)                                                                                                                                                  | 1                          |               |                              | 2                                               | 4                      | 21                                                     | 9                                                            | 70             |
| <b>Central Region</b>                                                                                                                                                  |                            |               |                              |                                                 |                        |                                                        |                                                              |                |
| Cincinnati (See (d) below)                                                                                                                                             | 3                          |               |                              | 6                                               | 8                      | 2,091                                                  | 9                                                            | 1,191          |
| Cleveland (See (d) below)                                                                                                                                              |                            |               |                              |                                                 | 1                      | 561                                                    | 6                                                            |                |
| Detroit (Michigan)                                                                                                                                                     | 1                          |               |                              | 3                                               | 3                      | 159                                                    | 1                                                            | 136            |
| Indianapolis (Indiana)                                                                                                                                                 | 2                          |               |                              |                                                 |                        | 9                                                      | 1                                                            | 41             |
| Louisville (Kentucky)                                                                                                                                                  |                            |               |                              | 3                                               | 3                      | 796                                                    |                                                              | 533            |
| Parkersburg (West Virginia)                                                                                                                                            |                            |               |                              |                                                 |                        | 23                                                     |                                                              | 218            |
| <b>Midwest Region</b>                                                                                                                                                  |                            |               |                              |                                                 |                        |                                                        |                                                              |                |
| Aberdeen (South Dakota)                                                                                                                                                |                            |               |                              | 13                                              | 6                      | 890                                                    | 1                                                            | 263            |
| Chicago (See (b) below)                                                                                                                                                |                            |               |                              | 1                                               | 1                      | 1,062                                                  | 4                                                            | 159            |
| Des Moines (Iowa)                                                                                                                                                      |                            |               |                              | 8                                               |                        | 329                                                    |                                                              | 13             |
| Fargo (North Dakota)                                                                                                                                                   |                            |               |                              |                                                 | 1                      | 83                                                     |                                                              | 21             |
| Milwaukee (Wisconsin)                                                                                                                                                  |                            |               |                              | 1                                               | 1                      | 2                                                      |                                                              | 11             |
| Omaha (Nebraska)                                                                                                                                                       |                            |               |                              | 2                                               | 1                      | 3                                                      |                                                              | 24             |
| St. Louis (Missouri)                                                                                                                                                   |                            |               |                              | 1                                               |                        | 113                                                    |                                                              | 1              |
| St. Paul (Minnesota)                                                                                                                                                   |                            |               |                              | 1                                               | 1                      | 332                                                    | 3                                                            | 42             |
| Springfield (See (b) below)                                                                                                                                            |                            |               |                              |                                                 |                        | 18                                                     |                                                              | 5              |
| <b>Southwest Region</b>                                                                                                                                                |                            |               |                              |                                                 |                        |                                                        |                                                              |                |
| Albuquerque (New Mexico)                                                                                                                                               | 3                          | 1             | 1                            | 11                                              | 10                     | 182                                                    | 1                                                            | 18             |
| Austin (See (f) below)                                                                                                                                                 |                            |               |                              |                                                 | 1                      | 3,233                                                  | 13                                                           | 24             |
| Cheyenne (Wyoming)                                                                                                                                                     | 2                          |               |                              | 3                                               |                        | 24                                                     |                                                              | 580            |
| Dallas (See (f) below)                                                                                                                                                 |                            |               |                              |                                                 |                        | 17                                                     | 10                                                           | 112            |
| Denver (Colorado)                                                                                                                                                      |                            | 1             | 1                            | 1                                               | 1                      | 113                                                    |                                                              | 3              |
| Little Rock (Arkansas)                                                                                                                                                 |                            |               |                              | 4                                               |                        | 113                                                    |                                                              | 45             |
| New Orleans (Louisiana)                                                                                                                                                |                            |               |                              | 1                                               |                        | 558                                                    | 3                                                            | 2              |
| Oklahoma City (Oklahoma)                                                                                                                                               |                            |               |                              | 2                                               | 4                      | 2,072                                                  |                                                              | 75             |
| Wichita (Kansas)                                                                                                                                                       | 1                          |               |                              | 1                                               | 3                      | 125                                                    |                                                              | 236            |
| <b>Western Region</b>                                                                                                                                                  |                            |               |                              |                                                 |                        |                                                        |                                                              |                |
| Anchorage (Alaska)                                                                                                                                                     | 10                         | 14            |                              | 24                                              | 2                      | 211                                                    | 3                                                            | 98             |
| Boise (Idaho)                                                                                                                                                          |                            |               |                              |                                                 |                        | 5,143                                                  |                                                              | 9              |
| Helena (Montana)                                                                                                                                                       |                            |               |                              |                                                 |                        | 174                                                    |                                                              | 2,648          |
| Honolulu (Hawaii)                                                                                                                                                      |                            |               |                              | 1                                               |                        | 184                                                    |                                                              | 115            |
| Los Angeles (See (a) below)                                                                                                                                            |                            |               |                              |                                                 |                        | 138                                                    |                                                              | 3              |
| Phoenix (Arizona)                                                                                                                                                      | 4                          | 1             |                              | 16                                              |                        | 63                                                     | 3                                                            | 408            |
| Portland (Oregon)                                                                                                                                                      | 5                          |               |                              | 4                                               |                        | 145                                                    |                                                              | 1              |
| Reno (Nevada)                                                                                                                                                          |                            | 13            |                              |                                                 |                        | 735                                                    |                                                              | 8              |
| Salt Lake City (Utah)                                                                                                                                                  |                            |               |                              | 2                                               |                        | 1,614                                                  |                                                              | 21             |
| San Francisco (See (a) below)                                                                                                                                          | 1                          |               |                              | 1                                               | 1                      | 512                                                    |                                                              | 16             |
| Seattle (Washington)                                                                                                                                                   |                            |               |                              |                                                 |                        | 1                                                      |                                                              | 128            |
|                                                                                                                                                                        |                            |               |                              |                                                 |                        | 1,617                                                  |                                                              | 489            |
|                                                                                                                                                                        |                            |               |                              |                                                 |                        |                                                        |                                                              | 1,459          |
| Totals for States not shown above                                                                                                                                      |                            |               |                              |                                                 |                        |                                                        |                                                              |                |
| (a) California                                                                                                                                                         | 5                          | 1             |                              | 16                                              | 1                      | 64                                                     | 3                                                            | 8              |
| (b) Illinois                                                                                                                                                           |                            |               |                              | 8                                               | 2                      | 265                                                    | 1                                                            | 45             |
| (c) New York                                                                                                                                                           | 3                          | 1             |                              | 7                                               | 1                      |                                                        |                                                              | 26             |
| (d) Ohio                                                                                                                                                               | 1                          |               |                              |                                                 | 2                      | 712                                                    | 7                                                            | 136            |
| (e) Pennsylvania                                                                                                                                                       |                            | 2             |                              | 1                                               | 3                      | 325                                                    |                                                              | 146            |
| (f) Texas                                                                                                                                                              | 2                          | 1             | 1                            | 4                                               | 1                      | 17                                                     | 10                                                           | 157            |

