the Commissioner of Internal Revenue

1970
Annual Report

Reference
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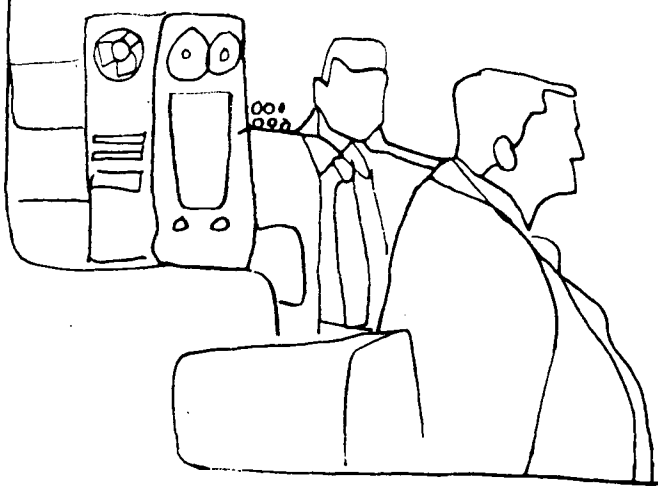

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Statistics of Income

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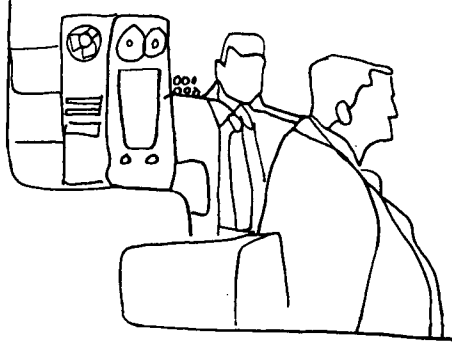

President Nixon greets Commissioner Randolph W. Thrower, after naming him and IRS Chief Counsel K. Martin Worthy, shown at the Commissioner's left, to the National Council on Organized Crime. Secretary of Treasury, David M. Kennedy is at the President's right. Also pictured (facing the camera) left to right are Postmaster General Winton M. Blount and Assistant Secretary of Treasury Edwin S. Cohen.

Department of the Treasury

Commissioner

Internal Revenue Service

Washington, DC 20224

Honorable David Kennedy,
Secretary of the Treasury,
Washington, D.C. 20220.

Dear Mr. Secretary:

I have the honor to transmit to you the attached annual report of the Internal Revenue Service relating accomplishments throughout fiscal year 1970, my first full year in office. I believe the record will confirm that despite budgetary restrictions the Service made progress in 1970 towards laying the foundation for an adequate level of tax administration.

The workload of the Service continued to grow. Records were broken when gross collections soared to $195.7 billion, an increase of $7.8 billion over last year; 113.1 million returns of all types were filed compared to 110.7 million in 1969; and refunds issued exceeded by 3.4 million the record set 2 years ago.

Practically all returns received during the filing period were processed by June 30, a feat never attained in the past. This accomplishment enabled us to update accounts faster and issue bills and statements sooner than ever before. Almost all the 55.3 million refunds due were mailed within a few weeks after the returns were filed, which achieved a two-fold improvement—reduced Government interest payments and accelerated refunds to taxpayers. In the area of delinquent taxes, a greater number of past due accounts were closed, but unfortunately the inventory of past due accounts rose when an even larger number of taxpayers failed during the year to pay their tax bills when due.

We fully recognize the additional difficulties introduced for taxpayers in using the new consolidated return Form 1040 in the past filing period yet the evidence shows that many taxpayers who formerly filed on Form 1040A took advantage of the opportunity of declaring additional deductions and credits not permissible on the short form. In this year of transition, more taxpayer errors were forecast so we were surprised when error rates on returns filed failed to show a significant rise. Looking ahead, suggestions received from members of Congress, the news media, tax practitioners, and the general public are being thoroughly reviewed. Those that merit adoption, together with Service plans to streamline the consolidated return Form 1040, will be reflected in the return form to be used in the next filing period.

Over the past few years the Service has experienced difficulty administering tax laws applicable to exempt organizations. In November 1969 I appointed a committee of 15 distinguished Americans to serve as consultants in resolving technical problems relating to the status of organizations applying for tax exemption. This committee assisted in defining terms such as "religious", "educational", "propaganda", and "political activity" and serves as a sounding board for new approaches to the audit of exempt organizations.

The Service also participated in the fight against organized crime by increasing its contribution to Federal strike forces now operating in major crime areas throughout the country. In addition, the Service enlarged the scope of its firearms program under the licensing and registering provisions of the Gun Control Act of 1968. Arrests, seizures of firearms, and criminal cases completed all rose sharply compared to results in 1969, the first year of operation under the new law.

The pattern of growth in our taxpayer population requires the Service constantly to plan to meet increases in work volume. Recent approval by the Administration and the Congress of three new service centers, to be located in Long Island, New York, Memphis, Tennessee, and Fresno, California will give the Service an opportunity to process a larger volume of returns efficiently and expeditiously. Another development that will help improve taxpayer service is a system successfully tested in the Southwest Region that gives almost immediate response to inquiries regarding status of a taxpayer account by visual display of results through a computer where tax data is stored. Known as an Integrated Data Retrieval System, it permits a local office to respond to a taxpayer request by flashing on a screen the current status of the taxpayer's account. Moreover, adjustments to taxpayer accounts can be effected immediately rather than having to pass through a series of transitory stages.

I believe the Service has achieved gratifying results this year in carrying out a multiplicity of programs with limited resources—only a few of which I have discussed here. I am confident that with adequate funding and your continued support, together with action taken and plans formulated by the Service for improving tax administration, the American taxpayer can anticipate better service at minimum cost in the years ahead.

With kind regards,
Sincerely,

Randolph W. Thrower

Randolph W. Thrower,
Commissioner of Internal Revenue.

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Report on Operations

Highlights

	Millions		
	1969	1970	Percent Change
Gross Collections	$187,919.6	$195,722.1	+4.2
Refunds:			
Number	49.6	55.3	+11.4
Amount	12,942.6	16,188.1	+25.1
Returns filed	110.7	113.1	+2.2
Returns examined	2.5	2.0*	−20.0
Additional tax from enforcement	3,368.3	3,801.1	+12.8
Delinquent taxes collected, total	1,939.3	2,517.6	+29.8

*Partially estimated

notes

All yearly data are on a fiscal year basis, unless otherwise specified. For example, data headed "1970" pertain to the fiscal year ended June 30, 1970 and "July 1" inventory items under this heading reflect inventories as of July 1, 1969.

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

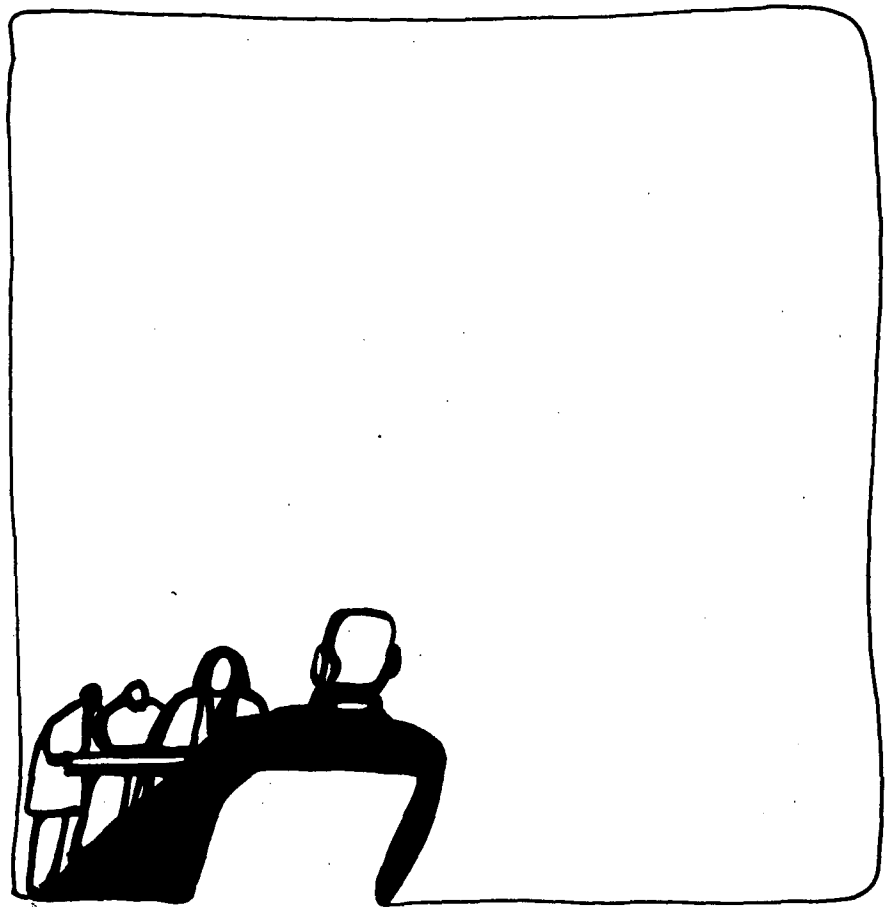
Public Informed of Tax Law Changes Through Established News Media

Taxpayer Service Continues to Expand

Publications Assist Taxpayers

Revenue Bulletin Provides Official Tax Guidelines

Chapter
One



Introduction

The American tax system, founded on the democratic principle of self-assessment, would likely create insoluble problems in voluntary compliance outside the realm of a free society. In contrast United States citizens' responses to their tax obligations are truly remarkable. In 1970 over 113 million tax returns were filed. To foster a sustained high level of compliance with tax laws, substantial resources were devoted to describing tax filing responsibilities simply and clearly, with emphasis on the importance of accuracy and timeliness. Other efforts designed to strengthen voluntary compliance involved clarification and simplification of form letters and notices and broadening taxpayer assistance throughout local offices. These and other programs to inform and assist taxpayers are described within this chapter.

Public Information

In anticipation of the 1970 filing period, three major public information campaigns were conducted covering introduction of the new tax return Form 1040; identification of most common taxpayer errors; and urging taxpayers not to delay filing returns in anticipation of tax law changes.

For many years, individual income tax was reported on Forms 1040 or 1040A. The latter could be used if wages did not exceed $10,000 and if income was limited to a few sources other than wages. Form 1040A was not designed to provide for various deductions authorized by law. Its few entries thus led many taxpayers to overlook benefits to which they were entitled.

This year the Service consolidated Form 1040A and the regular Form 1040 into a new Form 1040 which provided for claiming benefits overlooked by former 1040A filers. Many taxpayers in the past denied themselves advantages of claiming head of household, sick pay exclusion, and other benefits.

To call attention to the new Form 1040 during the filing period, posters were displayed on mail trucks throughout the country. Pictured here is Postmaster Harry Kizirian of the Main Post Office in Providence, R.I., affixing the first poster to one of his mail trucks. John J. O'Brien, Internal Revenue Service District Director, looks on.

With the new Form 1040 these benefits can be claimed with a minimum of additional preparation. More than 23 million taxpayers filed a single sheet tax form in 1970. Another 14 million taxpayers required only one additional sheet for particular classes of income or deductions.

The Service developed a publicity campaign to minimize the impact of the changeover for the former 1040A filers. Special "1040 packages" were prepared for media use, with emphasis on television, newspapers, and magazines. The Service also distributed 50,000 posters to postmasters for display on the sides of mailtrucks during January 1970.

During the filing period, there were complaints about the disappearance of Form 1040A, owing in large measure to the discomfort associated with filling out an unfamiliar form. Although many taxpayers found the new form an improvement, others complained that certain new features were confusing. Consideration has been given to these and related adverse comments, but the Service is convinced of the soundness of the basic principle of a single return form for reporting income by all taxpayers.

The Service has engaged a private concern to review and report on taxpayer experience with the new Form 1040 and its related schedules. The results of these studies will aid in developing the 1970 form and schedules.

Error Reduction Goal

To reduce mistakes on individual income tax returns, the Service conducted a publicity campaign alerting taxpayers to the most common errors. Subjects covered through all media were: Use of the wrong tax table or column, mathematical errors, incorrect or omitted social security numbers, missing statements or schedules, missing signatures, and failure to attach W–2 forms and other supporting documents. The error reduction campaign was geared to the idea that "errors can delay tax refunds."

Impact of New Tax Laws

The Tax Reform Act of 1969 posed many return filing problems because of its far ranging effect and varying effective dates. The Service noted early in the filing period that many taxpayers were waiting for additional instructions on the new tax laws before filing returns. Sensing that this could precipitate a deluge of last-minute filing and seriously complicate processing, a program was quickly initiated emphasizing that the new tax laws affected only a very small percentage of returns filed for 1969. The information further pointed out that most changes brought about by the Tax Reform Act of 1969 related to later years.

Of immediate concern were the retroactive provisions because they affected periods for which some returns could already have been filed at the time of enactment. Within a short time after passage of the Act, several public announcements were issued describing major provisions of the Act and keying them into specific tax return forms and filing periods. The circumstances under which amended returns could be required were also noted in these announcements. Several new forms (including forms for fiscal year computations) were developed on a "crash" basis.

Increased Use of Media and Public Forums

Service personnel gave more than 5,500 speeches to civic and practitioner groups, handled more than 40,000 media inquiries, and arranged for approximately 3,500 interviews throughout the country. Numerous news releases, technical issuances, and other printed materials were directed to the Nation's daily and weekly press.

Media use of public information materials was extensive. Especially popular with newspaper editors was the weekly "question and answer" column based on the most frequently asked taxpayer questions. The column was used during the filing period by 1,132 daily and 4,035 weekly newspapers—both new highs. A number of newspapers continued to carry the column after April 15.

District and regional offices participated in 5,500 locally-developed radio and television presentations. Service-produced materials were used by 4,235 radio stations and 720 television outlets. The Service made available 16 television spot announcements, a 27½ minute color film for television, a 12-minute slide presentation designed for use at group meetings, and a number of radio spot announcements. A 10-minute film emphasizing error prevention was prepared and used throughout the country.

Throughout the filing period, weekly taxpayer error statistics were made available by service centers to field offices so local news releases could pinpoint problem areas. To encourage prompt filing, weekly news releases were distributed citing the number of returns filed and refunds issued.

Firearms Control

As the administering agency for gun control legislation, the Service provided information on the various provisions of the Gun Control Act of 1968. Materials were developed to inform 200,000 target shooters and 100,000 gun collectors of their responsibilities. The Service also provided approximately 396,000 local and 47,000 state police personnel with greater insight to their roles under the Gun Control Act.

Public information support was given to "Operation Disarm the Criminal," a pilot cooperative program of the District of Columbia Police Department and the Alcohol, Tobacco, and Firearms Division aimed at getting guns out of the hands of criminals in the District of Columbia. To inform the public of the program objectives and methods of operation, the Service, in conjunction with the District of Columbia Police Department, arranged for television spots, posters, bumper stickers, special notices, press releases, bus showcards, and flyers. Arrangements were made for in-depth interviews of enforcement personnel working in the program, for broadcast purposes. This Federal-local effort was highly successful in uncovering gun violations in and around the Nation's Capital.

Over 28 Million Taxpayers Served

Almost 28 million taxpayers either called (18 million) or visited (10 million) Internal Revenue Service offices in 1970. An additional 2 million to 3 million taxpayers requested tax forms and publications.

Dealing with the ever-increasing millions of people seeking help and assistance is an important part of

Well-trained Taxpayer Service Representatives each day help many taxpayers fill out their Federal tax returns.

the total Service effort. Much time is devoted to developing a corps of trained taxpayer service representatives whose primary objective is to take care of taxpayer needs courteously, efficiently, and expeditiously.

Year-round service was provided by 1,176 taxpayer service representatives at 373 locations and on designated days at remaining Service locations. During peak filing periods, these personnel are augmented by temporary employees trained to answer questions of limited scope. Additionally, employees from other organizational activities are assigned as needed to maintain the desired level of service during peak periods.

Plans for Improving Service Become Realities

This was a year of innovation. A number of ideas that had been in blueprint stage for several years came off the drawing board for testing, limited operational try-out, or full-blown adoption. For example, 1970 was the first full year in which standard procedures were instituted for referring taxpayer inquiries to another location, instead of back to the taxpayer, when inquiries could not be answered at the initial point of contact. This helps immeasurably to prevent frustration on the taxpayer's part.

The concept of a network of toll-free lines was further pursued during the year. This system automatically directs telephone inquiries within a specific geographical area to a centralized taxpayer service station. Although not available on an extensive basis, this toll free service has been popular with taxpayers and will undergo further experimentation.

Many offices tried different approaches to add an extra dimension to taxpayer service. Through the use of taxpayer service mobile units—taxmobiles—several districts in the Mid-Atlantic Region provided service in inner-city areas, at shopping centers, and near apartment complexes housing older citizens. Some offices provided service through joint efforts with State and city governments.

Special Assistance for Older Citizens and Lower-Income Groups

Training was expanded and other special efforts were undertaken to make tax information more readily available to older citizens and lower-income groups. Both programs were staffed by volunteers to provide tax information and help under programs sponsored by associations of retired employees, community action groups, civic organizations and churches. After completing institute training, these individuals provided tax information, in many instances on Saturdays and during evening hours. Preliminary figures show that over 104,000 taxpayers were assisted under the program designed for lower-income groups.

The Boston District now is able to assist taxpayers in preparing their returns by mass production methods through the use of transparencies and projectors.

New Look for Reception Areas

New facilities were provided in 41 Internal Revenue Service offices in 1970. This continues the Service's 5-year program to remodel taxpayer reception and service areas into a nationwide network of attractive and functional offices.

Plain Language Publications Help Taxpayers File Proper Returns

Many booklets and pamphlets were published and distributed during the year as part of a continuing program to help taxpayers understand and apply the technical provisions of the statute, regulations, and official rulings. More than 80 of these publications provide self-help guidance for taxpayers in preparing their tax returns.

Most publications were revised during the year to reflect new developments in the tax law. In addition, the material presented in the *Tax Guide for Small Business* was substantially reorganized to improve its appearance and readability. The 1970 edition of the *Farmer's Tax Guide* incorporated suggestions received from representatives of the United States Department of Agriculture.

Continuing as one of the Government's best sellers is *Your Federal Income Tax*, a 160-page booklet designed to aid individuals in filing their income tax returns. It provides answers to a broad range of questions of interest to many taxpayers.

Of particular interest this year was the *Highlights of 1969 Changes in the Tax Law*, which provided information about the Tax Reform Act of 1969. More than 2½ million copies of this 16-page publication were made available to taxpayers by mid-January, highlighting the tax law changes important to taxpayers in filing returns for 1969 and in planning for 1970.

Volunteer tax assistors for senior citizens receive training provided by Service personnel.

This taxpayer is receiving assistance at a new interview booth composed of portable panels and a folding table.

Other publications that were revised to incorporate additional material included several of limited subject matter coverage, such as *Tax Information for Students and Parents, Tax Benefits for Older Americans, Tax Information on Selling Your Home*, and *Appeal Rights and Claims for Refund*.

The Service reviewed for technical accuracy several tax information publications issued by other Government agencies. Effective tax administration is indirectly enhanced by this effort. Specific benefits hopefully will come from the Service cooperation with the Small Business Administration in providing technical assistance in the review of tax material appearing in its publications. Other publications that illustrate assistance to other agencies are as follows: *Federal Income Tax Information for Armed Forces Personnel; Social Security and Your Household Employee; Special Information About Social Security for People Who Receive Cash Tips;* and *Tax Guide for Peace Corps Volunteers*.

For further information about current publications see page 100.

Publications Broaden Technical Knowledge of Service Employees

Other publications were provided by the Service for the benefit of employees who are responsible for the technical aspects of tax administration. The *Quarterly Review of Technical Developments*—Income Tax explains new developments in tax legislation, regulations, court decisions, and published rulings affecting individual and corporate income taxes. The *Annual Review of Technical Developments—Employment, Estate, Gift, Excise Taxes* is a companion fiscal year publication that comprehensively discusses developments in the named special fields of taxation.

At the end of the fiscal year a special *Review of Technical Developments* was being prepared to present to Service employees detailed explanations of the provisions of the Tax Reform Act of 1969.

Examination of professional journals, periodicals, and other tax literature provided constant information about tax thinking outside the Service. This identified articles on tax avoidance schemes, criticism of Service administrative interpretations, and suggestions for legislative changes. Such articles were digested in the bi-weekly *Reports on Current Tax Literature*. This kept Service officials informed and alerted to the need for appropriate action.

Brief digests of legislative changes, new regulations, court decisions, Revenue Rulings, Revenue Procedures, and other material were distributed to field offices every four weeks. This pocket-size booklet, entitled *Tax Briefs*, uses an informal writing style and groups the digests in type-of-tax or subject areas to give revenue agents and other interested employees a quick view of current technical developments in their various areas of special concern.

Public-use Forms and Form Letters Improved

A large number of forms and form letters are used to facilitate necessary communication between taxpayers and the Service. Improving the tone, quality, and clarity of these forms and form letters is the goal of a continuing program of centralized review in the National Office. Review has been completed of all National Office forms and over two-thirds of the approximately 3,000 field office forms. As new or revised forms are developed to accommodate the needs of tax administration, they are subjected to the centralized review.

Regulations Aid in the Uniform Administration of Revenue Laws

In order to provide uniformity and to bring clarity to the Internal Revenue Code, Congress has authorized the Secretary of the Treasury or his delegate to prescribe regulations. By means of regulations, Internal Revenue Service personnel who must administer revenue laws and the public who must conform to revenue laws, are given appropriate guidelines which minimize administrative discretion and encourage uniformity in application of the taxing statutes.

Through publication of a notice of proposed rule making in the Federal Register, the public is generally made aware that the Commissioner of Internal Revenue, as the delegate of the Secretary, intends to prescribe new or amendatory regulations. All notices invite written comments on the proposed regulations and inform the public of its right to request a hearing at which oral comments may be made on the proposed regulations. The usual period provided for submission of written comments and requests for a public hearing is 30 days. After consideration of the comments and suggestions from the public, the proposed regulations are revised to the extent found necessary, and a Treasury Decision containing the final regulations is prepared, signed by the Commissioner, approved by the Assistant Secretary of the Treasury for Tax Policy, and published in the Federal Register.

If time does not permit a notice of proposed rule making, regulations are issued and published in the Federal Register immediately. In such cases, the regulations contain a statement of the reasons why it is impracticable, unnecessary, or contrary to public interest to delay the issuance of the regulations for submission of comments by interested persons. This procedure has been employed to provide guidelines for those taxpayers with difficult transitional problems under the Tax Reform Act and to enable taxpayers to make elections provided under numerous provisions of the Act. Guidelines of this nature have been provided principally in the form of temporary regulations and it is contemplated that similar rules will be incorporated in permanent regulations to be issued subject to the notice of proposed rule making procedure affording interested parties an opportunity to comment.

Presently, a massive regulations program is underway in the Service in an attempt to develop appropriate regulations under the Tax Reform Act. Regulations projects have been scheduled for completion in accordance with a list of priorities. In this way, regulations will be issued in order of the greatest needs first. By the close of the year, four final regulations, 17 temporary regulations, and five notices of proposed rule making had been published covering projects under the Tax Reform Act. With respect to other projects not under the Tax Reform Act, 10 final regulations and four notices of proposed rule making had been published in the Federal Register.

Published Rulings Inform All Taxpayers of Administrative Interpretations

Technical interpretations of the Internal Revenue Code and regulations are announced by the Service as Revenue Rulings. During the year 635 Revenue Rulings were published, for the guidance of taxpayers, tax practitioners, and Service employees. Publication of rulings is a significant factor in promoting uniform treatment of issues, both in filing and in examining returns. Uniform application of technical interpretations is an important aspect of tax administration.

As new rulings are published each year, the cumulative effect of all outstanding rulings is to provide more authoritative guidance to businessmen and other taxpayers in planning transactions and in filing returns. These published rulings officially establish the Service position, and they may be cited and relied upon by Service employees in examining all returns involving issues covered by the published rulings.

Internal practices and procedures that affect taxpayers' rights and duties are published as Revenue Procedures. Procedures of continuing significance are periodically incorporated into the Statement of Procedural Rules. During the year, 32 Revenue Procedures were published.

The Revenue Rulings and Revenue Procedures published during 1970 in the various tax categories are shown in the table below.

Revenue Rulings and Revenue Procedures Published

Type	Number
Total	667
Administrative	28
Alcohol, tobacco, and firearms	25
Employment taxes	45
Estate and gift taxes	15
Excise taxes	61
Exempt organizations	49
Income tax	377
Pension trusts	65
Self-employment tax	2

Revenue Ruling 69–545 and Revenue Ruling 70–101 are examples of the more significant administrative interpretations published during the year, and Revenue Procedure 70–5 illustrates the announcement of internal procedures that affect the rights and duties of taxpayers.

Revenue Ruling 69–545 relates to the qualification of nonprofit hospitals for exemption from Federal income tax. This ruling describes two hospitals and concludes that one is exempt because it serves a public rather than a private interest, whereas the other is not exempt because it is operated for private benefit rather than for the exclusive benefit of the public. Underlying the exemption for the first hospital is the theory that, under the general law of charity, the promotion of health (as well as the relief of poverty and the advancement of education and religion) is a charitable purpose.

Revenue Ruling 70–101 relates to the Federal tax classification of professional service organizations formed under various designated State statutes. In light of several decisions of the Federal courts, organizations of doctors, lawyers, and other professional people organized under State professional association acts generally will be treated as corporations for tax purposes.

Revenue Procedure 70–5 announced the conditions under which rulings will be issued under the Tax Reform Act of 1969 pending the adoption of regulations that reflect the various provisions of that Act.

Published Tax Rulings Purged

As part of a continuing review program, more than 600 pre-1953 published rulings were declared obsolete during the year and 159 were updated and superseded by republication under the current statute and regulations. This review program has resulted in publicly listing more than 7,100 old rulings as not being currently determinative and in republishing 372 for guidance under current law.

This review program was undertaken because of an awareness that the contribution of outstanding published rulings to effective tax administration was being somewhat hampered by uncertainty about the current effect of many old rulings. Several thousand rulings have been published since the initiation of the practice in 1919. As a result of statutory or regulations changes, or for other reasons, it may be obvious to an astute researcher that some of those rulings do not represent current statements of Service position even though they ostensibly are still outstanding. In other cases the old rulings may state Service positions that are still applicable to current transactions although the underlying statute may have been subsequently enacted in different form.

In many other cases, it has been difficult even for a careful researcher to determine the current effect of the old rulings. Therefore, this review program was undertaken for the purpose of officially listing as obsolete those rulings that are identified as not being currently determinative and republishing those that are identified as having significant application to future transactions.

Internal Revenue Bulletin Is Authoritative Instrument For Informing Public and Service Employees

The *Internal Revenue Bulletin* is the authoritative instrument of the Commissioner not only for announcing official rulings and procedures of the Service but also for publishing other tax items as a convenience to Service employees, tax practitioners, and others interested in Federal taxes. The need for frequent and regular communication is met by weekly publication.

Items published in the *Bulletin* during the year (in addition to the Revenue Rulings and Revenue Procedures referred to above) include 13 Public Laws with related Committee Reports, three Executive Orders, 32 Treasury Decisions settiing forth new or amended regulations, 16 court decisions, two amendments of the Statement of Procedural Rules, one Treasury Department Order, 19 Delegation Orders, one revision of the Statement of Organizations and Functions of the Service, and 126 Announcements of General Interest. Announcements of acquiescence or nonacquiescence in 57 adverse decisions of the Tax Court also were published.

The contents of the weekly *Bulletin* normally are cumulated semiannually and published in bound volumes, known as *Cumulative Bulletins*. These indexed volumes make up a reference library for use by those concerned with Federal tax matters. Because of the extent and significance of tax legislation during the first 6 months of the fiscal year, two *Cumulative Bulletins* were published for that period. A special edition, *Cumulative Bulletin 1969–3*, contains the voluminous Tax Reform Act of 1969 and other Public Laws enacted during that 6-month period as well as the related Committee Reports. As an aid to researchers, a finding list of all the Code sections added or amended by the Tax Reform Act is featured. Brief digests of the important provisions of that Act also are included.

Cumulative List of Organizations Is a Guide for Donors and Service Employees

During the year more than 10,000 names of organizations (contributions to which are deductible for Federal income tax purposes) were added to a growing list. This list, Publication 78, is useful to individuals and to foundations and other organizations in determining the tax treatment of contributions for charitable, educational, and other specified purposes. It also serves as a helpful working tool for Service employees in informing taxpayers or in examining returns. It is reissued biennially to reflect additions and deletions.

Current information between reissuances of Publication 78 is provided through the distribution of bimonthly supplements. These cumulative supplements contain additions, deletions, and name changes of organizations. A new series of supplements begins with the first issuance for each calendar year.

To assure wide dissemination the Service announces in the weekly *Bulletin* the names of organizations that have been deleted from Publication 78 because they have terminated their existence or, for other reasons, no longer qualify for deductible contributions.

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

The Service continued to issue industry circulars to aid the alcohol and tobacco industries in keeping current with the requirements of internal revenue law, regulations, rulings, and procedures. Firearms licensees were also kept current on the requirements of the Gun Control Act of 1968 and on the importation of arms, ammunition, and implements of war under section 414 of the Mutual Security Act of 1954.

Of the 33 industry circulars issued during the year, seven related to actual or proposed amendments to regulations; 13 announced the substance of Revenue Rulings and Revenue Procedures; two discussed the use of plastic and nonrigid liquor bottles; four related to firearms matters; and the remaining seven related to other matters of current interest.

Technical Correspondence With Taxpayers and Field Offices

Many taxpayers write to the Service each year for interpretative assistance where the proper tax treatment of their transactions cannot be clearly determined from the statute, regulations, or published rulings. Other taxpayers request permission to change their accounting methods or periods in accordance with requirements of the statute and regulations, and various corporations ask for earnings and profits determinations. During the year 30,114 taxpayer requests of these kinds were answered.

In connection with the examination of returns or claims for credit or refund, district directors may request technical advice from the National Office regarding issues that are not covered by the statute, regulations, or published rulings. During the year 2,856 field office requests were answered.

The taxpayer and field office requests in the various tax categories are shown in the table below.

Requests for tax rulings and technical advice

Subject	Total	Taxpayers' requests	Field requests
Total	32,970	30,114	2,856
Accounting methods	2,722	2,722	
Accounting periods	11,658	11,658	
Actuarial matters	42	21	21
Administrative provisions	92	77	15
Alcohol, tobacco, and firearms taxes	6,006	4,502	1,504
Earnings and profits	771	771	
Employment and self-employment taxes	210	170	40
Engineering questions	130	70	60
Estate and gift taxes	497	417	80
Exempt organizations	2,631	2,367	264
Other excise taxes	301	192	109
Other income tax matters	5,656	5,255	401
Pension trusts	2,254	1,892	362

Procedural Changes Adopted To Handle Increasing Volume of Pension Trust Activity

Several procedural changes were effected during the year to handle more effectively the increasing volume of work related to pension, profit sharing, stock bonus, and bond purchase plans. Various tax benefits are provided under plans that are "qualified" in accordance with requirements of the Code, together with pertinent regulations and rulings.

In accordance with procedures previously announced, the National Office initiated the issuance of opinion letters regarding master and prototype plans for use by corporate employers. Under the new procedures, a sponsor who develops a master or prototype plan can request an opinion letter stating whether its plan is acceptable as to form under the provisions of the statute. A corporate employer which adopts a previously approved master or prototype plan may apply to its district director for a determination letter as to the qualification of its plan. Although the employer's participation is important to the qualification of a plan, it will not be necessary under these circumstances for the district director to examine all the detailed provisions of a plan, since they will have been considered at the time the master or prototype plan was analyzed.

New application forms were developed to be submitted by employers requesting that the Service determine in advance whether individually designed plans qualify. Standardization of the applications should help employers furnish necessary information to facilitate processing.

Other procedural changes were adopted regarding plans that provide benefits for self-employed persons (commonly referred to as H.R. 10 plans). Responsibility for the issuance of opinion letters on the acceptability as to form of master and prototype plans for self-employed persons was centralized in the National Office to promote uniform application of the qualification requirements. Because of the volume of requests and the fact that most were accepted without substantive change, issuance of advance determination letters to self-employed persons who adopt previously approved master or prototype plans was discontinued. This resulted in a significant reduction in the number of determination letters issued.

Details on the determination letter activity regarding corporate plans and self-employed plans are shown in the tables below.

Determination letters issued on employee benefit plans

Item	Profit sharing plans	Pension or annuity plans	Stock bonus plans
Determination letters issued with respect to—			
1. Initial qualification of plans:			
a. Plans approved	15,290	16,032	42
Number of participating employees	285,027	596,500	24,999
b. Plans disapproved	177	233	
2. Termination of plans	1,000	950	4
Cases closed without issuance of determination letter	1,136	1,537	5

Determination letters issued on benefit plans for self-employed persons

Item	Profit-sharing plans	Pension plans	Bond purchase plans
Determinations issued with respect to—			
1. Initial qualification of plans:			
a. Plans approved	11,100	12,104	417
Number of participants	19,520	18,925	511
b. Plans disapproved	48	66	
2. Termination of plans	69	56	3
Cases closed without issuance of determination letter	884	1,215	23

404-961 O—71——2

Receipts, Refunds and Returns Filed

Collections Continue to Increase

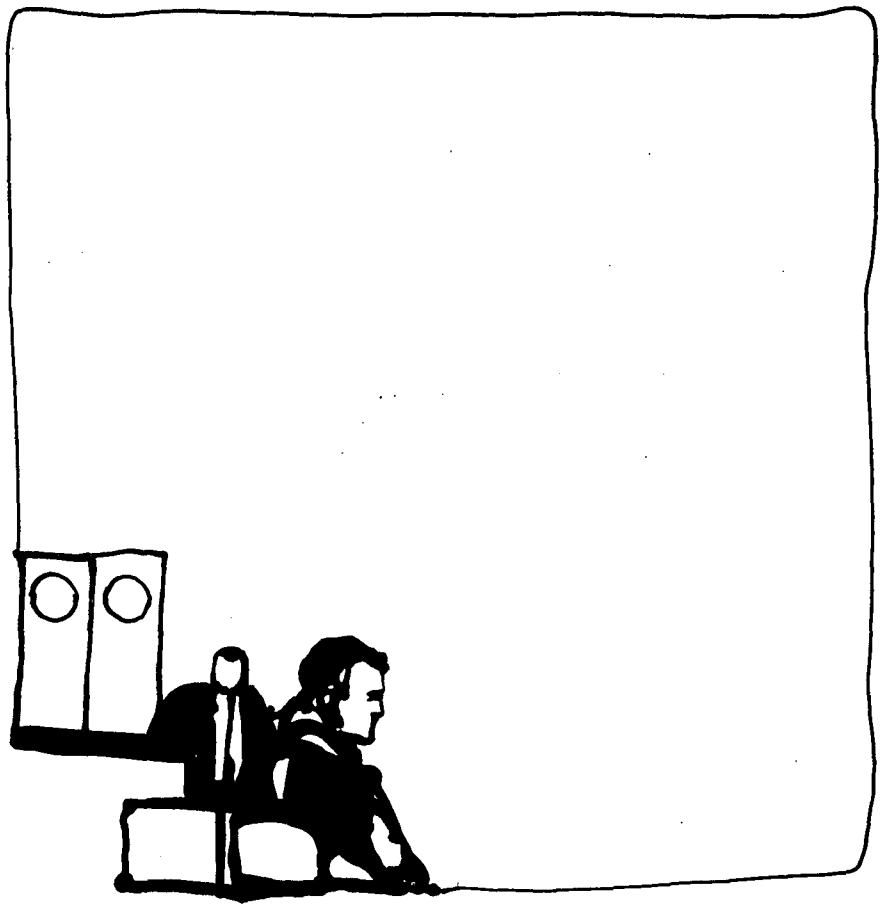
Most Collections Processed Through the Federal Tax Deposit System

About 65% of Filers Receive Refunds

Increase of 3 Million in Returns Filed

Returns Mathematically Verified up 30%

Chapter Two



Receipts

Thomas Paine said, "Those who expect to reap the blessings of freedom must, like men, undergo the fatigue of supporting it." That quote is particularly appropriate here because the next several pages detail the story of our National tax collection effort for fiscal year 1970, which totaled $195.7 billion in gross revenue receipts.

What is $195,700,000,000? The magnitude of such an amount is difficult to comprehend. Put in more manageable terms:

—Look at your watch for 5 seconds. Your Government collected about $32,000 in that short time span.

—With a population of roughly 200 million, collections of all classes of tax for 1970 averaged approximately $983 for you and every other man, woman, and child in the United States.

In 1960, Federal tax collections amounted to $91.8 billion, more than double the receipts for 1950, but less than half of the 1970 figure. Since 1960, the steady rise has continued, reaching $195.7 billion in gross collections for 1970, an increase of $7.8 billion or 4.2 percent over fiscal year 1969.

While increases in Federal tax revenues are pronounced, they closely parallel the upward trend of personal and corporate income and the general growth in economic activity. As shown by the chart which presents data for the past 10 years, individual and corporate income have risen a total of $400.6 billion, or an increase of 84 percent since 1961.

In 10 years corporate tax revenue has grown from $21.8 billion to $35.0 billion, up $13.2 billion or 60.6 percent in a decade.

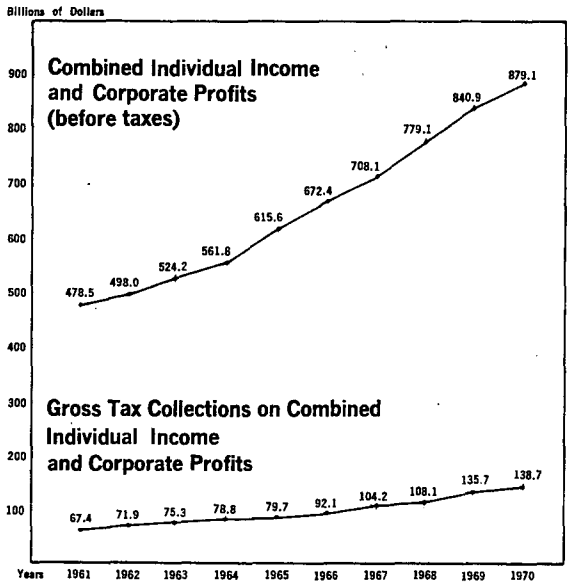
For tax collections on combined Individual Income and Corporate Profits the chart shows a slight rise through 1968, a jump in 1969 (primarily due to surcharge increases not covered by previous estimated tax payments or withholding) and a return to a more normal course in 1970. In 10 years this tax has doubled.

With regard to tax rate change for fiscal 1970, the tax surcharge, which became effective January 1, 1968 for corporations and April 1, 1968 for individuals, was in effect through December 31, 1969 at the 10 percent rate. The Tax Reform Act of 1969 reduced the surcharge to a 5 percent rate for both individuals and corporations for the period, January 1 to June 30, 1970.

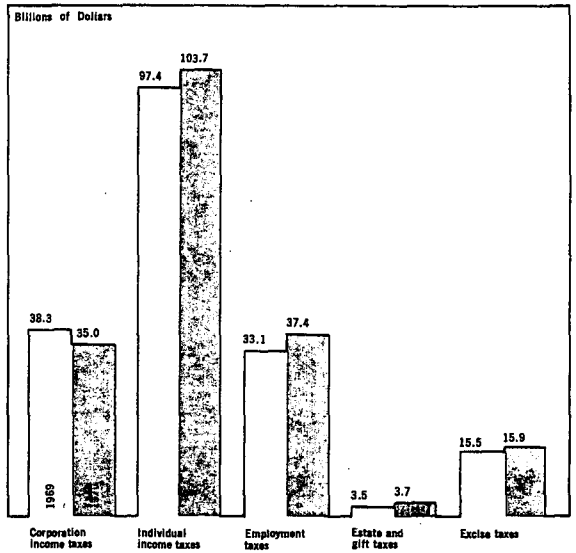
Increased rates for Federal Insurance Contributions Act taxes (FICA) and Self Employment Contributions Act taxes (SECA) were in effect for the full fiscal year. The total employee-employer rate for FICA increased from 8.8 percent to 9.6 percent, and SECA increased from a 6.4 percent rate to 6.9 percent. Both increases were effective as of January 1, 1969.

