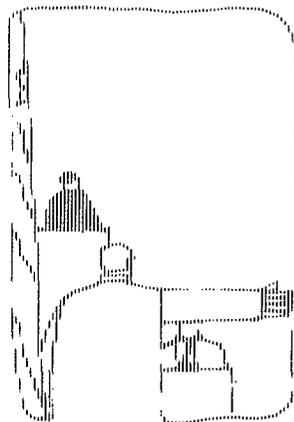
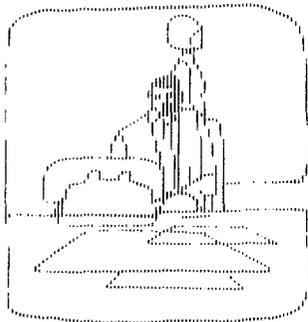
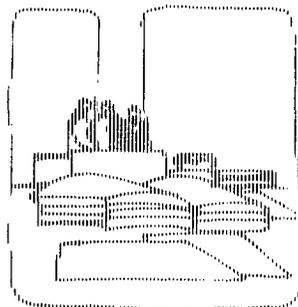
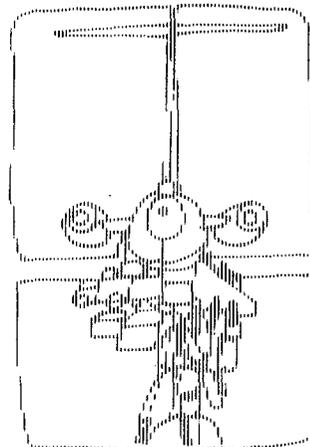
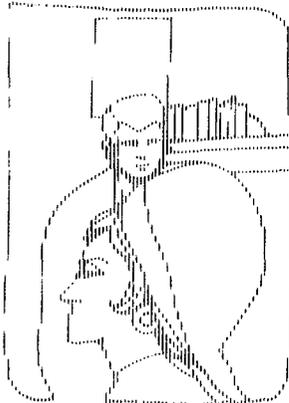
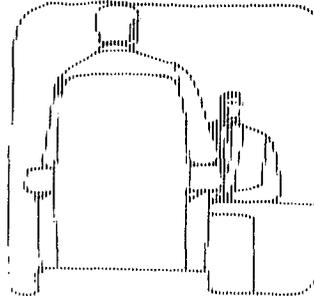
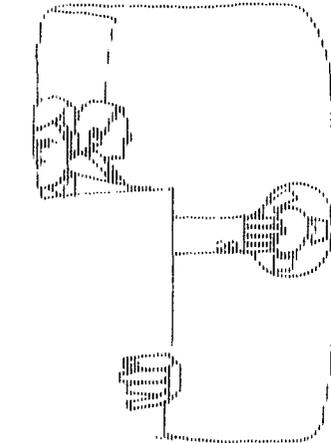


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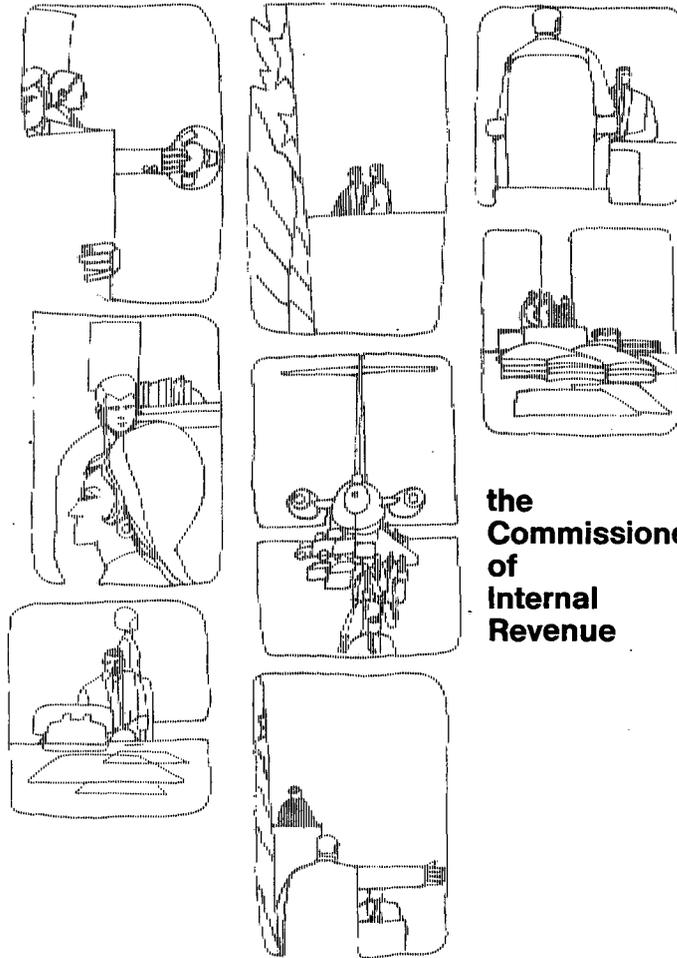
Annual Report



the  
Commissioner  
of  
Internal  
Revenue



**1971**  
Annual Report



**the  
Commissioner  
of  
Internal  
Revenue**





Commissioner  
Internal Revenue Service  
Washington, DC 20224

Dear Mr. Secretary:

We are pleased to present to you the Annual Report of the Internal Revenue Service covering the Fiscal Year 1971.

As you know, we arrived too late to have any part in the accomplishments described in this report. Accordingly, the report constitutes a tribute to the able leadership of our predecessor, Randolph W. Thrower, and the competence and diligence of Internal Revenue Service employees generally.

Sincerely yours,

A handwritten signature in cursive script, reading "Johnnie M. Walters".

Johnnie M. Walters

Honorable John B. Connally  
Secretary of the Treasury  
Washington, D. C. 20220



Expansion and improvement of the Service's automatic data processing facilities continued during Fiscal Year 1971. Pictured above is Vice President of the United States, Spiro T. Agnew taking part in the groundbreaking ceremonies for the new Service Center in Memphis on September 22, 1970. Seated on the platform, left to right, are: Ned Cook, Chairman, Memphis Airport Authority; Dan H. Kuykendall, Member of Congress, 9th District Tennessee; Albert Gore, then U.S. Senator, Tennessee; and Randolph W. Thrower, then Commissioner of Internal Revenue.

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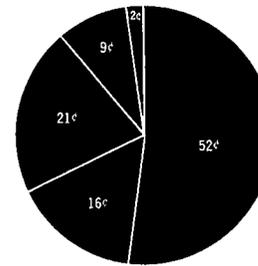
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## The Tax Dollar Where it came from . . .

Fiscal Year 1971



52¢—Individual Income Taxes  
 16¢—Corporation Income Taxes  
 21¢—Employment Taxes  
 9¢—Excise Taxes  
 2¢—Estate & Gift Taxes

## Statistical Highlights

[Amount (thousand dollars)]

|                                  | 1970          | 1971          | Percent change |
|----------------------------------|---------------|---------------|----------------|
| Gross Collections                | \$195,722,096 | \$191,647,198 | -2.1           |
| Individual Income                | \$103,651,585 | \$100,752,421 | -2.8           |
| Corporation Income               | \$35,036,983  | \$30,319,953  | -13.5          |
| Employment                       | \$37,449,188  | \$39,916,650  | 6.6            |
| Estate and Gift                  | \$3,680,076   | \$3,784,283   | 2.8            |
| Excise                           | \$15,904,264  | \$16,871,851  | 6.2            |
| Refunds:                         |               |               |                |
| Number                           | 55,274,474    | 55,916,604    | 1.2            |
| Amount                           | \$16,188,109  | \$19,022,568  | 17.5           |
| Returns Filed                    | 113,078,185   | 111,447,000   | -1.4           |
| Returns Examined:                |               |               |                |
| Number                           | 2,008,896     | 1,645,929     | -18.1          |
| Tax Increase Recommended         | \$3,100,000   | \$3,408,347   | 9.9            |
| Returns Mathematically Verified: |               |               |                |
| Number                           | 88,355,000    | 72,938,000    | -17.4          |
| Amount of Tax Increase           | \$506,962     | \$313,052     | -38.2          |
| Amount of Tax Decrease           | \$212,260     | \$140,235     | -33.9          |
| Delinquent Returns Secured:      |               |               |                |
| Number                           | 738,000       | 735,000       | -0.4           |
| Amount                           | \$370,111     | \$489,359     | 32.2           |
| Delinquent Accounts Collected    | \$2,517,563   | \$2,606,838   | 3.5            |

## Notes

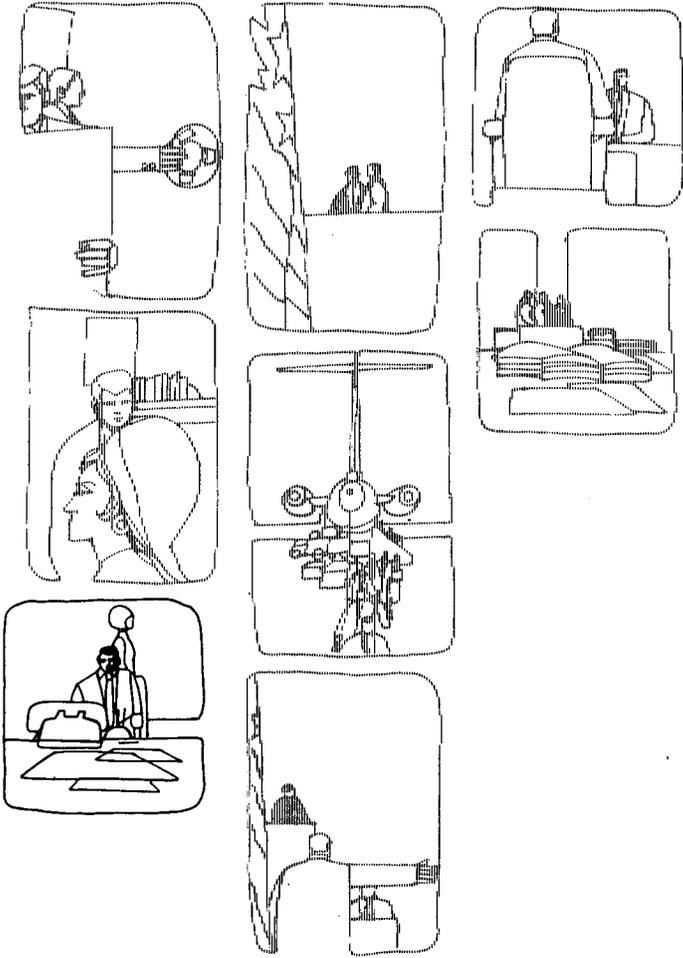
All yearly data are on a fiscal year basis, unless otherwise specified. For example, data headed "1971" pertain to the fiscal year ended June 30, 1971 and "July 1" inventory items under this heading reflect inventories as of July 1, 1970.

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

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Price \$1.50 (paper cover).

**Informing  
and Assisting  
Taxpayers**

Chapter One



## Service Impact on Public

Maintaining effective contact with the public was emphasized throughout the Service in 1971. Steps were taken to ensure that personnel dealing with taxpayers or their representatives recognize and report potential problem situations. In problems involving public reaction and misunderstanding, every effort was made to ensure that timely, full, and accurate accounts were given to the public.

## Underwithholding Information

The Service developed a campaign to inform taxpayers that because of changes in the law, they may not have sufficient withholding to cover their tax liability for 1971. The Service solicited the aid of employers in informing employees about the underwithholding problem.

Radio and television announcements were provided on the underwithholding theme, supplemented by news releases, instructional packets and materials, interviews, and feature articles. Material was disseminated to approximately 2,000 employee publications, 4,200 newspaper women's page editors, 7,000 community leaders, 500 labor newspaper editors, and chief executives of some 200,000 major business and governmental organizations.

## Taxpayers Aided In Understanding Tax Reform Act

The Service directed a special informational program at the millions of taxpayers affected by the Tax Reform Act of 1969.

Emphasis was placed on a new low-income allowance, which exempted many from paying income tax and reduced the tax for others. Since many of the approximately five million affected by the allowance were in lower economic groupings and could least afford to pay for tax assistance, it was important that they be apprised of their filing

status. The Act also liberalized filing requirements so that more taxpayers, including large groups of retired persons, could choose to have the Service compute their tax liability. Special publicity was also directed to these taxpayers.

Other changes receiving emphasis included an increase in personal exemption, establishment of a new minimum tax, extension of optional tax tables to many more taxpayers, and elimination of the tax surcharge.

## Errors Delay Refunds

Another public information program reminded taxpayers that errors can delay tax refunds. Errors were also linked to higher processing costs for the Government and probability of time-consuming correspondence between taxpayers and the Service.

Taxpayers were urged to use the correct tax table and column, check their mathematical calculations, attach the Form W-2 and all other supporting documents and schedules, sign the return, and list the correct social security number. Taxpayers were also encouraged to use the peel-off label affixed to the cover of the 1040 package since it contained their social security number, name and address.

The error prevention campaign was extended to charitable contributions, dependents, medical and travel expenses, and state and local taxes. In advising taxpayers to file their returns as early as possible, the Service stressed that many errors result from the last-minute rush to beat the filing deadline.

## Explosives Control Information

Announcements were sent to 300 television and 857 radio stations to inform industry and the public about the Organized Crime Control Act of 1970 relating to control of explosives. News releases were sent to trade associations and the news media explaining licensing

requirements for dealers and permit requirements for users. Exhibits at military installations featuring explosions and gathering of evidence, were covered by television networks, national publications, and wire services.

## Public Informed of New Legislation

In response to inquiries from the press and others about provisions of the new Airport and Airways Act of 1970, materials were prepared providing guidance to the industry and interested individuals. The 1970 Act levied new taxes on aircraft, aircraft fuel, air passengers, and cargo and increased certain existing excise taxes.

## Student Exemption Withholding Certificates

Students working for the summer were alerted to a new withholding exemption certificate (Form W-4E) which they could file with their employers to prevent withholding of Federal income tax where no tax liability was anticipated.

## Heavy Media Use of Service Materials

With cooperation of the various news media, more taxpayers than ever before were exposed to the Service's informational programs. Service employees delivered more than 5,500 speeches, responded to some 45,000 media inquiries, and participated in several thousand interviews throughout the country.

Many inquiries dealt with issues evoking widespread interest. Among the more sensitive issues were such topics as eligibility of private schools for tax exemption, public interest law firms, exempt organizations, asset depreciation range system regulations and guidelines, war tax protesters, bribers and kickbacks.



*Taxpayer assistance is a year-round effort. Many taxpayers visit Service offices for assistance especially during the filing season. Many offices have modern taxpayer assistance facilities.*

News releases, technical issuances, and other materials were sent to daily and weekly newspapers, covering every aspect of Service activity of interest to the taxpayer. Nearly 500 feature articles were written about Service operations. For the seventh consecutive year, the Service provided newspapers with a weekly "questions and answer" column based on most frequently asked taxpayer questions. 1,285 daily newspapers (70 percent of the total) and 4,605 weeklies (almost 55 percent) used the material during the filing period. Many newspapers continued to publish the column after the filing season.

Radio and television carried much of the Service message. District and regional office personnel participated in more than 5,400 locally developed features. Materials were used by 4,552 radio stations and 704 television outlets. Steps to inform the public involved the use of pamphlets, fact sheets, posters, displays, and exhibits. Magazine articles were prepared for tax, farm, business, and labor publications.

#### Broadened Taxpayer Services Reach 35 Million

A record 35 million taxpayers were served in 1971. Eighteen million persons were assisted by telephone, nine million visited Service offices, and 350,000 received help through correspondence with district offices. Forms and publications were furnished to more than two million taxpayers. It is estimated that an additional 6.5 million were reached through various taxpayer education programs.

Because of the importance the Service attaches to assisting taxpayers efficiently, expeditiously, and courteously, a great deal of effort goes into developing and retaining a corps of 1,000 trained Taxpayer Service Representatives augmented by specially selected and trained temporary employees during the filing season. These employees provide year-round service at 481 locations.

#### Imaginative Methods Used to Enhance Service

Centiphone, a system of toll-free lines, is being installed in a number of districts to enhance taxpayer access to Service offices.

Beyond the help provided in Service offices and through formal programs, many districts used imaginative approaches to provide convenient taxpayer service. Taxmobiles were stationed at shopping centers as well as inner-city areas and near apartment complexes housing senior citizens; Service employees visited VA hospitals, State Correctional Institutions, and Community Centers to provide tax information and assistance.

#### Remodeling of Taxpayer Reception Areas Continues

Approximately one hundred offices were remodeled this year continuing the Service's five-year program to upgrade taxpayer reception and service areas into a nationwide network of attractive and functional offices.

#### Taxpayer Education and Special Assistance for Students, Older Citizens and Lower Income Groups

Teaching Taxes, the largest Service taxpayer education program, provided materials and instructions to 3.2 million students in 21,000 high schools. The Teaching Taxes Program explains the tax system and provides practical instructions in filling out tax forms.

The Armed Forces Income Tax Law Course was completely revised, and work was initiated to develop a package of Farm and Small Business Institute materials.

The Service continued to make tax information readily available to older citizens and lower-income groups. The Volunteer Income Tax Assistor (VITA) Program provided training to volunteers who aid the under educated in preparation of tax returns. The number of volunteer assistors almost doubled in 1971 and the number assisted increased from 104,000 to 172,000.

Advances were also made in Institutes and special group courses. The Service's Tax Institutes for the elderly, working in cooperation with the Institutes for Lifetime Learning, were held in twenty cities. Coverage is expected to double next year.

#### Bulletin Provides Official Guidance

The Internal Revenue Bulletin has served as a depository of precedent material for over 50 years. Information published this year included: 599 Revenue Rulings, 34 Revenue Procedures, 47 Public Laws and related Committee Reports, 2 Executive Orders, 2 Tax Conventions, 3 amendments to the Statement of Procedural Rules, 1 Treasury Department Circular, 2 Treasury Department Orders, 17 Delegation Orders, 1 revised Statement of Organization and Functions of the Internal Revenue Service, and 230 announcements of general interest. Also announced were 83 acquiescences and non-acquiescences to adverse decisions of the United States Tax Court.

Although the Bulletin has become the authoritative instrument of the Commissioner for announcing official rulings and procedures, accumulation of material has made it cumbersome. To compound the problem for tax researchers, many earlier volumes are no longer available.

The Service reacted to this condition in 1957 by initiating a research service, titled the Index-Digest Supplement System, to help tax researchers find items published in the Bulletin after 1952. The first volume covered the period 1953 through 1956. Additional volumes were issued for periods 1957 through 1960, and 1961 through 1964. Cumulative supplements were issued periodically throughout those 4-year periods to keep the System current. With those supplements, a researcher could use either the finding lists or the topic index approach to locate precedents relating to a specific issue.

By 1969 the Index-Digest Supplement System became unwieldy because researchers needed all three volumes plus the latest cumulative supplement to find precedents back to 1952. To correct this condition, the Service developed a new format that divides the System into five parts: Income Tax, Estate and Gift Tax, Employment Taxes, Excise Taxes, and Alcohol, Tobacco and Firearms.

The first five basic volumes issued in the new format covered only the period from 1965 through 1968. Converting all the pre-1965 material into the new format has been scheduled for completion by the end of calendar year 1972. When completed, all Index-Digest Supplement material back through 1953 will be included in new editions of the five basic volumes using the new format.

All previously published Index-Digest material is being reviewed to purge obsolete items. Material currently effective is being reviewed to assure that it meets current standards.

In the related project to review all pre-1953 rulings and update or declare them obsolete under current law, 308 rulings were declared obsolete and 175 were superseded by new revenue rulings. After purging and conversion to the new format is completed, the system will provide easy access to all published rulings effective under current law.

#### Recent Development in Tax Law Communicated in Publications for Employees:

A series of publications under the title *Review of Technical Developments* were issued to update technical skills of Service personnel whose duties involve application of tax laws.

Quarterly Reviews covered latest legislation, regulations, court decisions, and published rulings affecting individual and corporate income taxes. Selected developments relating to employment, estate and gift, and excise taxes were covered in the annual review.

A 225-page special edition covering the Tax Reform Act of 1969 attracted widespread attention. It was used in Technical Review Institutes conducted in the National Office, training meetings in field offices, and in tax seminars conducted at several universities.

Another series of internal-use publications titled *Tax Briefs* were issued every four weeks. *Tax Briefs* contain short statements that keep field personnel advised about latest published rulings, regulations, and selected court decisions. Pocket-size format and simplified editorial style promotes rapid use to identify matters worthy of further study.

Reports on Current Tax Literature were issued every 2 weeks to alert Service officials to recent articles about tax avoidance schemes, criticism of the Service, and suggestions for legislation.

#### Deductible Contributions Guide for Donors and Service Personnel

During the year 9,871 names were added and 1,180 names were deleted from the list of organizations to which contributions are deductible for Federal income tax purposes. The latest biennial revision, Publication No. 78, contains the names of approximately 130,000 organizations. Cumulative bi-monthly supplements to the list reflected additions, changes, and deletions.

#### Published Rulings and Procedures Guide Taxpayers and Service Field Offices

Administrative interpretations of the Internal Revenue Code and regulations are announced as Revenue

Rulings. Rulings officially establish a Service position that may be cited and relied upon by field employees when examining returns involving similar issues.

Internal practices and procedures that affect taxpayers rights and obligations are announced as Revenue Procedures. Procedures of continuing significance are periodically incorporated into the Statement of Procedural Rules.

During the year, 633 Revenue Rulings and Revenue Procedures were published for guidance of taxpayers, tax practitioners, and Service employees.

Shown below are the numbers of Revenue Rulings and Revenue Procedures published during 1971 in the various tax categories:

#### Revenue Rulings and Revenue Procedures Published

| Type                          | Number |
|-------------------------------|--------|
| Total                         | 633    |
| Administrative                | 9      |
| Alcohol, tobacco and firearms | 27     |
| Employment taxes              | 69     |
| Estate and gift taxes         | 20     |
| Excise taxes                  | 38     |
| Exempt organizations          | 28     |
| Income tax                    | 383    |
| Pension trusts                | 55     |
| Tax conventions               | 4      |

#### Following are examples of significant administrative interpretations and procedures published:

Revenue Ruling 70-519 provides that individuals may deduct as charitable contributions unreimbursed expenses such as costs for admissions and meals which they incur as volunteers in helping underprivileged children selected by a charitable organization.

Revenue Ruling 70-604 sets forth guidelines involving treatment, for Federal income tax purposes, of unexpended assessments on hand at the close of the taxable year that were received by condominium corporations.

Revenue Ruling 70-585 discusses the circumstances under which nonprofit organizations, created to provide housing for low and moderate income families under Federal and State programs, can qualify for exemption from income tax.

Revenue Ruling 71-188 authorizes labeling of a new colorless product as "white" whiskey which retains all familiar whiskey characteristics except color.

Revenue Ruling 71-227 provides tolerances for filling bottles and cans of beer. Brewers experienced rejection of some shipments because selected samples were below tolerances set by certain states. The guidelines of this ruling and conferences with state revenue officials should overcome the problem.

Revenue Ruling 70-338 permits use of distilling materials as feed for livestock. It specifies a method for rendering distilling material, such as fermented molasses, unfit for further distillation, thus precluding diversion of the material to illicit operators.

Revenue Procedure 71-17 sets forth guidelines for determining the effect gross receipts derived from use of a social club's facilities by the general public have on the club's exemption from income tax. The Revenue Procedure describes records required when non-members use a club's facilities and circumstances under which a host-guest relationship will be assumed.

#### Pension Trust Activity

The number of new pension and profit-sharing plans increased substantially; as did amendments to, and terminations of, existing plans. Vast sums of money behind these plans (at the end of 1970, assets of private pension funds had grown to \$136.1 billion) and millions of people affected by them are becoming frequent topics of discussion in the public press resulting in Congressional attention and proposed legislation.

Statistics on self-employed plans are not available for 1971 since issuance of advance determination letters to self-employed individuals who adopt approved master and prototype plans has been discontinued. Statistics of determination letter activity on corporate-type plans are shown in the table below:

Determination Letters Issued on Employee Benefit Plans

| Item  | Profit sharing and stock bonus plans | Pension or annuity plans | Total     |
|---|--------------------------------------|--------------------------|-----------|
| Determination letters issued with respect to—                             |                                      |                          |           |
| 1. Initial qualification of plans:  |                                      |                          |           |
| a. Plans approved   | 17,012                               | 19,413                   | 36,425    |
| Number of participating employees   | 331,442                              | 948,604                  | 1,280,046 |
| b. Plans disapproved  | 118                                  | 161                      | 279       |
| 2. Termination of plans   | 1,517                                | 1,399                    | 2,916     |
| 3. Amendments   | 4,085                                | 10,403                   | 14,488    |
| 4. Investments  | 236                                  | 240                      | 476       |
| Cases closed without issuance of determination letter and other disposals | 1,403                                | 2,381                    | 3,784     |

#### Specific Technical Interpretations for Taxpayers and Service Employees

Thousands of individuals and organizations wrote to the Service for interpretative assistance where tax implications of their financial transactions could not be clearly determined from the tax law, regulations, or published rulings. Others wanted permission to change their accounting methods or periods. Many corporation taxpayers asked

for earning and profits determinations. During the year 32,297 taxpayer requests of the foregoing types were processed.

District Directors request technical advice from the National Office on problems encountered in examination of tax returns. During the year 3,099 field office requests were processed.

Taxpayer and field office requests for tax "rulings" and advice in various tax categories are shown in the table below:

Requests for Tax Rulings and Technical Advice

| Subject                              | Total  | Taxpayers' requests | Field requests |
|--------------------------------------|--------|---------------------|----------------|
| Total                                | 35,396 | 32,297              | 3,099          |
| Accounting methods                   | 3,337  | 3,337               |                |
| Accounting periods                   | 10,683 | 10,683              |                |
| Actuarial matters                    | 88     | 44                  | 44             |
| Administrative provisions            | 88     | 72                  | 16             |
| Alcohol, tobacco, and firearms taxes | 7,362  | 5,689               | 1,673          |
| Earnings and profits                 | 819    | 819                 |                |
| Employment and self-employment taxes | 253    | 225                 | 28             |
| Engineering questions                | 147    | 56                  | 91             |
| Estate and gift taxes                | 455    | 391                 | 64             |
| Exempt organizations                 | 3,825  | 3,469               | 356            |
| Other excise taxes                   | 321    | 224                 | 97             |
| Other income tax matters             | 5,878  | 5,533               | 345            |
| Pension trusts                       | 2,140  | 1,755               | 385            |

#### Municipal Bond Issues

Many government agencies requested rulings before proceeding with bond issues to provide funds for such programs as urban redevelopment, aid to education, and ecological improvements. Rulings holding interest to be tax exempt were issued for 123 bond issues involving more than \$3.6 billion.

#### Important

##### Tax Exemption Decisions

The decision of July 10, 1971, to deny recognition of tax exemption to private schools that practiced racial discrimination had widespread public interest. Tax exemption will no longer be recognized unless the particular school establishes to the Service's satisfaction that a known nondiscriminatory admissions policy is practiced.

All private schools previously recognized as tax exempt were canvassed to determine whether they will follow a nondiscriminatory admissions policy.

The Service also dealt with the question of qualification for tax exemption of "public interest law firms," that is, groups desiring to litigate in the public interest. An intensive study of the issues was undertaken and submissions were solicited from interested parties. The study resulted in announcement of guidelines under which public interest law firms will be issued rulings recognizing them as charitable where they engage in litigation that can reasonably be said to represent a broad public rather than private interest.

#### Special Committee on Life Insurance Company Tax Problems

A Special Committee on Life Insurance Company Tax Problems was established to study and resolve controversial issues raised in connection with examinations of Federal income tax returns of life

insurance companies. The committee will meet with industry representatives in an effort to resolve any issues that may be identified. The Committee consists of representatives from the offices of Assistant Secretary for Tax Policy, Assistant Attorney General, Tax Division, Assistant Commissioner (Technical), Assistant Commissioner (Compliance), and Chief Counsel.

#### Tax Return Forms Updated and Improved

The Tax Reform Act of 1969 required development of several new forms, revision of existing forms, up-dating instructions, and distribution of current information to employers on the correct amount of income tax to withhold. The most significant and rewarding effort was made in the individual income tax return, Form 1040, area where Service efforts were aided by the results of a survey conducted by a private firm. There was widespread satisfaction with the format and other changes made in the 1970 Form 1040 and its related forms and schedules. A special document, Publication 713, was also issued to assist individuals in computing their estimated income tax.

Many of the technical changes made implement features contained in the Tax Reform Act of 1969, but most revisions, rearrangements, and design changes were based on analysis of surveys of taxpayer and Service experience with the "single form" Form 1040 introduced in 1969.

A Form 4683, U.S. Information Return on Foreign Banks, Securities, and Other Financial Accounts was issued this year. If a return filer answered "yes" to the question appearing on his income tax return, indicating he had an interest in or control over such an account, he was required to submit Form 4683 with his return. This information is needed to promote the Government's overall efforts in combating organized crime and tax

evasion. Extreme care will be exercised in control and use made of this information to protect the privacy of citizens.

Information explaining new depositary rules was made available to persons required to withhold income tax or make deposits of excise taxes. Some changes took effect at varying dates during the year, which made it somewhat more difficult to clarify the rules.

A revised Form 990, Return of Organizations Exempt from Income Tax, replaced four forms formerly in use (Forms 990, 990-(SF), 990-A, and 990A(SF)). A thorough review based on comments solicited from practitioner groups and Service personnel is presently underway to determine what further improvements can be made in this area.

A list of new forms and forms which have been eliminated, transferred, or reinstated, appears on page 90.

#### Centralized Review of Public-Use Forms and Form Letters

The centralized review of public-use forms and form letters, insures that tone, quality, and clarity are maintained at a high level.

More than 3,000 field office forms were reviewed—this follows review last year of National Office forms. New or revised forms were reviewed as they were proposed.

#### Taxpayer Publications Mark Anniversary

This year the Service marked the thirtieth anniversary of its program to provide taxpayers with plain-language materials for self-help in preparing their tax returns. The series of articles for publication in newspapers under the title *Your Federal Income Tax* first appeared in 1940. Several years later an expanded version of those articles was collected and published in a

# Receipts Refunds and Returns Filed

## Chapter Two

booklet offered for sale to the public. The introductory remarks in that booklet stated that it was "designed as an aid to a ready understanding of the principles on which our income tax laws for individuals are based . . ."

From that modest start, the annual revisions of the now familiar "blue book" entitled *Your Federal Income Tax* have gained wide popularity as a reliable, easy-to-use source of all the information most taxpayers ordinarily need in filing their individual returns. Total annual sales exceed 14 million.

The success of that first publication established the Taxpayer Publications program as a major part of the effort by the Service to provide taxpayer assistance. New developments in tax laws precipitated a demand for additional publications to provide information taxpayers need under our system of voluntary compliance. Some of the first publications in response to that need were *Tax Guide for Small Business*, *Farmer's Tax Guide*, and reprints of selected chapters from *Your Federal Income Tax*.

In recent years it has become necessary to carefully choose material to be included in annual revisions of *Your Federal Income Tax*, *Tax Guide for Small Business*, and *Farmer's Tax Guide*, so that they do not become unwieldy. As a result, there are now more than 80 separate publications in addition to the major booklets. Separate publications that were initially chapter reprints have been expanded to include detailed information not contained in *Your Federal Income Tax* or *Tax Guide for Small Business*.

Most publications were revised during the year to reflect new developments in the tax law, and material in selected publications was rearranged and rephrased to improve appearance and readability.

New publications added this year include *Excise Tax Information on Imported Foreign-Made Automobiles* and a *Comprehensive Tax Guide to United States Civil Service Retirement Benefits*.

For further information about current publications see page 88.

### Regulations Aid Uniform Administration of Revenue Laws

The Service continued the most ambitious tax regulation writing program ever attempted. The Tax Reform Act of 1969 required the Service to issue regulations to provide interpretative assistance to taxpayers in record time. That Act alone requires preparation of 179 regulations projects. Each project was scheduled for completion in accordance with a list of priorities so regulations could be issued in order of greatest need. The following publications appeared in the Federal Register on projects associated with the Tax Reform Act: 28 Treasury decisions containing final regulations; 9 Treasury decisions containing temporary regulations; and 68 notices of proposed rule making. These publications included such difficult and important areas as private foundations, charitable contributions, minimum tax, stock dividends, and real estate depreciation. With respect to other projects not under the Tax Reform Act, the following publications appeared: 25 Treasury decisions containing final regulations; 6 Treasury decisions containing temporary regulations, and 27 notices of proposed rule making. The most significant Treasury decision published in this category concerned the new Asset Depreciation Range System.

Regulations ordinarily appear first in a notice of proposed rule making which invites written comments on proposed regulations and informs the public that a hearing may be requested. To make these public hearings more useful in developing responsive regulations, the Statement of Procedural Rules of the In-

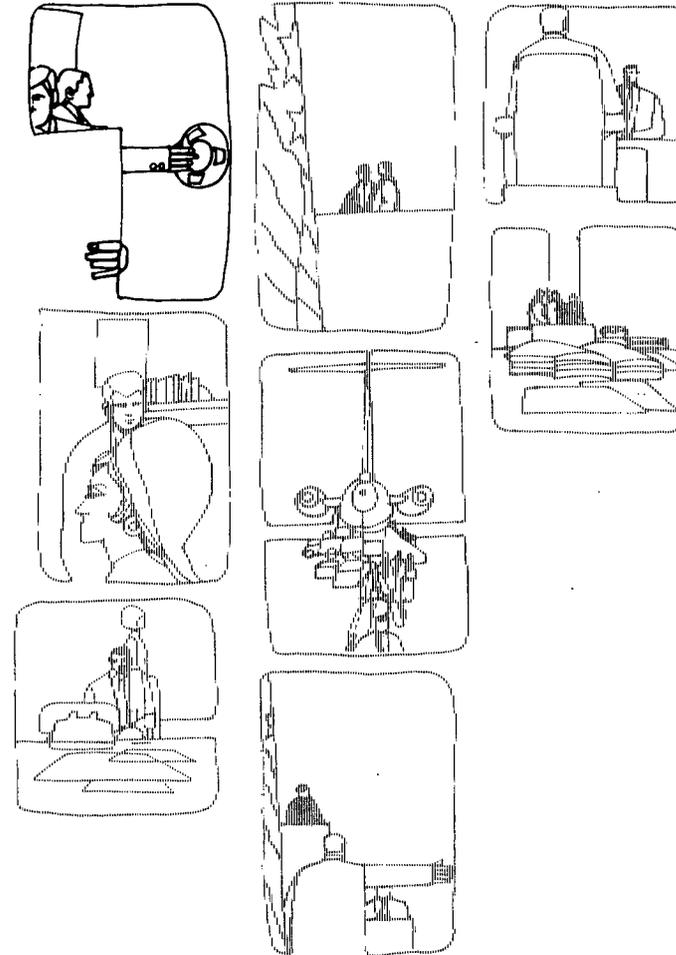
ternal Revenue Service was amended to provide ground rules for conducting hearings.

New rules provide that anyone desiring to be heard at a public hearing must submit written comments or suggestions relating to proposed regulations within the time specified in the notice. Such persons are required to submit a written outline of topics they will discuss at the public hearing, together with an estimate of the amount of time required for each topic. On November 18, the first public hearing using these new rules was held. During the year, 15 public hearings were held on the provisions of proposed regulations and were attended by approximately 1120 taxpayers or their representatives.

### Alcohol and Tobacco Industries, and Firearms Licensees Notified of Technical Changes

The Service continued its program of issuing circulars to apprise alcohol and tobacco industries and firearms licensees of the requirement of laws, regulations, rulings and procedures.

Of the 31 circulars issued the majority dealt with related documents such as Treasury Decisions and Revenue Rulings. Two pertained to continued use of plastic liquor bottles on an experimental basis, and another pertained to an agreement between the French and American Governments for maintaining generic integrity of bourbon whisky and certain French brandies.



## Receipts

The steady increases in Federal tax collections, starting in 1959, ended in 1971. Total receipts of \$191.6 billion this year were 2.1 percent below the record 195.7 billion collected in 1970.

While five of the seven major classes of tax reported gains, the decline in individual and corporate income taxes was sufficient to cause an overall decrease.

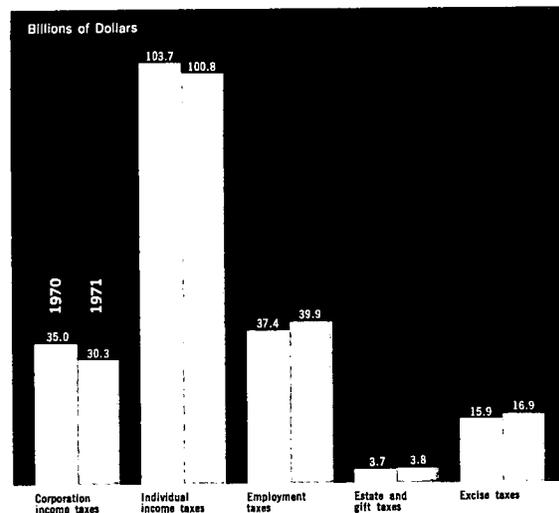
Individual income tax receipts of \$100.8 billion, were down 2.8% from last year.

The decline in individual and corporation receipts can be attributed in part to the elimination of the 5% surcharge effective at the beginning of the fiscal year.

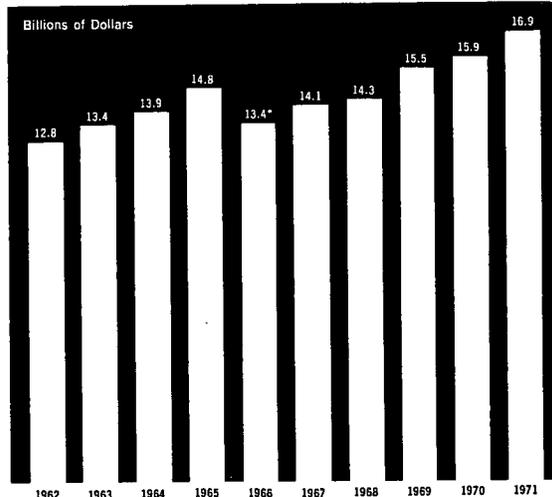
Corporation tax receipts for 1971 of \$30.3 billion represent a decline for the second consecutive year. An 8.6 percent (\$3.3 billion) drop was recorded in 1970 and a 13.4 percent (\$4.7 billion) drop this year. While the decline of \$4.7 billion is the second largest ever recorded, the percentage of decrease (13.4 percent) was exceeded in 1946, 1947 and again in 1955.

Federal Unemployment Tax Act (FUTA) collections increased \$196 million, up 25.3 percent. Two factors account for this increase. First, initiation late in fiscal 1970 of quarterly instead of annual FUTA payments and second, phasing-in increased deposit requirements. The one third tax deposit requirement per calendar quarter in 1970 was increased to two thirds in 1971.

## Tax Collections From All Sources



## 1971 Excise Tax Collections Reach Record High / 1962-1971



\*Effect of excise tax reduction act of 1965

Excise tax revenue rose to a record \$16.9 billion, 6.1% above 1970 collections. As shown by the chart on the preceding page which presents data for the past ten years, excise tax collections dropped sharply in 1966, taking three years to exceed the 1965 level. The 1966 decline was caused by the Excise Tax Reduction Act of 1965. Thereafter, excise tax receipts have steadily risen. Restoration of automobile and communications taxes under the Tax Adjustment Act of 1966, and the Revenue and Expenditure Control Act of 1968 along with additional excises under the Airport and Airways Development Act of 1970, have brought excise tax collections to new highs. New airways taxes include: a five percent tax on cargo, an aircraft use tax based on weight and mode of propulsion, a \$3.00 head tax on flights abroad and to the states of Alaska and Hawaii, and a 7 cents per gallon tax on general aviation fuel.

Gross collections by class of tax for 1970 and 1971 are shown in the following table.

## Gross internal revenue collections

(Dollars in thousands. For details see table 1, p. 100.)

| Source                                  | Percent of 1971 collections | 1970          |         | 1971          |         | Increase or decrease |         |
|---|-----------------------------|---------------|---------|---------------|---------|----------------------|---------|
|   |                             | Amount        | Percent | Amount        | Percent | Amount               | Percent |
| Grand total <sup>1</sup>                | 100.0                       | \$195,722,096 |         | \$191,647,198 |         | -4,074,898           | -2.1    |
| Income taxes, total                     | 68.4                        | 138,688,568   |         | 131,072,374   |         | -7,616,194           | -5.5    |
| Corporation                             | 15.9                        | 35,036,983    |         | 30,319,953    |         | -4,717,030           | -13.5   |
| Individual, total                       | 52.6                        | 103,651,585   |         | 100,752,421   |         | -2,899,164           | -2.8    |
| Withheld by employers <sup>2</sup>      | 39.9                        | 77,416,070    |         | 76,490,128    |         | -925,942             | -1.2    |
| Other <sup>1</sup>                      | 12.6                        | 26,235,515    |         | 24,262,293    |         | -1,973,222           | -7.5    |
| Employment taxes, total                 | 20.8                        | 37,449,188    |         | 39,918,690    |         | 2,469,502            | 6.6     |
| Old-age and disability insurance, total | 19.8                        | 35,692,198    |         | 37,902,403    |         | 2,210,295            | 6.2     |
| Federal insurance contribution          | 18.7                        | 33,750,005    |         | 35,954,752    |         | 2,204,747            | 6.5     |
| Self-employment insurance contributions | 1.0                         | 1,947,193     |         | 1,947,651     |         | 5,548                | 0.3     |
| Unemployment insurance                  | 0.5                         | 776,139       |         | 927,409       |         | 196,270              | 25.3    |
| Railroad retirement                     | 0.5                         | 980,851       |         | 1,043,878     |         | 63,027               | 6.4     |
| Estate and gift taxes                   | 2.0                         | 3,680,076     |         | 3,784,283     |         | 104,207              | 2.8     |
| Excise taxes, total                     | 8.8                         | 15,904,264    |         | 16,871,851    |         | 967,587              | 6.1     |
| Alcohol                                 | 2.5                         | 4,746,382     |         | 4,800,482     |         | 54,100               | 1.1     |
| Tobacco                                 | 1.2                         | 2,094,212     |         | 2,206,585     |         | 112,373              | 5.4     |
| Other                                   | 5.1                         | 9,063,670     |         | 9,864,784     |         | 801,114              | 8.8     |

<sup>1</sup> Collections are adjusted to exclude amounts transferred to the Government of Guam. For details see table 1, p.100 and footnote 5, p.111.

<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 on individual income tax not withheld are not reported separately from old-age and disability insurance taxes on self-employment income. The

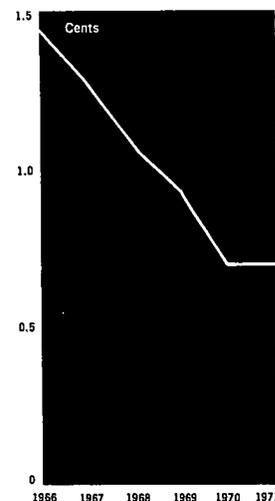
amount of old-age and disability insurance tax collections shown is based on estimates made by the Secretary of the Treasury pursuant to the provisions of sec. 201(a) of the Social Security Act as amended, and includes all old-age and disability insurance taxes. The estimates shown for the 2 classes of individual income taxes were derived by subtracting the old-age and disability insurance tax estimates from the combined totals reported.

\*Revised.

## Refunds

Approximately two-thirds of the country's taxpayers overpay their taxes each year. Providing there are no errors in returns when filed, refunds are normally paid within six weeks. 55.9 million taxpayers received \$19 billion in refunds in 1971 including \$132.1 million in interest. The average refund in 1971 was \$340, compared to \$293 in 1970. The average amount of interest per dollar refunded was 0.7 cents, maintaining the record low reached last year. Emphasis on expeditious refunding is illustrated in the chart at the right which shows the relationship of refunded principal to interest paid from 1966 through 1971.

## Decline in Interest Paid per Dollar Refunded by 1966 through 1971



**Internal Revenue refunds, including interest**

[For refunds by region and district, see table 5, p.112]

| Type of tax   | Number            |                   | Amount refunded (principal and interest—thousand dollars) |                   | Amount of interest included (thousand dollars) |                |
|---|-------------------|-------------------|---|-------------------|--|----------------|
|   | 1970              | 1971              | 1970  | 1971              | 1970   | 1971           |
| <b>Total refunds of internal revenue</b> <sup>1</sup>                       | <b>55,274,474</b> | <b>55,916,604</b> | <b>16,188,109</b>   | <b>19,022,566</b> | <b>112,922</b>                                 | <b>132,140</b> |
| Corporation income taxes  | 203,548           | 264,291           | 2,278,530   | 3,622,489         | 70,877   | 87,111         |
| Individual income and employment taxes, total <sup>2</sup>                  | 55,015,066        | 55,596,555        | 13,666,578  | 15,083,752        | 33,474   | 35,526         |
| Excessive prepayment income tax <sup>3</sup>                                | 54,328,644        | 54,285,510        | 13,018,068  | 14,207,752        | 17,915   | 18,498         |
| Other income tax and Federal Insurance Contributions Act taxes <sup>4</sup> | 654,113           | 1,263,196         | 641,226   | 866,701           | 15,331   | 16,644         |
| Railroad retirement   | 469               | 346               | 720   | 285               | 9  | 56             |
| Unemployment insurance  | 31,840            | 47,303            | 6,564   | 9,014             | 220  | 328            |
| Estate tax  | 11,647            | 12,789            | 38,592  | 52,757            | 4,985  | 6,386          |
| Gift tax  | 1,552             | 1,705             | 2,385   | 3,234             | 337  | 399            |
| Excise taxes, total <sup>5</sup>  | 42,661            | 41,264            | 202,024   | 260,332           | 3,249  | 2,719          |
| Alcohol taxes <sup>6</sup>  | 9,456             | 8,918             | 100,133   | 104,911           | 7  | 25             |
| Tobacco taxes <sup>6</sup>  | 277               | 234               | 1,360   | 1,566             | (*)  | (*)            |
| Manufacturers' and retailers' excise taxes, total <sup>7</sup>              | 5,127             | 4,636             | 74,416  | 128,583           | 734  | 437            |
| Gasoline used on farms  | 611               | 369               | 36,900  | 82,638            |  |                |
| Gasoline, nonhighway  | 1,489             | 1,291             | 16,144  | 19,275            |  |                |
| Other <sup>8</sup>  | 3,027             | 2,976             | 27,373  | 26,670            | 734  | 437            |
| All other excise taxes <sup>9</sup>   | 27,801            | 27,476            | 26,115  | 25,272            | 2,508  | 2,257          |

<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 \$368,094,000 in 1970 and \$517,614,000 in 1971 from the Highway Trust Fund amounting to \$32,074,000 in 1970 and \$122,512,000 in 1971; and from the Unemployment Trust Fund amounting to \$6,500,000 in 1970 and \$122,512,000 in 1971.

<sup>2</sup> Net of 113,595 undeliverable checks totaling \$14,182,000 in 1970 and 96,148 undeliverable checks totaling \$14,547,000 in 1971.

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

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

<sup>5</sup> Includes lubricating oil used for nonhighway purposes, aviation gasoline and other aviation fuel.

<sup>6</sup> Includes aircraft use tax, interest equalization, and other excise tax refunds.

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

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

<sup>9</sup> Less than \$500.

More than 98 percent of refunds for all types of tax and almost 80 percent of the dollars were paid to individual taxpayers. Nearly 19 percent of the dollars refunded went to corporations, although, they received less than two percent of the checks issued. Refunds for other tax classes and related details are shown in the accompanying table.

**Returns Filed**

In 1971, 111.4 million returns were received—a decrease of 1.7 million. For the first time since 1957 taxpayers filed fewer individual tax returns than in the previous year. Although receipts of most other types of returns increased, a decrease of 1.9 million Individual Form 1040 returns more than offset the increases.

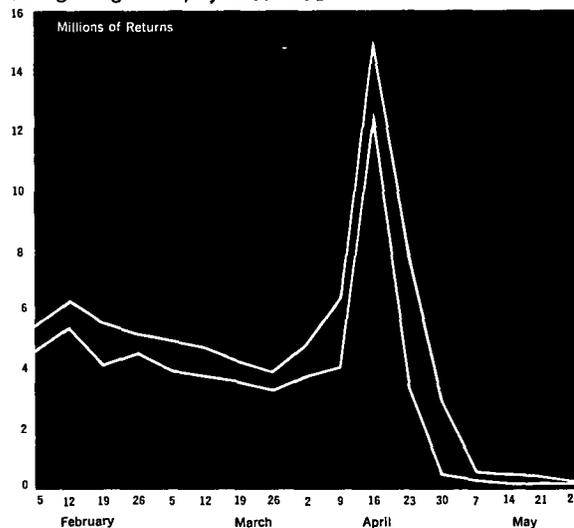
**Number of returns filed, by principal type of return**

[Figures in thousands. For details, see table 6, p. 113]

| Type of return                                 | 1970           | 1971           |
|--|----------------|----------------|
| <b>Grand total</b>                             | <b>113,073</b> | <b>111,447</b> |
| Income tax, total                              | 89,225         | 87,842         |
| Individual and fiduciary, total                | 78,370         | 76,620         |
| Individual-citizens and resident aliens, total | 77,069         | 75,280         |
| All other individual and fiduciary             | 1,301          | 1,340          |
| Declarations of estimated tax, total           | 7,375          | 7,408          |
| Individual Corporation                         | 7,375          | 7,408          |
| Partnerships                                   | 937            | 1,052          |
| Corporations                                   | 1,726          | 1,821          |
| Other  | 817            | 942            |
| Employment tax, total                          | 21,994         | 21,889         |
| Employers' Form 941                            | 15,739         | 15,757         |
| Employers' Form 942 (household employees)      | 3,998          | 3,854          |
| Employers' Form 943 (agricultural employees)   | 535            | 501            |
| Railroad retirement, Forms CI-1, CI-2          | 18             | 16             |
| Unemployment insurance, Form 940               | 1,704          | 1,761          |
| Estate tax                                     | 132            | 149            |
| Gift tax                                       | 148            | 165            |
| Excise tax, total                              | 1,580          | 1,401          |
| Occupational tax                               | 970            | 701            |
| Form 720 (retailers, manufacturers, etc.)      | 291            | 308            |
| Alcohol  | 22             | 22             |
| Tobacco  | 6              | 5              |
| Highway use tax                                | 241            | 237            |
| Other  | 49             | 127            |

\* Revised.

**High-Low Weekly Receipts of Form 1040 During Filing Period, Fy 1968-1971**



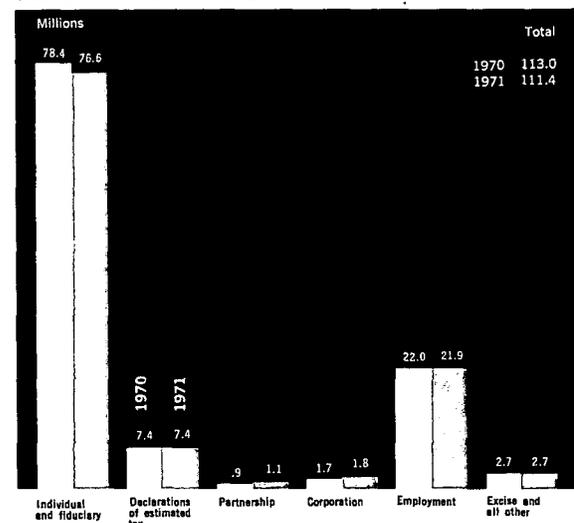
The reduction in Form 1040 receipts resulted from the Tax Reform Act of 1969 which raised the minimum income filing requirement and provided for a low-income withholding exemption option.

The weekly Form 1040 receipts chart shows a 4-year composite of the highest and lowest weekly receipts.

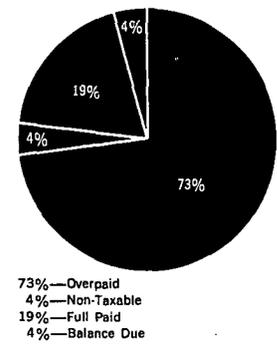
The chart at the left reveals two distinct peaks; one caused by early filers expecting refunds, the other by last minute filers. The chart shows a stable filing pattern over a 4-year period.

The chart below shows that 73% of individual returns filed in 1971 generated refunds. Full-paid returns (i.e., where the taxpayer attached a remittance equal to the balance of tax due) accounted for 19 percent of the total. The remaining 8 percent represented the unpaid and nontaxable categories.

**Decline in Number of Returns Filed**



**About 3 out of Every 4 Forms 1040 Filed in 1971 Reflected Overpayments**



### Mathematical Verification

In 1971, fewer taxpayers made mistakes on their Form 1040 returns—1 in 16 as compared to 1 in 12 for 1970.

More than 72 million individual returns were mathematically verified in 1971. Errors were detected resulting in upward tax liability adjustment of \$313 million on 2.9 million returns.

The system also identified returns of 1.7 million taxpayers who made errors against themselves by reporting \$140 million in taxes not due.

The net yield to the Government from verification of individual returns was \$173 million for the year, or \$2.37 per return verified.

The Service also validated more than 7 million claims of estimated tax credits totaling \$17.1 billion. Estimated tax credits of \$16.9 billion were allowed resulting in a net yield of \$232 million.

### Individual income tax returns mathematically verified

| Item   |                  | 1970    | 1971    |
|--|------------------|---------|---------|
| Number                                       | thousands        | 88,355  | 72,938  |
| Number of returns on which changes were made | do               | 7,020   | 4,647   |
| Returns with increase:                       |                  |         |         |
| Number                                       | do               | 4,178   | 2,905   |
| Amount                                       | thousand dollars | 506,962 | 313,052 |
| Returns with decrease:                       |                  |         |         |
| Number                                       | thousands        | 2,842   | 1,742   |
| Amount                                       | thousand dollars | 212,260 | 140,235 |
| Net Yield:                                   |                  |         |         |
| Total  | do               | 294,701 | 172,817 |
| Average per return verified                  | dollars          | 3.34    | 2.37    |

\*Decline in number of returns mathematically verified is due to fewer returns carried over from the prior fiscal year when a record number of returns were verified.

### Income Sources Reported on Magnetic Tape Increases

The Service received almost 360 million information documents (reporting wages, interest and dividends) in 1971—representing paper volume sufficient to fill more than 35 boxcars. Almost 70 million of these information documents were submitted on magnetic tape, saving the Service and over 4,600 banks, corporations and other businesses the burden of handling the

equivalent of seven boxcars of paper.

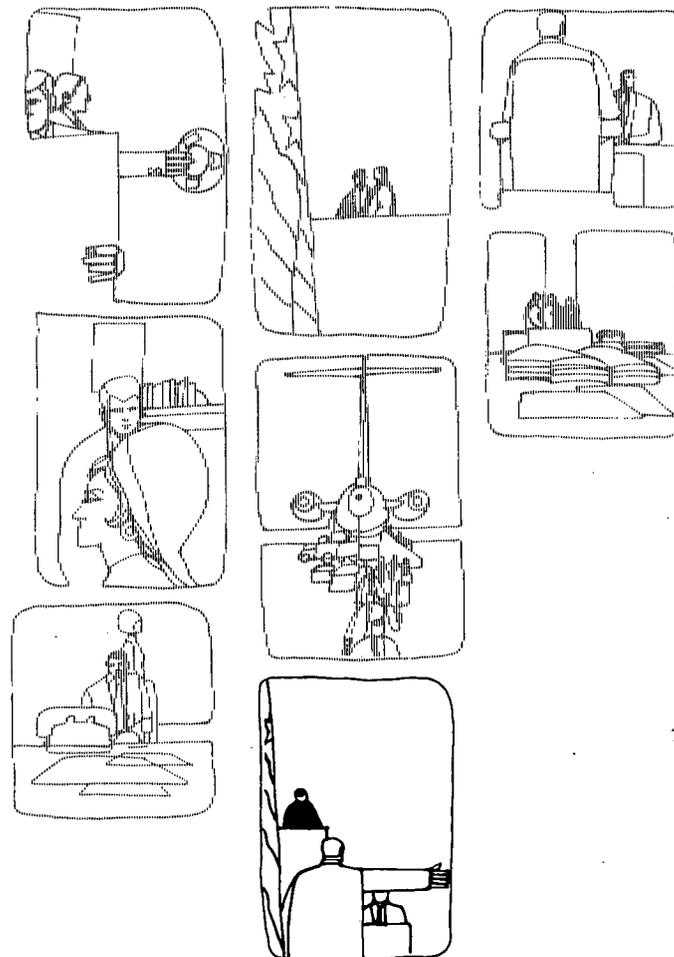
### Information Documents—Magnetic Tape Reporting

| Tax year | Document (thousands) | Reporting entities |
|----------|----------------------|--------------------|
| 1966     | 26,248               | 591                |
| 1967     | 36,492               | 1,048              |
| 1968     | 47,686               | 2,426              |
| 1969     | 58,951               | 2,963              |
| 1970     | 68,300               | 4,637              |

The volume of returns received requires much communication with taxpayers. This machine prints letters and notices at the rate of 900 lines a minute which are mailed to taxpayers who owe a balance of tax or to those who have improperly filled out their tax forms. It would take the average typist 5 hours to do what this machine can do in 1 minute.

## Enforcement Activities

## Chapter Three



## Expanding Audit Program

The audit enforcement program covers all categories of taxpayers. It uses men and machines with special techniques to meet changing conditions. Computers identified most returns examined during 1971 by ranking them according to potential tax error.

Once identified, the potential-error returns are assigned to revenue agents or tax auditors. Working at the taxpayer's place of business, revenue agents examine high-income, complex returns that require professional accounting skills. Tax auditors examine returns with less complex issues, generally by interview at a Service office or by correspondence. In 1970, to gain maximum use of limited manpower, tax auditors began to conduct examinations at the taxpayer's place of business in appropriate circumstances.

## Computers Select Returns for Audit

Success of Audit enforcement programs depends largely on selection of returns for examination.

Manual audit selection methods posed serious problems because they drained off experienced manpower needed in the examination

activity. The Service had to find more economical and scientific approaches to select returns for audit. By the mid-1960's computers were gradually replacing the extensive manpower devoted to classifying returns for audit.

In 1969, the Service introduced the Discriminant Function System (DIF), to select returns for examination. Through the use of computers, all individual returns are classified by the same procedures. Mathematical formulae are used to rank returns by error potential and those having the highest probability of error are selected for audit.

The advantages of the Discriminant Function System are readily apparent. The higher ranked returns have produced the higher tax yield, and the classification process has become more equitable, because all returns throughout the United States are screened using the same criteria. Another advantage is fewer audits that do not result in tax changes thus improving taxpayer relations and operational efficiency.

## More

### Computer-Assisted Audits

To cope with an increasing reliance by businesses on computerized accounting systems, the Service is redesigning and improving

its computer auditing techniques and is training personnel to conduct these more difficult audits.

Computer audit specialist positions have been established in field offices. Recently, a group of experienced revenue agents received 10 weeks of intensive classroom training in data processing, followed by 4 to 6 months of on-the-job training. These specialists will assist Revenue Agents in planning examinations using computer-assisted techniques and set up procedures to achieve audit objectives. A Programmed Audit Library is being developed to permit examiners with limited data processing experience to use computer-assisted techniques.

Revenue Ruling 71-20 requires taxpayers to retain pertinent punched cards, magnetic tapes, and other machine-sensible tax data. Since not all data are needed in a tax examination, a group of revenue agents have been trained to respond to requests from taxpayers with computerized accounting systems in determining which records to retain.

*Experienced revenue agents were given intensive training in data processing leading to their development as computer audit specialists. They now plan and initiate procedures in field offices to make efficient use of computers in tax examinations.*

## Greater Emphasis on Coordinated Examinations

A significant phase of audit activity is the Coordinated Examination Program through which the Service audits the largest U.S. taxpayers. There are 1,544 cases in the program, covering 45,452 entities, diverse activities, and widely dispersed operations.

Specialized techniques and procedures are used to examine large cases. Following an audit plan, the examination is managed and directed by a case manager and conducted by a team of revenue agents.

An audit team consists of two or more revenue agents and specialist agents as needed, such as engineers or international and pension trust examiners. During 1971, one coordinated examination was conducted by an audit team consisting of 55 revenue agents and 17 specialists. The taxpayer is a conglomerate made up of 122 entities, located in 20 major cities and several foreign countries. This type of examination has an impact on many district offices; therefore, the focal point of program management is the National Office.

As a byproduct of the Coordinated Examination Program, the Service has held numerous special meetings with various industries to discuss treatment of industry-wide issues. These meetings are attended by industry representatives and Treasury Department and Internal Revenue Service officials.

## Audit Explores Local Noncompliance Areas

The Service looks for noncompliance and its reasons and remedies. Factors contributing to noncompliance include weaknesses in information-gathering methods, ineffective sanctions, and insufficient enforcement resources. Program areas involved such diverse enterprises and occupations as bonding companies, credit card sales, taxi-

## Number of tax returns examined

(Figures in thousands)

| Type of return            | Total |       | Field |      | Office           |                  |
|---------------------------|-------|-------|-------|------|------------------|------------------|
|                           | 1970  | 1971  | 1970  | 1971 | 1970             | 1971             |
| Grand total               | 2,010 | 1,646 | 623   | 566  | 1,386            | 1,080            |
| Income tax, total         | 1,842 | 1,487 | 484   | 429  | 1,358            | 1,058            |
| Corporation               | 160   | 130   | 159   | 129  | 1                | 1                |
| Individual and fiduciary  | 1,672 | 1,346 | 315   | 299  | 1,357            | 1,057            |
| Exempt organization       | 10    | 11    | 10    | 11   | ( <sup>1</sup> ) | ( <sup>1</sup> ) |
| Estate and gift tax       | 36    | 41    | 32    | 36   | 4                | 4                |
| Excise and employment tax | 131   | 117   | 107   | 100  | 24               | 18               |

Note.—The decline in number of returns examined is due in part to (1) additional time required to complete audits of more complex nonbusiness returns; (2) additional time required for coordinated examinations of large corporate returns; and (3) increases in work in process.

<sup>1</sup> less than \$500.

cab fleets, redevelopment authorities, physicians, savings and loan associations, door-to-door sales companies and orchestra leaders.

In one example, the Service found a correlation between the reporting of secondary income by "moonlighting" college instructors and issuing of income information reports (Forms W2 or 1099) by the employing institution. Returns of a group of instructors teaching evening courses at various State colleges were examined where those in charge of the adult education program prepared and issued wage information returns. The examination showed that, even when there was no withholding, virtually all instructors included payments on their tax returns. By contrast, the Service found widespread underreporting on returns of a similar group of evening-school instructors where wage information returns were not issued.

## Results of Examination Activity

Of the 1.6 million returns examined in 1971, 1 million resulted in recommended assessment of additional tax. Dollar recommendations from Audit activity amounted to \$3.4 billion.

The table at the top of the page shows the number of returns examined in 1970 and 1971 by type of tax.

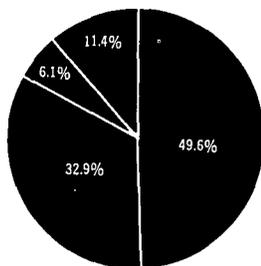
## Claims for Refund

While the tax consciousness of most taxpayers revolved around liabilities they have to pay, there is a brighter side for many. Frequently, taxpayers find they have overpaid their tax, due to failure to claim proper credit for taxes paid, or from making improper adjustments to income, or failing to claim all allowable deductions.

Since the number of claims increases with growth in the number of returns filed, new methods are necessary to provide prompt service to taxpayers despite the increased workload. In 1969, the Service introduced a new Form 1040X to simplify the claim for refund filed by individual taxpayers. Simplicity in preparation and processing has proved so successful that in 1970 a Form 1120X was introduced for corporate taxpayers. These new forms and related procedures expedite refunds by permitting most determinations to be made without contact with the taxpayer.



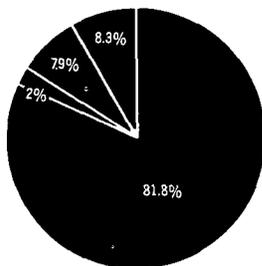
**Percent of Total Examination Time by Type of Tax**



49.6%—Individual and Fiduciary  
32.9%—Corporation  
6.1%—Estate  
11.4%—All Other\*

\*Includes gift, exempt organizations, excise and employment taxes.

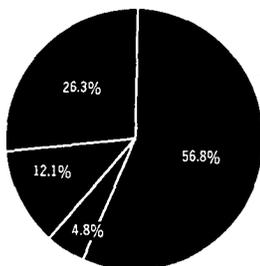
**Percent of Total Returns Examined by type of Tax**



81.8%—Individual and Fiduciary  
2.0%—Estate  
7.9%—Corporation  
8.3%—All Other\*

\*Includes gift, exempt organizations, excise and employment tax returns.