**Table 15.—Appellate division receipts and dispositions of cases not before the Tax Court (nondocketed cases)**

**A. Progress of work**

| Status                                                                                      | Number of cases<br>(1) | Amount stated in revenue agent's report (thousand dollars) |                       |
|---------------------------------------------------------------------------------------------|------------------------|------------------------------------------------------------|-----------------------|
|                                                                                             |                        | Deficiency and penalty<br>(2)                              | Overassessment<br>(3) |
| Pending July 1                                                                              | 23,805                 | 2,284,943                                                  | 105,883               |
| Received                                                                                    | 26,912                 | 1,164,825                                                  | 42,455                |
| Disposed of, total                                                                          | 29,012                 | 1,185,968                                                  | 41,512                |
| By agreement                                                                                | 23,416                 | 960,849                                                    | 39,967                |
| Unagreed: (Overassessments, claims, excise, employment, and offer in compromise rejections) | 1,473                  | 12,967                                                     | 823                   |
| By taxpayer default on statutory notice                                                     | 997                    | 24,764                                                     | 145                   |
| By petition to the Tax Court—transferred to docketed status                                 | 3,126                  | 187,385                                                    | 576                   |
| Pending June 30                                                                             | 21,705                 | 2,263,801                                                  | 106,828               |

**B. Results obtained in dispositions**

| Method                                                                                      | Number of cases<br>(1) | Appellate determination (thousand dollars) |                                    |
|---------------------------------------------------------------------------------------------|------------------------|--------------------------------------------|------------------------------------|
|                                                                                             |                        | Deficiency and penalty<br>(2)              | Overassessment <sup>1</sup><br>(3) |
| Disposed of, total                                                                          | 29,012                 | 512,998                                    | 70,897                             |
| By agreement                                                                                | 23,416                 | 269,634                                    | 69,639                             |
| Unagreed: (Overassessments, claims, excise, employment, and offer in compromise rejections) | 1,473                  | 12,276                                     | 1,128                              |
| By taxpayer default on statutory notice                                                     | 997                    | 22,954                                     | 101                                |
| By petition to the Tax Court—transferred to docketed status                                 | 3,126                  | 188,138                                    | 32                                 |

**Table 16.—Appellate division receipts and dispositions of income, estate, and gift tax cases petitioned to the Tax Court (docketed cases)**

**A. Progress of work**

| Status                                              | Number of cases<br>(1) | Amount stated in statutory notice (thousand dollars) |                       |
|-----------------------------------------------------|------------------------|------------------------------------------------------|-----------------------|
|                                                     |                        | Deficiency in tax and penalty<br>(2)                 | Overassessment<br>(3) |
| Pending July 1                                      | 9,292                  | 1,265,059                                            | 740                   |
| Received, total                                     | 6,301                  | 422,045                                              | —42                   |
| Petitions filed in response to—                     |                        |                                                      |                       |
| District directors' statutory notices               | 3,321                  | 232,959                                              | —26                   |
| Appellate Division's statutory notices <sup>1</sup> | 2,980                  | 189,086                                              | —16                   |
| Disposed of, total                                  | 6,034                  | 373,349                                              | 330                   |
| By stipulated agreement                             | 4,970                  | 307,955                                              | 324                   |
| By dismissal by the Tax Court or taxpayer default   | 262                    | 3,131                                                | ( <sup>2</sup> )      |
| Tried before the Tax Court on the merits            | 802                    | 62,263                                               | 6                     |
| Pending June 30                                     | 9,559                  | 1,313,755                                            | 367                   |

<sup>1</sup> Difference from table 15 transferred to docketed status is caused by excluding district director's statutory notices considered by Appellate in 90-day status.  
<sup>2</sup> Less than \$500.