The Federal Tax Deposit (FTD) System, inaugurated in 1968 to accelerate the deposit of withheld taxes to the credit of the Treasury, continued to expand. In 1970, FTD's accounted for $145.0 billion or 74.3 percent of all Federal tax collection. This was an increase of $11.2 billion or 8.3 percent over the prior year.

Payment by FTD was extended to Federal Unemployment Act tax (FUTA), January 1, 1970. This tax, now payable quarterly rather than annually, generated revenues of $768.1 million for the last half of fiscal 1970, an increase of $136.4 million or 21.6 percent over the comparable period of fiscal 1969.



Tax Collections Continue to Rise



Gross internal revenue collections

[Dollars in thousands. For details see table 1, p. 110]

Source	Percent of 1970 collections	1969	1970	Increase or decrease	
				Amount	Percent
Grand total [1]	100.0	$187,919,560	[illegible]	$7,802,536	4.2
Income taxes, total	70.9	135,778,052	[illegible]	2,910,516	2.1
Corporation	17.9	38,337,646	[illegible]	−3,300,663	−8.6
Individual, total	53.0	97,440,406	[illegible]	6,211,179	6.4
Withheld by employers [2]	39.6	70,182,175	[illegible]	7,233,895	10.3
Other [2]	13.4	27,258,231	[illegible]	−1,022,716	−3.8
Employment taxes, total	19.1	33,068,657	[illegible]	4,380,531	13.2
Old-age and disability insurance, total	18.2	31,489,943	[illegible]	4,202,255	13.3
Federal insurance contributions	17.2	29,775,392	[illegible]	3,974,613	13.3
Self-employment insurance contributions	1.0	1,714,551	[illegible]	227,642	13.3
Unemployment insurance	.4	640,030	[illegible]	136,109	21.3
Railroad retirement	.5	938,684	[illegible]	42,167	4.5
Estate and gift taxes	1.9	3,530,065	[illegible]	150,011	4.2
Excise taxes, total	8.1	15,542,787	[illegible]	361,477	2.3
Alcohol	2.4	r 4,555,560	[illegible]	190,822	4.2
Tobacco	1.1	r 2,137,585	[illegible]	−43,373	−2.0
Other	4.6	r 8,849,642	[illegible]	214,028	2.4

[1] Collections are adjusted to exclude amounts transferred to the Government of Guam. For details see table 1, p. 110 and footnote 5, p. 120.

[2] Estimated.—Collections of individual income tax withheld are not reported separately from old-age and disability insurance taxes on wages and salaries. Similarly, collections of individual income tax not withheld are not reported separately from old-age and disability insurance taxes on self-employment income. The amount of old-age and disability insurance tax collections shown is based on estimates made by the Secretary of the Treasury pursuant to the provisions of sec. 201(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.

r Revised.

Refunds Paid

In 1970, 55.3 million taxpaying entities received a refund check from the Service, and usually, did not wait very long. The number of refunds increased 11.4 percent over 1969.

In total, the Service returned $16.2 billion in tax overpayments including interest of $112.9 million (down 6.4 percent). Interest per each dollar refunded was reduced from 0.9 cents (nine mills) to 0.7 cents (seven mills), a decrease of 22.9 percent.

About two out of every three Form 1040 filers received a refund this year. Since the average refund was about $241, and 54.4 million refunds were issued, the Nation's individual taxpayers received $13.7 billion in refund principal. Interest paid by the Service in 1970 for individual refunds declined $4.5 million (13.8 percent) to $28 million.

Corporation income tax refunds amounted to $2.3 billion, an increase of 33.0 percent over 1969. Interest of $70.9 million paid on corporation refunds was down 5.5 percent from the preceding year.

Returns Filed

More than 113 million returns were filed in 1970, an increase of about 3 million returns over the previous year, reflecting the continued substantial growth of recent years.

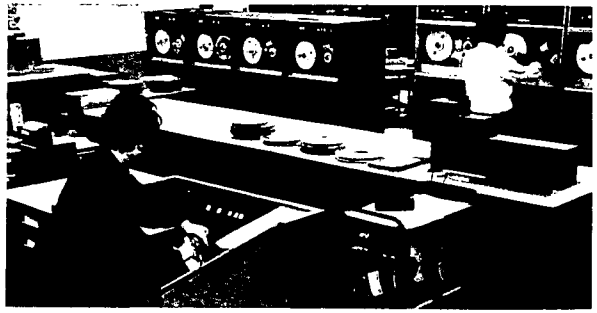
Tax year 1969 was, of course, the first year of use for the new combined Form 1040/1040A. More than 76 million new Forms 1040 were filed; approximately 20 million of these were received in the 5 days ending April 15.

Internal Revenue refunds, including interest

(For refunds by region and district, see table 5, p. 123)

Type of tax	Number		Amount refunded (principal and interest—thousand dollars)		Amount of interest (thousand dollars)	
	1969	1970	1969	1970	1969	1970
Total refunds of internal revenue [1 2]	49,607,120	53,274,474	12,942,604	16,188,185	120,095	112,922
Corporation income taxes	227,068	292,543	1,735,051	2,278,539	74,963	70,877
Individual income and employment taxes, total [3]	49,326,589	55,815,966	10,839,659	13,666,573	36,238	33,474
Excessive prepayment income tax [3]	48,584,804	54,322,844	9,944,210	12,815,063	16,373	17,915
Other income tax and Federal Insurance Contributions Act taxes [3 8]	703,647	654,113	887,605	841,228	19,588	15,131
Railroad retirement	536	489	165	228	6	9
Unemployment insurance	37,602	31,849	7,680	6,564	271	229
Estate tax	8,944	11,847	44,413	33,892	6,680	4,365
Gift tax	1,234	1,562	1,691	2,385	213	337
Excise taxes, total [7]	43,285	42,561	321,790	282,824	2,001	3,263
Alcohol taxes [4]	9,063	8,458	108,811	180,133	14	7
Tobacco taxes [4]	284	277	1,584	1,350	(*)	(*)
Manufacturers' and retailers' excise taxes, total [7]	7,968	5,127	193,036	74,416	615	734
Gasoline used on farms	534	811	134,124	96,980		
Gasoline, nonhighway	2,354	1,489	37,715	16,164		
Other [5]	5,080	3,027	21,197	21,373	615	734
All other excise taxes [6]	25,970	27,801	18,359	26,115	1,373	2,586

[1] 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 $604,953,000 in 1969 and $36,8094,000 in 1970 from the Highway Trust Fund amounting to $223,755,000 in 1969 and $32,074,000 in 1970; and from the unemployment Trust Fund amounting to $6,852,000 in 1969 and $3,500,000 in 1970.
[2] Net of 127,547 undeliverable checks totaling $18,539,000 in 1969 and 113,595 undeliverable checks totaling $14,182,000 in 1970.
[3] Includes refunds "not otherwise classified."
[4] Includes drawbacks and stamps redemptions.
[5] Includes lubricating oil used for nonhighway purposes.
[6] Includes narcotics, silver, wagering (excise and stamps), capital stock, and other excise tax refunds.
[7] Excludes gasoline tax refunds.
[8] Includes excess FICA credits.
*Less than $500.



The above pictures reflect operations in the returns processing cycle.

Number of returns filed, by principal type of return

(Figures in thousands. For details, see table 6, p. 124)

Type of return	1969	1970
Grand total	110,659	[1] 111,974
Income tax, total	86,702	89,225
Individual and fiduciary, total	76,215	78,370
Individual-citizens and resident aliens, total	74,962	77,063
All other individual and fiduciary	1,253	1,301
Declarations of estimated tax, total	7,102	7,375
Individual	7,096	7,375
Corporation	6	NA
Partnerships	956	937
Corporations	1,730	1,726
Other	698	817
Employment tax, total	22,032	21,994
Employers' Form 941	15,426	15,729
Employers' Form 942 (household employees)	4,349	3,399
Employers' Form 943 (agricultural employees)	563	535
Railroad retirement, Forms CT-1, CT-2	21	18
Unemployment insurance, Form 940	1,674	1,704
Estate tax	123	132
Gift tax	151	148
Excise tax, total	1,650	1,577
Occupational tax	1,016	979
Form 720 (retailers, manufacturers, etc.)	300	291
Alcohol	23	22
Tobacco	5	6
Highway use tax	249	241
Other	56	47

[1] Includes 66 1120 ES and 2429 other excise for 1st. 6 mos.

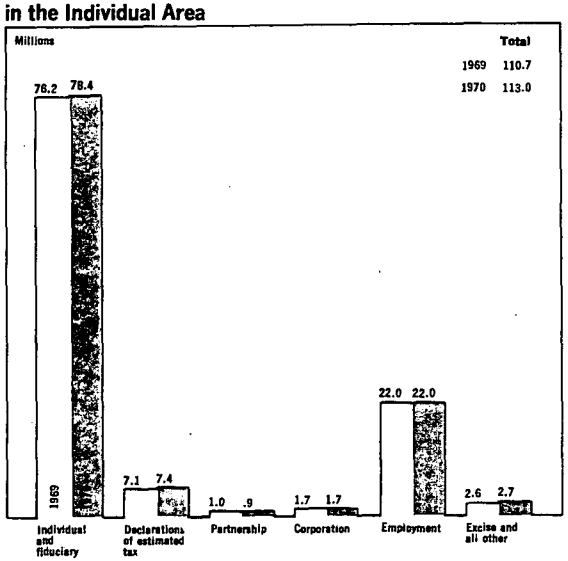
Nineteen-seventy was also the first full fiscal year for the Form 1040X, a new concept in amended tax returns. This form was well received by indivdual taxpayers, and about 533,000 were filed. The form's success lies in its ease of preparation, since only those items of information necessary to change the original return are required. Streamlined processing procedures for the Form 1040X have made possible more rapid adjustments and refunds.

Because of the favorable experience with Form 1040X, the Service extended the same concept this year to the filing of amended corporation returns by introducing Form 1120X. As many as 40,000

corporate taxpayers will probably use the new Form 1120X annually, rather than amend their returns with a regular Form 1120 or Form 843 claim.

In 1970 the Service completed implementation of direct tax return filing required by legislation enacted in 1966. Direct filing with the service centers has provided benefits for both taxpayers and the Service. Taxpayers have benefited from the accelerated processing and refunding and the Service has reduced processing costs associated with the transshipment of returns between outlying offices and service centers.

Returns Filed Continue to Rise in the Individual Area



Individual income tax returns mathematically verified

Item	1969	[redacted]
Number ..... thousands	65,823	[redacted]
Number of returns on which changes were made ..... do	5,360	[redacted]
Returns with increase:		
Number ..... do	3,314	[redacted]
Amount ..... thousand dollars	315,103	[redacted]
Returns with decrease:		
Number ..... thousands	2,046	[redacted]
Amount ..... thousand dollars	140,236	[redacted]
Net yield:		
Total ..... do	174,867	[redacted]
Average per return verified ..... dollars	2.66	[redacted]

Mathematical Verification

The tax return (on the following page.) is representative of the first page of some 2.8 million Form 1040 returns filed in 1970. The taxpayers who filed such returns made errors which would have cost them a total of $212.3 million had the Service's computerized math-verification program not detected their errors. Over 4 million other taxpayers weren't quite so fortunate. Correction of their mistakes resulted in upward adjustment of tax liabilities totaling $507.0 million.

Including both upward and downward adjustments of tax liability, about one in every 12 returns contained a "math error" (improper arithmetic or use of inapplicable tax rates, etc.). On balance, the Government realized $294.7 million from mathematical verification of 88.4 million Form 1040 returns.

The total number of returns verified was up 22.5 million or 34 percent over last year. The increase was due to (1) 5.4 million returns carried over from June 1969, to be processed in fiscal 1970 and (2) processing of practically all returns filed during the January to June 1970 period.

In addition to verification of Form 1040 returns, the Service also checked nearly 10 million claims for estimated tax credits, totaling $24.6 billion. Of the total, $24.2 billion were allowed, leaving a net yield to the Government of $320 million and Statutory penalties totaling $65 million.

Illustration of Math ERROR

Form **1040** Combined with Form 1040A **US** Department of the Treasury / Internal Revenue Service **Individual Income Tax Return** **1969**

For the year January 1–December 31, 1969, or other taxable year beginning ..... 1969, ending ..... 19.....

Please print or type

First name and initial (If joint return, use first names and middle initials of both): Thomas M and Wilma Sue
Last name: Taxpayer
Your social security number: 000 00 0000
Present home address (Number and street or rural route): 1111 Tree Top Road
Your occupation: Clerical
City, town or post office, State and ZIP code: Anywhere, U.S.A.
Spouse's social security number: 000 00 0000
Enter below name and address used on your return for 1968 (if same as above write "Same"). If none filed, give reason. If changing from separate to joint or joint to separate returns, enter 1968 names and addresses.
Spouse's occupation: Housewife
Same
Name and address of employer at time of filing: Item Manufacturing Co.

Your Filing Status—(Check only one)
1 ☐ Single
2 ☑ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return and spouse is also filing a return. If this item checked give spouse's social security number in space provided above and enter first name here ▶
4 ☐ Unmarried Head of Household
5 ☐ Surviving widow(er) with dependent child
6 ☐ Married filing separate return and spouse is not filing a return

Please attach Copy B of Form W-2 to back

Your Exemptions

Check boxes for exemptions which apply — Regular / 65 or over / Blind
7a Yourself ☑ ☐ ☐
7b Spouse (applies only if line 2 or line 6 is checked) ☑ ☐ ☐
Enter number of boxes checked ▶ 2
8 First names of your dependent children who lived with you: Tom Jr. Annie
Enter number ▶ 2
9 OTHER DEPENDENTS — (a) NAME—Enter figure 1 in the last column to right for each name listed (If more space is needed, use other side) | (b) Relationship | (c) Months lived in your home. See instructions, B–2. | (d) $600 or more income? | (e) Support you furnished. If 100% write "ALL." | (f) Support furnished by dependent and others
10 Total exemptions from lines 7, 8, and 9 above ▶ 4

Your Income

11 Wages, salaries, tips, etc. (Attach Form W-2 to back. If unavailable, explain on back) — 11 — 11,000
12a Dividends [Total before exclusion] $..... [See Item 2 on 1040-1] 12b Less Exclusion $..... Balance ▶ — 12c
13 Interest (Enter total here and if over $100, also list in Schedule B, Part II) — 13 — 65
14 Other income: Total from attached schedules (check schedules used—C ☐, D ☐, E ☐, F ☐) — 14
15a Total [Add lines 11, 12c, 13 & 14] $ 11,065, 15b Less Adjustments [See 1040-1] $, Adjusted Gross Income ▶ — 15c — 11,065

Your Tax and Surcharge

● If line 15c is $5,000 or more, go to Schedule T, to figure tax and surcharge. (Omit lines 16 and 17.)
● Go to Sch. T to figure tax and surcharge if you itemize deductions; or claim retirement income credit, foreign tax credit, or investment credit; or if you owe self-employment tax or tax from recomputing prior year investment credit. (Omit lines 16 and 17.)
● If neither of above two items applies, go to Tax Tables instead of Sch. T. Complete lines 16, 17, & 18.

See 1040-1 for rules under which the IRS will figure your tax and surcharge.

16 Tax from Tax Table (see tables on T–2 and T–3) — 16
17 Tax surcharge on line 16 (see T–1 for tax surcharge tables) — 17
18 Enter total of lines 16 and 17 OR amount from Schedule T, line 18, if applicable (check if from Tax Table A ☐, B ☐, C ☐; Tax Rate Sch. X ☒, Sch. D ☐ or Sch. G ☐) — 18 — 1200

Your Credits

19 Total Federal income tax withheld (attach Forms W-2 to back) — 19 — 1400
20 Excess F.I.C.A. tax withheld (two or more employers—see R–2) — 20
21 ☐ Nonhighway Federal gasoline tax, Form 4136; ☐ Reg. Inv., Form 2439 — 21
22 1969 Estimated tax payments (include 1968 overpayment allowed as a credit) — 22
23 Total (add lines 19, 20, 21, and 22) — 23 — 1300.00

Make check or money order payable to Internal Revenue Service.

Balance Due or Refund

24 If line 18 is larger than line 23, enter BALANCE DUE. Pay in full with return ▶ — 24
25 If line 23 is larger than line 18, enter OVERPAYMENT ▶ — 25 — 100.00
26 Line 25 to be: (a) Credited on 1970 estimated tax ▶ $; (b) Refunded ▶ $ — 100.00

Please attach Check or Money Order here

Sign here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

Your signature: Thomas M. Taxpayer 12-70 — Date
Spouse's signature (If filing jointly, BOTH must sign even if only one had income): Wilma Sue Taxpayer 12-70
Signature of preparer other than taxpayer, based on all information of which he has any knowledge. — Date
Address

200.00

Enforcement Activities

Chapter Three

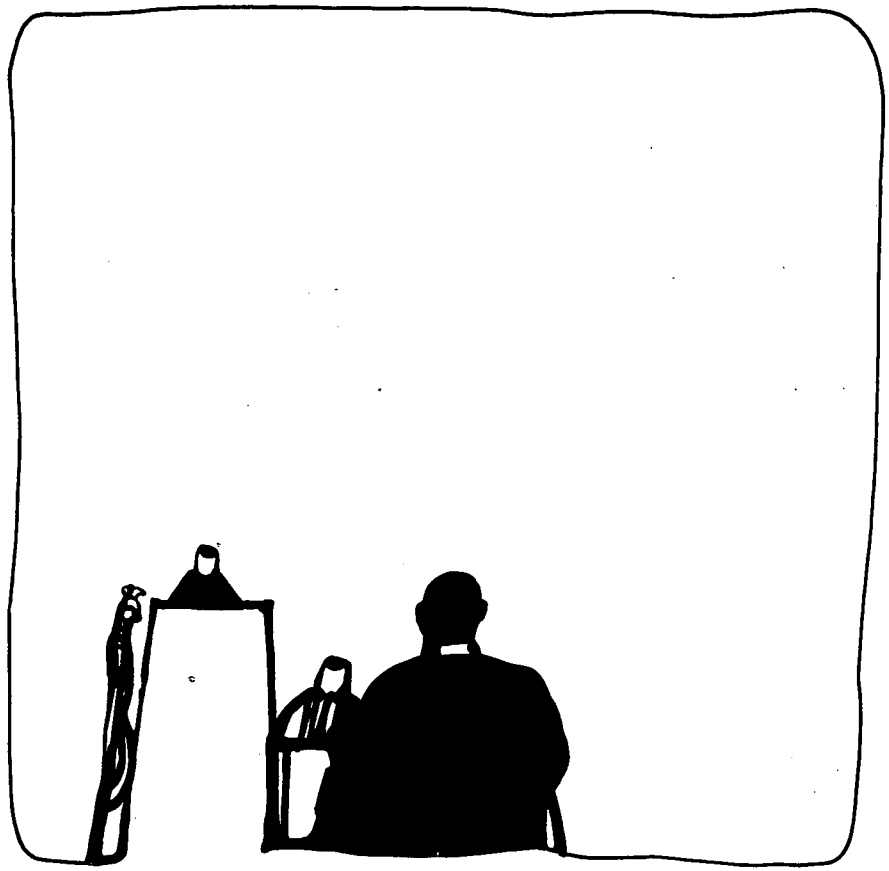
Additional Tax and Penalties Recommended by Audit Higher Than Last Year

Most Appealed Cases Closed by Agreement

Delinquent Collections Increase

Tax Fraud Not Confined to Any Particular Social Group

Laboratory Analyses Supporting Law Enforcement



Introduction

A vigorous enforcement program is essential in preserving the American system of self assessment. The enforcement effort serves as a deterrent to fraud, delinquency, and violation of the laws relating to alcohol, tobacco, and firearms products. The additional tax resulting from direct enforcement is only a partial measurement of total accomplishments. The more important accomplishments of the Service's enforcement activities are set forth below.

Comprehensive Audit Program Enhances Self-Assessment Tax System

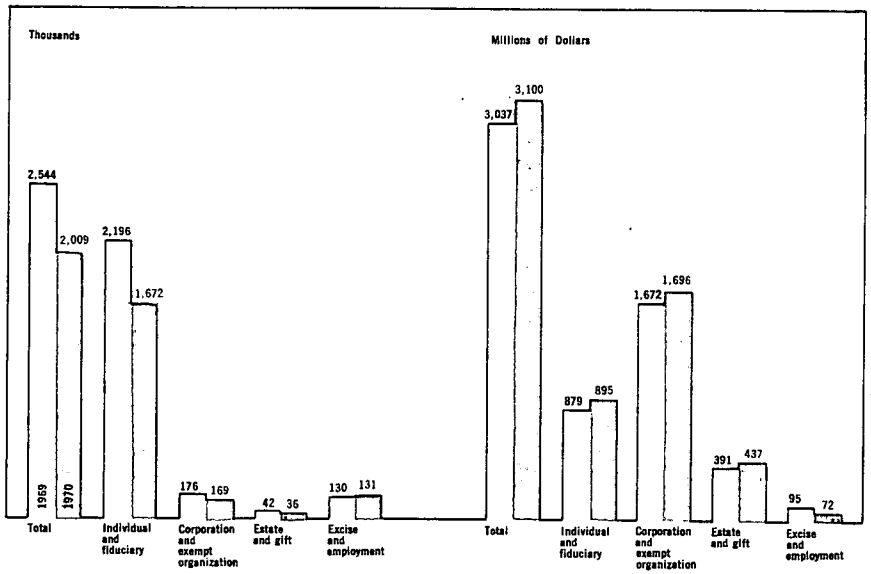
Most taxpayers voluntarily file tax returns reflecting their correct tax liabilities. To a large measure their voluntary compliance is attributable to their belief that most taxpayers are also properly meeting their tax obligations.

The audit program is designed to maintain the integrity of the self-assessment system by examining a sufficient number of tax returns of all categories to keep the possibility of an audit of a particular return ever-present. Auditing returns not only deters potential wrongdoers and ferrets out taxpayers who knowingly understate their tax liabilities, but assures uniform application of the tax laws.

The scope and nature of an income tax audit depends on the income producing activities of the particular taxpayer. Field audits of large and medium sized businesses are normally conducted by revenue agents since knowledge of tax laws and professional accounting skills are necessary. Audits of returns of employees, professionals and some small businesses are normally conducted by interviews in Service offices or by correspondence. These are referred to as "office audits" and are conducted by tax auditors who know the tax laws and some accounting but are not qualified to work on complicated accounting problems.

At mid-year the service installed a new mechanized system for reporting production and controlling returns in inventory. Some adjustments were necessary to present current and prior year results on a comparable basis. Therefore, credit production data for 1970 are partially estimated.

Number of Tax Returns Examined and Additional Tax and Penalties Recommended



1970 data partially estimated

Results of Examinations

In 1970, the number of returns examined totaled 2.0 million, of which 1.2 million resulted in recommended assessment of additional tax and penalties. A total of $3.1 billion was recommended for assessment as a result of audit activity.

The following table compares numbers of returns audited in 1969 and 1970 by type of return.

Number of tax returns examined

[Figures in thousands]

Type of return	Total		Field		Office	
	1969	1970*	1969	1970*	1969	1970*
Grand Total	2,544	[illegible]	698	[illegible]	1,846	[illegible]
Income tax, total	2,373	[illegible]	549	[illegible]	1,823	[illegible]
Corporation	166	[illegible]	163	[illegible]	1	[illegible]
Individual and fiduciary	2,196	[illegible]	374	[illegible]	1,822	[illegible]
Exempt organization	12	[illegible]	12	[illegible]	(1)	(1)
Estate and gift tax	42	[illegible]	37	[illegible]	4	[illegible]
Excise and employment tax	130	[illegible]	111	[illegible]	19	[illegible]

* Partially estimated

Audits Also Result In Overassessments

Examining officers are required to determine a taxpayer's correct liability—no more, no less. When an examining officer discovers that a taxpayer overstated his tax liability, an overassessment is made.

In 1970, Service examinations disclosed overassessments of $183.2 million, exclusive of claims initiated by taxpayers. Overassessment recommendations by type of tax are shown below.

Overassessments of tax exclusive of claims for refund

Type of tax	Amount recommended (thousand dollars)	
	1969	1970*
Total	203,747	[illegible]
Individual and fiduciary income	48,082	[illegible]
Corporation income	135,335	[illegible]
Estate	16,238	[illegible]
Gift	948	[illegible]
Excise	2,133	[illegible]
Employment	1,011	[illegible]

* Partially estimated

Most Claims for Refund Processed Rapidly

Taxpayers who file claims for refund are naturally anxious to learn the results of the Service's consideration and to obtain prompt payment of the amounts due them.

The Service has designed a system for rapidly closing claim cases. Many can be allowed in full without contacting taxpayers. Form 1040X (Amended U.S.—Individual Income Tax Return) introduced in 1969, not only speeds processing claims but reduces time spent by taxpayer in preparing them.

During 1970 the Service closed 396,346 claims for refund. Of $592.5 million claimed, $260.0 million was allowed. The greatest number related to individual income tax, 352,038, followed by 28,296 corporation refund claims.

Section 6405 of the Internal Revenue Code requires reports to the Joint Committee on Internal Revenue Taxation of any refunds and credits of income, war profits, estate and gift taxes exceeding $100,000. During the year 638 cases involving overassessments of $331.2 million, were reported to the Joint Committee.

The following table shows data on claims closed by the Service for 1969 and 1970.

Claims for refund disposed of by district audit divisions, fiscal years 1969 and 1970

Class of tax	Closed by audit divisions [1]							
	Number		Amount (thousand dollars)					
			Claimed by taxpayer		Allowed		Disallowed	
	1969	1970*	1969	1970*	1969	1970*	1969	1970*
Total	353,361	392,684	394,653	489,629	217,549	256,304	177,103	233,718
Individual income	306,916	350,494	162,334	174,962	117,689	144,796	44,645	30,116
Corporation income	30,708	29,872	171,195	278,238	78,512	77,812	92,683	201,246
Estate	2,364	2,539	29,232	33,989	12,024	16,445	17,208	21,634
Gift	396	829	7,919	1,178	509	704	7,410	474
Excise	7,359	7,624	19,936	90,300	7,617	15,318	12,318	75,790
Employment	5,618	4,390	4,037	5,782	1,198	1,846	2,839	3,856

Class of tax	Protested-transferred to appellate divisions							
	Number		Amount (thousand dollars)					
			Claimed by taxpayer		Recommended by audit divisions			
					Allowed		Disallowed	
	1969	1970*	1969	1970*	1969	1970*	1969	1970*
Total	3,619	2,942	112,302	162,929	8,723	4,386	103,579	98,812
Individual income	1,704	1,584	9,589	11,796	1,106	562	8,482	11,234
Corporate income	1,057	1,434	94,046	81,682	7,476	3,834	86,570	78,258
Estate	123	139	5,697	17,346	112	24	5,586	7,322
Gift	34	32	262	242	1	----------	261	242
Excise	462	498	2,590	1,929	16	----------	2,574	1,929
Employment	239	326	1,118	384	12	8	106	576

[1] Includes claims allowed in full without formal examination of the return: 1969—261.7 thousand returns and $124.1 million; 1970—310.2 thousand returns and $158.3 million.

* Partially estimated

Exempt Organization Program Expanded and Improved

In 1969 the Internal Revenue Service recognized the urgent need to take a complete new look at the Exempt Organization Audit Program aimed at improving the quality and control of these audits and greatly expanding audit coverage. A new approach was necessary because of the dynamic growth in recent years of exempt organizations in terms of numbers, size and impact on most phases of our society.

Wide-ranging changes in the Tax Reform Act of 1969 made the need for upgrading this activity even more critical.

In 1970 the planned expansion and improvement were accomplished. Highly skilled and motivated people were selected and trained in exempt organization work. Quantity and quality of audits reached the planned level. These improvements resulted from a concerted effort by many segments of the Service and several important organization changes.

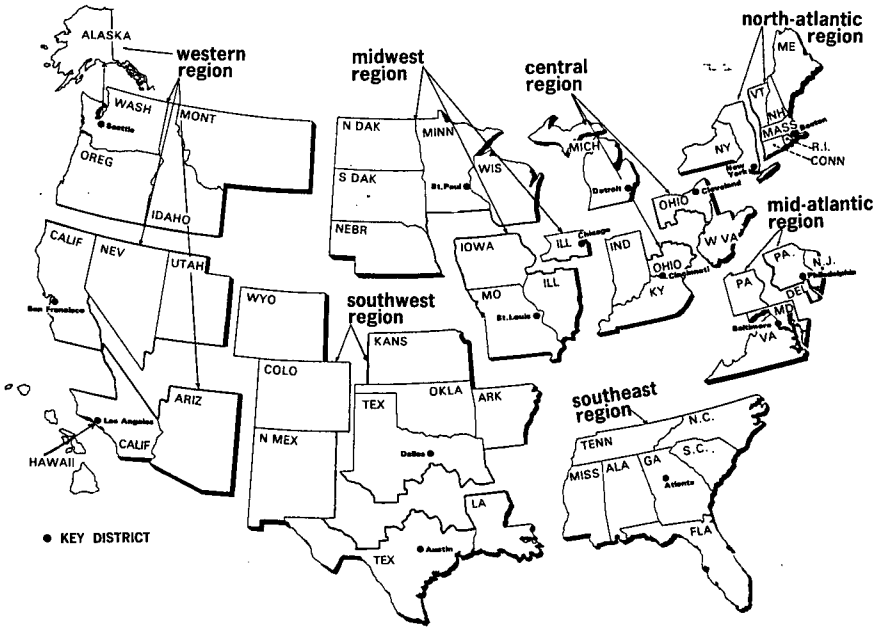
Service policy and overall direction is provided by a coordination committee composed of the Commissioner and the Assistant Commissioners (Compliance, Data Processing, and Technical). Fifteen distinguished Americans have been appointed to serve on a new group, the "Commissioner's Advisory Committee on Exempt Organizations", which will aid greatly in this important program. It is composed of a cross section of the public, with members representing a broad range of disciplines such as philosophy, theology, education, physical sciences, economics, law, accounting and business. These widely experienced people will help the Service define such terms in the tax law as "religious," "educational," "propaganda," "political activity" to permit a better understanding by exempt organizations and the Service of permissible or prescribed activities of exempt organizations. The Committee will also assist the Service to apply the tax laws to novel experiments in education, new expressions on religion, and changing avenues for the application of charity to society's present needs. A list of members of the Committee appears on page 89.

Centralized Approach Now Used

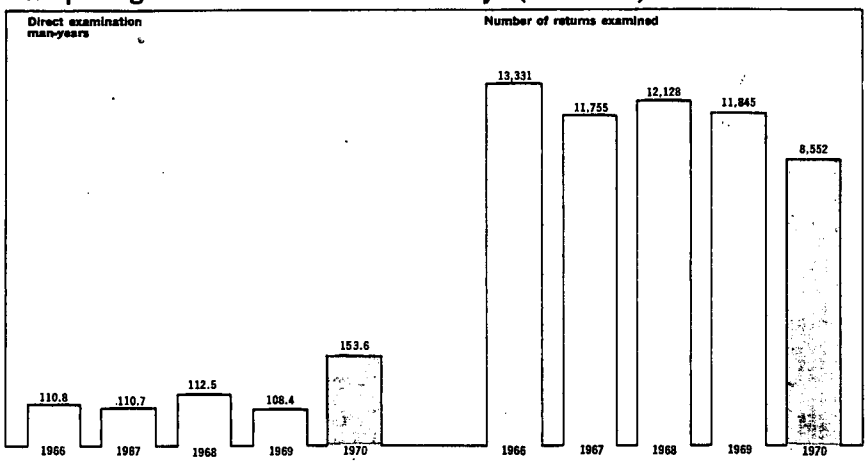
All exempt organization field work is now centralized in 16 key district offices throughout the United States. Each key district has at least one group of specially trained agents who conduct examinations of exempt organizations and process applications for exemption.

A map showing the key districts and the areas of their jurisdiction follows.

KEY DISTRICTS FOR ADMINISTERING THE EXEMPT ORGANIZATIONS PROGRAM



Exempt Organization Examination Activity (1966–1970)



Another step taken to strengthen this program was the establishment of the Exempt Organizations Examination Branch in the National Office Audit Division. It develops the nation-wide exempt organization audit program and oversees and coordinates the efforts of all key districts. The new Branch assists in the planning and directing of audits of certain large, complex organizations whose activities have a national impact. In these cases, it reviews each audit plan and monitors audit progress. The Branch also supplies many other forms of assistance such as perfection of examination and procedures and identification of training needs.

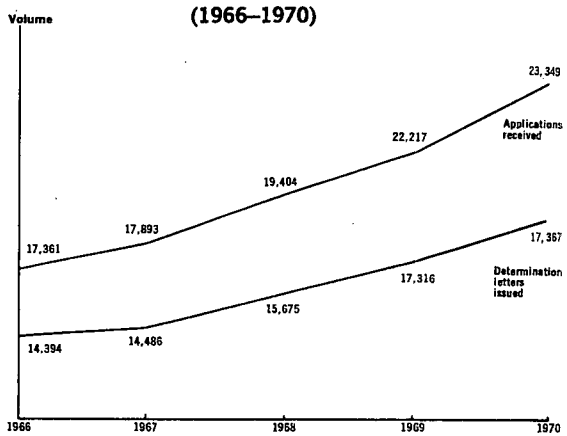
Audits of exempt organizations differ both in purpose and in scope from audits of taxable entities. The latter are basically financial audits, while audits of exempt organizations involve examination of activities of the organizations to insure that they are in compliance with the law granting exempt status.

Emphasis is placed on the private foundation area. Large foundations are examined at least once every 2 years. A 5-year examination cycle has been established for other private foundations and other tax exempt organizations.

During 1970, the Service expended 153.6 man-years examining exempt organization returns.

The graph below depicts the volume of exemption applications received and processed over the last 5 years.

Exempt Organization Determination Letter Activity (1966–1970)



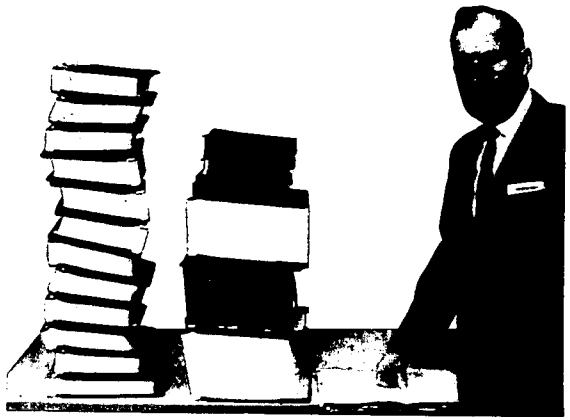
Specialist conferees from each key district office visit areas away from district headquarters to hear disputed cases. If agreements are not reached in cases involving the denial, modification, or revocation of an exemption, the organization may request that its case be referred to the National Office.

Audit Program Responsive To Change

There is an obvious need to revise the audit program when new tax legislation is enacted. Less obvious is the need to make changes because of the growth in size and complexity of many businesses and taxpayers' use of advanced technology in recordkeeping. Manpower shortages also require continuing search for better ways to utilize skilled examining officers. Several studies made during the year resulted in actions which help to maintain a viable audit program.

Scope of Office Audit Operations Enlarged

Small business returns were shifted from field audits to office audits to release revenue agents to examine more difficult returns. Tax auditors who audit small business returns are now permitted to make out-of-office contacts varying from gathering information from third parties to examination of records at taxpayer's place of business. Another important change is the increase of the percentage of office audit cases handled by the interview method and a comparable decrease in correspondence audits. This modification will aid taxpayers who have difficulty with written communications and improve audit quality.



This photo shows the volume of accounting records printed out by a taxpayer's computer for one year from which a program selected items essential to completing an audit.
Stacks of printouts were reduced to the few pertinent pages shown under the hand of Internal Revenue Agent Allen L. Wolfe of the St. Louis District.

Development in Computer-Assisted Audit Techniques

As more and more taxpayers use computers for a major portion of their accounting systems, the Service recognized the need to use computer auditing techniques. With the cooperation of large corporate taxpayers the Service has employed computer programs which retrieve required accounting data directly from the taxpayer's magnetic tape files, thus eliminating the time-consuming task of examining volumes of books and records.

While there is much to be done to keep abreast of new developments in computer technology, the results to date have been gratifying in the speed and accuracy of data retrieved. The Service is constantly exploring new and better ways to use computers in auditing returns especially when they will increase the quality of audits and reduce time spent on them.

Computer Selection of Returns For Examination

Selection of returns for examination is a vital part of the Audit Program. One of the main goals is to select returns having the greatest probability of error.

The Service designed the Discriminant Function System (DIF) and this year it has been used to select individual tax returns for audit. The DIF system employs computers programed with mathematical formulas which rate the returns according to the degree of potential error. The returns rated highest in error potential are selected for examination.

This scientific system reduces the number of audits which result in little or no tax change and saves time previously spent in manual screening. So far there has been an excellent correlation between audit results and the potential error ratings produced by the computer, validating the basic principles of the DIF system.

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Large Corporation Coordinated Examination Program

The goal of this program is to identify taxpayers whose size, complex nature, and decentralized activities require special attention and a great deal of coordination between various offices of the Service.

Audits of giant corporate taxpayers usually involve the use of more than one internal revenue agent and frequently require specialists skilled in such tax areas as international operations and engineering. Usually these audits must be simultaneously conducted in several locations because of the decentralized nature of the business operations of these taxpayers. The newly established Coordinated Examination Branch in the Audit Division, National Office, provides planning and leadership to insure high standards are maintained in the execution of these large audits.

During the year, 1,454 corporations having control of 36,000 subsidiaries were identified as having the characteristics for coverage under the program. At year-end, examinations of approximately half of the taxpayers identified were in process. This program is being expanded to cover a number of individuals with widely disbursed holdings and complex transactions.

Art Panel Assists in Art Evaluation

A 10-man panel of art experts was established in 1968 to help the Service determine whether realistic fair market value appraisals have been placed on donated works of art and art objects valued for estate tax purposes.

During this second year of activity the panel reviewed 596 works of art valued for tax purposes at $14 million. Recommendations by the panel included a reduction in value claimed on works of art from $9.5 million to $5.7 million and an increase in value on estate art objects from $4.5 million to $8.3 million. In the last two years, changes in fair market value recommended by the panel total $10.3 million. A list of members appears on page 87.

Interest Equalization Tax Audit Activity Extended

The interest equalization tax has helped to strengthen the balance-of-payments position since its inception in 1965 by reducing the dollar amount of foreign securities purchased by U.S. persons. To guard against the risk of capital outflows, the law was extended from September 30, 1969, to March 31, 1971, by the Interest Equalization Tax Extension Act of 1969.

Enforcement in this activity involves audit of returns, and inspection of record systems of approximately 1,200 broker-dealers and banks (designated by the Service as participating firms and participating custodians) to assure compliance with the law. Designation of an organization as a participant permits it to certify its compliance with the law.

Due to change in the law in 1969, audit activity will be expanded to include monitoring the reporting and recordkeeping requirements of broker-dealer organizations who are not participating firms.

During fiscal 1970, 1,462 Forms 3780, Interest Equalization Quarterly Tax Returns, were examined by district audit divisions. These examinations resulted in recommendations for assessment of $4.0 million in additional tax and penalties.

Appeals System Provided for Taxpayers

Taxpayer Has Opportunity For Independent Administrative Review

In the examination of about 2½ million tax returns each year it is inevitable that some taxpayers will disagree with proposed adjustments to their tax liability. It has been a long-standing policy of the Service to provide an administrative appeals procedure to enable taxpayers to settle these unagreed cases promptly, without litigation, on a basis which is fair and impartial to both taxpayer and Government.

The appeals procedure gives the taxpayer an opportunity for an early, convenient, and independent review of his case. In an overwhelming majority of cases a mutually agreeable resolution is attained. The success of the procedure is evidenced by the fact that during the last five years over 98 percent of all disputed cases were closed without trial.

The appeals function operates at both district and regional levels through 58 district conference staffs, 40 regional appellate division offices, and, as the need arises, at other locations where full-time conference staffs are not maintained. These offices consider issues relating to all internal revenue taxes except those on alcohol, tobacco, firearms, narcotics, and wagering. They consider issues which range from the most elementary to the most complex and involve proposed liabilities which range from a few to many millions of dollars. Although there are differences in the authority and jurisdiction of the district and regional offices, both have the same objective—to effect an early disposition of each case.