**Percent of Total Additional Tax Recommended by Type of Tax**



56.8%—Corporation  
4.8%—All Other\*  
12.1%—Estate  
26.3%—Individual and Fiduciary

\*Includes gift, exempt organizations, excise and employment tax returns.

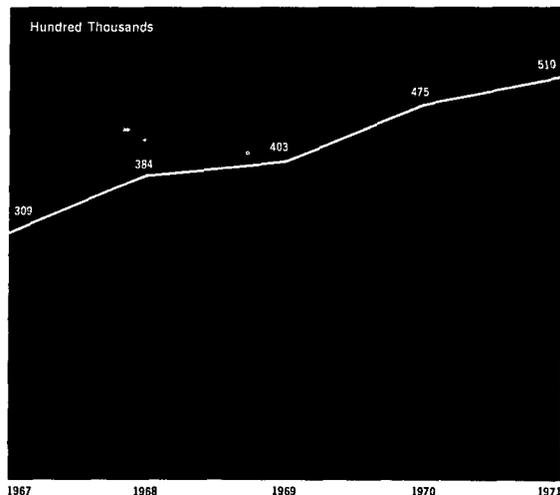
### Joint Committee Reviews Large Overassessments

A report on all refunds and credits on income, estate and gift taxes over \$100,000 must be sent to the Joint Committee on Internal Revenue Taxation for review. During 1971, 790 cases involving overassessments of \$518.3 million were reported to the Joint Committee, as compared with 638 cases and \$331.2 million in overassessments in 1970.

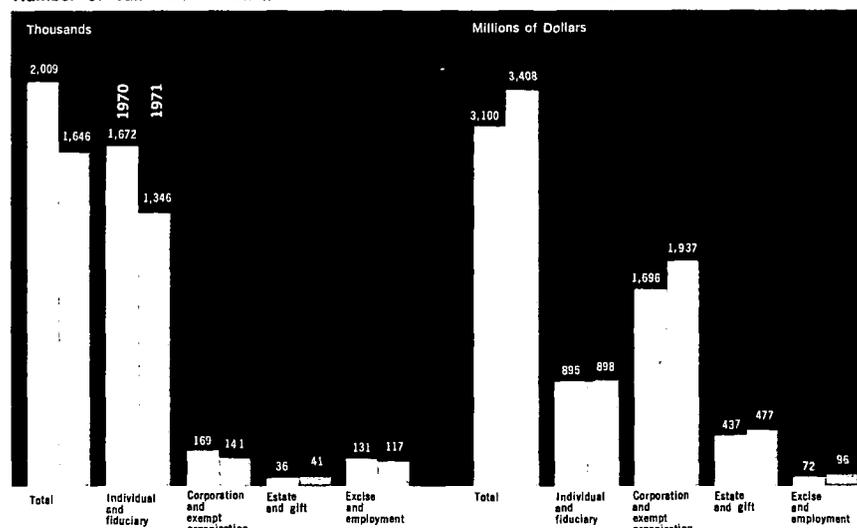
### Exempt Organization Program Strengthened

The exempt organization audit program was reorganized and expanded in 1970. Emphasis was placed on perfecting and tightening operations and procedures while improving returns examination, determination letters, and the Exempt Organization Master File (EOMF). An overriding consideration in all areas was meeting the increased burden generated by the Tax Reform Act of 1969.

### Steady Growth in Number of Exempt Organizations on Master File / 1967-1971



**Number of Tax Returns Examined**



### Master File System is Keystone

The Exempt Organization Master File (EOMF) is the basic tool for managing the Service's exempt organization program. It encompasses a constantly changing file of returns data used to provide historic and current information.

The EOMF was revised this year to meet multiple provisions of the Tax Reform Act and to meet the Service's increased needs for exempt organization data. A recent important innovation makes possible a microfilm record of the complete return and schedules of each exempt organization in key districts for public inspection and district office use. A new returns register is being produced for research and control, and a new report of results of audit examinations is being developed to aid in planning and directing the audit program.

### Exempt Organization Audit Activity Increased

Manpower devoted to exempt organization audits increased 41.5 percent over 1970 and the number of exempt organizations audited increased 32 percent. A balance is sought between maintaining broad geographic coverage of all types of exempt organizations and assuring, by means of thorough audits, that larger organizations are operating within the scope of their exempt status.

All field exempt organization activity is centralized in 16 key districts throughout the United States. Each key district covers a wide area and has at least one group of specially trained agents who conduct examinations of exempt organizations and process applications for exemption. To provide more uniformity, more effective supervision, and better use of manpower, certain aspects of the

key district concept were realigned during the year and audit review procedures strengthened.

To acquaint examiners with the new exempt organizations provisions of the Tax Reform Act of 1969, seminars were held in selected district offices.

### Private Foundation Status Requirements

The Tax Reform Act of 1969 required some exempt organizations to notify the Service of their "private foundation status" for ruling purposes. To help these organizations meet the requirement, questionnaires were mailed to 108,000 active entities listed in the EOMF. Most responding organizations have received rulings. The balance of the responses have been forwarded to key districts for resolution after the issuance of final regulations.



### Survey of Private Tax-Exempt Schools

On July 10, 1970, the Service announced that it could not justify tax exemption or allow charitable contributions to educational institutions having a racially discriminatory admissions policy. A questionnaire requesting information on admissions policies was sent to 5,000 private educational institutions.

When a school does not establish that it has a racially nondiscriminatory admissions policy, an outstanding ruling of exemption is withdrawn. A school seeking to clarify or change its policies and procedures is given a reasonable opportunity to do so to retain its ruling of Federal tax exemption.

### Airways Taxes Program

The Airport and Airway Revenue Act of 1970 increases the tax on air travel and imposed new taxes on foreign departures, air freight, aviation fuel, and use of civil aircraft.

An audit program was begun to encourage voluntary compliance, and to prevent the accumulation of large tax liabilities which would be difficult to recover from travelers and shippers. To inform taxpayers of their liability, the Service designed forms to secure information compatible with data available from the Federal Aviation Administration.

### Art Panel Assists in Evaluations

A panel of 10 art experts, established in 1968, was expanded to 18 in 1971. This panel assists the Service in determining whether realistic fair market value appraisals have been placed on donated works of art and art objects valued for estate tax purposes.

The panel reviewed 493 works of art valued for tax purposes at \$14.3 million. Recommendations included a reduction in value placed on art objects claimed as contributions from \$7.5 million to \$4.1 million; and an increase in value on art objects included in estates from \$6.8 million to \$8.6

million. In the last 3 years, changes in fair market value recommended by the panel totalled \$15.5 million. A list of members of the art panel appears on page 75.

### Advertising by Commercial Tax Return Preparers

Taxpayers seeking assistance from commercial tax return preparers have increased sharply in recent years. This trend has created problems because some firms offering a tax return preparation service have engaged in questionable advertising, sometimes distorting facts. Questionable advertisements included:

(1) implication that the firm could represent taxpayers before the

Service; (2) suggestion of a special relationship with the Service; (3) presentation of misleading figures on the number of self-prepared returns that err in favor of the Government; and (4) exaggeration of normal refund statistics to imply that the firm has a special ability to get refunds.

The Service together with the Federal Trade Commission is considering how to deal with tax service advertising abuses.

### Appeals System Provided for Taxpayers

#### Taxpayer Has Opportunities For Independent Administrative Review

Proposed adjustments to reported tax liabilities are not always resolved upon first examination. A long-standing policy of the Service is to provide administrative appeal procedures to enable taxpayer to settle cases promptly, without litigation, on a fair and impartial basis.

In the overwhelming majority of cases a mutually agreeable solution is reached. The success of the procedures is evidenced by the fact that during the last 5 years over 98 percent of all disputed cases were closed without trial.

These procedures give the taxpayer two levels of appeal before possible litigation. The first level operates through 58 district conference staffs and the second through 40 regional appellate division offices. If need arises, hearings at either level may be held at other locations. Issues are considered relating to all internal revenue taxes except those on alcohol, tobacco, firearms, narcotics, and wagering. Issues range from the most elementary to the most complex and involve proposed liabilities from a few dollars to millions of dollars.

### Early Informal Hearing Provided

The appeal procedures stress informality and are designed to achieve disposition of contested cases with minimum inconvenience, expense, and delay to the taxpayer. To that end, taxpayers are encouraged to take advantage of a district conference.

At district and appellate levels, a conference is offered promptly after the case is received. Convenience to the taxpayer as to date and time is carefully considered. In office audit cases the taxpayer has an opportunity for an immediate conference at the time of examination, if he desires, and circumstances permit. When the disputed tax is less than \$2,500, a written protest is not required for a district conference. The same rule applies in the regional appellate office, provided the taxpayer has first attended a district conference.

Both offices are independent of the examination branch and give impartial consideration to the issues. The taxpayer may represent himself or be represented by counsel.

### Unique Authority of the Appellate Division

Regional appellate offices may dispose of cases by taking into account hazards of litigation, that is, uncertainty as to outcome in the event of trial.

This unique authority has been granted to the appellate division as part of the Service's program to keep litigation at a minimum.

### Other Avenues for the Taxpayer

If agreement is not reached at either district or regional level, the taxpayer can, in most cases, file an appeal with the Tax Court. Even though this is done, and the case is docketed for trial, appellate procedures continue in an effort to reach settlement. As an alternative to trial in the Tax Court, the taxpayer can bring suit in the Court of Claims or a United States district court. This requires payment of the proposed tax deficiency, followed by filing of a claim for refund. Upon denial or a 6-month's lapse from filing of the claim, suit can be initiated.

In 1971 the appeals functions disposed of 51,419 cases by agreement; 965 cases were decided by the Tax Court; and 450 cases decided by the district courts and Court of Claims.

About half of the cases closed by agreement were at the district level and half at the regional level. District conference staffs obtained agreements on about two-thirds of the cases they closed. District activity is set forth in the table below.

### Appellate Receipts and Disposals

Case receipts in appellate division offices have been quite even over the past 3 years—33,103, 33,099, and 32,682. Total disposals for 1971 were higher (2.1 percent) than those for 1970. Inventory was very close to that of the preceding year.

District conference case work-load

| Item                         | Field audit | Office audit | Total  |
|------------------------------|-------------|--------------|--------|
| Cases pending July           | 8,171       | 3,894        | 12,065 |
| Cases received               | 23,137      | 16,508       | 39,645 |
| Conferences completed        | 22,519      | 16,497       | 39,016 |
| Number agreed                | 13,954      | 11,661       | 25,615 |
| Agreed as a percent of total | 62          | 771          | 66     |
| Cases pending June 30        | 8,789       | 3,905        | 12,694 |

The major portion (about 80 percent) of the appellate workload consists of cases that have not been docketed with the Tax Court. In 1971, 79 percent of these cases were closed by agreement with the taxpayer. Agreement on cases of this kind have averaged 81 percent over the past 5 years.

Taxpayers filed petitions for hearings before the Tax Court in 8,299 cases in 1971, an increase of 1,331 over the prior year. For 1971, 80 percent of all docketed case disposals were closed by agreement and 87 percent without trial.

The following table and chart shows the processing of both nondocketed and docketed cases in 1970 and 1971. (For additional information see tables 18 and 19, page 122.)

**Appellate Division processing of all cases for 1970-1971 (Income, estate, gift, excise, employment, and offers-in-compromise)**

| Status   | Number of cases |        |
|--|-----------------|--------|
|  | 1970            | 1971   |
| Pending July 1   | 32,027          | 33,468 |
| Received   | 33,099          | 32,682 |
| Disposed of, total   | 31,981          | 32,659 |
| By agreement   | 26,026          | 25,804 |
| Unagreed (overassessments, claims, excise, employment, and offer-in-compromise rejections) | 1,249           | 1,474  |
| By taxpayer default on statutory notice or dismissal by Tax Court                          | 1,457           | 1,602  |
| By petition to the Tax Court   | 2,303           | 2,814  |
| Tried in the Tax Court   | 946             | 965    |
| Pending June 30  | 33,145          | 33,491 |

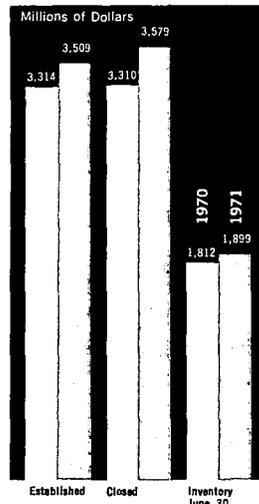
\* Revised.

**Unpaid Taxes Increase**

Most taxpayers pay the full amount of tax reported due when filing tax returns, however, there are those who do not. Some taxpayers make errors on their returns, while others are found to owe money after an

audit is made. These circumstances resulted in 2.8 million delinquent accounts in 1971, which is 197,000 or 8 percent more than last year. Reflecting this increase, the amount of delinquent tax involved rose \$196 million, or 6 percent, to \$3.5 billion in 1971. Part

**Taxpayer Delinquent Accounts**



of the increase stemmed from steady growth in population and in taxable income, while part was undoubtedly due to general economic conditions.

**Disposals Also Increase**

In 1971, the Service disposed of almost 2.9 million accounts, an increase of 257,000 accounts or 10 percent over 1970. The dollar value of these disposals rose to \$3.6 billion, up \$269 million from the prior year.

**Inventory Reduction Attained**

For the first year since 1968 when budgetary limitations were initially imposed, the inventory of delinquent accounts declined. The 759,000 outstanding accounts at year-end represented a reduction of 29,000 accounts, or 4 percent, below 1970. The \$1.9 billion value of these accounts was \$87 million higher than the prior year's.

**Taxpayer delinquent accounts**

| Status                 | Number (thousands) |       | Amount (thousand dollars) |             |
|------------------------|--------------------|-------|---------------------------|-------------|
|                        | 1970               | 1971  | 1970                      | 1971        |
| Issued                 | 2,624              | 2,821 | \$3,314,045               | \$3,509,677 |
| Disposed, total        | 2,590              | 2,847 | 3,310,340                 | 3,579,694   |
| By type of action:     |                    |       |                           |             |
| Collected              | 2,139              | 2,265 | 2,453,372                 | 2,498,077   |
| Additional collections |                    |       | 64,191                    | 108,761     |
| Other disposals*       | 451                | 582   | 792,777                   | 972,856     |
| Pending June 30, total | 788                | 759   | 1,812,265                 | 1,899,004   |

\* Includes disposals due to uncollectibility, erroneous and duplicate assessments, payment tracer and adjustment cases.

**Integrated Data Retrieval System to Benefit Enforcement**

The Integrated Data Retrieval System (IDRS), now being developed, will offer definite advantages to enforcement efforts. Originally planned as a vehicle for providing immediate availability of information needed to respond to taxpayer requests concerning their accounts or returns status, the system will also be used as an added deterrent to delinquency. This will be accomplished in several ways: (1) having IDRS, rather than enforcement personnel, monitor and follow-up delinquent accounts whose collection is in a suspended status for any number of reasons, such as adjustments, court action, and military deferment; (2) entering current information in the files at service centers and district offices, thereby crediting a payment to the taxpayer's account on the day it is received. This will also conserve enforcement time now spent on following up an account that has already been satisfied; (3) having immediate accessibility of information on the status of a taxpayer's account, thereby reducing differences to be resolved; (4) providing a whole spectrum of management information of the nature and characteristics of delinquent taxpayers never available under manual operations. For a further discussion of IDRS see page 58.

**Reports to Detect Delinquent Filers Intensified**

To sustain support of the nation's taxpayers for the Government's self-assessment tax system, fair and equal treatment of every person having a tax filing obligation is mandatory. Aided immeasurably by the Service's automatic data processing system, a broad range of programs have been initiated to detect major areas of filing non-compliance.

**Assessments Reach Record High**

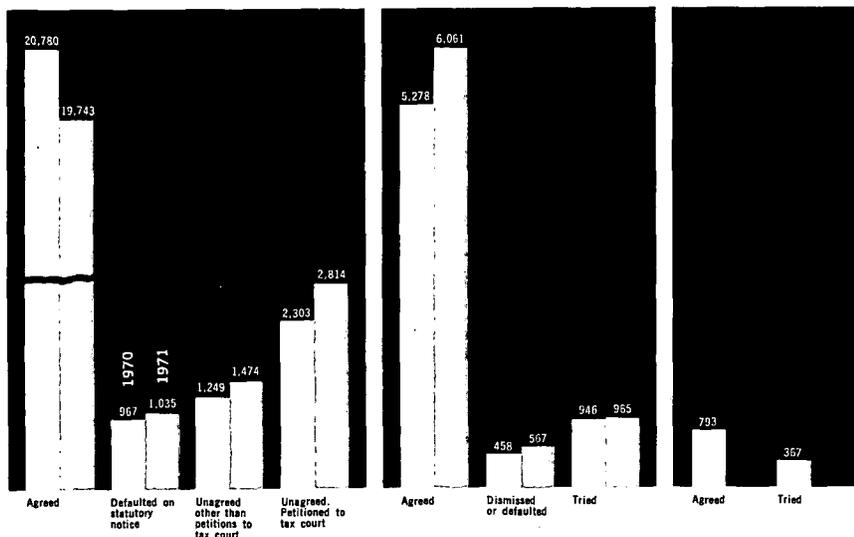
The rise in delinquent account workload, coupled with limited manpower resources did not permit a gain in the number of delinquent returns secured. However, the amount assessed on these returns reached the highest level in history. The Service secured 735,000 delinquent returns valued at \$489.4 million compared to 738,000 returns valued at \$370 million last year. A total of 679,000 returns assessed at \$427.6 million was secured through established delinquent returns programs, the balance came through the Service's returns examination program.

**Full Compliance Check Emphasized**

Enforcement personnel are trained to make a full compliance check by reviewing all possible returns due

**Appeals—Methods of Disposal**

| In Regional Appellate Division Offices |                             | In Department of Justice on Refund Suits |  |
|--|-----------------------------|--|--|
| Nondocketed Cases                      | Cases Docketed in Tax Court |  |  |



whenever taxpayers are interviewed in apparent nonfiler situations. A self-employed individual, who is delinquent for an income tax return, will be checked for income tax periods other than the one for which the investigation was issued. He will also be checked for business tax returns if he employs other people or for excise tax returns if that situation applies. Special attention is directed to educating and motivating the taxpayer to meet his future tax responsibilities.

#### Master Files Offer Broad Base For Operations

A major portion of Delinquent Returns activity is directly related to the three automatic data processing Master Files: The Business Master File (BMF), Individual Master File (IMF), and the Exempt Organization Master File (EOMF). Each file has a unique routine, tailored to meet variations in tax regulations and filing requirements. During the year over half of the potential nonfiler cases were resolved through computer checks.

The BMF incorporates filing requirements for the majority of the United States' business community. It is programmed to deal with several classes of business taxes and to issue a request to field offices for an investigation covering one or more tax periods during the year. This eliminates paperwork, clerical processing, and multiple enforcement contacts, since the computer is not programmed to issue another investigation request or accept investigative data which does not satisfy all periods of delinquency.

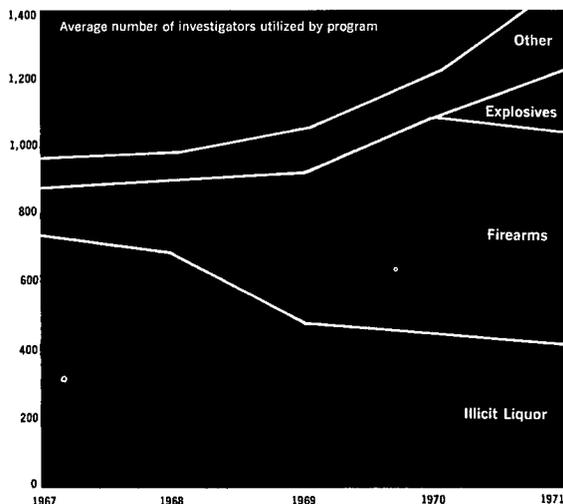
The IMF covers Individual Income Tax Returns and makes an annual delinquency check to identify nonfilers.

The EOMF is in an early development stage and when fully operational will permit computers to issue delinquency letters to taxpayers any time during the year.

#### Anti-Poverty Coordination Prevents Delinquency

The Service cooperated with Federal agencies involved in funding small business under the recent antipoverty laws. While efforts are directed toward rapid resolution of taxpayer delinquencies, an equal or greater effort is made to prevent predictable difficulties that beset the novice businessmen. Funding agencies have been urged to give attention to tax matters when assisting struggling enterprises. These efforts include: (1) supplying IRS-instructional material to new antipoverty grantees; (2) requiring evidence that Federal tax requirements have been complied with before advancing additional funds to old accounts; and (3) checking to see that taxes are paid when they make their periodic audits of various grantees.

#### Manpower Utilization



#### Liquor Law Enforcement Continues at Reduced Levels

The Gun Control Act of 1968 again caused the Service to divert investigator manpower from illicit liquor to the firearms program to meet expanded enforcement and regulatory responsibilities. In 1971, only 30.3 percent of the Service's alcohol, tobacco, and firearms investigator force was used for liquor law enforcement, compared to 76.8 percent prior to enactment of the strengthened gun laws.

The chart below illustrates the shift in investigator manpower within the Alcohol, Tobacco and Firearms Division. The substantial increase in 1971 of the manpower utilized on "other" programs resulted principally from extensive use of investigators on the Sky Marshal project. Illicit distillery seizures for 1971 total 2,272, compared to 3,763

seized in 1970. Enactment of federal laws controlling manufacture and interstate movement of explosives caused an additional strain on manpower available to police illicit liquor traffic resulting in a gradual decline in seizures and arrests over the past several years. A similar decline in seizures of mash and untaxed spirits is also evident. A more detailed summary of accomplishments in liquor law enforcement is shown below.

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

| Action                          | Number of defendants |       |
|---------------------------------|----------------------|-------|
|                                 | 1970                 | 1971  |
| Indictments and information     | 3,262                | 3,054 |
| Disposals, total                | 3,349                | 3,169 |
| Plea, guilty or nolo contendere | 2,369                | 2,166 |
| Convicted after trial           | 412                  | 612   |
| Acquitted                       | 193                  | 107   |
| Not-prosced or dismissed        | 345                  | 284   |

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

| Item                        |         | 1970      | 1971      |
|-----------------------------|---------|-----------|-----------|
| <b>Seizures:</b>            |         |           |           |
| Distilleries                | number  | 3,763     | 2,272     |
| Stills at distilleries      | do      | 5,228     | 3,327     |
| Non-taxed distilled spirits | gallons | 86,384    | 78,878    |
| Mash                        | do      | 1,956,170 | 1,387,986 |
| Vehicles                    | number  | 536       | 815       |
| Property (appraised value)  | dollars | 1,280,130 | 1,071,138 |
| <b>Arrests</b>              |         |           |           |
|                             | number  | 3,322     | 3,222     |

Approximately 90% of illicit distilleries seized are in the Southeast region. "Operation Dry-Up," a program employing heavy concentrations of Federal officers in problem areas, is still in progress and its success justifies continued emphasis. It is estimated that \$100.8 million in additional revenue has accrued to the Federal Government since inception of the program in 1963. The three states involved in the program have experienced substantial increases in revenue.

Production of illegal alcohol is big business in certain parts of the country. Hidden stills such as the one pictured at the right, seized in Jefferson County, Alabama, pose a formidable problem to Service investigators. This still (small by comparison) when operated at full capacity for a year, will produce approximately 3,000 gallons of illegal whiskey.



#### Revenue Growth—Alcohol and Tobacco Taxes

Revenue from distilled spirits rose to \$3.5 billion for fiscal year 1971. The \$1.2 billion dollar increase during the last 10 years, is just over 51.9 percent of the 1961 figure. Tobacco taxpayments over the last 10 years are up about 5 percent. These gains occurred even though basic tax rates have not been increased for over 10 years. Actually,

the revenue base has been reduced since manufactured tobacco products (snuff, smoking tobacco and chewing tobacco) are no longer taxable.

#### Taxable Cigarettes Removed

Until 1953 there was an annual increase in cigarettes subject to tax for domestic consumption. Slight decreases in 1953 and 1954 coincided with an American Cancer Society report indicating a relationship between lung cancer and cigarette smoking. Thereafter, cigarettes for domestic consumption through 1963 increased at a rate of about 3% per year. A decline in 1964, at the time of the report of the Surgeon General's Advisory Committee on Smoking and Health was followed by a quick recovery lasting until 1968 when significant antismoking campaigns began to effect consumption of cigarettes. Nevertheless, tax receipts from cigarettes have approached or exceeded \$2 billion in each year since 1962.

### Continued Increase in Volume of Regulated Operations

The Service is responsible for regulation of the alcohol and tobacco industries to assure compliance with various Federal requirements. Controls are applied principally through a system of permits and bonds, reporting requirements, and inspection programs.

Although the number of distilled spirits plants remained fairly stable during 1971, the volume of activities requiring compliance inspections increased. Alcohol and tobacco tax collections continued to rise totaling \$7.0 billion in 1971 as compared to \$6.8 billion in 1970.

The following table reflects production volume for fiscal year 1971.

#### Production by alcohol and tobacco industries, fiscal year 1971

|                                |                             |
|--------------------------------|-----------------------------|
| Distilled spirits <sup>1</sup> | 759.3 million tax gallons   |
| Rectified distilled spirits    | 112.0 million proof gallons |
| Still wine                     | 278.8 million gallons       |
| Effervescent wines             | 23.6 million gallons        |
| Vermouth and other             | 39.9 million gallons        |
| Natural wines                  | 134.1 million barrels       |
| Beer                           | 6.9 billion                 |
| Large cigars                   | 911.7 million               |
| Small cigars                   | 585.1 billion               |
| Cigarettes                     |                             |

<sup>1</sup>256.9 million gallons removed from bonded storage after determination of taxes due; 517.2 million gallons removed tax free; 1,162.4 million gallons in bonded storage at end of year.

#### ATF revenue control manpower use

|   | 1970    | 1971    |
|---|---------|---------|
| Plants and permittees subject to IRS regulatory control (excludes retail liquor dealers): |         |         |
| Inspector man-years realized  | 806     | 831     |
| On-site inspections completed   | 22,717  | 22,673  |
| Days of industry operation requiring on-premises supervision                              | 143,514 | 134,040 |
| Permits issued, amended and terminated  | 21,685  | 24,471  |
| Claims, offers-in-compromise and assessments reviewed and processed                       | 39,743  | 39,146  |

### Regulatory Changes Promote Efficiency and/or Savings

A decision was made to require that the brewer be responsible for testing and maintaining the accuracy and reliability of his meters. Annual savings of approximately \$100,000 will result from this decision.

The processing of low-volume tax returns at service centers was initiated to effect economies. Tax-

payers subject to special (occupational) tax at two or more locations can now file one special tax return with the Service center serving the district in which the principal place of business is located.

Liberalized requirements and controls were introduced for users of small amounts of specially denatured or tax-free spirits by providing for continuing (instead of annually renewable) withdrawal permits and by doubling annual quantities which may be used without a bond.

### Alcoholic Beverage Advertising, Labeling Trade Practices

Control of labeling, advertising, and trade practices relating to al-

cohol beverages is prescribed in the Federal Alcohol Administration Act to protect the revenue as well as consumers.

Advertising for alcoholic beverages must comply with statutory and regulatory requirements and prohibitions similar to those governing labeling. Enforcement is achieved by examining advertising in newspapers and magazines, trade publications and on radio and television. Radio and television are not generally used for advertising of distilled spirits because such advertising is not acceptable under voluntary codes of the National Association of Broadcasters and the Distilled Spirits Institute. More than 18,000 publications containing alcoholic beverage advertisements were examined during the year. Also 278 radio programs were reviewed. As a service to industry, comment is offered on acceptability of projected advertising themes or campaigns voluntarily submitted for examination. During the year, 756 proposed advertisements were commented upon and 303 conferences were held with industry members or their representatives.

Bottlers and importers of distilled spirits, wines and malt beverages are required to obtain certificates of label approval (or certificates of exemption from label approval for intrastate bottling) prior to removing bottled goods from bottling establishments or Customs custody. This fiscal year, 60,117 certificates of label approval were issued covering all classes and types of alcoholic beverages. The review of labels submitted for approval continued at a high rate due to the program of having bottlers and importers submit, for reapproval, all labels in use covered by certificates of label approval issued prior to July 1, 1968. Researching and processing large volumes of alcoholic beverage labels and certificates of approval are aided by the use of microfilm.

Distillers, blenders, and bottlers of spirits, producers and blenders of wine, and wholesalers and importers of all alcoholic beverages operate under permits subject to suspension or revocation for any violation of Federal liquor laws.

### Formulas and Labels Examined

| Type  | 1970  | 1971  |
|---|-------|-------|
| Formulas for Non-beverage Foods, Flavors and Medicinal Products | 1,783 | 2,010 |
| Formulas for Specially Denatured Articles                       | 4,043 | 3,897 |
| Label requests for Alcoholic Toiletries, Medicines, Etc.        | 9,660 | 8,286 |

### Water Pollution and the Alcohol Industry

In cooperation with the Environmental Protection Agency, the Alcohol, Tobacco and Firearms Division is developing guidelines for discharging its responsibilities under the Water Quality Improvement Act of 1970. Manufacturers of distilled spirits, wine, beer, explosives and users of denatured alcohol, will be required to obtain certification of compliance with water quality standards established by states or other agencies, prior to receiving operating permits or licenses from the Service.

### Alcohol, Tobacco and Firearms Laboratories

The National Office Laboratory and three field laboratories continue to provide scientific services in support of Internal Revenue Service management decisions and policies. This year, 33,374 samples were analyzed or examined compared to 27,531 in 1970. The increase was largely due to growing workloads in the area of criminal enforcement.

### Chemical Staff Activities

In 1971, the chemical laboratory made a study of effectiveness of authorized denaturants and found that these materials, despite changes in their manufacturing processes, gave adequate protection to alcohol.

Discontinuance of television cigarette advertising caused tobacco manufacturers to focus greater attention on little cigars. The same types of tobacco leaf are sometimes used to make both cigarettes and little cigars. Since different tax rates apply, a clear-cut criterion for distinguishing between cigars

and cigarettes is necessary, and the laboratory is developing analytical differentiation methods.

With the aim of expanding their consumer markets, a number of breweries are developing flavored malt beverages. This year the laboratory played an important role in insuring that the base material used is actually beer and that manufacturing methods do not depart from traditional brewing methods.

### Forensic Staff Work

The laboratory staff examined approximately 11,000 physical evidence samples connected with 1,552 cases involving illicit liquor conspiracies, firearms violations, destructive devices, income tax frauds, and other crimes. The number of cases processed by the laboratory is six times greater than the case load for fiscal year 1967. Although illicit spirits-type cases are increasing, much casework involves document examinations connected with income tax violations and analysis of residues from bombs and other destructive devices.

The work connected with document examinations involves new techniques developed by the National Office laboratory which make possible the dating of ballpoint fountain or fiber-tip pen inks.

Techniques developed by the laboratory staff for examination of

### Tax fraud investigations

(Exclusive of wagering and coin-operated gaming device cases)

| Type                               | 1970  | 1971  |
|------------------------------------|-------|-------|
| Investigations completed           | 7,981 | 7,382 |
| Prosecution recommended            | 1,112 | 1,368 |
| Convictions obtained               | 518   | 775   |
| Acquittals                         | 26    | 55    |
| Investigations in process, June 30 | 7,204 | 7,774 |

bomb residue to determine the type of explosive used have been very effective in aiding investigators in eventual prosecution of bombers. Physical evidence was examined from more than 300 bomb cases during 1971 and in more than 95% of the cases it was possible to determine the type of explosive used.

### Tax Fraud Investigations and the Intelligence Division

The criminal prosecution of tax fraud cases is required as a deterrent to tax evasion. Relatively few cases are prosecuted—around 700 or 800 a year out of 75 or 80 million corporate and individual taxpayers. The Service's objective is to get maximum deterrent value from the few cases prosecuted.

Intelligence activities are divided into two principal programs. The General Program, concerns itself with those taxpayers engaged in legitimate business or professional occupations. The Special Enforcement Program, concerns itself with those taxpayers engaged in illicit activities.

### Identification of Noncompliance

An effective enforcement program demands accurate, up-to-date information concerning the nature and extent of noncompliance with tax laws. Such information provides a sound basis for selecting cases for investigation having maximum deterrent effect. Resources are allocated so that enforcement activities are concentrated on the most significant and aggravated noncompliance situations. Enforcement actions generate sufficient revenue to pay cost of detection of noncompliance many times over.

The following are examples of a variety of court actions in 1971 resulting from criminal tax investigations by the Intelligence Division in the General Program area.

A medical doctor was fined \$5,000 and placed on 3 years' probation after understating his earnings by about \$275,000 over a 4-year period. He unsuccessfully contended that his current wealth came from his seizure of at least 138 million Nazi Reichmarks from a Bavarian bank during World War II which he converted to American dollars.

Two officers of a plumbing and heating company received a 1-year suspended prison sentence and a year's probation for failing to pay income and other taxes withheld from employees' wages and for failing to file the required returns.

Three members of one family were fined a total of \$14,000 and were placed on 1 year's probation for evading the estate tax due on the estate of their mother. The survivors withdrew funds from several bank accounts held jointly with their mother and failed to account for the funds on the estate tax return.

An optometrist who also served on a city council was sentenced to serve 3 years in prison and his wife, a dentist, was placed on 4 years' probation. Both were convicted of income tax evasion. The presiding judge commented that it was unbelievable that such well-educated people could enjoy income of \$50,000 and pay no tax.

A grain trucker was sentenced to serve a year in prison because of his failure to file income tax returns for 3 years on a net income of \$668,000. The taxpayer used various aliases in buying and selling grain and victimized many of those with whom he dealt through theft and manipulation of grain weighing devices.

A former clothing store owner was fined \$50,000 and placed on 2 years' probation for failing to file income tax returns for 5 years. Unreported income for the period amounting to nearly \$200,000 consisted mainly of dividends on stock and interest on bond investments.

A prominent attorney was sentenced to 6 months in prison for evading over \$30,000 in taxes. Total additional taxes and penalties approximate \$400,000. Evidence was introduced in court to reveal the taxpayer's implication in payments to purchase a judgeship for a law partner and for diverting funds to county commissioners to influence zoning applications.

A real estate promoter was sentenced to 5 years' imprisonment on charges of evading \$600,000 in corporate income taxes. He also presented a fraudulent document to a revenue agent in an attempt to support a large corporate deduction. This same taxpayer was sentenced in 1965 to pay a fine of \$100 for failing to file individual and corporate returns for 3 years.

A former philosophy professor was sentenced to 1 year in prison for supplying a false and fraudulent Employee's Withholding Exemption Certificate to his employer. The taxpayer was opposed to the United States involvement in Vietnam. He asserted that 14 additional dependents claimed by him consist of "several million Vietnamese, the peasants of South America and the poor black and white of America.

A taxpayer who operated a truck stop was sentenced to 3 years in prison for failing to file Federal excise tax returns. He should have filed and reported tax of \$73,000 on sales of gasoline and diesel fuel. It was disclosed that he placed substantial assets in the name of a relative and that he claimed to have no funds with which to pay the tax.

An attorney who was serving a sentence of 30 months for income tax evasion was also convicted and

sentenced to 3 additional years for perjury. The latter actions took place during his tax trial at which he, acting as counsel, induced his mother and father to commit perjury. His parents were each fined \$500.

An Indiana gambler was sentenced to serve 5 years in prison for filing false wagering excise tax returns. He omitted about \$2 million in wagers from his monthly returns for an 11-month period.

A multimillionaire former clothing manufacturer was sentenced for evading nearly \$500,000 in corporate income taxes. At the time of the evasion, he controlled 15 manufacturing companies.

### Special Manpower Commitments

The events of 1970-71 generated special requirements not ordinarily met by special agents. The Service provided enforcement agents from Intelligence, Alcohol, Tobacco and Firearms Division, and the Inspection Service to serve as "Sky Marshalls" on U.S. carrier international and selected domestic flights in an effort to combat "skyjacking" of commercial aircraft. The Service personnel were provided until an adequate permanent force was recruited and trained. The Service provided instructional support for the duration of the "Sky Marshall" training program.

The Service also provided a substantial number of agents for protective detail assignments for heads of foreign states and countries who participated in the 25th Anniversary of the United Nations.

### Referrals to the Department of Justice

A total of 1,021 income and miscellaneous criminal cases, with prosecution recommendations involving 1,016 prospective defendants, was forwarded to the Department of Justice. Compared with the prior year, this was an increase of 16 percent in the volume of referrals. In 1971, indictments of such cases were up 3.4 percent.

In income, excise, and wagering tax criminal cases, 491 defendants pleaded guilty, 154 pleaded nolo contendere, 142 were convicted after trial, 57 were acquitted, and 153 were dismissed.

A comparison of indictments and court actions for the last 2 years is shown at the right.

### Cases Involving Criminal Prosecution

Total additional taxes and penalties of \$179 million were involved in cases received in the Chief Counsel's Office with recommendations of criminal prosecution. This was \$92 million more than the prior year.

An analysis of the receipt and disposal of criminal cases in the Chief Counsel's Office appears at the right.

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

### Results of criminal action in tax fraud cases

| Action                                      | Number of defendants |      |
|---|----------------------|------|
|   | 1970                 | 1971 |
| Indictments and informations                | 924                  | 956  |
| Disposals, total                            | 628                  | 997  |
| Plea, guilty or nolo contendere             | 448                  | 645  |
| Convicted after trial                       | 73                   | 142  |
| Acquitted                                   | 30                   | 57   |
| Not-prosecuted or dismissed <sup>1</sup>    | 77                   | 153  |
| Income and miscellaneous cases <sup>2</sup> |                      |      |
| Indictments and informations                | 891                  | 952  |
| Disposals, total                            | 608                  | 961  |
| Plea, guilty or nolo contendere             | 443                  | 638  |
| Convicted after trial                       | 49                   | 136  |
| Acquitted                                   | 29                   | 55   |
| Not-prosecuted or dismissed <sup>1</sup>    | 67                   | 132  |
| Wagering tax cases                          |                      |      |
| Indictments and informations                | 33                   | 4    |
| Disposals, total                            | 20                   | 36   |
| Plea, guilty or nolo contendere             | 5                    | 7    |
| Convicted after trial                       | 4                    | 6    |
| Acquitted                                   | 1                    | 2    |
| Not-prosecuted or dismissed <sup>1</sup>    | 10                   | 21   |

<sup>1</sup> Includes cases dismissed for the following reasons: 11 because of death of principal defendant, 5 because of serious illness, and 89 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.

\* Includes 491 pleas of guilty and 154 pleas of nolo contendere.

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

| Status                               | 1970  | 1971  |
|--------------------------------------|-------|-------|
| Pending July 1 <sup>1</sup>          | 2,073 | 2,206 |
| Received, total                      | 1,100 | 1,313 |
| With recommendations for prosecution | 1,014 | 1,204 |
| With requests for opinion, etc.      | 86    | 109   |
| Disposed of, total                   | 967   | 1,052 |
| Prosecution not warranted            | 96    | 79    |
| Department of Justice declined       | 50    | 43    |
| Prosecutions                         | 623   | 759   |
| Opinions delivered                   | 38    | 46    |
| All other closings                   | 160   | 120   |
| Pending June 30                      | 2,206 | 2,467 |

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

### 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 |               |
|---------------------------------|-----------|-------|-----------------|---------------|
|                                 | 1970      | 1971  | 1970            | 1971          |
| Total                           | 2,572     | 2,953 | \$54,380,622    | \$107,778,423 |
| Prosecutions                    | 2,073     | 2,509 | 33,300,528      | 76,747,957    |
| All other closings <sup>1</sup> | 499       | 444   | 21,080,134      | 37,330,466    |

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

## Fraud Investigation Training

Special Agents of the Service undergo a comprehensive training program. The training includes 7 weeks at Treasury Law Enforcement School which concentrates on investigative techniques, a Basic Income Tax Law Course for 5 weeks, and a Special Agent Basic School which emphasizes Service policies, investigative techniques, law, rules of evidence and Federal Court procedures pertaining to criminal tax law violations. During 1971, 313 special agents received training at the Treasury Law Enforcement School; 180 special agents attended the Basic Income Tax Law Course; 297 special agents completed their formal training at 11 Special Agents Basic Schools.

The Service also offered a program whereby State and local law-enforcement personnel attended the Special Agents Basic School. Forty-six law enforcement agents, representing 24 states, the Commonwealth of Puerto Rico, and Guam have attended to date. This train-

ing has enabled officers to return to their enforcement agencies better equipped for conducting financial investigations, and combating organized crime.

Enforcement attorneys from the Office of Chief Counsel and tax agents from Singapore and Korea participated in the Special Agents Basic School. Special sessions were also conducted for tax officials from Brazil and Lebanon.

The Service developed and conducted a 3-week school in Investigative Techniques for Income Tax Bureau Agents, in San Juan, Puerto Rico. This training was geared to increasing agents understanding of basic criminal enforcement investigative techniques as they relate to income tax evasion.

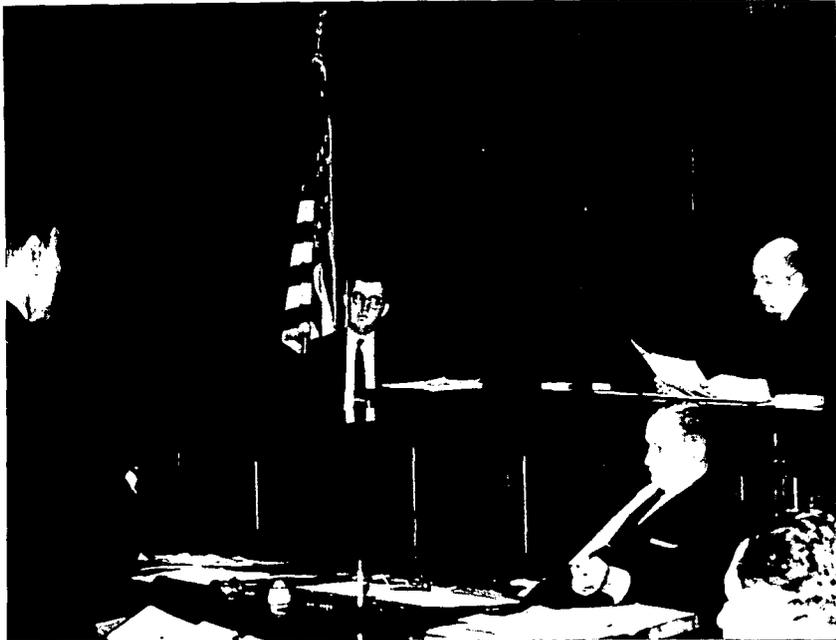
The Intelligence Division developed and conducted a 4-week "Financial Investigatory Techniques Workshop" at the request of the Governor of Michigan. The course was attended by Michigan State and local police officials and Revenue Department Tax Agents.

## Workflow in the Service and the Courts

The major portion of the work of the Service results directly from the millions of returns filed each year. The time needed to process a return through different activities depends on the complexity of the items and issues involved. Many returns are processed to ultimate disposition within a short period while others require work by different divisions of the Service and are not closed during the year of filing.

The unit of measurement at the audit level is on a return basis. In the appellate and intelligence divisions as well as in the courts, the work unit is the case. A case may involve more than one return and more than one taxpayer. The tables on the next pages reflect comparative data on actions completed by the Service during 1970 and 1971.

*The duties of Special Agents are not limited to gathering evidence. Courtroom testimony is often required in completing a case. The photo below depicts a mock trial used in Special Agent training sessions.*



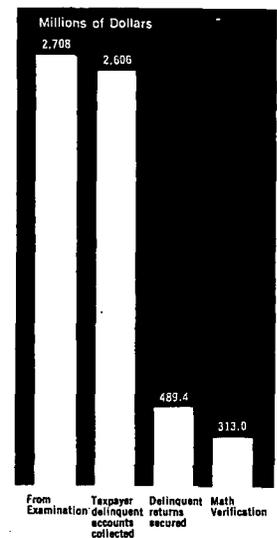
## Workflow in the Internal Revenue Service and the courts, fiscal years 1970 and 1971

| Items  | Returns     |             |
|--|-------------|-------------|
|  | 1970        | 1971        |
| Tax returns filed, total   | 113,078,185 | 111,446,930 |
| Individual income  | 78,369,859  | 76,619,563  |
| Corporation income   | 1,725,760   | 1,820,556   |
| Estate and gift  | 279,563     | 314,913     |
| Employment   | 21,993,578  | 21,889,343  |
| Excise   | 1,597,799   | 1,400,704   |
| Other income   | 9,129,560   | 9,401,851   |
| <b>INCOME, ESTATE, AND GIFT TAXES</b>  |             |             |
| Number of returns examined (including forms 990)                                 | *1,878,870  | 1,529,454   |
| Returns with adjustments proposed by audit divisions                             | 1,199,568   | 1,006,325   |
| Disposed of by audit divisions:  |             |             |
| Agreed, paid, or defaulted   | 1,146,346   | 956,311     |
| Transferred to appellate   | 48,876      | 46,119      |
| Other  | 4,346       | 3,895       |
| <b>Civil cases</b>   |             |             |
| <b>Cases</b>   |             |             |
| Total received in appellate division   | 24,235      | 22,061      |
| Disposed of by appellate divisions: Agreed, paid, or defaulted                   | 21,060      | 20,277      |
| Courts of original jurisdiction:   |             |             |
| Tax court:   |             |             |
| Total petitioned to Tax Court  | 6,969       | 8,299       |
| Dismissed  | 458         | 567         |
| Settled by stipulation   | 5,343       | 6,187       |
| Settled by Tax Court, decision   | 763         | 806         |
| Decided by Tax Court, but appealed   | 319         | 338         |
| District courts and Court of Claims:   |             |             |
| Total filed in district courts and Court of Claims                               | 1,189       | 1,177       |
| Settled in district courts and Court of Claims                                   | 727         | 647         |
| Decided by district courts and Court of Claims                                   | 367         | 450         |
| Court of Appeals:  |             |             |
| Settled by courts of appeals decision  | 331         | 355         |
| Favorable to Government  | 241         | 237         |
| Favorable to taxpayers   | 54          | 95          |
| Modified   | 36          | 23          |
| Decided by courts of appeals but reviewed by Supreme Court                       | 12          | 4           |
| Supreme Court: Settled by Supreme Court decision                                 | 12          | 4           |
| <b>Fraud cases †</b>   |             |             |
| Received for full-scale investigation in intelligence divisions                  | 2,381       | 2,482       |
| Disposed of by intelligence divisions:   |             |             |
| Prosecution recommended  | 1,067       | 1,379       |
| Prosecution not recommended  | 1,120       | 1,142       |
| Disposed of by Office of Chief Counsel:  |             |             |
| Prosecution not warranted, including cases declined by the Department of Justice | 146         | 127         |
| Prosecutions   | 623         | 759         |

† Includes excise tax cases.

\* Partially estimated.

## Results from Direct Enforcement



### Additional Taxes from Direct Enforcement

A majority of taxpayers file tax returns and pay their required liabilities with no enforcement activity required. Compliance activities are necessary to achieve a balanced enforcement program. The following table shows comparative data on direct enforcement activities for the past 2 years, and amounts of revenue at each level of the tax system.

### Gross tax, penalties and interest resulting from direct enforcement

(In thousands of dollars)

| Item   | 1970             | 1971             |
|--|------------------|------------------|
| <b>Additional tax, penalties, and interest assessed, total</b> | <b>3,831,102</b> | <b>4,022,705</b> |
| From examination of tax returns, total                         | 2,299,225        | 2,708,153        |
| Income tax, total  | 1,927,108        | 2,250,883        |
| Corporation  | 1,243,971        | 1,503,633        |
| Individual and fiduciary                                       | 683,137          | 747,250          |
| Estate and gift tax  | 307,878          | 345,210          |
| Employment tax (including withheld income tax)                 | 42,918           | 62,508           |
| Excise tax   | 21,321           | 49,552           |
| From mathematical verification of income tax returns           | 505,962          | 311,052          |
| From verification of estimated tax payments claimed            | 624,804          | 512,141          |
| From delinquent returns secured, total                         | 370,111          | 489,359          |
| By district collection divisions                               | 311,171          | 427,647          |
| By district audit divisions                                    | 58,940           | 61,712           |
| Claims disallowed, total                                       | 356,434          | 413,350          |
| Delinquent taxes collected, total                              | 2,917,563        | 2,906,838        |

### Amounts of revenue involved at each level of the tax system fiscal years 1970 and 1971

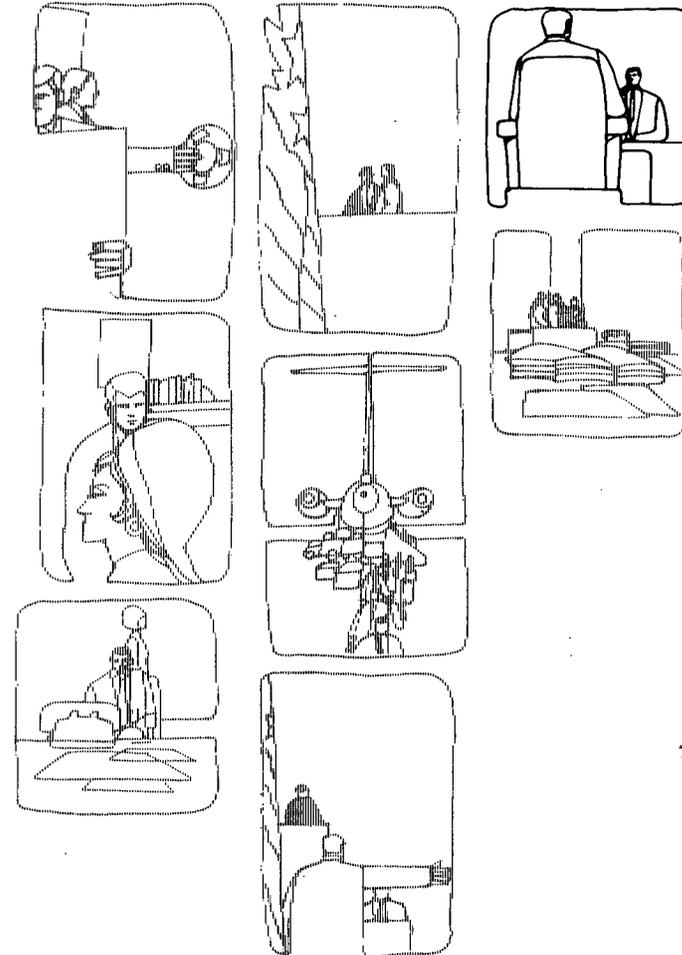
(Millions of dollars)

| Item   | 1970           | 1971           |
|--|----------------|----------------|
| <b>Internal revenue collections, total</b>   | <b>195,722</b> | <b>191,647</b> |
| Individual income taxes, total   | 103,652        | 100,752        |
| Withholding  | 77,416         | 76,490         |
| Other  | 26,236         | 24,262         |
| Corporation income taxes   | 35,037         | 30,320         |
| Estate and gift taxes  | 3,680          | 3,784          |
| Employment taxes   | 37,449         | 39,918         |
| Excise taxes   | 15,904         | 16,872         |
| <b>INCOME, ESTATE, AND GIFT TAXES</b>  |                |                |
| <b>Civil cases</b>   |                |                |
| Additional tax and penalties in cases disposed of in audit divisions by agreement, payment, or default     | 1,366          | 1,499          |
| Additional tax and penalties in cases disposed of in appellate divisions by agreement, payment, or default | 328            | 349            |
| Additional tax and penalties determined by settlement in Tax Court   | 105            | 101            |
| Additional tax and penalties determined by Tax Court decisions:  |                |                |
| Dismissed  | 3              | 21             |
| Decisions on merits  | 23             | 22             |
| Additional tax and penalties in cases decided by Supreme Court and courts of appeals                       | 10             | 9              |
| Amount refunded to taxpayers as a result of refund suits   | 34             | 57             |
| <b>Fraud cases<sup>1</sup></b>   |                |                |
| Deficiencies and penalties in cases disposed of in intelligence divisions:                                 |                |                |
| Prosecution recommended  | 84             | 132            |
| Prosecution not warranted and cases declined by Department of Justice                                      | 64             | 25             |

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

\* Revised.

## Organized Crime Drive and Firearms Activities



## Chapter Four

## Organized Crime and Strike Forces

More than half the law enforcement manpower working at the Federal level on the Organized Crime Drive is supplied by the Service.

The Government's initial plan to combat organized crime has been intensified to concentrate on illegal sources of income, such as: gambling, loan sharking, narcotics, prostitution, and other forms of vice. The primary efforts are concentrated in 18 Strike Forces strategically located throughout the country. The Strike Force concept melds the energies and expertise of several Federal law enforcement authorities under direction of the Department of Justice. Significant results have been obtained in several major crime centers across the nation.

Strike Force operations in Newark, New Jersey, illustrate the effectiveness of the concept. A Strike Force was established in that city in 1969 to eliminate a vicious organized crime situation which permeated a major portion of the state.

The team discovered large scale gambling and shylocking operations coupled with organized hijacking and other types of thefts. Labor unions were infiltrated or controlled by organized crime and the corruption of public officials was a principal means in achieving organized crime's ends. Among those indicted for income tax evasion as a result of the investigations were:

- 2 Mayors
- 4 City Councilmen
- 2 Former City Councilmen
- 1 Judge
- 1 Corporation Counsel
- 3 Public Officials
- 2 Construction Contractors
- 8 Racketeers

Ten other cases have been completed with recommendations for criminal prosecution, and 153 investigations and 271 audit examinations are pending.

The Newark Strike Force was also responsible for obtaining indictments of 15 defendants on 64 counts for extortion and conspiracy. Those tried, convicted or sentenced are:

Hugh J. Addonizio, Former Mayor, Newark, sentenced to 10 years confinement and a \$10,000 fine.

Joseph Biancone, syndicate enforcer, sentenced to 10 years confinement and a \$25,000 fine.

Ralph Vicaro, syndicate enforcer, sentenced to 12 years confinement and a \$10,000 fine.

Anthony La Morte, Director, Utilities Authority, Newark, sentenced to 10 years confinement and a \$10,000 fine.

Philip Gordon, Corporate Counsel for the City of Newark, was convicted but sentence has been postponed.

The incarceration of the above and their removal from positions of power in local government not only will serve to improve local government in Newark, but also should deter others from engaging in nefarious activities in other areas.

The Service's role in the New Orleans Strike Force includes an attack on flow of illicit money to and from organized criminal activity and prosecution or immobilization of those involved. The Service cooperated closely with the FBI in seizure of over 3,300 gambling-type pinball machines and approximately 1,000 slot machines in Louisiana and Mississippi. This project substantially suppressed an important source of revenue to organized crime.

The Service also assisted the FBI in conducting interstate gambling raids in other areas of the country producing evidence of probable income tax violations. Records obtained indicated the involvement of principal racket figures.

Due to recent increases in narcotics trafficking, the President directed all Federal law enforcement agencies to cooperate in a program to combat traffickers and suppliers.

The Treasury Department appointed a special task force to develop this program. The Intelligence and the Audit Divisions are now in the process of expanding their activity in this area. Efforts will be directed against middle, and upper echelon distributors, wholesalers, and financiers involved in narcotics traffic for possible civil or criminal violations of the Internal Revenue Code.

Recent activity in the narcotics area included a raid in Chicago, Illinois, carried out by agents of the Service and the Federal Bureau of Narcotics and Dangerous Drugs. The raid resulted in 18 arrests for narcotics violations. \$82,000 was seized and evidence obtained to support charges against four racketeers for violations of the Gun Control Act. Related civil assessments enabled the government to apply the \$82,000 to the defendants' tax liabilities.

Similar raids were made in Detroit where \$453,700 was seized and applied to outstanding tax liabilities. The coordinated activities of the two agencies resulted in arrests of significant narcotic dealers and separated them from their capital. Similar techniques have been used in other metropolitan areas.

The Service's increased interest in narcotics operations has also resulted in successful prosecutions even when operators have insulated themselves to such a degree that actual narcotics transactions could not be detected. As an example Guido (The Bull) Penosi previously convicted of narcotics violations, was convicted and sentenced to serve 45 months in jail for income tax evasion. The investigation leading to his conviction was due to his lavish mode of living while having no visible means of support.

Through the Treasury Department's membership in Interpol (International Police) the Service recently extended its surveillance activities with significant results to several foreign countries. When it was learned that three prominent racketeers were to travel abroad to meet

with one of the most powerful racketeers in organized crime, surveillance crews were set up in several countries. The meeting was prevented and valuable intelligence as to the racketeers activities was obtained.

Gathering data on racketeer infiltration of legitimate business is a continuous operation. The Service has information concerning approximately 2,000 individuals or entities considered major racketeers. About 85% of the racketeers are engaged in legitimate business activities covering a broad spectrum of occupations. An analysis of Service data reveals that racketeers are engaged in the following legitimate businesses:

| Number | Types of Business                                   |
|--------|---|
| 217    | Restaurants, bars, and taverns                      |
| 186    | Real estate and insurance                           |
| 116    | Legalized gambling (casinos and race-tracks)        |
| 86     | Finance (banking, savings and loans, stock brokers) |
| 82     | Professions (attorneys, CPA's, doctors)             |
| 77     | Entertainment and recreation                        |
| 71     | Construction  |
| 68     | Hotels and motels                                   |
| 64     | Manufacturing                                       |
| 62     | Food sales  |
| 56     | Automobile sales and service                        |
| 52     | Trucking and transportation                         |
| 51     | Government employment (Federal, State and local)    |
| 50     | Liquor sales  |

## Foreign Financial Transactions

Use of foreign financial institutions for tax evasion has been the subject of continuous study since 1957.

Some of the schemes and practices uncovered include:

1. Sham Foreign Corporations.—Corporations are organized by U.S. taxpayers in foreign countries for under-reporting profits on goods and services acquired or sold abroad. Funds so accumulated are usually held on deposit in the foreign countries.

2. Conspiracies.—Taxpayers arrange for their foreign customers or suppliers to prepare false commercial documents overstating amounts received from the U.S. taxpayer or understating amounts paid to them. Funds placed in the hands of foreign conspirators as a result of these falsifications are deposited by the foreign conspirators with foreign banks to the credit of the U.S. taxpayers.

3. Racketeer Money.—Flow of funds between racketeers and foreign banks cannot be determined in most instances due to foreign bank secrecy laws. Many such transfers of funds are categorized as loans or repayments of loans on records available in the U.S., but other evidence available fails to support the credibility of the records. In one very large case, involving a multi-millionaire oilman, gambler and associate of racketeers, amounts shown as owed to a foreign bank and interest payments allegedly made to the bank exceed the total amount shown in published financial statements of the bank as loans receivable and interest income.

4. Evasion of Tax Payments.—Taxpayers faced with the prospect of enforced collection action of substantial amounts of additional tax have converted assets to cash and transferred funds to foreign banks. Later the funds are reinvested in the United States through employment of nominees who act as financial representatives for a fee.

5. Transactions in Securities.—By opening accounts with foreign banks and financial institutions, taxpayers are able to buy and sell

on the U.S. stock markets without disclosing their interest in or income from the transaction.

6. Fictitious Foreign Tax Credits.—Taxpayers have taken credit on U.S. tax returns for foreign taxes which were never paid.

Information gathered from a recent study was the basis for testimony given by Treasury officials before the Congressional Committees which sponsored Public Law 91-508. The law, when fully implemented, will provide a basis for requiring the financial community to maintain records which will help investigators detect and document foreign financial transactions.

## Interesting Cases

A notorious member of one of New York's organized crime families was sentenced to 6 months in prison for failure to file an income tax return for 1962. Investigation disclosed an attempt to conceal his transactions and investments in a legitimate business through fictitious names and use of nominees. He acquired stock in the company in a fictitious name and later by threats and assault forced the president of the organization to buy back the stock at a price substantially above the market value.

Louis A. Ruggirello, identified in court as one of Michigan's most notorious gambling racketeers, was sentenced to 5 years in prison and fined \$15,000 for attempting to evade income taxes for the years 1963 through 1965. During the trial, the Government presented 128 witnesses and 762 exhibits. Members of the jury informed the U.S. Attorney they were impressed with the clear, precise and impartial testimony of the Service agent. They felt the turning point of the trial was the professional presentation by the document expert from the U.S. Treasury Department.

William J. Hussey, Brooklyn, New York, former Chief Investigator for the New York Telephone Company was fined \$4,000 and placed on

probation for 2 years for evasion of his income taxes for the years 1959 through 1962. The additional income was attributed to cash Hussey received for leaking information to racketeers.

Lillian Pasco Failford (Belt), Phoenix, Arizona, was sentenced to 4 years in prison for evasion of income tax for 1963 and for aiding and abetting interstate transportation in furtherance of prostitution. Before her move to Phoenix in 1962, she operated a brothel in Ohio. She was absorbed into the Phoenix social set within months after her arrival, and parties given in her lavish \$150,000 home were covered in the society pages of the local newspaper.

Special Agents assisted in the investigation of perhaps the largest "juice" loan operation (shylocking) in the United States. Eleven members of this ring received prison sentences ranging from 3 to 15 years and were immediately remanded to the custody of the Attorney General for violations of the Truth in Lending Law. Judge Edwin A. Robson, in imposing a sentence of 15 years on Steve Annoreno, commented that he was the leader of one of the worst crime situations in large cities in America today. He said that evidence was unmistakably clear that interest payments of 5 to 10 percent a week were extracted from victims who feared beatings if they failed to pay.

Joseph W. Harper of Pittsburgh, Pennsylvania, was sentenced to serve 1 year in prison on each of five counts for failing to file income tax returns for the years 1962 through 1966 with sentences to run concurrently. Harper has a varied criminal record including a conviction for violations of the Federal narcotics laws and two convictions for violations of state lottery laws. Other arrests include larceny, illegal sale of liquor without a license, and a Federal wagering tax violation.

Alfred George Felice, characterized by a Miami newspaper reporter as a major Miami hoodlum, was sen-

tenced to serve 2 years for attempting to evade income tax for the years 1963 through 1968. Felice is a convicted narcotics trafficker.

### Alcohol, Tobacco and Firearms Strike Force Participation Stepped-up

The Alcohol, Tobacco and Firearms Division participates in 18 Organized Crime Strike Forces now operating in major crime centers across the nation.

A common practice among Strike Force participating agencies is exchange of information and assistance. In an investigation in Philadelphia a Service undercover agent purchased a number of stolen \$100,000 treasury bills, which assisted another agency in making an arrest and recovering \$400,000 in treasury bills.

In Chicago, FBI agents arrested an organized crime subject in his home and observed several firearms. The information was reported to the Service and the subject's premises were searched, resulting in 33 firearms seized. Upon arraignment he pleaded guilty to the violation and was sentenced to 2 years in prison.

A reputed "Boss" of Organized Crime in Florida, entered a plea of guilty on October 2, 1970, to an obstruction of justice charge and was given a 1 year suspended sentence and placed on 1 year probation.

On October 11, 1970 the Service served a Federal search warrant at the residence of a well-known West Coast bookmaker and loan shark and seized five firearms. He was found guilty on two counts and sentenced to 6 months in prison, 5 years probation, and fined \$1,000.

### Results Achieved Under the Firearms Program

In 1971, the Service spent 620 investigator man-years on firearms work. This is a decrease of 7 man-years from 1970. Firearms

investigations produced 2,785 criminal cases, arrests of 2,223 violators and the seizure of 7,995 firearms. These figures compared with 2,975 criminal cases, 1,957 violators arrested, and 30,307 firearms seized in 1970. In the area of regulatory firearms control, investigation of the activities of 3,772 licensed gun dealers were made in 1971. These investigations found 1,964 purchasers of firearms with criminal records, and 370 who had used fictitious names or furnished other false information in purchasing firearms. More detail on accomplishments under the Firearms Program are set forth in the table on the following page.

### Firearms Licenses and Permits

The Service processes and issues approximately 150,000 firearms dealer licenses each year. The licenses are renewed annually and periodic investigations are made of dealers' records, operations and premises. In 1971, Service investigators made 20,088 license application investigations, and 23,684 compliance investigations. Under the import provision of the Gun Control Act, 26,658 permits to import 964,122 guns were submitted for review. This compares with 24,360 permits involving 1,054,282 firearms processed in 1970.

### The Gun Control Act at Work

The effectiveness of the Federal firearms laws in bringing criminals to justice is best illustrated by actual cases. A few examples follow:

In Connecticut, a Federal indictment was returned against 10 men all involved in organized crime in Hartford and New Haven, for violation of the National Firearms Act in the unlawful transfer, receipt and possession of four machine guns. Some of the guns had been used in several bank robberies, and one had been used in a 1968 gang slaying.