**B. Results obtained in dispositions**

| Method                                                | Number of cases<br>(1) | Appellate determination (thousand dollars) |                       |
|-------------------------------------------------------|------------------------|--------------------------------------------|-----------------------|
|                                                       |                        | Deficiency in tax and penalty<br>(2)       | Overassessment<br>(3) |
| Disposed of, total                                    | 6,034                  | 151,926                                    | 3,879                 |
| By stipulated agreement                               | 4,970                  | 86,725                                     | 3,873                 |
| By dismissal by the Tax Court or taxpayer default     | 262                    | 2,938                                      | ( <sup>2</sup> )      |
| Tried before the Tax Court on the merits <sup>1</sup> | 802                    | 62,263                                     | 6                     |

<sup>1</sup> Represents amount petitioned.  
<sup>2</sup> Less than \$500.



**Table 17.—Office of Chief Counsel—Processing of income, estate, and gift tax cases in the Tax Court**

| Status            | Number of cases<br>(1) | Amount in dispute (thousand dollars) |                |                    |
|-------------------|------------------------|--------------------------------------|----------------|--------------------|
|                   |                        | Deficiency                           |                | Overpayment<br>(4) |
|                   |                        | Tax<br>(2)                           | Penalty<br>(3) |                    |
| Pending July 1    | 10,376                 | 1,041,987                            | 106,286        | 49,645             |
| Filed or reopened | 6,392                  | 466,273                              | 23,397         | 27,691             |
| Disposed of       | 5,944                  | 291,124                              | 22,751         | 19,701             |
| Pending June 30   | 10,824                 | 1,217,136                            | 106,931        | 57,634             |

**Table 18.—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<br>(1) | Amount in dispute (thousand dollars) |                     | Amount approved (thousand dollars) |                     | Number of cases<br>(6) | Amount in dispute (thousand dollars) |                     | Amount approved (thousand dollars) |                      |
|                           |                        | Deficiency and penalty<br>(2)        | Over-payment<br>(3) | Deficiency and penalty<br>(4)      | Over-payment<br>(5) |                        | Deficiency and penalty<br>(7)        | Over-payment<br>(8) | Deficiency and penalty<br>(9)      | Over-payment<br>(10) |
| Pending July 1, total     | 369                    | 18,534                               | 294                 |                                    |                     | 2                      | 15                                   |                     |                                    |                      |
| Appealed by Commissioner  | 36                     | 1,958                                | 8                   |                                    |                     | 2                      | 15                                   |                     |                                    |                      |
| Appealed by taxpayers     | 300                    | 14,888                               | 153                 |                                    |                     |                        |                                      |                     |                                    |                      |
| Appealed by both          | 33                     | 1,688                                | 138                 |                                    |                     |                        |                                      |                     |                                    |                      |
| Appealed, total           | 235                    | 16,503                               | 398                 |                                    |                     | 2                      | 1                                    |                     |                                    |                      |
| By Commissioner           | 52                     | 3,922                                | 344                 |                                    |                     | 1                      | 1                                    |                     |                                    |                      |
| By taxpayers              | 166                    | 9,817                                | 53                  |                                    |                     | 1                      | (*)                                  |                     |                                    |                      |
| By both                   | 17                     | 2,764                                |                     |                                    |                     |                        |                                      |                     |                                    |                      |
| Disposed of, total        | 239                    | 9,482                                | 82                  | 5,678                              | 21                  | 4                      | 16                                   | (*)                 |                                    |                      |
| Favorable to Commissioner | 147                    | 5,483                                | 27                  | 4,685                              |                     | 4                      | 16                                   | (*)                 |                                    |                      |
| Favorable to taxpayers    | 20                     | 692                                  | 11                  | 287                                | 11                  |                        |                                      |                     |                                    |                      |
| Modified                  | 23                     | 774                                  | 28                  | 565                                | 9                   |                        |                                      |                     |                                    |                      |
| Settled                   | 2                      | 193                                  |                     | 142                                |                     |                        |                                      |                     |                                    |                      |
| Dismissed                 | 47                     | 2,340                                | 16                  |                                    |                     |                        |                                      |                     |                                    |                      |
| Pending June 30, total    | 365                    | 25,555                               | 610                 |                                    |                     |                        |                                      |                     |                                    |                      |
| Appealed by Commissioner  | 46                     | 4,853                                | 331                 |                                    |                     |                        |                                      |                     |                                    |                      |
| Appealed by taxpayers     | 285                    | 18,343                               | 136                 |                                    |                     |                        |                                      |                     |                                    |                      |
| Appealed by both          | 34                     | 2,659                                | 142                 |                                    |                     |                        |                                      |                     |                                    |                      |

\* Less than \$500. \* Revised.