Early Informal Hearings Provided

The appeals procedure may be characterized as one of informality and accessibility. It is designed to achieve disposition of contested cases with minimum inconvenience, expense, and delay to the taxpayer. District and regional offices offer conferences within a short time after the case is received. Convenience of 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. In cases in which the disputed tax is less than $2,500, a written protest is not required for conference in the district office. The same rule applies in the regional appellate office provided the taxpayer has first availed himself of a district conference.

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

Taxpayer Has Other Options Available

If agreement is not reached at either the district or regional office, 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, the taxpayer may still reach a basis of settlement with the regional appellate office. As an alternative to trial in the Tax Court the taxpayer can take his case to the Court of Claims or a United States district court, but this requires payment of the proposed tax deficiency, followed by the filing of a claim for refund, denial of the claim and suit against the Government.

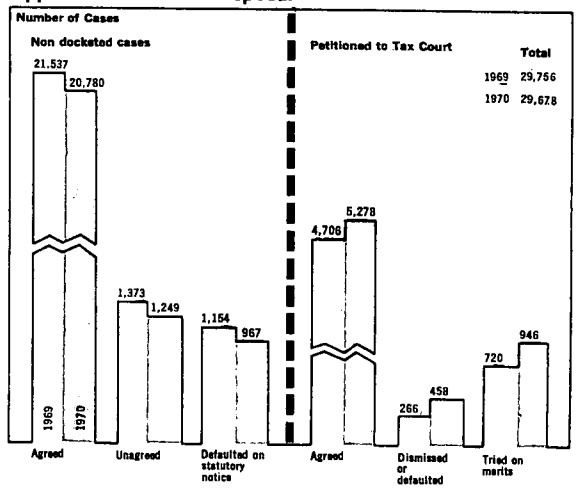
For 1970, the appeals function disposed of 52,324 cases by agreement compared to 946 cases decided in the Tax Court and 367 cases decided in district courts and the Court of Claims.

About half of the cases closed by agreement were at the district level and half at the regional level. District conference staffs obtained agreements in about 65 percent of the cases they closed. District conference activity is set forth in the following table:

District conference case work-load

Item	Field audit	Office audit	Total
Cases pending July	8,848	3,066	11,914
Cases received	23,937	16,451	40,388
Conferences completed	24,611	15,600	40,211
Number agreed	14,906	11,205	26,111
Agreed as a percent of total	61	72	65
Cases pending June 30	8,174	3,917	12,091

Appeals—Method of Disposal



Appellate Receipts and Disposals

Case receipts in appellate division offices have been quite even over the past 3 years—33,213, 33,103, and 33,099. Total disposals for 1970 were down slightly over the prior year, due principally to a smaller work force, but average disposals per appellate conferee remained at the high level of prior years. Inventory was up 5 percent over the prior year, but remained in current condition.

The major portion (over 80 percent) of the appellate workload consists of nondocketed cases.

These are cases in which taxpayers have elected to try to settle their tax disputes with the Service rather than go direct to court. In 1970, 82 percent of these cases were closed by agreement with the taxpayer. Agreement on cases of this kind have averaged 82 percent over the past 5 years.

Taxpayers filed petitions for hearings before the Tax Court in 6,968 cases in 1970. However, settlement negotiations on these docketed cases continue and most are ultimately settled. For 1970, 79 percent of all docketed case disposals were closed by agreement without a legal trial.

The following table shows the processing of both nondocketed and docketed cases in 1969 and 1970. (For additional information see tables 16 and 17, page 131.)

Appellate Division processing of all cases for 1969–1970 (Income, estate, gift, excise, employment, and offers-in-compromise)

Status	Number of cases	
	1969	1970
Pending July 1	31,264	32,027
Received	33,103	33,[illegible]
Disposed of, total	32,340	31,[illegible]
By agreement	26,213	26,[illegible]
Unagreed (overassessments, claims, excise, employment, and offer-in-compromise rejections)	1,373	1,249
By taxpayer default on statutory notice or dismissal by Tax Court	1,450	1,257
By petition to the Tax Court	2,584	2,383
Tried in the Tax Court	720	348
Pending June 30	32,027	33,145

must make every reasonable effort to collect these taxes. The first steps involve sending notices to taxpayers requesting payment. If the taxpayer does not comply, delinquent accounts are established and assigned to enforcement personnel.

Delinquent Accounts Grow

Over 2.6 million delinquent accounts were established in 1970, some 140,000 and 6 percent higher than last year. Reflecting this increase, the amount of delinquent tax involved rose $506 million, or 18 percent, to $3.3 billion in 1970. It is reasonable to expect some increase in delinquent accounts, if only because of population and filing growths. It is equally reasonable for the fully compliant segment of the tax filing public to expect the Service to take fair enforcement actions to bring these delinquent taxpayers into the timely taxpaying fold.

Increase in Delinquent Accounts Closed

The Service disposed of 2.6 million delinquent accounts in 1970. This was an increase of 275,000 accounts or 12 percent, over 1969 disposals. In addition, the dollar value of taxes collected rose to $3.3 billion, a jump of $846 million over 1969. These accomplishments took place despite continued budgetary limitations, which caused a variety of serious operational problems during the year.

Inventory Kept Relatively Stable

Enforcement efforts kept the inventory of delinquent accounts at 788,000 valued at $1,812 million, 10,000 accounts and $26 million higher than the 1969 level. An unexpectedly large number of delinquent accounts were issued in the last month of the year.

Nation's Economy Impacts on Tax Collection

Changes in the economy, particularly when adverse, have a direct impact on the collection of taxes due. This year, inflation pressures and higher interest rates have increased the tendency of some employers to "borrow" withheld or employment taxes as working capital. The use of these monies as working capital is a misappropriation of funds that belong to the Government. For some time, the Service has given attention to these delinquent taxpayers by accelerating enforcement actions in getting these accounts satisfied with dispatch. The 6-percent interest rate provided by the Internal Revenue Code is low compared with the going rate of commercial loans and may have hindered enforcement success. Congress recognized this problem and provided a penalty in the Tax Reform Act of 1969, for failure to pay taxes when due.

Some Taxfilers Fail to Pay

Not every taxpayer pays the full amount of tax reported due when filing his return. Others make errors on their returns, often resulting in additional tax due. Still others are found to owe money after an audit is made of their tax returns. In each case, the Service

Taxpayer delinquent accounts

Status	Number (thousands)		Amount (thousand dollars)	
	1969	1970	1969	1970
Issued	2,484	2,[illegible]	2,808,494	3,[illegible],845
Disposed, total	2,315	2,[illegible]	2,464,717	3,[illegible],[illegible]
By type of action:				
Collected	1,962	2,[illegible]	1,875,947	2,[illegible],[illegible]
Additional collections			63,304	[illegible],[illegible]
Other disposals [1]	353	[illegible]	525,466	752,777
Pending June 30, total	r 778	[illegible]	r 1,786,053	1,812,[illegible]

[1] Includes disposals due to uncollectibility, erroneous and duplicate assessments, and for fiscal year 1970 also includes Payment Tracer and Adjustment cases.
r Revised.

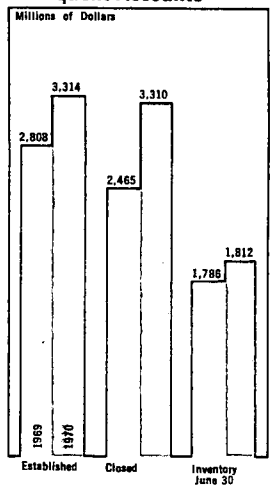
Delinquent Filers Detected

Although the vast majority of taxpayers fulfill their filing obligations timely and voluntarily, there are those who do not. Since the strength of a self-assessment system rests largely on the faith the taxpayer has in the Government's policy of fair and equal treatment for all, every reasonable effort is made to detect delinquent filers and enforce collection of tax monies due. Particularly before the advent of the computer, searching out those who are delinquent filers has been a painstaking and time consuming task. In recent years, and especially so in 1970, enforcement efforts directed towards coping with the delinquent filer have been aided by increasing use of the automatic data processing system.

Delinquent Return Assessments Highest in History

The rise in delinquent account workload prevented the same level of personnel deployment as last year to delinquent returns activities. Nevertheless, there was still a significant dollar return compared to the manpower invested. The Service secured 738,000 delinquent returns valued at $370 million. A total of 671,000 returns assessed at $311.2 million were secured through various established delinquent returns programs. The balance was secured through the Service's returns examination program.

Taxpayer Delinquent Accounts



Number of Offers in Compromise Disposals Decrease

The numbers of offers in compromise cases processed during the year decreased by 2,446 cases, or 18.4 percent from last year. Total liabilities involved an increase of $31.3 million or 38.2 percent.

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

Offers in compromise disposals

Type of tax or penalty	Number		Amount (thousand dollars)			
			Liabilities		Offers	
	1969	1970	1969	1970	1969	1970
Offers accepted, total	r 9,649	7,[illegible]	20,681	17,[illegible]	6,915	3,[illegible]
Income, estate, and gift taxes	455	421	13,972	12,[illegible]	4,825	2,[illegible]
Employment and withholding taxes	377	[illegible]	4,313	3,[illegible]	1,483	1,[illegible]
Alcohol taxes	65	64	165	[illegible]	41	[illegible]
Other excise taxes	59	49	819	470	248	[illegible]
Delinquency penalties on all taxes	r 1,205	973	1,412	[illegible]	228	[illegible]
Specific penalties	7,488	5,[illegible]			91	[illegible]
Offers rejected or withdrawn, total	3,044	3,[illegible]	64,294	[illegible]	9,313	11,[illegible]
Income, estate, and gift taxes	1,392	1,[illegible]	45,205	[illegible]	6,956	[illegible]
Employment and withholding taxes	885	1,[illegible]	8,350	23,[illegible]	1,795	3,[illegible]
Alcohol taxes	37	25	298	[illegible]	25	[illegible]
Other excise taxes	167	173	9,838	[illegible]	410	[illegible]
Delinquency penalties on all taxes	540	514	604	[illegible]	125	[illegible]
Specific penalties	23	14			1	[illegible]

r Revised.

Note: Appraised values of specific penalties are not included in the liabilities.

Three Automatic Data Processing Files Trigger Delinquency Leads

Three automatic data processing files, the Business Master File (BMF), the Individual Master File (IMF) and the Exempt Organization Master File (EOMF), are today at the heart of a large portion of the Service's delinquent returns activities. Because tax regulations and filing periods vary, each file works differently to check for delinquent taxpayers. The aim and result, however, are the same—to trigger a delinquency notice or investigation in any apparent nonfiler situation.

The BMF, which contains filing requirements for several classes of business taxes, is programmed to deliver notice of a need for a single investigation at any time during the tax year for any delinquent filer with one or more periods of delinquency. This eliminates massive paper work and clerical processing, as well as enforcement contacts, since the computer will not issue any other investigation until the returns for all periods of delinquency have been filed. The procedure applies even to delinquencies which may arise while the case is outstanding. The program is so successful that additional business type returns will be added to the BMF control, maintenance and delinquency check routines next year.

The IMF operation, on the other hand, produces but one delinquency check annually for nonfiling since only Form 1040, Individual Income Tax Return, is involved. The program can identify cases needed by an individual district office, thereby adding value to this computer operation since management can use it as a tool in deploying manpower.

While the Exempt Organization Master File is still in early development, it has adopted more sophisticated techniques for delinquency check purposes. The principal benefit here is in the computer's capacity to issue delinquency letters to taxpayers at any time during the year, thereby enabling a prompt follow-up personal contact when necessary.

Computer Programs Yield Good Results

Approximately 50 percent of all apparent nonfiler cases, regardless of program, are resolved through computer generated issuances. Clerical savings in these ADP operations justify the Service's objective of complete automatic data processing control and maintenance for all delinquent returns programs.

Leads Developed With Other Government Agencies

Another side of delinquent returns activities concerns probing for those soft spots, or compliance gaps, which may arise in particular tax return program areas. Apart from its own sources of leads, the Service has liaison with various Federal and State agencies. Marihuana and Wagering Taxes, Federal Unemployment Taxes (FUTA), Federal Highway Use Taxes, federally funded programs requiring withholding and Federal Income Contributions Act Taxes (FICA), are some of the areas covered by these liaison efforts. Other agreements, geared both to manual and computer processing operations, are in various stages of negotiation.

Tax Fraud Investigations Promote Compliance

The intelligence mission of the Service is to identify serious areas of noncompliance; select for investigation those cases that will create the broadest degree of deterrent; investigate assigned cases expeditiously and thoroughly; and obtain maximum publicity of prosecutive actions.

To effectively carry out this role, the Intelligence Division has redefined its program into two broad categories—the general program and the special enforcement program. The general program consists of the investigation of tax law violations committed by so-called "white-collar violators." The special enforcement program covered in Chapter 4 includes participation in the Department of Justice's drive on organized crime, strike forces, and the investigation of tax law violations by racketeers.

Effective Use of Manpower

In view of limited special agent manpower great emphasis is placed on careful selection of cases to ensure that critical manpower resources are aimed at detection of potential fraud situations and to achieve maximum level of deterrence to tax evasion by investigation and prosecution of those cases which would have the greatest impact upon compliance attitudes of the taxpaying public.

To deal with the relatively few taxpayers who willfully try to take advantage of their fellow citizens, Congress has provided criminal and civil sanctions. These sanctions represent the cornerstone of our self-assessment system. They constitute assurance to the honest taxpayer and deterrent warning to the potential tax fraud perpetrator. If it is well known that violators will not escape punishment for flouting the laws enacted for everyone, self-compliance is more acceptable. The results of the work of special agents are not measured by the number of criminal cases investigated or prosecutions recommended. Of paramount importance is the increase in voluntary compliance by the taxpaying public resulting from the impact of these investigations and subsequent successful prosecution of violators.

Careful Evaluation of Cases

Enforcement of the criminal tax statutes is accomplished through the evaluation of more than 100,000 allegations of tax fraud and the initiation of approximately 10,000 investigations each year. These investigations include suspected income and excise tax evasion, failure to file returns, false withholding exemption statements (W–4), false claims for refunds, false estimated tax credits, perjury, failure to remit trust funds collected, and evasion of wagering taxes.

Historically, the Service has played an important role in combating organized crime with the convictions for tax evasion of many powerful and notorious racketeers. In the past year it has stepped up its enforcement of the tax laws with respect to racketeers, resulting in an increased number of the nation's currently prominent racketeers being investigated for possible tax violations.

While the Internal Revenue Service seeks to avoid surrounding the filing of tax returns with an aura of fearfulness, the would-be tax evader, pondering his decision between filing a true and correct return, no return, or a false or fraudulent return, should be well aware that his ultimate detection and apprehension will be publicized—in addition to the prospect of a criminal indictment, an arrest, a trial, a fine, imprisonment, or a period of probation.

Tax Fraud Not Limited to Particular Social Groups

The incidence of tax fraud is not confined to any occupational, geographical, or social group. Cases investigated by the Service during the year have covered a wide range of subjects by occupation, geography, and economic or social status as well as by types of tax or by method of evasion.

The fact that convictions of people involved in 170 separate occupations were secured indicates the extent of the Service's efforts to maintain a balanced coverage of the entire spectrum of the taxpaying public.

Examples of the many taxpayers indicted or convicted in 1970 as a result of criminal tax investigations follow:

A Federal grand jury returned an indictment of the operator of a tax service for more than 50 counts of willfully aiding and assisting in the preparation of false and fraudulent income tax returns for a 3-year period. Under the law the ultimate responsibility for the tax deficiencies in these cases rests with the persons for whom the returns were prepared.

A former magistrate and probate judge was sentenced to serve 2 years in prison and pay a $4,000 fine for income tax evasion.

The court sentenced a tax return preparer to serve 1 year and a day upon conviction of charges that he prepared false returns for others, claiming false deductions and exemptions. The wife of the return preparer, who also participated in the tax return preparing practice, was sentenced to serve a prison term of 4 months and a probation period of 5 years on the same charges.

In a 5-week trial, three prominent state officials were convicted of Hobbs Act (Extortion) violations and were sentenced to prison for terms ranging up to 8 years and fines up to $20,000. The extortion schemes were revealed during the course of an income tax investigation of one of the convicted men who was also indicted by the same grand jury for evasion of his and his corporations' income taxes.

A retail furniture dealer was found guilty of willfully making and subscribing income tax returns, under the penalties of perjury, which he did not believe to be true and correct as to every material matter. The taxpayer omitted from his returns substantially all special order customer sales. He was sentenced to 3 years probation.

A former bank official failed to report "payoffs" that he received in currency for extending bank credit to merchants and their customers. After his conviction on three counts of attempting to evade tax on the income from this source, the court sentenced him to serve a prison term of 3 years and fined him $10,000.

A former president of a commercial college was sentenced to pay a fine of $40,000 and received a suspended 4-year prison term as the result of a nolo contendere plea to charges that he attempted to evade his income tax. The charges centered around income to the college which was diverted to his use. Unreported corporate and personal income amounted to over $180,000.

As an outgrowth of an income tax investigation, an engineering consulting firm was fined $2,500 for making an illegal political campaign contribution. Sentence was imposed after the court noted that the company directors admitted that the contribution was charged off as a business expense in tax returns. Similar illegal political contributions cases resulted in fines up to $50,000 against two shipping companies, an advertising company, a savings and loan association, and a wholesale liquor dealer.

A numbers lottery operator was sentenced to a prison term of 2½ to 3 years and a fine of $1,000 in a state court for conspiracy to violate the state's anti-gambling laws. This conviction, and that of 18 other conspirators, was based on testimony of special agents of the Intelligence Division and evidence seized by them during wagering raids. When Federal indictments charging conspiracy to evade and defeat wagering occupation and excise taxes were dismissed on the basis of the Supreme Court decisions in the Marchetti and Grosso cases, the county prosecutor adopted the evidence and successfully prosecuted the state charges.

Intensified Investigations Continue

The number of investigations in process continued at a relatively high level with an increased number involving racketeers and organized crime drive subjects. Tax investigations of racketeers require substantially more manpower than other tax investigations so the increased emphasis in this area caused a decline in the number of investigations completed. Nevertheless, the number of prosecution recommendations for tax fraud remained approximately the same as in the prior year and the amount of taxes and penalties recommended for assessment in investigations completed in 1970 increased by more than 50 percent.

The number of special agents on the rolls was increased by about 200 by the end of the fiscal year. Much of the new employees' time was devoted to intensive classroom and on-the-job training which is tailored to meet the unique needs of the special agent in his detection and investigation of criminal tax offenses.

Law Enforcement Training and Research

Part of the Service's training program for special agents is being made available to State and local law enforcement officers under an agreement between the Secretary of Treasury and the Attorney General. It provides training to officers selected by the Law Enforcement Assistance Administration of the Department of Justice, which was created by the "Omnibus Crime Control and Safe Streets Act of 1968." Forty law enforcement officers from outside the Internal Revenue Service have successfully completed the training and are now better equipped to make use of financial records in pursuit of their investigations.

Special agents with expertise in investigative techniques in criminal tax investigation served as panel moderators and workshop discussion leaders at regional conferences sponsored by the Law Enforcement Assistance Administration for police officials and prosecutors.

The Intelligence Division also maintains liaison with other administrative agencies and with Congressional committees concerned with legislation relating to taxes and enforcement of tax laws. Studies were made and information was presented in testimony before Congressional committees considering legislative proposals relating to secret foreign bank accounts, domestic banking and financial institution record keeping and reporting, regulation of credit reporting agencies, and wagering tax enforcement. Investigations were conducted in cooperation with military investigators and the Senate Permanent Subcommittee on Investigation, concerning alleged tax fraud in military club systems and illegal currency manipulations in South Viet Nam.

Several projects were initiated during the year to measure the deterrent effect of fraud investigations; to find new ways to use data processing equipment as an investigative aid; and to formulate better methods and means of gathering, storing, and retrieving information.

To measure the deterrent effect of investigations, taxable income reported in returns filed after investigation in 188 selected cases was compared with that reported by the same taxpayer in returns filed for years prior to the investigation. The study showed a marked increase in the amount of income reported in subsequent years' returns.

New techniques have been found for identification of frauds perpetrated by multiple filers of claims for refund and by unscrupulous tax practitioners. Electronic data processing equipment is being applied to available intelligence data to facilitate the collating and analysis of vast amounts of information in place of time consuming investigative procedures formerly used.

A new and improved system for gathering, evaluating, and using intelligence data relating to taxpayers engaged in illegal activities, is being formulated. The proposed new Intelligence Gathering and Retrieval System is designed for Service-wide use and conversion to the automatic data processing system. Implementation will permit expeditious retrieval and dissemination of information throughout the nation to meet the problem presented by the mobility of today's racketeers.

A new compliance concept was tested by the Intelligence and Audit personnel in one district in each of the seven regions this year. The project was directed toward determining compliance conditions in the districts and identifying compliance gaps, enforcement weaknesses, and developing remedial measures.

Studies are continuing on the capability of automatic data processing to assist in criminal tax enforcement work. As additional information becomes available through increased use of electronic equipment in the next decade, the Service expects to capitalize on its greater speed in identifying criminal tax violations, evaluating potential fraud situations and supplying special agents with the leads needed to more effectively conduct tax investigations.

Tax Fraud Investigations

Type	1969	1970
Investigations completed, total	8,273	8,[illegible]
Prosecution recommendations, total	1,139	1,[illegible]
Fraud	1,049	1,[illegible]
Wagering	33	5
Coin-operated gaming device	4	1
Non-tax	53	45
Investigations in process, June 30	7,513	7,[illegible]

Referrals to the Department of Justice

A total of 880 income and miscellaneous criminal cases, with prosecution recommendations involving 877 prospective defendants, were forwarded to the Department of Justice. In 1970, indictments in such cases were up 41.2 percent. There was no significant change in the volume of referrals to the Department of Justice or in the total disposal of cases in the district courts over the prior year.

In income, excise, and wagering tax criminal cases 448 defendants pleaded guilty or nolo contendere, 73 were convicted after trial, 30 were acquitted, and 77 were dismissed.

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

Results of criminal action in tax fraud cases

Action	Number of defendants 1969	Number of defendants 1970
Total		
Indictments and informations	649	924
Disposals, total	825	628
Plea, guilty or nolo contendere	470	448
Convicted after trial	91	73
Acquitted	20	30
Nol-prossed or dismissed [1]	244	77
Income and miscellaneous cases [2]		
Indictments and informations	631	831
Disposals, total	626	486
Plea, guilty or nolo contendere	447	443
Convicted after trial	79	69
Acquitted	19	29
Nol-prossed or dismissed [1]	81	87
Wagering tax cases		
Indictments and informations	18	33
Disposals, total	199	29
Plea, guilty or nolo contendere	23	5
Convicted after trial	12	4
Acquitted	1	1
Nol-prossed or dismissed	163	19

[1] Includes cases dismissed for the following reasons: 19 because of death of principal defendant, 8 because of serious illness, and 23 because principal defendant had pleaded guilty or had been convicted in a related case.

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

Cases Involving Criminal Prosecution

Total additional taxes and penalties of $87 million were involved in cases received in the Chief Counsel's Office with recommendations of criminal prosecution. This was a decrease of $9 million under the amount involved in the prior year.

An analysis of criminal tax cases of all types (other than wagering and occupational tax cases) referred to the Department of Justice follows:

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

Status	1969	1970
Pending July 1 [1]	2,148	2,073
Received, total	1,084	1,180
With recommendations for prosecution	1,019	1,014
With requests for opinion, etc.	65	66
Disposed of, total	1,159	967
Prosecution not warranted	127	96
Department of Justice declined	100	88
Prosecutions	712	623
Opinions delivered	49	33
All other closings	171	180
Pending June 30	2,073	2,286

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

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

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

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

Disposition	Tax years		Tax and penalty	
	1969	1970	1969	1970
Total	2,902	2,672	$126,230,688	[illegible]
Prosecutions	2,137	2,073	64,683,413	[illegible]
All other closings [1]	765	599	61,547,275	[illegible]

[1] Includes cases declined by Department of Justice.

Additional Taxes from Direct Enforcement

Most taxpayers voluntarily file tax returns and pay their liabilities with no enforcement work required. However, a balanced enforcement program covering all classes of taxpayers is necessary to promote compliance by all.

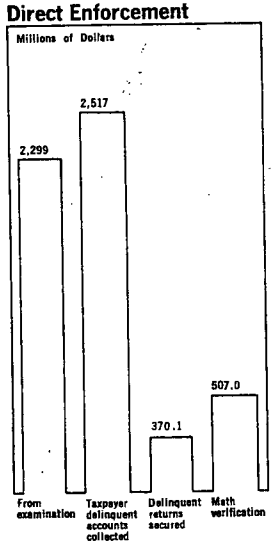
Examination of tax returns in 1970 resulted in additional assessments of tax, penalties and interest amounting to $2,299.2 million. $370.1 million in delinquent returns were secured during the year. The following table shows comparative data for the past 2 years:

Gross tax, penalties, and interest resulting from direct enforcement

[In thousands of dollars]

Item	1969	1970
Additional tax, penalties, and interest assessed, total	3,368,338	[illegible]
From examination of tax returns, total	2,383,068	[illegible]
Income tax, total	1,976,078	[illegible]
Corporation	1,212,319	[illegible]
Individual and fiduciary	763,759	[illegible]
Estate and gift tax	319,594	[illegible]
Employment tax (including withheld income tax)	46,826	[illegible]
Excise tax	40,570	[illegible]
From mathematical verification of income tax returns	315,103	[illegible]
From verification of estimated tax payments claimed	361,092	[illegible]
From delinquent returns secured, total	309,075	[illegible]
By district collection divisions	252,589	[illegible]
By district audit divisions	56,486	[illegible]
Claims disallowed, total	286,962	[illegible]
By district audit divisions	177,103	[illegible]
By regional appellate divisions	109,858	[illegible]
Delinquent taxes collected, total	1,939,251	[illegible]

Results from Direct Enforcement



Workflow in the Service and the Courts

The following tables provide information on work processed by the Service for years 1969 and 1970. The major portion of the workload results directly from the returns filed involving income, estate and gift taxes. The time required to process a return depends on the complexity of the items and the issues involved. Many returns are processed in a short period while others require work by different activities and are not closed during the year of filing.

The unit of measurement at the audit level is on a return basis while beyond that level it is on a case basis. A case may involve one or more returns and more than one taxpayer and may include returns which span a number of years.

Workflow in the Internal Revenue Service and the courts, fiscal years 1969 and 1970

Item	1969	1970
	Returns	
Tax returns filed, total	110,658,633	[illegible]
Individual income	76,215,414	[illegible]
Corporation income	1,729,808	[illegible]
Estate and gift	274,280	[illegible]
Employment	22,032,475	[illegible]
Excise	1,650,216	[illegible]
Other income	8,756,440	[illegible]
INCOME, ESTATE, AND GIFT TAXES		
Number of returns examined (includes forms 990)	2,414,266	[illegible]*
Returns with adjustments proposed by audit divisions	1,685,410	[illegible]
Disposed of by audit divisions:		
Agreed, paid, or defaulted	1,374,231	[illegible]
Surveyed claims	258,518	[illegible]
Transferred to appellate	46,928	[illegible]
Other	5,735	[illegible]
Civil cases	Cases	
Total received in appellate division	25,110	[illegible]
Disposed of by appellate divisions: Agreed, paid, or defaulted	21,924	[illegible]
Courts of original jurisdiction:		
Tax court:		
Total petitioned to Tax Court	6,085	[illegible]
Dismissed	272	[illegible]
Settled by stipulation	4,776	[illegible]
Settled by Tax Court decision	783	[illegible]
Decided by Tax Court, but appealed	225	[illegible]
District courts and Court of Claims:		
Total filed in district courts and Court of Claims	1,246	[illegible]
Settled in district courts and Court of Claims	1,073	[illegible]
Decided by district courts and Court of Claims	471	[illegible]
Courts of Appeals:		
Settled by courts of appeals decision	349	[illegible]
Favorable to Government	233	[illegible]
Favorable to taxpayers	66	[illegible]
Modified	50	[illegible]
Decided by courts of appeals but reviewed by Supreme Court	5	[illegible]
Supreme Court: Settled by Supreme Court decision	6	[illegible]
Fraud cases [1]		
Received for full-scale investigation in intelligence divisions	2,293	[illegible]
Disposed of by intelligence divisions:		
Prosecution recommended	1,049	[illegible]
Prosecution not recommended	1,031	[illegible]
Disposed of by Office of Chief Counsel:		
Prosecution not warranted, including cases declined by the Department of Justice	227	[illegible]
Prosecutions	712	[illegible]

[1] Includes excise tax cases.
*Partially estimated

Amounts of revenue involved at each level of the tax system, fiscal years 1969 and 1970
[Millions of dollars]

Item	1969	1970
Internal revenue collections, total	187,920	[illegible]
Individual income taxes, total	97,440	[illegible]
Withholding	70,182	[illegible]
Other	27,258	[illegible]
Corporation income taxes	38,338	[illegible]
Estate and gift taxes	3,530	[illegible]
Employment taxes	33,069	[illegible]
Excise taxes	15,543	[illegible]
INCOME, ESTATE, AND GIFT TAXES		
Civil cases		
Additional tax and penalties in cases disposed of in audit divisions by agreement, payment, or default	1,328	[illegible]
Additional tax and penalties in cases disposed of in appellate divisions by agreement, payment, or default	361	[illegible]
Additional tax and penalties determined by settlement in Tax Court	119	[illegible]
Additional tax and penalties determined by Tax Court decisions:		
Dismissed	4	[illegible]
Decisions on merits	23	[illegible]
Additional tax and penalties in cases decided by Supreme Court and courts of appeals	10	[illegible]
Amount refunded to taxpayers as a result of refund suits	47	[illegible]
Fraud cases[1]		
Deficiencies and penalties in cases disposed of in intelligence divisions:		
Prosecution recommended	83	[illegible]
Prosecution not warranted and cases declined by Department of Justice	20	[illegible]

[1] Includes excise taxes.

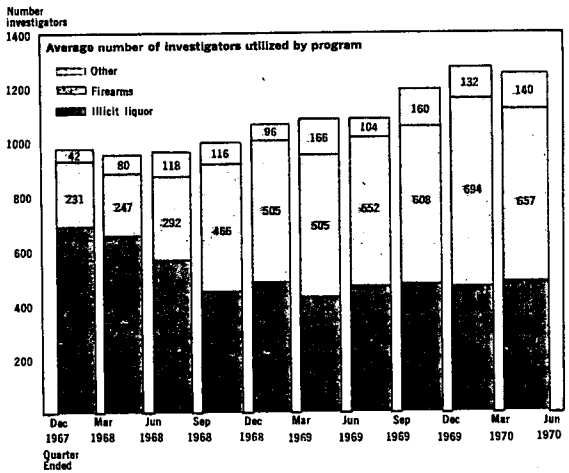
A 5-week survey utilizing "Saturation Raiding" was conducted in certain counties of seven States in the Southeast Region during the early spring of 1970, resulting in the seizure of 1,611 illicit distilleries and 6,427 gallons of nontaxpaid distilled spirits. "Saturation Raiding" is a technique involving the concentration of manpower in "search and destroy operations" designed to measure the extent of the illicit liquor problems rather than apprehend distillery operators. As a result, this operation brought the number of distilleries seized to a higher level than would normally have been the case considering the manpower expended. Analysis of this survey indicates that, while substantial inroads have been made towards eliminating major violations of the Internal Revenue liquor laws, a tremendous amount of work remains to be done.

Liquor Law Enforcement at Reduced Levels

The Alcohol, Tobacco and Firearms Division of the Service enforces the Federal laws pertaining to illegal activities involving liquor, tobacco and firearms. Due to the passage of the Gun Control Act of 1968 and the resultant manpower requirement to implement that law it was necessary in 1970, as well as in 1969, to divert manpower from other programs, mainly from the illicit liquor program. This was necessary even with the staffing increases provided for the firearms program.

The following chart reflects the shifts in staffing between the principal alcohol, tobacco and firearms programs.

Manpower Utilization



Illicit distillery seizures for fiscal year 1970 totaled 3,763, a gain of 700 over last year's figure of 3,063. A slight but continuing downward trend in seizures of mash and untaxpaid distilled spirits in 1970 could conceivably reflect marketing difficulties for illegal liquor, particularly in areas where local economic conditions have improved, and where intensive public relations campaigns on the dangers of poison moonshine have been conducted. More detailed accomplishments in liquor law enforcement for 1970 in comparison with 1969 are shown in the two tables below.

The production of illicit whiskey was reduced by 49 gallons per day in the Birmingham, Ala. area when this still was seized in an abandoned coal mine in northern Jefferson County. The two Federal Agents and one State Agent pictured aided in the seizure.

Seizures and arrests for alcohol and tobacco violations

Item		1969	1970
Seizures:			
Distilleries	number	3,063	[illegible]
Stills at distilleries	do	4,362	[illegible]
Non-taxpaid distilled spirits	gallons	92,281	[illegible]
Mash	do	1,964,972	[illegible]
Vehicles	number	1,092	[illegible]
Property (appraised value)	dollars	1,346,276	[illegible]
Arrests	number	4,137	[illegible]

Results of criminal action in alcohol and tobacco cases (Federal courts)

Action	Number of defendants	
	1969	1970
Indictments and information	2,270	[illegible]
Disposals, total	2,571	[illegible]
Plea, guilty or nolo contendere	1,725	[illegible]
Convicted after trial	374	[illegible]
Acquitted	156	[illegible]
Nol-prossed or dismissed	316	[illegible]

The traffic in illicit liquor remains centered in the southeastern portion of the United States, accounting for over 90 percent of the illicit distillery seizures in the Nation. "Operation Dry-Up," a technique employing a heavy concentration of investigative officers in the principal problem areas, has proved to be extremely effective. While available manpower resources have been spread thin in current "Operation Dry-Up" target areas, progress made justified continued priority emphasis on this program.

A substantial increase in revenue has accrued to the States as well as to the Federal Government in the three States directly affected by "Operation Dry-Up." Since its inception "Operation Dry-Up" has produced more than $46 million in additional revenue to the Federal Government as a result of shifting patterns in the consumption of alcoholic beverages from illicit to legal markets.

Chemical Analysis Supporting Law Enforcement —Fiscal Year 1970

The National Office Laboratory is engaged in the analysis of physical evidence connected with illicit distilled spirits seizures, firearms violations, destructive device control, tax depletion allowances, organized crime investigations, document examinations from intelligence cases, and specialized examination for State and local governments and Federal agencies. This fiscal year, 560 cases involving 5,300 specimens were examined. This compares with 390 cases involving 2,700 specimens examined in the prior fiscal year.

In research and development, manpower was devoted to the development of techniques for dating ballpoint, writing and felt tip inks. Work in bomb residue detection was given high priority because of its importance and the large number of samples submitted for examination.

Expansion and modernization of the photographic laboratory was completed to accommodate the increased workload. Approximately 1,500 prints per month were prepared, involving photomicrographs, pictures for the Commissioner's Art Advisory Panel, and photographs for training purposes. Almost all divisions of the Service draw upon this activity for special assistance.

Five scientific papers, based on original research, were published during the year. One paper on document dating, based on ink analysis, attracted interest on the part of agents working on income tax fraud cases.

Continued Increase in Volume of Regulated Operations

The Service is responsible for the regulation of the alcohol and tobacco industries. This regulation helps assure compliance with various Federal requirements (including proper taxpayment), prevents diversion of nontax paid products into illegal channels, and also protects the consumer. These controls are applied principally through a system of permits and bonds, reporting requirements, and inspection programs.

Athough the number of distilled spirits plants remained fairly stable during 1970, the volume of activities requiring Government supervision has continued to increase. The following table reflects statistics for fiscal year 1970.

Alcohol and tobacco tax collections continued to climb, totaling $6.8 billion in 1970 as compared to $6.7 billion in 1969.

Production by alcohol and tobacco industries fiscal year 1970

Distilled spirits [1]	917.5 million tax gallons.
Rectified distilled spirits	114.3 million proof gallons.
Still wine	305.8 million gallons.
Effervescent wines	20 million gallons.
Vermouth and other natural wines	33.5 million gallons.
Beer	134.7 million barrels
Large cigars	6.8 billion.
Small cigars	863 million.
Cigarettes	511.7 billion.

[1] 256.3 million gallons removed from bonded storage after determination of taxes due. 606.8 million gallons removed tax free. 1,197 million gallons in storage in bonded warehouses at the end of the year.

ATF permissive man-power use

	1969	1970
Plants and permittees subject to IRS regulatory control (excludes retail liquor dealers):		
On-site inspections made	23,400	[illegible]
Man-years spent on inspections	216	[illegible]
Man-years spent on direct plant supervision	339	[illegible]
Permits issued, amended and terminated	22,262	[illegible]
Claims, offers-in-compromise and assessments reviewed and processed	40,610	[illegible]

Regulatory Changes Promote Efficiency

Improved efficiency resulted from several regulatory changes made during the year. One eliminated printing the bottle size on bottled-in-bond export strip stamps (Green). This change extended to export stamps the earlier changes made in strip stamps for spirits bottled for domestic consumption (Red) wherein one standard stamp is used for all bottles of ½ pint or more. The printing, accounting, and stocking of one type stamp was substituted for the printing, accounting, and stocking of six types of stamps. Another regulatory change permitted distillers to determine the quantity of spirits produced by means of a volumetric gauge in a tank, thereby eliminating the need for costly installation of tanks on weighing scales.

Administrative Developments Relating to Alcohol Industry Operations

Industry Cautioned About Use of Food Additives

The Alcohol, Tobacco and Firearms Division enforces compliance on food additives under the Food and Drug Administration's (FDA) regulations. Responsibilities to the consumer require inspection for changes in food additive requirements, particularly those items which hold only limited clearance from FDA. For instance, the industry was notified that brominated vegetable oil was removed from the FDA's Generally Recognized As Safe List and was requested to identify any wine or liquor formula using this clouding agent. Subsequently, approval was withheld on formulas which included this material.

Alcoholic Beverage Advertising Labeling and Trade Practices

The Service administers the Federal Alcohol Administration Act which is designed to protect the revenue, protect business competitors, and protect the consumer.

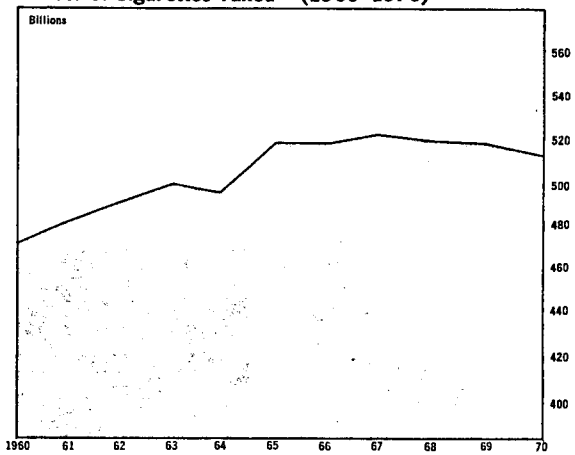
In executing responsibilities under this Act the Service examines alcoholic beverage advertising of producers, bottlers, importers and wholesalers for compliance with requirements of law and regulation. Examinations are normally made of advertising in a selected group of general circulation newspapers and magazines, trade publications, and radio and television commercials. (In recent years under the voluntary codes of the National Association of Broadcasters and the Distilled Spirits Institute, radio and television have not broadcast advertisements for distilled spirits.)

In 1970, the Service reviewed more than 18,000 issues of 70 publications which carry alcoholic beverage advertising, and 175 radio commercials were also reviewed. Within the various media our sample selections are changed from time to time.

In addition to the review function, as a service to industry, the Service evaluated the acceptability of 900 proposed advertising themes or campaigns voluntarily submitted prior to release. Some 263 conferences were held with industry members, their attorneys, or advertising agents on proposed advertising.

Examination of labels, unlike advertising, is done prior to their use. During the year, 71,804 labels were examined, 71,225 approved and 497 rejected. Approval of these labels hinges on their acceptability under law and regulation aimed at protecting the consumer. The information on the label must enable the consumer to identify the beverage, determine its quantity, and be truthful as to any other information on the labels. All labels and their approving certificate are now being put on microfilm for easy retrieval, since approvals made in the past are checked for precedent many times a day. After July 1, 1968, all labels were to be resubmitted by industry for reexamination and to be microfilmed. The distilled spirits industry has complied and the labels have all been completed. The wine and beer industries have until July 1, 1971, to resubmit their labels for the same purpose.