In New York, a man and woman were arrested at Kennedy Airport for allegedly attempting to hijack

### Results of criminal action in firearms cases

| Action                         | Number of defendants |       |
|--------------------------------|----------------------|-------|
|                                | 1970                 | 1971  |
| Indictments and information    | 1,309                | 1,906 |
| Disposals, total               | 824                  | 1,691 |
| Plea guilty or nolo contendere | 433                  | 784   |
| Convicted after trial          | 144                  | 372   |
| Acquitted                      | 57                   | 114   |
| Nol-prossed or dismissed       | 190                  | 421   |

### Seizures and arrests for firearms violations

| Item                       | 1970      | 1971    |
|----------------------------|-----------|---------|
| Firearms                   | 30,307    | 6,910   |
| Destructive devices        | 4,372     | 1,085   |
| Vehicles                   | 294       | 344     |
| Property (appraised value) | 1,131,842 | 844,613 |
| Arrests                    | 1,957     | 2,223   |

\*Included seizure of firearms factory.

an overseas aircraft. Both were armed. Investigation revealed that one of the guns was purchased by a Philadelphia resident from a Virginia gun dealer. New York city police raided an apartment in Brooklyn and seized 41 rifles and shotguns, 16 handguns, a 15-pound keg of gun powder, and radical pamphlets. Service agents later determined that some of these guns had been purchased by the same Philadelphia resident connected with the airport incident, who was arrested for violation of the Gun Control Act.

An undercover investigator arranged to purchase firearms from a man alleged to be the largest "fence" in the Los Angeles area. The man arrived at the delivery point driving a camper truck. He was arrested, and his truck containing 26 firearms, was seized. A search of the man's residence uncovered more than \$500,000 in stolen merchandise.

### Bombs and Explosives

Title II of the Gun Control Act of 1968 amended the National Firearms Act to classify bombs as firearms, and as such, they must be registered. The Service developed one of the world's most extensive libraries on explosive materials,

and has pioneered many techniques used to examine and identify minute particles of debris from sites of bombings and explosions.

Some significant cases investigated by the Service involving use of explosives follow:

In Anaheim, California, a bomb exploded at 10:30 a.m. on the roof of a high school. Two hours later, another bomb exploded in another Anaheim high school, injuring a student. One week later three juveniles and one adult were arrested and charged in connection with the bombings.

In February 1971, a Service investigator working undercover purchased 42 sticks of dynamite from a convicted felon in Detroit, Michigan. When a Federal search warrant was executed at the felon's home, 81 sticks of dynamite, two pistols, a homemade silencer, two shotguns and over 300 rounds of ammunition were seized.

Two men were arrested by Service investigators for the bombing of a car in a Falls Church, Virginia, police parking lot. Investigation and laboratory analysis disclosed explosive powder in the automobile owned by one of the men arrested as well as his fingerprints on the paper bag used to carry the bomb.

### Training in Explosives for Investigators

Assignment of jurisdictional responsibility for Title XI of the Omnibus Crime Control Act of 1970 to the Service created new training obligations. 1,350 Alcohol, Tobacco and Firearms investigators were given general training in the explosives field. An intensified course of instruction directing attention to specific techniques peculiar to investigation of bombing scenes was developed, and will be presented to 130 specially selected ATF investigators who will form the nucleus of special squads to be stationed across the nation. Training will be conducted at El Paso, Texas, and the White Sands Missile Range in New Mexico.

A substantial amount of technical training assistance to state and local law enforcement bodies throughout the nation is provided under provisions of the 1968 Gun Control Act.

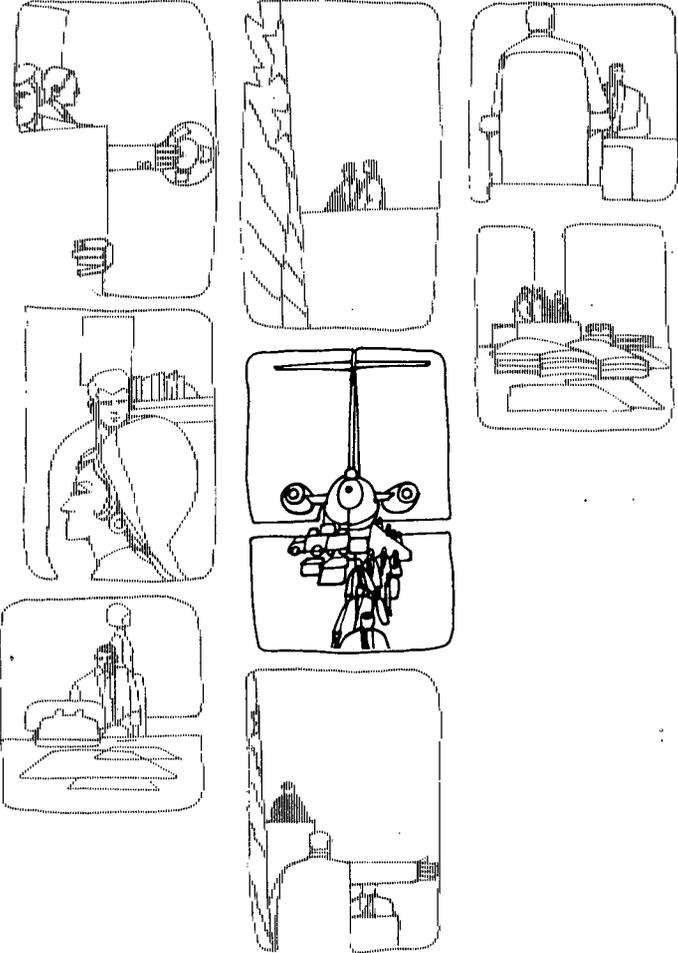
Training programs cover such technical subjects as:

1. Raids, Searches, and Seizures
2. Surveillance of Premises, Vehicles and Persons
3. Undercover Techniques
4. Interrogation
5. Development of Informers and Evaluation of Information
6. Explosives and Firearms

### Assistance to Other Law Enforcement Bodies

Tracing firearms is an important feature of the state assistance aspect of the Gun Control Act. A Service representative visited major firearms manufacturers in Europe to establish more effective lines of communication, and obtain unpublished firearms identification data and records. Existing communications systems were augmented by a worldwide Telex System to provide instant links with firearms makers in 14 countries. During 1971, 873 requests for assistance in tracing foreign-made guns were received from federal, state, and local law enforcement officers.

**International  
Activities**





### International Business Growth and Tax Administration

The immense growth in reciprocal U.S.-foreign commerce, investment, and flow of citizens abroad continued in 1971. Receipts of income from U.S. sources by foreign investors rose from \$714.5 million in 1964 to \$1.27 billion in 1969, an increase of 78 percent. The number of foreign corporations controlled by U.S. shareholders increased from approximately 16,000 in 1963 to almost 30,000 in 1970, reflecting a growth rate of more than 85 percent. Similar increases in number of U.S. taxpayers living abroad and amount of tax collections by the Service's Office of International Operations are graphically shown in the charts on the following page.

The boom in foreign business led to development of trained international specialists in various branches of the Service. Their assignment includes the usual activities involved in assessment and collection of revenue, in areas presenting unique and complex problems. Service international specialists strive to insure that taxpayers engaged in international business and investment are protected from inequitable and unduly burdensome taxation, both United States and foreign.

### Foreign IRS Posts

The aim of the Service is eventually to perform comparable services and functions for the large body of U.S. taxpayers abroad as it does for taxpayers in the United States. To this end it has established foreign posts in the following cities: Bonn, London, Manila, Mexico City, Ottawa, Paris, Rome, Saigon (temporary), Sao Paulo, Tokyo.

These posts provide the principal link between individual taxpayers and U.S. business entities abroad and our tax programs at home.

Subject to agreements with foreign countries, staffs of these foreign posts advise and assist American taxpayers abroad with their U.S. tax problems. They conduct audits, hold conferences, collect taxes, gather information, hold discussions with foreign officials on exchanges of information and perform other duties under our system.

Present staffing of foreign posts is critically short of actual needs. For example, the post in Rome, which has jurisdictional responsibility over 14 countries located on three continents, is staffed with only two technical employees. Further expansion in the number of foreign posts and personnel assigned to them is a primary objective in realizing the Service's long-range overseas mission. As an interim measure, the Service is completing arrangements to detail additional technical personnel from Washington for medium length assignments.

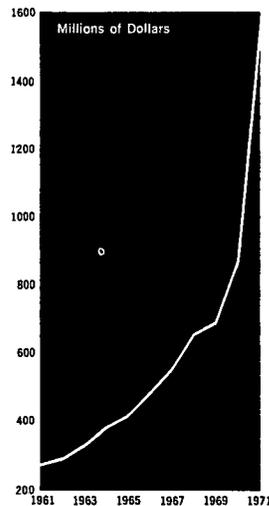
The Revenue Service Representatives pictured above serve tours of duty at U.S. Embassies abroad. They meet periodically in Washington for a series of seminars to keep informed of recent tax developments. Seated fourth, fifth, and sixth from the left, respectively, are OIO Assistant Director, Joseph G. McGowan, Assistant Commissioner (Compliance), Donald W. Bacon, and OIO Director, C. I. Fox.

Approximately every 2 years the Revenue Service Representative (RSR) in charge of each foreign post returns to headquarters in Washington for a week of consultation and discussion. This time is devoted to a comprehensive survey of developments in the overseas program and an exchange of ideas between the RSR's and the headquarters staff. From these meetings evolve new procedures to improve the overseas operation. The most recent RSR conference was held during the week of June 21-25, 1971.

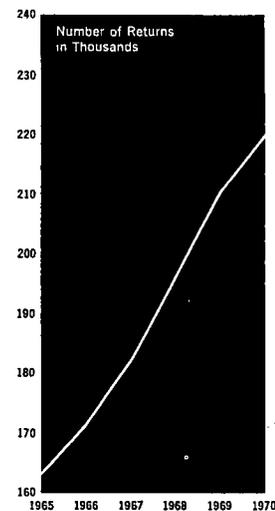
### The Service in Saigon

In February 1970, the Service assigned three technical representatives to conduct examinations and investigations of black market currency activities in Viet-Nam and other countries in Southeast Asia. It was anticipated that the situation could be brought under control within 18 months. However, experience proved additional technical representatives and more time were needed. The Service now has five technical representatives in Saigon and the life of the post has been extended to August 1972.

### Steep Rise in Total Tax Collections by Office of International Operations



### Continuing Upswing in Returns Filed by U.S. Civilians Living Abroad<sup>1</sup>



<sup>1</sup> Includes only those returns filed with the Office of International Operations. It is estimated that as many more returns are filed in the District offices by other taxpayers living abroad.

### Overseas Taxpayer Assistance

Over the past 18 years the Service has conducted a worldwide tax assistance program.

This year nine revenue agents and nine tax auditors visited 99 cities in 50 countries to help some 31,000 taxpayers file their U.S. tax returns.

In an effort to broaden the base of its overseas tax assistance program, the Service held 196 income tax seminars for nearly 6,000 taxpayers in 86 foreign cities in 1971.

This year a military income tax training program was attended by 850 servicemen at military installations in Europe, the Far East and the Canal Zone. Military authorities estimate that more than two-thirds of our military forces abroad benefit by this program.

### United States Now Includes Continental Shelf Areas

Prior to enactment of Section 638 of the Internal Revenue Code, the right of the United States to exercise tax jurisdiction over income derived from exploration or exploitation of natural resources in the area of the U.S. continental shelf was not explicit. The new law defines the term "United States" as including the sea bed and subsoil of those submarine areas which are adjacent to territorial waters of the United States and over which the United States has exclusive rights with respect to exploration and exploitation of natural resources.

Significance of the new law is that individuals and corporations engaged in prescribed activities on the U.S. continental shelf are to be treated for tax purposes as if they were in the United States. To a foreign corporation or a nonresident alien this means the difference between exemption and U.S. taxation.

A member of the Overseas Taxpayer Assistance Team, Ralph Kendall (right) assists a U.S. citizen in London. Members of the team travel abroad for several months each year, giving tax assistance to citizens outside the United States.



## New and Improved Tax Conventions

New income tax conventions were signed with representatives of Belgium on July 9, 1970, and Japan on March 8, 1971. Income tax conventions with Finland and Trinidad-Tobago became effective upon exchange of instruments of ratification on December 30, 1970. An estate tax convention with the Netherlands became effective upon a similar exchange on February 3, 1971.

A number of significant changes have been included in recent income tax conventions, including provisions which (1) define key terms in more detail; (2) extend the coverage of certain tax benefits; (3) incorporate new concepts, designed to encourage international trade and investment; (4) provide incentives for U.S. investment in developing countries; (5) erect obstacles to certain tax avoidance schemes; (6) waive statutory barriers to relief from international double taxation; and (7) expand and modernize the provisions under which U.S. and foreign authorities consult and negotiate to resolve international tax problems. The new U.S.-Netherlands estate tax convention employs a different approach than earlier conventions to resolve problems of international double taxation in the estate area. This is done by giving primary estate tax jurisdiction to the decedent's country of domicile and secondary jurisdiction of the country of citizenship.

The changes in recent conventions will not eliminate international issues. Nevertheless such revisions are designed to minimize areas of controversy and expedite agreements between the United States and foreign governments.

## Countries which have Income Tax Conventions with the United States

1. Australia
2. Austria
3. Barbados
4. Belgium
5. Burundi
6. Canada
7. Congo
8. Denmark
9. Finland
10. France
11. Gambia
12. Germany
13. Greece
14. Ireland
15. Italy
16. Jamaica
17. Japan
18. Luxembourg
19. Malawi
20. Netherlands  
Netherlands Antilles
21. New Zealand
22. Nigeria
23. Norway
24. Pakistan
25. Rwanda
26. Sierra Leone
27. South Africa
28. Southern Yemen
29. Sweden
30. Switzerland
31. Trinidad-Tobago
32. United Kingdom
33. Zambia

## Countries which have Estate Tax Conventions with the United States

1. Australia\*
2. Canada
3. Finland
4. France
5. Greece
6. Ireland
7. Italy
8. Japan\*
9. Netherlands
10. Norway
11. South Africa
12. Switzerland
13. United Kingdom

\*Also has gift tax convention with the United States.

## Competent Authority Activity in Double Taxation Cases

The international enforcement program initiated in the early 1960's resulted in an increase of reallocations of taxable income to certain U.S. corporations from their foreign affiliates, under section 482 of the Internal Revenue Code. This produced economic double taxation in some cases, where no correlative tax adjustment was available to the foreign company. Revenue Procedure 64-54 was issued to alleviate this situation by providing unilateral relief to U.S. parent companies in cases where double taxation would otherwise have occurred. Similar relief has been extended, under Revenue Procedure 69-13, to U.S. parent corporations with domestic subsidiaries operating in foreign countries.

By the end of fiscal year 1971, relief under both procedures had been granted to 160 taxpayers in an amount exceeding \$33 million.

The remedy provided under these procedures is not available for taxable years beginning after December 31, 1964. Instead, taxpayers must request the assistance of the U.S. "competent authority" (the Assistant Commissioner—Compliance) charged with administration of treaty matters.

In cases where assistance is given, the U.S. competent authority will then seek to reach an agreement with a foreign competent authority which will provide relief to the U.S. and foreign taxpayers involved. Such agreements are reached in most cases, on the basis of mutual understanding and cooperation.

The number of competent authority cases due to section 482 type allocations (including allocations by foreign tax authorities) is expected to show a distinct rise as a result of the advent of new appeal procedures under Revenue Procedure 70-18 together with expiration of relief under Revenue Procedures 64-54 and 19-13. Already

34 requests for assistance under Revenue Procedure 70-18 have been received. Although no exact projection can be made, a recent survey of field offices discloses a potential caseload many times this number. To assist the U.S. competent authority in handling the expected increase in complex allocation issues, additional technical analysts are being recruited and trained.

The U.S. competent authority is concerned with double taxation cases other than those arising out of Internal Revenue Code section 482 allocations. During the year he has been involved in many cases covering a wide range of issues subject to provisions of our tax treaties. Issues include questions as to the country in which certain items of income have their source, whether a taxpayer of one treaty country maintains a permanent business establishment in the other country, and the country in which assets of an estate have a tax status.

A special problem arises when international tax issues involve corporations or individuals of countries with which we do not have tax treaties. Mutual agreement procedures previously discussed do not apply in absence of a tax treaty, even though tax issues do arise. This administrative vacuum creates an unfortunate opportunity for burdensome or inequitable tax situations. The basic solution to this problem is negotiation of additional treaties.

## Exchange of Information Program

Tax treaties provide for exchanges of tax information. Under its routine exchange program, the Service furnishes information to other countries on amounts of U.S. source income received by residents of these countries and U.S. tax withheld on such amounts on an individual basis. (Copies of tax returns are not furnished.) Similar information is received from for-

ign tax authorities. Approximately 555,000 information documents were supplied to foreign authorities and approximately 123,000 documents were furnished to the Service under the routine exchange program in 1971.

New procedures involving exchange of legal information were initiated by the Service. Under this program comprehensive copies of Federal tax laws, including regulation and explanatory guides, have been furnished to all countries with which the United States has tax treaties. The steadily increasing number of international tax issues has created a need for readily available references to the current tax laws of other countries.

## Withholding Tax on Nonresident Aliens and Foreign Corporations

During 1969 the Office of International Operations collected

\$190,128,000 in withholding taxes. Persons who pay certain income to nonresident aliens and foreign corporations are required to "withhold" the tax from such payments.

The withholding tax is levied on the gross amount of U.S. source fixed or determinable income (largely dividends, interest, rentals, royalties, fees, etc.) which is paid to nonresident aliens and foreign corporations. An alien residing in Argentina who is entitled to a dividend of \$100 from a U.S. corporation actually receives \$70. The other \$30 is tax withheld by the payer of the dividend, at the rate of 30 percent. Tax treaties with a number of foreign countries provide for lower tax rates as well as exemptions for certain types of income.

The withholding tax table which follows shows taxes withheld from income received by residents and corporations of 25 foreign coun-

Tax withheld from payments to nonresident alien persons of treaty and nontreaty countries—calendar year 1969

| Country                        | Thousand dollars |                                 |  |                    |   |
|--------------------------------|------------------|---------------------------------|--|--------------------|---|
|                                | Income           | Tax withheld by domestic agents | Tax from foreign governments or withholding agents | Total tax withheld | Number of information documents filed by withholding agents |
| <b>Treaty countries:</b>       |                  |                                 |  |                    |   |
| Australia                      | 3,274            | 519                             |  | 519                | 4,455   |
| Austria                        | 1,753            | 203                             |  | 203                | 3,604   |
| Belgium                        | 22,981           | 2,903                           | 137  | 3,040              | 11,802  |
| Former Belgian o/s Territories | 2,825            | 65                              |  | 65                 | 650   |
| Canada                         | 232,860          | 27,136                          | 2,447  | 29,583             | 257,290   |
| Denmark                        | 2,600            | 269                             |  | 269                | 2,320   |
| Finland                        | 443              | 35                              |  | 35                 | 332   |
| France                         | 59,848           | 6,163                           | 54   | 6,217              | 17,340  |
| Federal Republic of Germany    | 37,388           | 3,278                           |  | 3,278              | 69,120  |
| Greece                         | 1,060            | 189                             |  | 189                | 2,923   |
| Ireland                        | 3,984            | 507                             |  | 507                | 3,672   |
| Italy                          | 11,777           | 1,095                           |  | 1,095              | 12,829  |
| Japan                          | 11,907           | 1,235                           |  | 1,235              | 3,481   |
| Luxembourg                     | 10,801           | 1,315                           | 678  | 1,993              | 2,520   |
| Netherlands                    | 173,387          | 12,843                          | 382  | 13,225             | 7,421   |
| Netherlands Antilles           | 48,072           | 2,947                           | 3  | 2,950              | 1,964   |
| New Zealand                    | 458              | 63                              |  | 63                 | 940   |
| Norway                         | 2,125            | 253                             |  | 253                | 4,659   |
| Pakistan                       | 204              | 24                              |  | 24                 | 189   |
| Sweden                         | 12,108           | 759                             |  | 759                | 4,988   |
| Switzerland                    | 260,646          | 33,022                          | 38,637   | 71,639             | 45,576  |
| Trinidad and Tobago            | 162              | 37                              |  | 37                 | 270   |
| Republic of South Africa       | 955              | 236                             |  | 236                | 1,187   |
| United Kingdom                 | 294,016          | 31,767                          | 434  | 32,201             | 49,988  |
| U.K. overseas territories      | 3,681            | 855                             |  | 855                | 4,452   |
| <b>Nontreaty countries</b>     | <b>73,703</b>    | <b>19,685</b>                   |  | <b>19,685</b>      | <b>111,062</b>  |
| <b>Total</b>                   | <b>1,273,018</b> | <b>147,356</b>                  | <b>42,772</b>                                      | <b>190,128</b>     | <b>625,034</b>  |

tries and overseas territories which have tax treaties with the United States. The line next to the bottom reflects the collection from residents and corporations of all countries not having treaties with the United States.

Withholding agent collections are listed in the second column. However, foreign governments with which the United States has a tax treaty and certain foreign withholding agents are also required to withhold and remit to the United States. This is the case when the foreign recipient is actually a nominee for an alien who is not entitled to the tax treaty benefits of the country in which the nominee is a resident. Withholding tax collected by foreign countries and foreign withholding agents is listed in the third column.

Advantages of collecting the tax before payment is made to nonresident aliens are obvious. In most cases the nonresident alien or foreign corporation recipient is not required to file a tax return, inasmuch as the withholding tax rate is ordinarily equal to the statutory tax rate.

### Foreign Tax Assistance Program

Under the Foreign Tax Assistance Program (FTAS) the Service assigns tax advisors, upon request to developing countries to assist in modernizing their tax administration systems. Another important aspect of the program involves training courses for foreign tax officials offered within and outside the United States. FTAS is financed and administered mainly in partnership with the Agency for International Development with technical coordination involving the Organization of American States, the Inter-American Development Bank, the International Monetary Fund, the United Nations and other multicountry organizations.

While the Service's main effort in helping these countries continued on an individual country basis, 1971 saw the beginning of a shift to a multicountry approach. There was a reduction in the number of individual country programs from 18 in fiscal year 1970 to 15 at the close of fiscal year 1971. At the same time, the Service established closer links with the technical assistance programs of multicountry organizations.

A significant development in modernizing tax administration through the multicountry approach was the meeting of representatives of nine countries in the Far East to consider creation of an Asian Tax Administration and Research (ATAR) organization. The objectives of ATAR in tax administration would be similar to those of the Inter-American Center of Tax Administrators (CIAT), which provides a means for stimulating and promoting improvements through seminars, direct technical assistance from member countries and regional meetings for the exchange of experiences and ideas.

An interest in forming a similar organization is developing in the Middle East. Lebanon sent its top tax administrator to CIAT's Fifth Annual Assembly to observe the proceedings and gather material and ideas for establishing a similar organization.

The Service encourages formation of regional, self-help approaches to tax administration modernization with the thought that as individual countries strengthen their tax administration systems they can reinforce each other, thus leading to a diminishing role in technical assistance for the Service.

### Active Country Programs

In the ninth year of the Foreign Tax Assistance Program, onsite advisory teams continued activity in: Bolivia, Brazil, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Trinidad and Tobago, Uruguay, and Viet-Nam. Two new programs were added: Guyana and Jamaica. In fiscal 1971, long-term programs ended in four countries—Argentina, South Korea, Turkey, and Peru.

### Foreign Visitors

The orientation and training of foreign tax officials in the United States continued as a prominent feature of the Service's Foreign Tax Assistance Program. The Service was host to 407 tax officials from 44 countries. One hundred and nineteen attended seminars under the Service's International Tax Administration Training Series (INTAX) in subjects such as Middle Management Development, Supervisory Development and Training Management. Programs were specially tailored to fit particular needs of the other 288 visitors.

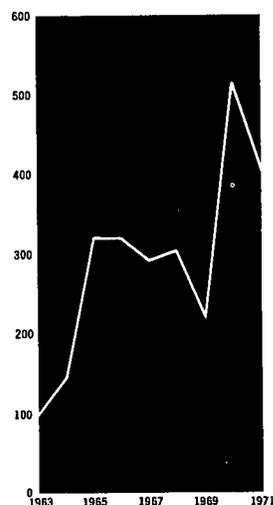
Not all visitors came from developing countries. Many came from such industrialized countries as Great Britain, Italy, Japan, and Germany. The Service's automated data processing system drew more attention than any other function.

### Support to Other Organizations

The Service continued to provide technical support to the International Executive Service Corps. This organization sponsors tax administration modernization programs in Singapore and Taiwan. In addition, support was given to extensive programs in Lebanon and Saudi Arabia.

Lectures were given by Service personnel on problems in tax administration at a seminar sponsored by the Organization of American States for Central American countries.

### 2,613 Officials from 97 Countries Were Trained in the United States in Past Nine Years



### Inter-American Center of Tax Administrators (CIAT)

CIAT continued to grow and to broaden its services to member countries by arranging for exchanges of technical information between countries and enlarging the coverage of its technical publications. Commissioner Thrower led the U.S. delegation to the fifth CIAT Annual Assembly held in Rio de Janeiro. He delivered a paper on the significance in tax administration of a tax fraud program with criminal sanctions, an area in which tax officials in developing countries are showing increasing interest.

Many foreign tax officials visit the Service each year. Pictured at the right is General Jung Kaun Oh, Commissioner of National Tax Administration of the Republic of Korea presenting a desk name plate to Commissioner Randolph W. Thrower.

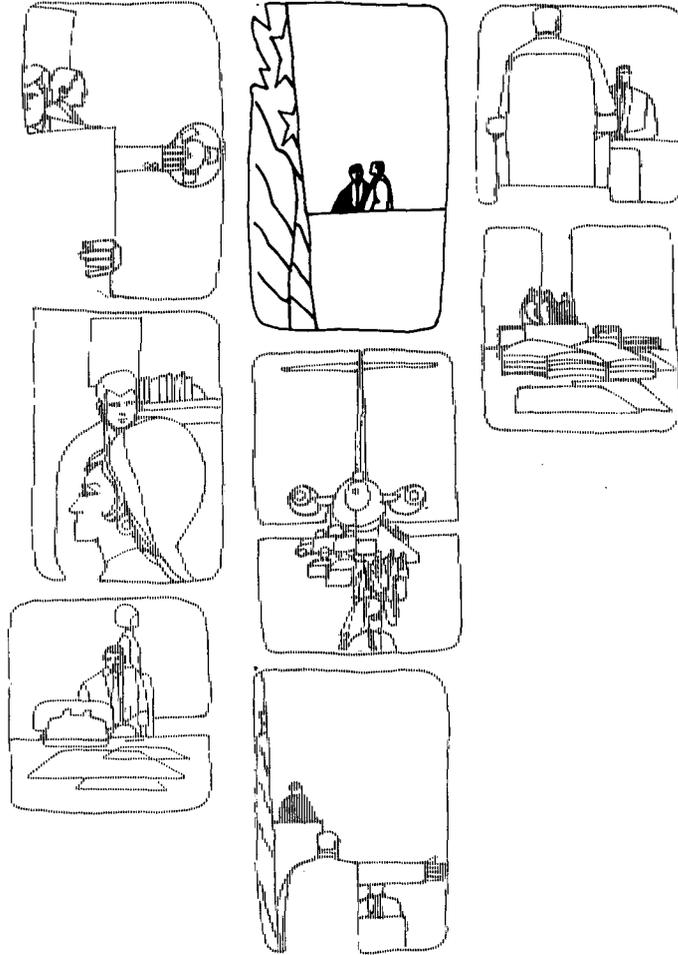
CIAT also conducted two technical seminars in auditing and automated data processing attended by representatives of member countries and representatives outside the Western Hemisphere. Service personnel presented technical papers and participated in discussions at both seminars.

Training for foreign tax officials continued at an increased pace. Joseph R. Harmon (center, first row), Director of the Service's Foreign Tax Assistance Staff is pictured below with Brazilian tax officials who visited the United States to take part in an Organization and Methods INTAX Seminar in Tax Administration.



# Legislative and Legal Activities

## Chapter Six



## Introduction

The legal work of the Service is performed in the Office of the Chief Counsel. The Chief Counsel renders opinions to officials of the Service on substantive legal questions. The legal staff prepares drafts of proposed regulations implementing tax laws and participates in the rulemaking process involving these regulations. For a discussion of the regulations program see Chapter 1, page 8. Technical assistance is also furnished to the Treasury Department's legislative program.

In litigation, the Chief Counsel represents and assists the Commissioner in trying and settling cases docketed in the U.S. Tax Court. Important court actions are included in the appendix beginning on page 91. The legal staff also furnishes advice relating to refund litigation, general litigation, criminal enforcement, and alcohol, tobacco and firearms legal matters. Criminal prosecution cases are shown under Chapter 3, Enforcement Activities, page 31. Statistics on legal activities are shown on Tables 20-27, on pages 123 through 125.

## Civil Litigation

### Refund Litigation Activities

During the year, 1,091 refund litigation cases were disposed of and 1,177 new cases were received, leaving a total of 3,467 cases pending at the end of the year. In the previous year 1,182 cases were disposed of and 1,189 cases were received.

The Supreme Court rendered one decision in tax refund suits in which the Government's position was sustained. In the previous year the Supreme Court rendered decisions in four refund suits, with the Government's position being sustained in three cases.

Of the 142 opinions involving 199 cases rendered by the Court of Appeals, 88 were in favor of the Government, 44 were in favor of the taxpayer, and 10 were decided partially for the taxpayer and partially for the Government.

The amount involved in pending refund litigation cases increased to \$523.7 million from \$495.8 million at the start of the year. This increase resulted from receipt of new cases involving \$134.1 million and disposal of cases involving \$106.2 million. The amount of \$134.1 million involved in new cases received represents a decrease from the amount of \$155.4 million involved in cases received in the preceding year. The 1,091 refund suits disposed of during the year gave rise to refunds of \$57,900,000 consisting of \$5,791,000 refunded pursuant to Court of Claims judgments. \$8,840,000 re-

funded pursuant to district court judgments, and \$43,269,000 refunded as a result of settlements. The total refund of \$57,900,000 represents a recovery by the taxpayer of about 54.5 percent of the amount of \$106,223,000 involved in completed refund suits. In these refund suits, the Government's position was successfully defended with respect to \$48,323,000 of the amounts claimed for refund. (Comparable statistics for the past 5 fiscal years are shown in the table below.)

### Tax Court Litigation Activity

Docketed Tax Court cases on hand as of June 30, 1971 totalled 12,192, as compared to 11,453 pending 1 year earlier. 8,299 new cases were received and 7,560 disposed of; the dispositions included 806 decided by the Tax Court on the merits, 567 dismissed, and 6,187 closed by stipulated agreement of the parties.

Two cases originating in the Tax Court were decided in favor of the

### Results in Tax Court cases

| Fiscal year | Number | Deficiencies and penalties asserted (thousands) | Amounts recovered (thousands) | Recovery percentage |
|-------------|--------|---|-------------------------------|---------------------|
| 1967        | 7,248  | \$367,995                                       | \$109,505                     | 29.76               |
| 1968        | 5,944  | 313,875   | 98,825                        | 31.48               |
| 1969        | 5,831  | 393,699   | 145,589                       | 36.98               |
| 1970        | 5,564  | 400,932   | 130,724                       | 32.67               |
| 1971        | 7,560  | 391,605   | 143,913                       | 36.75               |

### Cases disposed of by settlement

| Fiscal year | Number | Total deficiencies and penalties asserted (thousands) | Total amounts recovered (thousands) | Overall Recovery percentage |
|-------------|--------|---|-------------------------------------|-----------------------------|
| 1967        | 6,274  | \$312,156   | \$85,179                            | 27.29                       |
| 1968        | 5,058  | 281,785   | 82,215                              | 29.18                       |
| 1969        | 4,776  | 329,938   | 118,974                             | 36.06                       |
| 1970        | 5,343  | 352,328   | 105,447                             | 29.93                       |
| 1971        | 6,187  | 316,997   | 100,788                             | 31.79                       |

### Cases disposed of by trial

| Fiscal year | Total number of cases disposed of | Total deficiencies and penalties asserted (thousands) | Total amounts recovered (thousands) | Overall recovery percentage |
|-------------|-----------------------------------|---|-------------------------------------|-----------------------------|
| 1967        | 659                               | \$47,249  | \$15,807                            | 33.45                       |
| 1968        | 611                               | 29,131  | 13,859                              | 47.57                       |
| 1969        | 783                               | 59,798  | 22,888                              | 38.28                       |
| 1970        | 763                               | 44,926  | 22,654                              | 50.43                       |
| 1971        | 806                               | 52,998  | 21,779                              | 41.09                       |

\* Figures for settled and tried cases do not add to overall totals, which include a small number of cases dismissed.

### Tax In Litigation

(In thousands of dollars)

| Status          | Total       | Tax Court           |               | Refund litigation refund suits |
|-----------------|-------------|---------------------|---------------|--------------------------------|
|                 |             | Taxes and penalties | Over-payments |                                |
| Pending July    | \$1,959,930 | \$1,370,307         | \$93,746      | \$495,877                      |
| Received        | 679,720     | 489,012             | 56,647        | 134,061                        |
| Disposed of     | 511,810     | 391,605             | 13,982        | 106,223                        |
| Pending June 30 | 2,127,841   | 1,467,714           | 136,412       | 523,715                        |
| Amount saved    | 201,226     | 143,913             | 8,990         | 48,323                         |

\* Revised.

### Trial court cases, won, lost, or partially won (and partially lost) for the Government

| Action  | Court of Claims |      | District courts |      | Tax Court |      |
|---|-----------------|------|-----------------|------|-----------|------|
|   | 1970            | 1971 | 1970            | 1971 | 1970      | 1971 |
| Won   | 15              | 16   | 151             | 207  | 327       | 407  |
| Lost  | 16              | 6    | 123             | 147  | 82        | 100  |
| Decided partially for the taxpayer and partially for the Government | 4               | 4    | 58              | 70   | 161       | 280  |

\* 22 opinions rendered involving 26 cases.

\* 344 opinions rendered involving 424 cases.

\* Figures for 1970 are opinions, involving a total of 859 cases.

\* For 1971, figures represent cases (787 cases involved in 526 opinions).

### Results in refund suits (settlements and trials combined)

(Amounts are in thousands of dollars)

| Fiscal year | All refund suits            |                   |                              |                         | District Courts             |                   |                              |                         | Court of Claims             |                   |                              |                         |
|-------------|-----------------------------|-------------------|------------------------------|-------------------------|-----------------------------|-------------------|------------------------------|-------------------------|-----------------------------|-------------------|------------------------------|-------------------------|
|             | Number of cases disposed of | Amount in dispute | Amounts saved (not refunded) | Percentage not refunded | Number of cases disposed of | Amount in dispute | Amounts saved (not refunded) | Percentage not refunded | Number of cases disposed of | Amount in dispute | Amounts saved (not refunded) | Percentage not refunded |
| 1967        | 1,292                       | \$110,958         | \$47,613                     | 42.91                   | 1,176                       | \$49,331          | \$22,760                     | 46.14                   | 116                         | \$61,627          | \$24,853                     | 40.33                   |
| 1968        | 1,296                       | 94,607            | 39,856                       | 42.13                   | 1,118                       | 50,703            | 23,562                       | 46.47                   | 178                         | 43,904            | 16,294                       | 37.11                   |
| 1969        | 1,563                       | 120,059           | 72,670                       | 60.53                   | 1,394                       | 97,500            | 56,992                       | 58.45                   | 169                         | 22,559            | 15,678                       | 69.50                   |
| 1970        | 1,160                       | 84,356            | 50,262                       | 59.58                   | 1,053                       | 49,246            | 26,401                       | 53.61                   | 107                         | 35,110            | 23,861                       | 67.96                   |
| 1971        | 1,091                       | 106,223           | 48,323                       | 45.49                   | 938                         | 63,816            | 39,841                       | 62.43                   | 153                         | 42,407            | 8,482                        | 20.00                   |

Government by the Supreme Court. The Tax Court entered 526 opinions involving 787 cases. A total of 315 opinions were decided for the Government; 73 for the taxpayer, and 138 were decided partially for the Government and partially for the taxpayer. In addition, the Tax Court entered nine Summary Opinions involving nine Small Tax Cases. Two were decided for the Government, four for the taxpayer, and three partially for the Government and partially for the taxpayer. The Courts of Appeals rendered 126 opinions involving 195 Tax Court cases; 84 were decided for the Government, 28 for the taxpayer, and 14 partially for the Government and partially for the taxpayer.

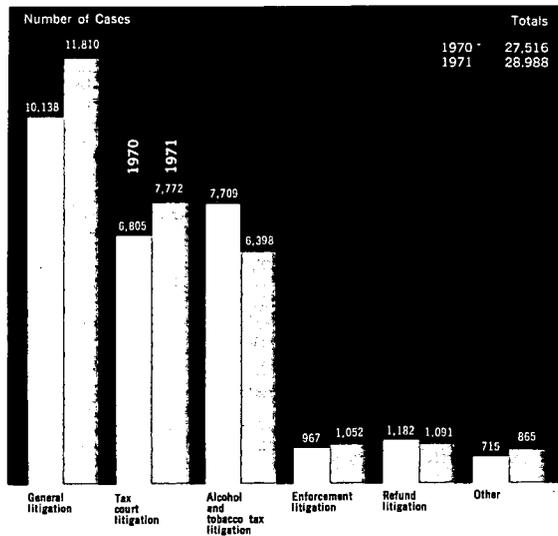
In the trial or settlement of cases in Tax Court, the Government was awarded \$144 million in taxes and penalties out of \$392 million put in issue, and saved \$9 million out of \$14 million in overpayments claimed by taxpayers. As of the end of the year, \$1.5 billion was involved in taxes and penalties being contested in the Tax Court. The first three tables on this page show comparable statistics for the last 5 fiscal years.)

Shown below is the Government's record of wins, losses and partial wins in trial courts (Court of Claims, U.S. District Courts and U.S. Tax Court) having jurisdiction of Federal tax cases.

### Tort Claims

The Service acted on 198 tort claims in 1971. This represents an increase of 32 claims over the preceding year. Also, the number of large claims received was greater than for the preceding year.

### Case Disposals by Office of Chief Counsel



### General Litigation Legal Services

In the general litigation area, case receipts increased over the preceding year by 2,261 cases. Disposals increased from 10,138 cases in 1970 to 11,810 in 1971. The inventory of pending cases stands at 6,874, an increase of 1,296 cases over the 5,578 pending at the end of 1970. Increase in receipts occurred at both the National and field levels and related to cases in litigation and advisory opinions. Receipts at the field level included 6,765 cases in litigation and 5,840 noncourt cases as compared to 1970 field receipts of 5,535 cases in litigation and 4,883 noncourt cases. National Office receipts included 199 cases in litigation and 260 noncourt cases, as compared to 1970 figures of 159 and 226, respectively. Field disposals were 5,911 cases in litigation and 5,554 noncourt cases in comparison to 1970 disposals of 5,113 cases in litigation and 4,693 noncourt cases. National Office disposals increased over the 1970 disposals, 97 cases in litigation and 248 noncourt cases in 1971 compared to 165 cases in litigation and 167 noncourt cases in 1970. For detailed statistics on case receipts and disposals, see Tables 24 through 27 on page 124.

The Supreme Court decided 2 cases in favor of the Government and one case against the Government in the general litigation area. There were a number of cases decided by courts of appeal and in 10 cases petitions for writs of certiorari were filed and denied. Decisions in the general litigation area involve issues relating to collection of Federal tax claims and liens and matters concerning injunctions and civil enforcement of internal revenue summons. Summons cases continue to represent a major area of litigation.

Extensive legal services were furnished by National and field offices in connection with disclosure of information, noncollection matters, and matters arising under the Freedom of Information Act (5 U.S.C. § 552). General litigation lawyers participated in training sessions held in all regions in the Advanced Technical Training Program for Revenue Officers. They also furnished substantial legal assistance and performed many services not related to docketed cases, such as rendering day-to-day formal and informal advice to administrative personnel, visitations to service centers, district offices and participating in general training programs for collection personnel.

### Revenue Legislation Assistance Provided

#### General

The Service continued to play an active role in development of legislation relating to internal revenue matters by providing technical assistance to other offices of the Treasury Department, to staffs of committees of Congress concerned with tax matters and, on occasion, to other executive agencies. Such assistance included preparing information reports, technical reports, drafts of bills and accompanying technical explanations and other data relating to legislative matters, and attending public hearings and congressional committee meetings.

To assist the Assistant Secretary for Tax Policy in formulation of the Treasury Department's legislative program, the Service engaged in a number of research and study projects in such areas as estate tax and tax on foreign income.

### Tax Legislation Enacted

The Excise, Estate, and Gift Tax Adjustment Act of 1970 (Public Law 91-614) shortened time for filing and paying tax on estate tax returns from 15 months after the decedent's death to 9 months. In the case of the gift tax, the Act changed the filing of returns and payment of tax from an annual basis to a quarterly basis. The Act postponed scheduled reduction of the 7 percent excise tax on automobiles and the 10 percent excise tax on telephone service until 1973.

Congress enacted a number of other public laws relating to tax matters, the most important are listed and summarized below:

**Public Law 91-469**, enacted October 21, 1970, permits certain shipping companies to defer payment of income taxes upon agreement to deposit the income into a fund to purchase or replace U.S.-flag merchant marine ships.

**Public Law 91-518**, enacted October 30, 1970, provides for a tax deduction for certain payments made by a railroad to the National Railroad Passenger Corporation.

**Public Law 91-679**, enacted January 12, 1971, provides that in certain cases a spouse will be relieved of liability arising from a joint income tax return.

**Public Law 92-9**, enacted April 1, 1971, extends the interest equalization tax through March 31, 1973.

**Public Law 91-673**, enacted January 12, 1971, made several amendments to the beer provisions of the Internal Revenue Code. In general, these amendments (1) liberalized provisions for refund or credit of tax on beer returned to the brewery, lost or destroyed; (2) permit removal of beer for research or development without payment of tax; (3) modified provisions defining the limits of brewery premises for certain operations; and (4) provided for establishment of experimental breweries.

Title XI of the Organized Crime Control Act of 1970 (18 U.S.C. §§ 841-848) provides comprehensive Federal controls over traffic in, and storage of, explosives. These controls are administered and enforced by the Alcohol, Tobacco and Firearms Division of the Internal Revenue Service. The Act also expands Federal authority over unlawful use, and threatened use of explosives, formerly contained in 18 U.S.C. § 837 and provides for joint enforcement thereof by the Treasury Department and the Federal Bureau of Investigation. The provisions of 18 U.S.C. §§ 2514 and 2516 with respect to transactional immunity and wire communications are now made applicable to the provisions contained in 18 U.S.C. § 944 (d)-(i).

Title II of the Omnibus Crime Control Act of 1970 (18 U.S.C. § 924(c)) provides for more severe sentencing of persons convicted of carrying or using a firearm in commission of a (Federal) felony.

**Public Law 91-659**, enacted January 8, 1971, made several amendments to distilled spirits provisions of the Internal Revenue Code. These amendments (1) liberalized refunds or allowances with respect to tax on distilled spirits lost or destroyed at distilled spirits plants; (2) made domestic distilled spirits available to foreign embassies free of tax; (3) permit "bottling-in-bond" spirits to be bottled after payment of tax; and (4) extend to bulk distilled spirits from Puerto Rico and the Virgin Islands the privilege, previously available only for imported spirits, of transfer from Customs to Internal Revenue Bond.

## Tax Legislation Pending

Among tax bills awaiting action by Congress at the end of the year were the following:

**H.R. 20**, to provide for export incentives through use of a domestic international sales corporation (DISC).

**H.R. 25**, to simplify the Internal Revenue Code of 1954 by repealing obsolete and rarely used provisions.

**H.R. 424**, to provide an income tax deduction, in the case of disabled individuals, for transportation expenses to and from work and provide an extra exemption for a taxpayer or spouse who is disabled.

**H.R. 7296**, to permit a governmental unit issuing industrial development bonds to elect to have a \$10 million, rather than a \$5 million, limit apply to an issue.

**S. 382**, to provide tax incentives for contributions to candidates for Federal office.

## Legislative Cooperation

The Service furnished technical assistance to the staff of the Joint Committee on Internal Revenue Taxation and the House Committee on Ways and Means in perfecting bill language and drafting committee reports on two bills in the alcohol, tobacco and firearms area.

## Legislative Implementation

An important function of the Service is to implement tax legislation once it has been enacted. Implementation includes issuance of new and amendatory regulations, revisions of tax return forms and instructions, issuance of publicity primarily through news or technical information releases, revisions of Service publications, and issuance of special instructions and procedures to field offices. (For a fuller discussion of some of these programs, see Chapter 1 and the Appendix.)

## Interpretative Activities

Interpretative activities remained at a high level during the fiscal year. There was a substantial increase in the number of cases formally submitted. Personnel of the Chief Counsel's office participated with representatives of the Assistant Commissioner (Technical) in developing solutions to problems of particular urgency, and arrangements were made for the Chief Counsel's Office to informally review all Revenue Rulings prior to their publication. Many questions of significant impact arose as a result of developing regulations under the Tax Reform Act of 1969.

Among the corporate reorganization problems considered were those resulting from recent changes in the Code which permit new types of triangular corporate acquisitions whereby a subsidiary uses stock of a parent in making acquisitions.

Consideration was also given to the scope and ramifications of the Supreme Court's significant decisions in *Nash v. United States*, 398 U.S. 1 (1970), and *United States v. Davis*, 397 U.S. 301 (1970). The *Nash* decision has required a complete reexamination of the Service's previous positions concerning the tax effect of transfers of accounts receivable where the transferor used a reserve for bad debts. In light of the *Davis* decision consideration is being given to establishing guidelines as to when distributions to shareholders result in a "meaningful reduction" of their interests so as to qualify for capital gains rather than dividend treatment.

In the natural resources area the Chief Counsel's Office was asked to determine the nature of economic interests of oil companies where a domestic governmental unit or a foreign country owns the resources. This matter was still under study at the end of the year.

One of the persistent problems involving individual taxpayers was resolved by the publication of Rev. Rul. 71-247, I.R.B. 1971-23, 8. It was concluded that for purposes of the travel expense deduction, the "home" of an employee who is assigned to work at widely scattered temporary locations is the fixed abode where he resides with his wife and children.

Personnel of the Chief Counsel's Office participated extensively in the development of Rev. Rul. 70-544, C.B. 1970-2, 6 and Rev. Rul. 70-545, C.B. 1970-2, 7. These two published rulings contain comprehensive descriptions of the Federal income tax impact on individuals, exempt pension funds, savings and loan associations, and real estate investment trusts of the sale, ownership, and purchase of fractional interests in pools of real estate mortgages administered by the Government National Mortgage Association. These two Revenue Rulings should provide valuable guidance to the mortgage industry.

Tax exempt organizations received a great deal of attention. The charitable status of "public interest law firms" was one of the problems considered. These firms litigate for the public good in some chosen area of national interest, such as preservation of the environment or consumer protection. Because the legal issues were novel and complex the issuance of all rulings to such organizations was suspended for 60 days in the fall of 1970. Chief Counsel's Office participated in an intensive study which culminated in the issuance of guidelines for these firms to follow to obtain favorable rulings. The legal rationale was also developed to support the announcement that private schools would no longer be entitled to a charitable classification if they maintained a racially discriminatory admissions policy.

Attention was also given to procedural questions that the Service was required to consider in implementing its duties and responsibilities under the National Environmental Policy Act of 1969 (NEPA). This Act required agencies to prepare and publicize environmental statements in connection with all proposed major actions significantly affecting the quality of the environment. The Service was required to develop its own in-house procedures and guidelines. A document was prepared and forwarded to the Treasury Department.

## New Small Tax Case Procedures in the United States Tax Court

Taxpayers with small disputes now have a quick and inexpensive way to secure a court trial. The Tax Reform Act of 1969 established simplified and less formal procedures in the U.S. Tax Court for taxpayers with relatively small disputed amounts (where neither the disputed amount of the deficiency nor the claimed overpayment of income or gift taxes exceeds \$1,000 in any one taxable year or \$1,000 in estate tax). When the small case procedure is used, the Court need not prepare written findings of fact and may support its decision with a brief summary opinion outlining the basis of the decision. Decision and summary opinion are not a precedent for future cases. Decisions in such cases are not appealable by either party.

The small case procedure may be used only on the request of the taxpayer, but even if the taxpayer so requests, the Tax Court may refuse to use the procedure if, either on its own motion or at the Government's request, it determines before trial that important reasons exist for conducting the trial under regular procedures. In addition, the Court may discontinue small tax case procedures and handle the case under the regular procedures if, before the decision becomes final, it becomes evident that the contested deficiency or overpayment is an amount greater than \$1,000.

A petitioner whose disputed tax is within the statutory amount who wishes to have his case handled under the small tax case procedures may so elect at the time he files his petition. A simplified petition form is available upon request from the Clerk of the Court. The Court will ordinarily permit a taxpayer to elect small tax case procedures at any time prior to trial. The Court may also permit a petitioner to withdraw his election at any time before the trial.

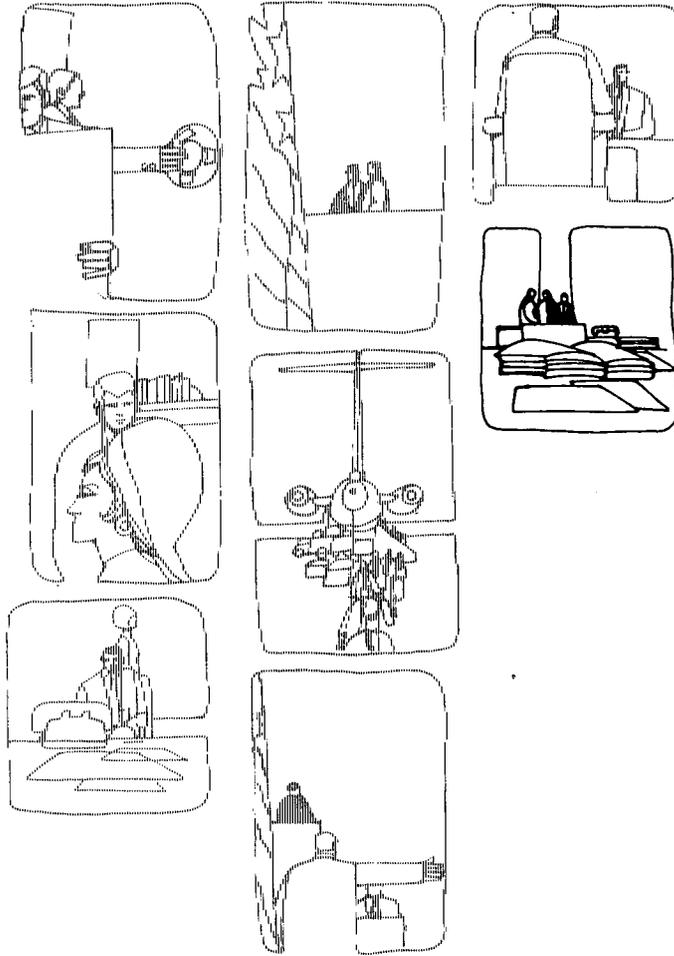
Upon the filing of the answer, the case is treated by the Court as ready for trial and no reply is required unless the Court so directs. Affirmative allegations in the answer are ordinarily deemed denied.

Trials of small tax cases are conducted as informally as possible consistent with orderly procedure, and any evidence deemed by the Court to have probative value is admissible. A petitioner may appear for himself or he may be represented by any person admitted to practice before the Court. The hearing is stenographically or otherwise recorded, but a transcript need not be made a part of the record unless the Court directs. Neither briefs nor oral arguments are required but the Court may hear oral argument or permit filing of briefs or memorandum briefs. If briefs are permitted by the Court, the Judge or Commissioner ordinarily require that they be filed in a relatively short time so that the case may be decided promptly.

A small tax case session is ordinarily presided over by a Commissioner (there are presently five Commissioners) and although final action in small tax cases must be taken by a Judge of the Court, the Commissioner may announce his recommended disposition from the bench. The procedures make it easier and less expensive for taxpayers with small cases to bring their cases before the Tax Court and obtain a prompt disposition.

Small tax cases may be tried in cities located in all 50 states and the District of Columbia.

# Planning Activities



## Introduction

Although branches of the Service participate in planning, overall leadership and special skills are provided by the office of the Assistant Commissioner (Planning and Research). This office also performs regular staff studies and research for the office of the Assistant Secretary of the Treasury for Tax Policy.

As modern concepts and technology have provided more opportunities for greater efficiency and sophistication in tax administration, it has become necessary to perform systems analysis, and planning and research on a continuing basis.

It required years of planning to design the automatic data processing system, and it will take many more years to improve the system, using the best technology available.

## Storage and Retrieval of Images of Tax Returns

Large scale requirements for access to returns will continue to burden the Service as long as pulling and refiling original documents remains a standard practice.

In January 1971, testing was begun to determine the feasibility of using microfilmed images of individual tax returns and documents, in lieu of the original documents.

Microfilm viewer-printers are used for retrieval of the data by providing an image on a screen or a hard copy reproduction. Taxpayers in two test districts (Springfield, Illinois and Cleveland, Ohio) can visit or telephone their district office and receive a quick answer to questions regarding their returns.

## Integrated Data Retrieval System (IDRS)

The Service is using the most advanced technology to speed replies to the vast number of inquiries it receives concerning taxpayer accounts. With an ever increasing volume of returns filed, the Service has committed itself to keeping pace with the newest developments in computerization by installing the Integrated Data Retrieval System (IDRS).

Starting in October 1971, the system will be operational on a limited basis in eight states in the southwest part of the country.

Here is how IDRS works: If the inquiry is by telephone, the taxpayer is asked to hold the line while a Service employee in the receiving office consults the computer. An employee in Little Rock, Arkansas, for example, can interrogate the computer by sending a message on a terminal resembling a typewriter keyboard to the service center in Austin, Texas. Information concerning the taxpayer's account is flashed within seconds on a video screen above the keyboard in Little Rock. If necessary, the employee can obtain a printed copy of what

is on the screen. The Service employee in Little Rock can then pick up the telephone and answer the inquiry. ♪

The major advantage of IDRS is that Service employees gain quick access to information stored (many miles away) in computers for answering taxpayer inquiries on many active accounts. Questions about a taxpayer's account status can be answered while he is on the telephone or standing at the information booth.

The key to IDRS is a system of video display-inquiry stations to be located in Service offices. These stations will be linked to large random-access computer files in service centers. This arrangement enables the Service to produce, almost instantaneously, a taxpayer's record in an office far removed from the service center where the taxpayer's return is processed.

The system affords almost immediate access to a particular file, eliminates paperwork, and provides for rapid updating of files.

## Planning-Programming-Budgeting System Continues to Evolve

Planning - Programming - Budgeting System (PPBS) techniques were continued by the Service in its 5-year program planning. Program analyses and coordination facilitated developing spring preview estimates for review of the Service's budget proposals.

Estimates of revenue increases, by type of tax (which are expected to result from program increases contained in the Service's budget request), were developed for inclusion in the Treasury's general estimates of revenue receipts as reflected in the President's budget. Relating revenue increases from enforcement programs to program costs makes it possible to project the effects of Service budget on Federal receipts. A gain of about \$5 occurs for each additional dollar of enforcement manpower.

The Service prepared a compilation of data for a Special Analysis of Programs for Reduction of Crime for the Office of Management and Budget. This material accompanied the Federal Budget and consisted of an analysis of actual and estimated crime reduction program outlays for FY 1970-1972 and outlined (1) program objectives, (2) important budget year program changes, (3) actual and projected program accomplishments, (4) legislation enacted in the past 12 months affecting the program, and (5) steps taken in the last year toward improved interagency and intergovernmental cooperation and coordination. Service material covered: Income tax fraud, alcohol and tobacco tax evasion, firearms, explosives, and specialized activities against organized crime.

## Analytical Studies Sharpen Program Development

The Service conducted a number of analytical studies during the year. These include:

### Audit Strategy Study

The short-term phase of the Audit Strategy Study was completed this year. This phase was concerned with investigating alternatives aimed at achieving an optimum balance of several significant tax administration objectives. The long-term phase of the study is continuing, aiming for additional refinements in audit planning techniques by taking into account the impact of tax appeal actions, application of different audit procedures, flexibility of future audit operations, utilization of information aids, and more refined estimates of the indirect effect from enforcement.

## Statutory Unallowable Items Test

The Service conducted a test of the feasibility of developing a low cost program for screening all tax returns for deductions which appear unallowable by statute. Preliminary results indicate that this program may result in correcting over 300,000 returns producing revenue of approximately \$20 million.

## Redefinition of Individual Income Tax Audit Classes

A study of Individual Income Tax Audit Classes was conducted with the objectives of (1) defining new audit classes of taxpayers whose returns require similar audit skills and (2) providing for increasing the effectiveness of classification techniques and use of scarce audit manpower.

As a result of this study, business returns with adjusted gross income under \$10,000 were separated into four groups, two groups with low compliance and high average amounts of tax change (farm and nonfarm), and two with higher compliance and lower tax change (farm and nonfarm).

## Discriminant Function Formulas for Small Corporation Returns

A study was organized to develop discriminant function formulas to select for audit corporation returns with assets of less than \$1 million. If this effort proves successful a new classification system will be installed in 1973 to increase the effectiveness of audit in the corporation return area.

## Special Study of Delinquent Accounts and Returns

Twelve studies are underway to develop more efficient procedures for achieving compliance with filing and payment requirements of the Internal Revenue Code. Five relate to unpaid accounts, three

relate to a more effective filing control of Forms 1040 (including the utilization of information documents such as Form 1099, 1065, 1120S, and W2), and the remaining four relate to a more efficient system for maintaining filing control of Business Master File returns. These studies are conducted with a view to improving the yield/cost experience in the three areas cited as well as measuring the effect of the programs on improving voluntary compliance. It is anticipated that these studies will result in improvement in allocating enforcement manpower to understaffed programs.

## Study of IRS Organization

In 1969 the Commissioner launched a comprehensive study of the entire Service organization to ascertain whether tax administration responsibilities were being discharged in an efficient and effective manner, and to insure that the Service would be able to adapt to the changing environment of the 1970's.

To conduct the study a group of Service and Treasury executives was appointed. A number of sub-studies were also undertaken by National, Regional, and District Office officials; and the resulting reports were submitted to the group for consideration. The group's report and recommendations have been submitted to the Commissioner.

Organizational changes designed to make the Service more responsive to needs of taxpayers will be implemented in FY 1972. These changes involve creation of a new Taxpayer Service Division to upgrade Service efforts to provide assistance, information, materials, and other services to the taxpayer. A newly established Assistant Commissioner for Accounts, Collection, and Taxpayer Service (ACTS) will supervise the new division as well as the Collection Division and the Data Processing organization of the National Office. At Regional Offices the

organization supervised by Assistant Regional Commissioners for Collection and Data Processing is being combined under an Assistant Regional Commissioner for ACTS. The Collection Division in each of the 58 IRS District Offices is being redesignated the Collection and Taxpayer Service Division, and in the larger districts, will include a separate Taxpayer Service Branch.

Other recommendations of the study group are being evaluated.

### The Taxpayer Compliance Measurement Program (TCMP)

The Taxpayer Compliance Measurement Program is the major long-range scientific research program of the Service. It is designed to answer basic questions about how well taxpayers voluntarily comply with tax laws. The Service must have meaningful measures of the total tax administration job. These measures are obtained through the TCMP and other programs and are compared with current operations to determine what portion of the tax administration job is left undone, and what programs are needed to close the gaps.

TCMP has helped to identify and classify size and frequency of errors on income tax returns. It provides the basis for analyses, based on sampled data, to channel the Service's scarce resources into programs aimed at noncompliant taxpayers.

In 1971 TCMP data were used for refinement of Service programs, and to answer inquiries on taxpayer compliance. In addition, plans were developed for inquiries into the estate tax and information returns area.

### Research Emphasizes Improved

#### Tax Administration

During 1971, efforts were directed toward (a) alleviation of problems in the income tax withholding system, (b) development of legislative and regulatory proposals on administrative aspects of the tax system, (c) design of changes in administrative procedures to improve compliance, and (d) expansion of the Federal-State cooperative program for exchange of tax information.

#### Income Tax Withholding

Provisions of the Tax Reform Act of 1969 resulted in underwithholding of tax for employees in certain situations. The new low income allowance was built into withholding schedules applicable to all wage earners. This resulted in a problem for some employed couples. For withholding purposes, each spouse is given a low income allowance, but only one low income allowance is applicable on their joint return. Standard deduction allowances are built into the withholding system without limitation to amount. The increase in the percentage standard deduction provided by the Act aggravated underwithholding problems of employees who claim the maximum standard deduction or whose itemized deductions are less than the percentage deduction allowance assumed for withholding.

A legislative proposal is being developed to reduce underwithholding which stems from the disparity between the top tax rate used for withholding and marginal rates applicable to income of employees with high wages.

Research was also directed at development of an alternative withholding method for employees who have frequent periods of unemployment during the year. These taxpayers have an overwithholding problem which the Service hopes to alleviate.

### Legislation and Regulations

The Service made a review and reevaluation of legislative changes related to administration, proposed by the Service in earlier years, but still pending. A package of new proposals as well as revisions, was presented for inclusion in the Treasury's tax legislative program.

An analysis of experience with the Federal tax deposit program resulted in a revision of the regulations covering the deposit of withheld income tax and social security taxes by employers. The revisions were designed to ease deposit requirements for small employers and simplify the rules. To help meet the Treasury's cash flow needs, the new regulations require more frequent deposits by large employers.

The Service presented its views to the Assistant Secretary for Tax Policy on a number of subjects. For example, the administrative aspects of a value added tax were discussed and information was developed on proposed revisions of estate and gift tax reporting and payment requirement.

#### Administrative procedures

The Service collaborated with the health insurance industry in a comprehensive study of problems the industry encountered in complying with information reporting requirements for health care payments. Several changes have been made through new regulations, rulings, and administrative actions.

Arrangements were completed with the Department of Agriculture and Housing and Urban Development for more comprehensive reporting of income payments made under programs they administer. For example, farm support payments in the form of materials and supplies and FHA payments to contractors are now covered by information reports.

Another development in administrative procedures relates to employee pension, profit-sharing, and other deferred compensation plans. Work is nearing completion on a master file system for processing all returns related to these plans. The structure of the system will be similar to the existing Business Master File and Individual Master File. Its scope will include all funded employee plans except those governmental units.

### Federal-State Cooperative Exchange Program

The scope of the Federal-State cooperative program for exchange of information was enlarged in several respects.

Agreements on coordination of tax administration have been concluded with 48 states and the District of Columbia. (During the year, agreements were concluded with Alabama, Connecticut, and Louisiana.) Nearly half of these agreements have been negotiated or revised in accordance with a model designed to provide the best cooperation.

Selected standard data elements on magnetic tape from the Service's Individual Master File were furnished to State tax administrators in 31 states and the District of Columbia. These data covered nearly two-thirds of all individual returns filed with the Service for the 1969 tax year.

Technical assistance to the States has also been extended in several forms. Aid has been offered in formulating state plans for income tax withholding, in assessing merits of alternative state tax sources, and in outlining problems that can be expected in administering a new state income tax.

The Service is exploring the possibility of expanding the cooperative audit program to include State unemployment insurance agencies. The program would have State agencies perform audits on State unemployment tax returns which the Service cannot audit because of limited resources. The results of these State audits would be used by the Service to make adjustments on Federal returns.

In recognition of the growing automatic data processing capabilities of State unemployment insurance agencies, the Service, in collaboration with the Department of Labor, developed a system for State computerized certification of credit which employers claim on their Federal unemployment tax returns for contributions paid under State unemployment tax laws. The new system has been introduced in Georgia and Mississippi on a test basis. Testing will permit the Service to make necessary adjustments prior to the effective date (January 1, 1972) for extension of employer coverage as provided by the Employment Security Amendments Act of 1970. The computerized system will be implemented nationwide in 1973 when the number of Form 940 returns is expected to rise above 3 million in contrast to the current total of about 1.7 million.

### Statistics of Income Highlights for 1969

Estimates of individual income and business receipts for 1969, shown in the annual Statistics of Income reports, revealed moderate gains over 1968.