**Table 19.—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<br>(1) | Refund suits (other than alcohol, tobacco, and firearms taxes) <sup>1</sup> |                        | Erroneous refunds<br>(4) |
|----------------------------------------------|--------------|-----------------------------------------------------------------------------|------------------------|--------------------------|
|                                              |              | Court of Claims<br>(2)                                                      | District courts<br>(3) |                          |
| Pending July 1:                              |              |                                                                             |                        |                          |
| Cases..... number.....                       | 3,634        | 509                                                                         | 3,099                  | 26                       |
| Amount in dispute..... thousand dollars..... | 435,150      | 199,506                                                                     | 233,067                | 2,577                    |
| Received during year:                        |              |                                                                             |                        |                          |
| Cases..... number.....                       | 1,412        | 139                                                                         | 1,264                  | 9                        |
| Amount in dispute..... thousand dollars..... | 96,303       | 21,129                                                                      | 74,979                 | 195                      |
| Disposed of during year:                     |              |                                                                             |                        |                          |
| Cases..... number.....                       | 1,304        | 178                                                                         | 1,118                  | 8                        |
| Amount in dispute..... thousand dollars..... | 94,808       | 43,904                                                                      | 50,703                 | 201                      |
| Refunded during year:                        |              |                                                                             |                        |                          |
| Amount..... thousand dollars.....            | 54,751       | 27,610                                                                      | 27,141                 |                          |
| Percent of amount disposed of.....           | 57.75        | 62.89                                                                       | 53.53                  |                          |
| Pending June 30:                             |              |                                                                             |                        |                          |
| Cases..... number.....                       | 3,742        | 470                                                                         | 3,245                  | 27                       |
| Amount in dispute..... thousand dollars..... | 436,645      | 176,731                                                                     | 257,343                | 2,571                    |

<sup>1</sup> 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 70, of which 48 were for the Government, 19 against the Government, and 3 partly for and partly against the Government. In the district courts, 516 decisions were rendered, of which 301 were for the Government, 150 against the Government, and 65 partly for and partly against the Government. For decisions by the courts of appeals and Supreme Court, see table 20.

**Table 20.—Office of Chief Counsel—Decisions of courts of appeals and Supreme Court in civil tax cases**

| Court                            | Total<br>(1) | For the Government<br>(2) | Against the Government<br>(3) | Partly for and partly against the Government<br>(4) |
|----------------------------------|--------------|---------------------------|-------------------------------|-----------------------------------------------------|
| Total.....                       | 247          | 174                       | 51                            | 22                                                  |
| By courts of appeals, total..... | 243          | 170                       | 51                            | 22                                                  |
| Originally tried in—             |              |                           |                               |                                                     |
| Tax Court.....                   | 144          | 101                       | 34                            | 9                                                   |
| District courts.....             | 99           | 69                        | 17                            | 13                                                  |
| By Supreme Court, total.....     | 4            | 4                         |                               |                                                     |
| Originally tried in—             |              |                           |                               |                                                     |
| Tax Court.....                   | 2            | 2                         |                               |                                                     |
| District courts.....             | 2            | 2                         |                               |                                                     |
| Court of Claims.....             |              |                           |                               |                                                     |

**Table 21.—Office of Chief Counsel—Receipt and disposal of collection, injunction, summons, and disclosure cases**

| Status               | Number of cases |
|----------------------|-----------------|
| Pending July 1.....  | 1,656           |
| Received.....        | 2,306           |
| Disposed of.....     | 2,271           |
| Pending June 30..... | 1,691           |

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 22), nor to appeal and other cases which are included in table 23.

**Table 22.—Office of Chief Counsel—Receipt and disposal of insolvency and debtor proceedings**

| Status               | Total<br>(1) | Reorganization proceedings <sup>1</sup><br>(2) | Bankruptcy and receivership proceedings <sup>2</sup><br>(3) | Miscellaneous insolvency proceedings <sup>3</sup><br>(4) |
|----------------------|--------------|------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------|
| Pending July 1.....  | 2,429        | 1,262                                          | 590                                                         | 577                                                      |
| Received.....        | 3,084        | 1,323                                          | 1,194                                                       | 567                                                      |
| Disposed of.....     | 3,291        | 1,443                                          | 1,183                                                       | 665                                                      |
| Pending June 30..... | 2,222        | 1,142                                          | 601                                                         | 479                                                      |

<sup>1</sup> Proceedings instituted under the following sections 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.

<sup>2</sup> Bankruptcy liquidation proceedings and Federal or State receivership proceedings which involve tax claims of the United States.

<sup>3</sup> 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 23.—Office of Chief Counsel—Receipt and disposal of miscellaneous court cases, lien cases not in court, noncourt collection litigation cases, and appeal cases**

| Status               | Total<br>(1) | Miscellaneous court cases <sup>1</sup><br>(2) | Lien cases not in court <sup>2</sup><br>(3) | Noncourt collection litigation cases <sup>3</sup><br>(4) | Appeal cases <sup>4</sup><br>(5) |
|----------------------|--------------|-----------------------------------------------|---------------------------------------------|----------------------------------------------------------|----------------------------------|
| Pending July 1.....  | 1,287        | 306                                           | 102                                         | 763                                                      | 116                              |
| Received.....        | 6,079        | 567                                           | 1,989                                       | 3,407                                                    | 116                              |
| Disposed of.....     | 6,092        | 550                                           | 2,006                                       | 3,413                                                    | 123                              |
| Pending June 30..... | 1,274        | 323                                           | 85                                          | 757                                                      | 109                              |

<sup>1</sup> Includes suits for foreclosure by mortgagees or other secured creditors, and suits to quiet title to which the United States is made a party.