Number of Cigarettes Taxed (1960–1970)



Offers-in-Compromise

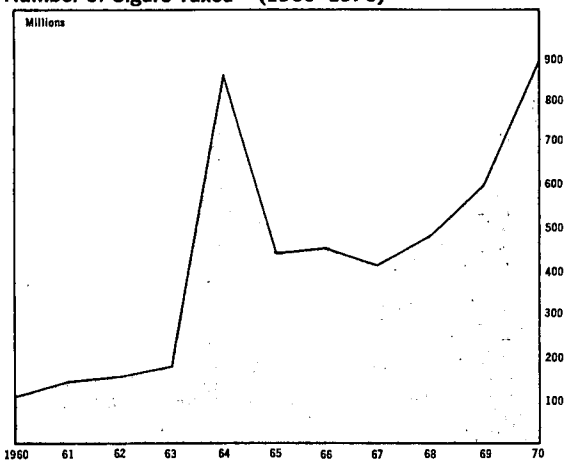
Twenty-three cases were closed upon the acceptance of offers-in-compromise under the Federal Alcohol Administration Act. Involved were such matters as the furnishing or giving of equipment, services, things of value to retailers, or the extension of credit to retailers; all practices contrary to law. The purpose of the law is to keep manufacturers or wholesalers from influencing retailers to exclude competing products.

Cigarettes and Small Cigars

Until 1953 there was a steady increase in cigarettes sold domestically. From 1953 through 1963, consumption increased about 3 percent per year except for 2 years in the early 1950's. There was a decline in 1964 at the time of release of the report of the Surgeon General's Advisory Committee on Smoking and Health, but this was followed by an increase which lasted until 1968 when the significant anti-smoking campaigns began to affect domestic consumption of cigarettes. Internal revenue tax receipts from cigarettes have approached or exceeded $2 billion in each year since 1962.

Sales of small cigars (cigarette size) seem to gain when cigarettes experience down-trends. The increase in small cigars in the domestic market has undoubtedly been further stimulated by the use of a reconstituted tobacco wrapper (paper made from tobacco), which provides significant labor saving economies in manufacture. Also, the internal revenue tax rate on

Number of Cigars Taxed (1960–1970)



small cigars is 1½¢ for a package of 20, compared to 8¢ for cigarettes. But small cigars still constitute only a minor part of the smoking product market which is dominated by cigarettes.

Chemical Analyses Made for Regulatory Work

To provide scientific foundations with Internal Revenue Service management decisions and policies, the National Laboratory is engaged in a number of activities. In the field of consumer protection this includes the evaluation of containers made from plastics, aluminum, coated metals, or ceramics used for packaging alcoholic beverages. The evaluation includes an analysis of the changes in composition of the alcoholic products, and an investigation of foreign substances in products which might be toxic. The development of analytical profiles on whiskies, wines, beers, and other alcoholic products is essential in carrying out routine analyses and regulatory controls. Samples from proposed industrial processes are examined, and recommendations based on technology and regulations are made. Samples from the Bureau of Customs are examined to determine classification, taxable status and compliance with labeling requirements.

Cooperating (through the Association of Official Analytical Chemists) with technical Societies, the Laboratory helps to coordinate and maintain standard analytical methods for all alcoholic beverages. Projects are assigned for joint studies of methods and the development of new analytical approaches to old as well as new problems.

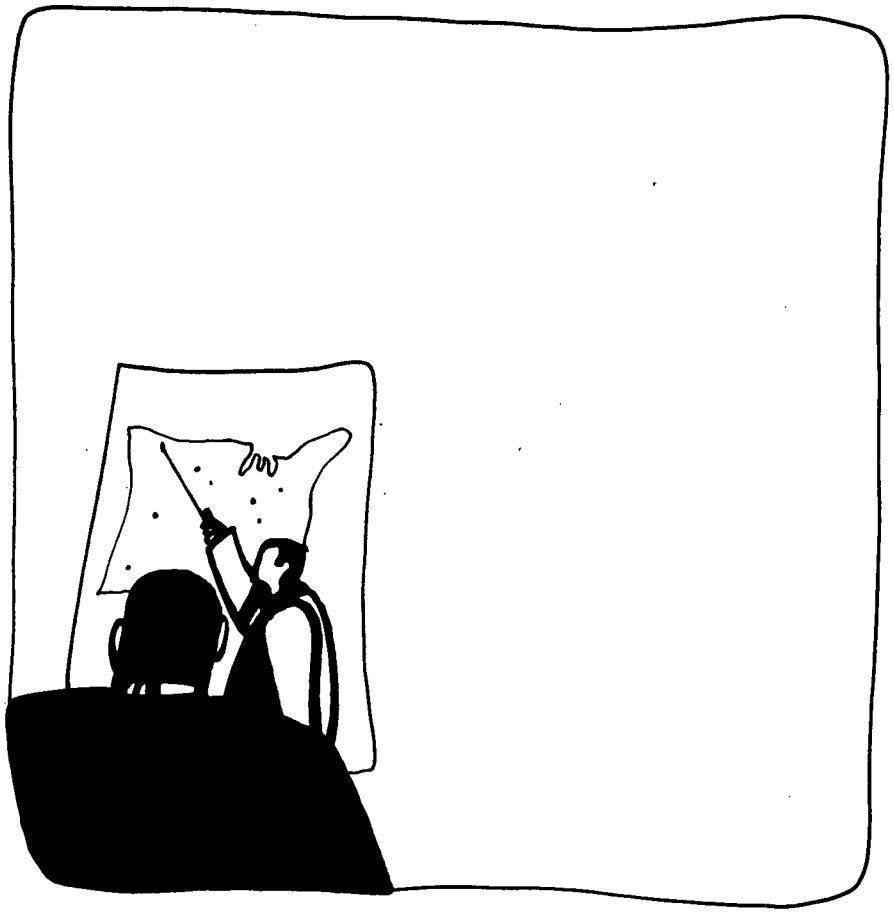
More than 100 different materials are analyzed each year by the national and regional laboratories. Among these are alcoholic beverages, food products containing alcohol, flavors, toilet preparations, lubricants, and tobacco. This year a total of 27,531 industry samples were analyzed as compared to last year's 19,736.

The national and regional laboratories examined 4,043 formulas for specially denatured alcohol articles, 9,660 label approval requests, and 1,783 formulas for nonbeverage foods, flavors, and internal medicinal products.

Organized Crime Drive and Firearms Activities

Chapter **Four**

Project Investigations Aid in Exposing Organized Crime
Strike Force Operations Expand
Foreign Bank Accounts Problem Studied
Firearms Law Enforcement Continues to Expand
Gun Control Laws Effective Against Convicted Felons



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The Service Fights Organized Crime

The Internal Revenue Service's participation in the war against organized crime retains a position of highest priority. Application of resources to the racketeer segment of the Service's overall program has steadily increased. Expertise attained in tax investigations of racketeers over a long period of time has enabled the Service to move immediately into any area singled out by the Department of Justice for Strike Force activity. Strike Force energies are generally concentrated on criminal combines in specific geographical areas.

Because of the Service's particular interest in the tax affairs of all racketeers, their enterprises, and their so-called white-collar collaborators, it continually seeks to improve its intelligence gathering and retention system, an essential tool for efficient and expeditious investigation of tax fraud cases involving top echelon racketeers whose personal activities are usually cloaked in secrecy and often extend beyond state and national borders. The pieces of intelligence that surface periodically in scattered areas are maintained in a common depository where they can be put together, evaluated, and made available to field forces for comprehensive investigation.

The Project Investigation Approach

The Project Investigation approach is applied to significant racketeer cases traversing service organizational lines and relating to particular areas of evasion such as loansharking, untaxed gambling profits, or deposits of untaxed funds in Swiss or other secret foreign bank accounts.

The scope and depth of the fraud is too extensive in these situations for efficient and timely detection by one or two agents operating from a district office. Guidance and assistance is provided by National and regional offices which remain current on the progress of these investigations and alert to problems being encountered by agents. District office personnel in one section of the country are assured of immediate assistance from agents in other parts of the nation, whether it be a call for surveillance, interrogation of witnesses or general investigative activity. The sense of urgency, an essential feature in any investigation, does not fade by transfer of investigative responsibility to distant corners of the nation.

Project investigations, due to their scope and intensity, have greatly broadened the Service's knowledge concerning the realities of organized crime and have resulted in assessment of a substantial amount of additional tax. Unfortunately, a great segment of the public equates organized crime only with a rather limited but notorious group of racketeers who rely upon the threat of violence to enforce their demands. In reality, although heavily populated by hoodlums and confirmed racketeers, organized crime is participated in by numerous other criminal elements who reside in most levels of society. These segments join together when it is safe and profitable, separating when convenient. The leaders in organized crime are not provincial; they entice, enlist and often compel the assistance of those required to serve their cause. In addition to the pure racketeer type, organized crime is populated by larcenous businessmen, corrupt public officials, unethical bankers and brokers, and unprincipled attorneys and accountants, who portray the role of reputable members of the community. The strong-arm elements can expand freely without fear of disruption, cut themselves in on sizable crooked transactions, receive the benefit of excellent business expertise including financing, obtain secure investments and gain control of legitimate businesses here and abroad.

The Service has been acutely aware of this criminal coalition and has extended its scope of inquiry beyond domestic borders to areas throughout the world.

President Nixon signs an executive order creating the National Council on Organized Crime as members of the Cabinet and other government officials look on.

Infiltration of Legitimate Business

Organized crime is constantly striving to take over legitimate business. Nominees are often used to legally purchase a business and coercive sales techniques are often employed on a reluctant customer. Another method of takeover is through the use of shylock or loanshark activities. Money is loaned at prohibitive interest rates to businesses in financial difficulty and unable to borrow from legitimate credit sources. Default on the payments is followed by takeover of the company.

Sole proprietorships or closely held corporations are especially vulnerable to this tactic of organized crime. If the businessman is a habitual gambler and a big loser, the racketeer's capability for stealing the business is greatly enhanced. Gambling debts accumulated with a friendly bookie by the principal stockholder, corporate president or whomever controls the company, often result in the business finding a strange, new "no-show executive" on its payroll. The situation can progress to the point where the owner of the business finds that his services are no longer required or the owner may file false and fraudulent corporate income tax returns in an attempt to pay off the criminals with untaxed corporate profits.

Secret Foreign Bank Accounts

For many years, individuals in and out of organized crime have used secret foreign bank accounts to evade taxes. Racketeers find this arrangement extremely beneficial. Cash receipts derived from illegal activities or from legitimate gambling casinos under their control are deposited in foreign banks. These deposits are later invested in the United States by using a nominee to disguise the beneficial owner. In reality, the lender is also the lendee. Often, false loans are made to foreign entities who deposit the borrowed funds in Swiss banks for the credit of the party making the loan. In these cases, there is no intention of repayment. In addition to the tax fraud involved in evading tax on funds deposited in foreign banks, this practice breeds other fraudulent conspiracies.

Sometimes, through cooperative foreign banks, the money finds its way back to the real owner as an ostensible loan on which the owner then proceeds to claim interest deductions for tax purposes while each installment payment is credited to his account with the foreign bank.

Every effort is being made to eliminate those features of foreign banking which can aid fraudulent activity on the part of Americans. The Government is approaching the problem from a legislative standpoint as well as through international treaties.

Strike Forces

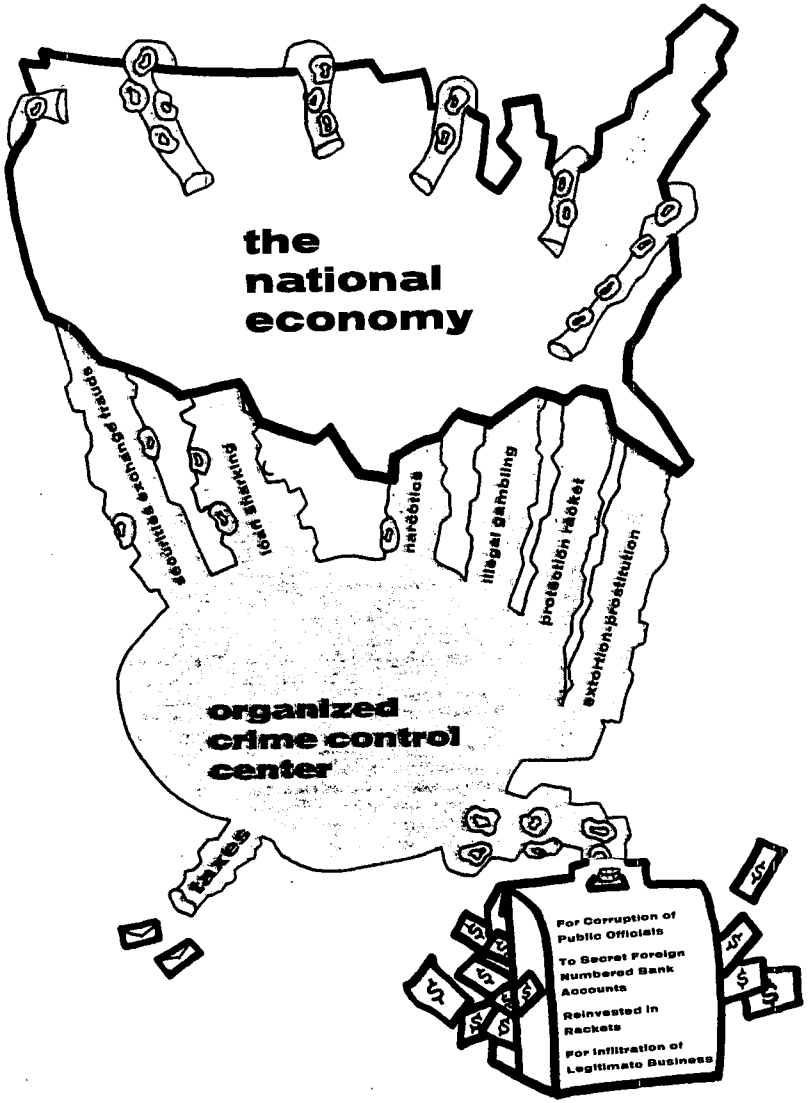
The Strike Force concept, which melds the energies and expertise of several Federal law enforcement authorities under direction of the Department of Justice, has obtained results in several major crime centers across the nation. Additional units are scheduled for deployment to other areas of significant organized crime influence.

The investigative arms of the Service are heavily committed to this drive. It is believed that a well organized and determined effort of the Service, advancing in concert with other cooperating enforcement agencies, can arrest and eventually eradicate this national disgrace, organized crime.

In connection with the Strike Force effort, there were 1,472 examinations in progress by the Audit Division, 896 investigations being pursued by the Intelligence Division and 161 cases being worked by the Alcohol, Tobacco and Firearms Division as of the end of the fiscal year.

Tax investigations are time consuming, especially those involving racket figures and their associates. Customary business records are nonexistent, prospective witnesses are uncooperative, obstructionist tactics are the rule, and audit trails are carefully concealed. Unlike the situation where the investigation is contemporaneous with the crime, Federal tax cases require the agent to dig out facts and evidence from cold leads. The actual crime may have taken place several years before assignment of the investigation and, depending on the theory of proof, the agent may need to trace back several years beyond the actual year of the tax fraud to establish evidence. Despite the inherent problems, a number of key Strike Force targets have been successfully prosecuted or are under indictment for income tax evasion. They include three top echelon racketeer leaders and four top lieutenants. The Service also has under scrutiny or investigation all known members of numerous racketeering groups and their associates. Many prominent racketeers have been investigated, indicted, and convicted for tax violations in the major areas of criminal activity.

Millions of dollars in tax deficiencies have been recommended for assessment in organized crime cases. The Service has contributed leads and expertise, such as reconstruction of complicated financial transactions, which helped make it possible for other Federal agencies engaged in the drive on crime to obtain indictments for violations outside of the Service's jurisdiction.



State and local law enforcement authorities have also been assisted by the Service. For example, in response to a municipal police department's request, special agents of the Intelligence Division guided police efforts through a wagering investigation and furnished the raid plan which was carried out with great success.

Among indictments returned as a result of Strike Force efforts was one against a leading racketeer who was charged with conspiracy and income tax evasion. He reported a net income of less than $90,000 whereas he allegedly had an income in excess of $1 million for the period in question.

The tax law enforcement efforts in wagering taxes were for practical purposes neutralized by Supreme Court decisions in the Marchetti and Grosso cases in January 1968. The Service will, upon request, participate in investigations involving wagering cases, although this type of violation is not within the jurisdiction of the Service. Last year the Service completed a significant interstate wagering case which shook the sports world, caused the indictment of numerous successful bookmakers, and publicized the tenacious determination of organized crime to dupe unsuspecting athletes.

Firearms Enforcement

Guns and the Service

The Service attaches great significance to its responsibility for enforcing Federal gun laws. Responsibility for gun laws was initially given to the Service with the enactment of the National Firearms Act in 1934. That Act was designed to control gangster-type weapons; and, because its passage was based on the taxing powers of the Congress, its administration was vested in the Service. Responsibilities for gun control were increased with the passage of the Federal Firearms Act in 1938. Due to experience gained under earlier legislation, and because of an effective law enforcement capability, responsibility for administering and enforcing the Gun Control Act of 1968 was also given to the Service.

Seizures and arrests for firearms violations

Item	1969	1970
Seizures:		
Firearms ... number	4,152	30,307
Destructive devices ... do	(1)	4,372
Vehicles ... do	169	294
Property (appraised value) ... dollars	499,763	1,533,242
Arrests ... number	715	1,957

[1] Not available.

Results of criminal action in firearms cases (Federal courts)

Action	Number of defendants	
	1969	1970
Indictments and information	331	1,369
Disposals, total	278	824
Plea, guilty or nolo contendere	126	433
Convicted after trial	45	144
Acquitted	16	57
Nol-prossed or dismissed	91	190

Significant Results Achieved Under the Firearms Program

In 1970 a total of 627 investigator man-years were used on firearm activities compared with 442 required in 1969. Investigations conducted under the firearms program in 1970 led to the completion of 2,975 criminal cases, the arrests of 1,957 violators and the seizure of 30,307 [1] firearms. These figures compare with 1,595 criminal cases, 715 arrests and 4,152 firearms seized in 1969. In the regulatory area of firearms control, 54,369 investigations of the activities and operations of licensees were completed in 1970 leading to the discovery of 1,812 purchasers of firearms with criminal records and 300 purchasers who had used fictitious names or addresses. The following tables reflect in greater detail accomplishment under the firearms program for the past two years.

The preceding statistics are indicators of the success of the intensified effort to use strengthened firearms control laws as a major tool in the broad and continuing fight against crime. These statistics, however, which primarily relate to violations of Federal statutes, do not tell the complete story. Objectives pertinent to the intent of the law to assist local, State and Federal enforcement bodies are also being achieved.

Disarming the Criminal

A pilot project, aimed at disarming the criminal in the District of Columbia is an outstanding example of local law enforcement assistance. Conducted by a select group of special investigators, the goal was to determine the effect of an intensified Federal program in helping local law enforcement officers reduce the crime rate in a metropolitan area. Special emphasis was placed on the arrest and prosecution of convicted felons possessing weapons and armed violators of other statutes.

[1] Not including 4,372 destructive devices seized.

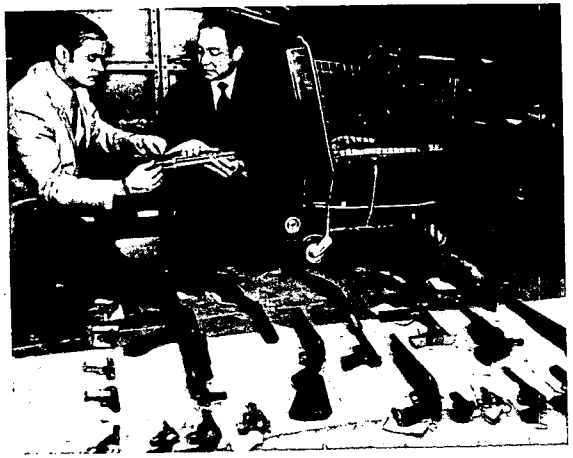
Investigators working on the pilot project have developed and maintained excellent liaison with local police departments, other Federal enforcement agencies, and the U.S. Attorney's office. During the first 6-month period of its operation a total of 424 firearms were seized by Service investigators and 67 were abandoned voluntarily. A total of 695 special investigations were completed which resulted in 159 cases involving 163 defendants, 55 of whom had previous felony records. More than 600 requests for assistance were received from police, and 177 referrals were made by Service-assigned officers on violations of concern to other enforcement bodies.

The Gun Control Act at Work

The effectiveness and varied applications of the Gun Control Act can best be seen in case illustrations. A few examples follow:

In Boston, a notorious bank robber, suspected of having committed several murders, was indicted by a Federal Grand Jury for making a false statement to a licensed firearms dealer in the purchase of a firearm. At the time of arrest, he was armed with a loaded .38 caliber revolver, stolen from a firearms manufacturing company. A second indictment has been returned covering the stolen firearm.

In Utah, a defendant with a long criminal record was charged with furnishing false information to a dealer in the purchase of a shotgun, and with a violation of the National Firearms Act after he sawed off the barrels of the shotgun. Convicted in Federal court, he was given terms of 5 years imprisonment on each of the two counts.



Special Investigators of the Alcohol, Tobacco and Firearms Division examine evidence seized in the Washington, D.C., area during the early months of the drive to "Disarm the Criminal."

Another felon, free on appeal for a manslaughter conviction, had a registered National Firearms Act type weapon in his possession but failed to obtain the required authorization to transport the weapon across a State line. He was arrested in Wyoming, convicted, and given a 5-year prison sentence.

Police investigation of a bizarre, brutal sex murder revealed that a suspect might have recently purchased a firearm. A Service investigator was notified and through an extensive search of licensed dealers' records, found a firearm sale to the suspect, who was in a category of persons prohibited by the law from purchasing a firearm and who had provided false information to the dealer. The suspect was arrested and jailed on the gun violation, and conclusive evidence was later developed as to the subject's guilt for the murder after he had initially been written off as a "harmless nut."

An investigation by Service investigators assisting the Bureau of Narcotics and Dangerous Drugs resulted in the purchase of five firearms from a felon suspected of trafficking in narcotics. Thirty-six firearms were seized from the suspect's car. Subsequent investigation proved that 17 of the firearms had been stolen. The felon entered a guilty plea to the violations of the Gun Control Act and was sentenced to 10 years in prison.

An investigator trainee received information concerning alleged firearms caches, stolen Treasury Bills in $100,000 denominations, and stolen merchandise. He pursued the information in an undercover capacity. The information was developed into an Organized Crime Strike Force investigation in cooperation with the Federal Bureau of Investigation and resulted in the arrest of three organized crime figures. Four $100,000 Treasury Bills, part of a theft of $13 million from a large trust company in New York City, were recovered.

In Missouri two felons were hired to put a man out of business because he had chosen to buck "big business" by opening a small household gas company. The two felons were spotted by local police driving near an 18,000-gallon household gas storage tank owned by the small businessman. The police stopped the two men for questioning and found three firearms and a fully armed bomb in the car. The bomb, composed of 10 sticks of dynamite, had a set timing device attached. Service investigators completed a case against the two men for possession of a destructive device not registered with the Service under the National Firearms Act. Both men were convicted and sentenced to 10 years in prison.

In Montana, police responded to a call of a shooting in a bar. Upon arrival, they found a body, a foreign-made handgun on the floor, and customers who avowed no knowledge of the shooting. They requested Service assistance in the investigation. The firearm in this case was traced from Germany through Mississippi and finally to Montana where the last known owner was identified by the Service investigator as a customer of the bar on the night of the murder. He was subsequently convicted of homicide.

Militant Activities

The category of destructive devices has come into prominence with the wave of bombings and bomb threats across the nation. These devices (which include grenades; incendiary, gas, or explosive bombs; rockets; mines; and similar devices), are the types of weapons most suitable to the activities and avowed purposes of militant groups of radical philosophical persuasion. Such organizations have publicly espoused use of guns and explosives as an integral means of achieving their objectives. Many such organizations have assumed a paramilitary posture modeled on irregular or clandestine groups which have successfully operated throughout the world.

The destructive device sections of the Gun Control Act provide a statutory vehicle for prosecuting individuals who willfully use guns or explosives as substitutes for dialogue and reason.

The efforts of the Service have been to focus investigative attention on the unlawful acts of individuals who by pronouncements or associations have become identified with militant groups. Infiltration and the judicious cultivation of sources of information have enabled the Service to perfect cases against several well-known criminal activists. Collateral benefits from these investigations in the form of referrals by Service investigators to other law enforcement agencies have enabled these agencies to successfully conclude investigations of organized extremist factions.

Demonstrations, civil disorders, and riots have necessitated Service involvement, primarily to protect Service facilities, and provide advisory assistance to other enforcement agencies, including intelligence gathering support. While the effects of these demonstrations have been particularly manifested in vandalism, there have been many instances of both bombings and bombing scares with all the attendant ramifications of disruption and tragedy.

The commitment of enforcement personnel in these areas will be maintained whenever the possibility of Gun Control Act violations exist.

Importation of Firearms and Ammunition

The Service is in its second year of administering the provisions of the Gun Control Act of 1968 relating to importation of firearms and ammunition. The number of applications for permits to import firearms and ammunition for fiscal year 1970 totaled 24,360. During the same period 1,054,282 firearms were imported (includes rifles and handguns .50 caliber and under, and shotguns), and 1,128 applications were disapproved covering imports totaling 12,412 firearms not meeting the importation criteria.

The Service also continues to administer, under Executive Order 11432, the importation provisions of the Mutual Security Act of 1954 covering articles on the U.S. munitions list (includes arms, ammunition, and implements of war).

International Activities

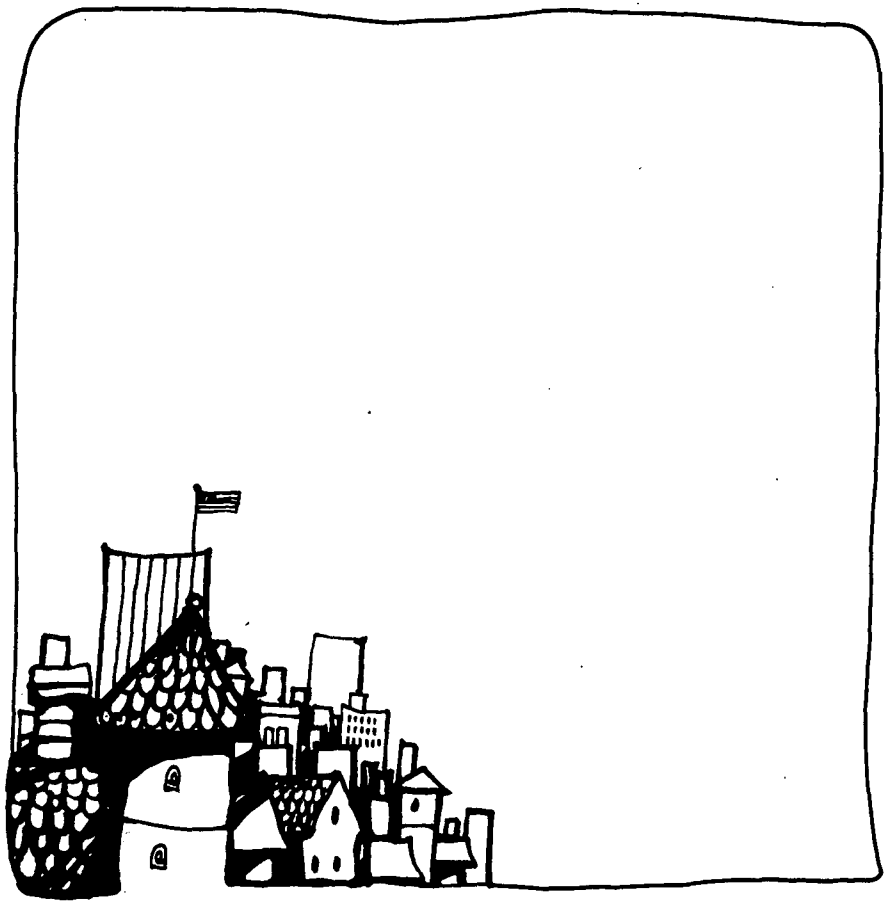
Tax Administration in the Foreign Area

Tax Assistance for Citizens Living and Working Outside the United States

CIAT Continues to Mature

Assistance Furnished to Emerging Nations

Chapter **Five**



Introduction

The Service has a broad overseas program consisting of three functions. One involves the administration of tax laws as they apply to U.S. citizens living abroad, nonresident aliens, and foreign corporations. Another involves providing assistance when requested to developing countries in improving their systems of tax administration. The third function involves participation in the negotiation of tax conventions or treaties with foreign countries to prevent economic double taxation. The more important highlights and accomplishments in carrying out these functions are related below.

Development of Tax Administration in the Foreign Area

The quarter century since World War II has seen a peaceful explosion in foreign trade, in U.S. business and investment abroad, and in the U.S. population which lives and works in foreign countries. (To cite one statistic, over 2,300,000 U.S. citizens, including more than 850,000 civilians, are presently located outside the United States.) At the same time, there has been a great increase in foreign business and investment in the United States.

The tremendous foreign business growth has been matched by a proliferation of complex tax problems, together with a new body of statutory and administrative law. To operate more effectively in the international theatre, many law and accounting firms and large corporations have developed departments of international tax specialists. These practitioners deal with foreign as well as U.S. tax rules, and with complex issues arising from the interaction of both—for example, questions of source of income or allocation of income and expenses between related U.S. and foreign companies.

To develop comparable expertise in the international area, the Service has created several groups of specialists. These include:

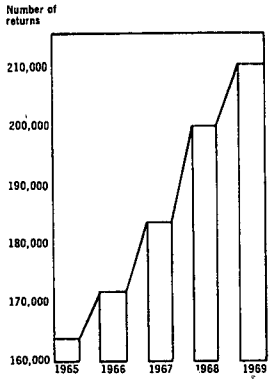
1. Eleven groups of specially trained international examiners, located in key districts throughout the country. Together with district revenue agents, they conduct joint audits of corporate returns which indicate transactions between related U.S. and foreign companies. This joint audit procedure referred to as the "Coordinated Enforcement Program," is closely supervised by the National Office Audit Division which, in appropriate cases, lends the assistance of economic specialists.
2. Corporation Tax and Reorganization Branches in the National Office Income Tax Division, issue income tax rulings on international questions.
3. A branch in the Legislation and Regulations Division of the Office of Chief Counsel specializes in preparing regulations, treaties and legislation in the intenational area.
4. A branch in the General Litigation Division of the Office of Chief Counsel performs various legal functions in connection with litigation and settlement of cases involving international issues.
5. A branch in the National Office Audit Division has specialists to administer the interest equalization tax.
6. A task force deals with the unique problems involving U.S. citizens with secret foreign bank accounts.
7. The Office of International Operations administers the Internal Revenue laws and provisions of tax treaties as they apply to U.S. citizens doing business abroad.

The groups have evolved independently in response to needs and pressures experienced by the Service. They perform a wide range of functions, from basic audit work to formulation of new laws. While directly concerned with various phases of taxation, their activities have broader implications.

The Services international specialists endeavor to assure that the Internal Revenue Code and tax treaty rules are applied in a correct, fair, and nondiscriminatory manner, and that where double taxation or other inequities occur relief and assistance will be made to the taxpayers affected. They seek to acquaint taxpayers with the special rules and procedures which apply in the international area, as well as the special benefits and measures of assistance and relief.

A presentation of the major activities of the Office of International Operations follows:

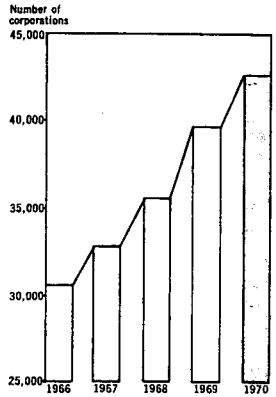
Sharp Upward Trend in Returns Filed by U.S. Civilians Living Abroad



The Office of International Operations engages in the usual audit and collection activities of district offices and provides information and assistance to our taxpayers who reside or do business abroad.

In its latter role, it employs a permanent network of Service representatives at various foreign posts, operates a special taxpayer assistance program which sends a number of technicians on annual trips throughout the world, applies the tax relief provisions of Revenue Procedure 64–54 and aids the Assistant Commissioner (Compliance) in administering tax treaties which provide a number of special benefits and relief measures to taxpayers.

Steady Growth in Number of Foreign Corporations in Which U.S. Persons Own at Least 5% of Stock



Operations Abroad

The Service has 10 foreign posts operating as miniature district offices, manned by 20 technical and nine clerical personnel. This includes a temporary post in Viet Nam added this year. These posts provide the principal link between individual taxpayers and U.S. business entities abroad and our tax programs at home.

The foreign cities where the posts are located are as follows:

Manila	**Rome**
Paris	**Bonn**
London	**Tokyo**
Ottawa	**Mexico City**
Sao-Paulo	**Saigon**

Subject to agreements with foreign countries, the staffs of foreign posts advise and assist American taxpayers abroad with their U.S. tax problems. They audit returns of individuals, corporations, partnerships and others, hold conferences with taxpayers and their representatives, and develop essential information to be used in cases under investigation or in litigation in the States.

They have unique responsibilities under the tax treaties between the U.S. and foreign countries. They are usually the first and often the only representatives of the United States Government to hold discussions with foreign officials on particular cases under treaties relating to the avoidance of double taxation and the exchange of information.

In terms of responsibilities, areas covered and movement of U.S. citizens abroad, present day staffing of these foreign posts is critically short of true staffing needs. The two-man post in Sao Paulo, Brazil, for example, has jurisdictional responsibility over the entire continent of South America. The meager staffing of the foreign posts, coupled with the vast areas they cover, continues to impose serious limitations on our overseas enforcement efforts in the face of a steady increase in U.S. investments and the numbers of taxpayers abroad. As an interim measure to narrow the gap between foreign post workload and available staffing, the Service is considering detailing personnel from Washington. Further expansion both in the number of foreign posts and manpower will continue to be a prime Service objective in realizing its long-rang overseas mission.

Foreign Taxpayer Assistance

In terms of tax assistance, the average American taxpayer living overseas is less fortunate than his Stateside counterpart. There are nine Service offices abroad where a taxpayer can go for tax assistance, compared to hundreds of locations in the States. Telephone service overseas has obvious limitations and offers only marginal access to the Service's facilities abroad. The Stateside taxpayer by comparison has only to reach for a telephone to dial any number of local Service offices for assistance. Professional tax service is also very limited overseas and can hardly compare with the countless numbers of tax practitioners who are available in the United States. The American taxpayer abroad is at a decided disadvantage when he needs tax assistance and advice, when compared to his Stateside counterpart.

For the past 17 years, the Service has provided a worldwide tax assistance program. This year 14 revenue agents and six tax auditors went to 97 cities in 50 countries to help some 29,000 taxpayers file their U.S. tax returns.

To effect economies in program costs and manpower staffing, the taxpayer appointment system used in rendering tax assistance in prior years was discontinued. A full-scale seminar program was conducted this year in combination with walk-in self-help service. The seminar concept, tested experimentally during the 1969 filing period, proved to be so effective it was expanded during the current year's program to include 173 seminars in 73 foreign cities. A further refinement was added to the program by tailoring the seminars to common-interest groups. Five thousand taxpayers attended the seminars. This record attendance brightens the outlook for future development of an economy-focused technique.

This Overseas Taxpayer Assistance Team, Office of International Operations (OIO), travels throughout the free world offering tax assistance to citizens outside the United States. OIO Director C. I. Fox is seated at the extreme left and Assistant Director Joseph G. McGowan is seated at the extreme right.

Nearly 900 servicemen stationed abroad were given basic instruction at 14 income tax schools conducted by Service personnel on military installations in Europe, the Far East and the Canal Zone. This tax training program is co-sponsored annually by the Service and the Department of the Army. The purpose of the tax schools is to provide the military community with its own tax advisors. This method of providing tax assistance has been successful in extending the benefits of our efforts to approximately two-thirds of our Armed Forces abroad.

The Service in Saigon

The black-market currency situation in Viet Nam has been a long standing concern of the Internal Revenue Service. Vast amounts of money and resources of the United States have been committed in Viet Nam which has produced a climate conducive to black-market money manipulations, theft of Government property, and other illicit activities.

Illegal black-market money traffic has grown to serious proportions. In 1969 a Service representative was sent to Viet Nam to make an on-site inspection of black market operations. The inspection disclosed evidence of substantial and widespread black-market money manipulation activities by civilians, military personnel, and U.S. business entities. The Service now has three technical representatives conducting examinations and investigations in Viet Nam and other countries in Southeast Asia. The activities of this team are coordinated with related investigations conducted in district offices throughout the United States.

In November 1969, the Senate Subcommittee on Investigations opened hearings in Washington on illegal currency activities in the Far East. In the course of these hearings, it was disclosed that seven U.S. banks were handling transactions involving approximately $150 million per year in Viet Nam black-market currency. One account alone had transactions of approximately $2 million per week. By analyzing these accounts the Service has been able to identify many of the individuals and firms engaged in black-market activities.

The basic practice of the currency manipulators is to profit on the difference between the official rate and the current black-market rate in the conversion of Vietnamese piaster to the U.S. dollar. Many ingenious methods are employed to accomplish this purpose. Through close cooperation between all agencies of the Government, an effective program for combatting these illegal money manipulation schemes in Viet Nam has been instituted.

Administrative Relief For Economic Double Taxation Cases

American industry's expansion abroad was accomplished through the organization of complex foreign corporate structures. For the most part, foreign tax rates were lower than those of the United States, and profits were diverted beyond U.S. jurisdictional boundaries to foreign affiliates through the medium of inter-company pricing and service fee arrangements.

Internal Revenue agents, whose specialty is to examine international transactions involving domestic entities and their subsidiaries, completed the examination of 953 cases between 1960 and 1965. The income adjustments recommended totaled $768.5 million, resulting in tax deficiencies of $386.7 million, an average of almost $406,000 per case. The Service applied section 482 of the Internal Revenue Code in recommending these deficiencies. This section provides for the reallocation of gross income, credits and deductions between related taxpayers to prevent evasion of taxes and to reflect the correct taxable income of each taxpayer.

The increased use of section 482 in the international area in the 1960's soon brought the realization that the tax effect of this provision could not be measured solely from the standpoint of the U.S. taxpayer. Almost every adjustment to a domestic taxpayer's income had an effect upon the related foreign entity which was a party to the same transaction. In too many cases it was found that either the foreign country in question did not permit retroactive adjustments once a tax return had been filed, or that its statute of limitations for filing refund claims had expired prior to the recommendation of allocation by the Service. As a result many U.S. taxpayers were confronted with the prospect of economic double taxation with respect to large amounts of income under circumstances where no means of securing relief was available.

To provide administrative relief and to give the taxpayer time to adapt business practices in conformity with the law, the Service issued Revenue Procedure 64–54 in December of 1964. Under this procedure, U.S. parent companies were given unilateral relief from the economic double taxation which would otherwise have occurred from reallocations between such companies and their foreign subsidiaries.

As of June 30, 1970, requests for administrative relief have been granted in the amount of nearly $8 million to 119 taxpayers. Twenty-seven of the 119 cases were closed during the past fiscal year with the requesting taxpayer receiving $1.4 million.

In October 1968 the Service announced in Revenue Procedure 69–13 that on an "ad hoc" basis the administrative relief provisions would be extended to an entirely new group of taxpayers. It determined that economic double taxation can apply to a U.S. controlling taxpayer and one or more of its controlled *domestic* entities which operates in a foreign country and is subject to its taxation. As of June 30, 1970, two such cases have been closed with a total amount of relief approved of more than $6 million.

The Competent Authority

In absence of a world-wide tax code, tax treaties furnish a limited measure of uniformity, designed to avoid double taxation and other inequities which can result from separate applications of two national tax codes. At present, the United States has concluded 21 treaties with 31 nations.