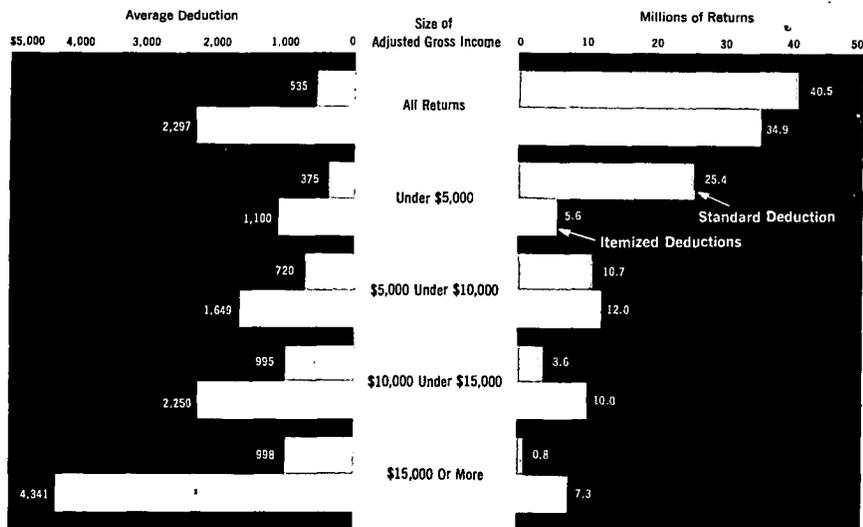
Individual taxpayers reported adjusted gross income in excess of \$603 billion (up 9 percent), which resulted in taxable income of \$389 billion after allowing for personal exemptions and deductions.

In the business sector, almost \$1.9 trillion in business receipts were recorded by corporate and noncorporate entities. Corporations accounted for 83 percent of receipts (\$1.5 trillion) and showed net income of \$82 billion. Partnerships had net profit of \$10.5 billion on receipts of almost \$86 billion. Receipts of sole proprietors reached \$234 billion and net profit amounted to \$34 billion.

The table and chart on the following page focus on the frequency and amount of personal deductions and exemptions claimed on individual income tax returns. The table reveals that the total amount of deductions and exemptions for 1969 was almost 21 percent greater than that for 1965, accounted for by the tremendous increase in itemized deductions (up 58 percent) over the same period. The chart shows distribution of returns by form of deduction and average deduction reported, classified by size of income.

A list of Statistics of Income publications in the past year appears on page 95.

### Number of Returns and Average Deduction by Size of Adjusted Gross Income Standard Deduction vs. Itemized Deductions



<sup>1</sup> The average range is from \$2,879 for returns with income of \$15,000 under \$20,000 to \$549,087 on returns with income of \$1,000,000 or more.

### Increased Use of the Tax Models in 1971

Originally developed 8 years ago to meet Treasury's need for timely estimates of the revenue effect of proposed tax legislation, individual and corporation tax models have proved valuable tools for economic planning. In 1971, new programs were developed to provide greater flexibility and increased production capability.

Each model consists of a set of generalized computer programs used with specially formatted data files made up of records included in the Statistics of Income files. Statistical information is generated from a specific model file by use of instruction cards designed by statisticians and economists.

### Individual income tax returns: Number of returns, personal deductions and exemptions

| Item                                     | Income year       |         |         |         |         |
|--|-------------------|---------|---------|---------|---------|
|  | 1965              | 1966    | 1967    | 1968    | 1969    |
|  | [Thousands]       |         |         |         |         |
| All individual returns, total            | 67,596            | 70,160  | 71,652  | 73,729  | 75,834  |
| Standard deduction returns <sup>1</sup>  | 39,724            | 41,600  | 41,877  | 41,698  | 40,919  |
| Itemized deduction returns               | 27,872            | 28,560  | 29,774  | 32,030  | 34,915  |
| Number of exemptions                     | 190,741           | 194,962 | 198,036 | 201,288 | 206,197 |
|  | [Million dollars] |         |         |         |         |
| Total personal deductions and exemptions | 185,802           | 193,363 | 200,548 | 212,024 | 225,555 |
| Amount of exemptions                     | 114,445           | 116,977 | 118,822 | 120,773 | 123,718 |
| Amount of standard deductions            | 20,618            | 21,820  | 22,103  | 22,074  | 21,627  |
| Amount of itemized deductions            | 50,739            | 54,566  | 59,623  | 69,177  | 80,210  |

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

Beginning with the models for tax year 1968, programs were improved by development of a simplified computer language that made preparation of instruction cards easier. The programs were designed to be used directly with any existing Statistics of Income file with little special preparation. The

### Selected Types of Returns Filed in 1970, Estimated for 1971, and Projected for 1975 and 1980 by Calendar Year

| Type of Returns                    | (Thousands) |               |                |         |                     |
|------------------------------------|-------------|---------------|----------------|---------|---------------------|
|                                    | Actual 1970 | Estimate 1971 | Projected 1975 | 1980    | Change 1971 to 1980 |
| Total returns                      | 113,356     | 111,278       | 119,970        | 132,004 | 18.63               |
| Individual, total <sup>1</sup>     | 77,281      | 75,401        | 81,511         | 91,378  | 21.19               |
| AGI under \$10,000                 | 55,184      | 51,038        | 44,489         | 41,539  | -18.61              |
| AGI \$10,000 and over              | 21,960      | 24,225        | 36,875         | 49,681  | 105.08              |
| Corporation, total                 | 1,781       | 1,835         | 2,076          | 2,437   | 32.81               |
| Forms 1120 and 1120 Special, total | 1,510       | 1,530         | 1,696          | 1,962   | 28.24               |
| Assets under \$50,000 <sup>2</sup> | 651         | 661           | 718            | 809     | 22.39               |
| Assets \$50,000 under \$1,000,000  | 756         | 764           | 854            | 1,000   | 30.89               |
| Assets \$1,000,000 or more         | 103         | 106           | 124            | 152     | 43.40               |
| Form 1120-S                        | 248         | 265           | 336            | 424     | 60.00               |
| Employment                         | 21,872      | 21,876        | 23,527         | 24,416  | 11.61               |
| Estate and Gift                    | 287         | 344           | 373            | 465     | 35.17               |
| Exempt organization                | 530         | 543           | 653            | 799     | 47.15               |
| Excise                             | 686         | 718           | 707            | 333     | -53.62              |
| Others <sup>3</sup>                | 10,918      | 10,561        | 11,123         | 12,177  | 15.30               |

<sup>1</sup> Data by size class are estimated.  
<sup>2</sup> Based on reports of returns filed through June 30; remainder of year estimated.  
<sup>3</sup> Includes estimated effects of the Tax Reform Act of 1969 on Form 1040 beginning with returns filed in 1971 and the Employment Security Amendments of 1970 which affect Form 940 returns filed beginning in 1973.

<sup>4</sup> In addition to Form 1040, includes Forms 1040C, NR, PR, and SS.  
<sup>5</sup> Includes Form 1120 with assets not reported.  
<sup>6</sup> Includes Forms 1040ES, 1065, 1041, 7004, 2438 and 1042.

programs are capable of generating up to 100 different statistical tables in one computer run.

During the past fiscal year, nearly 50 tax model runs were completed. Tabulations showed a distribution of nonbusiness and business returns by revised audit classes. These were used in determining field office workloads for the next several years, and in analyzing different withholding rates.

Tax model data are also provided to other government agencies on a reimbursable basis. Extensive tabulations were prepared for the Department of Agriculture which showed sources of income for farmers in various geographic regions of the country related to their profit or loss from farm operations.

### Returns Filed Projections

Developing unified projections of return filing is an important part of Service planning. The projections are used for many types of planning including development of returns processing and audit work plans, budget allocation of manpower, and determination of facility requirements. Projections are made for short- and long-range time periods, and are revised annually to incorporate recent economic thinking and tax law changes.

The employment situation, together with the effect of the Tax Reform Act of 1969, have caused a drop of 1.9 million individual returns between 1970 and 1971 calendar years. A slight increase is expected between 1971 and 1972 and a substantial increase of 2.4 million returns between 1972 and 1973.

Due to the Employment Security Amendments Act of 1970 and the normal growth of 125,000, employment returns are expected to increase by 1.1 million between 1972 and 1973. This reflects an increase in Forms 940 as a result of extension of unemployment insurance coverage to firms having one or more employees instead of four or more.

The total returns file workload is expected to grow from 113.4 million in calendar year 1970 to 120 million in 1975, and should reach 132 million by 1980. Projections of some major categories of returns are shown in the table above.

**Management  
Activities**



## Towards More Normal Conditions in Financial Management

The Service received budgetary increases for FY 1971 of about 1,700 man-years and \$73.3 million over the prior year. For the first time in 2 years this Congressional authorization was not placed under subsequent employment or expenditure restrictions. The Operating Financial Plan, which is based on the Congressional authorization, thus again became fully usable as the instrument for managing the Service's resources.

The year was not without some unusual financial developments. The Service asked for and received supplemental appropriations to meet its new responsibilities under the Tax Reform Act of 1969 and the Organized Crime Control Act of 1970. These funds totalled \$6.2 million of which \$5.2 million were for personnel and equipment necessary to launch the Service's new explosives control program.

Two important projects were advanced by reprogramming funds. One provided for additional equipment and personnel at the new service centers, and other provided equipment needed to complete testing of the Integrated Data Retrieval System (IDRS) in the Southwest Region.

Reimbursable operations were expanded when the Service was called on to participate in two special law enforcement programs: The United Nations security project and the Sky Marshal operation for protecting commercial airlines from hijacking. The Service contributed a majority of the personnel for these emergency programs and was reimbursed for about 70% of the nearly \$2.5 million cost.

At the end of the year the Service had used 99.8% of its total authorization, leaving an unobligated balance of \$1.7 million.

For more financial detail see tables 28 and 29 on pages 126 and 127.

### Man-years authorized and realized

| Appropriation                     | Authorized |        | Realized |        | Percentage Realized |       |
|-----------------------------------|------------|--------|----------|--------|---------------------|-------|
|                                   | 1970       | 1971   | 1970     | 1971   | 1970                | 1971  |
| Salaries and expenses             | 1,560      | 1,560  | 1,515    | 1,566  | 97.1                | 100.4 |
| Revenue accounting and processing | 23,399     | 23,110 | 22,965   | 22,125 | 98.1                | 95.7  |
| Compliance                        | 44,009     | 45,281 | 43,615   | 45,045 | 99.1                | 99.5  |
| Total                             | 68,968     | 69,951 | 68,095   | 68,736 | 98.7                | 98.3  |
| Increase 1971 over 1970           |            | +983   |          | +641   |                     | -4    |

### Personnel Summary

| Location and type                     | Man-years realized |        | Number on rolls at close of year |        |
|---------------------------------------|--------------------|--------|----------------------------------|--------|
|                                       | 1970               | 1971   | 1970                             | 1971   |
| Service, total                        | 68,683             | 68,972 | 68,098                           | 68,987 |
| Permanent                             | 60,900             | 61,657 | 61,290                           | 61,952 |
| Temporary                             | 7,783              | 7,315  | 6,808                            | 7,035  |
| National Office                       | 4,103              | 4,359  | 4,079                            | 4,236  |
| Field service, total <sup>1</sup>     | 64,580             | 64,615 | 64,017                           | 64,751 |
| Data processing, total                | 22,011             | 21,071 | 20,172                           | 20,059 |
| Collection, total                     | 11,366             | 11,761 | 11,689                           | 11,688 |
| Revenue officers                      | 6,044              | 6,034  | 6,094                            | 6,029  |
| Other                                 | 5,322              | 5,727  | 5,595                            | 5,659  |
| Audit, total                          | 20,444             | 20,536 | 20,995                           | 21,192 |
| Revenue agents                        | 12,850             | 12,933 | 12,932                           | 12,936 |
| Office auditors and tax technicians   | 2,957              | 2,957  | 2,977                            | 2,949  |
| Other <sup>2</sup>                    | 4,638              | 4,647  | 5,086                            | 5,307  |
| Intelligence, total                   | 2,453              | 2,585  | 2,547                            | 2,676  |
| Special agents                        | 1,808              | 1,896  | 1,857                            | 1,912  |
| Other                                 | 645                | 688    | 690                              | 764    |
| Alcohol and tobacco tax, total        | 2,854              | 3,120  | 3,004                            | 3,470  |
| Investigators                         | 1,207              | 1,372  | 1,262                            | 1,616  |
| Inspectors—general                    | 396                | 408    | 398                              | 416    |
| Inspectors—on premises                | 410                | 423    | 422                              | 429    |
| Other                                 | 841                | 918    | 922                              | 1,009  |
| Appellate, total                      | 1,462              | 1,412  | 1,470                            | 1,392  |
| Appellate conferees                   | 635                | 626    | 626                              | 634    |
| Auditors                              | 145                | 139    | 143                              | 137    |
| Other                                 | 682                | 647    | 701                              | 621    |
| Administration, District office       | 1,649              | 1,678  | 1,673                            | 1,683  |
| Administration, Regional Headquarters | 922                | 947    | 972                              | 997    |
| Regional Counsel                      | 752                | 798    | 788                              | 855    |
| Regional Inspection                   | 667                | 707    | 707                              | 739    |

<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 (2 in 1971 and 2 in 1970).

## Service Again Exceeds Savings Goal

As a result of continued emphasis on management improvement and cost reduction activities, the Service exceeded by \$24,000 the \$13.2 million savings goal established at the beginning of the year.

Of the total savings realized, \$2.7 million is attributable to six major projects implemented during the year, several of which are described elsewhere in this report. Continuing management programs, reports, incentive awards and position management accounted for \$2.1 million in savings. The balance, \$8.4 million, was derived from hundreds of operational improvements implemented throughout the Service.

## New Laws Affect Training Activities

The passage of major Service-related legislation had considerable impact on training programs. The Tax Reform Act of 1969 required an extensive training effort to acquaint Service technical personnel with its provisions. Approximately 25,000 employees took part in this technical training. The Service's tax law courses were also studied and revised in light of the Tax Reform Act.

Passage of the Explosives Control Act necessitated added training for investigators responsible for enforcement provisions of this law. The Service also assisted in training state and local law enforcement personnel in cooperation with the Law Enforcement Assistance Administration of the Department of Justice.

## Advanced Techniques in Training

In 1971 computer-assisted instructions were used to train operators of input station terminals that are part of the Direct Data Entry System located in service centers. Next year, about 10,000 people will be trained in the Direct Data Entry System using this newly developed technique.

Closed-circuit television is now used extensively for instructor training, briefing techniques, and Chief Counsel trial attorney training. An automated shorthand refresher training course, utilizing practice tapes with speed variations to match individual needs is in use at the National Office.

A program for Continuing Professional Development, which employs prerecorded cassette tapes covering a wide variety of topics in professional areas of interest for general management, is also being used effectively throughout the Service.

## Other Training Courses Meet On-Going Needs

The Service offers a broad selection of training courses to meet the developmental needs of its personnel, and to provide job skills for recruits.

Computer systems play a large role in Service operations and a number of courses have been designed to teach computer-related skills. These courses range from basic programming and systems analysis and design to specialized programs dealing with the Direct Data Entry and Integrated Data Retrieval Systems.

The basic training course for Revenue Agents underwent major revision, to include more emphasis on audit techniques. One of the basic courses in the Service's comprehensive management training program, the Advanced Seminar for Supervisors (MDP-1), was also thoroughly analyzed and revised during 1971.

## Cooperative Education Programs

The Service's cooperative education programs continue to grow through increased participation in the original co-op program for accounting majors and through establishment of new programs for students in other majors. Three new Service cooperative education programs were initiated for Special Agent, Revenue Officer, and Tax Auditor trainees.

The program provides students with a means of extending their classroom experiences by working at jobs related to their fields of study. It provides the Service with a means of selecting and employing high quality students during their undergraduate years. The Service makes special efforts to recruit minority students into cooperative education programs. During the 1970 calendar year, 463 students from more than 200 schools participated in the accounting co-op program.

## Recruitment Efforts Extended in Excellent Labor Market

The 1971 recruitment picture was characterized by an abundance of high quality applicants, many of whom ranked in upper portions of their graduating classes and at the top of Civil Service registers. There was no serious shortage of accountants for Revenue Agent, Internal Auditor and Special Agent positions. Other technical positions were also filled with comparative ease.

Recruitment efforts were extended to students with less than 4 years of college, to fill a number of support positions for some compliance activities. These positions were designed to handle more routine tasks, thereby freeing higher level employees to work on more difficult cases. Support positions estab-

lished were: Revenue Representative in Collection, Tax Fraud Investigative Aide in Intelligence, and Internal Revenue Aide for various activities.

Tax Fraud Investigative Aides, for example, will work with Special Agents and perform semitechnical and administrative aspects of investigations. Better utilization of critical manpower will yield a more effective and flexible force of criminal investigators as well as dollar savings. The new Aide positions also will become fertile ground for identifying potential Special Agents.

#### Service Among First Agencies to Offer Scholarships

The Service's scholarship program was established to provide 21 disadvantaged high school seniors (three from each region) with careers in accounting. After 4 years of alternating work assignments and study at accredited colleges and universities, the scholars will become revenue agents.

This program differs from other cooperative work-study agreements in two ways: First, it provides a 4-year period of study; and second, the Service, under authority from the Civil Service Commission, may pay travel and per diem expenses to and from school, tuition and matriculation fees, and costs for books and supplies.

#### Staffing Pace Picks Up at New Service Centers

Redistribution of work to three new centers will cause a reduction in staffing of 4,200 permanent positions at the present service centers. This reduction should be accomplished through attrition and voluntary transfers to the new centers.

Almost all position openings at the new centers had been announced by year's end and selections made for key management positions. When operational, each center will employ about 2,000 permanent employees.

#### Labor-Management Relations

Executive Order 11491 is the current instrument governing labor-management relations in the Federal Service. Its impact on the Revenue Service is being noticed in many ways.

The National Association of Internal Revenue Employees (NAIRE) represents 90% of the Service's organized employees. NAIRE sought through use of unit clarification petitions (with the Service's support) to restructure its bargaining units from 74 separate units to three nationwide units. The petitions were dismissed by a Regional Administrator of the Department of Labor and again by the Assistant Secretary of Labor for Labor-Management Relations. The matter was on appeal to the Federal Labor Relations Council at year end. In the meantime, the Service and NAIRE agreed to enter into a "multi-unit" bargaining arrangement for District Offices represented by NAIRE.

The Service had been one of the most highly organized agencies of the Federal Government prior to advent of Executive Order 11491. It has since become more highly organized as certified units are now in existence in 57 of 58 districts, all functioning service centers, the Data Center, the National Computer Center and two regional offices. During the past year, four new units were organized, covering 1,300 employees. Two units of more than 1,000 employees changed their exclusive recognition.

Written agreements formalizing the relationship between the Service and various unions representing its employees continued to grow. Thirty-six agreements are now in effect covering 28,827 employees, representing an increase of approximately 10,000 during the past year.

A labor relations seminar for executives has been developed; and planning for training of labor relations specialists is underway. The National Office has provided field offices with assistance in connection with negotiations, unit and election questions, and unfair labor practice complaints.

#### New Grievance Guidelines

In November 1970, the Civil Service Commission issued new regulations or grievance procedures for Government employees. The Service designated a task force to develop new regulations. The Service was one of the first Government agencies to fully implement the Commission's grievance directives. Despite the short period of time from publication of regulations to the effective date of April 1, 1971, a formal training course was developed, and 31 Treasury employees were qualified as Appeals and Grievance Examiners. Employees may submit grievances on any feeling of dissatisfaction, and resolution of a grievance is sought at the lowest level of supervision.

#### Vice President Commends Revenue Employment Practices

At ground-breaking ceremonies for the new Memphis service center, Vice President Agnew commended Service employment practices. He noted that "those wishing employment here will find the Internal Revenue Service to be one of the most enlightened of employers whether in government or private industry. They stand at the forefront of recruiting and training the handicapped and employment of minority groups and disadvantaged."

The Service's continuing efforts in the area of minority recruitment were given added impetus by implementation of the President's 16-point program to assist Spanish Americans.

The Service continued its practice of employing the handicapped. The Western Service Center was honored as Utah's top employer by the Governor's Committee on Employment of the Handicapped. Fifty-two blind Taxpayer Service Representatives in 30 states answered taxpayer inquiries throughout the country. Seventy-six blind persons on duty serve as attorneys, programmers, tax law specialists, clerks, taxpayer service representatives, and dictating machine transcribers. Liaison has been established with Gallaudet College (the Nation's only liberal arts college for the deaf) to identify and select graduates in accounting and business administration for IRS positions. Retarded persons have been hired by many Service offices in lower graded, repetitive-type positions, and the roster of their success stories is long and impressive.

#### Assessment Center Helps Identify Managerial Potential

The Assessment Center technique has been employed on a limited basis in the past 2 years to provide selecting officials with an objective look at candidates for management positions during a 2-day series of simulated work situations. It was continued as a part of the 1971 Executive Selection and Development Program and was expanded at the supervisory level. A pilot effort was also undertaken at the midmanagement level.

#### A New Look at Performance Appraisal

The Service issued a "Supervisor's Guide to Performance Appraisal" designed to create a climate which will support each employee's efforts towards doing a better job. The guide offers suggestions on how to strengthen supervisor-employee relationships through open discussions of performance and mutual exchanges of expectations, and introduces the concept of shared goal-setting.



#### Centiphone Increases Quality of Taxpayer Service

The Service experimented with wide area telephone circuits to improve accessibility to taxpayers in rural areas. Known as Centiphone (Centralized Taxpayer Information by Telephone), this system will permit all taxpayers throughout a given state to call district offices at the local call rate.

In addition to making it easier for the taxpayer to obtain tax assistance, the Centiphone system is ex-

*Jack McSpadden, blind Taxpayer Service Representative, Little Rock, Arkansas District received the initial phone inquiry over the Centiphone System being installed in Little Rock. He is flanked by District Director Fred W. Johnson on the left and Assistant District Director E. E. Cook, Jr. on the right.*

pected to reduce costs, since it will encourage taxpayer use of the telephone instead of more expensive personal visits or correspondence.

On the basis of 1971 test results, the Service plans to expand the Centiphone concept nationwide over the next 4 years. Over one-half of the Service's 58 districts plan to install Centiphone during the next year.

### Other Telecommunications Progress

Negotiations with the communications industry resulted in providing modern electronic switching systems for the three new service centers and upgrading telephone service at existing service centers. The Service also began development of telecommunications support for expansion of the Integrated Data Retrieval System (IDRS) which eventually will require 22,000 miles of specially conditioned telephone lines, as well as microwave circuits and submarine cable facilities.

### A Goal of Improved Protection

Bomb threats remain a major concern. One bomb detonated in 1971 and caused the death of an employee in the Los Angeles District. About 60,000 man-hours of productive time were lost by the Service during building evacuations. However, the number of protest demonstrations and bomb threats involving the Service dropped from the previous fiscal year. More effort was put forth in evaluating and improving contingency plans and physical security measures for protection of personnel and facilities.

### Physical Space Programs Move On

Work on the three new service centers was progressing well at year's end. Completion is scheduled for the Fresno Center in December 1971; Memphis, in January 1972; and Suffolk, in July 1972.

The Data Center was moved from unsatisfactory space in downtown Detroit to a temporary suburban location. The new permanent building for the Data Center inside the city is scheduled for completion by February 1973. Preparations have begun for installing the Integrated Data Retrieval System in 10 service centers and over 200 remote stations.

The Service also activated three regional training centers during 1971. The Southeast regional center was opened in Atlanta, the Mid-Atlantic center in Philadelphia and the Southwest regional center in Dallas.

### Service Contracts for Decentralized Printing of Tax Packages

For several years the Service has been seeking an effective means of securing major tax form packages from commercial sources. Recent decentralized procurement for major tax forms, through area bidding, has reduced printing costs and production time. The seven regional areas are treated independently for competitive bidding resulting in annual savings of \$195,000. Printed tax forms are shipped to regional service centers where envelopes are inserted and labels applied.

### Fast Retirement of Returns Yields Savings

Records disposal programs resulted in release of space and equipment valued at \$1,425,000 for reuse by the Service, up nearly \$20,000 from last year. The "immediate retirement" program, in which individual tax returns are transferred to a Federal Records Center 6 weeks after processing will be extended from one to four regions. Estimated benefits include release of \$50,000 worth of space and savings of 75 man-years.

### Inventory of Forms and Form Letters Reduced

For the fourth consecutive year, the Service-wide inventory of forms and form letters decreased. The fiscal year 1971 decrease was 4.1 percent. The table below summarizes the year's forms management activities.

### Accident Prevention on Target

The President's Mission SAFETY-70 program—a 6-year campaign aimed at reducing the number of disabling injuries and costs by 30 percent by the end of calendar year 1970—was successfully concluded. The Service's 1970 frequency rate of only 2.1 disabling injuries per 1 million man-hours worked was a 40 percent improvement for the 6-year period.

Service personnel operated motor vehicles a record 113 million miles while on official business with an accident frequency rate of only 6.7 per million miles driven, resulting in the second lowest motor vehicle accident frequency rate achieved by the Service.

The Service acted on 100 claims under the Military Personnel and Civilian Employee's Claims Act of 1964, settling 50 in favor of employees who suffered personal property losses incident to their employment. This is a decrease of 8 percent over the number of claims handled last year.

### Minority Business Enterprise

The Service has been active in the President's program to assist Minority Business Enterprise. IRS has placed, through the Small Business Administration, contracts totalling in excess of \$130,000 with new minority businesses to assist them in becoming self-supporting, productive employers.

### Electronic Composition Sounds New Note

Two years ago, the Service began contracting with outside firms to convert manuscript material for a variety of printed documents onto magnetic tape to permit future updating without resetting type normally associated with hot-metal type-setting methods. The new method requires less storage space; and facilitates producing finished products or reprints more rapidly and at lower cost. Each contractor uses a different system for identifying certain alpha-numeric characters. This ordinarily prohibits interchangeability between contractors and prevents updating or change by other than the original contractor.

The Service's new standard system will be required for use with all approved printing contracts, and will allow Service data to be processed in any contractor's file maintenance system, even though the original file may have been created by another contractor. The standard system will be used at the Government Printing Office to generate typeset composition on a computer-driven highspeed electronic composer, designed for compatibility with the proposed IRS information retrieval system.

Electronic composition will have a far-reaching effect on the printing industry in areas of cost reduction and expedited production. The Service currently is using this system to produce complex indices, catalogues, and tax rate tables, as well as text material.

### Inspection—Co-Guardian of Service Integrity

The Service faces a demanding task in maintaining the public's confidence in the integrity of its operations. Through its Internal Security and Internal Audit Operations, Service management is provided with timely, factual, and objective information on any matter that represents a potential threat to integrity.

Management has responsibility for taking corrective action on facts developed through audits and investigations. If evidence of a violation of a Federal criminal law is disclosed, pertinent data are furnished to the Department of Justice for prosecution.

### Internal Audit Program Emphasis on Collection and Enforcement

Internal Audit Division programs provide for periodic reviews of all operations of the Service, with emphasis on activities closely associated with collection of revenue and enforcement of tax laws. Examinations of automatic data processing activities are made on a continuing basis by internal auditors stationed at regional service centers. These reviews provide management with information as to the efficiency and effectiveness of operations and the adequacy of controls, and point out those areas in which corrective actions are needed. Corrective actions on internal audit findings result in improved operating procedures and strengthened controls, and often result in additional revenue or savings, which for fiscal year 1971 are estimated at \$41.8 million.

Examples of improvement resulting from internal audit findings follow:

About \$20 million in additional penalties were recommended for assessment due to implementation of a program designed to secure better compliance by employers in payment of withheld taxes. Internal audit tests disclosed substantial noncompliance with statutory requirements for timely deposits of such taxes. Processing procedures and programs were not adequate to identify employers making only token or late deposits; therefore, noncompliance penalties were asserted only against employers who had made no deposits. Tests showed that employers who made at least one deposit, but otherwise did not make timely payments in amounts sufficient to meet statutory requirements, were responsible for delays in receipt of about \$1 billion in revenue.

Corrective action in one case involved the examination of income tax returns filed by a corporation constructively owned by one individual, and resulted in proposed assessments of \$1.9 million. In reviewing closed cases internal auditors noted that the corporation had accumulated earnings substantially in excess of reasonable needs, thus avoiding the payment of income tax by its shareholder. Information in the case file did not support the examining officers conclusion that the assertion of the tax under Section 531 of the Internal Revenue Code did not apply.

A computer program designed by Internal Audit identified over 1,600 income tax returns filed in one large district on which nonexistent or duplicate exemptions had been claimed. More than \$1.1 million had been refunded on the basis of these false claims. Management plans to use these computer routines for nationwide detection of similar returns.

Forms and form letters

| Prescribed by   | Opening inventory | Newly developed | Eliminated | Closing inventory | Net change |
|---|-------------------|-----------------|------------|-------------------|------------|
| Total   | 14,328            | 1,728           | 2,311      | 13,745            | -583       |
| National Office (used at headquarters and service-wide)                                   | 6,238             | 495             | 693        | 6,040             | -198       |
| Regional offices (used by regional headquarters components or 2 or more district offices) | 5,399             | 376             | 915        | 4,860             | -539       |
| District offices (used by local districts and their subordinate offices)                  | 710               | 185             | 170        | 724               | +14        |
| Service Centers   | 1,772             | 648             | 505        | 1,915             | +143       |
| Data Center   | 209               | 25              | 28         | 206               | -3         |

## Decade-Ending Year Record in Attempted Bribery Cases

The Service-wide program of education and indoctrination of employees in their duties and obligations in suspected bribery attempts shows effective results. During fiscal year 1971, 134 employees reported possible attempts to bribe, resulting in 47 arrests, an all time high.

Since January 1, 1961, 878 Service employees, engaged in every level of Service operations, have reported bribery attempts. During the decade 236 persons were arrested or indicted for bribery attempts. As of June 30, 1971, 156 had been convicted or had pleaded guilty and another 51 were awaiting trial.

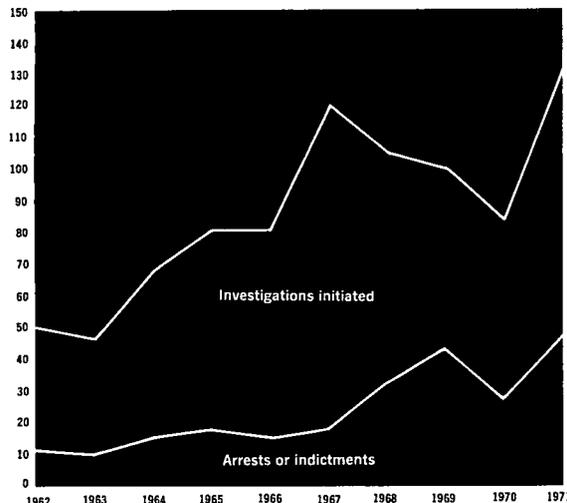
The program is illustrated on the graph at the right. The top line shows the number of attempted bribes reported, the shaded subsection shows the number of arrests or indictments each year.

The following case examples show that attempts to bribe are not confined to particular amounts, locations, or occupations:

In the same day, busy New York Inspectors made five separate arrests for attempted bribery with amounts ranging from \$100 to \$3,500. Arrested were a woolen jobber, a textile waste dealer, president of a leather goods firm, the former president of a demolition and salvage corporation, and a public accountant.

Within another 24-hour period in the New York area four attempted bribes in amounts totaling \$1,300 were made to four different Service employees by an accountant, a businessman, a gynecologist, and a former Service employee.

## Attempted Bribery Investigations / 1962-1971



A New Jersey trucking company operator offered a revenue agent \$1,500 for a favorable audit. He subsequently pleaded guilty to attempted bribery and was sentenced to 3 years probation and fined \$10,000.

In Illinois, two brothers, partners in a supermarket, offered \$1,000 to influence an audit conducted by a revenue agent.

A Florida taxpayer and his attorney offered a revenue agent \$2,500 to influence his decision on a tax examination.

A Massachusetts insurance salesman was found guilty of attempting to bribe a revenue agent with \$300. He served 3 months in prison and was placed on probation for 2 years.

In fiscal year 1971, 33 Service employees received letters of commendation for their cooperation in reporting bribery offers. In address-

ing himself to the Attempted Bribery program, the Commissioner stated that by giving recognition to employees, we hope to emphasize that "an agent who develops a case despite great trial and inconvenience, rather than simply turning away from it, is serving us all." The 33 Service employees attest to the common resentment by Service personnel against those taxpayers or their representatives who seek to thwart civil assessments or criminal prosecutions through bribery. Upon the arrest of an individual who had made a bribe offer of \$100,000 to a Service employee, United States Attorney Frederick B. Lacy, New Jersey Judicial District, stated in a press release on December 1, 1970, "The courage and integrity of the men of the Internal Revenue Service led to this arrest. I am proud to be associated with agents who, by their shining example, have demonstrated to the cynical segment of the public that probity cannot be eroded by bribery."

Guilty pleas in attempted bribery cases outnumbered convictions by juries by more than 2 to 1. Of 170 individuals brought to trial, 111 pleaded guilty, with 45 being convicted by juries and 14 acquitted.

## Complex Multi-Subject Investigations Produce Substantial Results

Teams of internal auditors and internal security inspectors investigate breaches of integrity involving fraud by employees and by taxpayers in collusion with employees. These inquiries are far-reaching in both scope and results.

One investigation resulted in the arrest or indictment in 1968 of 31 employees or former employees and 13 taxpayers or tax practitioners on charges of attempting to bribe an Internal Security Inspector. To date, 24 have been convicted (including 11 in 1971) and criminal prosecution is pending against 10 other individuals.

Charges were dismissed against six (three due to death) and four were acquitted.

Subsequent controlled tax examinations of taxpayers whose returns were previously examined by the arrested employees have resulted in proposed additional tax and penalties of \$6.3 million as of June 30, 1971. Weaknesses in examination and review procedures noted during the investigation were brought to management's attention.

## Criminal Actions Highest in Three Years

Initiation of prosecution actions reached a 3-year peak this fiscal

### Persons involved in breaches of integrity

|   | Number arrested or indicted |           |           | Total      |
|---|-----------------------------|-----------|-----------|------------|
|   | 1969                        | 1970      | 1971      |            |
| Employees or former employees of Internal Revenue Service | 12                          | 21        | 12        | 45         |
| Taxpayers, tax practitioners, and others                  | 44                          | 37        | 54        | 135        |
| <b>Total</b>  | <b>56</b>                   | <b>58</b> | <b>66</b> | <b>180</b> |

year. A total of 66 individuals were arrested or indicted of whom 12 were employees or former employees. Comparison of prosecutive actions initiated for the past 3 fiscal years is shown by the table below.

At the end of the year, trial or indictment was still pending against 75 taxpayers and 28 employees or former employees.

Investigation continued into attempted infiltration of the Service by organized crime figures. In one case, eight criminals were indicted.



Pictured left to right are Mrs. Meryl Smith, Brooklyn District Revenue Agent, Vernon D. Acree, Assistant Commissioner (Inspection), Hans Seidemann, Manhattan District Revenue Agent, and Raymond N. Kiely, Director, Internal Security Division. Mrs. Smith and Mr. Seidemann had just been commended by Commissioner Thrower for their actions in reporting bribery attempts and cooperation with the Service in action taken.

## Record Number of Security Investigations Completed

Internal Security investigations of all types completed during the year totalled 14,263, a 41 percent increase over fiscal year 1970, due to improved procedures. In addition, 16,887 checks of police records were made on persons considered for temporary short-term appointments or for positions created for special economic and educational programs. Investigations are also conducted on certain applicants for enrollment to practice before the Treasury Department, and on accidents involving Service employees or property.

The tabulation at the right shows the types of investigations completed during the past 2 years and the related disposition. It should be noted that one of the most rewarding aspects of inspection activities is that many investigations result in exoneration of wrongfully accused employees. As in prior years the vast majority of accused employees were cleared after investigation.

## Assistance to Other Agencies

The Service conducted 1,359 investigations for other Treasury components. Inspectors joined other Service enforcement agents to become the first contingent in the President's program for protecting American passengers and airplanes from hijackers. For the period September 10, 1970 through January 10, 1971, Inspectors, sometimes numbering as high as 32, were engaged in this program. In honoring these Inspectors, Commissioner Thrower pointed out that the success of this program attested to their ability to blend courage with discretion.

## Investigations and disciplinary actions

| Type of Investigation and Action  | 1970   | 1971   |
|---|--------|--------|
| Total Investigations Closed   | 10,107 | 14,263 |
| <b>Personnel Investigations</b>   |        |        |
| Number of cases closed, total   | 7,863  | 11,600 |
| Character and Security investigations   | 5,593  | 8,946  |
| Conduct investigations  | 396    | 499    |
| Special inquiries   | 1,874  | 2,155  |
| Actions taken by Service management officials as a result of Personnel Investigations |        |        |
| Rejections <sup>1</sup> for employment  |        | 146    |
| Disciplinary actions, total   | 435    | 541    |
| Separations, total <sup>2</sup>   |        |        |
| Bribery, extortion, or collusion  | 12     | 8      |
| Embezzlement or theft of Government funds or property                                 | 6      | 2      |
| Failure of employee to pay proper tax   | 8      | 6      |
| Falsification or distortion of Government reports, records, etc.                      | 91     | 91     |
| Unauthorized outside activity   | 6      | 2      |
| Failure to discharge duties properly  | 6      | 6      |
| Divulgence of confidential information  | 1      | 0      |
| Acceptance of fees or gratuities  | 0      | 1      |
| Personal and other misconduct   | 31     | 65     |
| Suspension from duty and pay  | 23     | 37     |
| Reprimands, warnings, or demotions  | 251    | 323    |
| Nondisciplinary actions (including clearances, closed without action, and others)     | 7,428  | 10,913 |
| <b>Other Investigations</b>   |        |        |
| Number of cases closed, total   | 2,244  | 2,663  |
| Applications for admission to practice before the Internal Revenue Service            | 724    | 899    |
| Charges against Attorney's, CPA's, and Enrollees                                      | 102    | 60     |
| Federal Tort Claims   | 184    | 214    |
| Attempted Bribery   | 88     | 129    |
| Discrimination  | 0      | 2      |
| Investigations for other Treasury bureaus   | 1,146  | 1,359  |

<sup>1</sup> Included under nondisciplinary actions in previous years.

<sup>2</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.

During October 1970, a similar mission required the services of 30 Internal Security Inspectors for 5,893 man-hours to assist the Secret Service in protecting dignitaries attending ceremonies at the United Nations.

During the "May Day Demonstrations," from April 24, 1971, through May 5, 1971, 27 National Office Inspectors were sworn in as Deputy United States Marshals and contributed 1,938 man-hours in the protection of facilities and personnel.

At the request of the Territorial Governor, the Service detailed rev-

enue agents and special agents to investigate allegations of widespread tax evasion on the part of prominent Virgin Island residents. Internal Audit coordinated and supervised the work of these employees, whose activities resulted in two successful criminal prosecutions and additional tax assessments of \$3 million. Widespread publicity concerning the cases has resulted in a significant increase in voluntary tax compliance. During prior years, Internal Audit has provided assistance to the Virgin Islands in developing a modern tax system. During this time, tax revenues increased from \$8.9 million in 1962 to 56.9 million in 1970.

## Advisory Groups Assist the Service

Advisory Groups suggest ways in which the Service can improve its operations and they furnish expert advice pertaining to particular aspects of tax administration. At present there are five such groups appointed. They are: The Advisory Group to the Commissioner, the Art Advisory Group, the Advisory Committee on Exempt Organizations, the Advisory Committee on the Horse Industry, and the Advisory Committee on the Cattle Industry.

The Advisory Group to the Commissioner was established on June 17, 1959. It comprises distinguished professionals concerned with Federal taxation and provides constructive suggestions on ways in which the Service can improve its operations. The group met on October 12-13, 1970. The members are:

Donald C. Alexander, Esq.  
Dinsmore, Shohl, Barrett,  
Coates and Deupres  
Central Trust Tower  
Cincinnati, Ohio 45202

William T. Barnes  
Lybrand, Ross Bros. & Montgomery  
1100 Connecticut Avenue, NW.  
Washington, D.C. 20036

Professor Norton M. Bedford  
University of Illinois at  
Urbana-Champaign  
Department of Accountancy  
College of Commerce and Business  
Administration  
Urbana, Ill. 61801

Professor J. Keith Butters  
Harvard University  
Graduate School of Business  
Administration  
Soldiers Field  
Boston, Mass. 02163

Sheldon S. Cohen, Esq.  
Cohen & Uretz  
1703 M Street, NW.  
Washington, D.C. 20036

F. Cleveland Hedrick, Jr., Esq.  
Hedrick & Lane  
1001 Connecticut Avenue, NW.  
Washington, D.C. 20036

William M. Horne, Jr.  
Reed, Smith, Shaw & McClay  
Shoreham Building  
Washington, D.C. 20005

Walter L. Kidd  
Director of Taxes  
American Telephone & Telegraph Co.  
195 Broadway  
New York, N.Y. 10007

Jeff Blair McIlroy  
Public Accountant  
P.O. Box 4345  
Little Rock, Ark. 72204

A. Waldo Sowell, Jr.  
CPA, Alexander Grant & Co.  
2550 National Bank of Georgia Bldg.  
Atlanta, Ga. 30303

Maurice E. Stark, Esq.  
Stark & Crumley  
Warden Building  
Fort Dodge, Iowa 50501

Arthur B. Willis, Esq.  
Willis, Butler & Scheiffy  
615 S. Flower Street  
Suite 1100  
Los Angeles, Calif. 90017

The Art Advisory Group was established by the Commissioner of Internal Revenue on February 1, 1968.

This group consists of members representing the three major segments of the Art World—museums, universities, and dealers. The Group provided advice on the valuation of works of art for Federal tax purposes at meetings held on July 23-24, 1970, November 12-13, 1970, and April 7-8, 1971.

Dr. Richard F. Brown  
Director  
Kimbell Foundation  
Fort Worth, Tex.

Mr. Charles E. Buckley  
Director  
City Art Museum  
St. Louis, Mo.

Mr. Anthony M. Clark  
Director  
Minneapolis Institute of Arts  
Minneapolis, Minn.

Dr. Perry B. Cott  
Chief Curator (Ret.)  
National Gallery of Art  
Washington, D.C.

Mr. Charles C. Cunningham  
Director  
Los Angeles County Museum of Art  
Los Angeles, Calif.

Mr. Louis Goldenberg  
Art Dealer  
Wildenstein & Co.  
New York, N.Y.

Dr. George H. Hamilton  
Professor  
Williams College  
Williamstown, Mass.

Mr. Bartlett H. Hayes  
Director  
American Academy  
Rome, Italy

Dr. Sherman E. Lee  
Director  
Cleveland Museum of Art  
Cleveland, Ohio

Mr. William S. Lieberman  
Director  
Painting & Sculpture, Drawings & Prints  
Museum of Modern Art  
New York, N.Y.

Prof. Charles F. Montgomery  
Yale University  
New Haven, Conn.

Mr. Frank Perls  
Art Dealer  
Perls Gallery  
Beverly Hills, Calif.

Mrs. Esther W. Robles  
Art Dealer  
Esther Robles Gallery  
Los Angeles, Calif.

Mr. Alexander P. Rosenberg  
Art Dealer  
Paul Rosenberg & Co.  
New York, N.Y.

Mr. Theodore Rousseau  
Vice Director  
Metropolitan Museum of Art  
New York, N.Y.

Dr. Merrill C. Rueppel  
Director  
Dallas Museum of Fine Arts  
Dallas, Tex.

Mr. Eugene V. Thaw  
Art Dealer  
E. V. Thaw Co.  
New York, N.Y.

In November 1969 the Commissioner announced the appointment of 15 distinguished Americans to the newly created Advisory Committee on Exempt Organizations. These widely experienced people agreed to advise the Service in charting the outer limitations of the tax law regarding religious, educational, charitable, and other organizations which constitute the majority of tax exempt organizations.

The committee met on September 28-29, 1970 and January 25-26, 1971.

Membership is as follows:

Dr. Carlton P. Alexis  
Associate Professor of Medicine  
Howard University  
2401 Sixth Street NW.  
Washington, D.C. 20001

Mr. Donald T. Burns  
Arthur Young & Co.  
615 South Flower Street  
Los Angeles, Calif. 90017

Charles O. Galvin, Esq.  
Dean, School of Law  
Southern Methodist University  
Dallas, Tex. 75222

Mr. H. J. Heinz II  
Chairman of the Board  
H. J. Heinz Co.  
1062 Progress Street  
Pittsburgh, Pa. 15212

Dr. Adelaide Cromwell Hill  
Boston University  
Afro-American Studies Center  
10 Lenox Street  
Brookline, Mass. 02146

Dr. John R. Hogness  
Executive Vice President  
University of Washington  
Seattle, Wash. 98105

Mr. James Roger Hull  
Chairman of the Board  
Mutual Life Insurance Co. of  
New York  
Broadway at 55th Street  
New York, N.Y. 10019

Hon. Louis J. Lefkowitz  
Attorney General  
State of New York  
80 Centre Street  
New York, N.Y. 10013

Harry K. Mansfield, Esq.  
Ropes and Gray  
225 Franklin Street  
Boston, Mass. 02110

Bishop Francis John Mugavero  
75 Greene Avenue  
Brooklyn, N.Y. 11238

Fred C. Scribner, Jr., Esq.\*  
Atwood, Scribner, Allen & McKusick  
Commerce Building  
Portland, Maine 04110

Rabbi Ralph Simon  
Congregation Rodfei Zedek  
5200 Hyde Park Blvd.  
Chicago, Ill. 60615

Mr. Richard J. Whalen  
3846 Macomb Street NW.  
Washington, D.C. 20016

Rene A. Wormser, Esq.  
Wormser, Koch, Kiely & Alessandroni  
4444 Madison Avenue  
New York, N.Y. 10022

In October 1970, the Commissioner announced the formation of an Advisory Committee on the Horse Industry. Composed of 15 distinguished citizens whose experience and special knowledge of the industry has long been recognized, the Committee includes representatives of the academic community and professional groups concerned with horses.

The primary purpose of the Committee is to apply its special expertise to counsel the Service in implementing important changes such as those regarding the holding period for livestock for capital gains treatment, the exchange of livestock, and hobby losses. Members of the Committee also take part in the development of policies and comment on administrative guidelines or proposed rulings dealing with horses.

The Committee held meetings on January 21 and 22, 1970. Membership of the Committee is as follows:

Albert G. Clay  
Secretary of the American Horse  
Council, Inc.  
Mt. Sterling, Ky.

Benjamin Eshleman, Jr.  
Partner, Eshleman-Vogt Ranch  
Corpus Christi, Tex.

William S. Farish III  
President, Blue Creek Ranch Co.  
Houston, Tex.

W. Sidney Felton  
Co-founder and General Counsel of  
the United States Pony Clubs, Inc.  
Prides Crossing, Mass.

Mrs. Katherine Haley  
Thoroughbred owner  
Ventura, Calif.

Max C. Hempt  
Owner of Hempt Farms and Officer in  
numerous horse organizations  
Mechanicsburg, Pa.

Edward H. Honnen  
Chairman of the Board of Trustees,  
American Horse Council, Inc.  
Denver, Colo.

Warner L. Jones, Jr.  
President, Thoroughbred Breeders of  
Kentucky, and Board Member,  
Churchill Downs and the  
American Horse Council, Inc.  
Goshen, Ky.

Robert H. Kieckhefer  
Chairman, American Quarter Horse  
Assoc.  
Judges' Committee  
Prescott, Ariz.

Robert G. Lawrence  
Member, University of Maryland  
Horse Council and Author of  
numerous articles relating to  
quarter horse industry  
College Park, Md.

Kenneth Merdith  
C.P.A. specializing in financial  
matters relating to the  
horse industry  
Wichita, Kans.

Gayle Mohney  
Attorney representing Keeneland  
Association and Breeders  
Sales Co.  
Lexington, Ky.

Ogden Phipps  
Chairman, The Jockey Club, and  
Vice-chairman the American  
Horse Council, Inc.  
New York, N.Y.

Hart H. Spiegel  
Counsel for both horse and cattle  
ranchers and former Chief  
Counsel of the IRS  
San Francisco, Calif.

Frederick L. Van Lennep  
Treasurer and member of the Board  
of Trustees, American Horse  
Council, Inc.  
Lexington, Ky.

\*Chairman.

In October 1970, the Commissioner formed an Advisory Committee on the Cattle Industry. A primary purpose of the Committee is to counsel the Service in implementing important changes in the tax law such as those regarding the holding period for livestock for capital gains treatment, the exchange of livestock, and hobby losses.

The Committee will advise the Service on development of policies for administering new code provisions dealing with cattle, and will be asked to comment upon proposed administrative guidelines or revenue rulings.

The Committee held meetings on January 11 and 12, 1971. The members of the Committee are:

Tobin Armstrong  
General Manager & owner of  
Particcion and Armstrong Ranches  
Armstrong, Tex.

Dr. W. T. Berry, Jr.  
Executive Secretary, American  
Hereford Association  
Kansas City, Mo.

Harvie Branscomb, Jr. Esq.  
Branscomb, Gary, Thomasson & Hall  
Corpus Christi, Tex.

Frank D. Brown, Jr.  
Mr. Ararat Farms  
Port Deposit, Md.

Gordon M. Cairns  
Dean, College of Agriculture,  
University of Maryland  
College Park, Md.

Ben H. Carpenter  
Chairman of the board & Chief  
Executive Officer, Southland  
Life Insurance Co.  
Dallas, Tex.

Donald V. Hunter  
Vice President, National Livestock  
Feeders Association  
Centerville, S. Dak.

John M. Marble  
Rancho Tularcitos  
Carmel Valley, Calif.

Robert H. Rumler  
Executive Secretary, Holstein-  
Friesian Association of America  
Brattleboro, Vt.

Nelson E. Tamplin  
Partner, Ernst & Ernst  
Denver, Colo.

John Trotman  
President, Trotman Cattle Co.  
Montgomery, Ala.

Gordon VanVleck  
Vice President, American National  
Cattlemen's Association  
Plymouth, Calif.

## Organization— Principal Officers

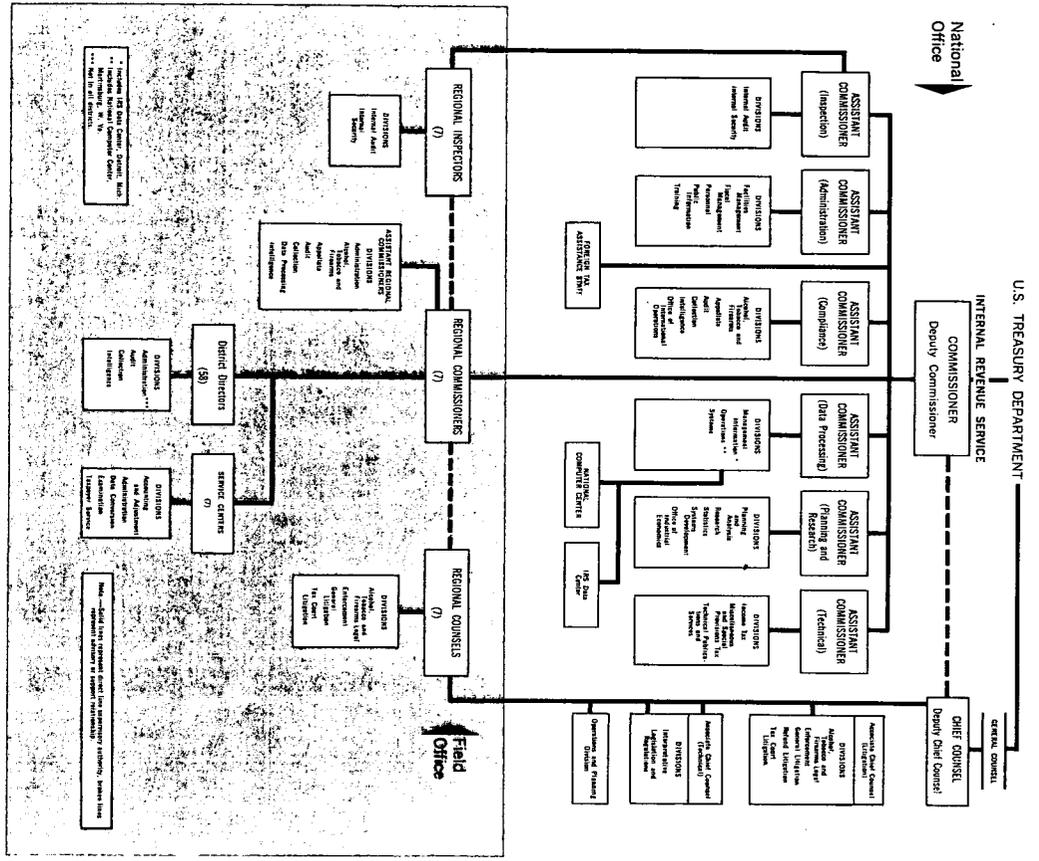
Organization of the  
Internal Revenue Service

Internal Revenue  
Regions and Districts

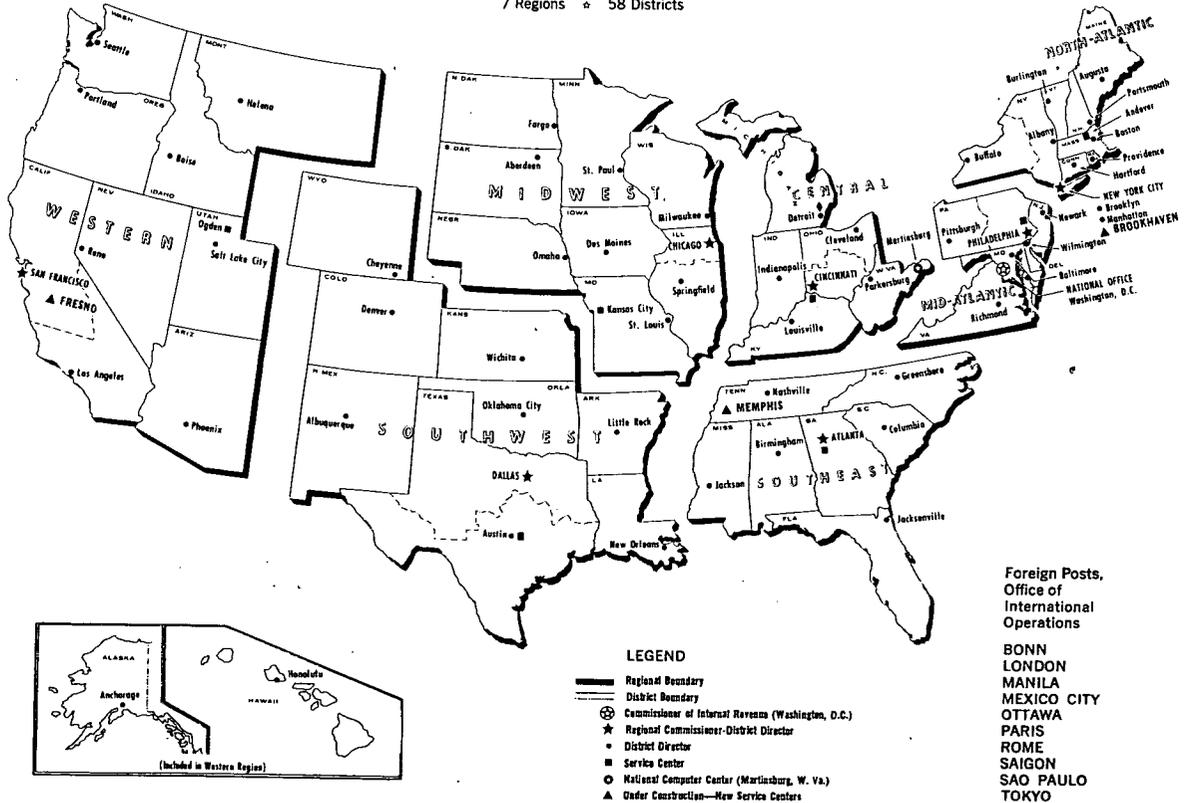
Principal Officers

Historical  
List of Commissioners

INTERNAL REVENUE SERVICE ORGANIZATION



Internal Revenue Service  
7 Regions \* 58 Districts



## Principal Officers of the Internal Revenue Service

As of June 30, 1971

### National Officers

#### Office of the Commissioner

*Commissioner*  
Harold T. Swartz (Acting)  
*Deputy Commissioner*  
Vacant  
*Assistant to the Commissioner*  
Edwin M. Perkins  
*Assistant to the Commissioner*  
Roger V. Barth  
*Assistant to the Commissioner*  
William H. Connett  
*Chairman, Tax Forms Coordinating Committee*  
James N. Kinsel  
*Assistant to the Deputy Commissioner*  
Donald C. Dawkins  
*Director, Foreign Tax Assistance Staff*  
Joseph R. Harmon

#### Administration

*Assistant Commissioner*  
Edward F. Preston  
*Director, Program Staff*  
Julius H. Lauderdale  
*Division Directors:*  
*Facilities Management*  
Leo C. Inglesby  
*Fiscal Management*  
Alan A. Beck  
*Personnel*  
Albert J. Schaffer  
*Public Information*  
Wm. I. Greener, Jr.  
*Training*  
Stanley Goldberg  
*Equal Employment Opportunity Officer*  
Philip N. Sansotta

#### Compliance

*Assistant Commissioner*  
Donald W. Bacon  
*Deputy Assistant Commissioner*  
Leon C. Green  
*Division Directors:*  
*Alcohol, Tobacco, and Firearms*  
Rex D. Davis  
*Appellate*  
Arthur H. Klotz  
*Audit*  
Singleton B. Wolfe  
*Collection*  
Harold E. Snyder  
*Intelligence*  
Robert K. Lund  
*Office of International Operations*  
Clarence I. Fox, Jr.

#### Data Processing

*Assistant Commissioner*  
Dean J. Barron  
*Deputy Assistant Commissioner*  
Vacant  
*Division Directors:*  
*Management Information*  
William E. Palmer  
*IRS Data Center, Detroit,*  
Mich  
Ernest Shaw  
*Operations*  
Clinton L. Walsh  
*National Computer Center,*  
Martinsburg, W. Va.  
Eddie Heironimu  
*Systems*  
Donald G. Elsberry

#### Inspection

*Assistant Commissioner*  
Vernon D. Acree, Jr.  
*Division Directors:*  
*Internal Audit*  
Francis I. Gelbel  
*Internal Security*  
Raymond N. Kiely

#### Planning and Research

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

#### Technical

*Assistant Commissioner*  
Harold T. Swartz  
*Deputy Assistant Commissioner*  
Richard J. Stakem  
*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*  
K. Martin Worthy  
*Technical Advisor to Chief Counsel*  
Robert B. Jacoby  
*Special Assistant to Chief Counsel*  
W. Dean Mathis  
*Special Assistant to Chief Counsel*  
Lester Stein  
*Associate Chief Counsel (Litigation)*  
John T. Rogers  
*Division Directors:*  
*Alcohol, Tobacco, and Firearms Legal*  
John F. McCarren  
*General Litigation*  
J. Walter Feigenbaum  
*Enforcement*  
William F. McAleer  
*Refund Litigation*  
Robert A. Bridges  
*Tax Court Litigation (Acting)*  
Robert A. Bridges

*Associate Chief Counsel (Technical)*  
Richard M. Hahn  
*Special Assistant to Chief Counsel*  
Arthur B. White

*Division Directors:*  
*Interpretative*  
John L. Withers  
*Legislation and Regulations*  
James F. Dring

*Operations and Planning*  
William P. Crewe

#### 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*  
Arthur J. Collinson  
*Alcohol, Tobacco, and Firearms*  
Fred Murrell  
*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  
Thomas A. Cardoza  
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:*  
Edward A. Conroy

**Mid-Atlantic Region**

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

*Regional Commissioner*  
Edward J. Fitzgerald

**Assistant Regional Commissioners:**

*Administration*  
Americo P. Attorri  
*Alcohol, Tobacco, and Firearms*  
Vacant  
*Appellate*  
Victor Cuniglio  
*Audit*  
Dwight L. James  
*Collection*  
William F. Culliney  
*Data Processing*  
Anthony L. Carrea  
*Intelligence*  
Amerigo R. Manzi

**District Directors:**

Baltimore, Md. 21202  
Irving Machiz  
Newark, N.J. 07102  
Roland H. Nash, Jr.  
Philadelphia, Pa. 19108  
Alfred L. Whinston  
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  
Norman E. Morrill

*Regional Counsel*  
William J. Hagen (Acting)

*Regional Inspector, Bankers Securities Building, Walnut and Juniper Streets, Philadelphia, Pa. 19017*  
Emanuel M. Schuster

**Midwest Region**

All Regional Offices at 35 East Wacker Drive, Chicago, Ill. 60601, unless a different address is indicated

*Regional Commissioner*  
Alvin M. Kelley

**Assistant Regional Commissioners:**

*Administration*  
William F. Sullivan  
*Alcohol, Tobacco, and Firearms*  
Vacant  
*Appellate*  
Charles F. Miriani  
*Audit*  
John W. Baudendistel  
*Collection*  
Roger C. Beck  
*Data Processing*  
Norman B. Bergeson  
*Intelligence*  
John J. Olszewski

**District Directors:**

Aberdeen, S. Dak. 57401  
John B. Langer  
Chicago, Ill. 60602  
Edwin P. Trainor  
Des Moines, Iowa 50309  
John F. Hanlon  
Fargo, N. Dak. 58102  
Frederick G. Kniskern  
Milwaukee, Wis. 53202  
Walter S. Stumpf  
Omaha, Nebr. 68102  
Richard P. Vinal  
St. Louis, Mo. 63101  
Eugene C. Coyle  
St. Paul, Minn. 55101  
George O. Lethert  
Springfield, Ill. 62704  
Jay G. Philpott

*Director, Midwest Service Center,*  
Kansas City, Mo. 64170  
Arnold S. Dreyer

*Regional Counsel*  
Frank C. Conley

*Regional Inspector*  
Vacant

**North-Atlantic Region**

All Regional Offices at 90 Church Street, New York, N.Y. 10007, unless a different address is indicated

*Regional Commissioner*  
John J. Flynn

**Assistant Regional Commissioners:**

*Administration*  
Vacant  
*Alcohol, Tobacco, and Firearms*  
Edward J. Fox  
*Appellate*  
Theodore C. Rademaker  
*Audit*  
William M. Wolf  
*Collection*  
Robert M. McKeever  
*Data Processing*  
Marshall P. Cappelli  
*Intelligence*  
Vacant

**District Directors:**

Albany, N.Y. 12210  
Donald T. Hartley  
Augusta, Maine 04330  
Whitney L. Wheeler  
Boston, Mass. 02203  
William E. Williams  
Brooklyn, N.Y. 11201  
Elmer H. Klinsman  
Buffalo, N.Y. 14202  
John E. Foley  
Burlington, Vt. 05402  
Fulton D. Fields  
Hartford, Conn. 06115  
Joseph J. Conley, Jr.  
Manhattan, N.Y. 10007  
Vacant  
Portsmouth, N.H. 03801  
Frank W. Murphy  
Providence, R.I. 02903  
John J. O'Brien

*Director, North-Atlantic Service Center,*  
Andover, Mass. 01812  
Francis L. Browitt

*Regional Counsel, 26 Federal Plaza,*  
New York, N.Y. 10007  
Marvin E. Hagen

*Regional Inspector, 26 Federal Plaza,*  
New York, N.Y. 10007  
Sidney M. Wolk

*Director, Service Center,*  
Brookhaven, N.Y. 11716  
Earl L. Torgerson

**Southeast Region**

All Regional Offices at 275 Peachtree Street, NE., Atlanta, Ga., 30303, unless a different address is indicated

**Regional Commissioner**

William J. Bookholt  
*Administration*  
Richard C. McCullough  
*Alcohol, Tobacco, and Firearms*  
William N. Griffin  
*Appellate*  
Vance N. Bates  
*Audit*  
Harold B. Bindseil  
*Collection*  
William H. Loeb  
*Data Processing*  
Edward G. Pranczke  
*Intelligence*  
Edmund J. Vittkus

**District Directors:**

Atlanta, Ga. 30303  
Walter T. Coppinger  
Birmingham, Ala. 35203  
Dwight T. Baptist  
Columbia, S.C. 29201  
Harold M. McLeod  
Greensboro, N.C. 27401  
John E. Wall  
Jackson, Miss. 39202  
James G. Martin, Jr.  
Jacksonville, Fla. 32202  
Andrew J. O'Donnell, Jr.  
Nashville, Tenn. 37203  
James A. O'Hara

*Director, Southeast Service Center,*  
Chamblee, Ga. 30006  
Daniel H. Hollums

*Regional Counsel*  
Henry C. Stockell, Jr.