<sup>2</sup> Primarily applications for discharge of property from tax liens.

<sup>3</sup> Primarily memorandums on collection litigation matters from regional counsel to district directors which are not related to court proceedings or lien cases.

<sup>4</sup> 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 24.—Office of Chief Counsel—Caseload report**

| Activity                        | Pending July 1<br>(1) | Receipts<br>(2) | Disposals<br>(3) | Pending June 30<br>(4) |
|---------------------------------|-----------------------|-----------------|------------------|------------------------|
| Total.....                      | 23,090                | 26,179          | 25,950           | 23,319                 |
| Administration.....             | 111                   | 77              | 101              | 87                     |
| Alcohol and tobacco tax.....    | 609                   | 4,692           | 4,606            | 695                    |
| National Office.....            | 139                   | 1,186           | 1,146            | 179                    |
| Field.....                      | 470                   | 3,506           | 3,460            | 516                    |
| Collection Litigation.....      | 5,372                 | 11,469          | 11,654           | 5,187                  |
| National Office.....            | 323                   | 409             | 398              | 334                    |
| Field.....                      | 5,049                 | 11,060          | 11,256           | 4,853                  |
| Enforcement.....                | 2,351                 | 1,128           | 1,331            | 2,148                  |
| National Office.....            | 87                    | 23              | 37               | 73                     |
| Field.....                      | 2,264                 | 1,105           | 1,294            | 2,075                  |
| Interpretative Division.....    | 268                   | 770             | 767              | 271                    |
| Refund Litigation Division..... | 3,634                 | 1,412           | 1,304            | 3,742                  |
| Tax Court <sup>1</sup> .....    | 10,745                | 6,631           | 6,187            | 11,189                 |
| National Office.....            | 369                   | 239             | 243              | 365                    |
| Field.....                      | 10,376                | 6,392           | 5,944            | 10,824                 |

<sup>1</sup> Nondocketed cases not included.

**Table 25.—Obligations incurred by the Internal Revenue Service**

(In thousands of dollars)