Treaty rules are often stated in fairly broad terms and, as a result, questions of interpretation arise. To resolve these, treaties include consultation machinery, referred to as mutual agreement procedures. Such procedures create a tax personality, known as the competent authority, to represent each country in the settlement of problems and disputes involving the application of treaty provisions.

The competent authority is not necessarily one person. Each country may have a competent authority for the various functions connected with treaties. For example, the Assistant Commissioner (Compliance) acts as the United States competent authority in administering the operating provisions of tax treaties. He considers claims in specific cases involving alleged double taxation, consults with the appropriate competent authority of the treaty country involved, and handles exchange of information and collection assistance matters pursuant to the tax treaty.

The Assistant Commissioner (Technical) acts in matters involving interpretation or application of tax treaties and issues rulings and technical advice. Offices in the Treasury Department also exercise competent authority functions. The Assistant Secretary of Treasury for Tax Policy is responsible for the development of tax treaty policy and tax treaty negotiations.

Any U.S. citizen or resident may ask for the intervention of our competent authority if he feels that he has been subjected to double taxation or to other unfair tax treatment not in accord with the spirit or meaning of a treaty provision.

For many years requests for assistance have been handled on an individual basis, without the aid of established procedures. Various groups in the Treasury Department have been working to resolve the difficulties in formalizing procedures. Their efforts culminated in a landmark directive, Revenue Procedure 70–18, recently published by the Service (IRB No. 1970–29, p. 23).

Revenue Procedure 70–18, sets forth applicable procedures for handling issues by the U.S. competent authority in cases involving the allocation of income and deductions between related corporations or other parties, one of which is a U.S. taxpayer and the other subject to the jurisdiction of a foreign country with which the United States has an income tax treaty. The new revenue procedure explains how, when, and where requests for competent authority consideration should be filed, information required, and conditions to be met. Additional procedures are planned to cover other issues which cause taxpayers to seek assistance of the competent authority.

If the competent authority feels that a case has merit, he will contact his counterpart, the competent authority of the country in which the alleged double taxation or tax inequity occurred, and arrange for consultations. Settlements made at these meetings are not reached in adversary proceedings; they are agreements which reflect recognition of each country's tax sovereignty, the existence of reasonable differences of opinion, and the overriding need to achieve an equitable solution to a problem which neither country could resolve independently.

During the year, 71 cases involving 15 foreign countries were considered under the mutual agreement provisions of income and estate tax treaties and 44 were closed. These cases covered a wide variety of treaty issues, ranging from allocations of profits between related business enterprises to taxation of alimony payments. Some were taken up for consideration at the request of foreign competent authorities, but most resulted from requests made by United States taxpayers. There is every indication that this activity will become increasingly more important in the years ahead.

Exchange of Information Program

Many taxpayers doing business on the international scene are curious about the exchange of tax information that goes on between countries. They frequently want to know what one country is telling another country, especially their country of residence, about the nature and size of their income. The competent authority is responsible for executing the tax treaty provisions which describe exchanges of such information for income tax as well as estate and gift tax purposes.

There are two general types of information exchanges, automatic, and by request in specific cases.

Under the automatic exchange program for income tax, the Service gives each foreign tax treaty country copies of Forms 1042S and Forms 1001 which pertain to residents of the respective treaty country, other than U.S. citizens, who derived income from U.S. sources. These tax forms were filed by withholding agents to report the amount of U.S. source income (dividends, interest, rents, royalties, and pensions) which were paid to nonresident aliens, and the amount of U.S. tax which was withheld from such income. Neither copies of income tax returns nor information therefrom is ever furnished under the automatic exchange program.

During the year foreign tax treaty countries supplied the Service with 192,000 documents bearing information about foreign source income derived by United States citizens and residents, and the Service sent 412,000 information documents to the foreign tax treaty countries.

There are 11 estate tax treaties, one gift tax treaty, and one combination estate and gift tax treaty. All except one contain provisions for the automatic exchange of information to facilitate administration of estate and gift tax laws.

The Service obtains prime benefits from these exchange of information provisions. On the basis of the information sheets received from foreign treaty countries reporting United States assets, the Service is often able to secure delinquent returns. Frequently, these information sheets disclose assets which were not reported on U.S. estate or gift tax returns.

During fiscal year 1970, we received approximately 2,880 information sheets from the participating foreign countries. In turn, approximately 625 information sheets were sent to governments of foreign treaty countries informing them of assets which may be taxable under the treaties or their laws.

As a continuing part of the Service's obligation to assist taxpayers and foreign taxing authorities in alleviating taxation of the same assets by both countries, the Service provides certifications of the amount of Federal estate tax paid to the United States, thus permitting a tax credit against death duties imposed under foreign tax laws. During fiscal 1970, the Service provided 175 certifications to governments of both treaty and nontreaty countries.

Information furnished under the specific request program generally involves three classes of taxpayers: (1) nonresident foreign persons, including corporate entities; (2) U.S. citizens; and (3) related domestic and foreign commercial enterprises. Requests under this program are very limited in number and the majority relate to nonresident alien individuals and foreign corporate matters. The types of information requested fall into three broad categories. These are: (1) the taxpayer's financial activities; (2) the taxpayer's travel and residence activities; and (3) U.S. tax treatment of individual or related persons.

Under Service rules, any specific request for information must be concerned with a particular item of income or expense, and with the determination of the income tax liability of only one taxpayer. It must also indicate the reason such information is required. In addition, the treaty country must furnish evidence that the person is involved in business or other financial transactions that would subject him to the tax laws of the country, and that receipt of the information is pertinent and material in the determination of the tax liability.

Foreign Investment in the United States

Foreign investment in U.S. business has contributed measurably to the growth of the U.S. economy. To stimulate such investment, and thereby improve the U.S. balance of payments position, Congress passed the Foreign Investors Tax Act of 1966. This legislation amended the Code to provide more favorable tax treatment to foreign persons, including corporations, who derive income from U.S. sources.

A reliable barometer of trends in foreign investment is the statistical data compiled by the Service reflecting the flow to foreign recipients of U.S. income in the nature of dividends, interest, rents, and royalties. From 1964 through 1968, the amount of this income received by foreign persons increased from $714.5 million to $1,100.7 million—a gain of more than 54 percent.

A key tax aspect of foreign investment is the Service's system of withholding tax due on income paid to foreign taxpayers outside its jurisdiction. The present withholding procedures reflect lessons gained from years of experience. Before the present procedures were adopted, nonresident foreign persons filed returns and paid taxes after the close of the taxable year, in the same manner as U.S. citizens. As a result, the Service experienced many collection problems in the case of taxpayers outside of the United States who had no assets physically located in the United States against which the tax could be levied.

Under the Internal Revenue Code, investment income paid to foreign taxpayers is subject to withholding of U.S. tax by the payer at source, at the rate of 30 percent of the gross amount. However, most of our income tax treaties reduce the tax rates applicable to various types of investment income. In these cases, the payers are allowed to withhold at the applicable reduced rate. To minimize the administrative burden on withholding agents, tax is withheld on the basis of the address of the recipient of the income without verification of the citizenship or residence of the beneficial owner.

In a number of treaty countries, banks and other nominees collect and remit to the United States an additional 15 percent when dividends are received from U.S. sources on behalf of clients who are not residents of the treaty country, and thus not entitled to the reduced withholding tax rates. This cooperative practice assists in eliminating abuse of treaty benefits. Currently the Service is negotiating with the German tax authorities to develop a system of withholding additional U.S. tax from income flowing to German nominee banks.

Tax Withheld from Payments to Nonresident Alien Persons of Treaty and Nontreaty Countries—Calendar Year 1968

Country	Thousand dollars				Number of information documents
	Income	Tax withheld by domestic withholding agents	Tax from foreign governments or withholding agents	Total tax withheld	
Total	1,100,720	117,786	26,876	144,662	499,914
Treaty countries:					
Australia	2,705	366	(1)	366	3,738
Austria	3,318	157		157	2,232
Belgium	17,453	2,215	197	2,412	7,609
Former Belgian overseas territories	4	(1)			37
Canada	202,119	25,615	1,101	26,716	219,606
Denmark	9,195	167	(1)	167	1,446
Finland	1,236	36		36	268
France	46,436	4,578	14	4,592	15,398
Federal Republic of Germany	92,899	2,514		2,514	31,664
Greece	1,290	211		211	2,328
Ireland	3,328	430		430	2,970
Italy	9,909	797		797	8,790
Japan	10,775	1,106		1,106	2,200
Luxembourg	9,452	1,339	227	1,566	2,137
Netherlands	156,662	10,480	428	10,908	5,093
Netherlands Antilles	35,317	2,889	3	2,892	1,581
New Zealand	397	57		57	697
Norway	1,786	209		209	3,880
Pakistan	238	22		22	161
Sweden	12,931	917		917	3,702
Switzerland	175,541	20,025	24,637	44,662	34,033
Trinidad and Tobago	23	5		5	90
Republic of South Africa	1,059	278		278	926
United Kingdom	225,333	26,178	269	26,447	39,652
United Kingdom Overseas territories	3,483	662		662	4,061
Nontreaty countries by Forms 1042S	65,314	15,780		15,780	83,366
Treaty and nontreaty countries by coupon bond information documents	12,517	753		753	22,249

[1] Amounts too small to report

During calendar year 1968, a total of $144.7 million in tax was withheld from income of nonresident individuals and corporations, as shown in the following table. It will be noted in column 3 that $26.9 million of this amount was withheld by treaty countries, including $24.6 million withheld by Switzerland.

Negotiations of Tax Conventions

Attorneys from the Office of the Chief Counsel, as representatives of the Commissioner of Internal Revenue, assisted the Treasury Department in negotiations with Trinidad and Tobago, Norway, and Turkey concerning bilateral income tax conventions. Negotiations also took place with France concerning a bilateral estate tax convention and a protocol to the income tax convention which would have the effect of extending the "avoir fiscal" to certain U.S. residents.

An estate tax convention was signed with the Netherlands on July 15, 1969. On January 9, 1970, a new income tax convention with Trinidad and Tobago was signed, and on March 6, 1970, an income tax convention with Finland was signed.

Foreign Tax Assistance Program

Gibir . . . Impuesto . . . Oara'Ib . . . Ker . . . Imposto . . . Sekim . . . Kodi . . . Buwis . . . Impot . . . Vergiler . . . Thue . . . Tax.

As the Foreign Tax Assistance Program begins its eighth year of operations, one basic truth learned long ago is still very much in evidence. Regardless of the language in which it is spoken, the word "tax" conjures up the same images in the mind of the taxpayer and raises similar administrative problems in all countries. In developing countries, where revenue needs are acute, these problems assume more serious proportions than they do elsewhere. The purpose of the Foreign Tax Assistance Program is to assist tax administration officials of developing countries in alleviating these problems by renovating their tax administration institutions.

Managed and coordinated by the Foreign Tax Assistance Staff, the program is a Service-wide effort. Over the past 7 years, every Service function has contributed experienced manpower and training services. Contributions come from the regions, districts and service centers, as well as the National Office.

In devising the program, the staff maintains contacts not only with the developing countries but with other suppliers of technical assistance, principally, the Organization of American States, the Inter-American Development Bank, the International Monetary Fund, the United Nations, and others.

For the most part advisory tax administration assistance is offered in partnership with the Agency for International Development (AID). The principal focus of the technical assistance has been on Latin America, and certain high priority countries on the rims of the Iron and Bamboo Curtains.

Service advisors do not participate in the actual decision making or in the operation of a host country tax administration. The program does offer counsel, in several forms, on how to organize, manage and operate tax administration agencies.

Review Certifies Program Quality

A full scale review and evaluation of all Treasury Department technical assistance programs was completed in 1969 by a three-man panel of private experts. The panel found that the Service program was a successful technical assistance activity, with an above-average record of producing desirable changes in the administration of taxes in less developed countries. In its general conclusions, the panel confirmed a prior approval of Service operations in four Latin American countries given by a 1966 review panel. The current review also made several valuable suggestions for improvement of the program.

On-Site Assistance Contracts Slightly

Advisory teams are active in 18 foreign countries; Argentina, Bolivia, Brazil, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Korea, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Turkey, Uruguay, and Viet Nam. Over the year, an average of 53 long-term advisors staffed the teams.

Commissioner Thrower, Deputy Commissioner Smith and Service Officials at a State Department meeting with Dr. Antonio Amilcar de Oliveira Lima, Secretary of Federal Receipts for Brazil and members of his staff.
Pictured left to right are: Albert Brisbin, Dr. Antonio Augusto de Mesquita Neto, William H. Smith, Dr. Antonio Amilcar de Oliveira Lima, Randolph W. Thrower, Dr. Pedro Novais de Lima, Harold Moss, Edward F. Preston, and Edward Lewis.

No new long-term efforts were undertaken this year. Teams in Chile and the Philippines successfully completed their missions. Short-term advice will be continued for these two countries, as requested. Problems raised in the Central American Common Market by the El Salvador-Honduras conflict resulted in suspension of our regional effort in AID's Regional Office for Central America and Panama.

Frequently, this long-term assistance is supplemental by short-term (up to 90 days) advisory assignments, although in some instances short-term assistance has been offered to countries without regular teams. Fifty-one short-term assignments were completed in 1970, with services going to 19 countries and two international organizations. A survey of tax administration needs was completed for Liberia. Since 1963 there have been 301 short-term assignments to 32 countries and three international organizations.

Sharp Upturn in Foreign Visitor and Training Activities

Several milestones with respect to our foreign visitors and training activity were witnessed in 1970.

First, 513 tax administration and finance ministry officials from 67 countries and one U.S. dependency visited the Service this year for orientation and training in modern tax administration management. This is an increase of 133 percent over 1969. Eighty of this year's visitors held offices equivalent to Assistant Commissioner or above.

Secondly, since the outset of the program 2,206 officials from 97 countries and four U.S. dependencies have passed through Service offices.

The seminar scheduled by the International Tax Administration Training Series (INTAX) are an important aspect of this activity. Several years ago it became evident that we were being inundated with visitors having the same language and cultural background and need-

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ing the same managerial and supervisory training. To provide an economical and efficient means of training groups of similarly situated people, the Service, in 1965, initiated a set of management and supervisory courses, offered in English, Spanish or Portuguese. This provided an unusual opportunity for cross-fertilization of ideas from various countries. This year eight management courses were presented for 110 participants. One, a first, was in Korean; the others were in Spanish or Portuguese. Since 1965, 32 seminars have been given for 445 participants.

Mobile instruction teams providing basic audit training were sent out this year to Colombia and Uruguay.

CIAT Continues To Mature

The Inter-American Center of Tax Administrators (CIAT), initiated in 1967 with a strong assist from the Foreign Tax Assistance Program, continued to provide evidence of its rapid maturity. Jamaica became the 22d country member just prior to the Fourth General Assembly in Montevideo, Uruguay, in May 1970. The U.S. Delegation to the Assembly was led by Commissioner Thrower, who presented a paper, entitled *Regulations and Rulings: Their Contribution to Improved Tax Administration in the United States.* Throughout the past year, the Commissioner, as a member of CIAT's Executive Council, took an active role in the management of the organization.

In January 1970, CIAT sponsored a technical seminar for managers of automatic data processing operations. Forty-four officials from CIAT countries attended this conference, held in Bogota, Colombia. Deputy Commissioner Smith, who is also a CIAT member, presented the opening paper on the *Internal Organization of Automatic Data Processing.* Vito Natrella, Director of Statistics Division, made a presentation on the *Tax Return as a Statistical Document: The U.S. Experience.*

Assistance in Non-Federal U.S. Taxes

Most developing countries impose a greater variety of taxes at the national level than the United States. Consequently, the program has been providing, at an increasing rate, assistance in the administration of such taxes, principally general sales taxes and real property taxes. Long-term advisors in each of these areas are now overseas and, in the past 3 years, five short-term assignments in sales tax administration and seven assignments in real property tax administration have been provided. The program recruits advisors from State and local tax administrations.

The increasing interest in these areas is also reflected in the foreign visitors program. To meet the rising requests for training, contacts were developed with a number of State and city tax administrations noted for excellence. As a result of their generous assistance, high quality orientation and training was provided to an increased number of visiting foreign tax officials.

Chapter Six

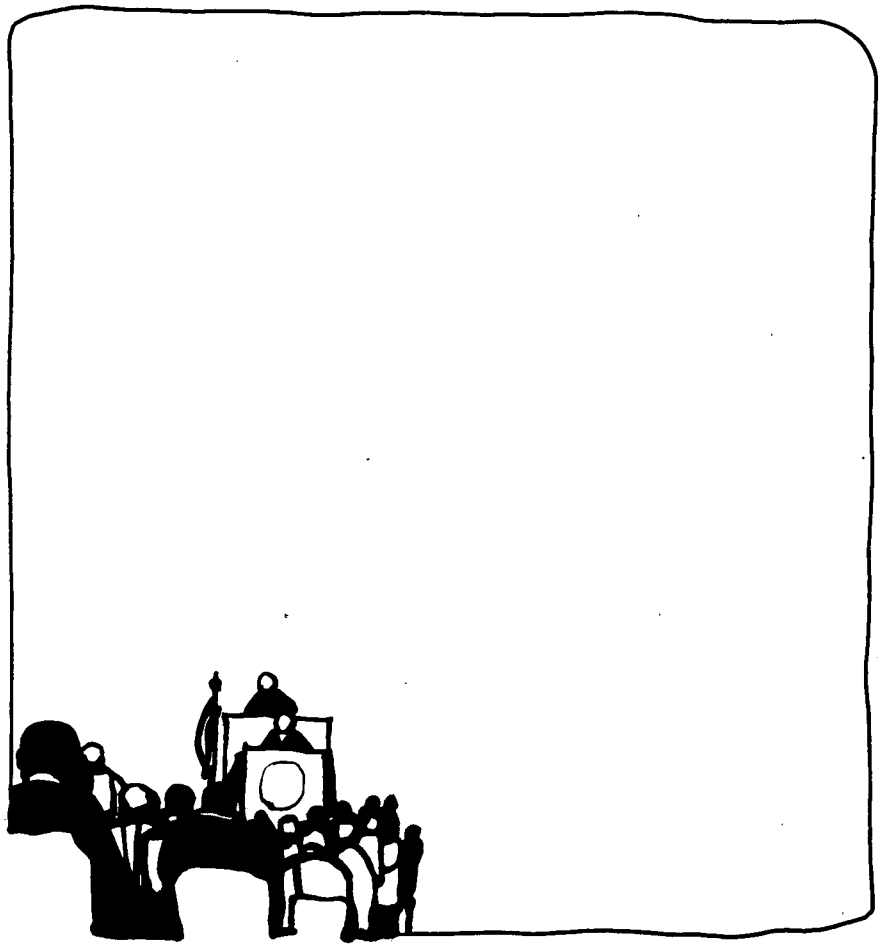
Legislative and Legal Activities

Tax Court Decides 570 Cases

Service Provides Assistance in Drafting Revenue Legislation

Much Tax Legislation Pending

$131 Million Obtained for the Government in Settlement or Trial of Cases in the Tax Court



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. For a discussion of the regulations program see chapter 1, page 8. The office also furnishes technical assistance to the Treasury Department's legislative program.

The Chief Counsel represents the Commissioner in trying and participating in the settlement of cases docketed in the Tax Court of the United States. The legal staff also furnishes advice relating to refund litigation, general litigation, criminal enforcement, and alcohol, tobacco, and firearms matters. Important court actions are included in the appendix beginning on page 103. Statistics on legal activities are shown in tables 18–25 on pages 132 and 133. Criminal prosecution cases are shown under chapter 3, Enforcement Activities, page 35.

The office also furnishes legal advice in management support matters and represents the Service in administrative hearings on labor disputes, contract appeals, and personnel appeal actions, and the Director of Practice in disciplinary cases.

Civil Litigation

Refund Litigation Activity

During the year 1,182 refund litigation cases were disposed of and 1,189 new cases were received, leaving a total of 3,421 cases pending at the end of the year. In the previous year 1,573 cases were disposed of and 1,246 cases were received.

The Supreme Court rendered four decisions in tax refund suits during the year. The Government's position was sustained in three cases and rejected in one case. In the previous year the Supreme Court had also rendered decisions in four refund suits, with the Government's position being sustained in each case.

Of the 131 opinions rendered by the Courts of Appeal the Government won 87 cases and lost 35 cases. Nine cases were decided partially for the taxpayer and partially for the Government.

At the end of the year the amount involved in pending refund litigation cases increased to $496.6 million from $427.5 million at the start of the year. This increase resulted from the receipt of new cases involving $155.4 million and the disposal of cases involving $86.3 million. The amount of $155.4 million involved in new cases received during the year represents an increase from the amount of $111.2 involved in cases received in the preceding year. The 1,160 refund suits disposed during the year gave rise to refunds of $34,094,000, consisting of $7,850,000 refunded pursuant to Court of Claims judgments, $4,949,000 refunded pursuant to district court judgments, and $21,295,000 refunded as a result of settlements. The total refund of $34,094,000 represents a recovery by the taxpayer of about 40.4 percent of the amount of $84,356,000 involved in refund suits disposed of during the year. In these refund suits, the Government's position was successfully defended wth respect to $50,262,000 of the amounts claimed for refund, resulting in a saving to the Government of this amount. (Comparable statistics for the past 5 fiscal years are shown in the table below.) There were 22 erroneous refund cases disposed of during the year involving $1,979,000, of which $185,000 was recovered.

Results in refund suits (settlements and trials combined)

[Amounts are in thousands of dollars]

Fiscal year	All refund suits[1]				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
1966	1,354	$94,067	$47,774	50.79	1,205	$66,028	$34,397	52.09	149	$28,039	$13,377	47.71
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

[1] Does not include a small number of actions by the United States for recovery of erroneous refunds

Tax Court Litigation Activity

The number of Tax Court docketed cases on hand June 30, 1970, increased from 11,048 pending on the same date a year earlier to 11,453. During the year 6,969 new cases were received and 6,564 cases were disposed of—5,343 by stipulated agreement 763 by a decision on the merits, and 458 by dismissal.

The Supreme Court rendered one decision in favor of the Government involving two cases originating in the Tax Court during the year.

During 1970 the Tax Court entered 570 opinions involving 859 cases. Of the 570 opinions 327 were decided for the Government; 82 for the taxpayer and 161 partially for the Government and partially for the taxpayer. The Courts of Appeal rendered 124 opinions involving 200 Tax Court cases. Of these 96 were decided for the Government, 16 for the taxpayer and 12 partially for the Government and partially for the taxpayer.

During the year, in the trial or settlement of cases in the Tax Court the Government was sustained as to $131 million in taxes and penalties out of $400 million asserted against taxpayers and saved $30 million out of the $36 million in overpayments claimed by taxpayers. At the end of the year, $1.4 billion was involved in taxes and penalties being contested in the Tax Court. (Comparable statistics for the past 5 fiscal years are shown in the following table.

In the trial courts (Court of Claims, U.S. district courts, and United States Tax Court) the record of Government wins, losses, and partial wins apears below.

Results in Tax Court cases

Fiscal year	Total number of cases disposed of	Total deficiencies and penalties asserted (thousands)	Total amounts recovered (thousands)	Overall recovery percentage	Cases disposed of by settlement				Cases disposed of by trial[1]			
					Number	Deficiencies and penalties asserted (thousands)	Amounts recovered (thousands)	Recovery percentage	Number	Deficiencies and penalties asserted (thousands	Amounts recovered (thousands)	Recovery percentage
1966	6,227	447,844	$137,723	30.75	5,104	$388,171	$111,962	28.84	788	$51,603	$17,901	34.69
1967	7,248	367,995	109,505	29.76	6,274	312,156	85,179	27.29	659	47,249	15,807	33.45
1968	5,944	313,875	98,825	31.48	5,058	281,785	82,215	29.18	611	29,131	13,859	47.57
1969	5,831	393,699	145,589	36.98	4,776	329,938	118,974	36.06	783	59,798	22,888	38.28
1970	6,564	400,092	130,724	32.67	5,343	352,328	105,447	29.93	763	44,926	22,654	50.43

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

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

Action	Court of Claims		District courts		Tax Court	
	1969	1970	1969	1970	1969[1]	1970[2]
Won	24	15	196	161	311	327
Lost	23	18	160	122	81	82
Decided partially for the taxpayer and partially for the Government	12	8	56	38	122	161

[1] Tax Court opinions involving 730 dockets.
[2] Tax Court opinions involving 859 dockets.

Tax in litigation

[In thousands of dollars]

Status	Total	Tax Court		Refund litigation	
		Taxes and penalties	Overpayments	Refund suits	Erroneous refund cases
Pending July 1	1,805,144	r 1,324,265	r 53,408	425,021	2,450
Received	689,495	464,083	69,988	155,210	214
Disposed of	521,980	400,092	35,553	84,356	1,979
Pending June 30	1,972,659	1,388,256	87,843	495,877	r 683
Amount saved	211,415	130,724	30,429	50,262	
Amount recovered					185

r Revised.

Tort Claims

The Service acted on 166 Tort Claims during the last year. The Service also acted on 125 claims under the Military Personnel and Civilian Employees' Claims Act of 1964. This represents an increase of six claims under the Federal Tort Claims Act and 46 claims under the Military and Civilian Employees' Claims Act over the preceding year.

General Litigation Legal Services

In the area of general litigation, case receipts increased over the preceding year by 602 cases, i.e., 10,803 cases were received in 1970 in comparison to 10,201 in 1969. Disposals decreased from 10,475 cases in 1969 to 10,138 in 1970. The inventory of pending cases at the end of the year stands at 5,578, an increase of 665 cases over the 4,913 cases pending at the end of 1969. Increased receipts occurred at both the National and field levels and related to cases in litigation and non-court cases, such as advisory opinions. Receipts at the field level for 1970 included 5,535 cases in litigation and 4,883 non-court cases as compared to 1969 field receipts of 5,057 cases in litigation and 4,860 non-court cases. National office receipts for the year included 159 cases in litigation and 226 non-court cases, as compared to 1969 figures of 146 and 138, respectively. Field disposals for 1970 were 5,113 cases in litigation and 4,693 non-court cases in comparison to 1969 disposals of 5,236 cases in litigation and 4,928 non-court cases. National office disposals increased over the 1969 disposals, 165 cases in litigation and 167 non-court cases in 1970 compared to 163 cases in litigation and 148 non-court cases in 1969. For detailed statistics on case receipts and disposals, see tables 22 through 25 on page 133.

The Supreme Court decided two cases in favor of the Government in the general litigation area during the year and, also, granted certiorari in one case. There were a number of cases decided by the courts of appeals and in four cases petitions for writs of certiorari to the Supreme Court have been filed and are pending. In five cases the Court denied certiorari. The decisions in the general litigation area involve issues relating to the collection of Federal tax claims and liens and matters concerning injunctions and civil enforcement of internal revenue summons. The summons cases continue to represent a major area of litigation at the appellate level. Summaries of some of these cases may be found starting at page 103.

Extensive legal services were furnished in connection with disclosure of information, including matters arising under the Freedom of Information Act (5 U.S.C. 552). General litigation supervisors and lawyers actively participated in all training sessions held throughout the country in the Advanced Technical Training Program for Revenue Officers. The general litigation lawyers furnished substantial legal assistance and performed many services which did not relate to docketed cases, such as rendering day-to-day formal and informal advice to administrative personnel, visitations to service centers, district and suboffices and participation in general training programs for collection personnel.

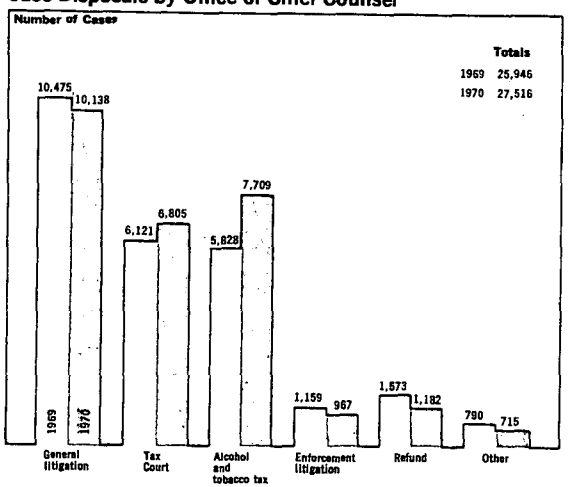
Revenue Legislation Assistance Provided

General

This was an exceptionally busy year for the Service in the area of tax legislation. Primary concern was directed toward the Tax Reform Act. In connection with the promulgation of this Act and other revenue legislation, Service personnel attended public hearings and congressional meetings, prepared information reports, and drafted bills and accompanying technical explanations.

The Service also evaluated 677 legislative suggestions made by its employees, Congressmen and taxpayers. With a view toward next year's legislative proposals, the Service engaged in research and study projects in such areas as estate and gift tax, subchapter S, foreign income through export incentives, and tax incentives for small business.

Case Disposals by Office of Chief Counsel



Tax Legislation Enacted

The Tax Reform Bill was passed by the House on August 7, 1969. After nearly 2 months of hearings and a month in executive session of the Finance Committee, plus 3 weeks of debate by the Senate, the bill was passed December 11 by the Senate. On December 30, 1969, the Tax Reform Bill became Public Law 91–172.

Hailed as the most far-reaching piece of tax legislation since the 1954 Code, the Act covers such varied areas as repeal of the investment tax credit, reduction in individual tax rates, taxation of private foundations, decrease in the depletion allowance for oil and certain minerals, extension of the surcharge for the first 6 months of 1970, and many other broad provisions. The massive 255 page document will play a significant role in tax developments and the countless hours expended by Service personnel in its preparation are but a prelude to the work yet to be done for its implementation.

In addition to the Tax Reform Act, Congress enacted a number of public laws relating to tax matters, the most important of which are listed and summarized below:

Public Law 91–53, enacted August 7, 1969, extended the 10 percent surcharge through December 31, 1969, and placed the payment of FUTA (Federal Unemployment Tax Act) taxes on a quarterly installment basis.

Public Law 91–128, enacted November 26, 1969, extended the interest equalization tax through March 31, 1971.

Public Law 91–215, enacted March 17, 1970, amended section 3211(b) of the Internal Revenue Code of 1959 and section 3221 of the Railroad Retirement Tax Act to give the Railroad Retirement Board authority to determine the amount of supplemental tax necessary to finance supplemental annuities.

Public Law 91–235, enacted April 24, 1970, extended tax relief to the crew of the U.S.S. *Pueblo* during imprisonment by North Korea.

Public Law 91–258, enacted May 21, 1970, increased the existing tax on the transportation of persons by air and imposed new taxes on the use of international travel facilities, the transportation of property by air, and the use of certain civil aircraft.

Tax Legislation Pending

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

H.R. 12923, to restrict the type of tax exempt activities available through use of industrial development bonds.

H.R. 15073, to prevent tax evasion and other criminal violations shielded by deposits of money in foreign countries.

H.R. 16506, to clarify income tax exemption of cemetery corporations.

H.R. 17861, to extend the tax surcharge applicable to corporations until 30 days after cessation of military operations by the United States in Southeast Asia.

H.R. 17984, to simplify the Internal Revenue Code of 1954 by repealing obsolete and rarely used provisions.

S. 3963, to eliminate the 50 percent fraud penalty against an innocent spouse and to relieve an innocent spouse of the tax liability for stolen or embezzled funds.

S. 4039, to simplify and reform taxation of small business. Among other things the bill would give a beginning business enterprise freedom from Federal taxation for its first 5 years, provide statutory status for depreciation guidelines, and reinstate a limited small business investment tax credit of $50,000 for manufacturing corporations.

Legislative Cooperation

The Service cooperated with the staff of the Joint Committee on Internal Revenue Taxation in drafting amendments to the Internal Revenue Code designed to remove obsolete and little used provisions and furnished technical assistance to the Committee staff and to Senate and House Legislative Counsel in perfecting bill language and drafting committee reports on three bills in the alcohol, tobacco and firearms area.

Interpretative Activities

The Interpretative Division furnished legal advice and assistance to the Assistant Commissioner (Technical) and to the litigation divisions in the Office of the Chief Counsel on many significant problems. There were a number of interesting and important reorganization, earnings and profits, and corporate distribution issues. Accounting problems were more numerous during the year than in the past. Various problems concerning natural resources as well as problems concerning taxability of nonprofit organizations were considered. The estate tax area was very active and there were a number of significant legal issues involving the manufacturers excise tax, the tax on special fuels and highway use taxes. As in past years, many important and sensitive questions involving tax exempt organizations were considered. These included the tax status of segregated private schools, whether tax exempt charitable organizations interested in social reforms may properly engage in picketing and rent strikes to accomplish their goals, and the extent to which various section 501 organizations may engage in unrelated trades or businesses without jeopardizing their exemption.

Planning Activities

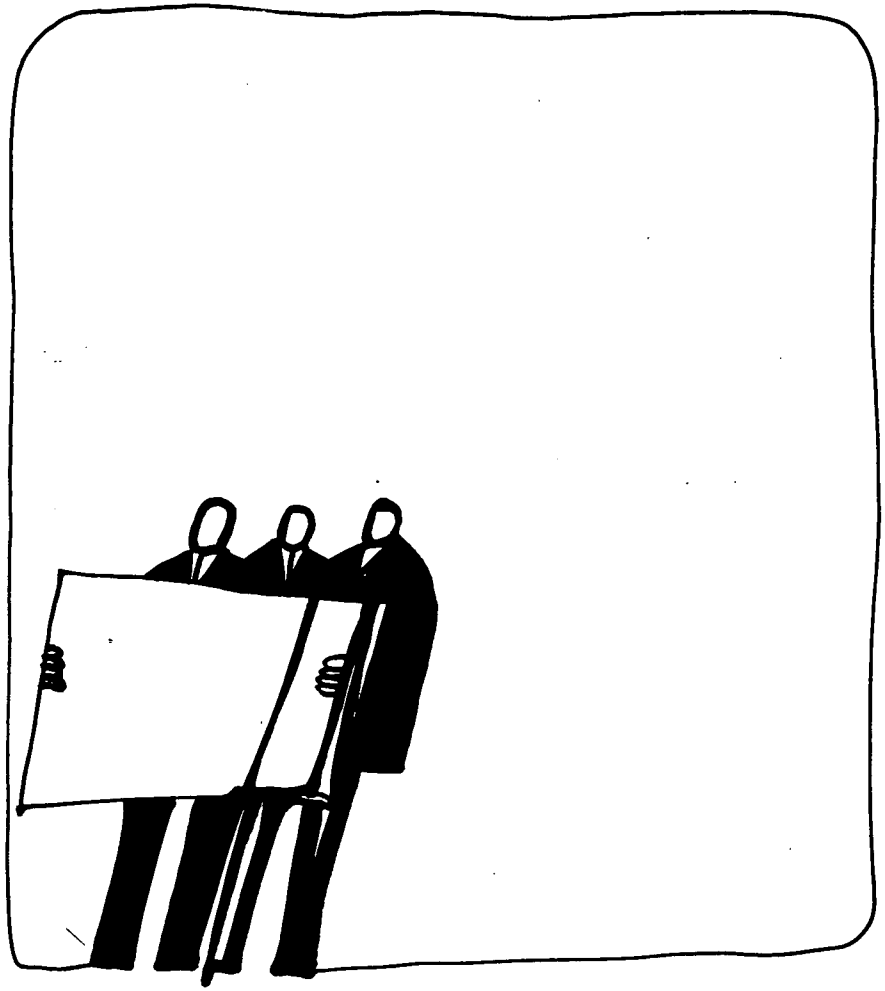
New Legislation Facilitates Taxpayer Compliance

Withholding Procedures Improved

Increased Use of Tax Models

Computerized Taxpayer Assistance Tested

Chapter Seven



Introduction

The Internal Revenue Service collects and accounts for more money than any business in the world. To accomplish this task, efficient management must be aided by systematic planning.

Planning occurs at every level of an organization. Full-time professionals are needed to conduct studies, prepare analyses, and develop forecasts. These are the objectives of the Planning and Analysis Division, Research Division, Statistics Division and Systems Development Division, all under the direction of the Assistant Commissioner (Planning and Research).

Their work is carried out in close collaboration with the various officials of the Service. In addition, as requested by the Assistant Secretary of the Treasury for Tax Policy, staff support is provided in developing and evaluating proposed legislation. The Service played an important role in initiating several provisions of the Tax Reform Act of 1969 which were designed to minimize overwithholding of tax from wages, and to eliminate millions of nontaxable returns from low-income taxpayers.

Improvements in Withholding

A study completed in the early part of fiscal year 1970 showed that the chief cause of overpayment of individual income taxes was voluntary overwithholding of tax on wages. Voluntary overwithholding was the cause of overpayment on 42 percent of the returns covered by the study, and accounted for 39 percent of the total amount of overpayment. Itemized deductions contributed to over payments on 33 percent of the returns and accounted for 22 percent of the total overpayment. Intermittent employment also was an overpayment cause on 33 percent of the returns but accounted for only 11 percent of the total. Voluntary overwithholding is accomplished by filing form W–4, Employee Withholding Exemption Certificates, underclaiming the number of allowable exemptions, having additional amounts withheld, and (in the case of married employees) using single, rather than married status.

As a result of the overpayment study, certain recommendations for minimizing overwithholding of income tax from the earnings of employees were incorporated in the Tax Reform Act of 1969. The law permitting taxpayers to claim additional withholding exemptions because of large itemized deductions was liberalized, making it easier for them to adjust their income tax withholding to achieve a closer balance with their expected tax liability. Employees, such as students, who anticipate no tax liability on their part time employment earnings may now file an affidavit with their employer which will excuse them from withholding and from the necessity of filing a tax return to obtain their refund of withheld taxes.

Success was attained in authorizing extension of income tax witholding, on a voluntary basis, to annuity and pension payments. The Tax Reform Act of 1969 requires annuity and pension payers, at the request of the payee, to withhold income tax beginning January 1, 1971. These individuals will have the option of paying their income tax obligations on a current basis in lieu of filing, and making payments on estimated tax. Efforts are also being made to effect other improvements in withholding. A study of employer payroll systems and practices, nearing completion, is designed to develop basic information helpful in improving the withholding system, and evaluating systems or procedural changes to assist employers, employees, and the Service. Preliminary results of this study show that the majority of employers pay on a weekly basis, that this is their only payroll period, and that they prepare their payroll themselves.

Alcohol Industry Records and Reports Studied

During 1970 a study group was formed to cooperate with various industry trade associations in making an in-depth study of records and reports requirements for bonded premises of distilled spirits plants. The study examined the needs of both the Service and industry with the view of devising a modern and streamlined system compatible with good business practices and sound governmental administration.

Departing from a tradition of more than 100 years, a recommendation was made that the Service discontinue basing warehouse controls and records on the identification of each barrel of spirits by serial number. Instead, a lot number system would be employed and control would be on the basis of the number of barrels in each lot and the average content of each barrel in the lot. This system has been found to be feasible, and will simplify recordkeeping and the physical storage and movement of barrels in bonded storage at considerable savings to both industry and Government. Other proposals by the study group materially reduce the number of records and reports required of the industry.

Legislation Facilitating Taxpayer Compliance

The Tax Reform Act of 1969 contained other changes easing taxpayer compliance with the income tax return filing requirements. As a logical development of the change in law excusing nontaxable employees from income tax withholding, and in recognition of the new low income allowance, increases were made in the levels at which individuals are requred to file a tax return. These new levels are designed to correspond generally with the new, higher nontaxable levels of income, which for 1970 are $1,700 for single persons and $2,300 for married persons filing jointly, plus another $600 for each additional old-age exemption to which these taxpayers are entitled. An estimated 6 million persons will take advantage of these new filing requirements in calendar year 1970.

The optional tax tables have been expanded to include incomes up to $10,000, thereby enabling more taxpayers now taking the standard deduction to use these tax tables instead of undertaking the computation of tax. When the standard deduction is increased to 13% in 1971 (and subsequently to 15% in 1973), even more taxpayers, now itemizing their personal deductions, will be able to take advantage of these optional tax tables.

The Tax Reform Act of 1969 permits the Service to compute income tax for more individuals than the previous law allowed. A revision of the regulations to implement it has been proposed.

Proposed Legislation

Proposals have been developed recently for other changes in law affecting taxpayer compliance. A suggestion has been developed for liberalizing the requirements for filing estimated tax designed to follow up the various legislative changes that have occurred in income tax liability and withholding. Another proposal, if enacted into law, would serve as a deterrent to nonpayment of tax. This proposal affecting nine different sections of the Internal Revenue Code calls for increases in, and simplification of, the penalties for failure to file returns or pay tax.