*Regional Inspector*  
Earl L. Fuoss

*Director, Serv. Ctr., Memphis, Tenn.*  
Claude A. Kyle

**Southwest Region**

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

*Regional Commissioner*  
Clyde Bickerstaff (Acting)

**Assistant Regional Commissioners:**

*Alcohol, Tobacco, and Firearms*  
Billy L. Gaunt  
*Appellate*  
G. Clinton Witt  
*Audit*  
Lawrence M. Stewart  
*Collection*  
Alfred N. Kay  
*Data Processing*  
George M. Oliver  
*Intelligence*  
Robert D. Elledge

**District Directors:**

Albuquerque, N. Mex. 87101  
Maurice E. Johnson  
Austin, Tex. 78701  
R. L. Phinney  
Cheyenne, Wyo. 82001  
T. Blair Evans  
Dallas, Tex. 75201  
Ellis Campbell, Jr.  
Denver, Colo. 80202  
Arthur A. Kennedy  
Little Rock, Ark. 72203  
Fred W. Johnson  
New Orleans, La. 70130  
Carl R. Gromatzky  
Oklahoma City, Okla. 73102  
Clyde L. Bickerstaff  
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. Crossmun

**Assistant Regional Commissioners:**

*Administration*  
Joseph T. Davis  
*Alcohol, Tobacco, and Firearms*  
Brenton G. Thorne  
*Appellate*  
Gardiner B. Willmarth  
*Audit*  
George S. Heard  
*Collection*  
Charles D. Moran  
*Data Processing*  
Willard L. Pierson  
*Intelligence*  
Herman F. Kuehl

**District Directors:**

Anchorage, Alaska 99501  
Lewis J. Conrad  
Boise, Idaho 83701  
Calvin E. Wright  
Helena, Mont. 59601  
Nelson L. Seeley  
Honolulu, Hawaii 96813  
Robert M. Cutts  
Los Angeles, Calif. 90012  
Frank S. Schmidt  
Phoenix, Ariz. 85025  
Alden W. McCannless  
Portland, Ore. 97204  
Vacant  
Reno, Nev. 89502  
Warren A. Bates  
Salt Lake City, Utah 84110  
Roland V. Wise  
San Francisco, Calif. 94102  
Raymond F. Harless  
Seattle, Wash. 98121  
Neal S. Warren

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

*Regional Counsel, 447 Sutter Street,*  
San Francisco, Calif. 94018  
Richard C. Schwartz

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

*Director, Service Center, Fresno,*  
Calif. 93726  
Leonard E. Semrick

## Historical List of Commissioners of Internal Revenue

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

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; Bertrand M. Harding, of Texas, from July 11, 1964 to Jan. 24, 1965; and William H. Smith of Virginia, from Jan. 21 to Mar. 31, 1969; Harold T. Swartz of Indiana, from June 23, 1971 to Aug. 5, 1971.

**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**  
West Virginia  
Mar. 21, 1889/Apr. 18, 1893

**Joseph S. Miller**  
West Virginia  
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. Helevering**  
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/Jan. 20, 1969

**Randolph W. Thrower**  
Georgia  
Apr. 1, 1969/June 22, 1971

## Appendix

Taxpayer  
Publications

Tax Forms  
Activity

Supreme Court  
Decisions

Actions of  
Lower Courts

Statistics of  
Income Reports  
Published

## Taxpayer Publications

The wide range of matters covered by Taxpayer Publications is most apparent from the list of titles reflected in this appendix. Approximately 19 million copies are distributed each year and the demand for more information is growing.

Practically all items listed are reviewed each year to determine continuing needs and revision requirements. New material is added to reflect new laws, regulations, rulings, court decisions, and other precedent setting developments. Other changes reorganized material or simplify language.

A few titles on the list (such as *Your Federal Income Tax*, *Tax Guide for Small Business*, and *Farmer's Tax Guide*) contain all the information generally needed by some large class of taxpayers. Most others deal exclusively with a particular type of income, deduction, or other tax matter. Those that deal with subjects already covered in booklets like *Your Federal Income Tax* include details that are not appropriate for the large booklets. Still others, such as *Pension Trust Procedures and Guide for Qualification*, contain rather complex material intended for use of tax practitioners, Service personnel, and other specialists. A small group of publications are intended to be used in the Nationwide Taxpayer Education Program. Although, the list represents a program to determine the public's need for published information about the tax laws and to develop publications in the form best suited to fill that need.

The following list shows the titles of all publications included in the program for the fiscal year. The unit price is shown after the title for items not distributed free of charge.

### Publication Number/Title

17 Your Federal Income Tax. Price 75¢

54 Tax Guide for U.S. Citizens Abroad

76 Law and Regulations Relating to the Treatment of Annuities for Income Tax Purposes. Price 45¢ (revised 5-69)

225 Farmer's Tax Guide

308 Farmer's Gas Tax Credit

334 Tax Guide for Small Business. Price 75¢

337 Law and Regulations Relating to Employee Pension, Annuity, Profit-Sharing, Stock Bonus and Bond Purchase Plans Including Plans for Self-Employed Individuals. Price 70¢ (revised 7-68)

349 Federal Use Tax on Trucks, Truck-Tractor and Buses

377 Pension Trust Procedures and Guides for Qualification Under Section 401(a) and 405(a) of the Internal Revenue Code of 1954. Price 35¢

378 Federal Gas Tax Credit or Refund for Nonhighway and Transit Users

448 A Guide to Federal Estate and Gift Taxation. Price 25¢ (revised 12-67)

463 Travel, Entertainment and Gift Expenses

501 Your Exemptions and Exemptions for Dependents

502 Deduction for Medical and Dental Expenses

503 Child Care and Disabled Dependent Care

504 Income Tax Deduction for Alimony Payments

505 Tax Withholding and Declaration of Estimated Tax

506 Computing Your Tax Under the Income Averaging Method

507 Tax Information on Scholarships and Fellowships

508 Tax Information on Educational Expenses

509 Tax Calendar and Check List for 1971

510 Information on Excise Taxes for 1971

511 Sales and Other Dispositions of Depreciable Property

512 Credit Sales by Dealers in Personal Property

513 Tax Information for Visitors to the United States

514 Foreign Tax Credit for U.S. Citizens and Resident Aliens

515 Withholding of Tax on Nonresident Aliens and Foreign Corporations

516 Tax Information for U.S. Government Civilian Employees Stationed Abroad

517 Social Security for Clergymen and Religious Workers

518 Foreign Scholars and Educational and Cultural Exchange Visitors

519 United States Tax Guide for Aliens

520 Tax Information for American Scholars Abroad

521 Moving Expenses—Tax Information for Employees and Employer

522 Adjustments to Income for Sick Pay

523 Tax Information on Selling Your Home

524 Retirement Income and Retirement Income Credit

525 Taxable Income and Nontaxable Income

526 Income Tax Deductions for Contributions

527 Rental Income and Royalty Income

528 Information on Filing Your Tax Return

529 Other Miscellaneous Deductions

530 Tax Information on Deductions for Homeowners

531 Reporting Your Tips for Federal Tax Purposes

532 Tax Information for Students and Parents

533 Information on Self-Employment Tax

534 Depreciation, Investment Credit, Amortization, Depletion

535 Tax Information on Business Expenses

536 Losses From Operating a Business

537 Installment and Deferred-Payment Sales

538 Tax Information on Accounting Periods and Methods

539 Withholding Taxes From Your Employee's Wages

540 Tax Information on Repairs, Replacements, and Improvements

541 Tax Information on Partnership Income and Losses

542 Corporations and the Federal Income Tax

543 Tax Information on the Sale of a Business

544 Sales and Exchanges of Assets

545 Income Tax Deduction for Interest Expense

546 Income Tax Deduction for Taxes

547 Tax Information on Disasters, Casualty Losses, and Thefts

548 Tax Information on Deduction for Bad Debts

549 Condemnations of Private Property for Public Use

550 Tax Information on Investment Income and Expenses

551 Tax Information on Cost or Other Basis of Assets

552 Recordkeeping Requirements and a Guide to Tax Publications

553 Highlights of 1970 Changes in the Tax Law

554 Tax Benefits for Older Americans

555 Community Property and the Federal Income Tax

556 Appeal Rights and Claims for Refund

557 How to Apply for Exemption for an Organization

558 Tax Information for Sponsors of Contests and Sports Events

559 Federal Tax Guide for Survivors, Executors, and Administrators

560 Retirement Plans for Self-Employed Individuals

561 Valuation of Donated Property

563 Tax Return Filing Requirements for U.S. Citizens Abroad

564 Tax Information on Mutual Fund Distribution

566 Questions and Answers on Retirement Plans for Self-Employed Individuals

567 Tax Advice on Civil Service Disability Retirement Payments

568 Federal Tax Information for Civil Service Retirees

569 Answer\$ to Questions Most Frequently Asked by U.S. Taxpayers Abroad

570 Tax Guide for U.S. Citizens Employed in U.S. Possessions

571 Tax Sheltered Annuity Plans for Employees of Public Schools and Certain Tax-Exempt Organizations

572 Tax Information on Investment Credit

573 Interest Equalization Tax Highlights

574 Filing of U.S. Annual Return of Income to be Paid at Source

686 Certification Required to Obtain Reduced Rates Under Income Tax Treaties

707 Excise Tax Information on Imported Foreign-Made Automobiles

721 Comprehensive Tax Guide to United States Civil Service Retirement Benefits. Price 70¢

## Tax Forms Activity

The following new forms were issued:

**Number/Title**

**Pub. 493**

Supplement to Employer's Tax Guide

**Pub. 713**

Income Tax Tables and Tax Rate Schedules

**W-2P**

Statement for Recipients of Annuities, Profit-Sharing Distributions, Etc.

**W-4P**

Annuitant's Request for Federal Income Tax Withholding

**W-2 (VI)**

Wage and Tax Statement (U.S. Virgin Islands)

**914E**

Employer's Quarterly Return of Withheld Income Tax

**990-AR**

Annual Report of Private Foundation

**1041-B**

Charitable Remainder Trust

**1087-OID**

Nominee's Information Return for Original Issue Discount

**1099-Med.**

U.S. Information Return for Recipients of Medical and Health Care Payments

**1099-OID**

U.S. Information Return for Original Issue Discount

**4683**

U.S. Information Return on Foreign Bank, Securities, and Other Financial Accounts

**4684**

Casualty and Theft Worksheet for Individuals

**4686**

Payer's Request for Identifying Number of Supplier or Provider of Medical and Health Care Services

**4720**

Return of Initial Excise Taxes on Private Foundations, Foundation Managers and Disqualified Persons (under sections 4941, 4943, 4944 and 4945 of the IRC)

**4726-FY**

Maximum Tax (part of 1040-FY Package)

**7005**

Application for Additional Extension of Time to File Corporation Income Tax Return

The following forms were reinstated:

**2950**

Statement in Support of Deduction for Payments to an Employees' Pension, Profit-Sharing, Stock Bonus, Trust or Annuity Plan and Compensation Under a Deferred-Payment Plan

**2950 Instructions**

Instructions for Form 2950

The following forms were transferred to Justice Department:

**678 & Special Tax Stamp Assembly #3**

Special Tax Return: Application for Registry and Special Tax Stamp—Opium, etc.

**679**

Opium Order Blank Requisition

**680**

Special Reports—See Part 151.478—Regulations No. 5

**785**

Certificate of payment in the case of a lost or destroyed special-tax stamp. See 151.113 of Regulations No. 5

**786**

Order For Stamps—Narcotic

**802**

Exempt Narcotic Preparations—Manufacturer's Return

**802-A**

Quarterly Narcotic Return of Class 5 Manufacturer—Receipts

**802-B**

Quarterly Narcotic Return of Class 5 Manufacturer—Dispositions

**802 Summary No. 2**

Report of Exempt Narcotic Preparations

**802 Summary No. 3**

Report of Taxable Narcotics

**810**

Quarterly Return of Importer, Manufacturer, Producer, or Compounder of Taxable Narcotic Drugs and Preparations

**810-A**

Quarterly Narcotic Return of Importer, Producer or Compounder—Receipts

**810-B**

Quarterly Narcotic Return of Importer, Manufacturer, Producer, or Compounder—Dispositions

**810-C**

Quarterly Return of Importer, Producer, or Compounder of Taxable Narcotic Drugs and Preparations

**810-D**

Quarterly Return of Importer, Manufacturer, Producer, or Compounder of Taxable Narcotic Drugs and Preparations

**810-E**

Annual Return of Taxable Narcotic Drugs and Preparations on Hand

**810-F** (page 1, page 2, page 3)

Quarterly Summary (Instructions are on page 2, Form 810)

**810-G** (page 1, page 2, page 3)

Cumulative Summary (Instructions are on page 2, Form 810)

**811**

Monthly Return of Wholesale Dealer in Taxable Narcotic Drugs and Preparations

**811-A**

Monthly Return of Wholesale Dealers in Taxable Narcotic Drugs and Preparations

**811-B**

Monthly Return of Taxable Narcotic Drugs and Preparations Disposed of

**811-C**

Wholesale Dealer's Inventory of Taxable Narcotics

**1315**

Power of Attorney in Matters Relating to Official Narcotic Order Forms

**1964**

Certification of Exempt Official (Narcotics)

**2513 & 2513 Cover**

U.S. Official Order Form—Opium, Coca Leaves, Opiates

The following forms were eliminated:

**Pub. 35**

Income Tax Withholding Table—10 Day Period

**Pub. 36**

Income Tax Withholding Table—28 Day Period

**Pub. 192**

Combined Withholding Table Weekly Periods

**704**

Estate Tax Preliminary Notice

**705**

Estate Tax Preliminary Notice

**731**

Exemption Certificate

**4214**

New Tax and Tax Changes in the Railroad Retirement Tax Act

## Supreme Court Decisions

### Criminal Cases

On April 5, 1971, the Supreme Court in *United States v. Freed*, 401 U.S. 601 (1971), in a unanimous decision held that the National Firearms Act (26 U.S.C. §§ 5801-5872), as amended by Title II of the Gun Control Act of 1968, does not involve any violation of the Self-Incrimination Clause of the Fifth Amendment. The 1968 amendments were designed to eliminate the defects in the National Firearms Act revealed by the Supreme Court's decision in *Haynes v. United States*, 390 U.S. 85 (1968). The Court in *Freed* held that a person charged with possessing a firearm not registered to him in the National Firearms Registration and Transfer Record could not plead the Self-Incrimination Clause as a defense since the amended Act fully protects a person against incrimination for past or present violations, and creates no substantial hazard of future incrimination. The Supreme Court also concluded that the District Court erred in dismissing the indictment for absence of an allegation of scienter, holding that the Act requires no specific intent or knowledge by the possessor of an unregistered firearm that the firearm is unregistered.

A very significant issue in the law enforcement area is the construction to Title VII of the Omnibus Crime Control and Safe Streets Act of 1968 (18 U.S.C., App. § 1202(a)(1)). The Service and the Department of Justice construes this Act as prohibiting the mere "receipt" or "possession" of a firearm by any person convicted of a felony. Construction of the Act is now before the Supreme Court in *United States v. Bass*, cert. granted 401 U.S. 993 (1971). In *Bass* the Solicitor General requested review of the decision of the Second Circuit in *United States v. Bass*, 434 F. 2d 1296 (2d Cir., 1970), which held that in order to remove doubt as to its constitutionality the statute would be construed as requiring an allegation that the "receipt" or "possession" were "in commerce or affecting commerce." Three other circuits have upheld the Government's construction of the statute and held the statute as so construed to be a constitutional exercise of the Commerce Power. *United States v. Daniels*, 431 F. 2d 697 (9th Cir. 1970); *United States v. Synnes*, 438 F. 2d 764 (8th Cir. 1971); and *Stevens v. United States*, 440 F. 2d 144 (6th Cir. 1971).

Milton C. Jorn was tried in Federal District Court on the charge of willfully assisting in the preparation of fraudulent income tax returns (26 U.S.C. 7206(2)). Following the impanelling of the jury, the Government called to the stand a taxpayer whom defendant allegedly had aided in preparing his return. At defense counsel's suggestion, the judge warned the witness of his constitutional rights. While the witness expressed a willingness to testify, stating that he had been warned of his rights when first contacted by the Service, the judge refused to permit him to testify until he had consulted an attorney. Despite the Government's assurance that the remaining witnesses had been warned of their rights by the Service upon initial contact, the judge stated that the

warnings were probably inadequate. Thereupon he discharged the jury and aborted the trial so that the witnesses could consult with attorneys. The case was set for retrial before another jury, but on defendant's pretrial motion the judge dismissed the information on the ground of former jeopardy. The Government filed a direct appeal to the Supreme Court which affirmed the judgment of the district court. *United States v. Jorn*, 400 U.S. 470 (1971). The Supreme Court concluded that the sustaining of a motion in bar based on a plea of former jeopardy is appealable by the Government, as long as the motion was sustained prior to the impanelling of the jury in the subsequent proceeding at which the motion was made. The remaining and most crucial question before the Court was in what circumstances retrial is to be precluded when the initial proceedings were aborted prior to verdict without the defendant's consent. The Supreme Court felt that an assessment of the source of the problem prompting the mistrial or which side benefited from the mistrial did not adequately satisfy the policies underpinning the double jeopardy provision, and that where a judge, acting without the defendant's consent, aborts the proceeding, the defendant has been deprived of his valued right to have his trial completed by a particular tribunal. In examining the circumstances surrounding the discharge of the jury, it seemed apparent to the Supreme Court that the trial judge made no effort to exercise a sound discretion to assure that, taking all the circumstances into account, there was a manifest necessity for the *sua sponte* declaration of the mistrial. It was concluded that the defendant's reprosecution would violate the double jeopardy provision of the Fifth Amendment.

The Supreme Court on June 28, 1971, in *United States v. Harris*, 403 U.S. 573 (1971), by a five to four vote reversed the decision of the Court of Appeals for the Sixth Circuit in *United States v. Harris*, 412 F. 2d 796 (1969), in a case involving the issue as to whether there was probable cause for the issuance of a search warrant to search the defendant's home for nontaxpaid distilled spirits. The Court of Appeals relied on *Aguilar v. Texas*, 378 U.S. 108 (1964), in stressing that the fact that the search warrant stated that the informant was known to the agent as a "prudent" person, revealed no underlying facts as this credibility, and on *Spinelli v. United States*, 393 U.S. 410 (1969), in holding that the assertion of the affiant that the appellant had a reputation with the affiant of being a trafficker in illegal whiskey may not be used to give additional weight to allegations which would otherwise be insufficient.

A majority of the Court held the affidavit sufficient to support the warrant when considered in its entirety. The warrant detailed the informant's personal extensive purchasing of nontaxpaid spirits from the defendant at the premises to be searched and stated that the agent had found the informer to be a "prudent" person. The affidavit also set forth the agent's own knowledge of the appellant's reputation as a liquor law violator, including the fact illicit whiskey had been, within the past 4 years, found in an abandoned house under appellant's control.

Justice White, who cast the deciding vote, merely concurred in the judgment of reversal on the grounds that when considered as a whole the affidavit was sufficient, and joined three of the other justices who voted for reversal in concluding that the fact that the informant made a statement against his own penal interest provided an additional basis for crediting his tip. Thus, neither *Aguilar*, *supra*, nor *Spinelli*, *supra*, where in terms overruled by a majority of the court. However, the precedent effect of these cases has been materially reduced.

On April 5, 1971, the Supreme Court upheld the admission of certain incriminating statements of a defendant which were overheard by warrantless electronic eavesdropping on the part of Government agents by means of a transmitter which an informer consented to wear during his meetings with the defendant. *United States v. White*, 401 U.S. 745 (1971.) Since the informer could not be located at the time of trial, testimony as to the conversations was elicited from the agents who conducted the electronic surveillance. The Court found no difference for constitutional purposes between an informer writing down for official use his conversations with a defendant, or the simultaneous transmission of the conversations by concealed radio equipment to recording devices located elsewhere or to Government agents monitoring the transmitting frequency.

## Supreme Court Decisions

### Civil Cases

The Supreme Court, on a direct appeal by the Government, reversed a District Court holding that section 501(c)(14)(B) was unconstitutional on the ground that it arbitrarily discriminated between plaintiff and other similar nonprofit mutual insurers. The section involved limited the tax exemptions to certain nonprofit corporations organized before September 1, 1957. The taxpayer was a nonprofit corporation chartered by the Maryland legislature in 1962 to insure the accounts of member savings and loan associations. It sought exemptions notwithstanding the statutory cutoff date. After reviewing the legislative history of a newer enacted bill which would have extended the cutoff date to January 1, 1963, the Supreme Court found that Congress had a rational basis for declining to broaden the exemption. "The fact that Congress enacts a statute containing a 'grandfather clause' \* \* \* does not of itself indicate that Congress has made an arbitrary classification." The Court ruled that Congress does not exceed its power to tax nor does it violate the Fifth Amendment when it refuses to exempt from tax newly formed corporations, the multiplication of which might burden otherwise valid federal programs. *United States v. Maryland Savings-Share Insurance Corp.*, 400 U.S. 4 (1970), reversing per curiam 308 F. Supp 761 (D. Md. 1970).

On March 22, 1971, the Supreme Court granted the Government's petition for certiorari in *Generes v. United States*, 427 F. 2d 279 (5th Cir. 1970), cert. granted 401 U.S. 972 (1971). The question to be resolved is whether the "significant," rather than the "dominant," motivation test is to be applied in determining whether losses resulting from a taxpayer's advances or payments on guarantees of loans to a corporation in which he is a shareholder-employee are "proximately related" to the taxpayer's trade or business. The problem arises where an individual taxpayer bears a dual relationship—as shareholder and also as employee—to the corporation whose default gives rise to a bad debt loss. The Fifth Circuit rejected the Government's position that business bad debt treatment is appropriate only where protection of the salaried position is the dominant motivating force and held that where a taxpayer shows he was significantly motivated by a desire to protect his salaried position the requisite proximate relationship exists. This holding, which paradoxically allows a business bad debt deduction where the principal or dominant reason for creating the debt was a nonbusiness reason, follows the Second Circuit decision in *Weddie v. Commissioner*, 325 F. 2d 849 (2nd Cir. 1963), and is in conflict with the Seventh Circuit in *Niblock v. Commissioner*, 417 F. 2d 1185 (7th Cir. 1969).

On June 7, 1971, the Supreme Court decided *United States v. Mitchell*, 403 U.S. 190 (1971) rev'g. 430 F. 2d 1 (5th Cir. 1970) and 430 F. 2d 7 (5th Cir. 1970), and held that a wife's one-half interest in the income of the marital community in Louisiana requires her to report and pay tax on that one-half interest even where joint returns are not filed or where the wife prior to divorce renounces the community. The Court determined that a wife's interest in community income gives her vested title and ownership of a half share of that income which subjects such half

share to income tax by the Federal Government and the Louisiana renunciation provisions were ineffective to relieve her of the liability for federal income taxes.

On June 14, 1971, the Supreme Court reversed an opinion of the United States Court of Appeals for the Ninth Circuit and held that certain premiums paid to the Federal Savings and Loan Insurance Corporation (FSLIC) by a state-chartered Savings and Loan Association were not deductible as an ordinary business expense in the year paid. *Commissioner v. Lincoln Savings and Loan Association*, 403 U.S. 345 (1971) rev'g. 422 F. 2d 90 (9th Cir. 1970). This case, which could affect several thousand savings and loan companies insured by FSLIC, involved the question of deductibility of premiums paid to a "secondary reserve" maintained by FSLIC for the purpose of backing up the "primary reserve" which in turn secures the insured accounts of Federal savings and loan associations and qualified state-chartered associations. The Supreme Court held that the premium payments differed from the premium paid to the FSLIC's primary reserve in that they constituted a distinct secondary reserve in which savings and loan associations retained limited right of transferability, prospective refund rights, and certain income rights generated from the secondary reserve itself. The Court concluded that the secondary premium payments created a nondeductible capital investment, the expenditures for which could be deducted only when taken from the reserve by FSLIC to pay losses or to be credited as premiums to the primary reserve.

In *Donaldson v. United States*, 400 U.S. 517 (1971), the Supreme Court denied the taxpayer's motion to intervene in a summons enforcement proceeding directed to a third-party witness seeking production of that party's records. The Court held that a taxpayer has no automatic right to intervene in a summons enforcement proceeding. The Court noted that the language in *Reisman v. Caplin*, 375 U.S. 440 (1964), to the effect that any interested party may appear or intervene before the hearing officer as well as before the district court in a summons enforcement proceeding, was permissive only. Also, the Court held that a summons may be issued under section 7602 in aid of an investigation if it is issued in good faith and prior to a recommendation for criminal prosecution. There is no abuse of process to use a summons in an investigation of possible criminal conduct, so long as the summons is issued prior to a recommendation for criminal prosecution.

The Supreme Court, in a 5-4 decision, held that the funds withheld by the debtor-in-possession during the Chapter XI bankruptcy proceeding for withholding and social security taxes incurred during the proceeding do not constitute trust funds under section 7501(a) which are payable to the Government prior to payment of expenses of administration in the subsequent bankruptcy proceeding. *United States v. Randall*, 401 U.S. 513 (1971): In its opinion, the Court stated that there has been a progressive legislative development in bankruptcy marking a decline in the grant of a tax preference to the United States and an ascending priority for costs and expenses of administration.

In *United States v. United States Coin and Currency*, 401 U.S. 715 (1971), the Supreme Court resolves conflicting opinions of lower courts by holding that the Self-Incrimination Clause of the Fifth Amendment could be raised as a defense in wagering tax forfeiture cases. The Court held that the principles set out in *Marchetti v. United States*, 390 U.S. 39 (1968), and *Grosso v. United States*, 390 U.S. 62 (1968), which precluded the criminal conviction of gamblers who properly assert their privilege against self-incrimination as grounds for their failure to comply with the registration requirements of the wagering tax law, also allowed the raising of the same defense in wagering tax forfeiture cases. The Court further held that its decision should be given complete retroactive effect.

### Actions of Lower Courts Civil Cases

In *United States v. Johnson Electrical Corp.*, 442 F. 2d 281 (2nd Cir. 1971), the Court upheld the Government's contention that the interest on taxes which accrued after the date of the filing of the petition in the bankruptcy court is collectible after the proceeding. The tax claim in the proceeding was paid in full without post-petition interest as part of a confirmed plan of arrangement under Chapter XI of the Bankruptcy Act. The Court stated that *Bruning v. United States*, 376 U.S. 358 (1964) controlled on the issue of the collectibility of post-petition interest even though in *Bruning* the tax claim was not paid in full and in *Johnson* it was paid in full on confirmation. The Supreme Court in *Bruning* held that the filing of a petition in bankruptcy does not stop the running of interest on Federal tax claims.

In the first appellate decision construing section 3505(b), the Fifth Circuit in *United States v. Algernon Blair, Inc.*, 441 F. 2d 1379 (5th Cir. 1971), affirmed the district court in holding a prime contractor liable under section 3505(b) for funds furnished to the subcontractor-taxpayer to meet its payroll. The Court stated that the uncontested facts clearly established that when the funds for the net payrolls were advanced, the prime contractor had actual notice or knowledge that the subcontractor could not and would not pay the withholding taxes. The constitutionality of section 3505(b) was upheld.

In *Home Construction Corporation of America v. United States*, 439 F. 2d 1165 (5th Cir. 1971), the Court of Appeals for the Fifth Circuit rejected the position of the Government that an "F" reorganization is limited to minor formalistic changes in a single corporate enterprise and held that the consolidation of 123 operating corporations into a newly created corporation constitutes a reorganization

such as is defined in section 368 (a)(1)(F), thereby allowing a carryback of postconsolidation net operating losses to preconsolidation years of the constituent corporations under section 381(b)(3). In so holding, the court followed the decision of the Ninth Circuit in *Stauffer v. Commissioner*, 403 F. 2d 611 (9th Cir. 1968), and reaffirmed its alternative holding in *Davant v. Commissioner*, 366 F. 2d 874 (5th Cir. 1966), both of which the Government argued were incorrect. The decision raises serious unanswered questions that have an impact beyond the net operating loss carryback area (the problem areas include sections 381 (b)(1), 172(b), 1244 and 1502), is contrary to Rev. Rul. 69-185, C.B. 1969-1, 108, and conflicts in principle with the decision of the Court of Claims in *Columbia Gas of Maryland, Inc. v. United States*, 366 F. 2d 991 (Ct. Cl. 1966).

On May 21, 1971, the Court of Appeals for the Fifth Circuit, in a per curiam opinion, affirmed the decision of the district court which had held that plaintiff's camper tops were not designed to be used primarily as living quarters within the meaning of section 4063(a)(1) and therefore were subject to the manufacturers excise tax imposed by section 4061(b)(1). *Herren v. United States*, \_\_\_ F. 2d \_\_\_ (5th Cir. 1971), affirming per curiam 317 F. Supp. 1198 (S.D. Tex. 1970). Nine days earlier the Tenth Circuit affirmed a lower court decision holding that similar camper tops manufactured by the plaintiff therein were designed to be used primarily for living quarters and therefore exempt from the tax. *Bill Woodward, d/b/a Bill Woodward Pickup Campers v. United States*, 442 F. 2d 333 (10th Cir. 1971). Since a conflict has been created, there exists the possibility of Supreme Court review.

In affirming per curiam the decision of the district court, the Court of Appeals for the Eighth Circuit, following the Tax Court's decision in *Estate of Viola E. Bray*, 46 T.C. 577 (1966), aff'd per curiam 396 F. 2d 452 (6th Cir. 1968), held that expenses incurred by an estate in the sale of property may be offset against the sales price in determining gain or loss for income tax purposes even though such amounts have been allowed as a deduction for estate tax purposes. *Commerce Trust Co., Exr. v. United States*, 438 F. 2d (8th Cir. 1971), affirming per curiam 309 F. Supp. 1317 (W.D. Mo. 1969). In view of this decision and the number of recent lower court decisions all adverse to the Government, the Service reconsidered its position on the "Bray" issue as set forth in Rev. Rul. 56-43, C.B. 1956-1, 210, and in Rev. Rul. 71-173, I.R.B. 1971-14, 12, it was announced that the Service would follow the decision in the *Bray* case and that Rev. Rul. 56-43 was revoked. Expenses of sale under the circumstances described may now be used as an offset on the estate's income tax return and as a deduction on the estate tax return.

In a case involving the interrelationship of the tax laws and other Federal Statutes, with particular effect on the credit life insurance industry, the Tenth Circuit reversed a decision of the Tax Court and held that premium income reported by a credit insurance company could not be properly allocated as income under section 482 to related banks which had initially sold the policies in connection with loans to their own borrowers. *First Security Bank of Utah v. Commissioner*, 436 F. 2d 1192 (10th Cir. 1971). The Court held that the rendering of services by the banks (which the Court called "generating" income) was not sufficient to sustain an allocation of a portion of the premiums to the banks from their controlled credit insurance company. The Court of Appeals held that the banks did not earn the income because (1) they were not licensed insurance agents; (2)

they were impliedly prohibited by Federal law from operating an insurance business; (3) their cost and effort in selling insurance was negligible; (4) they had no underwriting risk. This opinion is in direct conflict with that of the Seventh Circuit in *Local Finance Corp. v. Commissioner*, 407 F. 2d 629 (7th Cir. 1967), and a petition for a writ of certiorari was therefore filed with the Supreme Court by the Commissioner on June 18, 1971.

On June 24, 1971, the Court of Appeals for the Sixth Circuit reversed the decision of the district court which had sustained the long-standing position of the Government that the accumulated earnings tax imposed by section 531 is a "deficiency" so that interest begins to run from the due date of the corporate income tax return. *Ray E. Loper Lumber Co., Inc. v. United States*, 444 F. 2d 301 (6th Cir. 1971), reversing \_\_\_ F. Supp. \_\_\_ (W.D. Ky. 1970). The reasoning underlying the appellate court's holding that interest begins to run only after the Commissioner has given notice and demand for payment was that the accumulated earnings tax is not self-assessing, i.e., it is not a tax which is required to be shown by a taxpayer on his return. Now pending before the Court of Appeals for the Ninth Circuit is the case of *Bardahl Mfg. Corp. v. United States*, 25 AFTR, 2d 70-429 (W.D. Wash. 1969), in which the position of the Government was sustained. An affirmation would create a conflict with the decision of the Court of Claims in *Motor Fuel Carriers, Inc. v. United States*, 420 F. 2d 702 (Ct. Cl. 1970) wherein it also was held that interest does not begin to run until after notice and demand because the accumulated earnings tax was classified as an "additional amount" or "addition to the tax" within the meaning of section 6601(f)(3). This issue has a significant affect upon the numerous cases in which deficiencies are asserted under section 531 and it involves substantial interest revenue.

### Statistics of Income Reports Published

Corporation Income Tax Returns, 1967 (250 pp., \$2.25) Individual Income Tax Returns, 1969, Preliminary (31 pp., \$0.25) Corporation Income Tax Returns, 1968, Preliminary (30 pp., \$0.30) U.S. Business Tax Returns, 1968, Preliminary (37 pp., \$0.40) Individual Income Tax Returns, 1968 (268 pp., \$2.75) U.S. Business Tax Returns, 1967 (382 pp., \$3.50)



## Statistical Tables

### Notes:

All yearly data are on a fiscal year basis, unless otherwise specified. For example, data headed "1971" pertain to the fiscal year ended June 30, 1971 and "July 1," inventory items under this heading reflect inventories of July 1, 1970.

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 81.

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**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. 108 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 |   |   |                     | Unemployment insurance |
|--|------------------------------------|-------------------------------------|--|---|---|---------------------|------------------------|
|  |                                    |                                     | Total                                  | Income tax on withheld and self-employment taxes <sup>3</sup> | Income tax on old-age and disability insurance <sup>4</sup> | Railroad retirement |                        |
| (1)  | (2)                                | (3)                                 | (4)                                    | (5)   | (6)   | (7)                 |                        |
| <b>United States, total</b>  | <b>155,647,158</b>                 | <b>30,319,953</b>                   | <b>140,671,111</b>                     | <b>26,209,943</b>   | <b>112,444,850</b>  | <b>1,943,878</b>    | <b>972,409</b>         |
| <b>North-Atlantic Region</b>   | <b>45,748,316</b>                  | <b>9,547,189</b>                    | <b>29,770,658</b>                      | <b>4,684,591</b>  | <b>24,801,498</b>   | <b>59,012</b>       | <b>225,959</b>         |
| Alabama  | 2,085,515                          | 316,515                             | 1,779,000                              | 171,029   | 1,506,662   | 4,334               | 10,976                 |
| Augusta (Maine)  | 492,591                            | 64,435                              | 399,814                                | 93,171  | 299,003   | 3,007               | 6,349                  |
| Boston (Massachusetts)   | 5,522,954                          | 838,807                             | 4,724,700                              | 770,894   | 4,117,255   | 6,349               | 20,439                 |
| Brooklyn (See (c) below)   | 3,813,037                          | 3,202,988                           | 934,847                                | 2,335,406   | 12,263  | 12,263              | 71,433                 |
| Buffalo (See (c) below)  | 3,331,850                          | 639,554                             | 2,513,804                              | 427,632   | 2,067,076   | 214                 | 18,882                 |
| Burlington (Vermont)   | 226,123                            | 26,891                              | 191,305                                | 45,838  | 143,073   | 1,121               | 1,253                  |
| Hartford (See (c) below)   | 3,881,526                          | 3,096,717                           | 573,756                                | 2,119,528   | 12,412  | 20,418              | 1,793                  |
| Marlborough (See (c) below)  | 21,072,529                         | 6,072,659                           | 13,564,582                             | 1,590,890   | 11,832,472  | 30,074              | 111,286                |
| Portsmouth (New Hampshire)   | 484,887                            | 53,648                              | 381,737                                | 78,792  | 300,161   | 26                  | 2,758                  |
| Providence (Rhode Island)  | 657,169                            | 135,061                             | 480,007                                | 98,142  | 580,463   | 23                  | 5,379                  |
| <b>Mid-Atlantic Region</b>   | <b>28,072,778</b>                  | <b>3,935,666</b>                    | <b>21,059,751</b>                      | <b>3,069,882</b>  | <b>16,894,834</b>   | <b>364,734</b>      | <b>139,340</b>         |
| Baltimore (Maryland and D.C.)  | 5,057,721                          | 456,363                             | 4,155,268                              | 520,833   | 3,365,333   | 118,956             | 18,440                 |
| Newark (New Jersey)  | 7,256,870                          | 1,395,769                           | 5,200,832                              | 1,028,815   | 4,178,878   | 37,548              | 17,292                 |
| Philadelphia (See (c) below)   | 7,186,616                          | 833,240                             | 5,528,950                              | 936,362   | 4,390,211   | 174,293             | 38,088                 |
| Pittsburgh (See (c) below)   | 4,392,173                          | 482,860                             | 3,447,152                              | 484,305   | 2,921,832   | 14,110              | 26,905                 |
| Richmond (Virginia)  | 3,029,006                          | 341,280                             | 2,645,281                              | 365,963   | 1,524,111   | 51,781              | 13,426                 |
| Wilmington   | 1,150,389                          | 426,054                             | 674,267                                | 104,878   | 566,448   | 7                   | 4,934                  |
| <b>Southeast Region</b>  | <b>17,076,807</b>                  | <b>2,582,994</b>                    | <b>12,257,867</b>                      | <b>2,349,473</b>  | <b>9,157,656</b>  | <b>55,399</b>       | <b>94,858</b>          |
| Atlanta (Georgia)  | 3,693,816                          | 524,759                             | 2,929,538                              | 459,111   | 1,944,066   | 17,292              | 17,292                 |
| Columbia (South Carolina)  | 1,073,962                          | 865,481                             | 177,412                                | 680,296   | 139   | 7,634               | 139                    |
| Greensboro (North Carolina)  | 4,415,441                          | 706,189                             | 2,777,975                              | 1,739,981   | 1,289   | 20,791              | 1,289                  |
| Jacksonville (Florida)   | 4,401,124                          | 592,055                             | 3,473,644                              | 1,080,507   | 2,336,399   | 40,146              | 22,492                 |
| Nashville (Tennessee)  | 2,023,831                          | 308,691                             | 1,625,638                              | 395,674   | 1,252,214   | 1,854               | 12,896                 |
| <b>Central Region</b>  | <b>20,614,981</b>                  | <b>4,188,787</b>                    | <b>16,789,687</b>                      | <b>3,278,487</b>  | <b>17,213,143</b>   | <b>72,314</b>       | <b>147,719</b>         |
| Cincinnati (See (d) below)   | 3,959,538                          | 765,024                             | 2,919,314                              | 533,496   | 2,363,633   | 589                 | 21,576                 |
| Cleveland (See (d) below)  | 7,277,872                          | 984,759                             | 5,404,923                              | 723,648   | 4,618,789   | 26,698              | 35,787                 |
| Detroit (Michigan)   | 11,685,441                         | 1,641,460                           | 7,722,903                              | 994,289   | 6,637,691   | 14,729              | 36,115                 |
| Indianapolis (Indiana)   | 3,943,639                          | 565,045                             | 2,904,363                              | 656,223   | 2,225,214   | 1,854               | 12,896                 |
| Louisville (Kentucky)  | 2,711,076                          | 324,595                             | 1,688,243                              | 305,505   | 825,505   | 78,614              | 7,620                  |
| Parkersburg (West Virginia)  | 733,516                            | 117,903                             | 478,491                                | 152,167   | 427,956   | 49                  | 3,686                  |
| <b>Midwest Region</b>  | <b>29,481,813</b>                  | <b>5,031,393</b>                    | <b>21,882,134</b>                      | <b>3,445,556</b>  | <b>17,517,199</b>   | <b>320,607</b>      | <b>154,912</b>         |
| Aberdeen (South Dakota)  | 241,489                            | 25,256                              | 203,544                                | 71,391  | 130,971   | 2                   | 1,181                  |
| Chicago (See (b) below)  | 12,111,329                         | 2,233,227                           | 8,679,195                              | 1,321,166   | 7,378,029   | 114,653             | 114,653                |
| Des Moines (Iowa)  | 1,252,519                          | 180,243                             | 1,072,309                              | 184,111   | 851,181   | 528                 | 7,719                  |
| Fargo (North Dakota)   | 246,081                            | 22,144                              | 212,476                                | 76,734  | 134,563   | 30                  | 1,143                  |
| Milwaukee (Wisconsin)  | 3,277,557                          | 586,289                             | 2,489,730                              | 444,839   | 2,026,183   | 616                 | 18,092                 |
| Omaha (Nebraska)   | 1,149,855                          | 150,828                             | 892,829                                | 192,495   | 616,937   | 48                  | 228                    |
| St. Louis (Missouri)   | 5,074,608                          | 796,268                             | 3,759,892                              | 572,292   | 3,099,110   | 62,934              | 25,557                 |
| St. Paul (Minnesota)   | 3,527,583                          | 616,529                             | 2,723,636                              | 404,834   | 2,210,471   | 90,438              | 18,092                 |
| Springfield (See (b) below)  | 2,165,314                          | 247,822                             | 1,476,491                              | 347,391   | 1,118,667   | 2,977               | 8,957                  |
| <b>Southeast Region</b>  | <b>17,701,677</b>                  | <b>2,269,482</b>                    | <b>11,283,193</b>                      | <b>3,094,029</b>  | <b>10,022,054</b>   | <b>66,395</b>       | <b>81,828</b>          |
| Albuquerque (New Mexico)   | 421,102                            | 34,360                              | 356,902                                | 88,118  | 276,630   | 10                  | 1,145                  |
| Austin (See (f) below)   | 4,990,802                          | 600,131                             | 3,365,899                              | 820,946   | 2,518,295   | 2,222               | 4,336                  |
| Cheyenne (Wyoming)   | 171,368                            | 11,929                              | 133,839                                | 81,559  | 52  | 765                 | 20,772                 |
| Dallas (See (f) below)   | 3,784,605                          | 629,348                             | 2,911,988                              | 758,659   | 2,118,921   | 13,635              | 7,949                  |
| Denver (Colorado)  | 2,731,766                          | 199,547                             | 2,309,502                              | 259,700   | 2,023,353   | 8,500               | 4,198                  |
| Little Rock (Arkansas)   | 676,515                            | 87,557                              | 543,736                                | 169,440   | 369,697   | 401                 | 9,186                  |
| New Orleans (Louisiana)  | 1,804,469                          | 264,080                             | 1,425,794                              | 347,215   | 1,068,201   | 1,193               | 9,186                  |
| Oklahoma City (Oklahoma)   | 1,844,825                          | 272,502                             | 1,199,279                              | 299,169   | 901,201   | 1,118               | 9,790                  |
| Wichita (Kansas)   | 1,276,200                          | 175,028                             | 1,026,376                              | 299,268   | 663,205   | 58,202              | 5,700                  |
| <b>Western Region</b>  | <b>24,862,963</b>                  | <b>2,905,331</b>                    | <b>19,767,199</b>                      | <b>4,904,487</b>  | <b>15,556,528</b>   | <b>83,862</b>       | <b>128,933</b>         |
| Anchorage (Alaska)   | 189,496                            | 15,884                              | 169,007                                | 28,053  | 140,221   | 520                 | 3,000                  |
| Boise (Idaho)  | 473,463                            | 49,353                              | 412,662                                | 77,307  | 330,630   | 19                  | 3,263                  |
| Helena (Montana)   | 290,754                            | 30,493                              | 247,710                                | 85,680  | 159,778   | 513                 | 1,439                  |
| Honolulu (Hawaii)  | 608,051                            | 74,022                              | 510,325                                | 95,383  | 411,660   | 1,093               | 53,449                 |
| Los Angeles (See (a) below)  | 9,958,292                          | 1,312,923                           | 7,837,838                              | 1,576,899   | 6,206,395   | 205                 | 5,203                  |
| Phoenix (Arizona)  | 994,095                            | 131,571                             | 810,127                                | 206,556   | 598,163   | 205                 | 8,076                  |
| Portland (Oregon)  | 1,343,988                          | 158,664                             | 1,125,345                              | 241,485   | 874,677   | 1,107               | 8,076                  |
| Reno (Nevada)  | 80,422,977                         | 30,770                              | 331,025                                | 84,500  | 244,316   | 2                   | 2,086                  |
| Salt Lake City (Utah)  | 510,421                            | 67,652                              | 416,415                                | 81,514  | 331,068   | 1,032               | 8,076                  |
| San Francisco (See (a) below)  | 7,671,615                          | 712,876                             | 5,996,437                              | 1,123,757   | 4,758,318   | 78,787              | 35,575                 |
| Seattle (Washington)   | 2,395,815                          | 291,126                             | 1,911,101                              | 401,764   | 1,496,066   | 12,588              | 1,584                  |
| <b>Office of International Operations</b>  | <b>1,549,363</b>                   | <b>87,147</b>                       | <b>1,368,715</b>                       | <b>86,145</b>   | <b>1,279,870</b>  | <b>1,531</b>        | <b>5,869</b>           |
| Puerto Rico  | 271,351                            | 1,634                               | 176,160                                | 9,169   | 162,056   | 4,936               | 234                    |
| Other  | 1,278,011                          | 65,454                              | 1,192,555                              | 76,976  | 1,113,814   | 1,531               | 234                    |
| <b>Undistributed:</b>  |                                    |                                     |  |   |   |                     |                        |
| Federal tax deposits and depository receipts <sup>5</sup>  | 276,656                            | -23,379                             | 267,429                                |   | 267,368   | 22                  | 39                     |
| Gasoline, lubricating oil, & excess FICA credits <sup>6</sup>  | 634,843                            | 25,451                              | 609,193                                |   | 609,193   |                     |                        |
| Transferred to Government of Guam  | -10,092                            |                                     | -10,092                                |   | -10,092   |                     |                        |
| Withheld taxes of Federal employees  | -288,741                           |                                     | -288,741                               |   | -288,741  |                     |                        |
| Clearing account for Excise taxes—aviation fuel and oil—Air Force and Navy   | -202                               |                                     | -202                                   |   | -202  |                     |                        |

Totals for States not shown above

|                  |            |           |            |           |            |         |         |
|------------------|------------|-----------|------------|-----------|------------|---------|---------|
| (a) California   | 17,629,907 | 2,025,799 | 13,834,273 | 2,700,646 | 10,964,624 | 79,880  | 89,124  |
| (b) Illinois     | 14,276,643 | 2,581,409 | 10,357,665 | 1,669,057 | 8,492,658  | 117,830 | 78,140  |
| (c) New York     | 30,302,941 | 7,430,656 | 20,975,335 | 3,024,308 | 17,741,615 | 46,835  | 162,756 |
| (d) Ohio         | 1,745,783  | 1,745,783 | 1,745,783  | 1,745,783 | 1,745,783  | 57,363  | 15      |
| (e) Pennsylvania | 1,578,189  | 1,316,200 | 8,986,102  | 1,420,667 | 7,312,043  | 188,400 | 64,993  |
| (f) Texas        | 8,775,407  | 1,229,479 | 6,277,877  | 1,579,605 | 4,637,207  | 17,971  | 43,094  |

**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. 108 for tax rates and further breakdown of national totals by sources)

| Internal revenue regions, districts, States and other areas <sup>1</sup> (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | Estate tax       | Gift tax       | Excise taxes, total (sum of columns 11, 26, 30, 37, 40 and 55) | Alcohol taxes    |                                 |                       |                            |                           |                    |            |
|--|------------------|----------------|--|------------------|---------------------------------|-----------------------|----------------------------|---------------------------|--------------------|------------|
|  |                  |                |  | Total            | Imported (collected by customs) | Domestic <sup>2</sup> | Rectification <sup>3</sup> | Occupational <sup>4</sup> | Other <sup>5</sup> |            |
| (8)  | (9)              | (10)           | (11)   | (12)             | (13)                            | (14)                  | (15)                       | (16)                      | (17)               |            |
| <b>United States, total</b>  | <b>3,152,641</b> | <b>431,642</b> | <b>16,871,851</b>  | <b>4,890,482</b> | <b>3,515,487</b>                | <b>775,291</b>        | <b>2,701,540</b>           | <b>25,881</b>             | <b>11,152</b>      | <b>402</b> |
| <b>North-Atlantic Region</b>   | <b>822,187</b>   | <b>111,898</b> | <b>1,896,492</b>   | <b>641,152</b>   | <b>478,284</b>                  | <b>259,371</b>        | <b>212,938</b>             | <b>1,888</b>              | <b>1,979</b>       | <b>18</b>  |
| Albany (See (c) below)   | 26,708           | 4,111          | 25,181   | 16,259           | 15,270                          | 1,000                 | 1,000                      | 180                       | 23                 | (*)        |
| Augusta (Maine)  | 19,199           | 389            | 8,754  | 2,514            | 2,259                           | 285                   | 2,217                      | 188                       | 23                 | (*)        |
| Boston (Massachusetts)   | 145,155          | 14,619         | 299,673  | 179,115          | 164,956                         | 91,071                | 72,417                     | 801                       | 367                | (*)        |
| Brooklyn (See (c) below)   | 99,585           | 7,464          | 120,712  | 14,781           | 14,781                          | 14,410                | 14,410                     | 44                        | 321                | (*)        |
| Brooklyn (See (c) below)   | 70,225           | 8,078          | 100,197  | 39,615           | 39,615                          | 39,615                | 39,615                     | 39,615                    | 39,615             | (*)        |
| Burlington (Vermont)   | 5,373            | 461            | 2,093  | 80               | 80                              | 80                    | 73,792                     | 200                       | 221                | (*)        |
| Hartford (Connecticut)   | 108,699          | 6,224          | 254,705  | 75,118           | 74,151                          | 74,151                | 74,151                     | 877                       | 316                | 9          |
| Marlborough (See (c) below)  | 310,169          | 68,319         | 1,056,799  | 229,003          | 218,489                         | 168,300               | 168,300                    | 223                       | 3                  | 1          |
| Portsmouth (New Hampshire)   | 12,681           | 889            | 15,912   | 13,669           | 13,669                          | 13,669                | 13,669                     | 13,669                    | 13,669             | 13,669     |
| Providence (Rhode Island)  | 24,313           | 1,342          | 12,444   | 79               | 79                              | 79                    | 79                         | 79                        | 79                 | 79         |
| <b>Mid-Atlantic Region</b>   | <b>437,745</b>   | <b>60,968</b>  | <b>2,542,648</b>   | <b>769,536</b>   | <b>578,336</b>                  | <b>67,650</b>         | <b>502,511</b>             | <b>6,625</b>              | <b>1,420</b>       | <b>30</b>  |
| Baltimore (Maryland and D.C.)  | 90,818           | 11,762         | 345,509  | 256,742          | 226,622                         | 67,650                | 155,212                    | 3,516                     | 238                | 5          |
| Newark (New Jersey)  | 133,600          | 9,860          | 516,807  | 270,765          | 170,313                         | 168,585               | 168,585                    | 1,106                     | 412                | 7          |
| Philadelphia (See (c) below)   | 121,953          | 15,742         | 676,361  | 146,888          | 110,121                         | 108,535               | 108,535                    | 1,190                     | 394                | 2          |
| Pittsburgh (See (c) below)   | 58,054           | 5,383          | 390,424  | 88,934           | 66,539                          | 65,426                | 65,426                     | 787                       | 317                | 9          |

**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. 108 for tax rates and further breakdown of national totals by sources.]

| Internal revenue regions, districts, States, and other areas <sup>1</sup> (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 (18)                   | Imported (collected by Customs) (19) | Domestic (20)  | Occupational taxes <sup>2</sup> (21) | Total (22)       | Imported (collected by Customs) (23) | Domestic <sup>3</sup> (24) | Occupational taxes <sup>2</sup> (25) |
| <b>United States, total</b>   | <b>177,273</b>               | <b>17,259</b>                        | <b>157,270</b> | <b>2,744</b>                         | <b>1,107,722</b> | <b>6,584</b>                         | <b>1,097,657</b>           | <b>3,482</b>                         |
| <b>North-Atlantic Region</b>  | <b>34,056</b>                | <b>8,423</b>                         | <b>25,504</b>  | <b>159</b>                           | <b>131,772</b>   | <b>3,307</b>                         | <b>127,931</b>             | <b>855</b>                           |
| Albany (See (c) below)  | 530                          |                                      | 524            | 6                                    | 15,339           |                                      | 15,302                     | 37                                   |
| Augusta (Maine)   | 219                          |                                      | 167            | 51                                   | 17               |                                      | 17                         | 12                                   |
| Boston (Massachusetts)  | 2,030                        | 1,551                                | 462            | 17                                   | 12,479           | 1,667                                | 11,350                     | 441                                  |
| Brooklyn (See (c) below)  | 4,821                        |                                      | 4,812          | 9                                    | 57,585           |                                      | 57,441                     | 145                                  |
| Buffalo (See (c) below)   | 18,074                       |                                      | 18,064         | 10                                   | 21,142           |                                      | 21,033                     | 109                                  |
| Burlington (New Hampshire)  | 4                            |                                      | 4              | 4                                    | 6                |                                      | 6                          | 6                                    |
| Hartford (Connecticut)  | 190                          |                                      | 186            | 4                                    | 777              |                                      | 741                        | 36                                   |
| Manhattan (See (c) below)   | 8,174                        | 6,873                                | 2              | 1                                    | 2,340            | 2,239                                | 12,877                     | 31                                   |
| Providence (Rhode Island)   | 4                            |                                      | 2              | 1                                    | 12,908           |                                      | 12,877                     | 31                                   |
| Plymouth (New Hampshire)  | 4                            |                                      | 4              | 4                                    | 9,009            |                                      | 9,009                      | 9                                    |
| <b>Mid-Atlantic Region</b>  | <b>15,549</b>                | <b>1,436</b>                         | <b>14,085</b>  | <b>128</b>                           | <b>175,577</b>   | <b>463</b>                           | <b>174,847</b>             | <b>255</b>                           |
| Baltimore (Maryland and D.C.)   | 1,703                        | 1,416                                | 285            | 22                                   | 27,417           | 463                                  | 26,914                     | 34                                   |
| Newark (New Jersey)   | 10,632                       |                                      | 10,630         | 2                                    | 89,963           |                                      | 89,950                     | 13                                   |
| Philadelphia (See (e) below)  | 1,475                        |                                      | 1,472          | 3                                    | 34,599           |                                      | 34,507                     | 92                                   |
| Pittsburgh (See (e) below)  | 1,646                        |                                      | 1,547          | 99                                   | 22,363           |                                      | 22,297                     | 66                                   |
| Richmond (Virginia)   | 1                            |                                      | 1              | 1                                    | 837              |                                      | 837                        | 1                                    |
| Wilmington (Delaware)   | 1                            |                                      | 1              | 1                                    | 1                |                                      | 1                          | 1                                    |
| <b>Southeast Region</b>   | <b>3,813</b>                 | <b>1,058</b>                         | <b>2,755</b>   | <b>78</b>                            | <b>78,867</b>    | <b>445</b>                           | <b>77,738</b>              | <b>688</b>                           |
| Atlanta (Georgia)   | 660                          | 30                                   | 6              | 78                                   | 6,385            |                                      | 6,326                      | 59                                   |
| Birmingham (Alabama)  | 38                           |                                      | 6              | 2                                    | 127              | 40                                   | 127                        | 77                                   |
| Columbia (South Carolina)   | 470                          |                                      | 344            | 126                                  | 118              |                                      | 118                        | 109                                  |
| Greensboro (North Carolina)   | 162                          |                                      | 162            | 162                                  | 28,445           |                                      | 28,537                     | 118                                  |
| Jackson (Mississippi)   | 2                            |                                      | 2              | 2                                    | 119              |                                      | 119                        | 119                                  |
| Jacksonville (Florida)  | 2,477                        | 1,028                                | 1,064          | 384                                  | 43,404           | 409                                  | 42,875                     | 529                                  |
| Nashville (Tennessee)   | 2                            |                                      | 1              | 2                                    | 110              |                                      | 110                        | 110                                  |
| <b>Central Region</b>   | <b>6,232</b>                 | <b>1,578</b>                         | <b>3,973</b>   | <b>128</b>                           | <b>123,266</b>   | <b>430</b>                           | <b>122,683</b>             | <b>233</b>                           |
| Cincinnati (See (d) below)  | 1,317                        |                                      | 1,145          | 172                                  | 29,536           |                                      | 29,671                     | 165                                  |
| Cleveland (See (d) below)   | 1,163                        | 540                                  | 417            | 206                                  | 14,075           | 29                                   | 14,021                     | 25                                   |
| Detroit (Michigan)  | 3,092                        | 1,038                                | 1,800          | 253                                  | 41,762           | 400                                  | 41,346                     | 416                                  |
| Indianapolis (Indiana)  | 96                           |                                      | 604            | 5                                    | 22,269           |                                      | 22,236                     | 33                                   |
| Louisville (Kentucky)   | 607                          |                                      | 604            | 3                                    | 15,360           |                                      | 15,309                     | 51                                   |
| Parkersburg (West Virginia)   | 7                            |                                      | 7              | 7                                    | 104              | 413                                  | 317,455                    | 846                                  |
| <b>Midwest Region</b>   | <b>9,780</b>                 | <b>2,063</b>                         | <b>7,667</b>   | <b>44</b>                            | <b>318,424</b>   | <b>34</b>                            | <b>317,455</b>             | <b>34</b>                            |
| Aberdeen (South Dakota)   | 6,609                        | 1,449                                | 5,148          | 11                                   | 7,708            | 303                                  | 7,375                      | 29                                   |
| Chicago (See (b) below)   | 59                           |                                      | 54             | 4                                    | 185              |                                      | 185                        | 109                                  |
| Des Moines (Iowa)   | 3                            |                                      | 3              | 3                                    | 12               |                                      | 12                         | 11                                   |
| Fargo (North Dakota)  | 4                            |                                      | 4              | 4                                    | 141,239          | 105                                  | 141,005                    | 129                                  |
| Milwaukee (Wisconsin)   | 383                          | 265                                  | 105            | 14                                   | 7,135            |                                      | 7,108                      | 27                                   |
| Omaha (Nebraska)  | 43                           |                                      | 41             | 2                                    | 30,850           | 3                                    | 30,737                     | 110                                  |
| St. Louis (Missouri)  | 2,344                        | 189                                  | 215            | 2                                    | 39,348           |                                      | 39,201                     | 147                                  |
| St. Paul (Minnesota)  | 331                          | 182                                  | 165            | 3                                    | 31,912           |                                      | 31,891                     | 22                                   |
| Springfield (See (c) below)   | 6                            |                                      | 6              | 6                                    | 154,098          | 252                                  | 154,942                    | 893                                  |
| <b>Southwest Region</b>   | <b>1,743</b>                 | <b>797</b>                           | <b>475</b>     | <b>440</b>                           | <b>44,301</b>    | <b>198</b>                           | <b>43,734</b>              | <b>369</b>                           |
| Albuquerque (New Mexico)  | 3                            |                                      | 3              | 3                                    | 7                |                                      | 7                          | 7                                    |
| Austin (See (f) below)  | 973                          | 665                                  |                |                                      | 29,475           |                                      | 29,388                     | 87                                   |
| Cheyenne (Wyoming)  |                              |                                      |                |                                      | 66,603           |                                      | 66,562                     | 41                                   |
| Dallas (See (f) below)  | 8                            |                                      | 472            | 7                                    | 16,890           | 54                                   | 16,730                     | 106                                  |
| Denver (Colorado)   | 488                          |                                      | 472            | 15                                   | 638              |                                      | 638                        | 149                                  |
| Little Rock (Arkansas)  | 138                          | 132                                  |                | 6                                    | 81               |                                      | 81                         | 81                                   |
| New Orleans (Louisiana)   | 1                            |                                      |                | 1                                    | 123,709          | 1,264                                | 120,134                    | 313                                  |
| Oklahoma City (Oklahoma)  | 1                            |                                      |                | 1                                    | 4                |                                      | 4                          | 4                                    |
| Wichita (Kansas)  | 104,044                      | 1,858                                | 103,641        | 403                                  | 2                |                                      | 2                          | 2                                    |
| <b>Western Region</b>   | <b>104,044</b>               | <b>1,858</b>                         | <b>103,641</b> | <b>403</b>                           | <b>2,478</b>     | <b>117</b>                           | <b>2,360</b>               | <b>1</b>                             |
| Anchorage (Alaska)  | 2                            |                                      | 2              | 2                                    | 49,212           |                                      | 48,421                     | 79                                   |
| Boise (Idaho)   | 2                            |                                      | 2              | 2                                    | 2,289            | 1                                    | 2,261                      | 23                                   |
| Helena (Montana)  | 59                           |                                      | 57             | 2                                    | 6,106            |                                      | 6,064                      | 42                                   |
| Honolulu (Hawaii)   | 3,903                        | 970                                  | 2,842          | 92                                   | 1                |                                      | 1                          | 1                                    |
| Los Angeles (See (a) below)   | 36                           |                                      | 35             | 1                                    |                  |                                      |                            |                                      |
| Phoenix (Arizona)   | 172                          | 47                                   |                | 30                                   |                  |                                      |                            |                                      |
| Portland (Oregon)   | 3                            |                                      | 3              | 3                                    |                  |                                      |                            |                                      |
| Reno (Nevada)   | 172                          |                                      | 170            | 2                                    |                  |                                      |                            |                                      |
| Salt Lake City (Utah)   | 101,153                      | 736                                  | 100,247        | 170                                  | 19,668           | 385                                  | 19,206                     | 78                                   |
| San Francisco (See (a) below)   | 112                          | 105                                  | 516            | 9                                    | 41,899           | 58                                   | 41,823                     | 19                                   |
| Seattle (Washington)  | 9                            |                                      | 9              | 9                                    | 16               |                                      | 16                         | 16                                   |
| <b>Office of International Operations</b>   | <b>9</b>                     |                                      | <b>9</b>       | <b>9</b>                             |                  |                                      |                            |                                      |
| Puerto Rico   | 9                            |                                      | 9              | 9                                    |                  |                                      |                            |                                      |
| <b>Undistributed:</b>   |                              |                                      |                |                                      |                  |                                      |                            |                                      |
| Federal tax deposits and depository receipts <sup>4</sup>   |                              |                                      |                |                                      |                  |                                      |                            |                                      |
| Gasoline, lubricating oil, and excess FICA credits <sup>5</sup>   |                              |                                      |                |                                      |                  |                                      |                            |                                      |
| Transferred to Government of Guam   |                              |                                      |                |                                      |                  |                                      |                            |                                      |
| Withheld taxes of Federal employees   |                              |                                      |                |                                      |                  |                                      |                            |                                      |
| Clearing account for Excise taxes—aviation fuel and oil—Air Force and Navy  |                              |                                      |                |                                      |                  |                                      |                            |                                      |
| <b>Totals for states not shown above</b>  |                              |                                      |                |                                      |                  |                                      |                            |                                      |
| (a) California  | 105,057                      | 1,706                                | 103,089        | 262                                  | 68,880           | 1,064                                | 67,627                     | 189                                  |
| (b) Illinois  | 6,615                        | 1,449                                | 5,199          | 16                                   | 19,520           | 303                                  | 19,256                     | 51                                   |
| (c) New York  | 31,593                       | 6,873                                | 20,687         | 38                                   | 96,607           | 2,239                                | 93,936                     | 412                                  |
| (d) Ohio  | 2,480                        | 540                                  | 1,562          | 378                                  | 43,771           | 29                                   | 43,632                     | 50                                   |
| (e) Pennsylvania  | 1,507                        |                                      | 1,503          | 4                                    | 57,353           |                                      | 57,204                     | 149                                  |
| (f) Texas   | 1,070                        | 665                                  |                | 404                                  | 73,776           | 198                                  | 73,122                     | 456                                  |

**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. 108 for tax rates and further breakdown of national totals by sources.]