| Internal revenue office, district, or region                                                              | Total<br>(1) | Personnel<br>compensation<br>and benefits<br>(2) | Travel<br>(3) | Equipment<br>(4) | Other<br>(5)        |
|-----------------------------------------------------------------------------------------------------------|--------------|--------------------------------------------------|---------------|------------------|---------------------|
| <b>A. National Office and regional totals (including district directors' offices and service centers)</b> |              |                                                  |               |                  |                     |
| Total, Internal Revenue Service <sup>1</sup> .....                                                        | 699,190      | 625,144                                          | 14,659        | 7,410            | <sup>2</sup> 51,977 |
| National Office.....                                                                                      | 78,186       | 44,402                                           | 1,530         | 4,649            | 27,605              |
| North-Atlantic.....                                                                                       | 110,081      | 105,318                                          | 1,407         | 179              | 3,177               |
| Mid-Atlantic.....                                                                                         | 85,819       | 81,465                                           | 1,363         | 325              | 2,666               |
| Southeast.....                                                                                            | 69,231       | 63,981                                           | 1,954         | 463              | 2,833               |
| Central.....                                                                                              | 74,655       | 73,918                                           | 1,747         | 203              | 2,787               |
| Midwest.....                                                                                              | 83,562       | 78,732                                           | 1,717         | 313              | 2,800               |
| Southwest.....                                                                                            | 65,996       | 61,033                                           | 1,665         | 412              | 2,886               |
| Western.....                                                                                              | 92,211       | 85,532                                           | 2,289         | 564              | 3,826               |
| Regional counsel.....                                                                                     | 9,761        | 9,349                                            | 98            | -----            | 314                 |
| Regional inspection.....                                                                                  | 8,868        | 7,943                                            | 663           | 44               | 218                 |
| Office of International Operations.....                                                                   | 5,136        | 4,725                                            | 198           | 23               | 190                 |
| National Computer Center.....                                                                             | 3,623        | 2,017                                            | 9             | 130              | 1,467               |
| IRS Data Center.....                                                                                      | 8,061        | 6,729                                            | 19            | 105              | 1,208               |
| <b>B. Regional commissioners' offices (excluding district directors' offices and service centers)</b>     |              |                                                  |               |                  |                     |
| North-Atlantic.....                                                                                       | 11,561       | 10,913                                           | 199           | 11               | 438                 |
| Mid-Atlantic.....                                                                                         | 10,778       | 9,897                                            | 279           | 61               | 541                 |
| Southeast.....                                                                                            | 12,885       | 11,444                                           | 443           | 116              | 882                 |
| Central.....                                                                                              | 11,459       | 10,703                                           | 235           | 32               | 489                 |
| Midwest.....                                                                                              | 9,354        | 8,509                                            | 234           | 65               | 546                 |
| Southwest.....                                                                                            | 6,797        | 6,143                                            | 168           | 71               | 415                 |
| Western.....                                                                                              | 9,671        | 8,868                                            | 269           | 141              | 393                 |
| <b>C. Regional costs undistributed</b>                                                                    |              |                                                  |               |                  |                     |
| North-Atlantic.....                                                                                       | 831          | 622                                              | 190           | 14               | 5                   |
| Mid-Atlantic.....                                                                                         | 600          | 458                                              | 135           | -----            | 7                   |
| Southeast.....                                                                                            | 691          | 353                                              | 258           | 9                | 71                  |
| Central.....                                                                                              | 933          | 549                                              | 230           | 5                | 149                 |
| Midwest.....                                                                                              | 814          | 571                                              | 220           | 20               | 3                   |
| Southwest.....                                                                                            | 639          | 388                                              | 225           | 14               | 12                  |
| Western.....                                                                                              | 929          | 500                                              | 338           | 63               | 28                  |
| <b>D. District directors' offices and service centers</b>                                                 |              |                                                  |               |                  |                     |
| <b>North-Atlantic:</b>                                                                                    |              |                                                  |               |                  |                     |
| Albany.....                                                                                               | 3,543        | 3,374                                            | 77            | 4                | 88                  |
| Augusta.....                                                                                              | 1,774        | 1,667                                            | 58            | 1                | 48                  |
| Boston.....                                                                                               | 12,393       | 11,884                                           | 208           | 6                | 295                 |
| Brooklyn.....                                                                                             | 15,303       | 14,716                                           | 146           | 37               | 404                 |
| Buffalo.....                                                                                              | 8,527        | 8,167                                            | 149           | 9                | 202                 |
| Burlington.....                                                                                           | 901          | 843                                              | 29            | 2                | 27                  |
| Hartford.....                                                                                             | 6,435        | 6,169                                            | 103           | 15               | 148                 |
| Manhattan.....                                                                                            | 28,613       | 27,927                                           | 161           | 20               | 505                 |
| Portsmouth.....                                                                                           | 1,286        | 1,203                                            | 38            | 3                | 42                  |
| Providence.....                                                                                           | 2,098        | 2,007                                            | 24            | 15               | 52                  |
| Puerto Rico.....                                                                                          | 121          | 112                                              | 8             | -----            | 1                   |
| North-Atlantic Regional Training Center.....                                                              | 36           | -----                                            | -----         | 1                | 35                  |
| North-Atlantic Service Center.....                                                                        | 16,659       | 15,716                                           | (*)           | 40               | 885                 |
| <b>Mid-Atlantic:</b>                                                                                      |              |                                                  |               |                  |                     |
| Baltimore.....                                                                                            | 10,861       | 10,488                                           | 130           | 28               | 215                 |
| Newark.....                                                                                               | 15,011       | 14,409                                           | 217           | 48               | 337                 |
| Philadelphia.....                                                                                         | 14,901       | 14,376                                           | 216           | 39               | 270                 |
| Pittsburgh.....                                                                                           | 8,726        | 8,398                                            | 137           | 14               | 177                 |
| Richmond.....                                                                                             | 7,062        | 6,583                                            | 208           | 88               | 173                 |
| Wilmington.....                                                                                           | 1,966        | 1,876                                            | 22            | 24               | 44                  |
| Mid-Atlantic Service Center.....                                                                          | 15,913       | 14,969                                           | 18            | 24               | 902                 |
| <b>Southeast:</b>                                                                                         |              |                                                  |               |                  |                     |
| Atlanta.....                                                                                              | 6,550        | 6,151                                            | 189           | 29               | 181                 |
| Birmingham.....                                                                                           | 4,395        | 4,144                                            | 119           | 21               | 111                 |
| Columbia.....                                                                                             | 2,989        | 2,814                                            | 84            | 16               | 75                  |
| Greensboro.....                                                                                           | 7,022        | 6,579                                            | 251           | 35               | 157                 |
| Jackson.....                                                                                              | 2,799        | 2,602                                            | 102           | 23               | 72                  |
| Jacksonville.....                                                                                         | 12,070       | 11,365                                           | 335           | 42               | 328                 |
| Nashville.....                                                                                            | 5,676        | 5,313                                            | 157           | 33               | 173                 |
| Southeast Service Center.....                                                                             | 14,153       | 13,218                                           | 16            | 138              | 781                 |
| <b>Central:</b>                                                                                           |              |                                                  |               |                  |                     |
| Cincinnati.....                                                                                           | 7,734        | 7,410                                            | 160           | 16               | 148                 |
| Cleveland.....                                                                                            | 12,287       | 11,694                                           | 271           | 22               | 300                 |
| Detroit.....                                                                                              | 14,353       | 13,682                                           | 312           | 29               | 330                 |
| Indianapolis.....                                                                                         | 8,160        | 7,724                                            | 237           | 17               | 182                 |
| Louisville.....                                                                                           | 3,199        | 4,893                                            | 154           | 18               | 134                 |
| Parkersburg.....                                                                                          | 3,081        | 2,855                                            | 131           | 17               | 78                  |
| Central Regional Training Center.....                                                                     | 168          | 106                                              | -----         | 20               | 42                  |
| Central Service Center.....                                                                               | 15,279       | 14,304                                           | (*)           | 17               | 931                 |
| <b>Midwest:</b>                                                                                           |              |                                                  |               |                  |                     |
| Aberdeen.....                                                                                             | 1,459        | 1,364                                            | 65            | 1                | 29                  |
| Chicago.....                                                                                              | 19,538       | 18,873                                           | 199           | 18               | 448                 |
| Des Moines.....                                                                                           | 4,711        | 4,425                                            | 140           | 49               | 97                  |
| Fargo.....                                                                                                | 1,281        | 1,192                                            | 60            | 3                | 26                  |
| Milwaukee.....                                                                                            | 6,782        | 6,450                                            | 169           | 10               | 153                 |
| Omaha.....                                                                                                | 3,150        | 2,972                                            | 84            | 16               | 78                  |
| St. Louis.....                                                                                            | 9,638        | 9,148                                            | 218           | 18               | 254                 |
| St. Paul.....                                                                                             | 6,530        | 6,226                                            | 144           | 8                | 152                 |
| Springfield.....                                                                                          | 5,244        | 4,939                                            | 163           | 7                | 135                 |
| Midwest Service Center.....                                                                               | 15,062       | 14,063                                           | 20            | 98               | 881                 |