Developments in Tax Administration

Other research activities in the past fiscal year have focused on three areas—providing assistance to payers of annuities and pensions, questionnaire surveys of taxpayer reactions to certain tax returns, and compliance studies.

Assistance was given to the Civil Service Commission in its implementation of the new withholding provisions for nearly 1 million annuitants. Special forms have been drafted for use of annuitants and a handbook is being prepared to cover the rules on taxation of annuities. A series of Treasury Department meetings was held with annuity payers on problems in complying with the new withholding requests.

Two surveys of taxpayers reactions to income tax return use are under way. In one, individual income tax return filers are being requested to give their reactions to the consolidation of the Form 1040 and Form 1040A, into one new Form 1040. Results of the survey will be used in revising the tax form for 1970. The other survey, still in the preliminary stage, is a fact-finding study on how well the system of paying estimated individual income tax is working.

The Information Document Matching Program has centered on new special surveys of taxpayer compliance. These relate to casino gambling payments, lottery winnings and health care payments.

Design of Advanced Automatic Data Processing

The long-term program to develop an advanced automatic data processing system to carry out tax administration functions over the next decade was continued. Detailed requirements for ADP support were developed. These are now being analyzed, to form the basis for development of alternative system designs. These designs will be evaluated by an independent consultant from the standpoint of cost and performance, using advanced simulation techniques. The benefits associated with the alternatives will also be determined, so that decisions regarding the implementation of the new system including equipment acquisition will be based on the best available information.

The Taxpayer Compliance Measurement Program

The Service has the responsibility to assure that programs to which it is committed are properly implemented to promote voluntary compliance. It is a continuing task to refine current efforts and shape new programs to cope with shifting tax administration workloads. It is vitally important to know how tax administration has performed in the past in order to establish its future direction. The Taxpayer Compliance Measurement Program (TCMP) was established in 1962 for this purpose. It is the major long-range scientific research program of the Service, designed to answer the basic questions about Service programs, namely: How well are taxpayers voluntarily complying with the tax law and, con-

versely, which segments of the taxpaying population are least compliant? By determining types and sizes of errors, frequency of occurrence, and taxpaying groups incurring error, TCMP helps the Service channel its scarce resources into programs aimed specifically at the noncompliant taxpayer. Because TCMP is a continuing program, the Service has an opportunity to evaluate its efforts at stemming noncompliance and encouraging voluntary compliance by noting taxpayer reporting characteristics before and after implementing new policies.

TCMP information had a myriad of specific uses in 1970. These ranged from answering administrative inquiries on specific compliance characteristics to forming the total data bank for major analytical studies. One of the most important uses was in updating and improving the computerized discriminant function formulae employed to select tax returns for audit with a high potential for tax change. This technique is based in part on the idea that tax error patterns in the volume of individual returns are identifiable. TCMP brings this idea to fruition by identifying the return items with which tax errors are frequently associated.

Another important use of TCMP data in 1970 was in a study to redefine the criteria used to classify individual income tax returns for audit. Classification is necessary to reduce the audit workload into more manageable groupings. The data is readily processed by computer; therefore, each classification system can be tested and ranked in terms of acceptability until the best solution is uncovered. The Taxpayer Compliance Measurement Program will continue in future years to provide the Service needed information in the four major areas of tax enforcement.

Planning-Programming-Budgeting System Continues Analyses of Major Service Programs

The Service continued to conduct a number of major analytical studies as part of its Planning-Programming-Budgeting System (PPBS) in order to develop the most effective programs to meet Service objectives. Alternatives are being evaluated by comparing their relative benefits and costs. Among the most significant current PPBS special studies are:

1. An evaluation of alternative methods for achieving the objectives of the delinquent accounts and returns programs.
2. In-depth cost-benefit analyses to determine alternative ways of correcting more tax returns with small manpower increases. Alternatives are being evaluated to correct statutorily unallowable items identified on individual returns during regular code and edit processing.
3. A special study of the taxpayer assistance and services program to re-examine overall objectives in the areas of rulings and interpretations, forms and publications, printing and distribution of tax forms, and taxpayer education.
4. A study of compliance characteristics in employment tax accounting and withholding.
5. A study of Service organization to analyze and evaluate the long-range effectiveness of Service structure.
6. A field evaluation of Centralized Telephone Taxpayer Service (Centiphone). This study was designed to test the cost and efficiency of Centiphone on taxpayer service. In test districts, Centiphone enables taxpayers from every area within the district to call district headquarters without a toll charge.
7. A major study is being undertaken, with Treasury participation, to look at alternate audit strategies. Methods and procedures to increase the effectiveness of audit resources will be sought by this investigation.

Computerized Taxpayer Assistance

Integrated Data Retrieval System (IDRS)

The Service continued a successful test in the Southwest Region of a system designed to provide immediate availability of information needed to respond to taxpayer requests concerning their returns or account status. An important aspect of the system is elimination of traditional paperwork by using electronic computers to store and retrieve data. The end product is the same but taxpayer service is dramatically improved.

The system uses random access computer files in a central location connected to video-display inquiry stations in field offices to provide immediate availability of data. Ultimately, a taxpayer will be able to visit a field office, question the status of his account and receive an answer within minutes by video-display. The source of the data will be located many miles from the district office. The system includes provisions for prompt retrieval of information from returns which have been placed in storage. It will be possible to get a written response to an inquiry on the date of receipt. This new technology will ultimately enable the Service to make immediate adjustments to all types of taxpayer master file accounts.

Proposals for supplying necessary equipment for permanent installation of the system in the Southwest Region and all other regions are under consideration. Current plans call for complete installation of the new system in the Southwest Region in 1971 and in remaining regions as soon as possible thereafter.

Service Planning Starts with Projection of Workload Items

One of the first steps in the development of the Service's plans for budget, allocation of manpower, and facilities is the projection of the major returns to be filed in future years. These estimates are projected in substantial detail so that the most efficient use of all resources may be made.

The number of returns to be filed is expected to decline in calendar years 1971 and 1972. This is due principally to the Tax Reform Act of 1969, which eliminated the requirement for about 6 million individual taxpayers to file. By 1973, the natural increase will have compensated for this drop and the number of tax returns is expected to continue growing through the decade of the 1970's.

Although the number of returns will decrease temporarily, the trend toward more complex returns will continue. For example, individual returns with incomes over $10,000 will probably double by 1980, while those with income under $10,000 are expected to decline 11.6 million returns, or 21 percent. A similar, although less spectacular, trend is expected in corporation returns where smaller corporations with assets under $50,000 will increase by 185,000 returns, 28 percent, while those with assets between $50,000 and $100,000 will rise by 269,000 returns, 37 percent.

The total returns workload is expected to grow from 94.5 million in 1960 to 113.2 million in 1970, and is expected to reach 117.9 million in 1975, and 130.6 million in 1980. Projections of some of the major categories of returns are as follows:

Selected Types of Returns Filed in 1969 and 1970 and Projected for 1975 and 1980, by Calendar Year

(In thousands)

Type of Returns	Actual [1] 1969	Estimate [2] 1970	Projected [3] 1975	Projected [3] 1980	Change 1970 to 1980
Total returns	110,905	113,201	117,931	130,565	15.3
Individual, total	75,082	77,219	78,673	87,681	13.6
AGI under $10,000 [4]	56,029	55,101	44,997	43,456	−21.1
AGI $10,000 and over	19,053	22,118	33,676	44,225	100.0
Corporation, total	1,696	1,740	2,055	2,427	39.5
Forms 1120 and 1120 Special, total	1,460	1,486	1,712	1,995	34.3
Assets under $50,000 [5]	636	652	734	837	28.4
Assets $50,000 under $1,000,000	724	733	853	1,002	36.7
Assets $1,000,000 or more	100	101	125	156	54.5
Forms 1120-S and 1122	236	254	343	432	70.1
Employment	22,109	21,974	24,364	26,148	19.0
Estate and gift	275	289	372	462	59.9
Exempt organization	381	417	513	610	46.3
Special occupation	994	998	1,024	1,053	5.5
Excise	622	753	532	464	−38.4
Others [6]	9,746	9,811	10,398	11,720	19.5

[1] Data by size class are estimated.
[2] Based on most recent reports of returns filed; remainder of year estimated.
[3] 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 1972.
[4] In addition to Forms 1040 and 1040A, includes Forms 1040C, NR, PR, and SS.
[5] Includes Form 1120 with assets not reported.
[6] Includes Forms 1040ES 1065, 1041, 7004, 2438 and 1042.

Taxpayers Report New Highs in Individual and Business Income for 1968

Preliminary estimates for 1968, produced in the annual Statistics of Income showed substantial gains in personal income and business receipts reported on returns filed in 1969.

Individual taxpayers reported adjusted gross income in excess of $554 billion (up 10 percent), which resulted in taxable income of $352 billion after allowing for personal exemptions and deductions.

In the business sector, almost $1.7 trillion in business receipts (up 11 percent) were recorded by corporate and noncorporate entities. Corporations accounted for $1.4 trillion and showed net income of $85 billion. Partnerships had net profit of more than $11 billion on business receipts of $81 billion. Receipts of sole proprietors exceeded $222 billion and net profit reached almost $32 billion.

The table and chart which accompany this section focus on the recent large increases in deductions itemized on individual income tax returns. In the 5-year period 1964–1968, deductions for State and local income taxes, real estate taxes, and home mortgage interest have risen by 127 percent, 55 percent, and almost 54 percent, respectively. Over the longer period 1958–1968, the total amount of taxes deducted has more than tripled and interest paid deducted has almost tripled.

A list of Statistics of Income publications released in the past year appears on page 106.

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

Item	Income year				
	1964	1965	1966	1967	1968
	(Thousands)				
All individual returns, total	65,376	67,596	70,160	71,652	73,729
Standard deduction returns [1]	38,466	39,724	41,600	41,877	41,698
Itemized deduction returns	26,910	27,872	28,560	29,774	32,030
Number of exemptions	187,253	190,741	194,962	198,036	201,288
	(Million dollars)				
Total personal deductions and exemptions	179,342	185,802	193,363	200,548	212,024
Amount of exemptions	112,352	114,445	116,977	118,822	120,773
Amount of standard deduction	20,158	20,618	21,820	22,103	22,074
Amount of itemized deductions	46,832	50,739	54,566	59,623	69,177
Itemized deductions by type:					
Taxes, total	14,071	Not tabulated	17,468	Not tabulated	24,360
Real estate taxes	6,050		7,316		9,382
State and local income taxes	2,862		4,065		6,499
Other taxes	5,158		6,086		8,481
Interest paid, total	12,457		14,971		18,545
Home mortgage interest	6,391		8,142		9,822
Other interest paid	6,066		6,830		8,723
Contributions	8,327		9,122		11,139
Medical and dental expenses	7,095		7,681		8,488
Other deductions	4,882		5,322		6,647

[1] Includes returns with no adjusted gross income.

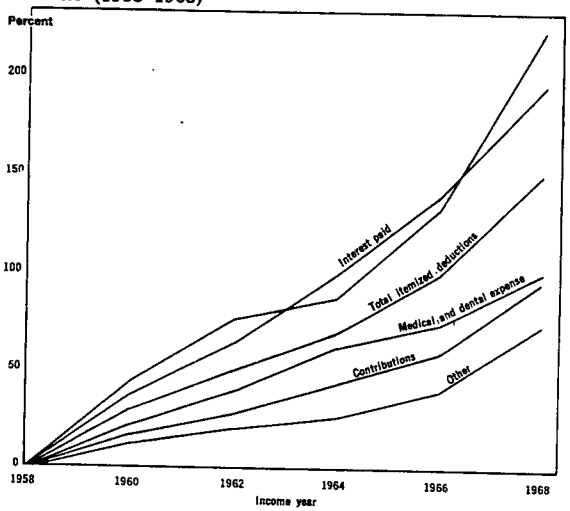
The Tax Models in 1970

Originally developed 7 years ago to meet the Treasury's need for timely estimates of the revenue effect of proposed tax legislation, the individual and corporation tax models have proved to be valuable tools for economic planning.

These models use generalized computer programs in conjunction with specially prepared magnetic tape files containing randomly selected samples of taxpayer records. The models are capable of measuring the effects of tax law changes and projecting the results to represent the entire taxpayer population.

During consideration of the Tax Reform Act of 1969, the 1967 individual tax model was used to project and forecast the effect of many provisions of that law. Tax model tabulations provided data on the classes of taxpayers affected, the revenue effect, and the workload requirements of the Service.

Percent Change in Deductions Itemized on Federal Individual Income Tax Returns (1958–1968)



NOTES: (1) During this period, there were major changes in the tax laws especially the Revenue Act of 1964, which affected the amount of deductions reported. (2) Data on types of deductions are tabulated only for even-numbered years.

This year increased use was made of the tax models by various branches of the Service. With the passage of the Tax Reform Act of 1969, the Service realized a need for estimates of total returns to be filed as well as number of returns with balance due or refunds. Such forecasts help in determining workload requirements, and in evaluating possible problems. Other uses of tax models included: (1) operating ratios relative to specific industry groups to assist revenue agents and tax auditors in screening and examining business returns; and (2) a review of returns showing refunds to determine the adequacy of the withholding tables.

The 1968 tax models, now in preparation will more effectively utilize computer capacity and require little or no special preparation of the data files before use.

Maximizing Federal and State Tax Administration Through Cooperation

The Federal and State governments share the objective of obtaining maximum compliance with their tax laws with the least cost and inconvenience to the taxpayers.

One of the important contributions toward this end is being achieved with increasing benefits through direct cooperation between governmental agencies. Since there is no formal statistical reporting system, these benefits cannot be measured with precision. However, an indication can be obtained from incomplete data from 24 States.

During the 18-month period from January 1968 through June 1969, these States estimated that $43 million in additional assessments were attributable to information received from the Service. Eleven States reported the addition of approximately 31,000 nonfilers to the tax rolls—due primarily to the use of data in tape form from the Service's individual master file.

An even more fundamental benefit of the cooperative program is the elimination of costly duplication in the detection of nonfilers, the audit of erroneous returns, the location of delinquent taxpayers, and similar activities. This contributes to the efficiency of both Federal and State governments and saves taxpayers from the inconvenience of separate examinations by the two governmental levels.

The principal forms of cooperation are.

1. Formal agreements;
2. Exchange of computer tapes;
3. Cooperative audits; and
4. Training and statistical assistance.

Increase in Formal Agreements

A general benchmark of the cooperative program is the number of agreements on coordination of tax administration concluded with the States. The map on page 75 indicates the 45 States and the District of Columbia with whom the Service had agreements in force at the end of the fiscal year—the State of Rhode Island having been added to the list this year.

Over the years the program has been extended beyond the original arrangements for the physical inspection of returns and the manual exchange of audit information. To reflect this broader scope and the application of computer technology to tax administration, a model agreement has been prepared for use as a guide in revising existing agreements or the drafting of new ones. This model agreement provides for optimum cooperation between the Service and the States in such activities as audits, training of personnel, taxpayer assistance service, statistical services, and other methods and processes to improve tax administration. Precautions to avoid unauthorized disclosure of tax return information are contained in the model draft.

The agreement signed with Rhode Island this year conforms to the model. Existing agreements with Idaho, Illinois, Minnesota, Missouri, and Wisconsin were revised to reflect the wider scope of cooperative activities. As the States are able to expand the scope of their cooperative activities, additional revisions will be made to existing agreements.

Computerized Cooperation

To cope with the ever-rising volume of tax returns and other documents, nearly all tax administrators have turned to the use of computers. Their use in the exchange of tax return information under the Federal-State Cooperative Program has proved to be one of the most effective tools at the tax administrator's disposal. To assist in developing mutually helpful tax exchange programs, a survey of computers used by the States was made. The tax departments of all States and the District of Columbia reported that they now use computers to process returns. All but one store data on magnetic tape. This survey indicates that in the near future the bulk of tax information exchanged between the Service and the States will be handled by computers.

One of the most impressive developments in the program has been the furnishing of selected standard data elements from the Service's individual master file to State tax administrators. Thirty States and the District of Columbia received such data from 1968 tax year returns. Since its inception in 1967, the number of Federal returns involved in this IMF tape program has included almost 60 percent of the total number filed with the Service.

Cooperative Audits

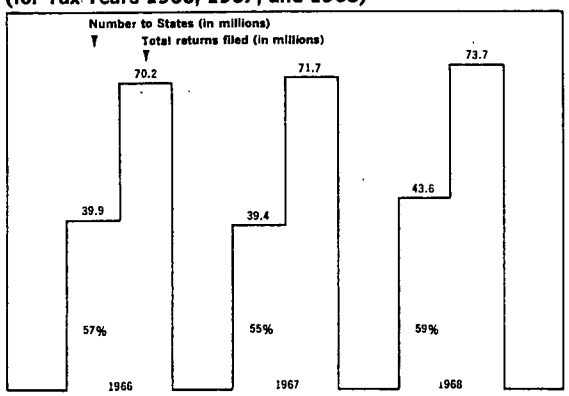
One of the expanding cooperative activities which has proved beneficial for both the Service and the participating States is the cooperative audit program, in operation in six States. Under this program, the cooperating State devotes a significant portion of its audit activity to performing audits of the State returns of taxpayers whose Federal returns cannot be audited by the Service because of limited audit resources. The results of a State audit are used by the Service in making additional assessments on Federal returns; audit results of the Service are similarly transmitted to the States for their use in adjusting assessments on State returns. Thus, both Federal and State revenues benefit.

Since this program provides an economical and effective means for both the State and Federal Government to increase audit coverage and minimize duplicate audits, the Service is taking positive action to extend it to all States where such a program is feasible.

Automated Certification of Credit for State Unemployment Tax Contributions

Developmental work is under way on a computerized system for certification by State unemployment insurance agencies of the credit which employers claim on their Federal unemployment tax returns for contributions paid under State unemployment tax laws. The new system will effect substantial cost savings over the existing manual procedure under which about 1.6 million return schedules are shipped annually to State agencies for verification and then shipped back to Internal Revenue Service Centers for manual recomputation of any Federal tax adjustment. Under the computerized system, the Service will exchange sets of data elements on tape with the States. These tape listings will permit the Service to compute automatically any Federal tax adjustment resulting from an incorrect credit claimed by an employer.

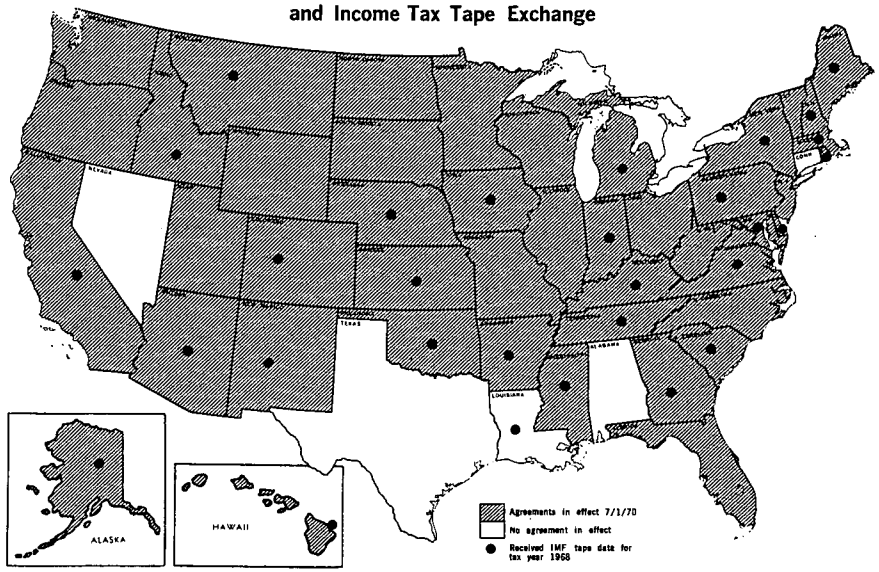
Number of Individual Income Tax Returns from which Selected Information was Furnished to States in Tape Form (for Tax Years 1966, 1967, and 1968)



Training and Statistical Assistance

During the year, 61 tax officials from 26 States, the District of Columbia, and Puerto Rico attended training classes conducted by the Service. Training materials, including correspondence courses and classroom kits and instructors' manuals, were furnished seven States. Special statistical studies also are furnished to the States within the limits of available facilities.

Federal-State Tax Coordination Agreements and Income Tax Tape Exchange



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Management Activities

Personnel Policies Prove Successful

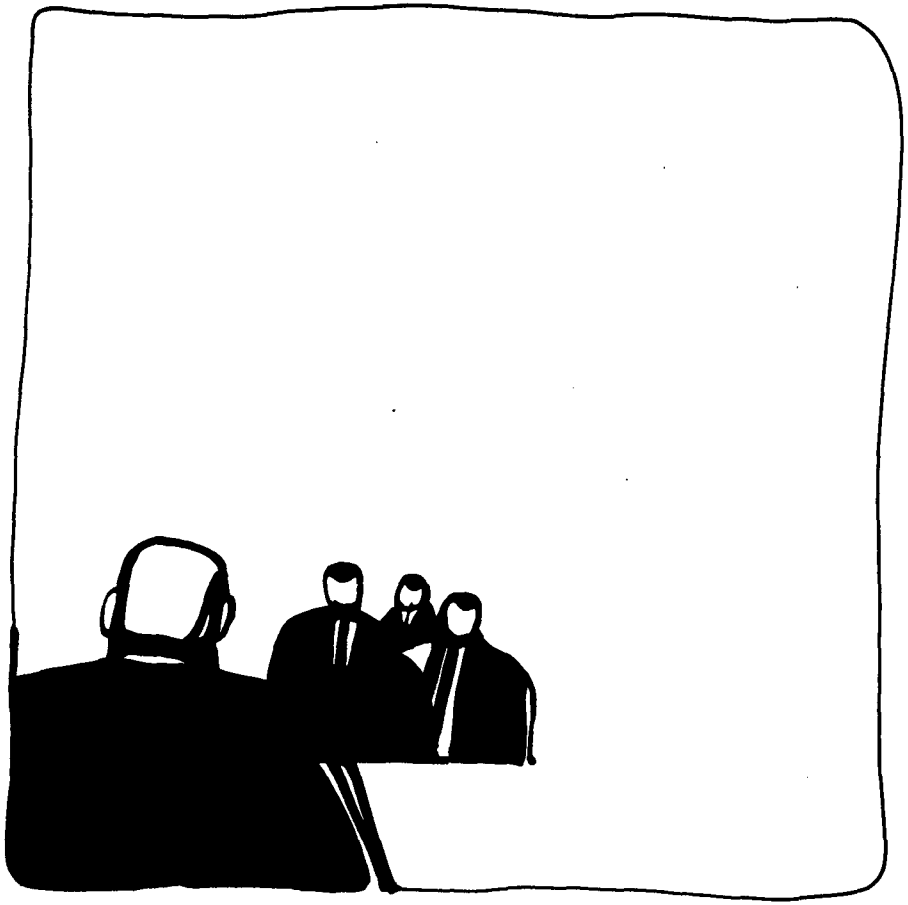
ADP Redeployment Program Completed

Utilization of the Handicapped and Blind Continued

Training Fitted to Needs of the Service

Internal Operations Monitored

Chapter
Eight



Financial Management Meets Budgetary Challenges

Financial resources were strained in fiscal year 1970. Funds planned for specific programs had to be used for unanticipated cost increases of the mandatory variety, i.e., printing, telecommunications, travel per diem rate, employers retirement contribution. To meet these requirements the Service was forced to severely restrict purchasing, training and travel. Recruitment was restricted by overall Government limitations during the last half of the fiscal year. The ceiling for permanent employment was 61,442 and June 30 employment was 152 under the ceiling. The restrictions seriously jeopardized the Service's ability to fulfill its mission and resulted in the loss of revenue from principal compliance programs.

Careful management enabled the Service to conduct operations without overexpending. $879.1 million of the total authorization of $881.4 million was obligated as of June 30. Of the $2.3 million unobligated balance, $1.5 million was reserved to offset pay act increases. With this amount excluded, the Service was brought within one-tenth of 1 percent of employing all money available.

For more detail by appropriation, by activity and also obligations by districts, regions, and National Office, see tables 26 and 27 on pages 135 and 136.

Service Exceeds Savings Goal by $1.7 Million

The Service established a savings goal of $15 million for fiscal year 1970. The savings realized—$16,736,000—is within $50,000 of the record high savings reported in 1968. Over $11 million in savings will accrue in 1971 and 1972 from cost reduction and management improvements implemented in 1970.

Man-years authorized and realized

Appropriation	Authorized		Realized		Percentage realized	
	1969	1970	1969	1970	1969	1970
Salaries and expenses	1,515	1,560	1,488	1,515	98.2	97.1
Revenue accounting and processing	22,950	23,399	22,495	22,965	98.0	98.1
Compliance	42,407	44,005	41,883	43,615	98.8	99.1
Total	66,872	68,964	65,870	68,095	98.5	98.7
Increase 1970 over 1969		+2,096		+2,225		+.2

Of the total savings realized, $6.3 million is attributable to 14 Service-wide projects, many of which are described elsewhere in this report; $4.4 million accrued from continuing management programs such as reports and records; and $6 million from miscellaneous improvements implemented throughout the Service.

The Incentive Awards program was responsible for approximately $1.2 million in tangible savings. Adopted employee suggestions numbered 1,200 and 320 special achievement awards were granted. The sixth annual Treasury Awards Ceremony recognized 41 Service employees.

Successful Recruitment Efforts

Despite hiring restrictions, fiscal year 1970 was a successful recruitment year in terms of the Service's ability to attract quality recruits. Recruiters exceeded expectations in filling positions authorized after the close of the 1968–69 school year. A significant element in the successful hiring effort was advertising placed in newspapers and professional journals.

Hiring in Alcohol, Tobacco and Firearms and Intelligence Activities reached an all time high. Recruits were needed to replace investigators selected for the Organized Crime Drive Program and to meet the workload resulting from firearms legislation.

A critical shortage of accountants was encountered in filling Revenue Agent, Internal Auditor, and Special Agent positions in New York City. Competitors were generally offering higher salaries for their service. To alleviate the situation, the Service requested higher entrance salaries for these positions. The U.S. Civil Service Commission approved special New York City salary rates.

Assessment Center Experiment

The initial results of the Service's experiment with the Assessment Center technique proved encouraging. This advanced selection technique was adopted from a Bell Telephone System prototype application. It provides an objective look at candidates for supervisory positions during a 2-day series of simulated work situations, group exercises, and interviews. The Assessment Center proved to be a valuable adjunct to traditional methods of evaluation and selection of personnel, and was used in selecting the 1970 Executive Development Program participants.

Completion of Revenue Officer Occupational Study

An intensive study of the revenue officer occupation was completed in January. The study, which began in 1967, covered all major aspects of field collection work: the appropriate division of work between office and field branches; grade level of work; and the experience and education needed to perform the work. A close examination was made of hazards in the revenue officer occupation, the reasons for separations, and the career opportunities for revenue officers.

Personnel Summary

Location and type	Man-years realized		Number on rolls at close of year	
	1969	1970	1969	1970
Service, total	66,064	68,683	64,507	68,898
Permanent	58,562	60,900	57,742	61,290
Temporary	7,502	7,783	6,765	6,888
National Office	[1] 3,862	[1] 4,103	3,793	4,079
Field service, total [2]	62,202	64,580	60,714	64,017
Data processing, total	21,503	22,011	19,603	20,172
Collection, total	10,081	11,366	10,105	11,689
Revenue officers	5,845	6,044	5,853	6,094
Other	4,236	5,322	4,252	5,595
Audit, total	20,248	20,444	20,486	20,995
Revenue agents	12,767	12,850	12,631	12,932
Office auditors and tax technicians	2,869	2,957	2,792	2,977
Other [3]	4,612	4,638	5,063	5,086
Intelligence, total	2,293	2,453	2,310	2,547
Special agents	1,684	1,888	1,673	1,857
Other	609	645	637	690
Alcohol and tobacco tax, total	2,639	2,854	2,712	3,004
Investigators	1,045	1,287	1,090	1,262
Inspectors—general	399	356	389	398
Inspectors—on premises	409	410	395	422
Other	786	841	838	922
Appellate, total	1,522	1,462	1,504	1,470
Appellate conferees	669	635	647	626
Auditors	146	145	.....	143
Other	707	682	857	701
Administration, district office	1,610	1,649	1,633	1,673
Administration, regional headquarters	884	922	923	972
Regional counsel	759	752	769	788
Regional inspection	663	667	669	707

[1] Includes terminal leave man-years for entire Service.
[2] Includes Office of International Operations, National Computer Center and IRS Data Center.
[3] Includes overseas employees hired locally (2 in 1970 and 3 in 1969).

Several significant developments resulted from this study. For example, a new semi-technical occupation of revenue representative is being established and persons in this occupation will perform a large portion of the lower-graded work now assigned to revenue officers. Another product of the study was a set of recommendations to the Civil Service Commission for revision of the general and special experience requirements in the revenue officer qualification standards. The study revealed a changing emphasis towards higher-graded work. A number of new GS–11 and GS–12 revenue officer positions have been created in recognition of this change.

A major product of this study was a profile of the types of individuals who tend to make good revenue officers and who remain with the Service. Guidance will be given to recruiters on potential recruitment sources for these individuals. Finally an awareness was gained for expanding revenue officer career opportunities. An effort in this direction will soon begin.

Increase in Cooperative Work-Study Participation Continues

Participation in the Cooperative Work-Study Program for college students majoring in accounting reached a new peak during calendar year 1969 when 388 student trainees served under the program. The Service negotiated cooperative work-study agreements with 80 schools, bringing total agreements to 210. This program enables the Service to interest high quality students in tax work while they are completing their accounting study. Last year the Service retained 74 percent of the students in the program as full time employees. Particular efforts are being made to enlist minority schools in this program.

Job Enrichment Experiment Completed

The Service completed an experimental application of Mr. Frederick Herzberg's job enrichment motivational theory. In brief, the theory states that once "hygiene" factors, such as pay and working conditions, are taken care of, real motivation comes from the content of the work itself. A selected group of tax-examiner positions in the Detroit Data Center were subjected to this experiment. Over a 6-month period several changes were made in the way the jobs of the selected participants were done. The changes were intended to make jobs more meaningful and satisfying to the employees.

Results of the experiment will be reviewed to determine the extent changes affected productivity and perceived job satisfaction. Following analysis of data, decisions will be made as to how job enrichment principles can be further applied.

Restructuring the Inspector Occupation in Alcohol Activities

After a comprehensive study, the Service decided to restructure the work of Inspectors (General) and Inspectors (On-Premises) to increase operational efficiency. This restructuring is based on three principal ideas. First, low level custodial duties in the current Inspector (On-Premises) job will be brought together in a new position entitled Plant Officer. Second, audit and inspection duties inherent in Inspector (On-Premises) and In-

spector (General) positions will be combined into one job. Finally, a new position, Operations Analyst, will be created to encompass only the most difficult inspection work. Restructuring is designed to recognize the increased complexity of certain inspections, new program emphasis, and additional duties and responsibilities which have arisen over the last decade.

Service Successfully Completes ADP Redeployment Program

In March 1959, the Service began a conversion from manual to automatic processing of tax returns. This decision committed the Service to staffing and training service center organizations totaling 14,000 permanent employees, primarily in job categories practically unknown to the Service. It required the phaseout of work in the district offices affecting approximately 12,000 permanent employees in the returns processing and accounting function. The Service decided to avoid layoffs and developed a program with the primary goal of minimizing hardships to employees working in the affected functions.

To accomplish the objective, the Service planned and developed a "Redeployment Program." This included reassignments within a district office or to a service center, transfer to other Federal agencies, retirements, resignations to accept suitable employment outside the Federal Service, and in short, any voluntary solution to the placement problem caused by the conversion to ADP. To assist the program, numerous special placement authorities were negotiated with the Civil Service Commission.

Of 12,000 permanent employees 11,000 were redeployed with no adverse actions or involuntary transfers. The work involving public assistance and information duties performed by the manual processing work force remained in the districts and provided positions for the remaining 1,000 employees. Much of the success of the program must be attributed to the employees affected, because of their excellent cooperation throughout the conversion.

Labor-Management Relations

The year's most significant event in the area of labor-management relations came when President Nixon issued Executive Order 11491 in October 1969. A key feature of the Executive Order is the application of the third-party concept to unit and election questions, and to disputes between management and labor organizations.

The Service was highly organized before the new Executive Order was issued. More than 47,000 of its total 66,630 employees are in exclusively represented units.

The trend toward formalizing the labor-management relationship with written agreements has continued. Almost 19,000 employees (some 40 percent of those organized) are now covered by negotiated agreements. Negotiations covering 5,300 employees were in progress, or about to begin at the end of the year.

The Service response to this high level of activity has been to expand the training given personnel specialist, management negotiators, and others concerned with the program. Increased technical assistance on labor relations matters has also been made available to field offices.

Service Commended for Utilizing Handicapped

There is no need to embellish the words of Civil Service Commission Chairman Robert E. Hampton, written in April to the Service about its program to employ the handicapped. He referred to ". . . the fine job the Internal Revenue Service has been doing in supporting Executive Branch policy for employment of the handicapped." He also indicated that the Commission had been especially impressed with the Service's "efforts to employ those whose employment opportunities are most often drastically restricted by lack of employer understanding of their work potential—the blind, the deaf, the mentally retarded and the mentally restored."

Mr. Hampton praised the Detroit Data Center for the deaf it has employed as card punch operators. Special mention was made of the record established over the years by the Southwest Service Center in Austin in hiring the deaf, persons with other severe physical impairments, and the mentally retarded. The Southwest Service Center had been previously recognized by the Commission and the President's Committee on Employment of the Handicapped. Mr. Hampton also paid tribute to the effort made by the North-Atlantic Service Center, in cooperation with the Veterans Administration Hospital, Bedford, Mass., in providing counseling, training, work experience and employment for mentally restored patients.

Chairman Hampton also made special note of the cooperative arrangement with the Arkansas Enterprises for the Blind, therein carefully selected blind candidates for professional employment are trained and successfully employed as Taxpayer Service Representatives. This program received national attention during last year's Conference on Employment of the Blind, sponsored by the Civil Service Commission, the Department of Health, Education, and Welfare, and other agencies. Ten students entered a new class in June at Little Rock where Taxpayer Service Representatives are trained. At year's end, 40 successful blind Taxpayer Service Representatives were at work in 26 States, furthering the Service's 3-year goal of hiring at least one blind Taxpayer Service Representative in every major office.

Kathy Sanders is a highly efficient taxpayer assistor. Blind since birth, she was trained by the Little Rock, Ark. Enterprises for the Blind. She uses a braille slate and stylus for taking down questions to be answered and an abacus for her computation.

Equal Opportunity Developments

Recruiting, training, upgrading, and assistance activities are components of the Service's Equal Employment Opportunity Program.

The development of the Counselor Program has done much to reduce disharmony. The job of an Equal Employment Opportunity counselor is to establish an open and sympathetic channel through which employees may raise questions, discuss grievances, find answers and (on an informal basis) get resolutions of problems connected with equal employment opportunity. A counselor serves as a bridge between employees and management. Before any complaints can be filed, a counselor must be consulted. A counselor cannot delay a complaint since he must act within 15 days. After implementation of this procedure, the number of formal complaints of discrimination dropped markedly.

Another new development that is expected to have Service-wide impact took place in June when Mrs. Barbara Vatran Thompson was appointed as the first Service-wide coordinator for the Federal Women's Program. Mrs. Thompson will also serve on the Treasury's committee dealing with the special concerns of women.

The Southwest Region conducted a series of seminars for examination of relationships between ethnic groups. Participants have been extremely enthusiastic about the seminars, and attest that the openness and candor developed during the discussions gave them a new perspective on relationships between ethnic groups. Participation in the seminar was voluntary and involved Blacks, Indians, Mexican-Americans, and whites. Supervisor participation added another dimension dealing with the impact of supervisory attitudes and behavior on relationships between ethnic groups.

Assistance in Communities

A new free school for ethnic group students desiring tutoring in basic English and typing received assistance from the Service in Santa Ana, Calif. The school had 46 pupils—the oldest 50 and the youngest 13 years of age. The plan features voluntary tutors, mostly from the Service, and is sanctioned under an Executive Order. The tutoring makes participants more employable; gives them confidence, and makes them aware that the Service is truly an "equal opportunity employer".

The Service worked with fair housing organizations in Philadelphia, in neighboring communities, and with the city transit company to increase housing opportunities for minority employees and to secure extension of the city's transit routes at the time of relocation of the Mid-Atlantic Service Center.

Upward Mobility—a Reality

The Service's Statistics Division has a career program designed to give lower grade clerical employees the opportunity to advance in the statistical field. Trainee positions were established at lower grade levels, allowing the Service to hire inexperienced employees who could be trained to qualify for higher grade positions. This created a career ladder of grades beginning at GS–2, with grade levels up through grade 9. The establishment of lower grade statistical clerks opened the opportunity for file clerks to be reassigned to statistical work. Of the 19 employees enrolled at the trainee level, one has progressed to a supervisory position and all have been promoted to higher grades.

An interesting and timely project sponsored by the Service gave young male students in the District of Columbia a chance to observe successful men (representing minority groups) at work. Each youth spent a day with a Service employee who shared his regular daily work activities with the student. Such programs help interested young men become familiar with the world of work and recognize the need to stay in school to achieve success.

Commissioner States Training Guidelines

Three broad guidelines were set for the Service's training effort for fiscal year 1970:

1. Implement new and broader recruitment and training efforts in a tight labor market, to attract and prepare capable employees.
2. Encourage incumbent employees to gain better skills for advancement to higher technical and supervisory positions.
3. Recognize and meet the challenges and crises of a changing society.

Recruitment and Training of New Employees—Contacts with Educators

A series of seminars for college and university professors of accounting and taxation helped open communication between the Service and the academic community. Valuable contacts were made by employing professors during leave from their academic duties. These individuals worked in the field of their academic specialty to apply expertise to various problems in training and utilization of employees.

Skills Development Opportunities

In a cooperative program with the Labor Department, the Service is providing opportunities for disadvantaged citizens to learn marketable skills. Those who successfully complete training programs are guaranteed employment and the chance for self-betterment. Target positions for which specific training was given include: Data Transcriber, Tax Examiner, and Clerk.

Training for Recruits

The Service is concerned with providing the best possible training for new employees and for those changing to new occupations within the Service. For example, newly recruited Trial Attorneys were introduced to their duties in the enforcement of tax laws. Trainees discussed the preparation of cases and analysis of evidence. Through mock court trials and the use of video-taped sessions, each student was able to observe and evaluate his own performance and was assisted in correcting his errors.

Supervisory Training

The Service provided special supervisory training in addition to the basic supervisory courses required by the Civil Service Commission. Supervisors confronted with special situations were given training in equal employment opportunity, hiring and utilizing the handicapped, and negotiation with employee unions.

Managerial Training

Programs concerned with specific job problems and situations, as well as generalized management training, were provided for managers. Formal training was combined with assignments as acting managers to build managerial skill and an awareness of the responsibilities involved. Service managers acted as instructors to make the formal training more realistic.

Executive Development

The Executive Development Program provided participants with the broadening experiences and training needed to equip them for future roles as assistant district and service center directors. Participants visited regional, district and service center offices in small groups to learn about management activities and to gain familiarity with operations. A new feature of this year's program was the introduction of an electronic data processing seminar to show participants the capability of a data processing system and its influence upon the relationship between district and service center operations.

Reading in Management

Selected articles and readings were distributed periodically under the "Readings in Management" program as part of the continuing development of supervisors and managers. This program provided an opportunity for incumbents to read the latest theories and ideas in a broad range of topics.

Taxpayer Education Expands Coverage

Taxpayer Education continually faces the problem of keeping pace with changing laws and a changing society. The largest Service program, Teaching Taxes, provides an important base for the kinds of activities necessary to meet this challenge. This free program, aimed at the high school level, reached a large number of students. In 1970, requests for materials totalled over 3.6 million general student texts, 460,000 farm texts, and approximately 95,000 teacher's guides. These materials provided students with an explanation of what the tax structure is designed to accomplish and how it works. Students were furnished sufficient information to assist in preparation of tax returns for parents or friends.