| Internal revenue regions, districts, States, and other areas <sup>1</sup> (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | Tobacco taxes    |                              |                          |                           |
|---|------------------|------------------------------|--------------------------|---------------------------|
|   | Total (26)       | Cigarettes <sup>2</sup> (27) | Cigars <sup>3</sup> (28) | Other <sup>4,5</sup> (29) |
| <b>United States, total</b>   | <b>2,206,585</b> | <b>2,149,527</b>             | <b>54,775</b>            | <b>2,282</b>              |
| <b>North-Atlantic Region</b>  | <b>1,065</b>     | <b>126</b>                   | <b>348</b>               | <b>599</b>                |
| Albany (See (c) below)  | 29               |                              | 29                       | 29                        |
| Augusta (Maine)   | 184              | (*)                          | 2                        | 182                       |
| Brooklyn (Massachusetts)  | 3                |                              | 3                        | 3                         |
| Buffalo (See (c) below)   | (*)              | (*)                          | (*)                      | (*)                       |
| Burlington (Vermont)  | 222              |                              | 222                      | 222                       |
| Hartford (Connecticut)  | 624              |                              | 123                      | 93                        |
| Manhattan (See (c) below)   | (*)              |                              | (*)                      | 409                       |
| Providence (Rhode Island)   | (*)              |                              | (*)                      | 58                        |
| <b>Mid-Atlantic Region</b>  | <b>554,302</b>   | <b>529,458</b>               | <b>24,490</b>            | <b>154</b>                |
| Baltimore (Maryland and D.C.)   | 23               |                              | 23                       | 23                        |
| Newark (New Jersey)   | 302              | (*)                          | 1                        | 59                        |
| Philadelphia (See (e) below)  | 23,928           |                              | 23,928                   | 278                       |
| Pittsburgh (See (e) below)  | 278              |                              | 278                      | 278                       |
| Richmond (Virginia)   | 530,002          |                              | 529,457                  | 273                       |
| Wilmington (Delaware)   | 1                |                              | 1                        | 1                         |
| <b>Southeast Region</b>   | <b>1,206,952</b> | <b>1,184,639</b>             | <b>15,516</b>            | <b>796</b>                |
| Atlanta (Georgia)   | 1,162            |                              | 1,162                    | 19                        |
| Birmingham (Alabama)  | 2,347            | (*)                          | 2,323                    | 24                        |
| Columbia (South Carolina)   | 1,819            |                              | 1,819                    | 66                        |
| Greensboro (North Carolina)   | 1,185,061        |                              | 1,184,485                | 510                       |
| Jackson (Mississippi)   | 10,357           |                              | 10,143                   | 61                        |
| Jacksonville (Florida)  | 211              |                              | 211                      | 207                       |
| Nashville (Tennessee)   | 419,834          |                              | 418,294                  | 459                       |
| <b>Central Region</b>   | <b>101</b>       | <b>101</b>                   | <b>101</b>               | <b>101</b>                |
| Cincinnati (See (d) below)  | 724              |                              | 718                      | 6                         |
| Cleveland (See (d) below)   | 8                | (*)                          | 8                        | 7                         |
| Detroit (Michigan)  | 482              |                              | 482                      | 482                       |
| Indianapolis (Indiana)  | 438,079          |                              | 435,294                  | 2,339                     |
| Louisville (Kentucky)   | 240              |                              | 240                      | 11                        |
| Parkersburg (West Virginia)   | 29               |                              | 29                       | 29                        |
| <b>Midwest Region</b>   | <b>29</b>        | <b>29</b>                    | <b>29</b>                | <b>29</b>                 |
| Aberdeen (South Dakota)   | 12               |                              | 12                       | 10                        |
| Chicago (See (b) below)   | (*)              |                              | (*)                      | (*)                       |
| Des Moines (Iowa)   | 7                |                              | 7                        | 7                         |
| Fargo (North Dakota)  | (*)              |                              | (*)                      | (*)                       |
| Milwaukee (Wisconsin)   | (*)              |                              | (*)                      | (*)                       |
| Omaha (Nebraska)  | (*)              |                              | (*)                      | (*)                       |
| St. Louis (Missouri)  | (*)              |                              | (*)                      | (*)                       |
| St. Paul (Minnesota)  | (*)              |                              | (*)                      | (*)                       |
| Springfield (See (b) below)   | 189              |                              | 189                      | 189                       |
| <b>Southwest Region</b>   | <b>189</b>       | <b>3</b>                     | <b>3</b>                 | <b>3</b>                  |
| Albuquerque (New Mexico)  | 187              |                              | 2                        | 177                       |
| Austin (See (f) below)  | 3                |                              | 3                        | 3                         |
| Cheyenne (Wyoming)  | 1                |                              | 1                        | 1                         |
| Dallas (See (f) below)  | 1                |                              | 1                        | 1                         |
| Denver (Colorado)   | 1                |                              | 1                        | 1                         |
| Little Rock (Arkansas)  | 1                |                              | 1                        | 1                         |
| New Orleans (Louisiana)   | 1                |                              | 1                        | 1                         |
| Oklahoma City (Oklahoma)  | 1                |                              | 1                        | 1                         |
| Wichita (Kansas)  | 1                |                              | 1                        | 1                         |
| <b>Western Region</b>   | <b>1</b>         | <b>6</b>                     | <b>19</b>                | <b>63</b>                 |
| Anchorage (Alaska)  | (*)              | (*)                          | (*)                      | (*)                       |
| Boise (Idaho)   | (*)              |                              | (*)                      | (*)                       |
| Helena (Montana)  | (*)              |                              | (*)                      | (*)                       |
| Honolulu (Hawaii)   | (*)              |                              | (*)                      | (*)                       |
| Los Angeles (See (a) below)   | 51               |                              | 18                       | 32                        |
| Phoenix (Arizona)   | (*)              |                              | (*)                      | (*)                       |
| Portland (Oregon)   | (*)              |                              | (*)                      | (*)                       |
| Reno (Nevada)   | (*)              |                              | (*)                      | (*)                       |
| Salt Lake City (Utah)   | (*)              |                              | (*)                      | (*)                       |
| San Francisco (See (a) below)   | 27               |                              | 5                        | 21                        |
| Seattle (Washington)  | 5                |                              | 5                        | 4                         |
| <b>Office of International Operations</b>   | <b>18,334</b>    |                              | <b>18,334</b>            | <b>18,334</b>             |
| Puerto Rico   | 10,334           |                              | 10,334                   | 10,334                    |
| <b>Other:</b>   | <b>(*)</b>       |                              | <b>(*)</b>               | <b>(*)</b>                |
| Federal tax deposits and depository receipts <sup>4</sup>   |                  |                              |                          |                           |
| Gasoline, lubricating oil, and excess FICA credits <sup>5</sup>   |                  |                              |                          |                           |
| Transferred to Government of Guam   |                  |                              |                          |                           |
| Withheld taxes of Federal employees   |                  |                              |                          |                           |
| Clearing account for excise taxes—aviation fuel and oil—Air Force and Navy  |                  |                              |                          |                           |
| <b>Totals for states not shown above</b>  |                  |                              |                          |                           |
| (a) California  | 78               | 6                            | 19                       | 53                        |
| (b) Illinois  | 12               |                              | 2                        | 10                        |
| (c) New York  | 658              | 126                          | 124                      | 409                       |
| (d) Ohio  | 825              |                              | 819                      | 6                         |
| (e) Pennsylvania  | 24,206           |                              | 24,205                   | 1                         |
| (f) Texas   | 187              | 2                            | 177                      | 8                         |

**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. 108 for tax rates and further breakdown of national totals by sources)

| Internal revenue regions, districts, States, and other areas (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | Manufacturer's excise taxes |                  |  |                       |   |   | Retailers excise taxes |              |                                       |                    |
|--|-----------------------------|------------------|--|-----------------------|---|---|------------------------|--------------|---------------------------------------|--------------------|
|  | Total                       | Gasoline         | Non-commercial aviation fuel other than gasoline | Lubricating oil, etc. | Tires (wholly or in part of rubber) inner tubes, and tread rubber | Motor vehicle chassis parts and accessories | Other <sup>1</sup>     | Total        | Non-Commercial aviation fuel gasoline | Other <sup>1</sup> |
|  | (30)                        | (31)             | (32)   | (33)                  | (34)  | (35)  | (36)                   | (37)         | (38)                                  | (39)               |
| <b>United States, total.....</b>   | <b>6,635,737</b>            | <b>3,547,678</b> | <b>10,918</b>                                    | <b>88,185</b>         | <b>593,377</b>  | <b>2,464,480</b>                            | <b>51,079</b>          | <b>4,838</b> | <b>4,753</b>                          | <b>85</b>          |
| <b>North-Atlantic Region.....</b>  | <b>442,683</b>              | <b>242,831</b>   | <b>687</b>                                       | <b>5,648</b>          | <b>136,893</b>  | <b>27,184</b>                               | <b>28,839</b>          | <b>439</b>   | <b>287</b>                            | <b>152</b>         |
| Albany..... (See (c) below)  | 8,819                       | 2,399            | 17   | 1,608                 | 62  | 305   | 19                     | 13           | 13                                    | 13                 |
| Augusta..... (Maine)   | 3,872                       | 3,443            | 14   | (*)                   | 319   | 89  | 6                      | 16           | 16                                    | 16                 |
| Boston..... (Massachusetts)  | 34,600                      | 28,892           | 54   | 275                   | 632   | 1,158                                       | 2,589                  | 36           | 36                                    | 36                 |
| Brooklyn..... (See (c) below)  | 26,709                      | 8,833            | 33   | 96                    | 11,423  | 81  | 39                     | 40           | 40                                    | (*)                |
| Buffalo..... (See (c) below)   | 35,977                      | 16,872           | 346  | (*)                   | 16,407  | 1,386                                       | 872                    | 74           | 74                                    | 74                 |
| Burlington..... (Vermont)  | 993                         | 863              | 4  | 9                     | 29  | 29  | 5                      | 5            | 5                                     | 5                  |
| Hartford..... (Connecticut)  | 128,613                     | 8,832            | 120  | 63                    | 88,563  | 23,551                                      | 47                     | 47           | 47                                    | 47                 |
| Manhattan..... (See (c) below)   | 205,331                     | 172,852          | 296  | 5,210                 | 19,379  | 6,085                                       | 1,509                  | 198          | 46                                    | 152                |
| Portsmouth..... (New Hampshire)  | 1,762                       | 973              | 3  | (*)                   | 134   | 111   | 10                     | 8            | 8                                     | 8                  |
| Providence..... (Rhode Island)   | 1,426                       | 1,872            | 1  | 1                     | 200   | 236   | 15                     | 3            | 3                                     | 3                  |
| <b>Mid-Atlantic Region.....</b>  | <b>885,508</b>              | <b>653,248</b>   | <b>2,265</b>                                     | <b>19,651</b>         | <b>40,313</b>   | <b>146,184</b>                              | <b>3,646</b>           | <b>379</b>   | <b>380</b>                            | <b>(*)</b>         |
| Baltimore..... (Maryland and D.C.)   | 95,437                      | 21,307           | 35   | 358                   | 32,573  | 742   | 401                    | 41           | 41                                    | (*)                |
| Newark..... (New Jersey)   | 158,676                     | 48,074           | 1,057  | 2,474                 | 724   | 103,151                                     | 1,994                  | 118          | 118                                   | (*)                |
| Philadelphia..... (See (e) below)  | 380,866                     | 332,510          | 92   | 8,213                 | 2,042   | 37,115                                      | 834                    | 73           | 73                                    | (*)                |
| Pittsburgh..... (See (e) below)  | 260,906                     | 243,663          | 809  | 8,533                 | 3,533   | 3,903                                       | 63                     | 93           | 93                                    | (*)                |
| Richmond..... (Mississippi)  | 9,564                       | 7,322            | 158  | 68                    | 641   | 1,049                                       | 349                    | 52           | 52                                    | (*)                |
| Wilmington..... (Delaware)   | 519                         | 375              | 117  | 2                     | 25  | 25  | 3                      | 3            | 3                                     | 3                  |
| <b>Southeast Region.....</b>   | <b>172,893</b>              | <b>141,884</b>   | <b>1,141</b>                                     | <b>1,620</b>          | <b>12,235</b>   | <b>13,849</b>                               | <b>2,165</b>           | <b>700</b>   | <b>767</b>                            | <b>-67</b>         |
| Atlanta..... (Georgia)   | 67,910                      | 62,146           | 209  | 984                   | 1,529   | 2,771                                       | 272                    | 69           | 135                                   | -66                |
| Birmingham..... (Alabama)  | 14,267                      | 8,834            | 132  | (*)                   | 1,971   | 3,245                                       | 84                     | 68           | 68                                    | 68                 |
| Columbia..... (South Carolina)   | 13,647                      | 12,476           | 83   | 184                   | 254   | 275   | 375                    | 35           | 35                                    | 35                 |
| Greensboro..... (North Carolina)   | 34,546                      | 30,171           | 195  | 63                    | 2,259   | 1,876                                       | -17                    | 129          | 129                                   | -1                 |
| Jackson..... (Mississippi)   | 6,886                       | 6,635            | 34   | 3                     | 5,523   | 905   | -15                    | 40           | 40                                    | 40                 |
| Jacksonville..... (Florida)  | 14,396                      | 10,279           | 316  | 166                   | 430   | 1,379                                       | 238                    | 238          | 238                                   | 238                |
| Nashville..... (Tennessee)   | 15,147                      | 11,354           | 171  | 220                   | 266   | 3,051                                       | 86                     | 120          | 120                                   | 120                |
| <b>Central Region.....</b>   | <b>2,663,813</b>            | <b>273,418</b>   | <b>969</b>                                       | <b>4,742</b>          | <b>368,934</b>  | <b>2,014,400</b>                            | <b>1,277</b>           | <b>567</b>   | <b>569</b>                            | <b>-2</b>          |
| Cincinnati..... (See (d) below)  | 17,130                      | 12,613           | 158  | 100                   | 2,453   | 1,738                                       | 69                     | 93           | 93                                    | 93                 |
| Cleveland..... (See (d) below)   | 566,353                     | 135,380          | 305  | 1,664                 | 394,810   | 33,740                                      | 453                    | 112          | 112                                   | 112                |
| Detroit..... (Michigan)  | 1,984,334                   | 43,577           | 197  | 384                   | 2,474   | 968,673                                     | 497                    | 144          | 144                                   | (*)                |
| Indianapolis..... (Indiana)  | 38,847                      | 29,278           | 175  | 889                   | 185   | 8,109                                       | 241                    | 133          | 133                                   | 133                |
| Louisville..... (Kentucky)   | 54,814                      | 50,699           | 106  | 1,762                 | 360   | 1,873                                       | 14                     | 56           | 56                                    | 56                 |
| Parkinson..... (West Virginia)   | 2,336                       | 1,955            | 33   | 19                    | 230   | 267   | 4                      | 30           | 30                                    | 30                 |
| <b>Midwest Region.....</b>   | <b>693,282</b>              | <b>459,426</b>   | <b>1,423</b>                                     | <b>9,665</b>          | <b>7,137</b>  | <b>93,822</b>                               | <b>7,645</b>           | <b>538</b>   | <b>536</b>                            | <b>2</b>           |
| Aberdeen..... (South Dakota)   | 4,125                       | 3,837            | 17   | 7                     | 262   | 2   | 20                     | 20           | 20                                    | 20                 |
| Chicago..... (See (d) below)   | 352,460                     | 270,184          | 203  | 6,691                 | 3,377   | 63,838                                      | 1,197                  | 67           | 67                                    | 67                 |
| Des Moines..... (Iowa)   | 16,470                      | 12,070           | 85   | 1,358                 | 206   | 704   | 52                     | 52           | 52                                    | 52                 |
| Fargo..... (North Dakota)  | 4,445                       | 2,336            | 10   | 20                    | 2,049   | 1   | 21                     | 21           | 21                                    | 21                 |
| Milwaukee..... (Wisconsin)   | 57,212                      | 47,296           | 184  | 300                   | 292   | 8,415                                       | 726                    | 77           | 77                                    | 77                 |
| Omaha..... (Nebraska)  | 6,750                       | 6,174            | 141  | 288                   | 33  | 2,963                                       | 71                     | 75           | 75                                    | 75                 |
| St. Louis..... (Missouri)  | 85,542                      | 77,553           | 456  | 1,203                 | 1,799   | 4,361                                       | 170                    | 109          | 109                                   | 109                |
| St. Paul..... (Minnesota)  | 52,060                      | 44,868           | 256  | 919                   | 267   | 1,897                                       | 3,858                  | 87           | 87                                    | 87                 |
| Springfield..... (See (d) below)   | 26,447                      | 23,938           | 79   | 69                    | 31  | 2,112                                       | 258                    | 60           | 60                                    | 60                 |
| <b>Southwest Region.....</b>   | <b>1,441,922</b>            | <b>1,362,437</b> | <b>3,471</b>                                     | <b>37,180</b>         | <b>20,259</b>   | <b>15,776</b>                               | <b>1,899</b>           | <b>1,256</b> | <b>1,256</b>                          | <b>(*)</b>         |
| Albuquerque..... (New Mexico)  | 5,112                       | 4,933            | 45   | 42                    | 40  | 48  | 4                      | 77           | 77                                    | 77                 |
| Anchorage..... (See (a) below)   | 887,855                     | 855,567          | 1,705  | 24,510                | 4,071   | 1,922                                       | 79                     | 383          | 383                                   | (*)                |
| Cheyenne..... (Wyoming)  | 15,216                      | 15,160           | 23   | 12                    | 18  | 4   | 27                     | 27           | 27                                    | 27                 |
| Dallas..... (See (f) below)  | 122,124                     | 109,158          | 619  | 2,917                 | 2,396   | 6,838                                       | 347                    | 193          | 193                                   | 193                |
| Denver..... (Colorado)   | 37,820                      | 22,572           | 209  | 1                     | 12,846  | 1,854                                       | 309                    | 151          | 151                                   | 151                |
| Little Rock..... (Arkansas)  | 28,322                      | 26,578           | 86   | 55                    | 38  | 746   | 819                    | 72           | 72                                    | 72                 |
| New Orleans..... (Louisiana)   | 12,941                      | 11,301           | 115  | 510                   | 113   | 825   | 77                     | 89           | 89                                    | 89                 |
| Oklahoma City..... (Oklahoma)  | 307,590                     | 295,359          | 544  | 7,824                 | 660   | 3,078                                       | 238                    | 142          | 142                                   | 142                |
| Wichita..... (Kansas)  | 24,131                      | 21,809           | 128  | 1,521                 | 82  | 569   | 22                     | 121          | 121                                   | 121                |
| <b>Western Region.....</b>   | <b>508,523</b>              | <b>383,286</b>   | <b>764</b>                                       | <b>9,739</b>          | <b>7,252</b>  | <b>94,126</b>                               | <b>5,307</b>           | <b>899</b>   | <b>899</b>                            | <b>899</b>         |
| Anchorage..... (Alaska)  | 55                          | 12               | 30   | (*)                   | 12  | 1   | 33                     | 33           | 33                                    | 33                 |
| Boise..... (Idaho)   | 2,590                       | 2,101            | 39   | 124                   | 144   | 182   | 38                     | 38           | 38                                    | 38                 |
| Helena..... (Montana)  | 636                         | 485              | 28   | (*)                   | 61  | 47  | 23                     | 28           | 28                                    | 28                 |
| Honolulu..... (Hawaii)   | 1,813                       | 1,797            | 7  | 141                   | 164   | 1,654                                       | 13                     | 13           | 13                                    | 13                 |
| Los Angeles..... (See (a) below)   | 254,604                     | 186,869          | 207  | 3,356                 | 4,448   | 57,753                                      | 1,970                  | 278          | 278                                   | 278                |
| Phoenix..... (Arizona)   | 427                         | 37               | 87   | (*)                   | 183   | 3   | 93                     | 93           | 93                                    | 93                 |
| Portland..... (Oregon)   | 13,257                      | 1,587            | 27   | 8                     | 361   | 11,696                                      | 218                    | 59           | 59                                    | 59                 |
| Reno..... (Nevada)   | 1,051                       | 922              | 19   | 56                    | 53  | 53  | 19                     | 19           | 19                                    | 19                 |
| Salt Lake City..... (Utah)   | 4,786                       | 1,922            | 32   | 6                     | 169   | 287   | 371                    | 37           | 37                                    | 37                 |
| San Francisco..... (See (a) below)   | 194,626                     | 182,653          | 192  | 6,344                 | 1,585   | 3,579                                       | 302                    | 234          | 234                                   | 234                |
| Seattle..... (Washington)  | 26,647                      | 6,709            | 100  | 25                    | 236   | 19,358                                      | 278                    | 68           | 68                                    | 68                 |
| <b>Office of International Operations.....</b>   | <b>550</b>                  | <b>14</b>        |  |                       |   |   |                        |              |                                       |                    |
| Puerto Rico..... (See (a) below)   | 8                           |                  |  |                       |   |   |                        |              |                                       |                    |
| Other.....   | 341                         | 14               |  |                       |   |   |                        |              |                                       |                    |
| <b>Undistributed:</b>  |                             |                  |  |                       |   |   |                        |              |                                       |                    |
| Federal tax deposits and depository receipts <sup>2</sup>  |                             |                  |  |                       |   |   |                        |              |                                       |                    |
| Gasoline, lubricating oil, & excess FICA credits <sup>3</sup>  |                             |                  |  |                       |   |   |                        |              |                                       |                    |
| Transferred to Government of Guam  |                             |                  |  |                       |   |   |                        |              |                                       |                    |
| Withheld taxes of Federal employees  |                             |                  |  |                       |   |   |                        |              |                                       |                    |
| Clearing account for Excise taxes—aviation fuel and oil—Air Force and Navy   |                             |                  |  |                       |   |   |                        |              |                                       |                    |
| <b>Totals for states not shown above</b>   |                             |                  |  |                       |   |   |                        |              |                                       |                    |
| (a) California.....  | 449,760                     | 369,523          | 399  | 9,700                 | 6,033   | 61,333                                      | 2,273                  | 513          | 513                                   | 513                |
| (b) Illinois.....  | 378,906                     | 294,092          | 282  | 6,760                 | 3,368   | 71,930                                      | 2,455                  | 157          | 155                                   | 155                |
| (c) New York.....  | 270,636                     | 196,636          | 692  | 5,496                 | 47,002  | 19,200                                      | 7,481                  | 324          | 172                                   | 172                |
| (d) Ohio.....  | 583,483                     | 147,993          | 463  | 1,763                 | 397,264   | 35,478                                      | 522                    | 204          | 204                                   | 204                |
| (e) Pennsylvania.....  | 641,312                     | 576,173          | 901  | 16,748                | 5,575   | 41,017                                      | 897                    | 166          | 166                                   | 166                |
| (f) Texas.....   | 1,009,980                   | 964,725          | 2,323  | 27,426                | 6,409   | 8,610                                       | 426                    | 577          | 577                                   | 577                |

**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. 108 for tax rates and further breakdown of national totals by sources)

| Internal revenue regions, districts, States, and other areas (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | Miscellaneous excise taxes |                                   |                                 |  |                                   |                |                               |
|--|----------------------------|-----------------------------------|---------------------------------|--|-----------------------------------|----------------|-------------------------------|
|  | Total                      | Telephones and telegraph services | Transportation of person by air | Use of international air travel facilities | Transportation of property by air | Sugar          | Diesel and special motor fuel |
|  | (40)                       | (41)                              | (42)                            | (43)                                       | (44)                              | (45)           | (46)                          |
| <b>United States, total.....</b>   | <b>2,754,230</b>           | <b>1,624,533</b>                  | <b>423,082</b>                  | <b>25,713</b>                              | <b>21,585</b>                     | <b>113,554</b> | <b>264,388</b>                |
| <b>North-Atlantic Region.....</b>  | <b>613,753</b>             | <b>309,430</b>                    | <b>133,649</b>                  | <b>13,304</b>                              | <b>6,626</b>                      | <b>41,074</b>  | <b>28,681</b>                 |
| Albany..... (See (c) below)  | 4,857                      | 2,393                             | 51                              | .....                                      | .....                             | .....          | 1,108                         |
| Augusta..... (Maine)   | 8,998                      | 412                               | 38                              | .....                                      | .....                             | .....          | .....                         |
| Boston..... (Massachusetts)  | 85,291                     | 67,635                            | 8,533                           | 269  | 112                               | 2,733          | 2,930                         |
| Brooklyn..... (See (c) below)  | 20,281                     | 34                                | 15,057                          | 1,187                                      | 1,334                             | .....          | 9,171                         |
| Buffalo..... (See (c) below)   | 21,111                     | 12,574                            | 1,448                           | 110  | 1,438                             | .....          | 3,962                         |
| Burlington..... (Vermont)  | 1,133                      | 207                               | 3                               | .....                                      | .....                             | .....          | .....                         |
| Hartford..... (Connecticut)  | 92,183                     | 49,246                            | 38                              | 100  | .....                             | .....          | 2,038                         |
| Manhattan..... (See (c) below)   | 383,765                    | 176,848                           | 108,461                         | 11,639                                     | 3,740                             | 38,334         | 8,211                         |
| Portsmouth..... (New Hampshire)  | 1,232                      | 257                               | 5                               | .....                                      | .....                             | .....          | .....                         |
| Providence..... (Rhode Island)   | 843                        | 4                                 | 14                              | .....                                      | .....                             | .....          | 274                           |
| <b>Mid-Atlantic Region.....</b>  | <b>380,120</b>             | <b>213,308</b>                    | <b>10,241</b>                   | <b>378</b>                                 | <b>343</b>                        | <b>5,092</b>   | <b>41,411</b>                 |
| Baltimore..... (Maryland and D.C.)   | 38,400                     | 38,400                            | 198                             | 320  | .....                             | .....          | 1,143                         |
| Newark..... (New Jersey)   | 75,296                     | 63,517                            | 3                               | 6  | 2                                 | 2,686          | .....                         |
| Philadelphia..... (See (e) below)  | 103,179                    | 75,306                            | 441                             | 178  | 2                                 | 5,085          | 12,970                        |
| Pittsburgh..... (See (e) below)  | 26,305                     | 7,461                             | .....                           | .....                                      | .....                             | .....          | 14,355                        |
| Richmond..... (Mississippi)  | 37,008                     | 26,615                            | 33                              | 3  | .....                             | .....          | 6,652                         |
| Wilmington..... (Delaware)   | 2,622                      | .....                             | .....                           | .....                                      | .....                             | .....          | .....                         |
| <b>Southeast Region.....</b>   | <b>186,083</b>             | <b>208,838</b>                    | <b>68,888</b>                   | <b>1,036</b>                               | <b>2,018</b>                      | <b>11,878</b>  | <b>28,142</b>                 |
| Atlanta..... (Georgia)   | 116,728                    | 39,846                            | 1,216                           | 5,449                                      | .....                             | .....          | 4,896                         |
| Birmingham..... (Alabama)  | 110,484                    | 99,184                            | .....                           | .....                                      | .....                             | .....          | 2,735                         |
| Columbia   |                            |                                   |                                 |  |                                   |                |                               |

**Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, States, and other areas—Continued**  
In thousands of dollars. See table 3, p. 108 for tax rates and further breakdown of national totals by sources

| Internal revenue regions, districts, States, and other areas <sup>1</sup>   | Miscellaneous excise taxes—Continued                 |                              |                |              |                                   |                           |   |                    |                         |
|---|--|------------------------------|----------------|--------------|-----------------------------------|---------------------------|---|--------------------|-------------------------|
|   | Narcotics and marihuana including occupational taxes | Coin-operated gaming devices | Wagering taxes |              | Use tax on highway motor vehicles | Use tax on civil aircraft | Private foundations net investment income | Other <sup>2</sup> | Unclassified excise tax |
|   |  |                              | Occupational   | Wagers       |                                   |                           |   |                    |                         |
| (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | (47)   | (48)                         | (49)           | (50)         | (51)                              | (52)                      | (53)                                      | (54)               | (55)                    |
| <b>United States, total</b> .....   | <b>1,853</b>   | <b>15,183</b>                | <b>369</b>     | <b>4,572</b> | <b>145,058</b>                    | <b>17,720</b>             | <b>24,589</b>                             | <b>70,029</b>      | <b>408,072</b>          |
| <b>North-Atlantic Region</b> .....  | <b>285</b>   | <b>26</b>                    | <b>35</b>      | <b>57</b>    | <b>14,373</b>                     | <b>4,765</b>              | <b>9,380</b>                              | <b>60,350</b>      | <b>191,480</b>          |
| Albany..... (See (c) below).....  | 32   | 1                            | 5              | 2            | 900                               | 1                         | 1   | 403                | 1,165                   |
| Augusta..... (Maine).....   | 2  | 6                            | (*)            |              | 2,640                             | 149                       | 707                                       | 712                | 553                     |
| Boston..... (Massachusetts).....  | 24   | 18                           | 1              | 4            | 1,510                             | 4                         |   | 77                 | 3,511                   |
| Brooklyn..... (See (c) below).....  | 102  | 1                            | 7              | 1            | 2,760                             |                           |   | 8                  | 3,420                   |
| Buffalo..... (See (c) below).....   | 29   |                              |                |              | 270                               | 12                        |   | 5                  | 118                     |
| Burlington..... (Vermont).....  | 1  |                              | 8              | 1            | 1,540                             | 72                        | 476                                       | 38,638             | 41,458                  |
| Hartford..... (Connecticut).....  | 1  | 1                            |                |              | 4,472                             | 7,830                     | 20,441                                    | 23,877             | 37,672                  |
| Manhattan..... (See (c) below).....   | 7  | 1                            | 1              |              | 3,892                             | 357                       | 2   | 14                 | 224                     |
| Portsmouth..... (New Hampshire).....  | 1  | 5                            | 4              |              | 43                                | 12                        | 95  |                    | 80                      |
| Providence..... (Rhode Island).....   | 2  |                              |                |              | 423                               |                           |   |                    |                         |
| <b>Mid-Atlantic Region</b> .....  | <b>260</b>   | <b>599</b>                   | <b>48</b>      | <b>155</b>   | <b>23,751</b>                     | <b>926</b>                | <b>1,936</b>                              | <b>1,936</b>       | <b>52,882</b>           |
| Baltimore..... (Maryland and D.C.).....   | 24   | 377                          | 1              | 31           | 2,603                             | 428                       | 701                                       |                    | 21,444                  |
| Newark..... (New Jersey).....   | 108  | 52                           | 2              | 3            | 4,776                             | 164                       | 433                                       | 515                | 11,861                  |
| Philadelphia..... (See (e) below).....  | 82   | 3                            | 34             | 16           | 6,497                             | 337                       | 2,284                                     | 55                 | 22,158                  |
| Pittsburgh..... (See (e) below).....  | 12   | 76                           | 2              | 44           | 4,222                             |                           | 14,309                                    |                    | 14,309                  |
| Richmond..... (Virginia).....   | 3  | 91                           |                | 60           | 100                               | 75                        | 118                                       | 969                |                         |
| Wilmington..... (Delaware).....   | 3  | (*)                          | (*)            | 1            | 428                               | 47                        | 455                                       | 1,065              | 24,729                  |
| <b>Southeast Region</b> .....   | <b>176</b>   | <b>2,364</b>                 | <b>13</b>      | <b>380</b>   | <b>20,844</b>                     | <b>2,189</b>              | <b>2,222</b>                              | <b>982</b>         | <b>25,969</b>           |
| Atlanta..... (Georgia).....   | 38   | 198                          | 2              | 33           | 3,964                             | 867                       | 485                                       | 381                | 25,969                  |
| Birmingham..... (Alabama).....  | 11   | 2                            | 1              | 78           | 2,720                             | 122                       | 96  | 217                | 16,949                  |
| Columbia..... (South Carolina).....   | 5  | 753                          | 1              | 20           | 1,281                             | 58                        | 76  | 30                 | 672                     |
| Greensboro..... (North Carolina).....   | 108  | 27                           | (*)            | 4            | 4,751                             | 222                       | 1,158                                     | 122                | 107                     |
| Jackson..... (Mississippi).....   | 5  | 303                          | 2              | 45           | 1,214                             | 65                        | 3   | 4                  | 10,156                  |
| Jacksonville..... (Florida).....  | 46   | 9                            | 5              | 172          | 4,800                             | 734                       | 189                                       | 217                | 4,942                   |
| Nashville..... (Tennessee).....   | 10   | 871                          | 7              | 29           | 2,481                             | 122                       | 214                                       | 22                 | 230                     |
| <b>Central Region</b> .....   | <b>253</b>   | <b>683</b>                   | <b>153</b>     | <b>1,270</b> | <b>20,812</b>                     | <b>1,056</b>              | <b>1,161</b>                              | <b>412</b>         | <b>227,040</b>          |
| Cincinnati..... (See (d) below).....  | 93   | 158                          | 6              | 55           | 2,859                             | 394                       | 947                                       | 39                 | 2,444                   |
| Cleveland..... (See (f) below).....   | 108  | 48                           | 10             | 99           | 5,392                             | 4                         | 56  | 65                 | 65,454                  |
| Detroit..... (Michigan).....  | 134  | 2                            | 9              | 359          | 6,082                             | 348                       | 1,515                                     | 199                | 157,328                 |
| Indianapolis..... (Indiana).....  | 11   | 154                          | 17             | 520          | 3,979                             | 209                       | 639                                       | 84                 | 2,888                   |
| Louisville..... (Kentucky).....   | 5  | 12                           | 5              | 85           | 1,210                             | 63                        | 31  | 32                 | 6,078                   |
| Parkersburg..... (West Virginia).....   | 3  | 307                          | 7              | 119          | 801                               | 38                        | 28  | 2                  | 725                     |
| <b>Midwest Region</b> .....   | <b>118</b>   | <b>367</b>                   | <b>24</b>      | <b>253</b>   | <b>25,045</b>                     | <b>3,932</b>              | <b>2,521</b>                              | <b>1,604</b>       | <b>56,677</b>           |
| Aberdeen..... (South Dakota).....   | 1  | 109                          | 5              | 101          | 6,553                             | 39                        | 2   | 642                | 26,082                  |
| Chicago..... (See (b) below).....   | 36   | 24                           | 12             | 101          | 6,318                             | 2,393                     | 1,224                                     | 642                | 26,082                  |
| Des Moines..... (Iowa).....   | 4  |                              | (*)            | 6            | 2,641                             | 134                       | 86  | 8                  | 1,404                   |
| Fargo..... (North Dakota).....  | 1  | 11                           | 2              | 9            | 404                               | 40                        |   |                    | 386                     |
| Milwaukee..... (Wisconsin).....   | 12   | 4                            | (*)            | 3            | 3,784                             | 144                       | 236                                       | 96                 | 477                     |
| Omaha..... (Nebraska).....  | 4  | 57                           | (*)            | 78           | 1,470                             | 97                        | 83  | 42                 | 10,807                  |
| St. Louis..... (Missouri).....  | 34   | 88                           | 4              | 16           | 4,415                             | 242                       | 410                                       | 667                | 7,301                   |
| St. Paul..... (Minnesota).....  | 23   | 6                            | 1              | 5            | 4,452                             | 843                       | 475                                       | 134                | 3,113                   |
| Springfield..... (See (b) below).....   | 4  | 71                           | 2              | 29           | 2,010                             |                           |   | 32                 | 1,627                   |
| <b>Southwest Region</b> .....   | <b>285</b>   | <b>1,179</b>                 | <b>37</b>      | <b>254</b>   | <b>20,761</b>                     | <b>2,061</b>              | <b>2,182</b>                              | <b>2,476</b>       | <b>127,051</b>          |
| Albuquerque..... (New Mexico).....  | 6  | 16                           | (*)            | 1            | 510                               | 75                        | 1   | 12                 | 1,069                   |
| Austin..... (See (f) below).....  | 163  | 5                            | (*)            | 83           | 4,351                             | 1,071                     | 1,630                                     | 773                | 88,365                  |
| Cheyenne..... (Wyoming).....  | 3  | 53                           | 1              | 2            | 492                               | 45                        | 9   | 5                  | 618                     |
| Dallas..... (See (f) below).....  | 44   | (*)                          | 51             | 10           | 5,789                             | 221                       | 374                                       | 388                | 59,758                  |
| Denver..... (Colorado).....   | 41   | 51                           | (*)            | 1            | 2,322                             | 221                       | 374                                       | 139                | 3,378                   |
| Little Rock..... (Arkansas).....  | 5  | 111                          | 1              | 23           | 1,509                             | 87                        | 9   | 10                 | 2,084                   |
| New Orleans..... (Louisiana).....   | 6  | 723                          | 4              | 42           | 1,334                             | 134                       | 99  | 1,124              | 3,856                   |
| Oklahoma City..... (Oklahoma).....  | 12   | 74                           | 3              | 20           | 2,476                             | 285                       | 225                                       | 17                 | 10,985                  |
| Wichita..... (Kansas).....  | 6  | 147                          | (*)            | 4            | 1,979                             | 132                       | 35  | 28                 | 1,220                   |
| <b>Western Region</b> .....   | <b>554</b>   | <b>10,167</b>                | <b>81</b>      | <b>2,204</b> | <b>22,938</b>                     | <b>2,791</b>              | <b>1,442</b>                              | <b>2,064</b>       | <b>56,620</b>           |
| Anchorage..... (Alaska).....  | 2  | 1                            | 5              | 9            | 230                               | 182                       | 7   | 58                 | 163                     |
| Boise..... (Idaho).....   | 1  | (*)                          | (*)            | (*)          | 964                               | 68                        | 5   | 25                 | 295                     |
| Helena..... (Montana).....  | 1  | 19                           | 7              | 1            | 596                               | 71                        | 30  | 3                  | 193                     |
| Honolulu..... (Hawaii).....   | 14   | 93                           |                |              | 442                               | 59                        | 131                                       | 37                 | 21,146                  |
| Los Angeles..... (See (c) below).....   | 229  | 65                           | 1              | 26           | 5,943                             | 1,932                     | 1,001                                     | 798                | 34,694                  |
| Phoenix..... (Arizona).....   | 93   | 31                           | (*)            | 6            | 850                               | 113                       | 18  | 20                 | 110                     |
| Portland..... (Oregon).....   | 17   | 203                          | 6              | 1,812        | 2,82                              | 43                        | 4   | 3C                 | 128                     |
| Reno..... (Nevada).....   | 7  | 9,352                        |                |              | 816                               | 20                        | 61  | 16                 | 250                     |
| Salt Lake City..... (Utah).....   | 4  | 156                          | 20             | 61           | 7,301                             | 27                        | 9   | 570                | 9,658                   |
| San Francisco..... (See (a) below).....   | 138  | 110                          | (*)            | 243          | 2,365                             | 173                       | (*)                                       | 466                | 4,506                   |
| Seattle..... (Washington).....  | 47   | 138                          | (*)            |              | 112                               | 33                        | (*)                                       | 215                | 818                     |
| <b>Office of International Operations</b> .....   | <b>1</b>   |                              |                |              | <b>112</b>                        | <b>33</b>                 | <b>(*)</b>                                | <b>212</b>         | <b>714</b>              |
| Puerto Rico.....  | 1  |                              |                |              | (*)                               | (*)                       | (*)                                       |                    |                         |
| <b>Other</b> .....  |  |                              |                |              |                                   |                           |   |                    |                         |
| <b>Undistributed:</b>   |  |                              |                |              |                                   |                           |   |                    |                         |
| Federal tax deposits and depository receipts <sup>3</sup>   |  |                              |                |              |                                   |                           |   |                    | -19,323                 |
| Gasoline, lubricating oil, & excess FICA credits <sup>4</sup>   |  |                              |                |              |                                   |                           |   |                    |                         |
| Transferred to Government of Guam   |  |                              |                |              |                                   |                           |   |                    |                         |
| Withheld taxes of Federal employees   |  |                              |                |              |                                   |                           |   |                    |                         |
| Clearing account for Excise taxes—aviation fuel and oil—Air Force and Navy.....                                     |  |                              |                |              |                                   |                           |   |                    | -202                    |
| <b>Totals for States not shown above</b>  |  |                              |                |              |                                   |                           |   |                    |                         |
| (a) California.....   | 367  | 175                          | 1              | 53           | 13,744                            | 1,932                     | 1,001                                     | 1,369              | 44,353                  |
| (b) Illinois.....   | 40   | 95                           | 14             | 129          | 8,326                             | 2,384                     | 1,224                                     | 673                | 27,709                  |
| (c) New York.....   | 170  | 2                            | 17             | 3            | 8,562                             | 4,477                     | 7,830                                     | 21,002             | 238,952                 |
| (d) Ohio.....   | 100  | 206                          | 112            | 188          | 7,960                             | 398                       | 947                                       | 95                 | 58,020                  |
| (e) Pennsylvania.....   | 94   | 78                           | 37             | 60           | 10,722                            | 337                       | 2,284                                     | 37                 | 35,467                  |
| (f) Texas.....  | 207  | 5                            | 8              | 151          | 10,141                            | 1,071                     | 1,630                                     | 1,141              | 148,124                 |

**Table 2.—Internal revenue collections by sources and by quarters**  
In thousands of dollars

| Source of revenue   | Quarter ended <sup>1</sup> |                   |                   |                   |
|---|----------------------------|-------------------|-------------------|-------------------|
|   | Sept. 30, 1970             | Dec. 31, 1970     | Mar. 31, 1971     | June 30, 1971     |
| <b>Grand total</b> .....  | <b>43,494,259</b>          | <b>38,467,697</b> | <b>48,211,644</b> | <b>61,473,599</b> |
| Corporation income tax.....   | 6,280,313                  | 6,463,494         | 5,654,025         | 11,922,121        |
| Individual income and employment taxes, total.....                          | 32,394,143                 | 27,045,010        | 37,473,574        | 43,758,384        |
| Income tax not withheld and self-employment tax <sup>2</sup> .....          | 1,144,594                  | 6,731,123         | 13,777,121        | 13,777,121        |
| Income tax withheld and old-age and disability insurance <sup>3</sup> ..... | 27,499,024                 | 25,587,007        | 29,887,984        | 29,490,865        |
| Railroad retirement.....  | 256,035                    | 259,879           | 262,176           | 262,176           |
| Unemployment insurance.....   | 72,225                     | 57,374            | 614,588           | 228,222           |
| Estate tax.....   | 753,423                    | 787,773           | 876,756           | 934,690           |
| Gift tax.....   | 9,924                      | 10,376            | 11,548            | 399,795           |
| Excise taxes, total.....  | 4,056,456                  | 4,161,465         | 4,195,740         | 4,458,610         |
| Alcohol taxes, total.....   | 1,104,528                  | 1,397,570         | 1,049,774         | 1,248,611         |
| Distilled spirits <sup>4</sup> .....  | 769,246                    | 1,083,770         | 764,684           | 897,786           |
| Wines, cordials, etc.....   | 36,269                     | 48,315            | 49,046            | 43,644            |
| Beer.....   | 299,013                    | 265,484           | 236,044           | 307,181           |
| Tobacco taxes, total.....   | 564,342                    | 570,556           | 538,353           | 533,334           |
| Cigarettes.....   | 550,454                    | 554,439           | 526,068           | 518,568           |
| Cigars.....   | 13,383                     | 15,456            | 11,763            | 14,173            |
| Other.....  | 505                        | 661               | 522               | 595               |
| Manufacturers' excise taxes, total.....                                     | 1,800,325                  | 1,569,628         | 1,514,806         | 1,810,958         |
| Gasoline.....   | 897,980                    | 932,740           | 885,252           | 831,706           |
| Noncommercial aviation fuel other than gasoline.....                        |                            |                   | 2,726             | 4,858             |
| Lubricating oil, etc.....   | 23,849                     | 22,920            | 20,751            | 20,665            |
| Tires (wholly or in part of rubber), inner tubes, and tread rubber.....     | 175,516                    | 150,109           | 128,915           | 128,837           |
| Motor vehicles, chassis, bodies, parts, and accessories.....                | 689,461                    | 449,262           | 466,837           | 798,920           |
| Other <sup>5</sup> .....  | 11,871                     | 8,716             | 9,718             | 15,972            |
| Retailers' excise taxes, total.....   | -45                        | 1,591             | 1,575             | 1,717             |
| Noncommercial aviation gasoline.....  |                            | 1,589             | 1,447             | 1,717             |
| Other <sup>6</sup> .....  | -45                        |                   | 128               | 1                 |
| Miscellaneous excise taxes, total.....                                      | 639,419                    | 667,086           | 731,739           | 715,985           |
| Telephone and teletypewriter exchange services.....                         | 380,232                    | 406,811           | 432,427           | 405,062           |
| Transportation of persons by air.....                                       | 72,249                     | 105,585           | 133,578           | 111,670           |
| Use of international air travel facilities.....                             |                            | 7,807             | 9,387             | 8,519             |
| Transportation of property by air.....                                      |                            | 5,962             | 10,479            | 5,144             |
| Sugar.....  | 28,773                     | 31,549            | 27,701            | 25,533            |
| Diesel and special motor fuels.....   | 64,058                     | 68,889            | 65,053            | 68,389            |
| Narcotics and marihuana, including occupational taxes.....                  | 443                        | 647               | 463               | 301               |
| Coin-operated gaming devices.....   | 13,174                     | 659               | 333               | 1,017             |
| Wagering taxes:   |                            |                   |                   |                   |
| Occupational.....   | 121                        | 159               | 32                | 60                |
| Wagers.....   | 872                        | 1,269             | 994               | 1,437             |
| Use tax on highway motor vehicles.....                                      | 75,265                     | 15,441            | 27,128            | 27,224            |
| Use tax on civil aircraft.....  |                            | 6,356             | 7,348             | 4,015             |
| Private foundations, net investment income.....                             |                            |                   |                   | 24,589            |
| Other <sup>7</sup> .....  | 4,231                      | 15,955            | 16,818            | 33,025            |
| Unclassified excise taxes.....  | -52,113                    | -45,384           | 359,493           | 148,005           |

Table 3.—Internal revenue collections by sources, fiscal years 1970 and 1971

(In thousands of dollars)

| Sources of revenue  | Fiscal year       |                   |
|---|-------------------|-------------------|
|   | 1970 <sup>1</sup> | 1971 <sup>2</sup> |
|   | (1)               | (2)               |
| Grand total, all sources  | 195,722,096       | 191,647,198       |
| Corporation income taxes, total <sup>1</sup>  | 35,036,983        | 30,319,953        |
| Regular   | 35,032,183        | 30,313,195        |
| Exempt organization business income tax   | 4,800             | 6,758             |
| Individual income and employment taxes, total   | 141,100,773       | 140,671,111       |
| Income tax not withheld and self-employment tax <sup>1,4</sup>  | 28,177,709        | 26,209,943        |
| Income tax withheld and old-age and disability insurance, total <sup>1,4,5</sup>  | 111,166,075       | 112,444,380       |
| Railroad retirement, total <sup>2</sup>   | 980,851           | 1,043,878         |
| Unemployment insurance, employers of 4 or more persons taxed 3 percent on taxable portion of wages, effective January 1, 1970, credit allowed up to 90 percent of tax for contributions to State unemployment funds | 776,139           | 972,409           |
| 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                          | 3,241,321         | 3,352,641         |
| 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                        | 438,755           | 431,642           |
| Excise taxes, total   | 15,904,264        | 16,871,853        |
| Alcohol taxes, total  | 4,746,382         | 4,800,482         |
| Distilled spirits taxes, total  | 3,591,538         | 3,515,487         |
| Imported (collected by Customs, rates same as domestic)   | 766,888           | 775,391           |
| Domestic, \$10.50 per proof gallon or wine gallon when below proof  | 2,695,773         | 2,703,540         |
| Rectification, 30 cents per proof gallon <sup>1</sup>   | 25,101            | 25,001            |
| Occupational taxes:   |                   |                   |
| Nonbeverage manufacturers of spirits, \$25, \$50, \$100, per year   | 80                | 53                |
| Rectifiers:   |                   |                   |
| Less than 20,000 proof gallons, \$110 per year  | 6                 | 4                 |
| 20,000 proof gallons or more, \$20 per year   | 19                | 16                |
| Retail dealers in liquor or medicinal spirits, \$54 per year  | 12,427            | 10,572            |
| Wholesale liquor dealers, \$255 per year  | 631               | 593               |
| Manufacturers of stills, \$55 per year  | 12                | 5                 |
| Seizures, penalties, etc.   | 598               | 400               |
| Stills or condensers manufactured, \$22 each  | 3                 | 7                 |
| Wines, cordials, etc., taxes, total   | 163,337           | 177,273           |
| Imported (collected by Customs, rates same as domestic)   | 18,493            | 17,259            |
| Domestic (Still-wines, 17 cents, 67 cents, \$2.25 per wine gallon; sparkling wines, \$3.40; artificially carbonated wines, \$2.40; liquors, cordials, \$1.92)   | 142,268           | 157,270           |
| Occupational taxes:   |                   |                   |
| Retail dealers in wines or in wines and beer, \$54 per year   | 2,411             | 2,538             |
| Wholesale dealers in wines or in wines and beer, \$225 per year   | 165               | 206               |
| Beer taxes, total   | 1,081,507         | 1,107,722         |
| Imported (collected by Customs, rates same as domestic)   | 6,594             | 6,584             |
| Domestic, \$9 per barrel of 31 gallons <sup>1</sup>   | 1,070,906         | 1,097,657         |
| Occupational taxes:   |                   |                   |
| Brewers:  |                   |                   |
| Less than 500 barrels, \$55 per year  | 2                 | 1                 |
| 500 barrels or more, \$110 per year   | 22                | 17                |
| Retail dealers in beer, \$24 per year (includes limited retail dealers in wines or beer, \$2.20 per month)  | 3,195             | 2,626             |
| Wholesale dealers in beer, \$123 per year   | 799               | 638               |
| Tobacco taxes, total  | 2,094,212         | 2,206,585         |
| Cigarettes, total   | 2,036,101         | 2,149,527         |
| Small (Class A), \$4 per thousand   | 2,036,084         | 2,149,514         |
| Large (Class B), \$8.40 per thousand, except H over 6½ inches long \$4 per thousand for each 2½ inches of fraction thereof  | 16                | 12                |
| Prepayments   | 1                 | 1                 |
| Cigars, total   | 56,834            | 54,775            |
| Large cigars, total   | 56,174            | 54,088            |
| Class A (Retailing at not over 2½ cents each), \$2.50 per thousand  | 419               | 419               |
| Class B (Over 2½ cents, not over 4 cents each), \$3 per thousand  | 877               | 1,986             |
| Class C (Over 4 cents, not over 6 cents each), \$4 per thousand   | 12,416            | 10,876            |
| Class D (Over 6 cents, not over 8 cents each), \$7 per thousand   | 10,402            | 10,957            |
| Class E (Over 8 cents, not over 15 cents each), \$10 per thousand   | 23,298            | 21,577            |
| Class F (Over 15 cents, not over 20 cents each), \$15 per thousand  | 5,125             | 4,827             |
| Class G (Over 20 cents each) \$20 per thousand  | 3,650             | 3,446             |
| Small cigars, 75 cents per thousand   | 622               | 637               |
| Prepayments   | 37                | 50                |
| Imported cigars, cigarette papers and cigarette tubes, (collected by Customs, rates same as domestic)   | 512               | 765               |
| Miscellaneous Tobacco   | 9                 | 4                 |
| Cigarette papers and tubes, papers one-half cent per 50; tubes 1 cent per 50  | 756               | 1,513             |
| Stamp taxes on documents, other instruments, and playing cards cards, total <sup>1</sup>  | 220               | 68                |

Table 3.—Internal revenue collections by sources, fiscal years 1970 and 1971—Continued

(In thousands of dollars)

| Sources of revenue  | Fiscal year       |                   |
|---|-------------------|-------------------|
|   | 1970 <sup>1</sup> | 1971 <sup>2</sup> |
|   | (1)               | (2)               |
| Manufacturers' excise taxes, total  | 6,683,061         | 6,695,717         |
| Gasoline, 4 cents per gallon  | 3,430,076         | 3,547,678         |
| Noncommercial aviation fuel other than gasoline, 7 cents per gallon   | —                 | 10,918            |
| Lubricating oil, etc., 6 cents per gallon; cutting oil, 3 cents per gallon  | 87,510            | 86,165            |
| Tires (wholly or in part of rubber), inner tubes, and tread rubber:   |                   |                   |
| Tires, highway type, 10 cents per pound other, 2 cents per pound except laminated tires (other than type used on highway vehicles), 1 cent per pound                          | 561,049           | 541,840           |
| Inner tubes, 10 cent per pound  | 24,727            | 23,500            |
| Tread rubber, 5 cents per pound   | 29,018            | 28,037            |
| Motor vehicles, chassis, bodies, parts, and accessories:  |                   |                   |
| Passenger automobiles, chassis, bodies, etc., 7 percent <sup>1</sup>  | 1,753,327         | 1,695,112         |
| Trucks and buses, chassis, bodies, etc., 10 percent   | 639,986           | 625,250           |
| Parts and accessories for automobiles, trucks, etc., 8 percent <sup>1</sup>   | 84,069            | 84,078            |
| Radio and television sets, phonographs, components, etc., 10 percent <sup>1</sup>   | —                 | 129               |
| Refrigerators, freezers, air-conditioners, etc., 5 percent; self-contained air-conditioning units, 10 percent <sup>1</sup>  | —                 | —                 |
| Electric, gas, and oil appliances, 5 percent <sup>1</sup>   | —                 | —                 |
| Pistols and revolvers, 10 percent <sup>1</sup>  | —                 | —                 |
| Photograph records, 10 percent <sup>1</sup>   | 6,697             | 7,220             |
| Musical instruments, 10 percent <sup>1</sup>  | —                 | —                 |
| Fishing rods, creels, etc., 10 percent <sup>1</sup>   | —                 | —                 |
| Business and store machines, 10 percent <sup>1</sup>  | 13,924            | 14,303            |
| Firearms (other than pistols and revolvers), shells and cartridges, 11 percent  | —                 | —                 |
| Mechanical pencils, pens, 10 percent; lighters, 10 cents per lighter (\$1 or more) 10 percent (less than \$1) <sup>1</sup>  | 32,806            | 29,484            |
| Matches, 2 cents per thousand (but not to exceed 10 percent of selling price); tancy wooden or colored stems, 5½ cents per thousand <sup>1</sup>                              | 5                 | 1                 |
| Retailers' excise taxes, total  | 108               | 4,838             |
| Noncommercial aviation gasoline, 3 cents per gallon   | —                 | 4,753             |
| Luggage, etc., 10 percent   | 82                | (*)               |
| Jewelry, etc., 10 percent   | 26                | 154               |
| Furs, 10 percent  | 1                 | —                 |
| Toilet preparations, 10 percent <sup>1</sup>  | —                 | —                 |
| Miscellaneous excise taxes, total   | 2,342,222         | 2,754,162         |
| Admissions taxes, total <sup>1</sup>  | —                 | 62                |
| Theaters, concerts, athletic contests, etc.:  |                   |                   |
| Admissions, 1 cent for each 10 cents or major fraction thereof of the amount paid in excess of \$1  | —                 | —                 |
| Leases of boxes or seats, 10 percent of the amount for which similar accommodations are sold  | —                 | —                 |
| Roof gardens, cabarets, etc., 10 percent of total paid for admissions, services, etc.   | —                 | —                 |
| Club dues and initiation fees, 20 percent (if dues or fees are in excess of \$10 per year) <sup>1</sup>   | 266               | 83                |
| Telephone and telegraph exchange services 10 percent; wire and equipment services, 8 percent <sup>1</sup>   | 1,469,562         | 1,624,533         |
| Transportation of property by air, 5 percent  | 250,802           | 423,082           |
| Use of international air travel facilities, \$3 per person  | —                 | 21,585            |
| Sugar, approximately half-cent per pound  | 113,309           | 25,713            |
| Diesel and special motor fuels, 4 cents per gallon (in some instances 2 cents per gallon)   | 257,712           | 265,388           |
| Narcotics and marihuana, total <sup>1</sup>   | 2,075             | 1,853             |
| Narcotics   | 1,257             | 723               |
| Marihuana   | 818               | 1,130             |
| Coin-operated amusement devices \$10 per device, per year, bowling alleys, pool tables, etc., \$20 per alley or table, per year <sup>1</sup>                                  | 27                | 20                |
| Coin-operated gaming devices, \$20 per device per year  | 14,256            | 15,183            |
| Wagering taxes:   |                   |                   |
| Occupational tax, \$50 per year   | 4,570             | 369               |
| Wagers, 10 percent of amount wagered  | 4,063             | 4,572             |
| Use tax on highway vehicles weighing over 26,000 pounds, \$3 per 1,000 pounds per year (installment privileges permitted)   | 135,086           | 145,558           |
| Use tax on civil aircraft, \$25 per year with an additional 2 cents per pound on nonturbine engine powered over 2,500 pounds, or 3½ cents per pound on turbine engine powered | —                 | 17,720            |
| Adulterate butter and filled cheese (imported and domestic), process or renovated butter and imported oleo margarine <sup>1</sup>   | 13                | 2                 |
| Firearms transfer and occupational taxes <sup>1</sup>   | 91                | 122               |
| Interest equalization   | 85,906            | 60,118            |
| Foreign insurance   | 8,614             | 9,579             |
| Private foundations net investment income, 4 percent  | —                 | —                 |
| Self-dealing, disqualified persons, 5 percent, foundation managers (if applicable) lesser of \$10,000 or 2½ percent of amount involved  | —                 | —                 |
| Excess business holding, 5 percent  | —                 | —                 |
| Taxable expenditures foundation 10 percent, foundation managers (if applicable) lesser of \$5,000 or 2½ percent of amount   | —                 | —                 |
| Unclassified excise taxes   | 38,059            | 410,000           |

Table 4.—Internal revenue collections by principal sources, fiscal years 1940 through 1971

(In thousands of dollars)

| Fiscal year ended June 30 | Total internal revenue collections | Income and profits taxes |   |                                      | Employment taxes <sup>1</sup> | Estate and gift taxes | Alcohol taxes <sup>2</sup> | Tobacco taxes <sup>3</sup> | Manufacturers' excise taxes | All other taxes |
|---------------------------|------------------------------------|--------------------------|---|--------------------------------------|-------------------------------|-----------------------|----------------------------|----------------------------|-----------------------------|-----------------|
|                           |                                    | Total                    | Corporation income and profits taxes <sup>4</sup> | Individual income taxes <sup>5</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                    | 447,868                     | 537,392         |
| 1941                      | 7,370,108                          | 3,471,124                | 2,053,469   | 1,417,655                            | 923,856                       | 407,058               | 820,056                    | 698,071                    | 617,373                     | 430,564         |
| 1942                      | 13,047,669                         | 8,006,884                | 4,744,003   | 3,262,800                            | 1,186,862                     | 432,540               | 1,048,517                  | 780,982                    | 771,902                     | 821,682         |
| 1943                      | 22,371,386                         | 16,293,888               | 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               | 1,618,775                  | 980,483                    | 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                    | 782,911                     | 2,292,108       |
| 1946                      | 40,672,097                         | 31,258,138               | 12,553,602  | 18,704,536                           | 1,700,828                     | 676,832               | 2,526,185                  | 1,165,519                  | 922,671                     | 2,421,944       |
| 1947                      | 39,106,386                         | 29,619,756               | 9,676,459   | 19,343,297                           | 2,024,365                     | 779,291               | 2,474,782                  | 1,237,786                  | 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               | 2,710,607                  | 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               | 2,549,100                  | 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                  | 1,654,911                  | 2,862,788                   | 2,647,492       |
| 1954                      | 69,919,991                         | 54,360,014               | 21,546,322  | 32,813,691                           | 5,107,623                     | 935,121               | 2,783,012                  | 1,580,229                  | 2,689,133                   | 2,464,859       |
| 1955                      | 66,288,692                         | 49,914,826               | 18,264,720  | 31,650,106                           | 6,219,665                     | 936,267               | 2,742,840                  | 1,571,213                  | 2,885,016                   | 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                  | 1,613,497                  | 3,456,013                   | 2,019,300       |
| 1957                      | 80,171,971                         | 60,560,425               | 21,530,653  | 39,029,772                           | 7,580,522                     | 1,377,899             | 2,973,195                  | 1,674,050                  | 3,761,929                   | 2,243,886       |
| 1958                      | 78,978,476                         | 59,101,674               | 20,533,316  | 38,568,559                           | 8,644,386                     | 1,410,925             | 2,946,461                  | 1,734,021                  | 3,974,135                   | 2,168,675       |
| 1959                      | 79,787,973                         | 58,825,254               | 18,091,509  | 40,734,744                           | 8,853,744                     | 1,352,982             | 3,002,096                  | 1,806,816                  | 3,958,789                   | 1,997,292       |
| 1960                      | 81,774,803                         | 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                      | 105,925,395                        | 79,323,714               | 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                  | 2,052,545                  | 6,020,543                   | 2,299,645       |
| 1965                      | 114,434,634                        | 79,792,016               | 26,131,334  | 53,660,683                           | 17,104,206                    | 2,745,532             | 3,772,634                  | 2,148,594                  | 6,418,145                   | 2,453,406       |
| 1966                      | 128,879,561                        | 92,131,794               | 30,854,243  | 61,297,552                           | 20,256,133                    | 3,093,922             | 3,814,378                  | 2,073,956                  | 5,513,869                   | 1,895,909       |
| 1967                      | 146,374,815                        | 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                        | 108,148,565              | 29,896,620  | 78,252,045                           | 28,085,899                    | 3,081,979             | 4,287,237                  | 2,162,777                  | 5,713,973                   | 2,196,909       |
| 1969                      | 187,919,560                        | 135,778,052              | 38,337,646  | 97,440,406                           | 33,068,657                    | 3,530,065             | 4,555,560                  | 2,137,585                  | 6,501,146                   | 2,348,495       |
| 1970                      | 195,722,096                        | 138,688,588              | 35,036,993  | 103,651,585                          | 37,449,188                    | 3,680,076             | 4,746,382                  | 2,094,212                  | 6,683,061                   | 2,380,699       |
| 1971                      | 191,647,198                        | 131,077,381              | 30,319,953  | 100,752,121                          | 39,918,690                    | 3,784,283             | 4,800,482                  | 2,206,585                  | 6,695,717                   | 3,163,167       |

Footnotes for tables 1-4

- \* Less than \$500.
- <sup>1</sup> Revised.
- <sup>2</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>3</sup> Includes tax on unrelated business income of exempt organizations.
- <sup>4</sup> Collections of individual income tax not withheld include old-age, survivors, disability, and hospital insurance taxes on self-employment income. 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. 13 and are used in obtaining national totals for individual income taxes and employment taxes in table 4.
- <sup>5</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>6</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 \$10.1 million for 1971.
- <sup>7</sup> Tax payments made to banks under the Federal tax deposit system or the prior depository receipts system, included in the internal revenue collections for the period in which the Federal tax deposit is purchased or the depository receipts were issued. However, such payments are not classified by internal revenue districts (nor by tax subclasses to which excise tax payments relate) until the Federal tax deposit payment is applied to the taxpayer's liability in the internal revenue offices or the depository receipts are received in the internal revenue offices with tax returns.
- <sup>8</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>9</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 8.
- <sup>10</sup> Includes occupational tax on manufacturers of stills, rectifiers, wholesale liquor dealers, retail dealers in liquor or medicinal spirits, and non-beverage manufacturers of spirits.
- <sup>11</sup> Includes seizures, penalties, etc., and tax on stills or condensers manufactured.
- <sup>12</sup> Includes occupational taxes on wholesale and retail dealers in wines or in wines and beer.
- <sup>13</sup> Includes occupational taxes on brewers and wholesale and retail beer dealers.
- <sup>14</sup> Includes taxes on domestically produced cigarette papers and cigarette tubes, taxes collected by Customs on imported cigars, cigarettes, cigarette papers and cigarette tubes; and miscellaneous tobacco collections.
- <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; business and store machines; mechanical pencils, pens, and lighters; radio and television sets, phonographs, components, etc.; refrigerators, freezers, air-conditioners, etc.; electric, gas and oil appliances.
- <sup>16</sup> Includes taxes on jewelry, and toilet preparations; repealed effective June 22, 1965 (Public Law 89-44).
- <sup>17</sup> Includes taxes on admissions to theaters, concerts, athletic contests, roof gardens, carnivals, etc.; foreign insurance; adulterated butter and filled cheese (imported and domestic); process or renovated butter and imported oleomargarine; stamp taxes on documents, and other instruments; interest equalization; coin-operated amusement devices, bowling alleys, pool tables, etc.; firearms transfer and occupational taxes; and private foundations (self-dealing, excess building holding, and taxable expenditures).
- <sup>18</sup> Corporation income tax rates: Effective Jan. 1, 1965, fixed \$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. Effective Jan. 1, 1965, a 10 percent per annum surcharge was added to the tax. (Public Law 90-364). The 10 percent per annum surcharge was extended to Dec. 31, 1969, by P.L. 91-53 and then extended to June 30, 1970 by P.L. 91-177 at a 5 percent annual rate.