Footnotes at end of table.



**Table 25.—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)   |
| <b>D. District directors' offices and service centers—Continued</b> |        |                                     |        |           |       |
| <b>Southwest:</b>                                                   |        |                                     |        |           |       |
| Albuquerque.....                                                    | 2,174  | 2,002                               | 76     | 12        | 84    |
| Austin.....                                                         | 10,275 | 9,623                               | 264    | 38        | 330   |
| Cheyenne.....                                                       | 1,032  | 950                                 | 45     | 8         | 29    |
| Dallas.....                                                         | 10,131 | 9,545                               | 279    | 20        | 287   |
| Denver.....                                                         | 4,090  | 3,836                               | 90     | 5         | 159   |
| Little Rock.....                                                    | 2,850  | 2,640                               | 83     | 13        | 104   |
| New Orleans.....                                                    | 5,919  | 5,573                               | 119    | 34        | 193   |
| Oklahoma City.....                                                  | 5,096  | 4,776                               | 126    | 32        | 162   |
| Wichita.....                                                        | 4,300  | 4,019                               | 137    | 25        | 119   |
| Southwest Service Center.....                                       | 12,694 | 11,536                              | 23     | 140       | 995   |
| <b>Western:</b>                                                     |        |                                     |        |           |       |
| Anchorage.....                                                      | 987    | 877                                 | 65     | 2         | 43    |
| Boise.....                                                          | 1,439  | 1,382                               | 58     | 19        | 60    |
| Helena.....                                                         | 1,527  | 1,390                               | 74     | 11        | 52    |
| Honolulu.....                                                       | 1,673  | 1,579                               | 41     | 8         | 45    |
| Los Angeles.....                                                    | 24,587 | 23,105                              | 581    | 59        | 842   |
| Portland.....                                                       | 3,065  | 2,896                               | 91     | 16        | 105   |
| Reno.....                                                           | 4,034  | 3,738                               | 109    | 19        | 148   |
| Salt Lake City.....                                                 | 2,332  | 2,077                               | 74     | 17        | 164   |
| San Francisco.....                                                  | 2,042  | 1,928                               | 42     | 13        | 59    |
| Seattle.....                                                        | 16,225 | 15,117                              | 355    | 94        | 659   |
| Western Regional Training Center.....                               | 5,978  | 5,620                               | 156    | 32        | 170   |
| Western Service Center.....                                         | 283    | 227                                 | 3      | 1         | 52    |
|                                                                     | 17,437 | 16,326                              | 33     | 67        | 1,011 |

\*Less than \$500.

† Includes \$4.6 million financed from reimbursements.

‡ Does not include \$478,000 rental transfer to General Services Administration.

**Table 26.—Obligations incurred by Internal Revenue Service, by appropriation and activity**

[In thousands of dollars]