To provide similar coverage of business filing requirements, a pilot Teaching Business Taxes program was launched at the freshman and sophomore college levels dealing with individual ownership, partnership, and simple corporation tax problems.

Training of Alcohol, Tobacco and Firearms Special Investigators

Increased staffing and expanded responsibilities have necessitated revamping the alcohol, tobacco and firearms law enforcement training program. Mandatory training adjustments have been predicated by technological change advancements in the field of ordnance and weaponry, and changes in criminal behavioral patterns.

To satisfy these needs, an intensive incumbent investigator training program was initiated. Programs were designed primarily to provide a professional supplement to the law enforcement training received by each newly-appointed special investigator.

The Service incurred an additional training obligation under the objectives of the Gun Control Act of 1968, particularly as to Title I, wherein the Congress declared its intent to provide assistance to Federal, State, and local law enforcement officials in their fight against crime and violence. In-service training programs were established for State and local police agencies, in firearms as well as other law enforcement subjects. Regional and local seminars were conducted to inform police officers of the provisions of the law. In February 1970, the Service conducted a 2-week investigator training program in Tallahassee, for the Florida Beverage Department.

Expansion and Improvement of Facilities and Equipment

Progress on Service Center Space

Extensive negotiations and much effort were devoted to designing and getting approval of three new service centers. Lease awards for the Fresno, Calif., and Memphis, Tenn. locations were made before the end of the year. Responses to the Suffolk County, Long Island, solicitation were satisfactory. Present schedules call for completion of the Fresno Center in October 1971, the Memphis Center in December 1971, and the Suffolk County Center in July 1972.

Office Surroundings Improved

For some years, the Service has been striving to improve the physical conditions of its offices. At times employees worked in less than adequate surroundings, but now most are in new or substantially refurbished space.

Progress has been made in two problem areas—the Chicago District Headquarters Office and the Detroit Data Center. With the General Services Administration's close cooperation, success was attained in these two cities. The Chicago District will be in renovated, air-conditioned, modern office quarters by the middle of fiscal year 1971 and the Data Center is in the process of making a temporary move into a modern building outside the city limits. The Data Center will return to the city when a suitable building is constructed.

Security of Internal Revenue Installations Strengthened

During the past year the nation experienced an increase in social unrest, marked by protest demonstrations ranging from peaceful and orderly rallies to those of a violent nature involving personal injury and destruction of property. Recognizing the need to devote more attention to a basic protection program, the Service took steps to increase protection of facilities.

Protection was strengthened at the key data processing facilities by initiating more stringent methods of preventing entry by unauthorized persons; improving the early warning fire detection systems; providing additional guards; establishing close liaison with U.S. attorneys and State and local law enforcement officials; and completing other related actions.

The Service issued guidelines for handling demonstrations at service locations by various protest groups. Over 100 such demonstrations took place in 38 States, most of them on April 15.

Guidelines were also issued for handling bomb threats. During the last half of fiscal year 1970, there were 102 bomb threats to Service installations. Although no destructive devices were found, evacuating employees from buildings resulted in a significant loss of work time.

Prompt steps were taken to strengthen the security of firearms seized by Alcohol, Tobacco and Firearms personnel under the Gun Control Act of 1968. The Service is obligated to protect these weapons from both deterioration and theft until final disposition is determined by the courts.

New Telecommunications Developments

In fiscal year 1970, the Service sent and received more information than ever before by telephone, telegraph and other electrical and electromagnetic communications media. Extensive efforts were devoted to exploring greater use of new and more sophisticated types of equipment while attempting to keep telecommunications cost as low as possible. This year's efforts resulted in new telephone usage guidelines for revenue agents, expanded telephone equipment systems for taxpayer service, and a teletype system for access to National Crime Information Center data.

Gains in Records Management

An active records disposal program released space and equipment valued at $1,406,000 for productive reuse by the Service. Although total records holdings increased slightly in 1969, a regional test on sending 1969 individual tax returns to a Federal Records Center 6 weeks after receipt by the Service Center is promising. Test goals are to alleviate critical service center space problems and make maximum use of the records reference service of the Federal Records Center.

Forms and Form Letters Reduced

The combined efforts of National, district, and service center employees yielded significant progress in reducing the inventory of forms and form letters by 1,039 or 6.8 percent. The following table summarizes this year's forms management activities:

Forms and form letters

Prescribed by	Opening inventory	Newly developed	Eliminated	Closing inventory	Net change
Total	15,367	1,858	2,897	14,328	−1,033
National office (used at headquarters and service-wide)	6,084	620	466	6,238	+154
Regional offices (used by regional headquarters components or 2 or more district offices)	6,395	440	1,436	5,399	−990
District offices (used by local districts and their subordinate offices)	755	199	244	710	−45
Service centers	1,945	558	731	1,772	−172
Data Center	188	41	20	209	+21

Accident Prevention on Target

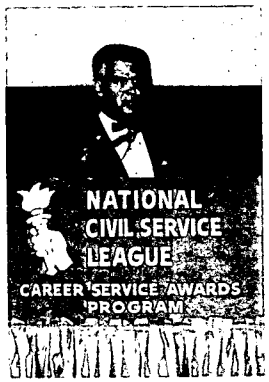
Due to one incident in calendar year 1969 when 29 persons were temporarily disabled by toxic fumes from a ventilation system malfunction, the Service slipped from its record low personal injury rate for the previous year. The Service was nevertheless able to maintain the 31 percent improvement achieved since the start of the government-wide Mission SAFETY–70. The campaign is designed to reduce the number of injuries and costs by 34 percent by the end of calendar year 1970. The Service has every hope of meeting this goal.

Service personnel operated motor vehicles for 106 million miles on official business during calendar year 1969 with only 689 accidents. Less than seven accidents per million miles driven established the lowest rate on record. A significant portion of the improvement can be attributed to benefits derived by employees completing training courses in defensive driving.

The Service acted on 108 claims under the Military Personnel and Civilian Employees' Claims Act of 1964 settling 65 claims in favor of employees who suffered personal property losses incident to their employment. This is an increase of 30 percent over the number of claims handled last year.

Inspection Programs Strive To Assure Public Confidence in Tax System

The confidence of the taxpaying public in the objectivity and integrity of the Internal Revenue Service is vital to the success of our tax system. To gain this confidence and to insure that it is not violated the Service conducts continuing inspections into questions concerning the integrity and effectiveness of operations. Management officials are furnished facts and data developed through internal audits and investigations for evaluation and use in taking corrective actions. Evidence of a violation of Federal criminal law is furnished to the Department of Justice for determination of prosecutive potential.



Assistant IRS Commissioner (Inspection) Vernon D. Acree accepts the National Civil Service League's 1970 Career Service Award. The award is granted for efficiency, conscientiousness, originality and sheer weight of performance.

Internal Audit Maintains Vigilance Over Service Programs

The Internal Audit Division, as an integral part of the management control system, has the responsibility for determining that controls established over the operations of the Service are efficient and effective and that policies and procedures are being carried out and continue to serve a meaningful purpose. Periodic examinations and appraisals are made of all field operations, reporting immediately on problem areas or operating deficiencies which require management actions. Although all operations are examined, emphasis is placed on those directly related to the collection of tax and enforcement of tax laws, these being the areas most susceptible to breaches of integrity. Data processing activities at the seven regional service centers are examined on a continuing basis.

Management's actions on reported deficiencies or problems result in significant improvements in programs, procedures, and controls. The results of these actions are often measurable in terms of their impact on revenue or on savings of manpower or other resources. It is estimated that actual or potential additional revenue and savings during fiscal year 1970 exceeded $31.5 million.

One example of program improvement was to increase the extent of verification of excess social security tax withheld, claimed as refunds on individual income tax returns. This action will save an estimated additional $4 million in refunds of erroneously claimed amounts.

In the review of closed audit examinations in one district office, internal auditors found that substantial payments refunded to taxpayers under special insurance programs of one insurance company were not being properly reported by the taxpayers. Follow-up examinations to date, in this and other districts, have resulted in proposed additional assessments of more than $1.7 million.

The recent criminal conviction of a taxpayer for willful failure to file income tax returns was the culmination of an investigation originated by an internal audit referral. Internal auditors found that although the taxpayer had requested an extension of time for filing his 1964 return, he had not filed. Further research showed that he had not filed for 1962 or 1963. Tax and penalties proposed in this case exceeded $164,000.

Refund Schemers Thwarted

Internal auditors uncovered several false refund schemes during the fiscal year. One case involved the use of special computer programs to identify 143 persons who claimed $180,000 in fraudulent refunds. The practitioner who prepared the returns was also identified. In another case, internal auditors, working with service center personnel, identified 838 returns showing apparent fraudulent refunds of over $235,000. Substantially all of the 838 returns were detected early enough to prevent issuance of the refunds.

Proper Staffing Vital to the Service

The integrity and effectiveness of the service is protected by:

—Hiring the right persons.

—Protecting employees from people who would seek to have them misuse their positions.

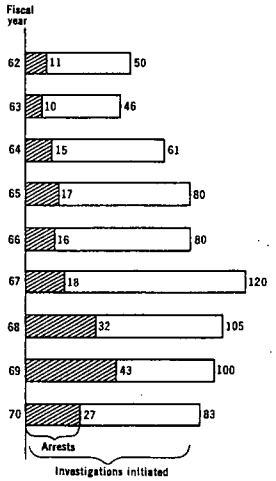
—Identification and removal of those who choose not to resist temptation.

The Internal Security Division does this by investigating applicants to weed out poor risks and by investigating irregularities or complaints which involve Service employees. Included in their activities are the investigations of persons outside the Service who attempt to corrupt Service employees through bribery or other means.

Since January 1, 1961, a total of 744 Service employees have reported what they believe to have been attempts made by various persons to bribe them. These reports have been turned in not only by tax collectors and employees who audit tax returns but also by clerks, stenographers, attorneys and persons involved in training programs. During this period a total of 189 persons have been arrested or indicted for attempting to bribe Service employees; as of June 30, 1970, 111 of these persons have been convicted and another 55 are awaiting trial.

The Attempted Bribery Program is illustrated on the following graph. Each bar on this graph shows the number of attempted briberies reported by employees; the shaded subsection shows the number of arrests or indictments each year resulting from these reports.

Attempted Bribery Program



The Best Laid Schemes of Mice and Men

Persons who attempt to corrupt Service personnel come from a variety of locations and occupations. For instance:

A New York State Sales Tax Division employee offered an employee of the Brooklyn District $2,250 on behalf of a taxpayer.

A used car salesman in North Carolina offered a Service employee $3,000 to "fix" an audit.

A CPA in New Jersey offered $200 to take care of an audit of his client's return.

A vice-president of a wig manufacturing firm in Ohio offered a Service employee $1,500 for a favorable audit.

Investigation is continuing into attempted penetration of the Service by members of organized crime. During January and February of this year 17 persons were arrested in New York. Eight were prominent figures of organized crime. Two of the eight were recently the subjects of newspaper publicity in the New York area. Nicholas Ratenni took the Fifth Amendment 19 times at a hearing before the State Commission of Investigation into underworld ties with Yonker's City Officials. John Masiello, Sr., and his son, John, Jr., were convicted of bribing postal employees and have been indicted in connection with a plot to have John, Jr., deferred from the draft.

Internal Security and Internal Audit teams pool their efforts in the investigation of actual or potential frauds by employees or through collusion between employees and taxpayers. This effective cooperation can be seen in the trial of Norman H. Egenberg, CPA, recently concluded in New York City. After an extensive Service investigation, Egenberg was indicted on 88 counts of bribery, false statements and aiding and abetting in the preparation of false alien tax returns. His trial ended on June 25, 1970, resulting in conviction on 25 counts. The trial was highlighted by the testimony of many prominent personalities. The re-audits of Egenberg and his clients have resulted in proposed deficiencies including penalty and interest of approximately $4,388,000.

The Attempted Bribery Program continued at an intensified level. In commending Adolph Moline, Jr., an Internal Revenue Agent who had reported a bribery attempt, the Commissioner said:

"Your excellent performance during the investigation and trial of the defendants, despite personal risk and hardship, significantly

Commissioner Thrower presents commendation to Mr. Moline.

demonstrates to the public the courage and commitment of our employees . . ."

Crimes Bear Bitter Fruit

Many investigations force schemers and corruptors into the criminal courts, with 58 defendants starting down the path of our trial system this year. Thirty-seven were taxpayers or tax practitioners; the remaining 21 were employees or former employees. Trial or indictment is still pending on 88 taxpayers and 45 employees or former employees. Ahead of them were the 46 defendants who had been convicted of various criminal offenses during the year.

During the year, Inspectors were kept busy tracking down a variety of schemes. For instance: A Revenue agent in New York admitted accepting 14 bribes totaling between $15,300 and $16,500; a CPA in New Jersey tried to extort money from a Service employee to re-grade his CPA exam; and an employee in the New Orleans District embezzled $17,684.93 by means of a refund scheme.

The Balance Sheet

Internal Security Inspectors completed 10,107 investigations during the year, an increase of about 13 percent over last year's total of 8,950. An additional 5,248 checks of police records were made on persons being considered for temporary short-term appointments or for positions developed under special economic and education opportunity programs.

As part of the Service's internal security effort, investigations are also conducted of (a) certain applicants for enrollment to practice before the Internal Revenue Service, (b) charges that are made against tax practitioners, and (c) accidents involving Service employees or property. Special investigations or studies are also made when requested by the Commissioner, the Secretary of the Treasury or other components of the Treasury Department.

The following tabulation shows the types of investigations completed during the past 2 years and the related disciplinary actions;

Investigations and disciplinary actions

Type of investigation and action	1969	1970
Total investigations closed	8,950	10,107
Personnel Investigations		
Number of cases closed, total	6,806	7,863
Character and security investigations	4,332	5,593
Conduct investigations	475	536
Special inquiries	1,999	1,834
Actions Taken by Service Management Officials as a Result of Personnel Investigations		
Disciplinary actions, total	458	435
Separations, total [1]	132	161
Bribery, extortion, or collusion	6	12
Embezzlement or theft of Government funds or property	6	5
Failure of employee to pay proper tax	5	8
Falsification or distortion of Government reports, records, etc.	61	91
Unauthorized outside activity	3	6
Failure to discharge duties properly	3	15
Divulgence of confidential information	1	1
Acceptance of fees or gratuities	0	0
Personal and other misconduct	47	31
Suspensions from duty and pay	24	23
Reprimands, warnings, or demotions	302	251
Nondisciplinary actions (including clearances, closed without action, and others)	6,348	7,434
Other Investigations		
Number of cases closed, total	2,144	3,244
Applications for admission to practice before the Internal Revenue Service	755	224
Charges against Attorney's, CPA's, and Enrollees	56	282
Federal Tort Claims	172	384
Attempted Bribery	108	52
Investigations for other Treasury bureaus	1,053	1,348

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

Aid to Others

Internal Security conducted 1,146 investigations for other Treasury components during the year. Assistance was also furnished to the Secret Service in the protection of the President and other persons.

The Service, at the request of the Territorial Governor, continued to assist the Virgin Islands in developing a modern tax system. Since this program of assistance and internal audits was originated in 1962, Virgin Island tax revenues have increased from $8.9 million in 1962 to $47.9 million in 1969.

Advisory Groups Aid the Service

The Service uses the abilities of private citizens, who are experts in their field, through the medium of Advisory Groups. At present there are four such groups appointed. They are: The Advisory Group to the Commissioner of Internal Revenue, The Art Advisory Group, The Firearms Evaluation Group and The Advisory Committee on Exempt Organizations.

The Advisory Group to the Commissioner of Internal Revenue was established on June 17, 1959. This committee, which represents professional and other private groups concerned with Federal Taxation provides constructive ways in which the Service can improve it's operations. The group met on October 16–17, 1969, and January 29–30 and June 4–5, 1970. Fiscal year 1970 membership follows:

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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 September 10–11, 1969, and March 16–17, 1970. Three new members were appointed during 1970 as part of the rotational concept of panel membership. The newest members are marked by asterisk in the following list:

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

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

Mr. Charles C. Cunningham
Director
Art Institute of Chicago
Chicago, Ill.

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

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

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

*Mr. William S. Lieberman
Director (Prints)
Museum of Modern Art
New York, N.Y.

Prof. Charles F. Montgomery
University of Delaware
Newark, Del.

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

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

The Art Advisory Panel (above) meets to consider fine arts valuation matters for Federal tax purposes.

Pictured left to right seated are: Alexander P. Rosenberg, *Mrs. Esther W. Robles, Dr. Sherman E. Lee, *Dr. Perry B. Cott, *Louis Goldenberg, Dr. George H. Hamilton, *Bartlett H. Hays, *Charles E. Buckley, and Dr. Richard F. Brown. Standing left to right are: Thomas Hartnett, IRS, Karl Ruhe, IRS, Charles C. Cunningham, *Dr. Merrill C. Rueppel, and Eugene V. Thaw.

Members not present when the picture was taken are: Anthony M. Clark, William S. Lieberman, Professor Charles F. Montgomery, Frank Peris, and *Theodore Rousseau.

***Appointed subsequent to June 30, 1970.**

The Firearms Evaluation Group was established on November 15, 1968. Informal meetings were held throughout the year, at which advice was given concerning the development of standards to control the importation of firearms and ammunition. The membership of the Group was as follows:

Mr. Donald Flohr
Firearms Technician
H. P. White Laboratories
Bel Air, Md.

Mr. Harold Johnson
U.S. Army
Foreign Service and Technology Center
Washington, D.C.

Mr. Daniel D. Musgrave
Representative
Mauser Works of West Germany
Cabin John, Md.

Mr. John Richards
Owner
Potomac Arms Co.
Alexandria, Va.

Mr. Jepta Rogers
Administrative Assistant
International Association of Chiefs of Police
Washington, D.C.

Lt. Col. Joseph S. Smith (Ret.)
Deputy Director
Civilian Marksmanship Program
Department of Defense
Washington, D.C.

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 have agreed to serve as Internal Revenue Service Consultants in the nature of a sounding board to review problems 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 January 15–16 and May 18–19, 1970.

Present 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

*Chairman

The above picture of the Committee on Exempt Organizations was taken at the January 1970 meeting. Left to right are: H. J. Heinz; Richard J. Whalen; Dr. Martin D. Jenkins; Julius Greenfield (attending for Hon. Louis J. Lefkowitz); Harry K. Mansfield; Judge Elbert P. Tuttle; Charles O. Galvin; Fred C. Schribner, Jr. (Chairman); Dr. John R. Hogness; Secretary of the Treasury David M. Kennedy; Donald T. Burns; Commissioner Randolph W. Thrower; James R. Hull; Deputy Commissioner William H. Smith; Bishop Francis John Mugavero; Rene A. Wormser; Dr. Carlton P. Alexis; Chief Counsel K. Martin Worthy.

organization—principal officers

Organization of the Internal Revenue Service

Internal Revenue Regions and Districts

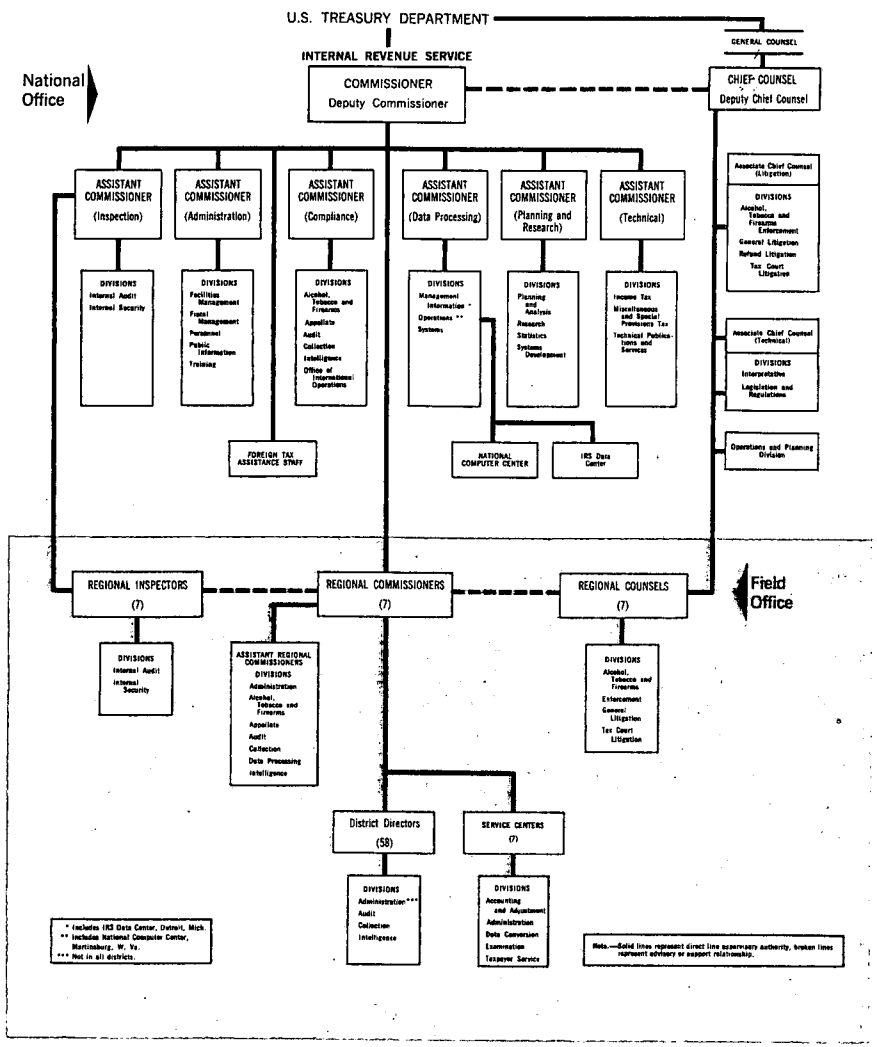
Service Reading Rooms

Principal Officers

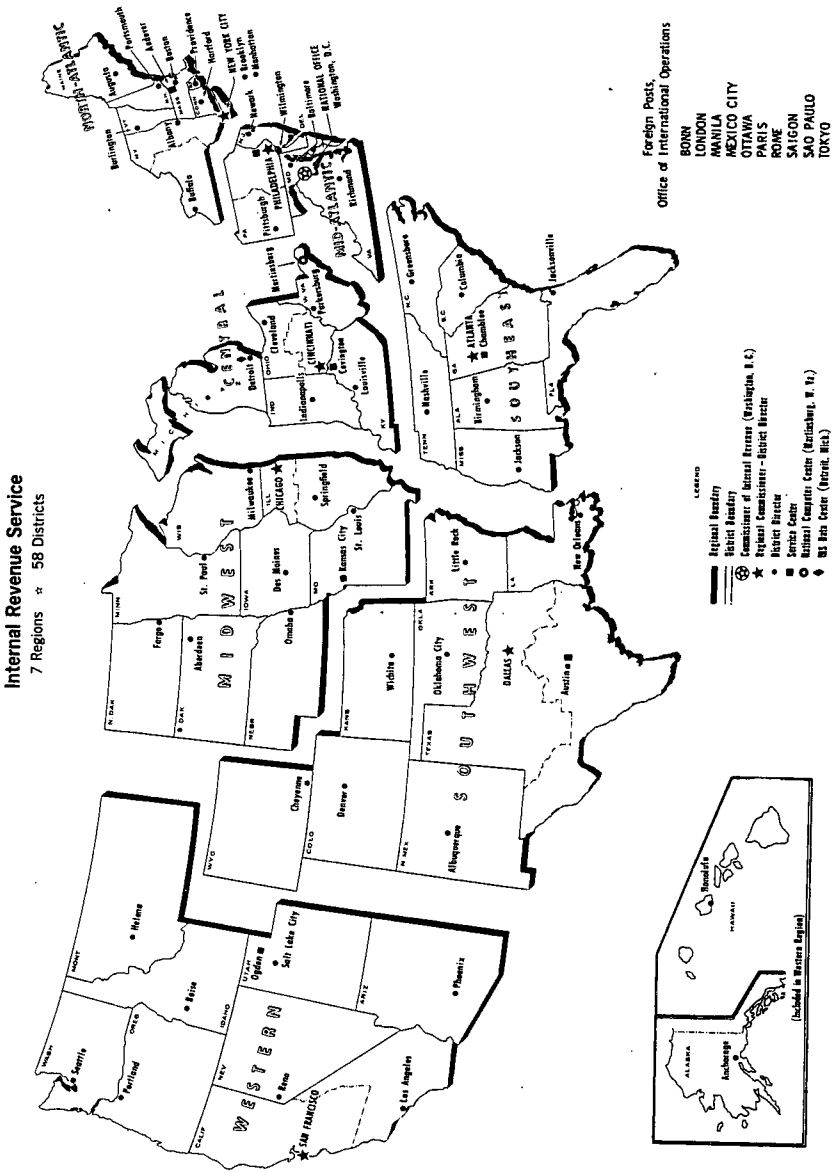
Historical List of Commissioners

404-861 O—71——7

INTERNAL REVENUE SERVICE ORGANIZATION



Internal Revenue Service
7 Regions ☆ 58 Districts



Internal Revenue Service Reading Rooms

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

National Office
Mail Address:
Director, Public Information Division
Internal Revenue Service
1111 Constitution Avenue NW.
Washington, D.C. 20224

Central Region
Mail Address:
Regional Public Information Officer
Room 7106
Federal Office Building
550 Main Street
Cincinnati, Ohio 45202

Mid-Atlantic Region
Mail Address:
Regional Public Information Officer
P.O. Box 12805
Philadelphia, Pa. 19108
Location:
401 N. Broad Street

Midwest Region
Mail Address:
Regional Public Information Officer
17 N. Dearborn Street
Chicago, Ill. 60602

North-Atlantic Region
Mail Address:
Regional Public Information Officer
Room 1102
90 Church Street
New York, N.Y. 10007

Southeast Region
Mail Address:
Regional Public Information Officer
P.O. Box 926
Atlanta, Ga. 30301
Location:
Federal Office Building
275 Peachtree Street

Southwest Region
Mail Address:
Regional Public Information Officer
1600 Patterson Street
Dallas, Tex. 75201

Western Region
Mail Address:
Regional Public Information Officer
Flood Building
870 Market Street
San Francisco, Calif. 94102

Principal Officers of the Internal Revenue Service

As of June 30, 1970

NATIONAL OFFICERS

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

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Director, Program Staff
Julius H. Lauderdale
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Fiscal Management
Alan C. Beck
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Albert J. Schaffer
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Joseph S. Rosapepe
Training
Stanley Goldberg

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Deputy Assistant Commissioner
Leon C. Green

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Arthur H. Klotz
Audit
Singleton B. Wolfe
Collection
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Intelligence
Vacant
Office of International Operations
Clarence I. Fox, Jr.

Data Processing

Assistant Commissioner
Vacant
Deputy Assistant Commissioner
Vacant

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Ernest Shaw
Operations
Clinton L. Walsh
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Systems Development
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Miscellaneous and Special Provisions Tax
Linder Hamblen
Technical Publications and Services
August F. Pohlig

Office of Chief Counsel

Chief Counsel
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Technical Advisor to Chief Counsel
Robert B. Jacoby
Special Assistant to Chief Counsel
W. Dean Mathis
Special Assistant to Chief Counsel
Lester Stein
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Richard M. Hahn
Technical Advisor to the Chief Counsel
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Tax Court Litigation
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John L. Withers
Legislation and Regulations
James F. Dring
Operations and Planning
William P. Crewe

REGIONAL AND DISTRICT OFFICERS

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All Regional Offices at 550 Main Street, Cincinnati, Ohio 45202, unless a different address is indicated
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Charles G. Keebler
Assistant Regional Commissioners:
Administration
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Alcohol, Tobacco, and Firearms
Rex D. Davis
Appellate
W. Franklin Hammack
Audit
Michael A. DeGuire
Collection
William J. Grabo
Data Processing
Wayne S. Kegerreis
Intelligence
Harold B. Holt

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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
William A. Costello

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

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Assistant Regional Commissioners:
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Americo P. Attorri
Alcohol, Tobacco, and Firearms
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Appellate
Victor Cunigilio
Audit
Dwight L. James
Collection
William F. Cullincy
Data Processing
Anthony L. Carrea
Intelligence
Amerigo R. Manzi

District Directors:
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Irving Machiz
Newark, N.J. 07102
Roland H. Nash, Jr.
Philadelphia, Pa. 19108
Vacant
Pittsburgh, Pa. 15222
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James P. Boyle
Wilmington, Del. 19802
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Director, Mid-Atlantic Service Center, Philadelphia, Pa. 19155
Earl L. Torgerson

Regional Counsel
Cecil H. Haas

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
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Assistant Regional Commissioners:
Administration
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Alcohol, Tobacco, and Firearms
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Appellate
Wallace T. Morris
Audit
John W. Baudendistel
Collection
Roger C. Beck
Data Processing
Norman B. Bergeson
Intelligence
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Des Moines, Iowa 50309
John F. Hanlen
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
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Regional Inspector
Gordon M. Anderson

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All Regional Offices at 90 Church Street, New York, N.Y. 10007, unless a different address is indicated

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Data Processing
Marshall P. Cappelli
Intelligence
Alan McBride

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Buffalo, N.Y. 14202
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Burlington, Vt. 05402
Fulton D. Fields
Hartford, Conn. 06115
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Portsmouth, N.H. 03801
Frank W. Murphy
Providence, R.I. 02903
John J. O'Brien

Director, North-Atlantic Service Center, Andover, Mass. 01812
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Marvin E. Hagen

Regional Inspector, 26 Federal Plaza, New York, N.Y. 10007
Sidney M. Wolk

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All Regional Offices at 275 Peachtree Street NE., Atlanta, Ga. 30303, unless a different address is indicated

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Vance N. Bates
Audit
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Birmingham, Ala. 35203
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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
Claude A. Kyle

Regional Counsel
Henry C. Stockell, Jr.

Regional Inspector
Earl L. Fuoss

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

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Assistant Regional Commissioners:
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Appellate
G. Clinton Witt
Audit
Lawrence M. Stewart
Collection
Alfred N. Kay
Data Processing
George M. Oliver
Intelligence
William E. Beloate, Jr.

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R. L. Phinney
Cheyenne, Wyo. 82001
Richard L. Hutt
Dallas, Tex. 75201
Ellis Campbell, Jr.
Denver, Colo. 80202
Arthur A. Kennedy
Little Rock, Ark. 72203
Fred W. Johnson
New Orleans, La. 70130
Chester A. Usry
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. Croasmun

Assistant Regional Commissioners:
Administration
Joseph T. Davis
Alcohol, Tobacco and Firearms
Brenton G. Thorne
Appellate
Gardiner B. Willmarth
Audit
Raymond F. Harless
Collection
Charles D. Moran
Data Processing
Willard L. Pierson
Intelligence
Herman F. Kuehl

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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
George D. Patterson, Jr.
Portland, Oreg. 97204
Arthur G. Erickson
Reno, Nev. 89502
Warren A. Bates
Salt Lake City, Utah 84110
Roland V. Wise
San Francisco, Calif. 94102
Joseph M. Cullen
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
Frederick R. Rowe

Historical List of Commissioners of Internal Revenue

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

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/

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

appendix

Taxpayer Publications

Tax Forms Activity

Supreme Court Decisions

Actions of Lower Courts

Statistics of Income Reports Published

APPENDIX

Taxpayer Publications

In the 1970 edition of *Your Federal Income Tax*, Publication 17, special emphasis was given to the new income tax return form and several of the schedules were illustrated in connection with the sample filled-in tax return. An entire page was devoted to "Items of Interest," highlighting the significant changes in the law that occurred during 1969. Also shown on that page was a checklist of things to do when preparing an income tax return so refunds would be processed promptly.

This 160-page booklet, designed to aid the individual taxpayer in filling out his income tax return, was written in nontechnical, easy-to-understand language. It contains answers to most questions taxpayers might have when they prepare their returns. It presents numerous examples illustrating how the tax laws may be applied. This is a continuing publication that is revised each year to include the latest changes in the tax statute, regulations, and official rulings.

Approximately 1,330,000 copies of the 1970 edition of *Your Federal Income Tax* were sold at 60 cents a copy by the Government Printing Office and local Internal Revenue Service offices. The Service used an additional 360,000 copies in various educational programs.

The *Farmer's Tax Guide*, Publication 225, is a 48-page booklet intended to help farmers in preparing their income tax returns. It explains what income is to be reported, what farm expenses may be deducted, how to claim depreciation and soil and water conservation expenses, and how to report self-employment income. The 1970 edition featured a sample filled-in income tax return based on illustrated farm income and expense records, including a detailed depreciation record. It also contains "Important Dates to Remember," a tax calendar that lists the dates when farmers must file certain returns and pay taxes. More than a million free copies were distributed by Service offices and by extension agents of the Department of Agriculture.

The Teaching Taxes Program continues to be used in approximately 25,000 high schools and colleges. Three publications were used to present step-by-step explanations of the preparation of individual income tax returns. The *Teacher's Guide*, Publication 19, which contains answers to the tax problems appearing in the student text, was sent to approximately 95,000 teachers. The student texts, *Understanding Taxes*, were published in a 28-page general edition, Publication 21, and a 36-page farm edition, Publication 22. About 3,654,000 general texts were distributed, and about 458,000 students used the farm edition. This indicates use by 150,000 more students this year than the previous year.

The *Tax Guide for Small Business*, Publication 334, is a 160-page booklet aimed at answering tax questions of small businesses, including sole proprietorships, partnerships, and corporations. As in prior years, it explains in nontechnical language how the tax laws apply to business situations. The Guide features a "Tax Calendar for Businessmen" showing the dates for filing returns. A "Check List" of business activities lists the kinds of Federal taxes to be paid with respect to each, what forms to use, and the page in the Guide where each kind of tax is explained. Approximately 200,000 copies of this booklet were sold by the Service and the Government Printing Office at 60 cents a copy. Another 80,000 copies were distributed for internal use by the Service.

The new edition of the *Tax Guide for U.S. Citizens Abroad*, Publication 54, continued to fulfill the need to explain the special tax provisions that affect U.S. citizens living in foreign countries. Explanations of the conditions under which income earned abroad may be exempt, or partially exempt, from Federal income tax are provided in this 32-page booklet. Approximately 770,000 copies of this booklet were printed for free distribution through Service offices and U.S. embassies and consulates in all parts of the world.

The foregoing publications have been revised and republished annually to reflect new developments in the tax law. Three items formerly issued on a periodic basis were redesigned and incorporated into our annual taxpayer publications program. These publications, which are available through the Service's Office of International Operations to United States taxpayers overseas, are as follows: *Tax Return Filing Requirements for U.S. Citizens Abroad*, Publication 563; *Interest Equalization Tax Highlights*, Publication 573 (formerly Notice 59); and *Filing of U.S. Annual Return of Income Tax to be Paid at Source*, Publication 574 (formerly Notice 20).

During this year several new publications were developed for free distribution to meet particular needs. These new publications are discussed below.

Tax-Sheltered Annuity Plans for Employees of Public Schools and Certain Tax-Exempt Organizations, Publication 571, was developed to inform teachers and others of the special Federal tax provisions that apply to certain "tax-sheltered" annuity plans. This 20-page booklet explains and illustrates the conditions and limitations of the tax-deferred treatment accorded these plans. The special provision that allows an employee to exclude from gross income, to a limited extent, his employer's current contributions toward his annuity is explained in detail as well as the tax treatment of benefits receivable under the plans. The booklet also contains a computation sheet designed to assist the employee in determining the amount of the exclusion allowance and the amount, if any, of the employer's current contribution that is taxable to him.

Certification Required to Obtain Reduced Rates under Income Tax Treaties, Publication 686, instructs a U.S. taxpayer on the procedure for obtaining a certification that he is entitled to the benefits of an income tax treaty between the United States and a foreign country. Over 20,000 copies were printed and made available through the Office of International Operations.

Tax Information on Interest Equalization Tax, Publication 565, was developed to assist U.S. taxpayers in determining their interest equalization tax liability, if any, on the acquisition of foreign stocks or foreign debt obligations. Explanations of the requirements for claiming an exemption from the tax, for filing the return to report acquisitions, and for payment of tax due are provided in this 24-page publication. The information contained in this publication is limited to that which applies primarily to indvidual investors and sets forth in detail the acquisitions that are excluded or exempted from the tax.

Other publications that were distributed free of charge are listed below.

Publication Number/Title

308
Farmers Gas Tax Credit

349
Federal Use Tax on Trucks, Truck-Tractor and Buses

378
Federal Gas Tax Credit or Refund for Nonhighway and Transit Users

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 1970

510
Information on Excise Taxes for 1970

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 1969 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

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
Answers to Questions Most Frequently Asked by U.S. Taxpayers Abroad

570
Tax Guide for U.S. Citizens Employed in U.S. Possessions

TAX FORMS ACTIVITY

The following new tax return forms were issued:

Form Number/Title

W-4E
Witholding Exemption Certificate (For use by employees who anticipate no tax liability for 1970)

637-A
Registration for Tax Free Transactions

Schedule A (1040)
Itemized Deductions

Schedule E (1040)
Supplemental and Miscellaneous Income

Schedule R (1040)
Retirement Income Credit

Schedule T (1040)
Tax Computation

1040-FY
U.S. Individual Income Tax Computation

Supplemental Schedule D and Instructions (1040)
Gain from Disposition of Depreciable Property Under Sections 1245 and 1250; AND Computation of Alternative Tax

1040-ES(F)
Estimated Tax Declaration—Voucher for Farmers and Fishermen

Supplemental Schedule D (1065)
Gain from Disposition of Depreciable Property Under Sections 1245 and 1250

1120X
Amended U.S. Corporation Income Tax Returns

1363
Export Exemption Certificate

4255
Tax from Recomputing a Prior Year Investment Credit

4562
Depreciation

4563 (Formerly 1040E)
Exclusion of Income from Sources in United States Possessions

4573
Application for Determination—Individually Designed Plan (Under sections 401(a), 405(a) and 501 (a) of the Internal Revenue Code)

4574
Application for Determination—Individually Designed Plan Covering Self-Employed Individuals (Under sections 401(a), (d) and 501(a) of the Internal Revenue Code)

4575
Application for Determination—Investment of Trust Funds in Stock or Securities of Employer (Under Sections 401(a) and 501(a) of the Internal Revenue Code)

4576
Application for Determination—Termination or Curtailment of Plan (Under sections 401, 405(a) and 501(a) of the Internal Revenue Code)

4577
Application for Determination—Industry-Wide Plan and Trust (Under sections 401(a) and 501(a) of the Internal Revenue Code)

4578
Application for Approval of Bond Purchase Plan that Includes Self-Employed Individuals

4625
Computation of Minimum Tax

4626
Computation of Minimum Tax—Fiscal Year Corporations and Fiduciaries

4629
Transfer of Property to an Exempt Organization

4638
Federal Use Tax Return on Civil Aircraft

4653
Notification Concerning Foundation Status

4653-A
Notification Concerning Foundation Status of Subordinate Organizations Included in a Group Exemption

The following tax return forms were eliminated:

Form Number/Title

940(OIO)
Employer's Annual Federal Unemployment Tax Return

941(OIO)
Employer's Quarterly Federal Tax Return

1040 Packages 2 and 3
Federal Income Tax Forms for Individuals

1040E
Schedule for Citizens of the United States

2950 and Instructions
Statement in Support of Deduction for Payments to an Employee's Pension, Profit-Sharing, Stock Bonus Trust or Annuity Plan and Compensation Under a Deferred-Payment Plan

2969
Application and Permit to Use Documentary Stamp Tax Meter

2970
Order for Setting Documentary Stamp Tax Meter

3673
Application for Approval of Self-Employed Pension of Profit-Sharing Plan as Part of a Master or Prototype Form or Any Bond Purchase Plan (Under sections 401(a) and 405(a) of the Internal Revenue Code)

3953
U.S. Commercial Bank Weekly Information Return

3964
Weekly Information Return With Respect to Foreign Commercial Banking Subsidiaries

3969
Notice of Acquisition of Original or New Japanese Debt Obligation

3973
Receipt of Part I of Notice of Acquisition of Original or New Japanese Debt Obligation

4415
Election To Exempt From Self-Employment Coverage Fees Received By Certain Public Officers And Employees Of A State Or A Political Subdivision Thereof

Supreme Court Decisions

Civil Cases

The Supreme Court, agreeing with the Commissioner, held that, when the stockholders of a corporation were required by State law to purchase the stock of a dissenting stockholder, the attorney, accounting, and appraisal fees incurred in connection with the necessary appraisal litigation were a part of the cost of the stock acquired rather than deductible section 212 expenses. In doing so, it rejected the so-called "primary purpose" test and applied a standard based on the "origin of the claim litigated" and, in this case, the expenses were deemed to have originated in connection with the acquisition of the stock. *Woodward* v. *Commissioner*, 397 U.S. 572 (1970), affirming 410 F. 2d 313 (8th Cir. 1969). This was a companion case to *United States* v. *Hilton Hotels Corporation*, 397 U.S. 508 (1970), wherein the Court reversed a conflicting opinion of the Seventh Circuit.