- <sup>19</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. Includes old-age, survivors, disability, and hospital insurance taxes on self-employment taxable income. The 10 percent per annum surcharge added by Public Law 90-364, effective April 1, 1968, for individuals, was extended to Dec. 31, 1969, at the same annual rate (P.L. 91-53) and then extended to June 30, 1970 (P.L. 91-177) at a 5 percent annual rate.
- <sup>20</sup> Rates of tax are as follows: Income tax graduated withholding in excess of exemptions: Public Law 89-368, effective July 1, 1967, 14 to 33 percent—Public Law 91-172, effective January 1, 1970, 14 to 25 percent. Old-age, survivors, and disability insurance taxes and hospital insurance taxes on salaries and wages were subjected to a combined tax rate of 4.8 percent (4.2 percent for social security and 0.6 percent for hospital insurance) through December 31, 1970. Effective January 1, 1971 rate changed to 5.2 percent (4.6 percent for social security and 0.6 percent for hospital insurance). For 1970 and 1971 the tax applies to wages up to \$7,800 paid by the employer to the employee.
- <sup>21</sup> Includes railroad employment compensation tax, 9.55 percent for calendar year 1970 and 9.95 for calendar year 1971. Tax applies to employers and employees imposed on taxable portion of wages. Also includes supplemental tax on employers for compensation received, at the following rates: 2 cents per man-hour October 1, 1966 through Mar. 31, 1970; 6 cents per man-hour April 1, 1970 through June 30, 1970; 7 cents per man-hour July 1, 1970 through December 31, 1970; 8 cents per man-hour January 1, 1971 through March 31, 1971. Thereafter, employer and employee representative will be notified of the tax rate applicable for the quarter by the Railroad Retirement board (P.L. 91-215). Further includes railroad employees representative tax, 19.1 percent for calendar year 1970 and 19.9 percent for calendar year 1971 on taxable portion of wages.
- <sup>22</sup> Issues and transfers of stocks and bonds, repealed, effective Jan. 1, 1966. Deeds of conveyances; \$100 to \$500 cents; each additional \$500 or fraction thereof, 55 cents; repealed effective January 1, 1968.
- <sup>23</sup> Cutting oil, repealed Jan. 1, 1966 (Public Law 89-44).
- <sup>24</sup> Under the Revenue and Expenditure Control Act of June 28, 1968 (Public Law 90-367) rate restored retroactively to 7 percent, effective through Dec. 31, 1969. P.L. 91-614 further extended the 7 percent rate through the end of 1972.
- <sup>25</sup> Repealed, effective June 22, 1965 (Public Law 89-44).
- <sup>26</sup> Air conditioners, repealed, effective May 15, 1965. Refrigerators and freezers repealed, effective June 22, 1965 (Public Law 89-44).
- <sup>27</sup> Repealed, effective noon, Dec. 31, 1965 (Public Law 89-44).
- <sup>28</sup> Repealed, effective Jan. 1, 1966 (Public Law 89-44).
- <sup>29</sup> This tax was continued at 10 percent by joint resolution (Public Law 90-285), and the Revenue and Expenditure Control Act of June 28, 1968 (Public Law 90-364), which extended this rate through Dec. 31, 1969. This rate was further extended, to Dec. 31, 1972 by P.L. 91-614.
- <sup>30</sup> Repealed effective July 1, 1965 (Public Law 89-44).
- <sup>31</sup> Narcotics, 1 cent per ounce; narcotics order blanks, \$1 per hundred. Marijuana, \$1 per ounce; marijuana 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>32</sup> Adulterated butter, 10 cents per pound. Process or renovated butter; 1 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>33</sup> Transfers of machine guns, shot-barreled firearms, slencers, 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 amount shown.
- <sup>34</sup> Negative figures (excluding unapplied collections) 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**

(In thousands of dollars)

| Internal revenue regions, districts, States and other areas<br>(States represented by single districts indicated in parentheses; total 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) | 260,333 |
|---|-------------------|---------------------------|--|----------------|---------------|--------------|----------------------------|---------|
|   |                   |                           | Excessive prepayments<br>(3)           | Other<br>(4)   |               |              |                            |         |
|   |                   |                           |  |                |               |              |                            |         |
| <b>United States, total</b>   | <b>19,022,669</b> | <b>3,622,488</b>          | <b>14,287,748</b>                      | <b>876,900</b> | <b>52,754</b> | <b>3,234</b> | <b>260,333</b>             |         |
| <b>North-Atlantic Region</b>  | <b>2,341,885</b>  | <b>842,881</b>            | <b>2,283,704</b>                       | <b>71,433</b>  | <b>13,506</b> | <b>531</b>   | <b>29,286</b>              |         |
| Albany (See (c) below)  | 126,321           | 10,630                    | 112,710                                | 1,948          | 412           | 119          | 441                        |         |
| Augusta (Maine)   | 63,758            | 6,746                     | 55,564                                 | 1,200          | 151           | 5            | 92                         |         |
| Boston (Massachusetts)  | 598,172           | 91,306                    | 423,586                                | 2,274          | 3,254         | 29           | 423                        |         |
| Brooklyn (See (c) below)  | 589,774           | 48,605                    | 515,101                                | 9,154          | 2,025         | 20           | 5,869                      |         |
| Buffalo (See (c) below)   | 402,562           | 57,857                    | 335,971                                | 4,886          | 1,232         | 19           | 2,896                      |         |
| Burlington (Vermont)  | 29,157            | 2,749                     | 25,167                                 | 536            | 84            | 1            | 120                        |         |
| Hartford (Connecticut)  | 347,681           | 83,651                    | 259,964                                | 7,452          | 534           | 46           | 5,658                      |         |
| Manhattan (See (c) below)   | 1,122,264         | 621,173                   | 448,846                                | 35,588         | 5,185         | 291          | 11,701                     |         |
| Portsmouth (New Hampshire)  | 52,515            | 4,726                     | 46,810                                 | 1,063          | 103           | 43           | 146                        |         |
| Providence (Rhode Island)   | 86,466            | 15,300                    | 69,385                                 | 1,441          | 193           | (*)          | 2                          |         |
| <b>Mid-Atlantic Region</b>  | <b>2,526,285</b>  | <b>399,288</b>            | <b>2,044,343</b>                       | <b>36,834</b>  | <b>5,140</b>  | <b>158</b>   | <b>40,587</b>              |         |
| Baltimore (Maryland and D.C.)   | 450,705           | 58,212                    | 377,171                                | 6,961          | 1,460         | 23           | 7,777                      |         |
| Newark (New Jersey)   | 697,581           | 94,264                    | 569,905                                | 12,448         | 1,631         | 28           | 19,305                     |         |
| Philadelphia (See (e) below)  | 681,491           | 166,295                   | 495,620                                | 9,268          | 780           | 80           | 9,448                      |         |
| Pittsburgh (See (e) below)  | 344,122           | 40,102                    | 297,670                                | 4,447          | 737           | 14           | 1,151                      |         |
| Richmond (Virginia)   | 258,823           | 19,874                    | 268,558                                | 3,717          | 429           | 5            | 2,538                      |         |
| Wilmington (Delaware)   | 97,384            | 20,421                    | 35,719                                 | 753            | 103           | (*)          | 388                        |         |
| <b>Southeast Region</b>   | <b>4,684,783</b>  | <b>288,183</b>            | <b>4,426,334</b>                       | <b>39,037</b>  | <b>3,382</b>  | <b>254</b>   | <b>13,791</b>              |         |
| Atlanta (Georgia)   | 287,677           | 31,619                    | 246,420                                | 6,318          | 125           | 3            | 1,153                      |         |
| Birmingham (Alabama)  | 198,986           | 16,454                    | 179,361                                | 3,745          | 360           | 12           | 263                        |         |
| Columbia (South Carolina)   | 125,907           | 7,217                     | 115,346                                | 2,358          | 65            | 6            | 729                        |         |
| Greensboro (North Carolina)   | 275,106           | 45,776                    | 216,673                                | 4,582          | 458           | 30           | 757                        |         |
| Jackson (Mississippi)   | 92,753            | 6,395                     | 82,300                                 | 3,887          | 99            | 6            | 275                        |         |
| Jacksonville (Florida)  | 491,222           | 57,536                    | 418,316                                | 12,856         | 5,431         | 182          | 805                        |         |
| Nashville (Tennessee)   | 223,050           | 36,417                    | 179,625                                | 5,491          | 361           | 3            | 1,253                      |         |
| <b>Central Region</b>   | <b>2,882,884</b>  | <b>604,492</b>            | <b>2,022,968</b>                       | <b>35,688</b>  | <b>3,973</b>  | <b>787</b>   | <b>16,430</b>              |         |
| Cincinnati (See (d) below)  | 353,598           | 44,432                    | 298,632                                | 5,905          | 844           | 149          | 6,635                      |         |
| Cleveland (See (d) below)   | 575,206           | 109,548                   | 453,804                                | 8,226          | 1,256         | 536          | 2,242                      |         |
| Detroit (Michigan)  | 1,312,150         | 594,151                   | 709,105                                | 11,096         | 1,706         | 41           | 10,344                     |         |
| Indianapolis (Indiana)  | 371,029           | 73,035                    | 298,397                                | 8,846          | 238           | 31           | 1,495                      |         |
| Kentucky (Kentucky)   | 173,863           | 12,906                    | 155,725                                | 3,491          | 216           | 31           | 1,485                      |         |
| Louisville (Kentucky)   | 91,038            | 5,830                     | 83,243                                 | 1,182          | 118           | 293          | 1,145                      |         |
| Parkersburg (West Virginia)   | 2,152,188         | 1,943,288                 | 45,316                                 | 7,376          | 357           | 23           | 1,539                      |         |
| <b>Midwest Region</b>   | <b>2,927,788</b>  | <b>485,217</b>            | <b>2,442,571</b>                       | <b>31,678</b>  | <b>3,660</b>  | <b>188</b>   | <b>15,715</b>              |         |
| Aberdeen (South Dakota)   | 29,027            | 1,485                     | 26,468                                 | 916            | 78            | 7            | 78                         |         |
| Chicago (See (d) below)   | 940,028           | 215,614                   | 697,867                                | 3,660          | 188           | 168          | 2,499                      |         |
| Des Moines (Iowa)   | 163,051           | 15,857                    | 141,472                                | 3,524          | 354           | 23           | 822                        |         |
| Fargo (North Dakota)  | 26,576            | 1,004                     | 24,613                                 | 883            | 36            | 8            | 32                         |         |
| Milwaukee (Wisconsin)   | 325,020           | 47,877                    | 270,338                                | 5,006          | 767           | 31           | 1,001                      |         |
| Omaha (Nebraska)  | 91,304            | 12,903                    | 75,357                                 | 1,800          | 180           | 70           | 344                        |         |
| Omaha (Missouri)  | 448,638           | 150,628                   | 282,105                                | 6,778          | 535           | 32           | 8,561                      |         |
| St. Paul (Minnesota)  | 336,484           | 75,956                    | 251,529                                | 5,059          | 304           | 20           | 3,594                      |         |
| Springfield (See (d) below)   | 201,560           | 22,202                    | 173,346                                | 3,796          | 391           | 3            | 1,832                      |         |
| <b>Southwest Region</b>   | <b>1,477,483</b>  | <b>253,791</b>            | <b>1,360,390</b>                       | <b>50,001</b>  | <b>6,796</b>  | <b>306</b>   | <b>6,314</b>               |         |
| Albuquerque (New Mexico)  | 60,525            | 2,092                     | 55,845                                 | 1,482          | 1,059         | 42           | 1,659                      |         |
| Austin (See (f) below)  | 435,134           | 68,237                    | 351,720                                | 12,570         | 823           | 125          | 2,104                      |         |
| Cheyenne (Wyoming)  | 20,379            | 832                       | 18,557                                 | 735            | 149           | 2            | 104                        |         |
| Dallas (See (f) below)  | 357,816           | 81,088                    | 261,084                                | 12,344         | 773           | 77           | 2,499                      |         |
| Denver (Colorado)   | 186,789           | 24,709                    | 156,917                                | 4,604          | 354           | 6            | 209                        |         |
| Little Rock (Arkansas)  | 87,734            | 6,870                     | 76,216                                 | 2,463          | 71            | 5            | 103                        |         |
| New Orleans (Louisiana)   | 225,459           | 20,679                    | 196,618                                | 6,807          | 797           | 56           | 501                        |         |
| Oklahoma City (Oklahoma)  | 161,522           | 24,995                    | 127,365                                | 4,089          | 4,293         | 14           | 765                        |         |
| Wichita (Kansas)  | 142,245           | 20,291                    | 116,968                                | 4,901          | 527           | 17           | 441                        |         |
| <b>Western Region</b>   | <b>3,631,007</b>  | <b>462,163</b>            | <b>3,055,009</b>                       | <b>72,795</b>  | <b>9,930</b>  | <b>847</b>   | <b>12,138</b>              |         |
| Anchorage (Alaska)  | 34,639            | 1,557                     | 32,011                                 | 902            | 65            | 5            | 104                        |         |
| Boise (Idaho)   | 49,781            | 8,890                     | 39,426                                 | 1,193          | 113           | 3            | 151                        |         |
| Helena (Montana)  | 40,178            | 3,002                     | 35,853                                 | 1,073          | 158           | 3            | 57                         |         |
| Honolulu (Hawaii)   | 81,016            | 15,515                    | 63,749                                 | 1,551          | 196           | 2            | 43                         |         |
| Los Angeles (See (c) below)   | 1,746,308         | 232,396                   | 1,473,958                              | 31,225         | 5,212         | 223          | 3,394                      |         |
| Phoenix (Arizona)   | 143,586           | 12,545                    | 127,925                                | 2,761          | 257           | 11           | 87                         |         |
| Portland (Oregon)   | 172,093           | 33,991                    | 133,506                                | 4,155          | 267           | 13           | 463                        |         |
| Reno (Nevada)   | 95,282            | 3,967                     | 85,345                                 | 1,828          | 87            | 3            | 61                         |         |
| Salt Lake City (Utah)   | 79,569            | 5,748                     | 72,302                                 | 1,407          | 48            | 8            | 739                        |         |
| San Francisco (See (a) below)   | 896,041           | 101,699                   | 765,179                                | 18,569         | 2,674         | 568          | 7,352                      |         |
| Seattle (Washington)  | 110,514           | 42,860                    | 257,823                                | 6,131          | 953           | 8            | 20                         |         |
| <b>Office of International Operations</b>   | <b>97,634</b>     | <b>10,529</b>             | <b>78,067</b>                          | <b>6,902</b>   | <b>994</b>    | <b>2</b>     | <b>7</b>                   |         |
| Puerto Rico   | 15,220            | 5                         | 13,815                                 | 1,387          | (*)           | (*)          | 13                         |         |
| Other   | 82,294            | 65,252                    | 5,115                                  | 5,515          | 994           | 2            | 117,023                    |         |
| <b>Gasoline, lubricating oil and excess FICA credits—Bureau of Customs</b>  | <b>834,643</b>    | <b>2,438</b>              | <b>832,205</b>                         | <b>517,614</b> |               |              | <b>2,438</b>               |         |
| <b>Total for States not shown above</b>   |                   |                           |  |                |               |              |                            |         |

| (a) California | (b) Illinois | (c) New York | (d) Ohio | (e) Pennsylvania | (f) Texas |
|----------------|--------------|--------------|----------|------------------|-----------|
| 2,642,349      | 1,141,588    | 2,231,921    | 928,804  | 1,025,813        | 792,950   |
| 334,094        | 237,816      | 738,325      | 151,980  | 206,397          | 149,325   |
| 2,239,037      | 871,213      | 1,412,528    | 752,436  | 791,290          | 612,804   |
| 49,794         | 51,356       | 13,725       | 13,715   | 24,914           | 1,546     |
| 7,886          | 4,041        | 8,854        | 2,100    | 1,517            | 1,546     |
| 791            | 207          | 685          | 94       | 202              | 4,158     |

<sup>1</sup> Less than \$500.  
<sup>2</sup> Includes drawbacks.  
<sup>3</sup> Figures have not been reduced to reflect reimbursements from Federal Old Age and Survivors, Federal Disability and Federal Hospital Insurance Trust Funds amounting to \$517,614,000 in 1971 and \$385,094,000 in 1970; from the Highway Trust Fund amounting to \$122,512,000 in 1971 and \$32,074,000 in 1970; and from the Unemployment Trust Fund amounting to \$7,973,000 in 1971 and \$6,500,000 in 1970.  
<sup>4</sup> Net of \$6,148 undeliverable checks totaling \$14,546,753.  
<sup>5</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 (States represented by single districts indicated in parentheses; total for other States shown at bottom of table) | Total <sup>1</sup><br>(1) | Individual income tax <sup>2</sup><br>(2) | Corporation income tax <sup>3</sup><br>(3) | Partnership <sup>4</sup><br>(4) | Declaration of estimated tax and all other income taxes <sup>5</sup><br>(5) | Employment taxes<br>(6) | Estate tax<br>(7) | Gift tax<br>(8) | Excise taxes<br>(9) |                             |                    |                   |                  |                  |                  |                   |                |                |
|--|---------------------------|---|--|---------------------------------|---|-------------------------|-------------------|-----------------|---------------------|-----------------------------|--------------------|-------------------|------------------|------------------|------------------|-------------------|----------------|----------------|
|  |                           |   |  |                                 |   |                         |                   |                 |                     | 111,446,930                 | 75,396,618         | 1,820,556         | 1,051,627        | 9,573,149        | 21,899,343       | 149,432           | 165,481        | 1,408,704      |
|  |                           |   |  |                                 |   |                         |                   |                 |                     | <b>United States, total</b> | <b>111,446,930</b> | <b>75,396,618</b> | <b>1,820,556</b> | <b>1,051,627</b> | <b>9,573,149</b> | <b>21,899,343</b> | <b>149,432</b> | <b>165,481</b> |
| <b>North-Atlantic Region</b>   | <b>18,015,978</b>         | <b>11,894,143</b>                         | <b>442,539</b>                             | <b>150,787</b>                  | <b>1,718,787</b>  | <b>3,479,303</b>        | <b>31,710</b>     | <b>30,739</b>   | <b>170,990</b>      |                             |                    |                   |                  |                  |                  |                   |                |                |
| Albany (See (c) below)   | 944,609                   | 647,071                                   | 16,124                                     | 7,419                           | 74,250  | 181,829                 | 1,874             | 1,452           | 14,580              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Augusta (Maine)  | 538,627                   | 364,427                                   | 8,793                                      | 4,012                           | 42,943  | 110,373                 | 1,986             | 8,733           | 42,232              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Boston (See (c) below)   | 3,930,712                 | 2,315,800                                 | 71,733                                     | 17,683                          | 319,642   | 570,654                 | 4,466             | 5,772           | 25,242              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Brooklyn (See (c) below)   | 2,728,764                 | 2,609,355                                 | 97,056                                     | 34,307                          | 282,031   | 650,337                 | 6,637             | 5,775           | 6,616               |                             |                    |                   |                  |                  |                  |                   |                |                |
| Buffalo (See (c) below)  | 2,392,701                 | 1,717,017                                 | 40,857                                     | 19,018                          | 176,599   | 404,336                 | 3,504             | 3,185           | 28,177              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Burlington (Vermont)   | 126,563                   | 81,816                                    | 4,816                                      | 2,216                           | 22,393  | 59,669                  | 60                | 3,925           | 1,210               |                             |                    |                   |                  |                  |                  |                   |                |                |
| Hartford (Connecticut)   | 1,915,984                 | 1,309,555                                 | 37,730                                     | 20,388                          | 185,034   | 370,720                 | 2,887             | 3,958           | 16,833              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Manhattan (See (c) below)  | 3,805,280                 | 2,173,784                                 | 144,217                                    | 42,068                          | 427,805   | 970,671                 | 5,990             | 8,853           | 31,792              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Portsmouth (New Hampshire)   | 423,063                   | 286,443                                   | 7,872                                      | 2,319                           | 36,033  | 83,464                  | 550               | 606             | 5,617               |                             |                    |                   |                  |                  |                  |                   |                |                |
| Providence (Rhode Island)  | 565,870                   | 402,246                                   | 14,341                                     | 2,272                           | 41,319  | 93,363                  | 681               | 893             | 5,078               |                             |                    |                   |                  |                  |                  |                   |                |                |
| <b>Mid-Atlantic Region</b>   | <b>16,341,082</b>         | <b>11,016,917</b>                         | <b>294,875</b>                             | <b>149,281</b>                  | <b>1,715,062</b>  | <b>2,996,872</b>        | <b>20,615</b>     | <b>20,384</b>   | <b>168,374</b>      |                             |                    |                   |                  |                  |                  |                   |                |                |
| Baltimore (Maryland and D.C.)  | 2,746,793                 | 1,607,532                                 | 41,300                                     | 24,765                          | 196,272   | 553,045                 | 2,000             | 3,960           | 26,864              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Newark (New Jersey)  | 4,147,493                 | 2,833,568                                 | 100,623                                    | 39,740                          | 340,210   | 787,295                 | 6,444             | 5,859           | 34,140              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Philadelphia (See (e) below)   | 4,011,501                 | 2,780,112                                 | 56,366                                     | 38,797                          | 338,818   | 729,296                 | 5,492             | 4,505           | 38,115              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Pittsburgh (See (e) below)   | 2,288,362                 | 1,645,363                                 | 23,376                                     | 8,826                           | 189,066   | 371,593                 | 2,591             | 2,186           | 30,180              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Richmond (Virginia)  | 2,376,627                 | 1,648,911                                 | 30,533                                     | 20,711                          | 156,907   | 468,162                 | 2,720             | 3,219           | 27,718              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Wilmington (Delaware)  | 318,679                   | 205,131                                   | 7,676                                      | 1,942                           | 30,369  | 69,192                  | 643               | 655             | 3,251               |                             |                    |                   |                  |                  |                  |                   |                |                |
| <b>Southeast Region</b>  | <b>14,587,679</b>         | <b>9,609,376</b>                          | <b>225,443</b>                             | <b>113,579</b>                  | <b>1,023,739</b>  | <b>1,994,874</b>        | <b>15,323</b>     | <b>15,021</b>   | <b>187,633</b>      |                             |                    |                   |                  |                  |                  |                   |                |                |
| Atlanta (Georgia)  | 2,223,187                 | 1,341,089                                 | 32,128                                     | 17,049                          | 128,721   | 543,807                 | 1,811             | 3,277           | 25,579              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Birmingham (Alabama)   | 1,531,271                 | 1,042,995                                 | 19,066                                     | 12,707                          | 78,672  | 255,883                 | 1,067             | 1,996           | 18,865              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Columbia (South Carolina)  | 1,744,512                 | 846,955                                   | 10,733                                     | 7,815                           | 67,698  | 282,855                 | 1,013             | 1,334           | 20,249              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Greensboro (North Carolina)  | 2,556,953                 | 1,739,274                                 | 37,042                                     | 20,648                          | 150,787   | 374,634                 | 2,748             | 3,430           | 26,923              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Jackson (Mississippi)  | 915,122                   | 591,758                                   | 11,832                                     | 9,677                           | 45,396  | 123,223                 | 729               | 1,200           | 18,317              |                             |                    |                   |                  |                  |                  |                   |                |                |
| Jacksonville (Florida)   | 3,325,923                 | 2,525,258                                 | 86,252                                     |                                 |   |                         |                   |                 |                     |                             |                    |                   |                  |                  |                  |                   |                |                |

**Table 7.—Internal Revenue Collections, Cost, Employees, and U.S. Population, 1942 through 1971**

| Fiscal year | Operating cost<br>(1) | Collections<br>(2) | Cost of collecting \$100<br>(3) | Population (Thousands)<br>(4) | Tax per capita<br>(5) | Number of employees |                        |              |
|-------------|-----------------------|--------------------|---------------------------------|-------------------------------|-----------------------|---------------------|------------------------|--------------|
|             |                       |                    |                                 |                               |                       | Total<br>(6)        | National Office<br>(7) | Field<br>(8) |
| 1942        | 75, 105, 704          | 13, 047, 868, 518  | 0.58                            | 135, 961                      | 96.39                 | 29, 065             | 4, 329                 | 24, 736      |
| 1943        | 99, 093, 512          | 22, 371, 386, 497  | .44                             | 137, 290                      | 163.00                | 36, 339             | 4, 377                 | 31, 961      |
| 1944        | 129, 941, 948         | 40, 121, 760, 233  | .32                             | 138, 916                      | 282.82                | 46, 171             | 4, 273                 | 41, 898      |
| 1945        | 145, 390, 720         | 43, 800, 387, 576  | .33                             | 140, 468                      | 311.82                | 49, 814             | 4, 441                 | 45, 373      |
| 1946        | 174, 795, 640         | 40, 672, 096, 998  | .43                             | 141, 536                      | 286.55                | 55, 693             | 5, 144                 | 54, 549      |
| 1947        | 203, 916, 822         | 39, 108, 385, 742  | .52                             | 144, 698                      | 270.28                | 52, 830             | 4, 771                 | 48, 059      |
| 1948        | 183, 731, 069         | 41, 864, 542, 295  | .44                             | 147, 208                      | 147.39                | 52, 143             | 4, 662                 | 47, 481      |
| 1949        | 230, 408, 200         | 38, 957, 131, 768  | .59                             | 152, 271                      | 255.84                | 55, 551             | 4, 303                 | 51, 248      |
| 1950        | 245, 869, 538         | 50, 445, 686, 315  | .49                             | 154, 878                      | 325.71                | 57, 795             | 4, 030                 | 53, 765      |
| 1951        | 271, 872, 192         | 65, 009, 585, 560  | .42                             | 157, 553                      | 412.62                | 55, 370             | 3, 842                 | 51, 528      |
| 1952        | 268, 590, 806         | 69, 686, 535, 389  | .38                             | 160, 184                      | 435.00                | 53, 463             | 3, 834                 | 49, 629      |
| 1953        | 268, 969, 107         | 69, 919, 990, 791  | .39                             | 163, 026                      | 428.89                | 51, 411             | 4, 707                 | 48, 704      |
| 1954        | 295, 834, 276         | 66, 288, 692, 000  | .42                             | 165, 931                      | 399.50                | 50, 890             | 2, 675                 | 48, 215      |
| 1955        | 293, 894, 710         | 75, 112, 649, 000  | .40                             | 168, 903                      | 444.71                | 50, 682             | 2, 583                 | 48, 099      |
| 1956        | 305, 537, 814         | 80, 171, 971, 000  | .38                             | 171, 984                      | 466.16                | 51, 364             | 2, 602                 | 48, 762      |
| 1957        | 337, 428, 789         | 79, 978, 476, 484  | .42                             | 174, 882                      | 457.33                | 50, 816             | 2, 638                 | 48, 178      |
| 1958        | 355, 469, 228         | 79, 797, 872, 806  | .44                             | 177, 830                      | 448.73                | 50, 200             | 2, 533                 | 47, 667      |
| 1959        | 365, 725, 359         | 91, 774, 802, 823  | .40                             | 180, 667                      | 507.98                | 50, 199             | 2, 702                 | 47, 497      |
| 1960        | 413, 295, 238         | 94, 401, 086, 398  | .44                             | 183, 672                      | 513.97                | 53, 680             | 3, 031                 | 50, 649      |
| 1961        | 450, 080, 420         | 99, 440, 839, 245  | .45                             | 186, 504                      | 533.18                | 56, 510             | 3, 357                 | 53, 153      |
| 1962        | 500, 804, 314         | 105, 925, 395, 281 | .47                             | 189, 197                      | 559.87                | 59, 486             | 3, 562                 | 55, 924      |
| 1963        | 549, 632, 131         | 112, 260, 757, 115 | .49                             | 190, 618                      | 588.93                | 59, 357             | 3, 753                 | 55, 604      |
| 1964        | 597, 387, 471         | 114, 434, 633, 721 | .52                             | 194, 237                      | 589.15                | 60, 360             | 3, 790                 | 56, 570      |
| 1965        | 624, 861, 929         | 128, 879, 961, 342 | .48                             | 196, 485                      | 655.93                | 61, 689             | 3, 816                 | 57, 873      |
| 1966        | 667, 080, 295         | 148, 374, 814, 552 | .45                             | 199, 629                      | 746.99                | 65, 122             | 4, 060                 | 61, 062      |
| 1967        | 699, 190, 304         | 153, 536, 837, 665 | .46                             | 200, 619                      | 765.81                | 65, 177             | 3, 939                 | 61, 238      |
| 1968        | 758, 785, 473         | 187, 919, 559, 688 | .40                             | 202, 999                      | 927.54                | 64, 507             | 4, 037                 | 60, 470      |
| 1969        | 886, 159, 162         | 195, 722, 096, 497 | .45                             | 203, 736                      | 960.51                | 68, 098             | 4, 356                 | 63, 742      |
| 1970        | 981, 065, 297         | 191, 647, 198, 138 | .51                             | 207, 006                      | 927.02                | 68, 987             | 4, 521                 | 64, 466      |
| 1971        |                       |                    |                                 |                               |                       |                     |                        |              |

\* Revised.

**Table 8.—Internal revenue tax collected on Puerto Rican manufactured products transported to the United States, by object of taxation**

| Objects of taxation                 | In thousands of dollars |         |
|-------------------------------------|-------------------------|---------|
|                                     | 1970                    | 1971    |
| Total                               | 80, 219                 | 90, 707 |
| Distilled spirits                   | 69, 079                 | 80, 797 |
| Distilled spirits rectification tax | 1, 071                  | 63      |
| Wine                                | 3                       | 9       |
| Beer                                | 45                      | 16      |
| Cigars, large:                      |                         |         |
| Class A                             | (*)                     | (*)     |
| Class B                             | (*)                     | (*)     |
| Class C                             | 1, 299                  | 1, 133  |
| Class D                             | 518                     | 947     |
| Class E                             | 6, 747                  | 6, 388  |
| Class F                             | 1, 288                  | 1, 161  |
| Class G                             | 168                     | 197     |
| Cigars, small                       |                         |         |
| Cigarettes, large                   |                         |         |
| Cigarettes, small                   |                         |         |

Note.—Amounts of internal revenue taxes collected on Puerto Rican tobacco and liquor manufacturers 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) of the Internal Revenue Code of 1954. The gross amounts are included in overall collections results (tables 1 through 6), beginning with 1955.

**Table 9.—Establishments qualified to engage in the production, distribution, storage, or use of alcohol and alcoholic liquors**

| Class of establishment  | As of June 30 |          |
|---|---------------|----------|
|   | 1970          | 1971     |
| Distilled spirits plants:   |               |          |
| Plants (not number)   | 325           | 1, 324   |
| Facilities:   |               |          |
| Production  | 152           | 152      |
| Warehousing   | 271           | 276      |
| Bottling in bond  | 54            | 56       |
| Denaturing  | 50            | 51       |
| Taxpaid bottling  | 143           | 145      |
| Rectifiers  | 138           | 136      |
| Denatured and tax-free products (dealers, users, etc.):             |               |          |
| Dealers in specially denatured alcohol and denatured rum            | 41            | 42       |
| Users of specially denatured alcohol and denatured rum              | 3, 419        | 3, 394   |
| Reproducers, bottlers, etc. of specially denatured alcohol articles | 953           | 969      |
| Users of tax-free alcohol   | 7, 328        | 7, 261   |
| Beer: Breweries   | 154           | 148      |
| Wines:  |               |          |
| Bonded wine cellars   | 441           | 446      |
| Taxpaid wine bottling houses  | 65            | 57       |
| Vinegar: Vinegar factories using vapourizing process                | 3             | 3        |
| Beverage dealers:   |               |          |
| Importers   | 2, 139        | 2, 214   |
| Wholesale dealers in liquors  | 3, 567        | 3, 718   |
| Wholesale dealers in beer   | 6, 058        | 5, 871   |
| Retail dealers in liquors   | 283, 234      | 281, 340 |
| Retail dealers in beer  | 131, 706      | 128, 506 |
| Other:  |               |          |
| Manufacturers of non-beverage products (drawback)                   | 792           | 765      |
| Fruit-flavored concentrate plants                                   | 65            | 64       |
| Bottle manufacturers  | 124           | 125      |

1 Includes 4 experimental distilled spirits plants.

2 Includes 12 experimental breweries.

3 Includes 8 experimental bonded wine cellars.

**Table 10.—Establishments qualified, to engage in the production or exportation of tobacco products and cigarette papers and tubes**

| Class of establishment                      | As of June 30— |      |
|---|----------------|------|
|   | 1970           | 1971 |
| Manufacturers of tobacco products           | 203            | 195  |
| Manufacturers of cigarette papers and tubes | 4              | 5    |
| Tobacco export warehouses                   | 189            | 191  |

**Table 11.—Permits relating to distilled spirits under chapter 51, Internal Revenue Code 1954**

| Status                  | Total<br>(1) | Section 5171 I.R. Code<br>Distilled spirits plants<br>(2) | Section 5271, I.R. Code<br>Users of—          |                                    |                                |        | Tax-free alcohol<br>(6) |
|-------------------------|--------------|---|---|------------------------------------|--------------------------------|--------|-------------------------|
|                         |              |   | Dealers in specially denatured alcohol<br>(3) | Specially denatured alcohol<br>(4) | Specially denatured rum<br>(5) |        |                         |
|                         |              |   |   |                                    |                                |        |                         |
| In effect July 1, 1970  | 10, 984      | 196   | 41  | 3, 401                             | 18                             | 7, 328 |                         |
| Issued                  | 2, 415       | 15  | 8   | 618                                | 2                              | 1, 772 |                         |
| Terminated, total       | 2, 504       | 17  | 7   | 639                                | 2                              | 1, 839 |                         |
| Revoked                 | 1            |   |   |                                    |                                |        |                         |
| Otherwise terminated    | 2, 503       | 17  | 7   | 638                                | 2                              | 1, 839 |                         |
| In effect June 30, 1971 | 10, 895      | 194   | 42  | 3, 380                             | 18                             | 7, 261 |                         |
| Amended                 | 585          | 11  | 1   | 177                                | 1                              | 395    |                         |

**Table 12.—Permits for operations relating to alcoholic beverages under the Federal Alcohol Administration Act**

| Status                  | Grand total<br>(1) | Distilled spirits plants 1 |                   |                                 |                   |     | Wine producers and blenders<br>(6) | Wine blenders<br>(7) | Importers<br>(8) | Wholesalers<br>(9) |
|-------------------------|--------------------|----------------------------|-------------------|---------------------------------|-------------------|-----|------------------------------------|----------------------|------------------|--------------------|
|                         |                    | Total 2<br>(2)             | Distillers<br>(3) | Warehousing and bottling<br>(4) | Rectifiers<br>(5) |     |                                    |                      |                  |                    |
| In effect July 1, 1970  | 12, 546            | 344                        | 160               | 177                             | 156               | 365 | 33                                 | 2, 139               | 9, 665           |                    |
| Issued                  | 1, 358             | 19                         | 9                 | 12                              | 12                | 47  | 7                                  | 281                  | 1, 004           |                    |
| Terminated, total       | 1, 359             | 27                         | 9                 | 12                              | 13                | 42  | 4                                  | 206                  | 1, 080           |                    |
| Revoked                 | 2                  |                            |                   |                                 |                   |     |                                    |                      | 2                |                    |
| Otherwise terminated    | 1, 357             | 27                         | 9                 | 12                              | 13                | 42  | 4                                  | 206                  | 1, 078           |                    |
| In effect June 30, 1971 | 12, 545            | 336                        | 160               | 177                             | 155               | 370 | 35                                 | 2, 114               | 9, 589           |                    |
| Amended                 | 1, 440             | 192                        |                   |                                 |                   | 65  | 6                                  | 339                  | 838              |                    |

1 Excludes permits for customs manufacturing bonded warehouses since such establishments are not required to qualify as distilled spirits plants.  
2 Column (2) does not represent the sum of (3), (4) and (5) since one permit may cover more than one activity.

**Table 13.—Permits relating to tobacco under chapter 52, Internal Revenue Code 1954**

| Status                  | Total<br>(1) | Manufacturers of tobacco products<br>(2) | Export warehouse proprietors<br>(3) |
|-------------------------|--------------|--|-------------------------------------|
|                         |              |  |                                     |
| Issued                  | 51           | 23                                       | 28                                  |
| Terminated, total       | 59           | 33                                       | 26                                  |
| Revoked                 |              |  |                                     |
| Otherwise terminated    | 59           | 33                                       | 26                                  |
| In effect June 30, 1971 | 384          | 193                                      | 191                                 |
| Amended                 | 73           | 31                                       | 42                                  |

**Table 14.—Label activity under Federal Alcohol Administration Act**

| Type of label            | Applications acted upon |                     |            |              |
|--------------------------|-------------------------|---------------------|------------|--------------|
|                          | Total                   | Certificates issued |            | Dis-approved |
|                          |                         | Approvals           | Exemptions |              |
| Grand total              | 60, 883                 | 59, 956             | 161        | 766          |
| Distilled spirits, total | 17, 303                 | 16, 925             | 38         | 340          |
| Domestic                 | 13, 436                 | 13, 218             | 38         | 180          |
| Imported                 | 3, 867                  | 3, 707              |            | 160          |
| Wines, total             | 41, 531                 | 41, 063             | 123        | 405          |
| Domestic                 | 16, 231                 | 15, 998             | 123        | 110          |
| Imported                 | 25, 300                 | 25, 065             |            | 295          |
| Malt beverages, total    | 2, 049                  | 2, 028              |            | 21           |
| Domestic                 | 1, 553                  | 1, 547              |            | 6            |
| Imported                 | 496                     | 481                 |            | 15           |

**Table 15.—Number of occupational tax stamps issued, covering fiscal year 1971, or portion thereof, by class of tax and by internal revenue regions, districts, and States**

| Internal revenue regions, districts and States (States represented by single districts indicated in parentheses; total for other States shown at bottom of table) | Total number of occupational tax stamps issued | Distilled spirits                       |                                       |                                     |                           |                |  |                          |                          |                            |            |
|---|--|---|---------------------------------------|-------------------------------------|---------------------------|----------------|--|--------------------------|--------------------------|----------------------------|------------|
|   |  | Manu-<br>facturers<br>of stills<br>\$55 | Rectifiers                            |                                     | Retail dealers            |                | Manufacturers of non-beverage products |                          |                          |                            |            |
|   |  |   | Less than 20,000 proof gallons, \$110 | 20,000 proof gallons or more, \$220 | Whole-sale dealers, \$225 | Retail dealers | Medicinal spirits \$54                 | Not exceeding 25 gallons | Not exceeding 50 gallons | More than 50 gallons \$100 |            |
| (1)   | (2)  | (3)                                     | (4)                                   | (5)                                 | (6)                       | (7)            | (8)                                    | (9)                      | (10)                     | (11)                       |            |
| <b>United States, total.</b>  | <b>858,996</b>                                 | <b>104</b>                              | <b>21</b>                             | <b>105</b>                          | <b>2,580</b>              | <b>225,853</b> | <b>1,025</b>                           | <b>815</b>               | <b>37</b>                | <b>33</b>                  | <b>623</b> |
| <b>North-Atlantic Region.</b>   | <b>148,841</b>                                 | <b>17</b>                               | <b>1</b>                              | <b>15</b>                           | <b>218</b>                | <b>43,592</b>  | <b>111</b>                             | <b>452</b>               | <b>11</b>                | <b>4</b>                   | <b>151</b> |
| Albany..... (See (c) below)   | 10,633   | 3                                       | 1                                     | 10                                  | 4,122                     | 21             |  |                          |                          |                            | 2          |
| Augusta..... (Maine)  | 5,122  | 3                                       |                                       | 4                                   | 57                        | 2              |  |                          |                          |                            | 2          |
| Boston..... (Massachusetts)   | 23,778   | 3                                       |                                       | 6                                   | 83                        | 6,691          | 10                                     | 444                      | 5                        | 2                          | 28         |
| Brooklyn..... (See (c) below)   | 31,495   | 5                                       | 1                                     | 2                                   | 42                        | 6,863          | 15                                     | 1                        | 2                        | 2                          | 51         |
| Buffalo..... (See (c) below)  | 23,855   | 5                                       |                                       | 26                                  | 8,662                     | 24             |  | 6                        |                          |                            | 19         |
| Burlington..... (Vermont)   | 2,770  |   |                                       | 31                                  | 4,969                     | 15             |  | 1                        |                          |                            | 3          |
| Hartford..... (Connecticut)   | 14,938   | 2                                       |                                       | 2                                   | 6,969                     | 16             |  | 2                        |                          |                            | 6          |
| Manhattan..... (See (c) below)  | 32,404   | 4                                       |                                       | 1                                   | 66                        | 3              |  | 1                        |                          |                            | 3          |
| Portsmouth..... (New Hampshire)   | 2,903  |   |                                       | 1                                   | 3                         | 1,601          |  |                          |                          |                            | 4          |
| Providence..... (Rhode Island)  | 8,624  |   |                                       | 15                                  | 1,601                     |                |  |                          |                          |                            | 15         |
| <b>Mid-Atlantic Region</b>  | <b>110,137</b>                                 | <b>35</b>                               | <b>5</b>                              | <b>22</b>                           | <b>206</b>                | <b>36,811</b>  | <b>30</b>                              | <b>6</b>                 | <b>4</b>                 | <b>4</b>                   | <b>147</b> |
| Baltimore..... (Maryland and D.C.)  | 19,273   |   |                                       | 2                                   | 4                         | 57             |  | 1                        |                          |                            | 15         |
| Newark..... (New Jersey)  | 13,416   | 25                                      | 1                                     | 10                                  | 74                        | 12,431         |  |                          |                          |                            | 85         |
| Philadelphia..... (See (e) below)   | 29,332   | 9                                       | 2                                     | 4                                   | 46                        | 10,288         |  | 3                        |                          |                            | 34         |
| Pittsburgh..... (See (e) below)   | 16,873   |   |                                       | 2                                   | 7                         | 4,472          |  | 1                        |                          |                            | 5          |
| Richmond..... (Virginia)  | 15,167   | 1                                       |                                       | 3                                   | 14                        | 552            | 14                                     | 2                        |                          |                            | 7          |
| Wilmington..... (Delaware)  | 1,966  |   |                                       | 7                                   | 856                       | 1              |  |                          |                          |                            | 8          |
| <b>Southeast Region</b>   | <b>102,463</b>                                 | <b>3</b>                                | <b>1</b>                              | <b>4</b>                            | <b>204</b>                | <b>10,762</b>  | <b>2</b>                               | <b>14</b>                | <b>3</b>                 | <b>3</b>                   | <b>58</b>  |
| Atlanta..... (Georgia)  | 13,416   |   |                                       | 1                                   | 43                        | 814            |  |                          |                          |                            | 12         |
| Birmingham..... (Alabama)   | 8,708  |   |                                       | 1                                   | 1                         | 1,117          |  | 5                        |                          |                            | 4          |
| Columbia..... (South Carolina)  | 12,515   |   |                                       | 10                                  | 53                        | 217            |  | 1                        |                          |                            | 1          |
| Greensboro..... (North Carolina)  | 15,492   | 2                                       |                                       | 1                                   | 8                         | 825            |  | 6                        |                          |                            | 3          |
| Jackson..... (Mississippi)  | 8,719  |   |                                       | 2                                   | 60                        | 5,199          |  | 2                        |                          |                            | 3          |
| Jacksonville..... (Florida)   | 31,553   |   |                                       | 1                                   | 2                         | 859            |  | 1                        |                          |                            | 17         |
| Nashville..... (Tennessee)  | 14,359   |   |                                       | 21                                  | 424                       | 35,576         | 18                                     | 4                        | 2                        | 8                          | 65         |
| <b>Central Region</b>   | <b>110,137</b>                                 | <b>83</b>                               | <b>5</b>                              | <b>21</b>                           | <b>424</b>                | <b>35,576</b>  | <b>18</b>                              | <b>4</b>                 | <b>2</b>                 | <b>8</b>                   | <b>65</b>  |
| Cincinnati..... (See (d) below)   | 18,699   | 9                                       |                                       | 1                                   | 111                       | 5,413          | 6                                      |                          |                          |                            | 26         |
| Cleveland..... (See (d) below)  | 25,851   | 2                                       |                                       | 2                                   | 106                       | 9,137          | 6                                      |                          | 2                        |                            | 19         |
| Detroit..... (Michigan)   | 30,911   | 1                                       |                                       | 2                                   | 122                       | 12,261         | 2                                      |                          | 3                        |                            | 11         |
| Indianapolis..... (Indiana)   | 18,387   | 1                                       |                                       | 1                                   | 26                        | 6,302          | 2                                      |                          | 1                        |                            | 9          |
| Louisville..... (Kentucky)  | 8,225  | 1                                       |                                       | 2                                   | 14                        | 57             | 2                                      |                          |                          |                            | 7          |
| Parkersburg..... (West Virginia)  | 8,090  |   |                                       | 1                                   | 2                         | 961            |  |                          |                          |                            | 1          |
| <b>Midwest Region</b>   | <b>124,416</b>                                 | <b>4</b>                                | <b>3</b>                              | <b>13</b>                           | <b>396</b>                | <b>46,247</b>  | <b>720</b>                             | <b>206</b>               | <b>5</b>                 | <b>9</b>                   | <b>129</b> |
| Aberdeen..... (South Dakota)  | 3,479  |   |                                       | 1                                   | 11                        | 963            |  | 1                        |                          |                            | 61         |
| Chicago..... (See (b) below)  | 28,862   |   |                                       | 5                                   | 125                       | 12,134         | 239                                    | 4                        |                          |                            | 1          |
| Des Moines..... (Iowa)  | 11,024   |   |                                       | 3                                   | 3                         | 3,185          |  | 12                       |                          |                            | 3          |
| Fargo..... (North Dakota)   | 2,308  |   |                                       | 1                                   | 10                        | 1,047          |  | 2                        |                          |                            | 12         |
| Milwaukee..... (Wisconsin)  | 26,834   |   |                                       | 10                                  | 80                        | 13,012         | 1                                      | 150                      | 1                        |                            | 7          |
| Omaha..... (Nebraska)   | 6,099  |   |                                       | 4                                   | 41                        | 2,073          | 27                                     | 5                        |                          |                            | 4          |
| St. Louis..... (Missouri)   | 19,603   | 5                                       |                                       | 4                                   | 50                        | 6,030          | 295                                    | 1                        |                          | 6                          | 25         |
| St. Paul..... (Minnesota)   | 16,865   |   |                                       | 1                                   | 14                        | 3,109          | 156                                    | 26                       |                          |                            | 14         |
| Springfield..... (See (b) below)  | 9,562  |   |                                       | 2                                   | 62                        | 4,693          | 2                                      | 3                        |                          |                            | 5          |
| <b>Southwest Region</b>   | <b>110,854</b>                                 | <b>12</b>                               | <b>1</b>                              | <b>3</b>                            | <b>381</b>                | <b>18,214</b>  | <b>129</b>                             | <b>132</b>               | <b>3</b>                 | <b>3</b>                   | <b>46</b>  |
| Albuquerque..... (New Mexico)   | 3,134  |   |                                       | 1                                   | 25                        | 1,350          |  | 1                        |                          |                            | 11         |
| Austin..... (See (f) below)   | 35,845   | 5                                       |                                       | 124                                 | 2,382                     | 1              | 4                                      | 1                        |                          |                            | 11         |
| Cheyenne..... (Wyoming)   | 1,544  |   |                                       | 1                                   | 683                       | 1,629          | 79                                     | 1                        |                          |                            | 1          |
| Dallas..... (See (f) below)   | 16,096   | 4                                       |                                       | 103                                 | 3,131                     | 48             | 106                                    | 1                        |                          | 2                          | 6          |
| Denver..... (Colorado)  | 10,189   |   |                                       | 25                                  | 8                         | 758            |  |                          |                          |                            | 10         |
| Little Rock..... (Arkansas)   | 5,603  |   |                                       | 48                                  | 6,089                     |                |  |                          |                          |                            | 1          |
| New Orleans..... (Louisiana)  | 17,722   | 1                                       |                                       | 14                                  | 394                       |                |  |                          |                          |                            | 5          |
| Oklahoma City..... (Oklahoma)   | 12,058   | 2                                       |                                       | 33                                  | 1,208                     |                |  |                          |                          |                            | 5          |
| Wichita..... (Kansas)   | 8,753  |   |                                       | 3                                   | 1,208                     |                |  |                          |                          |                            | 5          |
| <b>Western Region</b>   | <b>150,965</b>                                 | <b>15</b>                               | <b>8</b>                              | <b>30</b>                           | <b>691</b>                | <b>40,651</b>  | <b>15</b>                              | <b>21</b>                | <b>9</b>                 | <b>9</b>                   | <b>88</b>  |
| Anchorage..... (Alaska)   | 1,331  |   |                                       | 1                                   | 9                         | 583            |  |                          |                          |                            | 1          |
| Boise..... (Idaho)  | 3,481  |   |                                       | 36                                  | 1,388                     |                |  |                          |                          |                            | 1          |
| Helena..... (Montana)   | 3,531  |   |                                       | 1                                   | 1,219                     |                |  |                          |                          |                            | 1          |
| Honolulu..... (Hawaii)  | 2,882  | 1                                       | 2                                     | 1                                   | 189                       | 14,900         | 6                                      | 1                        | 3                        | 1                          | 45         |
| Los Angeles..... (See (a) below)  | 54,321   |   |                                       | 3                                   | 61                        | 2,772          |  |                          |                          |                            | 3          |
| Phoenix..... (Arizona)  | 7,749  |   |                                       | 1                                   | 49                        | 1,269          |  |                          |                          |                            | 3          |
| Portland..... (Oregon)  | 10,328   |   |                                       | 24                                  | 24                        | 1,430          | 4                                      | 18                       |                          |                            | 3          |
| Reno..... (Nevada)  | 4,193  |   |                                       | 1                                   | 128                       |                |  |                          |                          |                            | 3          |
| Salt Lake City..... (Utah)  | 4,322  |   |                                       | 15                                  | 229                       | 12,492         | 5                                      |                          | 4                        | 2                          | 38         |
| San Francisco..... (See (a) below)  | 42,404   | 14                                      | 5                                     | 15                                  | 229                       | 12,492         | 5                                      |                          | 4                        | 2                          | 38         |
| Seattle..... (Washington)   | 15,460   |   |                                       | 1                                   | 93                        | 3,741          |  |                          |                          |                            | 2          |

Totals for States not shown above

|                       |        |    |   |     |       |        |     |   |   |   |     |
|-----------------------|--------|----|---|-----|-------|--------|-----|---|---|---|-----|
| (a) California.....   | 96,786 | 15 | 7 | 25  | 418   | 27,392 | 11  | 1 | 7 | 3 | 83  |
| (b) Illinois.....     | 38,524 | 4  |   | 7   | 187   | 16,827 | 241 | 7 | 3 | 3 | 66  |
| (c) New York.....     | 38,387 | 12 |   | 3   | 144   | 26,616 | 76  | 1 | 4 | 2 | 108 |
| (d) Ohio.....         | 44,550 | 11 |   | 2   | 217   | 14,550 | 8   |   | 2 |   | 37  |
| (e) Pennsylvania..... | 45,905 | 9  |   | 5   | 54    | 17,740 | 4   |   | 2 |   | 23  |
| (f) Texas.....        | 51,741 | 9  |   | 227 | 4,011 | 80     | 5   |   | 2 |   | 41  |

**Table 15.—Number of occupational tax stamps issued, covering fiscal year 1971, or portion thereof, by class of tax and by internal revenue regions, districts, and States—Continued**

| Internal revenue regions, districts, and States (States represented by single districts indicated in parentheses; total for other States shown at bottom of table) | Wine              |                                |                |                               |   | Beer                                |                            | Tempo-<br>rary<br>dealers<br>in liquor<br>(wines<br>or beer)<br>\$2.20<br>per<br>month |              |
|--|-------------------|--------------------------------|----------------|-------------------------------|---|-------------------------------------|----------------------------|--|--------------|
|  | Wholesale dealers |                                | Retail dealers |                               | Brewers<br>500<br>barrels<br>or more,<br>\$110* | Whole-<br>sale<br>dealers,<br>\$123 | Retail<br>dealers,<br>\$24 |  |              |
|  | Wines,<br>\$225   | Wines<br>and<br>beer,<br>\$755 | Wines,<br>\$54 | Wines<br>and<br>beer,<br>\$54 |   |                                     |                            |  |              |
| (1)  | (12)              | (13)                           | (14)           | (15)                          | (16)  | (17)                                | (18)                       | (19)   | (20)         |
| <b>United States, total.</b>   | <b>146</b>        | <b>748</b>                     | <b>260</b>     | <b>50,202</b>                 | <b>150</b>                                      | <b>6,130</b>                        | <b>126,437</b>             | <b>69</b>  | <b>4,303</b> |
| <b>North-Atlantic Region.</b>  | <b>53</b>         | <b>66</b>                      | <b>73</b>      | <b>2,928</b>                  | <b>20</b>                                       | <b>690</b>                          | <b>23,299</b>              | <b>53</b>  | <b>524</b>   |
| Albany..... (See (c) below)  | 1                 | 1                              | 1              | 49                            |   | 85                                  | 2,206                      | 5  | 3            |
| Augusta..... (Maine)   | 9                 | 28                             | 43             | 617                           |   | 34                                  | 2,144                      | 1  |              |
| Boston..... (Massachusetts)  | 1                 | 4                              | 3              | 183                           |   | 14                                  | 93                         |  | 42           |
| Brooklyn..... (See (c) below)  | 1                 | 12                             | 1              | 84                            |   | 216                                 | 6,745                      | 27   | 294          |
| Buffalo..... (See (c) below)   | 4                 | 2                              | 2              | 84                            |   | 55                                  | 4,742                      | 7  | 5            |
| Burlington..... (Vermont)  | 1                 | 23                             | 3              | 896                           |   | 1                                   | 83                         |  | 1            |
| Hartford..... (Connecticut)  | 2                 | 3                              | 30             | 1                             |   | 36                                  | 1,728                      |  | 153          |
| Manhattan..... (See (c) below)   | 23                | 2                              | 11             | 80                            |   | 2                                   | 4,732                      | 2  | 20           |
| Portsmouth..... (New Hampshire)  |                   |                                |                | 5                             |   | 1                                   | 287                        |  | 7            |
| Providence..... (Rhode Island)   |                   |                                |                | 17                            |   | 1                                   | 39                         |  | 1            |
| <b>Mid-Atlantic Region</b>   | <b>11</b>         | <b>5</b>                       | <b>11</b>      | <b>3,987</b>                  | <b>1</b>  | <b>1,634</b>                        | <b>6,310</b>               | <b>7</b>   | <b>462</b>   |
| Baltimore..... (Maryland and D.C.)   | 1                 | 4                              | 7              | 484                           |   | 5                                   | 1,432                      |  | 300          |
| Newark..... (New Jersey)   | 5                 | 2                              | 1              | 50                            |   | 6                                   | 134                        |  | 5            |
| Philadelphia..... (See (e) below)  | 3                 | 3                              | 1              | 730                           |   | 11                                  | 777                        |  | 139          |
| Pittsburgh..... (See (e) below)  | 8                 |                                | 3              | 23                            |   | 8                                   | 409                        |  | 4            |
| Richmond..... (Virginia)   | 4                 | 75                             | 1              | 3,323                         |   | 1                                   | 3,375                      |  | 6            |
| Wilmington..... (Delaware)   |                   |                                |                | 17                            |   | 1                                   | 11                         |  | 90           |
| <b>Southeast Region</b>  | <b>18</b>         | <b>17</b>                      | <b>22</b>      | <b>12,333</b>                 | <b>7</b>  | <b>422</b>                          | <b>23,379</b>              | <b>3</b>   | <b>246</b>   |
| Atlanta..... (Georgia)   | 1                 | 15                             | 1              | 1,374                         |   | 2                                   | 54                         |  | 2            |
| Birmingham..... (Alabama)  | 1                 | 1                              | 11             | 71                            |   | 20                                  | 3,344                      |  | 1            |
| Columbia..... (South Carolina)   | 4                 | 49                             | 11             | 2,354                         |   | 4                                   | 2,512                      |  | 4            |
| Greensboro..... (North Carolina)   | 3                 | 61                             | 28             | 1,344                         |   | 1                                   | 59                         |  | 4            |
| Jackson..... (Mississippi)   | 9                 | 45                             | 21             | 20                            |   | 4                                   | 4,441                      |  | 17           |
| Jacksonville..... (Florida)  | 2                 | 7,248                          | 4              | 57                            |   | 4                                   | 4,672                      |  | 64           |
| Nashville..... (Tennessee)   | 1                 | 20                             | 1              | 75                            |   | 3,892                               | 20                         |  | 18           |
| <b>Central Region</b>  | <b>9</b>          | <b>152</b>                     | <b>23</b>      | <b>13,413</b>                 | <b>18</b>                                       | <b>583</b>                          | <b>6,781</b>               | <b>18</b>  | <b>259</b>   |
| Cincinnati..... (See (d) below)  | 1                 | 12                             | 6              | 3,076                         |   | 5                                   | 550                        |  | 74           |
| Cleveland..... (See (d) below)   | 1                 | 13                             | 4              | 4,445                         |   | 4                                   | 71                         |  | 53           |
| Detroit..... (See (d) below)   | 1                 | 118                            | 8              | 3,869                         |   | 5                                   | 82                         |  | 65           |
| Indianapolis..... (Indiana)  | 1                 | 8                              | 4              | 1,986                         |   | 4                                   | 205                        |  | 403          |
| Louisville..... (Kentucky)   |                   |                                |                | 1                             |   | 1                                   | 1,575                      |  | 38           |
| Parketersburg..... (West Virginia)   | 6                 | 1                              |                | 122                           |   | 1                                   | 81                         |  | 23           |
| <b>Midwest Region</b>  | <b>7</b>          | <b>15</b>                      | <b>13</b>      | <b>189</b>                    | <b>42</b>                                       | <b>1,283</b>                        | <b>17,834</b>              | <b>5</b>   | <b>1,901</b> |
| Aberdeen..... (South Dakota)   |                   |                                |                | 45                            |   | 1                                   | 144                        |  | 1            |
| Chicago..... (See (b) below)   | 3                 | 1                              | 2              | 46                            |   | 3                                   | 169                        |  | 11           |
| Des Moines..... (Iowa)   |                   |                                |                | 43                            |   | 1                                   | 129                        |  | 1            |
| Fargo..... (North Dakota)  |                   |                                |                | 4                             |   |                                     | 42                         |  | 1            |
| Milwaukee..... (Wisconsin)   | 2                 | 6                              | 5              | 40                            |   | 22                                  | 321                        |  | 877          |
| Omaha..... (Nebraska)  |                   |                                |                | 5                             |   | 2</                                 |                            |  |              |

Table 15.—Number of occupational tax stamps issued, covering fiscal year 1971, or portion thereof, by class of tax and by internal revenue regions, districts, and States—Continued

| Internal revenue regions, districts, and States (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | Narcotics  |                         |                     |                    |                                      | Marihuana           |                   |                                 |                         |                        |           |
|---|--|-------------------------|---------------------|--------------------|--------------------------------------|---------------------|-------------------|---------------------------------|-------------------------|------------------------|-----------|
|   | Manufacturers, importers, and compounders of opium | Wholesale dealers, \$12 | Retail dealers, \$3 | Practitioners, \$1 | Dealers in untaxed preparations, \$1 | Manufacturers, \$24 | Dealers, \$3 (28) | Producers and millers, \$1 (29) | Practitioners, \$1 (30) | Laboratories, \$1 (31) |           |
|   | (21)   | (22)                    | (23)                | (24)               | (25)                                 | (26)                | (27)              | (28)                            | (29)                    | (30)                   | (31)      |
| <b>United States, total</b> .....   | <b>114</b>   | <b>955</b>              | <b>52,357</b>       | <b>358,870</b>     | <b>860</b>                           | <b>700</b>          | <b>1</b>          | <b>1</b>                        | <b>2</b>                | <b>13</b>              | <b>33</b> |
| <b>North-Atlantic Region</b> .....  | <b>17</b>  | <b>115</b>              | <b>8,006</b>        | <b>71,788</b>      | <b>241</b>                           | <b>178</b>          |                   |                                 |                         | <b>10</b>              | <b>35</b> |
| Albany..... (See (c) below)   | 1  | 9                       | 563                 | 3,495              | 42                                   | 7                   |                   |                                 |                         |                        |           |
| Augusta..... (Maine)  | 2  | 214                     | 1,544               | 13,607             | 18                                   | 51                  |                   |                                 | 3                       |                        | 15        |
| Boston..... (Massachusetts)   | 4  | 25                      | 1,889               | 15,967             | 32                                   | 7                   |                   |                                 | 2                       |                        | 5         |
| Brooklyn..... (See (c) below)   | 3  | 15                      | 1,081               | 8,624              | 33                                   | 21                  |                   |                                 | 3                       |                        | 4         |
| Buffalo..... (See (c) below)  | 3  | 3                       | 107                 | 950                | 11                                   | 31                  |                   |                                 | 2                       |                        | 11        |
| Burlington..... (Vermont)   |  | 12                      | 827                 | 7,061              | 11                                   | 31                  |                   |                                 | 3                       |                        | 4         |
| Hartford..... (See (c) below)   | 6  | 19                      | 1,407               | 18,753             | 98                                   | 56                  |                   |                                 | 2                       |                        | 11        |
| Manhattan..... (New Hampshire)  |  | 6                       | 245                 | 1,677              | 6                                    | 1                   |                   |                                 |                         |                        |           |
| Providence..... (Rhode Island)  | 1  |                         |                     | 6,177              | 6                                    | 1                   |                   |                                 | 3                       |                        | 12        |
| <b>Mid-Atlantic Region</b> .....  | <b>34</b>  | <b>111</b>              | <b>7,219</b>        | <b>50,508</b>      | <b>144</b>                           | <b>150</b>          |                   |                                 |                         |                        |           |
| Baltimore..... (Maryland and D.C.)  | 3  | 27                      | 922                 | 9,446              | 18                                   | 18                  |                   |                                 | 1                       |                        | 1         |
| Newark..... (New Jersey)  | 15   | 29                      | 2,039               | 12,105             | 47                                   | 51                  |                   |                                 | 1                       |                        | 3         |
| Philadelphia..... (See (e) below)   | 14   | 31                      | 2,023               | 14,932             | 52                                   | 32                  |                   |                                 | 1                       |                        | 3         |
| Pittsburgh..... (See (e) below)   | 1  | 12                      | 1,144               | 6,789              | 19                                   | 28                  |                   |                                 | 1                       |                        | 4         |
| Richmond..... (Virginia)  | 1  | 10                      | 412                 | 6,412              | 16                                   | 28                  |                   |                                 |                         |                        | 4         |
| Wilmington..... (Delaware)  | 1  | 3                       | 125                 | 816                | 5                                    | 4                   |                   |                                 |                         |                        | 4         |
| <b>Southeast Region</b> .....   | <b>9</b>   | <b>184</b>              | <b>7,252</b>        | <b>39,303</b>      | <b>113</b>                           | <b>96</b>           |                   |                                 |                         |                        |           |
| Atlanta..... (Georgia)  |  | 37                      | 1,453               | 6,135              | 16                                   | 7                   |                   |                                 |                         |                        | 4         |
| Birmingham..... (Alabama)   |  | 22                      | 368                 | 4,029              | 9                                    | 3                   |                   |                                 |                         |                        | 3         |
| Columbia..... (South Carolina)  | 1  | 14                      | 775                 | 2,957              | 5                                    | 2                   |                   |                                 |                         |                        | 1         |
| Greensboro..... (North Carolina)  | 3  | 21                      | 1,212               | 5,967              | 14                                   | 13                  |                   |                                 |                         |                        | 3         |
| Jackson..... (Mississippi)  | 1  | 11                      | 190                 | 2,334              | 4                                    | 1                   |                   |                                 |                         |                        | 1         |
| Jacksonville..... (Florida)   | 1  | 32                      | 1,938               | 12,146             | 32                                   | 15                  |                   |                                 |                         |                        | 3         |
| Nashville..... (Tennessee)  | 4  | 27                      | 1,316               | 5,735              | 23                                   | 16                  |                   |                                 |                         |                        | 3         |
| <b>Central Region</b> .....   | <b>24</b>  | <b>113</b>              | <b>6,938</b>        | <b>42,811</b>      | <b>89</b>                            | <b>63</b>           |                   |                                 |                         |                        |           |
| Cincinnati..... (See (d) below)   | 6  | 22                      | 980                 | 7,787              | 17                                   | 10                  |                   |                                 |                         |                        | 5         |
| Cleveland..... (See (d) below)  | 3  | 23                      | 1,337               | 10,037             | 17                                   | 16                  |                   |                                 |                         |                        | 2         |
| Indianapolis..... (Indiana)   | 7  | 43                      | 1,891               | 12,095             | 47                                   | 19                  |                   |                                 |                         |                        | 5         |
| Detroit..... (Michigan)   | 4  | 24                      | 1,283               | 7,086              | 5                                    | 14                  |                   |                                 |                         |                        | 5         |
| Louisville..... (Kentucky)  | 1  | 11                      | 830                 | 3,996              | 6                                    | 4                   |                   |                                 |                         |                        | 1         |
| Parkersburg..... (West Virginia)  | 1  | 10                      | 371                 | 1,910              | 3                                    | 3                   |                   |                                 |                         |                        | 1         |
| <b>Midwest Region</b> .....   | <b>17</b>  | <b>137</b>              | <b>7,671</b>        | <b>46,415</b>      | <b>112</b>                           | <b>49</b>           |                   |                                 |                         |                        |           |
| Aberdeen..... (South Dakota)  | 3  | 216                     | 812                 | 15                 | 7                                    | 7                   |                   |                                 |                         |                        | 3         |
| Chicago..... (See (b) below)  | 4  | 33                      | 2,031               | 13,344             | 15                                   | 4                   |                   |                                 |                         |                        | 5         |
| Des Moines..... (Iowa)  | 2  | 21                      | 757                 | 4,180              | 19                                   | 4                   |                   |                                 |                         |                        | 2         |
| Fargo..... (North Dakota)   | 4  | 2                       | 177                 | 775                | 8                                    | 8                   |                   |                                 |                         |                        | 2         |
| Milwaukee..... (Wisconsin)  | 4  | 14                      | 1,056               | 7,409              | 8                                    | 4                   |                   |                                 | 1                       |                        | 14        |
| Omaha..... (Nebraska)   | 1  | 9                       | 516                 | 2,437              | 4                                    | 5                   |                   |                                 | 1                       |                        | 6         |
| St. Louis..... (Missouri)   | 6  | 22                      | 1,204               | 7,619              | 43                                   | 17                  |                   |                                 |                         |                        | 2         |
| St. Paul..... (Minnesota)   | 1  | 20                      | 998                 | 6,456              | 7                                    | 2                   |                   |                                 |                         |                        | 1         |
| Springfield..... (See (b) below)  | 5  | 13                      | 716                 | 3,383              | 16                                   | 6                   |                   |                                 |                         |                        | 8         |
| <b>Southwest Region</b> .....   | <b>5</b>   | <b>110</b>              | <b>7,335</b>        | <b>38,409</b>      | <b>76</b>                            | <b>61</b>           |                   |                                 |                         |                        |           |
| Albuquerque..... (New Mexico)   | 1  | 3                       | 273                 | 1,391              | 5                                    | 5                   |                   |                                 |                         |                        | 3         |
| Austin..... (See (f) below)   | 2  | 21                      | 1,772               | 10,399             | 23                                   | 17                  |                   |                                 |                         |                        | 2         |
| Cheyenne..... (Wyoming)   | 1  | 2                       | 110                 | 448                | 2                                    | 2                   |                   |                                 |                         |                        | 1         |
| Dallas..... (See (f) below)   | 1  | 30                      | 1,413               | 7,677              | 13                                   | 7                   |                   |                                 |                         |                        | 1         |
| Denver..... (Colorado)  | 1  | 14                      | 625                 | 4,426              | 9                                    | 6                   |                   |                                 |                         |                        | 1         |
| Little Rock..... (Arkansas)   | 1  | 5                       | 610                 | 2,218              | 6                                    | 1                   |                   |                                 |                         |                        | 1         |
| New Orleans..... (Louisiana)  | 2  | 17                      | 1,041               | 4,942              | 8                                    | 17                  |                   |                                 |                         |                        | 1         |
| Oklahoma City..... (Oklahoma)   | 1  | 13                      | 826                 | 3,774              | 8                                    | 2                   |                   |                                 |                         |                        | 1         |
| Wichita..... (Kansas)   | 1  | 5                       | 665                 | 3,134              | 4                                    | 4                   |                   |                                 |                         |                        | 1         |
| <b>Western Region</b> .....   | <b>11</b>  | <b>185</b>              | <b>8,376</b>        | <b>69,564</b>      | <b>85</b>                            | <b>143</b>          |                   |                                 |                         |                        |           |
| Anchorage..... (Alaska)   | 1  | 51                      | 524                 | 4                  | 2                                    | 2                   |                   |                                 |                         |                        | 4         |
| Boise..... (Idaho)  | 2  | 260                     | 1,009               | 1,009              | 2                                    | 2                   |                   |                                 |                         |                        | 2         |
| Helena..... (Montana)   | 4  | 233                     | 1,076               | 2                  | 2                                    | 2                   |                   |                                 |                         |                        | 4         |
| Honolulu..... (Hawaii)  | 4  | 4                       | 101                 | 1,398              | 17                                   | 4                   |                   |                                 |                         |                        | 4         |
| Los Angeles..... (See (a) below)  | 8  | 71                      | 2,840               | 28,780             | 22                                   | 69                  |                   |                                 |                         |                        | 8         |
| Portland..... (Oregon)  | 2  | 8                       | 450                 | 3,248              | 7                                    | 4                   |                   |                                 |                         |                        | 4         |
| Phoenix..... (Arizona)  | 2  | 16                      | 650                 | 4,226              | 6                                    | 8                   |                   |                                 |                         |                        | 1         |
| Reno..... (Nevada)  | 1  | 5                       | 162                 | 763                | 1                                    | 3                   |                   |                                 |                         |                        | 1         |
| Salt Lake City..... (Utah)  | 1  | 43                      | 2,106               | 20,588             | 14                                   | 42                  |                   |                                 |                         |                        | 4         |
| Seattle..... (Washington)   | 23   | 1,052                   | 6,362               | 9                  | 9                                    | 9                   |                   |                                 |                         |                        | 9         |
| Totals for States not shown above   |  |                         |                     |                    |                                      |                     |                   |                                 |                         |                        |           |
| (a) California.....   | 9  | 114                     | 4,946               | 49,368             | 36                                   | 111                 |                   |                                 |                         |                        | 3         |
| (b) Illinois.....   | 5  | 46                      | 2,747               | 16,777             | 31                                   | 13                  |                   |                                 |                         |                        | 7         |
| (c) New York.....   | 14   | 68                      | 4,940               | 46,849             | 205                                  | 91                  |                   |                                 | 4                       |                        | 16        |
| (d) Ohio.....   | 9  | 45                      | 2,317               | 17,824             | 28                                   | 26                  |                   |                                 |                         |                        | 4         |
| (e) Pennsylvania.....   | 15   | 43                      | 3,167               | 21,721             | 63                                   | 49                  |                   |                                 | 1                       |                        | 7         |
| (f) Texas.....  | 1  | 51                      | 3,185               | 18,076             | 36                                   | 24                  |                   |                                 |                         |                        | 5         |