| Appropriation by activity                                              | Total                  |         | Personnel compensation and benefits |         | Other   |        |
|------------------------------------------------------------------------|------------------------|---------|-------------------------------------|---------|---------|--------|
|                                                                        | 1967                   | 1968    | 1967                                | 1968    | 1967    | 1968   |
|                                                                        | Total obligations..... | 667,080 | 699,190                             | 589,042 | 625,144 | 78,038 |
| Appropriated funds, total.....                                         | 663,853                | 694,611 | 586,365                             | 621,451 | 77,488  | 73,160 |
| <b>Salaries and expenses:</b>                                          |                        |         |                                     |         |         |        |
| Total.....                                                             | 18,817                 | 19,604  | 16,012                              | 17,205  | 2,805   | 2,399  |
| Executive direction.....                                               | 8,465                  | 8,171   | 6,992                               | 7,380   | 1,473   | 791    |
| Internal audit and security.....                                       | 10,352                 | 11,433  | 9,020                               | 9,825   | 1,332   | 1,608  |
| <b>Revenue accounting and processing:</b>                              |                        |         |                                     |         |         |        |
| Total.....                                                             | 172,557                | 178,918 | 141,118                             | 150,412 | 31,439  | 28,506 |
| Data processing operations.....                                        | 111,072                | 144,590 | 91,385                              | 116,937 | 19,687  | 27,653 |
| Statistical reporting.....                                             | 5,817                  | 5,463   | 5,123                               | 4,697   | 694     | 766    |
| District manual operations.....                                        | 55,668                 | 28,865  | 44,610                              | 28,778  | 11,058  | 87     |
| <b>Compliance:</b>                                                     |                        |         |                                     |         |         |        |
| Total.....                                                             | 472,479                | 496,089 | 429,235                             | 453,834 | 43,244  | 42,255 |
| Audit of tax returns.....                                              | 242,986                | 261,018 | 225,497                             | 240,786 | 17,489  | 20,232 |
| Collection of delinquent accounts and securing delinquent returns..... | 108,342                | 111,233 | 96,745                              | 100,794 | 11,597  | 10,439 |
| Tax fraud and special investigations.....                              | 33,859                 | 35,186  | 29,548                              | 31,432  | 4,311   | 3,754  |
| Alcohol and tobacco tax regulation and enforcement.....                | 36,622                 | 36,279  | 30,450                              | 32,054  | 6,172   | 4,225  |
| Taxpayer conferences and appeals.....                                  | 24,357                 | 25,010  | 23,126                              | 23,789  | 1,231   | 1,221  |
| Technical rulings and services.....                                    | 10,053                 | 10,242  | 9,009                               | 9,295   | 1,044   | 947    |
| Legal services.....                                                    | 16,260                 | 17,121  | 14,860                              | 15,684  | 1,400   | 1,437  |
| Reimbursements, total.....                                             | 3,227                  | 4,579   | 2,677                               | 3,693   | 550     | 886    |

Note.—Amounts shown do not include transfer to GSA for rent of space amounting to \$257,000 in 1967; \$478,000 in 1968.

**Table 27.—Quantity and Cost Statistics for Printing**

| Class of work                                                                       | 1967                    |                 |                               | 1968                    |                 |                               |
|-------------------------------------------------------------------------------------|-------------------------|-----------------|-------------------------------|-------------------------|-----------------|-------------------------------|
|                                                                                     | Quantity (thousands)    |                 | Cost<br>(thousand<br>dollars) | Quantity (thousands)    |                 | Cost<br>(thousand<br>dollars) |
|                                                                                     | Items or<br>sets<br>(1) | Packages<br>(2) |                               | Items or<br>sets<br>(4) | Packages<br>(5) |                               |
| <b>Total</b>                                                                        |                         |                 | 13,191                        |                         |                 | 13,232                        |
| Tax returns and instructions for major mailings to taxpayer, total                  | 460,203                 | 80,001          | 2,069                         | 527,227                 | 84,832          | 2,201                         |
| Package 1 (Form 1040 and instructions—20 pages)                                     | 70,824                  | 23,608          | 505                           | 84,883                  | 31,628          | 683                           |
| Package 2 (Form 1040, Schedules B, D, 1040ES, and instructions—32 pages)            | 152,368                 | 19,046          | 511                           | 88,266                  | 11,032          | 318                           |
| Package 3 (Form 1040, Schedules B, C, D, 1040ES, and instructions—40 pages)         | 78,045                  | 7,095           | 382                           | 102,830                 | 7,345           | 383                           |
| Package 4 (Form 1040, Schedules B, D, F, 1040ES, and instructions—40 pages)         | 37,906                  | 3,446           | 186                           | 46,288                  | 3,307           | 177                           |
| Package 5 (Form 1065, Schedule D, and instructions—16 pages)                        | 5,350                   | 1,070           | 23                            | 5,400                   | 1,080           | 27                            |
| Package 6 (Form 1120, Schedule D, Form 3468, and instructions—24 pages)             | 8,480                   | 1,697           | 52                            | 12,250                  | 3,750           | 50                            |
| Package 7 (Form 1040A, instructions)                                                | 38,980                  | 19,490          | 228                           | 38,920                  | 19,460          | 218                           |
| Employment tax package—Pub. 393 (Forms 7018, 941a, W-2, W-4, and Pub. 213—28 pages) | 68,250                  | 4,550           | 182                           | 138,450                 | 9,230           | 1,345                         |
| Other tax returns, instructions, public-use forms, and pamphlets                    | 1,386,775               |                 | 6,570                         | 1,302,493               |                 | 6,004                         |
| Administration forms and pamphlets                                                  | 874,235                 |                 | 3,066                         | 968,751                 |                 | 3,388                         |
| Field printing                                                                      | 212,706                 |                 | 606                           | 171,070                 |                 | 544                           |
| Excise tax stamps                                                                   | 2,267,167               |                 | 880                           | 2,519,809               |                 | 1,095                         |

<sup>1</sup> Because of a change in production methods requiring more leadtime, it was necessary to procure fiscal year 1969 requirements for this publication during fiscal year 1968.

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