Table 15.—Number of occupational tax stamps issued, covering fiscal year 1971, or portion thereof, by class of tax and by internal revenue regions, districts, and States—Continued

| Internal revenue regions, districts, and States (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table) | National Firearms Act      |                     |   |   |   | Dealer only in weapons classified as "Any Other Weapon," Class 5, \$10 (37) | Coin-operated gaming device premises; \$250 per device (38) | Adulterated process of renovated butter and filled cheese (39) | Wagering, \$50 (40) |
|---|----------------------------|---------------------|---|---|---|---|---|--|---------------------|
|   | Manufacturers or importers |                     | Dealer in firearms, Class 3, \$200 (34) | Importer only of weapons classified as "Any Other Weapon," Class 4, \$25 (35) | Manufacturer only of weapons classified as "Any Other Weapon," Class 5, \$25 (36) |   |   |  |                     |
|   | Class 1, \$300 (32)        | Class 2, \$500 (33) |   |   |   |   |   |  |                     |
| <b>United States, total</b> .....   | <b>16</b>                  | <b>28</b>           | <b>159</b>                              | <b>3</b>  | <b>7</b>  | <b>67</b>   | <b>17,000</b>   | <b>61</b>  | <b>3,939</b>        |
| <b>North-Atlantic Region</b> .....  | <b>5</b>                   | <b>7</b>            | <b>21</b>                               | <b>1</b>  |   | <b>5</b>  | <b>80</b>   | <b>9</b>   | <b>7</b>            |
| Albany..... (See (c) below)   | 1                          | 1                   | 2                                       |   |   | 1   |   | 1  |                     |
| Augusta..... (Massachusetts)  | 2                          | 2                   | 6                                       |   |   | 2   | 74  |  | 2                   |
| Brooklyn..... (See (c) below)   | 1                          | 1                   | 2                                       |   |   |   |   | 2  |                     |
| Buffalo..... (See (c) below)  | 1                          |                     | 1                                       |   |   |   |   | 2  |                     |
| Burlington..... (Vermont)   |                            |                     | 1                                       |   |   |   |   | 2  |                     |
| Hartford..... (Connecticut)   | 1                          | 3                   | 3                                       |   |   |   |   | 3  |                     |
| Manhattan..... (See (c) below)  |                            |                     | 5                                       |   |   | 1   |   | 3  |                     |
| Providence..... (Rhode Island)  |                            |                     | 1                                       |   |   |   |   | 4  |                     |
| <b>Mid-Atlantic Region</b> .....  | <b>2</b>                   | <b>13</b>           | <b>9</b>                                |   | <b>1</b>  | <b>9</b>  | <b>1,811</b>  | <b>4</b>   | <b>98</b>           |
| Baltimore..... (Maryland and D.C.)  |                            | 9                   | 1                                       |   |   | 1   | 1,161   | 1  | 4                   |
| Newark..... (New Jersey)  |                            | 1                   | 1                                       |   |   | 1   | 20  |  | 1                   |
| Philadelphia..... (See (e) below)   |                            | 1                   | 1                                       |   |   | 3   | 329   |  | 10                  |
| Pittsburgh..... (See (e) below)   |                            | 2                   | 2                                       |   |   | 3   | 291   |  | 30                  |
| Richmond..... (Virginia)  | 2                          |                     | 2                                       |   |   | 4   | 291   |  | 14                  |
| Wilmington..... (Delaware)  |                            |                     |   |   |   | 3   | 5,850   | 10   | 80                  |
| <b>Southeast Region</b> .....   | <b>3</b>                   | <b>13</b>           | <b>19</b>                               |   | <b>1</b>  | <b>15</b>   | <b>294</b>  | <b>3</b>   | <b>13</b>           |
| Atlanta..... (Georgia)  |                            | 3                   | 1                                       |   |   | 1   | 234   |  | 3                   |
| Birmingham..... (Alabama)   |                            | 1                   | 1                                       |   |   | 1   | 2,359   |  | 13                  |
| Columbia..... (South Carolina)  |                            |                     |   |   |   |   | 29  |  | 1                   |
| Greensboro..... (North Carolina)  | 2                          | 2                   | 2                                       |   |   | 1   | 852   |  | 5                   |
| Jackson..... (Mississippi)  |                            | 11                  | 11                                      |   |   | 2   | 18  |  | 9                   |
| Jacksonville..... (Florida)   |                            | 3                   | 3                                       |   |   | 4   | 2,307   |  | 5                   |
| Nashville..... (Tennessee)  |                            | 5                   | 8                                       |   |   | 9   | 2,920   | 89   | 748                 |
| <b>Central Region</b> .....   | <b>7</b>                   | <b>5</b>            | <b>8</b>                                |   | <b>2</b>  | <b>9</b>  | <b>514</b>  | <b>8</b>   | <b>22</b>           |
| Cincinnati..... (See (d) below)   | 3                          | 2                   | 2                                       |   |   | 1   | 128   |  | 1                   |
| Cleveland..... (See (d) below)  | 1                          | 1                   | 1                                       |   |   | 1   | 8   |  | 7                   |
| Detroit..... (Michigan)   | 2                          | 2                   | 1                                       |   |   | 7   | 579   |  | 2                   |
| Indianapolis..... (Indiana)   | 1                          |                     |   |   |   | 1   | 26  |  | 6                   |
| Louisville..... (Kentucky)  |                            | 5                   | 5                                       |   |   | 1   | 835   |  | 2                   |
| Parkersburg..... (West Virginia)  |                            |                     |   |   |   | 15  | 447   |  | 4                   |
| <b>Midwest Region</b> .....   | <b>1</b>                   | <b>4</b>            | <b>22</b>                               |   | <b>2</b>  | <b>15</b>   | <b>282</b>  | <b>7</b>   | <b>98</b>           |
| Aberdeen..... (South Dakota)  |                            |                     | 17                                      |   |   | 2   | 87  |  | 7                   |
| Chicago..... (See (b) below)  |                            |                     | 5                                       |   |   | 7   | 514   |  | 8                   |
| Des Moines..... (Iowa)  |                            |                     |   |   |   | 1   | 30  |  | 32                  |
| Fargo..... (North Dakota)   |                            |                     |   |   |   | 5   | 145   |  | 3                   |
| Milwaukee..... (Wisconsin)  |                            | 2                   | 2                                       |   |   | 1   | 274   |  | 2                   |
| Omaha..... (Nebraska)   |                            |                     |   |   |   | 6   | 20  |  | 34                  |
| St. Louis..... (Missouri)   |                            | 3                   | 3                                       |   |   | 6   | 20  |  | 3                   |
| St. Paul..... (Minnesota)   |                            | 4                   | 4                                       |   |   | 6   | 69  |  | 6                   |
| Springfield..... (See (b) below)  | 1                          | 2                   | 24                                      |   |   | 4   | 3,076   | 35   | 397                 |
| <b>Southwest Region</b> .....   | <b>1</b>                   | <b>4</b>            | <b>24</b>                               |   | <b>1</b>  | <b>4</b>  | <b>3,076</b>  | <b>35</b>  | <b>397</b>          |
| Albuquerque..... (New Mexico)   |                            |                     | 9                                       |   |   | 1   | 6   |  | 10                  |
| Austin..... (See (f) below)   |                            | 1                   | 6                                       |   |   | 1   | 123   |  | 19                  |
| Cheyenne..... (Wyoming)   |                            | 1                   | 6                                       |   |   | 1   | 2   |  | 12                  |
| Dallas..... (See (f) below)   |                            | 3                   | 3                                       |   |   | 1   | 132   |  | 3                   |
| Denver..... (Colorado)  |                            | 1                   | 1                                       |   |   | 1   | 346   |  | 23                  |
| Little Rock..... (Arkansas)   |                            | 1                   | 1                                       |   |   | 1   | 2,086   |  | 52                  |
| New Orleans..... (Louisiana)  |                            | 5                   | 5                                       |   |   | 1   | 101   |  | 40                  |
| Oklahoma City..... (Oklahoma)   |                            |                     |   |   |   | 17  | 2,234   |  | 4                   |
| Wichita..... (Kansas)   |                            | 5                   | 37                                      |   | 3   | 4   | 1   |  | 113                 |
| <b>Western Region</b> .....   | <b>1</b>                   | <b>37</b>           | <b>3</b>                                |   | <b>4</b>  | <b>17</b>   | <b>2,234</b>  | <b>4</b>   |                     |

Table 16.—Number of returns examined by class of tax and by Internal Revenue regions, districts, and other areas

| Internal revenue regions, districts and other areas | Total            | Individual and fiduciary | Corporation    | Estate        | Gift         | Excise        | Employment    | Exempt organization |
|---|------------------|--------------------------|----------------|---------------|--------------|---------------|---------------|---------------------|
| <b>Total</b> .....                                  | <b>1,445,929</b> | <b>1,346,375</b>         | <b>129,633</b> | <b>32,535</b> | <b>6,626</b> | <b>83,947</b> | <b>33,528</b> | <b>11,287</b>       |
| <b>North-Atlantic</b> .....                         | <b>372,836</b>   | <b>259,106</b>           | <b>24,439</b>  | <b>5,463</b>  | <b>1,419</b> | <b>7,143</b>  | <b>1,557</b>  | <b>1,518</b>        |
| <b>Mid-Atlantic</b> .....                           | <b>235,763</b>   | <b>193,045</b>           | <b>20,046</b>  | <b>4,406</b>  | <b>1,173</b> | <b>10,327</b> | <b>4,461</b>  | <b>1,907</b>        |
| <b>Southeast</b> .....                              | <b>280,657</b>   | <b>165,857</b>           | <b>14,477</b>  | <b>3,058</b>  | <b>929</b>   | <b>10,830</b> | <b>4,384</b>  | <b>1,822</b>        |
| <b>Central</b> .....                                | <b>234,629</b>   | <b>139,208</b>           | <b>17,062</b>  | <b>3,516</b>  | <b>982</b>   | <b>9,163</b>  | <b>3,544</b>  | <b>1,926</b>        |
| <b>Midwest</b> .....                                | <b>238,525</b>   | <b>158,508</b>           | <b>21,170</b>  | <b>6,952</b>  | <b>1,351</b> | <b>14,278</b> | <b>5,524</b>  | <b>1,632</b>        |
| <b>Southwest</b> .....                              | <b>150,678</b>   | <b>112,526</b>           | <b>11,431</b>  | <b>3,949</b>  | <b>1,254</b> | <b>14,126</b> | <b>6,741</b>  | <b>1,543</b>        |
| <b>Western</b> .....                                | <b>287,435</b>   | <b>235,201</b>           | <b>20,728</b>  | <b>6,322</b>  | <b>1,513</b> | <b>16,654</b> | <b>4,787</b>  | <b>1,630</b>        |
| <b>International Operations</b> .....               | <b>15,614</b>    | <b>12,924</b>            | <b>267</b>     | <b>56</b>     | <b>5</b>     | <b>1,425</b>  | <b>716</b>    | <b>9</b>            |
| <b>North-Atlantic Region:</b>                       |                  |                          |                |               |              |               |               |                     |
| Albany.....   | 16,187           | 14,160                   | 941            | 277           | 60           | 605           | 127           | 17                  |
| Augusta.....  | 6,419            | 5,059                    | 659            | 233           | 23           | 324           | 130           | 30                  |
| Boston.....   | 40,353           | 1,874                    | 365            | 57            | 139          | 1,874         | 365           | 57                  |
| Brooklyn.....                                       | 70,416           | 63,486                   | 3,932          | 1,164         | 168          | 812           | 745           | 59                  |
| Buffalo.....  | 37,930           | 32,496                   | 3,336          | 595           | 138          | 941           | 396           | 28                  |
| Hartford.....                                       | 3,652            | 3,140                    | 308            | 45            | 1            | 54            | 111           | 11                  |
| Burlington.....                                     | 26,306           | 22,343                   | 2,134          | 543           | 314          | 647           | 273           | 21                  |
| Manhattan.....                                      | 75,536           | 63,326                   | 6,523          | 1,732         | 543          | 1,433         | 958           | 1,021               |
| Portsmouth.....                                     | 7,476            | 6,404                    | 745            | 29            | 47           | 165           | 47            | 2                   |
| Wilmington.....                                     | 10,019           | 8,359                    | 975            | 82            | 10           | 458           | 93            | 2                   |
| <b>Mid-Atlantic Region:</b>                         |                  |                          |                |               |              |               |               |                     |
| Baltimore.....                                      | 38,863           | 30,557                   | 4,102          | 905           | 182          | 1,286         | 790           | 1,041               |
| Newark.....   | 60,504           | 50,569                   | 4,772          | 3,041         | 304          | 2,587         | 1,797         | 360                 |
| Philadelphia.....                                   | 53,671           | 44,145                   | 4,633          | 3,022         | 136          | 2,216         | 1,179         | 72                  |
| Pittsburgh.....                                     | 34,905           | 28,631                   | 3,276          | 309           | 309          | 1,650         | 393           | 32                  |
| Richmond.....                                       | 37,349           | 30,921                   | 3,676          | 462           | 218          | 2,074         | 1,183         | 15                  |
| Wilmington.....                                     | 9,671            | 8,220                    | 684            | 88            | 24           | 509           | 119           | 27                  |
| <b>Southeast Region:</b>                            |                  |                          |                |               |              |               |               |                     |
| Atlanta.....  | 26,740           | 20,617                   | 2,399          | 335           | 73           | 1,973         | 655           | 688                 |
| Birmingham.....                                     | 22,716           | 19,407                   | 1,886          | 444           | 171          | 1,540         | 288           | 288                 |
| Columbia.....                                       | 18,923           | 16,044                   | 931            | 383           | 78           | 1,082         | 460           | 45                  |
| Greensboro.....                                     | 35,645           | 29,388                   | 2,241          | 402           | 124          | 2,977         | 400           | 113                 |
| Jackson.....  | 16,299           | 13,949                   | 848            | 199           | 118          | 418           | 735           | 32                  |
| Jacksonville.....                                   | 54,930           | 44,253                   | 4,382          | 1,115         | 230          | 3,349         | 1,229         | 172                 |
| Nashville.....                                      | 25,404           | 22,199                   | 1,936          | 334           | 135          | 145           | 561           | 44                  |
| <b>Central Region:</b>                              |                  |                          |                |               |              |               |               |                     |
| Cincinnati.....                                     | 36,846           | 30,240                   | 3,412          | 466           | 98           | 1,164         | 689           | 777                 |
| Cleveland.....                                      | 68,608           | 62,407                   | 4,133          | 691           | 326          | 1,725         | 890           | 748                 |
| Detroit.....  | 11,235           | 61,938                   | 3,946          | 734           | 303          | 3,549         | 382           | 3                   |
| Indianapolis.....                                   | 38,369           | 32,615                   | 2,854          | 544           | 126          | 1,631         | 597           | 2                   |
| Louisville.....                                     | 23,493           | 19,751                   | 1,811          | 328           | 91           | 899           | 603           | 10                  |
| Parkersburg.....                                    | 13,696           | 12,187                   | 926            | 158           | 38           | 201           | 187           | 6                   |
| <b>Midwest Region:</b>                              |                  |                          |                |               |              |               |               |                     |
| Aberdeen.....                                       | 3,902            | 2,832                    | 267            | 145           | 61           | 467           | 127           | 6                   |
| Chicago.....  | 68,608           | 62,253                   | 7,085          | 1,515         | 364          | 1,942         | 987           | 418                 |
| Des Moines.....                                     | 16,311           | 10,973                   | 1,693          | 867           | 114          | 1,899         | 741           | 24                  |
| Fargo.....  | 4,786            | 3,778                    | 355            | 119           | 10           | 352           | 167           | 5                   |
| Milwaukee.....                                      | 31,181           | 23,888                   | 3,036          | 615           | 263          | 2,854         | 485           | 40                  |
| Omaha.....  | 12,724           | 8,433                    | 1,202          | 435           | 140          | 1,878         | 614           | 212                 |
| St. Louis.....                                      | 38,618           | 29,278                   | 4,050          | 1,026         | 212          | 2,029         | 1,506         | 597                 |
| Springfield.....                                    | 24,012           | 18,633                   | 2,999          | 643           | 121          | 1,176         | 359           | 581                 |
| <b>Southwest Region:</b>                            |                  |                          |                |               |              |               |               |                     |
| Albuquerque.....                                    | 6,486            | 5,071                    | 562            | 77            | 27           | 374           | 350           | 2                   |
| Austin.....   | 33,293           | 24,753                   | 2,381          | 502           | 343          | 2,868         | 1,581         | 865                 |
| Cheyenne.....                                       | 3,479            | 2,959                    | 184            | 69            | 38           | 95            | 97            | 7                   |
| Dallas.....   | 37,350           | 27,104                   | 2,696          | 705           | 351          | 4,322         | 1,178         | 494                 |
| Denver.....   | 14,382           | 10,736                   | 977            | 314           | 97           | 1,614         | 617           | 27                  |
| Little Rock.....                                    | 8,504            | 6,783                    | 700            | 169           | 43           | 505           | 251           | 53                  |
| New Orleans.....                                    | 14,338           | 10,774                   | 1,510          | 332           | 150          | 567           | 382           | 63                  |
| Oklahoma City.....                                  | 15,056           | 11,507                   | 1,191          | 452           | 114          | 1,097         | 644           | 51                  |
| Wichita.....  | 17,782           | 12,839                   | 1,230          | 406           | 91           | 1,011         | 61            | 21                  |
| <b>Western Region:</b>                              |                  |                          |                |               |              |               |               |                     |
| Anchorage.....                                      | 2,336            | 2,060                    | 212            | 14            | 4            | 22            | 23            | 1                   |
| Boise.....  | 8,738            | 7,541                    | 456            | 134           | 65           | 418           | 120           | 4                   |
| Helena.....   | 6,786            | 5,477                    | 582            | 150           | 31           | 434           | 108           | 4                   |
| Honolulu.....                                       | 7,991            | 6,642                    | 588            | 85            | 18           | 586           | 67            | 5                   |
| Los Angeles.....                                    | 100,191          | 80,171                   | 8,170          | 3,249         | 732          | 5,360         | 1,849         | 660                 |
| Phoenix.....  | 16,237           | 13,516                   | 1,651          | 285           | 62           | 395           | 309           | 19                  |
| Portland.....                                       | 18,184           | 15,704                   | 1,941          | 362           | 97           | 872           | 107           | 1                   |
| Reno.....   | 7,535            | 6,751                    | 312            | 56            | 13           | 267           | 147           | 9                   |
| Salt Lake City.....                                 | 12,032           | 9,699                    | 1,130          | 215           | 44           | 588           | 444           | 12                  |
| San Francisco.....                                  | 78,562           | 64,681                   | 4,672          | 1,166         | 515          | 1,116         | 515           | 400                 |
| Seattle.....  | 26,843           | 22,969                   | 1,914          | 419           | 78           | 2,566         | 497           | 172                 |

Table 17.—Additional tax and penalties recommended after audit examination by class of tax, and by Internal Revenue regions, districts, and other areas

| Internal revenue regions, districts, and other areas | Total            | Individual and fiduciary | Corporation      | Estate         | Gift          | Excise        | Employment    | Exempt organization |
|--|------------------|--------------------------|------------------|----------------|---------------|---------------|---------------|---------------------|
| <b>Total</b> .....                                   | <b>3,408,347</b> | <b>898,928</b>           | <b>1,935,457</b> | <b>430,429</b> | <b>66,965</b> | <b>61,462</b> | <b>34,267</b> | <b>1,744</b>        |
| <b>North-Atlantic</b> .....                          | <b>889,842</b>   | <b>184,845</b>           | <b>585,272</b>   | <b>86,218</b>  | <b>14,483</b> | <b>14,265</b> | <b>5,273</b>  | <b>273</b>          |
| <b>Mid-Atlantic</b> .....                            | <b>436,914</b>   | <b>115,532</b>           | <b>221,359</b>   | <b>64,068</b>  | <b>15,234</b> | <b>12,319</b> | <b>3,464</b>  | <b>156</b>          |
| <b>Southeast</b> .....                               | <b>324,049</b>   | <b>125,506</b>           | <b>152,965</b>   | <b>31,503</b>  | <b>3,997</b>  | <b>7,713</b>  | <b>2,676</b>  | <b>87</b>           |
| <b>Central</b> .....                                 | <b>334,782</b>   | <b>126,650</b>           | <b>161,367</b>   | <b>46,634</b>  | <b>3,724</b>  | <b>4,799</b>  | <b>9,835</b>  | <b>316</b>          |
| <b>Midwest</b> .....                                 | <b>819,133</b>   | <b>381,927</b>           | <b>425,324</b>   | <b>59,692</b>  | <b>14,418</b> | <b>6,818</b>  | <b>4,913</b>  | <b>16</b>           |
| <b>Southwest</b> .....                               | <b>314,585</b>   | <b>163,621</b>           | <b>152,156</b>   | <b>55,403</b>  | <b>7,316</b>  | <b>10,643</b> | <b>6,047</b>  | <b>174</b>          |
| <b>Western</b> .....                                 | <b>441,063</b>   | <b>162,316</b>           | <b>237,722</b>   | <b>64,852</b>  | <b>8,318</b>  | <b>5,640</b>  | <b>1,795</b>  | <b>709</b>          |
| <b>International Operations</b> .....                | <b>28,240</b>    | <b>14,182</b>            | <b>19,487</b>    | <b>3,884</b>   | <b>3</b>      | <b>29</b>     | <b>1,597</b>  | <b>0</b>            |
| <b>North-Atlantic Region:</b>                        |                  |                          |                  |                |               |               |               |                     |
| Albany.....  | 44,007           | 4,636                    | 37,025           | 2,177          | 58            | 81            | 8             | 0                   |
| Augusta.....   | 25,218           | 1,899                    | 23,277           | 293            | 42            | 76            | 2             | 0                   |
| Boston.....  | 37,485           | 22,975                   | 37,476           | 8,787          | 375           | 447           | 33            | 0                   |
| Brooklyn.....  | 82,856           | 48,922                   | 18,161           | 11,847         | 2,683         | 1,058         | 1,058         | 0                   |
| Buffalo.....   | 46,740           | 14,774                   | 26,504           | 4,018          | 255           | 399           | 192           | 0                   |
| Burlington.....                                      | 3,768            | 1,544                    | 1,828            | 200            | 18            | 57            | 0             | 0                   |
| Hartford.....  | 66,223           | 10,789                   | 44,701           | 8,388          | 153           | 373           | 1,418         | 0                   |
| Manhattan.....                                       | 547,971          | 71,936                   | 405,250          | 46,923         | 9,976         | 11,889        | 1,760         | 239                 |
| Portsmouth.....                                      | 2,362            | 2,249                    | 3,901            | 2,773          | 659           | 5             | 256           | 0                   |
| Providence.....                                      | 12,213           | 4,601                    | 6,501            | 831            | 14            | 129           | 138           | 0                   |
| <b>Mid-Atlantic Region:</b>                          |                  |                          |                  |                |               |               |               |                     |
| Baltimore.....                                       | 79,994           | 24,151                   | 44,681           | 8,880          | 1,086         | 388           | 691           | 117                 |
| Newark.....  | 107,938          | 25,741                   | 42,350           | 17,222         | 12,327        | 9,434         | 860           | 2                   |
| Philadelphia.....                                    | 113,885          | 30,638                   | 54,192           | 26,787         | 490           | 1,508         | 234           | 26                  |
| Pittsburgh.....                                      | 62,825           | 20,313                   | 35,413           | 6,165          | 36            | 117           | 11            | 0                   |
| Richmond.....  | 43,036           | 11,078                   | 27,273           | 3,151          | 429           | 550           | 549           | 0                   |
| Wilmington.....                                      | 23,236           | 3,611                    | 17,243           | 1,852          | 462           | 54            | 14            | 0                   |
| <b>Southeast Region:</b>                             |                  |                          |                  |                |               |               |               |                     |
| Atlanta.....   | 36,679           | 14,230                   | 16,303           | 4,167          | 898           | 524           | 443           | 25                  |
| Birmingham.....                                      | 22,257           | 10,478                   | 8,486            | 2,379          | 222           | 467           | 113           | 7                   |
| Columbia.....  | 39,917           | 26,130                   | 10,367           | 1,709          | 133           | 222           | 356           | 0                   |
| Greensboro.....                                      | 54,108           | 13,044                   | 36,449           | 3,549          | 324           | 506           | 236           | 0                   |
| Jackson.....   | 14,678           | 6,659                    | 4,290            | 2,793          | 574           | 166           | 242           | 5                   |
| Jacksonville.....                                    | 119,856          | 40,460                   | 57,789           | 13,390         | 1,484         | 5,810         | 921           | 0                   |
| Nashville.....                                       | 37,559           | 14,015                   | 19,280           | 3,522          | 310           | 235           | 365           | 43                  |
| <b>Central Region:</b>                               |                  |                          |                  |                |               |               |               |                     |
| Cincinnati.....                                      | 43,430           | 11,729                   | 27,317           | 3,463          | 309           | 235           | 315           | 0                   |
| Cleveland.....                                       | 102,835          | 22,238                   | 63,567           | 14,748         | 985           | 864           | 425           | 4                   |
| Detroit.....   | 96,659           | 28,135                   | 41,089           | 16,215         | 1,335         | 2,836         | 6,737         | 311                 |
| Indianapolis.....                                    | 37,450           | 12,941                   | 16,733           | 6,658          | 299           | 530           | 290           | 0                   |
| Louisville.....                                      | 26,806           | 12,862                   | 8,908            | 2,904          | 715           | 181           | 2,036         | 0                   |
| Parkersburg.....                                     | 11,603           | 4,945                    | 3,753            | 2,706          | 74            | 93            | 32            | 1                   |
| <b>Midwest Region:</b>                               |                  |                          |                  |                |               |               |               |                     |
| Aberdeen.....  | 3,513            | 1,609                    | 1,442            | 336            | 104           | 8             | 15            | 0                   |
| Chicago.....   | 291,153          | 39,987                   | 215,230          | 30,837         | 1,686         | 1,420         | 1,994         | 0                   |
| Des Moines.....                                      | 31,808           | 5,042                    | 17,299           | 5,838          | 3,178         | 315           | 136           | 0                   |
| Fargo.....   | 1,090            | 1,882                    | 716              | 375            | 35            | 20            | 62            | 0                   |
| Milwaukee.....                                       | 49,150           | 8,                       |                  |                |               |               |               |                     |

**Table 18.—Appellate Division receipts and dispositions of cases not before the Tax Court (nondocketed cases)**

| A. Progress of work  |                        |  |         | F.Y. 1971                     |                       |  |
|--|------------------------|--|---------|-------------------------------|-----------------------|--|
| 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.....  | 23,011                 | 2,515,099  | 114,570 |                               |                       |  |
| Received.....  | 24,383                 | 1,416,117  | 59,967  |                               |                       |  |
| Disposed of, total.....  | 25,065                 | 1,314,981  | 39,019  |                               |                       |  |
| By agreement.....  | 19,743                 | 1,085,782  | 37,513  |                               |                       |  |
| Unagreed: (Overassessments, claims, excise, employment, and offer in compromise rejections)..... | 1,474                  | 19,730   | 914     |                               |                       |  |
| By taxpayer default on statutory notice.....   | 1,035                  | 27,085   | 10      |                               |                       |  |
| By petition to the Tax Court—transferred to docketed status.....                                 | 2,814                  | 191,384  | 582     |                               |                       |  |
| Pending June 30.....   | 22,328                 | 2,616,235  | 135,518 |                               |                       |  |

**B. Results obtained in dispositions**

| Method   | Number of cases<br>(1) | Appellate determination (thousand dollars) |        | Deficiency and penalty<br>(2) | Overassessment<br>(3) |  |
|--|------------------------|--|--------|-------------------------------|-----------------------|--|
|  |                        |  |        |                               |                       |  |
|  |                        |  |        |                               |                       |  |
| Disposed of, total.....  | 25,066                 | 532,932                                    | 50,948 |                               |                       |  |
| By agreement.....  | 19,743                 | 312,378                                    | 49,617 |                               |                       |  |
| Unagreed: (Overassessments, claims, excise, employment, and offer in compromise rejections)..... | 1,474                  | 9,879                                      | 1,194  |                               |                       |  |
| By taxpayer default on statutory notice.....   | 1,035                  | 26,341                                     | 4      |                               |                       |  |
| By petition to the Tax Court—transferred to docketed status.....                                 | 2,814                  | 184,334                                    | 133    |                               |                       |  |

\* Revised.

**Table 19.—Appellate Division receipt and disposition of income, estate and gift tax cases petitioned to the Tax Court (docketed cases)**

| A. Progress of work   |                        |  |  | F.Y. 1971                            |                       |  |
|---|------------------------|--|--|--------------------------------------|-----------------------|--|
| 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.....   | 10,457                 | 1,382,974  |  |                                      |                       |  |
| Received, total.....  | 8,299                  | 509,429  |  |                                      |                       |  |
| Petitions filed in response to—<br>District Directors' statutory notices..... | 5,684                  | 327,050  |  |                                      |                       |  |
| Appellate Division's statutory notices.....                                   | 2,615                  | 182,379  |  |                                      |                       |  |
| Disposed of, total.....   | 7,593                  | 425,000  |  |                                      |                       |  |
| By stipulated agreement.....  | 6,061                  | 332,784  |  |                                      |                       |  |
| By dismissal by the Tax Court or taxpayer default.....                        | 567                    | 25,182   |  |                                      |                       |  |
| Tried before the Tax Court on the merits.....                                 | 965                    | 67,034   |  |                                      |                       |  |
| Pending June 30.....  | 11,163                 | 1,467,403  |  |                                      |                       |  |

† Difference from table 18, transferred to docketed status is caused by excluding district director's statutory notices considered by Appellate in 90-day status.

\* Revised.

**Table 19.—Appellate Division receipt and disposition of income, estate and gift tax cases petitioned to the Tax Court (docketed cases)—Continued**

| B. Results obtained in dispositions                    |                        |  |  |  |
|--|------------------------|--|--|--|
| Method   | Number of cases<br>(1) | Appellate determination (thousand dollars) |  |  |
|  |                        |  |  |  |
|  |                        |  |  |  |
| Disposed of, total.....                                | 7,593                  | 192,837                                    |  |  |
| By stipulated agreement.....                           | 6,061                  | 104,434                                    |  |  |
| By dismissal by the Tax Court or taxpayer default..... | 567                    | 21,369                                     |  |  |
| Tried before the Tax Court on the merits.....          | 965                    | 67,034                                     |  |  |

† Represents amounts petitioned.

**Table 20.—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 |
|                        |                        | Tax<br>(2)                           | Penalty<br>(3) | (4)         |
| Pending July 1.....    | 11,453                 | 1,263,603                            | 106,704        | 93,745      |
| Filed or reopened..... | 8,299                  | 452,689                              | 36,323         | 56,647      |
| Disposed of.....       | 7,560                  | 372,095                              | 19,550         | 13,982      |
| Pending June 30.....   | 12,192                 | 1,344,237                            | 123,477        | 136,412     |

\* Revised.

**Table 21.—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)        | Overpayment<br>(3) | Deficiency and penalty<br>(4)      | Overpayment<br>(5) |                        | Deficiency and penalty<br>(7)        | Overpayment<br>(8) | Deficiency and penalty<br>(9)      | Overpayment<br>(10) |
| Pending July 1, total.....     | 382                    | 37,151                               | 78                 |                                    |                    |                        |                                      |                    |                                    |                     |
| Appealed by Commissioner.....  | 78                     | 14,424                               | 41                 |                                    |                    |                        |                                      |                    |                                    |                     |
| Appealed by taxpayer.....      | 277                    | 19,493                               | 28                 |                                    |                    |                        |                                      |                    |                                    |                     |
| Appealed by both.....          | 27                     | 3,234                                | 9                  |                                    |                    |                        |                                      |                    |                                    |                     |
| Appealed, total.....           | 338                    | 15,431                               | 135                |                                    | 3                  | 467                    |                                      |                    |                                    |                     |
| By Commissioner.....           | 42                     | 1,555                                |                    |                                    | 3                  | 467                    |                                      |                    |                                    |                     |
| By taxpayer.....               | 246                    | 11,434                               | 28                 |                                    |                    |                        |                                      |                    |                                    |                     |
| By both.....                   | 50                     | 2,442                                | 107                |                                    |                    |                        |                                      |                    |                                    |                     |
| Disposed of, total.....        | 212                    | 12,000                               | 37                 | 8,630                              | 36                 | 467                    |                                      | 467                |                                    |                     |
| Favorable to Commissioner..... | 101                    | 6,304                                | 1                  | 6,304                              | 3                  | 467                    |                                      | 467                |                                    |                     |
| Favorable to taxpayer.....     | 45                     | 2,565                                | 36                 |                                    | 36                 |                        |                                      |                    |                                    |                     |
| Modified.....                  | 10                     | 2,583                                |                    | 2,095                              |                    |                        |                                      |                    |                                    |                     |
| Settled.....                   | 2                      | 99                                   |                    | 59                                 |                    |                        |                                      |                    |                                    |                     |
| Dismissed.....                 | 54                     | 349                                  |                    | 172                                |                    |                        |                                      |                    |                                    |                     |
| Pending June 30, total.....    | 508                    | 40,582                               | 176                |                                    |                    |                        |                                      |                    |                                    |                     |
| Appealed by Commissioner.....  | 67                     | 13,833                               | 5                  |                                    |                    |                        |                                      |                    |                                    |                     |
| Appealed by taxpayer.....      | 376                    | 23,453                               | 55                 |                                    |                    |                        |                                      |                    |                                    |                     |
| Appealed by both.....          | 65                     | 3,296                                | 116                |                                    |                    |                        |                                      |                    |                                    |                     |

\* Revised.

**Table 22.—Receipt and disposal of refund suits filed by taxpayers in Federal courts**

| Status                                      | Total               |                     | Refund Suits (other than alcohol, tobacco, and firearms taxes) <sup>1</sup> |
|---|---------------------|---------------------|---|
|   | Court of claims (1) | District courts (2) |   |
| Pending July 1:                             |                     |                     |   |
| Cases.....number.....                       | 3,381               | 427                 | + 2,954   |
| Amount in dispute.....thousand dollars..... | 495,877             | 188,309             | 307,568   |
| Received during year:                       |                     |                     |   |
| Cases.....number.....                       | 1,177               | 180                 | 997   |
| Amount in dispute.....thousand dollars..... | 134,061             | 64,451              | 69,610  |
| Disposed during year:                       |                     |                     |   |
| Cases.....number.....                       | 1,091               | 153                 | 938   |
| Amount in dispute.....thousand dollars..... | 106,223             | 42,407              | 63,816  |
| Refunded during year:                       |                     |                     |   |
| Amount.....thousand dollars.....            | 57,900              | 33,925              | 23,975  |
| Percent of amount disposed of.....          | 54.50               | 80.00               | 37.56   |
| Pending June 30:                            |                     |                     |   |
| Cases.....number.....                       | 3,467               | 454                 | 3,013   |
| Amount in dispute.....thousand dollars..... | 523,715             | 210,353             | 313,362   |

<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 26 of which 16 were for the Government, 6 against the Government, and 4 partly for and partly against the Government. In the district courts 424 decisions were rendered, of which 207 were for the Government, 147 against the Government, and 70 partly for and partly against the Government. For decisions by the courts of appeals and Supreme Court, see Table 21.

\*—Revised.

**Table 23.—Office of Chief Counsel—Decisions of courts of appeals and Supreme Court in civil tax cases**

| Court                            | Total (1) | For the Government (2) | Against the Government (3) | Partly for and partly against the Government (4) |
|----------------------------------|-----------|------------------------|----------------------------|--|
|                                  |           |                        |                            |  |
| By courts of appeals, total..... | 355       | 237                    | 95                         | 23   |
| Originally tried in—             |           |                        |                            |  |
| Tax Court.....                   | 156       | 101                    | 45                         | 10   |
| District courts.....             | 199       | 136                    | 50                         | 13   |
| By Supreme Court, total.....     | 4         | 4                      |                            |  |
| Originally tried in—             |           |                        |                            |  |
| Tax Court.....                   | 3         | 3                      |                            |  |
| District courts.....             | 1         | 1                      |                            |  |
| Court of Claims.....             |           |                        |                            |  |

<sup>1</sup> The Courts of Appeals rendered 115 opinions in 156 docket numbers of which 81 opinions were for the Government, 9 opinions were partially for the Government and 26 opinions were against the Government.

<sup>2</sup> The Courts of Appeals rendered 142 opinions in 199 cases, of which 83 opinions were for the Government, 10 opinions were partially for the Government, and 44 opinions were against the Government.

<sup>3</sup> The Supreme Court rendered 2 opinions in 3 docket numbers.

<sup>4</sup> The Supreme Court rendered 1 opinion in 1 case, which opinion was for the Government.

**Table 24.—Office of Chief Counsel—Receipt and disposal of collection, injunction, summons, disclosure and erroneous refund cases**

| Status               | Number of cases |
|----------------------|-----------------|
| Pending July 1.....  | 1,777           |
| Received.....        | 2,363           |
| Disposed of.....     | 2,164           |
| Pending June 30..... | 1,976           |

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 25), nor to appeal and other cases which are included in table 26.

Erroneous refund cases previously reported in Table 22 with refund suits, effective July 1, 1970, are handled and reported as general litigation cases; cases pending June 30, 1970, are included here.

**Table 25.—Office of Chief Counsel—Receipt and disposal of insolvency and debtor proceedings**

| Status               | Total (1) | Reorganization proceedings <sup>1</sup> (2) | Bankruptcy and receivership proceedings <sup>2</sup> (3) | Miscellaneous insolvency proceedings <sup>3</sup> (4) |
|----------------------|-----------|---|--|---|
| Pending July 1.....  | 2,329     | 1,294                                       | 580  | 455   |
| Received.....        | 3,842     | 2,224                                       | 1,107  | 511   |
| Disposed of.....     | 3,197     | 1,643                                       | 1,058  | 496   |
| Pending June 30..... | 2,974     | 1,875                                       | 623  | 476   |

<sup>1</sup> Proceedings instituted under the following section or chapters of the Bankruptcy Act, Sec. 77 (railroad reorganizations) and chs. X (corporate reorganizations), XI (arrangements as to unsecured indebtedness), XII (real property arrangements), and XIII (wage earners' plans), which involve tax claims and other rights and interests of the United States.

<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 26.—Office of Chief Counsel—Receipt and disposal of miscellaneous court cases, lien cases not in court, noncourt general litigation cases, and appeal cases**

| Status               | Total (1) | Miscellaneous court cases <sup>1</sup> (2) | Lien cases not in court <sup>2</sup> (3) | Noncourt general litigation cases <sup>3</sup> (4) | Appeal cases <sup>4</sup> (5) |
|----------------------|-----------|--|--|--|-------------------------------|
| Pending July 1.....  | 1,514     | 379  | 84                                       | 929  | 122                           |
| Received.....        | 6,859     | 623  | 2,094                                    | 4,006  | 136                           |
| Disposed of.....     | 6,445     | 574  | 2,058                                    | 3,744  | 73                            |
| Pending June 30..... | 1,924     | 428  | 120                                      | 1,191  | 185                           |

<sup>1</sup> Includes suits for foreclosure by mortgages 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 general 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 27.—Office of Chief Counsel—Caseload report**

| Activity                                 | Pending July 1 (1) | Receipts (2) | Disposals (3) | Pending June 30 (4) |
|--|--------------------|--------------|---------------|---------------------|
| Total.....                               | 24,877             | 31,820       | 28,988        | 27,709              |
| Administration.....                      | 63                 | 225          | 164           | 124                 |
| Alcohol, Tobacco and Firearms.....       | 1,090              | 6,580        | 6,398         | 1,272               |
| National Office.....                     | 305                | 1,974        | 1,858         | 421                 |
| Field.....                               | 785                | 4,606        | 4,540         | 851                 |
| General Litigation <sup>1</sup> .....    | 5,620              | 13,064       | 11,810        | 6,874               |
| National Office.....                     | 360                | 459          | 345           | 474                 |
| Field.....                               | 5,218              | 12,600       | 11,457        | 6,381               |
| Enforcement.....                         | 2,206              | 1,313        | 1,052         | 2,467               |
| National Office.....                     | 73                 | 67           | 41            | 89                  |
| Field.....                               | 2,133              | 1,246        | 1,011         | 2,368               |
| Interpretative Division.....             | 258                | 679          | 577           | 360                 |
| Legislation and Regulations.....         | 424                | 145          | 124           | 445                 |
| Refund Litigation Division.....          | 3,381              | 1,177        | 1,091         | 3,467               |
| Tax Court Litigation <sup>2</sup> .....  | 11,835             | 8,637        | 7,772         | 12,700              |
| National Office.....                     | 382                | 338          | 212           | 508                 |
| Trial Branch National Office, Field..... | 204                | + 18         | + 15          | 207                 |
|  | + 11,249           | + 8,294      | + 7,558       | 11,985              |

<sup>1</sup> Revised.

<sup>2</sup> Includes erroneous refund suits worked by Refund Litigation.

<sup>3</sup> Statutory Notices not included.

<sup>4</sup> Includes 10 cases transferred from field to Trial Branch. Excluding transfers, there were 8 Trial Branch receipts and 7,546 field disposals.

<sup>5</sup> Includes 3 cases transferred from Trial Branch to field. Excluding transfers, there were 12 Trial Branch disposals and 8,291 field receipts.

**Table 28.—Costs incurred by the Internal Revenue Service**

| Internal revenue office, district, or region  | [in thousands of dollars] |                            |            |               |                        |
|---|---------------------------|----------------------------|------------|---------------|------------------------|
|   | Total (1)                 | Personnel compensation (2) | Travel (3) | Equipment (4) | Other <sup>1</sup> (5) |
| <b>A. National Office and regional totals (including district director's offices and service centers)</b> |                           |                            |            |               |                        |
| Total Internal Revenue Service <sup>1</sup> .....   | 981,065                   | 848,353                    | 28,571     | 15,891        | 88,240                 |
| National Office.....  | 121,460                   | 64,340                     | 2,072      | 8,104         | 46,943                 |
| North-Atlantic.....   | 149,601                   | 139,760                    | 3,177      | 792           | 5,871                  |
| Mid-Atlantic.....   | 118,402                   | 109,961                    | 2,815      | 1,197         | 4,429                  |
| Southeast.....  | 88,954                    | 87,775                     | 4,101      | 1,807         | 5,271                  |
| Central.....  | 106,316                   | 98,562                     | 3,172      | 445           | 4,116                  |
| Midwest.....  | 114,792                   | 104,842                    | 4,032      | 974           | 4,944                  |
| Southwest.....  | 92,017                    | 82,995                     | 3,179      | 599           | 5,244                  |
| Western.....  | 127,109                   | 114,947                    | 4,259      | 1,801         | 6,102                  |
| Regional counsel.....   | 13,481                    | 12,910                     | 220        |               | 351                    |
| Regional inspection.....  | 12,814                    | 11,374                     | 1,160      | 49            | 232                    |
| Office of International Operations.....   | 5,820                     | 5,276                      | 281        | 4             | 259                    |
| National Computer Center.....   | 4,827                     | 3,940                      | 27         | 9             | 1,750                  |
| IRS Data Center.....  | 15,473                    | 12,560                     | 76         | 110           | 2,727                  |
| <b>B. Regional commissioner's offices (excluding district directors' offices and service centers)</b>     |                           |                            |            |               |                        |
| North-Atlantic.....   | 15,927                    | 14,678                     | 465        | 108           | 676                    |
| Mid-Atlantic.....   | 15,249                    | 13,626                     | 524        | 363           | 736                    |
| Southeast.....  | 19,481                    | 16,862                     | 957        | 104           | 1,558                  |
| Central.....  | 15,458                    | 14,239                     | 472        | 42            | 705                    |
| Midwest.....  | 14,641                    | 12,856                     | 692        | 98            | 995                    |
| Southwest.....  | 10,512                    | 8,988                      | 462        | 225           | 817                    |
| Western.....  | 13,708                    | 12,284                     | 614        | 109           | 701                    |
| <b>C. Regional costs undistributed</b>  |                           |                            |            |               |                        |
| North-Atlantic.....   | 1,814                     | 726                        | 805        | 43            | 239                    |
| Mid-Atlantic.....   | 1,527                     | 731                        | 731        |               | 65                     |
| Southeast.....  | 1,926                     | 801                        | 877        |               | 148                    |
| Central.....  | 1,620                     | 741                        | 681        | 13            | 184                    |
| Midwest.....  | 1,913                     | 858                        | 919        | 45            | 92                     |
| Southwest.....  | 846                       | 155                        | 649        | 33            | 9                      |
| Western.....  | 1,538                     | 664                        | 816        |               | 58                     |

Table 28.—Costs incurred by the Internal Revenue Service—Continued.

(In thousands of dollars)

| Internal revenue office, district, or region               | Total  | Personnel compensation | Travel | Equipment | Other <sup>2</sup> |
|--|--------|------------------------|--------|-----------|--------------------|
|  | (1)    | (2)                    | (3)    | (4)       | (5)                |
| <b>D. District directors' offices and service centers:</b> |        |                        |        |           |                    |
| <b>North Atlantic:</b>                                     |        |                        |        |           |                    |
| Albany.....  | 4,400  | 4,150                  | 130    | 9         | 112                |
| Augusta.....   | 2,250  | 2,097                  | 80     | 13        | 60                 |
| Boston.....  | 16,525 | 15,729                 | 313    | 30        | 452                |
| Brooklyn.....  | 18,011 | 17,290                 | 247    | 61        | 485                |
| Buffalo.....   | 11,152 | 10,508                 | 355    | 3         | 355                |
| Burlington.....  | 1,134  | 1,054                  | 35     | 3         | 40                 |
| Hartford.....  | 8,389  | 7,988                  | 24     | 27        | 227                |
| Manhattan.....   | 36,363 | 35,215                 | 319    | 65        | 764                |
| Portsmouth.....  | 1,781  | 1,661                  | 47     | 3         | 49                 |
| Providence.....  | 2,751  | 2,611                  | 65     | 9         | 63                 |
| Puerto Rico Branch (AT&F).....                             | 167    | 150                    | 12     | 5         | 1                  |
| North-Atlantic Regional Training Center.....               | 269    |                        | 134    | 1         | 267                |
| North-Atlantic Region—Centralized Training.....            | 27,549 | 25,452                 | 107    | 209       | 1,781              |
| North-Atlantic Service Center.....                         | 925    | 458                    | 33     | 160       | 275                |
| <b>Mid-Atlantic:</b>                                       |        |                        |        |           |                    |
| Suffolk Service Center.....                                | 13,731 | 13,214                 | 175    | 41        | 301                |
| Baltimore.....   | 19,970 | 19,082                 | 352    | 95        | 440                |
| Newark.....  | 18,889 | 18,104                 | 307    | 102       | 376                |
| Philadelphia.....  | 10,883 | 10,355                 | 198    | 16        | 253                |
| Pittsburgh.....  | 9,483  | 9,864                  | 313    | 65        | 221                |
| Richmond.....  | 2,464  | 2,342                  | 38     | 22        | 62                 |
| Wilmington.....  | 122    |                        | 127    | 1         | 1                  |
| Mid-Atlantic Region—Centralized Training.....              | 26,103 | 23,641                 | 54     | 433       | 1,974              |
| Mid-Atlantic Service Center.....                           |        |                        |        |           |                    |
| <b>Southeast:</b>  |        |                        |        |           |                    |
| Atlanta.....   | 9,732  | 8,856                  | 398    | 42        | 436                |
| Birmingham.....  | 5,601  | 5,200                  | 228    | 12        | 162                |
| Columbus.....  | 3,863  | 3,623                  | 145    | 12        | 83                 |
| Greensboro.....  | 5,340  | 4,465                  | 363    | 75        | 437                |
| Jackson.....   | 15,841 | 14,757                 | 483    | 16        | 100                |
| Jacksonville.....  | 6,976  | 6,498                  | 249    | 17        | 211                |
| Nashville.....   | 186    |                        | 161    | 24        | 2                  |
| Southeast Regional Training Center.....                    | 146    |                        | 145    | 2         | 2                  |
| Southeast Region—Centralized Training.....                 | 20,359 | 18,942                 | 52     | 228       | 1,138              |
| Southeast Service Center.....                              | 2,028  | 472                    | 46     | 1,098     | 41                 |
| Memphis Service Center.....                                |        |                        |        |           |                    |
| <b>Central:</b>  |        |                        |        |           |                    |
| Cincinnati.....  | 10,097 | 9,528                  | 241    | 18        | 220                |
| Cleveland.....   | 15,859 | 15,022                 | 377    | 42        | 424                |
| Detroit.....   | 19,196 | 18,169                 | 467    | 63        | 497                |
| Indianapolis.....  | 10,423 | 9,826                  | 309    | 13        | 276                |
| Louisville.....  | 6,479  | 6,004                  | 243    | 22        | 210                |
| Parksville.....  | 3,885  | 3,561                  | 186    | 21        | 117                |
| Parkersburg.....   | 242    | 223                    | 3      | 1         | 15                 |
| Central Regional Training Center.....                      | 150    |                        | 144    | 5         | 6                  |
| Central Region—Centralized Training.....                   | 22,996 | 21,269                 | 55     | 209       | 1,462              |
| Central Service Center.....                                |        |                        |        |           |                    |
| <b>Midwest:</b>  |        |                        |        |           |                    |
| Aberdeen.....  | 1,800  | 1,640                  | 97     | 10        | 53                 |
| Chicago.....   | 24,975 | 23,607                 | 425    | 337       | 606                |
| Des Moines.....  | 5,001  | 5,601                  | 219    | 28        | 154                |
| Fargo.....   | 1,717  | 1,557                  | 95     | 5         | 60                 |
| Milwaukee.....   | 8,701  | 8,104                  | 261    | 34        | 302                |
| Omaha.....   | 4,039  | 3,741                  | 165    | 17        | 116                |
| St. Louis.....   | 12,234 | 11,455                 | 404    | 39        | 337                |
| St. Paul.....  | 8,566  | 8,064                  | 252    | 47        | 203                |
| Springfield.....   | 6,543  | 6,040                  | 238    | 32        | 184                |
| Midwest Region—Centralized Training.....                   | 133    |                        | 132    | 1         | 1                  |
| Midwest Service Center.....                                | 23,529 | 21,321                 | 82     | 284       | 1,843              |
| <b>Southwest:</b>  |        |                        |        |           |                    |
| Albuquerque.....   | 2,616  | 2,357                  | 123    | 18        | 118                |
| Austin.....  | 13,839 | 12,888                 | 376    | 55        | 529                |
| Cheyenne.....  | 1,472  | 1,340                  | 91     | 8         | 35                 |
| Dallas.....  | 13,283 | 12,462                 | 383    | 32        | 382                |
| Denver.....  | 5,349  | 4,933                  | 139    | 30        | 229                |
| Little Rock.....   | 3,701  | 3,372                  | 143    | 15        | 171                |
| New Orleans.....   | 7,832  | 7,403                  | 178    | 27        | 224                |
| Oklahoma City.....   | 6,560  | 6,147                  | 213    | 19        | 180                |
| Wichita.....   | 5,538  | 5,134                  | 214    | 24        | 186                |
| Southwest Region—Centralized Training.....                 | 128    |                        | 126    | 2         | 2                  |
| Southwest Service Center.....                              | 20,321 | 17,794                 | 62     | 90        | 2,375              |
| <b>Western:</b>  |        |                        |        |           |                    |
| Anchorage.....   | 1,221  | 1,069                  | 85     | 4         | 62                 |
| Boise.....   | 1,935  | 1,762                  | 90     | 11        | 72                 |
| Bozeman.....   | 1,919  | 1,691                  | 106    | 12        | 101                |
| Helena.....  | 2,117  | 2,007                  | 115    | 11        | 53                 |
| Honolulu.....  | 31,357 | 29,318                 | 747    | 53        | 1,239              |
| Los Angeles.....   | 4,182  | 3,868                  | 132    | 24        | 190                |
| Phoenix.....   | 5,274  | 4,913                  | 159    | 17        | 175                |
| Portland.....  | 3,400  | 3,077                  | 167    | 18        | 198                |
| Reno.....  | 2,703  | 2,522                  | 81     | 8         | 93                 |
| Salt Lake City.....  | 3,400  | 19,547                 | 556    | 72        | 1,034              |
| San Francisco.....   | 21,209 | 19,744                 | 231    | 49        | 290                |
| Seattle.....   | 7,814  | 7,244                  | 6      | 1         | 3                  |
| San Jose.....  | 375    | 286                    | 6      | 1         | 3                  |
| Western Regional Training Center.....                      | 175    |                        | 172    | 220       | 1,389              |
| Western Region—Centralized Training.....                   | 25,810 | 24,067                 | 114    | 220       | 1,389              |
| Western Service Center.....                                | 2,310  | 627                    | 98     | 1,191     | 394                |
| Fresno Service Center.....                                 |        |                        |        |           |                    |

<sup>1</sup> Includes \$5.3 million financed from reimbursements.  
<sup>2</sup> Does not include transfer to General Services Administration in the amount of \$948,000 for rental of space.

Table 29.—Obligations incurred by Internal Revenue Service, by appropriation and activity

(In thousands of dollars)

| Appropriation by activity  | Total   |         | Personnel compensation and benefits |         | Other   |         |
|--|---|---------|-------------------------------------|---------|---------|---------|
|  | 1970  | 1971    | 1970                                | 1971    | 1970    | 1971    |
|  | Total obligations, appropriations and reimbursable..... | 886,159 | 981,065                             | 778,528 | 848,362 | 107,631 |
| Obligations against appropriation funds.....                           | 879,125   | 975,725 | 772,531                             | 844,512 | 106,594 | 131,213 |
| <b>Salaries and expenses:</b>  |   |         |                                     |         |         |         |
| Total.....   | 25,569  | 27,961  | 22,214                              | 24,533  | 3,355   | 3,428   |
| Executive direction.....   | 11,133  | 11,908  | 9,803                               | 10,653  | 1,325   | 1,255   |
| Internal audit and security.....                                       | 14,436  | 16,053  | 12,406                              | 13,880  | 2,030   | 2,173   |
| <b>Revenue accounting and processing:</b>                              |   |         |                                     |         |         |         |
| Total.....   | 214,299   | 237,526 | 177,857                             | 188,532 | 36,442  | 48,994  |
| Data processing operations.....  | 199,963   | 227,656 | 167,236                             | 180,023 | 32,727  | 47,632  |
| Statistical reporting.....   | 7,571   | 8,801   | 6,726                               | 7,443   | 845     | 1,358   |
| District manual operations.....  | 6,765   | 1,070   | 3,895                               | 1,066   | 2,870   | 4       |
| <b>Compliance:</b>   |   |         |                                     |         |         |         |
| Total.....   | 639,257   | 710,238 | 572,460                             | 631,447 | 66,797  | 78,791  |
| Audit of tax returns.....  | 328,089   | 357,137 | 296,858                             | 322,513 | 31,231  | 34,624  |
| Collection of delinquent accounts and securing delinquent returns..... | 151,548   | 171,522 | 134,282                             | 151,423 | 17,256  | 20,099  |
| Tax fraud and special investigations.....                              | 47,204  | 55,365  | 41,162                              | 46,591  | 6,042   | 7,774   |
| Alcohol, tobacco and firearms.....                                     | 50,083  | 59,440  | 42,414                              | 48,542  | 7,669   | 10,798  |
| Taxpayer conferences and appeals.....                                  | 28,009  | 29,166  | 26,271                              | 27,259  | 1,738   | 1,907   |
| Technical rulings and services.....                                    | 13,255  | 14,721  | 12,239                              | 13,536  | 1,016   | 1,185   |
| Legal services.....  | 21,009  | 23,987  | 19,224                              | 21,483  | 1,845   | 2,404   |
| Reimbursable obligations, total.....                                   | 7,034   | 5,340   | 5,997                               | 3,850   | 1,037   | 1,490   |

Note.—Amounts shown do not include transfer to GSA for rent of space amounting to \$1,427,000 in 1970; \$948,000 in 1971; transfer to GSA for early Records Retirements of \$495,000 in 1970.

Table 30.—Quantity and cost statistics for printing

| Class of work  | Fiscal year 1970     |          |                         | Fiscal year 1971     |          |                         |
|--|----------------------|----------|-------------------------|----------------------|----------|-------------------------|
|  | Quantity (thousands) |          | Cost (thousand dollars) | Quantity (thousands) |          | Cost (thousand dollars) |
|  | Items or sets        | Packages |                         | Items or sets        | Packages |                         |
|  | (1)                  | (2)      | (3)                     | (4)                  | (5)      | (6)                     |
| <b>I. Tax packages (1969):</b>   |                      |          |                         |                      |          |                         |
| Package A (Form 1040, schedules A, B, D, E, R, T.....)   | 966,943              | 64,463   | 2,154                   |                      |          |                         |
| Package B (Form 1040, schedules A, B, D, E, R, T, C, F, SE, and Form 4136).....  | 280,500              | 11,200   | 581                     |                      |          |                         |
| Partnership Tax Package (Form 1065, schedule D, and instructions).....   | 6,155                | 1,231    | 33                      |                      |          |                         |
| Corporation Tax Package (Calendar year filers—Form 1120 and capital gains schedules).....                                  | 4,400                | 880      | 33                      |                      |          |                         |
| Corporation Tax Package (Fiscal year filers—Form 1120 schedule D, instructions, Forms 1120-W, 3458, 4466, 4626, 7004)..... | 15,000               | 1,000    | 63                      |                      |          |                         |
| <b>II. Tax packages (1970):</b>  |                      |          |                         |                      |          |                         |
| Package 1 (Form 1040 and Instructions—24 pages).....   |                      |          |                         | 257,000              | 51,400   | 786                     |
| Package 2 (Form 1040 schedules A & B, D, E & R, and Instructions—40 pages).....  |                      |          |                         | 157,500              | 17,500   | 492                     |
| Package 3 (Form 1040, schedules A & B, C, D, E & R, F, Form 4136 and Instructions—56 pages).....                           |                      |          |                         | 158,550              | 10,570   | 546                     |
| Package 1065 (Form 1065, schedule D and Instructions—20 pages).....  |                      |          |                         | 7,325                | 1,465    | 42                      |
| Package 1120 (Form 1120, schedule D, Forms 1120-W, 3458, 4626 and Instructions for Form 1120 and schedule D—32 pages)..... |                      |          |                         | 220,000              | 2,000    | 80                      |
| <b>III. Employment tax package:</b>  |                      |          |                         |                      |          |                         |
| Pub 353 (Forms 7018, 941C, W-2, 941A, W-4-E, Pub 213, and unemployment tax schedule).....                                  | 79,360               | 4,960    | 209                     | 95,140               | 5,060    | 220                     |
| Tax returns and instructions for major mailing to taxpayer—Total.....  | 1,352,358            | 83,754   | 3,073                   | 896,515              | 87,995   | 2,166                   |
| <b>IV. Other tax returns, instructions, public-use forms, and pamphlets.....</b>   | 1,720,097            |          | 10,375                  | 1,411,509            |          | 9,675                   |
| <b>V. Administrative forms and pamphlets.....</b>  | 725,061              |          | 3,330                   | 541,030              |          | 3,263                   |
| <b>VI. Field printing.....</b>   | 307,288              |          | 1,054                   | 354,229              |          | 1,300                   |
| <b>VII. Excise tax stamps.....</b>   | 2,645,543            |          | 1,098                   | 2,556,612            |          | 1,195                   |
| Grand total.....   |                      |          | 18,880                  |                      |          | 17,599                  |

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