In the case of *United States* v. *Key, Trustee*, 397 U.S. 322 (1970), the Supreme Court reversed the Court of Appeals for the Seventh Circuit which had affirmed the district court's confirmation of a plan of reorganization in a Chapter X Bankruptcy Act proceeding. The plan provided for payment of the Government's tax claim over a long period of time with the unsecured creditors being paid ahead of the Government. The Supreme Court reversed the court of appeals and held that Rev. Stat. 3466 (31 U.S.C 191) required that the Government be paid first, ahead of other creditors, and that a plan which provided for payment contrary to the provision of R.S. 3466 was not fair, equitable and feasible and could not be confirmed by the district court over the Government's objection under the provision of section 199 of the Bankruptcy Act.

The Supreme Court reversed the judgment of the Court of Appeals for the Sixth Circuit in *United States* v. *Estate of Donnelly*, 397 U.S. 286 (1970). The Sixth Circuit had affirmed, per curiam, the judgment of the district court which had held that the Internal Revenue Service is required to attempt to file a notice of lien with the register of deeds before filing with the district court even though the State of Michigan, at that time, required a description of the land which was later held invalid in *United States* v. *Union Central Life Ins. Co.*, 368 U.S. 291 (1961). Additionally, the district court had held that, in any event, the *Union Central* decision should not be applied retroactively against good faith purchasers. The Supreme Court reasoned that the "* * * presence or absence of the legally futile act of tendering the noncomplying notice to the register of deeds could not be a factor determinative of the priority to be granted the federal tax lien." Moreover, it is not a question of the purchasers relying on a statute which was later held unconstitutional by the Supreme Court nor was it a situation where res judicata would be applicable. Instead, it is the principle that Acts of Congress are generally to be applied uniformly throughout the country from the effective date forward and the Service is entitled to adhere to what it believes to be the correct interpretation of a statute and to reap the benefits if the interpretation proves correct.

On March 3, 1970, the Supreme Court decided *United States* v. *W. M. Webb, Inc., et al.*, 387 U.S. 179 (1970), reversing and remanding 402 F. 2d 956 (5th Cir. 1968), involving the important issue of whether maritime law is to be applied in determining whether captains and crewmen of commercial fishing vessels are "employees" of the boat owners for employment tax purposes. The case involved menhaden fishing vessels used in the Atlantic Ocean and the Gulf of Mexico. The Supreme Court adopted the Government's view, and that of

the Court of Claims in *Cape Shore Fish Co. v. United States*, 330 F. 2d 961 (1964), that maritime law, rather than "common law" standards applicable to land-based activities, was to be applied. It described maritime law as "the common law of seafaring men." Under the standards of maritime law, an employer-employee relationship may exist even though the degree of control by the employer is more limited than in the case of land-based employees.

In *United States v. Maclin P. Davis*, 396 U.S. 815 (Mar. 23, 1970), the Supreme Court resolved a conflict between the circuits as to the proper test to be applied in determining whether a distribution in redemption of stock is "essentially equivalent to a dividend" under section 302(b)(1) of the 1954 Code. It rejected the "business purpose" or "flexible net effect" tests which had been applied in the past by a number of courts of appeals, and accepted the Government's "strict net effect" test. It held that purpose is irrelevant, the controlling test being whether or not the redemption actually results in a meaningful reduction of the stockholder's proportionate interest in the corporation. The Court also held that the attribution of ownership rules contained in section 318(a) of the 1954 Code must be applied in determining dividend equivalence under section 302(b)(1). Its holdings on these two points resulted in a decision against the taxpayer, who (after application of the attribution rules) was the sole shareholder of his corporation both before and after the redemption.

On May 18, 1970, the case of *Nash, et al. v. United States*, 398 U.S. 1 (1970), was decided adversely to the Government. This decision resolved a conflict between the circuits and held that taxpayers using the reserve method of accounting for bad debts do not realize taxable income in a nontaxable section 351 exchange when accounts receivable are transferred to a new corporation for stock having a value equal to the *net value* of the receivables. The Supreme Court reasoned that the "so-called tax benefit rule" could not be applied, because the transferors actually did not secure any "recovery" or "double benefit" from bad debt reserve items which had previously given rise to tax benefits. There was no "recovery" because it was concluded that the value of the securities received in the exchange was no greater than the face value of the receivables *less* the amount of the reserve.

Actions of Lower Courts

Civil Cases

The Court of Appeals for the Fifth Circuit in a decision rendered on June 24, 1970, in *United States v. Stewart, Trustee*, 428 F. 2d 319 (5th Cir. 1970), upheld the Government's contention that income tax deficiencies not assessed at the time of the petition in bankruptcy which the Government was prohibited from assessing prior to bankruptcy under section 6213 of the Internal Revenue Code will not be discharged regardless of how old the subject tax liability may be. The Court further stated that an assessment for the difference between the amount shown by the taxpayer on its return and the amount calculated as correct by the Service is an assessment for an amount of taxes not reported on a return made by the bankrupt. The Fifth Circuit was interpreting section 17a(1)(c) of the Bankruptcy Act as amended in 1966. The decision reversed both the Referee in Bankruptcy and the distirct court which had held that the taxes were dischargeable because the Government was not prohibited from assessing as there was no prohibition against sending a statutory notice at any time or against a jeopardy assessment.

In the case of *In re Halo Metal Products Co.*, 419 F. 2d 1068 (7th Cir. 1969), the taxpayer while operating as a debtor-in-possession under Chapter XI of the Bankruptcy Act incurred liabilities for unpaid withholding and social security taxes. Subsequently, the taxpayer was adjudicated as bankrupt. The Referee refused to declare a trust in favor of the United States on certain funds which were withholding taxes withheld from wages of the employees of the debtor but not paid over to the United States. On review, the Government contended that under section 7501(a) of the Internal Revenue Code, when one is required to collect taxes from another and subsequently pay the taxes collected, the monies collected constitute a trust for the benefit of the United States. The district court, while recognizing contrary authority, affirmed relying on *In re Green*, 264 F. Supp. 849 (D. Colo. 1967) and the footnote in *Nicholas v. United States*, 384 U.S. 678 (1966). In the opinion of the district court, the priorities should be determined under section 64(a) of the Bankruptcy Act and these priorities should not be changed by reason of the trust fund concept of Code section 7501(a). The Court of Appeals affirmed the district court and consequently the Government's claim for employment taxes was relegated to the priority accorded all other administrative expenses under section 64 (a)(1) of the Bankruptcy Act. Petition for certiorari has been filed by the Government.

In a case which will, in all probability, be the subject of a requested Supreme Court review, the Ninth Circuit held that "secondary premium payments" made by a Savings and Loan Association which was insured by the Federal Savings and Loan Insurance Corporation (FSLIC) were deductible in the year paid as ordinary and necessary business expenses (section 162). These payments, made pursuant to 12 U.S.C. 1727(d), were available to FSLIC to pay losses only after a "primary premium reserve" (payments thereto being annually deductible under section 162 by the member) was exhausted. By law, the "secondary premium payments" are suspended in any year once the total of both the primary and secondary reserves reach a certain level and the secondary reserve is then utilized to pay the primary premium. If an institution elects to terminate its insured status, FSLIC must refund its "secondary reserve." In so holding, the Court rejected the Commissioner's position, provided in Rev. Rul. 66–49, C.B. 1966–1, 36 (i.e., that the deduction is proper when the possibility of the return of the premiums has been precluded or the taxpayer's income and exepnses thereof are not matched) and the Tax Court's position that the premium payments into the secondary reserve are for the acquisition of something in the nature of a capital asset. *Lincoln Savings and Loan Association v. Commissioner*, 422 F. 2d 90 (9th Cir. 1970).

In *Steadman v. Commissioner*, 424 F. 2d 1 (6th Cir. 1970), however, the Court rejected the Commissioner's contention that a loss on a corporate stock which became worthless in the hands of an attorney, who allegedly purchased the stock solely to retain the corporation as a law client, was a capital loss pursuant to section 165(g) of the Code. It held the loss to be an ordinary loss under section 165(a) of the Code since it was purchased by the taxpayer as an integral and necessary part of his business, relying upon *Corn Products Co. v. Commissioner*, 350 U.S. 46 (1955), rather than purchased for investment. The Solicitor General has decided to request Supreme Court review in this case.

In *Maryland Savings-Share Insurance Corp. v. United States*, 308 F. Supp. 761 (D. Maryland 1970), the district court has held unconstitutional under the due process clause of the Fifth Amendment the provision of section 501(c)(14) of the 1954 Code which limits the tax exemption provided therein only to certain corporations organized before September 1, 1957. The court held that the taxpayer, which was organized after the cutoff date, was substantially identical in all material respects, except its organization date, to certain other similar coroprations which had been organized before the cutoff date and were entitled to the exemption under section 501(c)(14). It could find no rational basis for Congress making a distinction in this instance based solely on the organization date. It held that the taxpayer had been discriminated against arbitrarily and deprived of property without due process of law. The Government has applied directly to the Supreme Court for reversal of the district court's decision.

Criminal Cases

On February 25, 1970, the Supreme Court in *The Colonnade Catering Corp. v. United States*, 397 U.S. 72 (1970), reversed the decision of the Court of Appeals of the Second Circuit (410 F. 2d 197) and upheld the District Court's suppression of evidence seized from a retail liquor dealer by breaking open a locked liquor storeroom. The Court based its decision on the construction of the statute providing for entry and inspection of premises of retail liquor dealers, holding that the statute did not authorize forced entry. However, the Court held that refusal to permit entry of Internal Revenue officers would subject the proprietor to the penalty imposed by 26 U.S.C., section 7342. The Court specifically declined to apply the rule laid down in *Camara v. Municipal Court*, 387 U.S. 523, and *See v. City of Seattle*, 387 U.S. 541, which would have required the obtaining of a search warrant before the penalty for refusal to permit inspection could be invoked.

In *United States v. Premises, 801 N. Seventh St.*, 310 F. Supp. 1316 (S.D. Ill. 1970), a search warrant had been approved under Title IX, Omnibus Crime Control and Safe Streets Act of 1968 (see 18 U.S.C. 3103(a)) to seize books and records of Dr. Vincent R. Hill. In his motion for the return of property and to suppress evidence, Dr. Hill questioned in part whether a search warrant could validly issue for the seizure of private books, papers and documents in light of the Fifth Amendment. The Court in denying the motion, noted that there is "no special sanctity in papers, as distinguished from other forms of property, which renders them immune from search and seizure," and that the "documents sought to be seized were instrumentalities by which the crimes of willfully attempted tax evasion had been and were then being committed, as well as evidence of the crime of willfully attempted tax evasion." As instrumentalities, the Court held they were subject to forfeiture, and as evidence were subject to seizure.

The Tenth Circuit affirmed the conviction of Arthur J. Porth on a five count indictment charging willful failure to account for and pay over withholding and FICA taxes, willful failure to file employer's quarterly tax returns, and willful failure to file an individual income tax return for 1963. *United States v. Porth*, 70–1 USTC 9329 (10th Cir. 1970). In regard to the latter charge, it was shown that Mr. Porth submitted an income tax form containing only his name and reference to various constitutional provisions which he asserted excused him from filing a return. The form filed was completely devoid of information concerning his income, provided no basis on which his tax could be computed, and was accordingly held by the Tenth Circuit not to be a return within the meaning of the Internal Revenue Code or related regulations.

United States v. Prudden, 70–1 USTC 9336 (5th Cir. 1970), involved not only the matter of "custodial interrogation" as defined in *Miranda v. Arizona*, 384 U.S. 436, 444 (1966), but likewise the matter of alleged fraud and deceit by Internal Revenue Service agents through soliciting taxpayer's cooperation and failing to advise him of possible criminal consequences of

their inquiry. In considering the alleged improper conduct of Service agents, the U.S. district court had suppressed all corporate and personal records furnished to the Internal Revenue Service on the ground that they had been obtained by the agents' fraud and deceit in preventing the taxpayer from understanding that their investigation might have criminal, as well as civil consequences. The Fifth Circuit reversed the suppression order, holding that the record did not disclose any affirmative misrepresentation that would establish the existence of fraud. The Court found, after a careful review of the whole record, that the ultimate finding of fraud and deceit on the part of the agents was a mistaken one. True, the agents never advised the taxpayer that their examination of the tax returns might result in a criminal prosecution, but they were not required to do so. Such a warning was held to be inherent in the agent's statement that they were there to audit the returns. The Court held that the burden is on the movant in a suppression hearing to establish his right to suppression of the evidence by clear and convincing evidence. The Court then went into each facet of the evidence, which the taxpayer had contended constituted affirmative fraud, deceit or trickery, and concluded that "[w]hen the record is taken most favorably to Prudden's position it falls markedly short of demonstrating by clear and convincing evidence that he was the victim of fraud, deceit or trickery." In rejecting taxpayer's contention that he was entitled to *Miranda* warnings the Fifth Circuit noted that there was "no factual support for a contention that *Prudden* was put in such an emotional state as to impair his capacity for rational judgment," and "no evidence that the incriminating evidence was coerced as a matter of law; *i.e.*, was the result of in-custody interrogation or anything approaching comparable pressures." The Court recognized that of the nine Judicial Circuits which have spoken on this issue, decisions favorable to the Government have resulted in all but the seventh Circuit. *United States* v. *Dickerson*, 413 F. 2d 1111 (7th Cir. 1969) and *United States* v. *Habig*, 413 F. 2d 1108 (7th Cir. 1969). [Note.—*Prudden, supra; Simon* v. *United States*, 421 F. 2d 667 (9th Cir. 1970), cert. den. 38 LW 3453; and *United States* v. *Caiello*, 420 F. 2d 472 (2d Cir. 1969), cert. den. 38 LW 3406 (1970); have specifically rejected the rationale of the *Dickerson* opinion.] Compare *United States* v. *Heffner*, 420 F. 2d 809 (4th Cir. 1969).

Statistics of Income Reports Published

Individual Income Tax Returns, 1968, Preliminary (31 pp., 25¢)
Corporation Income Tax Returns, 1966 (316 pp., $3)
Corporation Income Tax Returns, 1967, Preliminary (32 pp., 35¢)
Foreign Income and Taxes Reported on Corporation Income Tax Returns, 1962, Supplemental Report (263 pp., $2)
Individual Income Tax Returns, 1967 (259 pp. $2.75)
U.S. Business Tax Returns, 1967, Preliminary (34 pp., 35¢)
U.S. Business Tax Returns, 1966 (321 pp., $2.50)

Statistical Tables

Notes:

All yearly data are on a fiscal year basis, unless otherwise specified. For example, data headed "1970" pertain to the fiscal year ended June 30, 1970. and "July 1," inventory items under this heading reflect inventories as of July 1, 1969.

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 papers on page 93.

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

[In thousands of dollars. See table 3, p. 118 for tax rates and further breakdown of national totals by sources]

Internal revenue regions, districts, States, and other areas [1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Total internal revenue collections	Corporation income tax [2]	Individual income and employment taxes: Total	Income tax not withheld and self-employment tax [3] [4]	Income tax withheld and old-age and disability insurance [3] [5]	Railroad retirement	Unemployment insurance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
United States, total	**195,722,096**	**35,036,983**	**141,100,773**	**28,177,709**	**111,166,075**	**988,851**	**776,139**
North-Atlantic Region	**41,983,850**	**10,781,292**	**30,373,135**	**5,295,949**	**24,840,383**	**59,107**	**177,696**
Albany (See (c) below)	1,902,766	206,330	1,637,653	188,186	1,435,341	3,987	10,140
Augusta (Maine)	488,416	72,268	394,679	99,437	288,569	4,354	2,319
Boston (Massachusetts)	5,586,039	963,256	4,201,680	852,941	3,318,994	5,896	23,849
Brooklyn (See (c) below)	3,896,877	438,184	3,252,169	963,418	2,261,056	10,863	16,830
Buffalo (See (c) below)	3,704,893	873,778	2,636,592	449,398	2,171,860	198	15,226
Burlington (Vermont)	226,674	26,275	187,279	49,052	136,236	1,039	952
Hartford (Connecticut)	3,500,554	600,288	2,670,910	651,420	2,002,887	44	16,558
Manhattan (See (c) below)	23,359,896	7,399,340	14,326,523	1,848,046	12,360,534	32,679	85,264
Portsmouth (New Hampshire)	444,970	55,281	376,814	82,790	291,785	26	2,214
Providence (Rhode Island)	871,965	146,290	688,837	111,351	573,122	20	4,344
Mid-Atlantic Region	**28,388,517**	**4,461,809**	**21,014,338**	**3,917,900**	**16,640,645**	**344,339**	**111,454**
Baltimore (Maryland and D.C.)	5,203,730	489,561	4,260,195	683,463	3,453,280	108,498	14,953
Newark (New Jersey)	7,205,080	1,473,501	5,101,640	1,126,512	3,939,143	5,706	30,279
Philadelphia (See (e) below)	7,337,456	1,025,545	5,562,215	1,051,399	4,332,425	167,688	30,703
Pittsburgh (See (e) below)	4,503,438	612,174	3,429,194	507,218	2,887,674	13,434	20,869
Richmond (Virginia)	2,891,796	338,472	1,970,809	449,388	1,461,626	49,009	10,786
Wilmington (Delaware)	1,247,018	522,557	690,287	119,919	566,498	5	3,865
Southeast Region	**16,491,118**	**2,605,380**	**11,849,699**	**3,015,549**	**8,710,485**	**50,120**	**73,545**
Atlanta (Georgia)	2,948,525	529,263	2,209,175	459,786	1,734,190	2,209	12,991
Birmingham (Alabama)	1,436,521	174,958	1,140,268	253,154	871,327	8,388	7,399
Columbia (South Carolina)	1,069,860	164,741	867,070	177,635	683,307	137	5,991
Greensboro (North Carolina)	4,164,654	717,840	2,197,959	451,774	1,728,452	1,224	16,508
Jackson (Mississippi)	658,467	90,670	516,058	146,896	365,391	507	3,264
Jacksonville (Florida)	4,216,344	598,448	3,333,447	1,124,474	2,155,847	35,825	17,301
Nashville (Tennessee)	1,996,748	329,379	1,585,723	401,830	1,171,971	1,831	10,091
Central Region	**33,187,968**	**6,102,006**	**21,686,502**	**3,533,438**	**17,971,629**	**67,224**	**114,211**
Cincinnati (See (d) below)	4,035,981	815,614	2,943,961	585,892	2,339,714	878	17,477
Cleveland (See (d) below)	7,793,172	1,345,494	5,582,754	787,037	4,741,828	25,104	28,790
Detroit (Michigan)	13,303,001	2,906,496	7,874,815	1,114,452	6,701,322	13,753	45,289
Indianapolis (Indiana)	4,701,325	630,780	3,601,856	602,153	2,984,391	1,531	13,780
Louisville (Kentucky)	2,672,306	315,212	1,121,108	299,826	789,396	25,911	5,975
Parkersburg (West Virginia)	682,183	88,410	562,008	144,083	414,978	47	2,901
Midwest Region	**30,253,384**	**5,716,575**	**22,211,641**	**4,368,344**	**17,324,174**	**295,582**	**123,541**
Aberdeen (South Dakota)	244,057	24,583	208,609	79,691	128,013	2	903
Chicago (See (b) below)	12,594,890	2,593,866	9,078,219	1,561,129	7,334,899	126,511	55,680
Des Moines (Iowa)	1,612,687	264,438	1,283,605	439,769	837,394	498	5,944
Fargo (North Dakota)	241,029	19,958	210,089	80,863	128,360	32	834
Milwaukee (Wisconsin)	3,532,328	708,514	2,531,437	482,722	2,033,685	570	14,459
Omaha (Nebraska)	1,132,991	153,167	880,410	237,289	594,080	45,233	3,807
St. Louis (Missouri)	5,125,196	876,748	3,796,971	645,479	3,072,678	58,255	20,558
St. Paul (Minnesota)	3,552,964	712,009	2,657,591	468,877	2,112,571	61,807	14,336
Springfield (See (b) below)	2,215,042	363,292	1,464,710	372,524	1,082,494	2,674	7,018
Southwest Region	**16,788,230**	**2,376,522**	**12,731,571**	**3,255,640**	**9,419,372**	**81,232**	**65,328**
Albuquerque (New Mexico)	408,963	32,651	356,818	88,447	266,777	9	1,585
Austin (See (f) below)	4,573,252	553,927	3,211,662	836,682	2,354,044	3,704	17,232
Cheyenne (Wyoming)	159,214	10,988	128,590	48,584	79,439	1	587
Dallas (See (f) below)	3,708,137	630,415	2,885,299	750,291	2,104,949	12,646	17,413
Denver (Colorado)	2,475,180	205,215	2,052,891	277,996	1,760,570	7,997	6,338
Little Rock (Arkansas)	671,670	89,888	538,216	181,493	353,077	344	3,303
New Orleans (Louisiana)	1,704,717	246,273	1,354,113	360,761	984,747	1,023	7,582
Oklahoma City (Oklahoma)	1,733,006	233,127	1,160,634	298,866	855,127	101	6,541
Wichita (Kansas)	1,274,071	174,037	1,033,348	312,531	660,643	55,407	4,767
Western Region	**26,078,766**	**3,427,830**	**20,578,305**	**4,369,164**	**16,020,403**	**83,222**	**105,516**
Anchorage (Alaska)	177,160	14,651	159,224	25,435	133,156	(*)	633
Boise (Idaho)	459,076	59,011	390,262	78,083	309,398	474	2,307
Helena (Montana)	287,396	35,297	241,632	86,252	154,046	296	1,038
Honolulu (Hawaii)	602,998	84,519	493,050	99,273	391,427	11	2,340
Los Angeles (See (a) below)	10,743,571	1,635,228	8,351,325	1,744,580	6,559,862	1,273	45,610
Phoenix (Arizona)	897,885	100,134	761,698	210,150	547,499	155	3,894
Portland (Oregon)	1,463,337	239,544	1,164,207	267,067	886,456	3,956	6,727
Reno (Nevada)	437,219	58,532	348,788	115,564	231,465	7	1,768
Salt Lake City (Utah)	506,926	71,948	414,802	83,655	328,021	1,023	2,103
San Francisco (See (a) below)	7,852,664	806,010	6,121,262	1,210,592	4,807,581	75,091	27,997
Seattle (Washington)	2,650,533	322,958	2,132,046	448,513	1,671,493	941	11,099
Office of International Operations	**864,049**	**60,706**	**695,759**	**94,753**	**594,770**	**1,505**	**4,732**
Puerto Rico	782,563	4,415	194,597	8,551	181,469		4,577
Other	581,486	62,291	501,161	86,202	413,301	1,505	154
Undistributed:							
Federal tax deposits and depository receipts [9]	−681,896	−319,482	−362,975		−361,611	−1,479	115
Gasoline, lubricating oil, and excess FICA credits [7]	445,397	18,425	426,972	426,972			
Transferred to Government of Guam	−11,140		−11,140		−11,140		
Withheld taxes of Federal employees	16,965		16,965		16,965		
Clearing account for Excise taxes—aviation fuel and oil—Air Force	−91						
Totals for States not shown above							
(a) California	18,596,235	2,441,238	14,472,587	2,955,173	11,367,443	76,365	73,607
(b) Illinois	14,809,933	2,957,159	10,542,928	1,933,653	8,417,393	129,184	62,698
(c) New York	32,864,432	8,917,633	21,852,937	3,448,958	18,228,791	47,727	127,460
(d) Ohio	11,829,153	2,161,108	8,526,715	1,372,924	7,081,542	25,982	45,267
(e) Pennsylvania	11,840,894	1,637,720	8,991,408	1,538,616	7,220,099	181,121	51,572
(f) Texas	8,281,389	1,184,342	6,096,961	1,586,973	4,458,993	16,350	34,645

See footnotes on p. 120

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. 118 for tax rates and further breakdown of national totals by sources]

Internal revenue regions, districts, States and other areas [1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Estate tax	Gift tax	Excise taxes, total (sum of columns 11, 26, 30, 31, 37, 38, and 50)	Alcohol taxes: Total	Distilled spirits taxes: Total	Imported (collected by customs)	Domestic [1]	Rectification [1]	Occupational [1]	Other [10]
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
United States, total	**3,241,321**	**438,755**	**15,904,264**	**4,746,382**	**3,483,297**	**748,631**	**2,695,773**	**25,101**	**13,192**	**601**
North-Atlantic Region	**773,924**	**152,336**	**3,902,382**	**621,964**	**450,325**	**243,154**	**202,233**	**2,050**	**2,848**	**41**
Albany (See (c) below)	27,579	7,950	23,254	14,778	308				308	*
Augusta (Maine)	12,849	632	7,989	2,437	2,220		2,172	23	25	*
Boston (Massachusetts)	118,818	17,313	284,972	172,058	156,208	86,453	68,503	781	470	1
Brooklyn (See (c) below)	92,703	9,049	104,772	75,731	10,529		9,823	44	662	(*)
Buffalo (See (c) below)	97,194	5,818	91,510	39,284	485		3		482	(*)
Burlington (Vermont)	10,319	759	2,041	102	43				39	4
Hartford (Connecticut)	90,057	15,792	123,508	71,801	70,396		69,826	259	279	31
Manhattan (See (c) below)	293,417	93,893	1,246,722	234,070	209,761	156,701	51,685	939	434	2
Portsmouth (New Hampshire)	9,418	660	2,796	302	263		222	4	38	
Providence (Rhode Island)	21,570	450	14,818	11,402	112				111	1
Mid-Atlantic Region	**463,186**	**59,341**	**2,389,841**	**776,893**	**580,179**	**62,533**	**508,601**	**6,666**	**2,275**	**102**
Baltimore (Maryland and D.C.)	82,657	9,437	361,880	267,396	232,969	62,533	166,093	4,005	329	9
Newark (New Jersey)	119,611	15,674	494,654	260,976	162,657		161,358	552	746	2
Philadelphia (See (e) below)	110,034	8,024	631,638	151,674	114,178		112,085	1,367	653	74
Pittsburgh (See (e) below)	84,293	11,920	365,857	88,659	64,861		63,647	744	459	11
Richmond (Virginia)	41,115	7,317	534,084	8,137	5,464		5,418		40	6
Wilmington (Delaware)	25,476	6,969	1,729	51	49		(*)		49	(*)
Southeast Region	**301,221**	**29,077**	**1,705,822**	**130,607**	**67,751**	**39,432**	**36,264**	**59**	**712**	**285**
Atlanta (Georgia)	45,650	5,918	158,518	10,450	5,727		5,526	38	118	46
Birmingham (Alabama)	16,635	2,644	102,017	2,362	2,174	2,054	43		50	27
Columbia (South Carolina)	15,904	1,410	20,736	719	145		16		68	61
Greensboro (North Carolina)	48,618	3,420	1,196,818	12,774	123		23		24	75
Jackson (Mississippi)	10,559	1,142	40,038	232	93		26		50	18
Jacksonville (Florida)	132,394	11,811	140,244	81,118	36,662	28,378	7,895	21	341	26
Nashville (Tennessee)	31,461	2,734	47,451	22,950	22,827		22,735		61	31
Central Region	**354,734**	**44,968**	**4,999,758**	**1,544,447**	**1,412,979**	**226,267**	**1,175,251**	**10,110**	**1,298**	**45**
Cincinnati (See (d) below)	67,583	5,704	203,119	158,817	128,360		126,630	1,530	199	2
Cleveland (See (d) below)	86,168	19,601	759,156	100,562	80,158	73,287	6,407	101	361	2
Detroit (Michigan)	101,155	12,576	2,407,959	259,914	218,025	152,980	64,114	465	445	21
Indianapolis (Indiana)	48,866	3,793	416,031	324,609	300,921		294,662	6,056	199	5
Louisville (Kentucky)	39,425	2,649	1,193,913	694,259	679,431		677,382	1,965	70	14
Parkersburg (West Virginia)	11,537	646	19,581	6,285	6,084		6,056	2	25	1
Midwest Region	**466,585**	**64,969**	**1,891,414**	**801,817**	**486,530**	**56,656**	**423,067**	**4,291**	**2,587**	**10**
Aberdeen (South Dakota)	4,194	201	6,470	68	43		(*)		43	
Chicago (See (b) below)	200,007	28,424	694,374	173,162	156,221	42,351	112,595	537	735	2
Des Moines (Iowa)	30,653	3,070	30,322	408	151		(*)		150	1
Fargo (North Dakota)	4,590	162	6,230	98	86	44			42	1
Milwaukee (Wisconsin)	53,343	11,390	227,644	136,654	5,521	3,276	1,532	8	705	1
Omaha (Nebraska)	20,227	1,937	77,250	7,834	103				103	(*)
St. Louis (Missouri)	65,386	9,495	376,596	125,435	35,227	7,930	26,543	432	320	3
St. Paul (Minnesota)	47,329	7,849	128,186	52,208	10,692	3,055	7,301	98	146	2
Springfield (See (b) below)	40,857	1,840	344,343	305,949	278,575		275,095	3,216	263	(*)
Southwest Region	**282,668**	**39,223**	**1,488,226**	**201,759**	**44,048**	**29,774**	**13,075**	**2**	**1,110**	**87**
Albuquerque (New Mexico)	10,556	1,001	7,937	685	679		586	(*)	93	(*)
Austin (See (f) below)	69,990	10,767	726,906	65,540	19,209	18,150	900		141	19
Cheyenne (Wyoming)	2,886	286	16,463	44	36				36	(*)
Dallas (See (f) below)	65,704	9,900	116,818	27,738	199		80		112	6
Denver (Colorado)	34,898	5,576	176,601	63,322	206		(*)		188	18
Little Rock (Arkansas)	11,317	1,504	30,746	581	51		6		40	6
New Orleans (Louisiana)	32,084	3,343	68,904	41,281	22,282	11,624	10,251	2	373	32
Oklahoma City (Oklahoma)	25,269	4,207	309,769	1,161	67		11		51	5
Wichita (Kansas)	29,963	2,640	34,082	1,406	1,318		1,241		77	(*)
Western Region	**583,865**	**47,955**	**1,440,810**	**598,695**	**371,337**	**99,814**	**268,201**	**843**	**2,441**	**32**
Anchorage (Alaska)	479	63	2,743	176	172	133	(*)		39	(*)
Boise (Idaho)	4,309	184	5,311	85	40				40	
Helena (Montana)	6,250	594	3,623	866	845	2	773	3	66	1
Honolulu (Hawaii)	9,976	2,346	13,107	4,980	2,377	2,178	129	2	68	(*)
Los Angeles (See (a) below)	282,521	17,473	457,025	156,695	94,432	37,798	55,557	168	906	3
Phoenix (Arizona)	26,500	3,277	6,275	2,483	206	38	(*)		167	(*)
Portland (Oregon)	21,652	2,781	35,153	12,476	6,298	1,822	4,388		82	7
Reno (Nevada)	12,415	4,443	13,031	116	109				98	12
Salt Lake City (Utah)	3,809	827	15,540	39	8				8	(*)
San Francisco (See (a) below)	172,630	11,068	741,694	348,551	243,529	37,681	204,441	660	739	7
Seattle (Washington)	43,324	4,897	147,303	72,231	23,316	20,162	2,914	10	229	1
Office of International Operations	**15,137**	**906**	**85,541**	**70,199**	**70,151**		**69,080**	**1,071**		
Puerto Rico	99	417	83,036	70,199	70,151		69,080	1,071		
Other	15,039	490	2,505							
Undistributed:										
Federal tax deposits and depository receipts [9]			561							
Gasoline, lubricating oil, and excess FICA credits [7]										
Transferred to Government of Guam										
Withheld taxes of Federal employees										
Clearing account for Excise taxes—aviation fuel and oil—Air Force			91							
Totals for States not shown above										
(a) California	455,151	28,540	1,196,719	505,246	337,961	75,479	259,999	829	1,644	11
(b) Illinois	240,864	30,265	1,038,717	479,111	434,796	42,351	387,691	3,753	199	2
(c) New York	510,893	116,710	1,466,258	363,863	221,083	156,701	61,510	993	1,896	3
(d) Ohio	153,751	25,304	902,275	259,379	208,518	73,287	133,037	1,631	559	4
(e) Pennsylvania	194,327	19,944	997,494	240,333	179,039		175,732	2,111	1,112	85
(f) Texas	135,694	20,667	843,724	93,278	19,408	18,150	980		253	25

See footnotes on 120.

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. 118 for tax rates and further breakdown of national totals by sources]

Internal revenue regions, districts, States, and other areas [1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Alcohol taxes—Continued: Wines, cordials, etc., taxes: Total (18)	Imported (collected by Customs) (19)	Domestic (20)	Occupational taxes [11] (21)	Beer taxes: Total (22)	Imported (collected by Customs) (23)	Domestic [9] (24)	Occupational taxes [12] (25)
United States, total	**182,929**	**36,751**	**143,602**	**2,576**	**1,080,156**	**6,594**	**1,069,555**	**4,008**
North-Atlantic Region	**46,135**	**20,992**	**25,044**	**99**	**125,505**	**1,311**	**121,439**	**755**
Albany (See (c) below)	480		478	3	13,990		13,900	90
Augusta (Maine)	159		159	(*)	57			57
Boston (Massachusetts)	2,517	2,019	483	15	13,333	987	12,339	7
Brooklyn (See (c) below)	4,934		4,921	13	60,268		60,072	196
Buffalo (See (c) below)	17,024		17,020	4	21,775		21,600	175
Burlington (Vermont)	52			52	6			6
Hartford (Connecticut)	640		645	4	765		709	57
Manhattan (See (c) below)	20,320	18,973	1,338	9	3,988	2,324	1,538	127
Portsmouth (New Hampshire)	1		(*)	(*)	38			38
Providence (Rhode Island)	7			7	11,283		11,281	2
Mid-Atlantic Region	**13,487**	**1,500**	**11,712**	**276**	**183,227**	**439**	**182,339**	**449**
Baltimore (Maryland and D.C.)	1,831	1,500	297	34	32,596	439	32,099	57
Newark (New Jersey)	8,266		8,263	3	90,052		90,016	36
Philadelphia (See (e) below)	1,716		1,715	1	35,781		35,638	142
Pittsburgh (See (e) below)	5		(*)	5	23,792		23,687	105
Richmond (Virginia)	1,669		1,436	232	1,005		898	107
Wilmington (Delaware)	1			1	2			2
Southeast Region	**4,985**	**2,173**	**1,961**	**851**	**57,871**	**391**	**56,695**	**785**
Atlanta (Georgia)	531		462	69	4,192		4,128	64
Birmingham (Alabama)	52	50		2	136	40		95
Columbia (South Carolina)	485		341	144	89		(*)	89
Greensboro (North Carolina)	191		(*)	191	12,460		12,340	120
Jackson (Mississippi)	2			2	137			137
Jacksonville (Florida)	3,721	2,121	1,159	441	40,735	350	40,226	159
Nashville (Tennessee)	2		1	1	121			121
Central Region	**9,147**	**4,543**	**4,198**	**406**	**122,320**	**562**	**121,630**	**129**
Cincinnati (See (d) below)	1,354		1,249	105	29,103		29,091	12
Cleveland (See (d) below)	4,632	4,019	481	132	15,772	51	15,709	12
Detroit (Michigan)	2,376	524	1,745	106	39,513	511	38,993	9
Indianapolis (Indiana)	59			59	23,623		23,605	23
Louisville (Kentucky)	722		722	1	14,105		14,078	27
Parkersburg (West Virginia)	3			3	198		153	45
Midwest Region	**9,710**	**2,202**	**7,498**	**10**	**305,577**	**424**	**304,585**	**568**
Aberdeen (South Dakota)	(*)			(*)	25			25
Chicago (See (b) below)	6,315	1,287	5,026	2	10,625	305	10,290	29
Des Moines (Iowa)	60		58	1	197		128	69
Fargo (North Dakota)	4	4			8	(*)		7
Milwaukee (Wisconsin)	320	253	64	4	130,813	111	130,550	152
Omaha (Nebraska)	54		54	(*)	7,677		7,654	23
St. Louis (Missouri)	2,436	284	2,151	1	87,773	4	87,669	100
St. Paul (Minnesota)	519	374	145	(*)	41,087	2	40,949	135
Springfield (See (b) below)	2		1	1	27,373		27,344	28
Southwest Region	**6,656**	**768**	**5,527**	**401**	**151,015**	**240**	**149,898**	**876**
Albuquerque (New Mexico)	2		2	1	4			4
Austin (See (f) below)	1,837	538	1,016	283	44,494	176	43,959	359
Cheyenne (Wyoming)	(*)			(*)	7			7
Dallas (See (f) below)	312		220	92	27,228		27,129	99
Denver (Colorado)	2,428		2,425	3	60,687		60,645	42
Little Rock (Arkansas)	491		475	15	39			39
New Orleans (Louisiana)	1,600	230	1,367	3	17,399	65	17,230	104
Oklahoma City (Oklahoma)	25		22	3	1,069		935	134
Wichita (Kansas)	1			1	87			87
Western Region	**92,766**	**4,575**	**87,659**	**532**	**134,597**	**1,228**	**132,924**	**445**
Anchorage (Alaska)	1	1		(*)	3	(*)		3
Boise (Idaho)	1			1	45			45
Helena (Montana)	1	(*)		(*)	20	1		20
Honolulu (Hawaii)	297	76	219	2	2,305	110	2,189	7
Los Angeles (See (a) below)	5,936	3,104	2,749	82	56,327	731	55,430	165
Phoenix (Arizona)	41	1	(*)	40	2,236	1	2,224	12
Portland (Oregon)	192	53	26	113	5,986	16	5,934	36
Reno (Nevada)	2			2	5			5
Salt Lake City (Utah)	(*)			(*)	29			29
San Francisco (See (a) below)	84,099	1,213	82,694	191	20,923	324	20,502	97
Seattle (Washington)	2,197	127	1,970	101	46,718	45	46,646	27
Office of International Operations	3		3		45		45	
Puerto Rico	3		3		45		45	
Other								
Undistributed:								
Federal tax deposits and depository receipts [6]								
Gasoline, lubricating oil, and excess FICA credits [7]								
Transferred to Government of Guam								
Withheld taxes of Federal employees								
Totals for States not shown above								
(a) California	90,034	4,317	85,444	274	77,250	1,055	75,932	262
(b) Illinois	6,317	1,287	5,027	3	37,997	305	37,635	57
(c) New York	42,759	18,973	23,757	29	100,022	2,374	97,110	588
(d) Ohio	5,986	4,019	1,731	237	44,875	51	44,800	24
(e) Pennsylvania	1,721		1,715	5	59,573		59,326	247
(f) Texas	2,149	538	1,236	375	71,722	176	71,088	458

See footnotes on p. 120.

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. 118 for tax rates and further breakdown of national totals by sources]

Internal revenue regions, districts, States, and other areas [1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Tobacco Taxes: Total (26)	Cigarettes [4] (27)	Cigars [5] (28)	Other [6] [13] (29)	Total stamp taxes on documents and other instruments (30)
United States, total	**2,094,212**	**2,036,101**	**56,834**	**1,277**	**220**
North-Atlantic Region	**866**	**127**	**331**	**408**	**15**
Albany (See (c) below)	17		17		(*)
Augusta (Maine)					
Boston (Massachusetts)	47	(*)	2	45	1
Brooklyn (See (c) below)	4	(*)	4	(*)	4
Buffalo (See (c) below)	(*)	(*)	(*)		(*)
Burlington (Vermont)					
Hartford (Connecticut)	226		226		(*)
Manhattan (See (c) below)	571	127	81	363	10
Portsmouth (New Hampshire)	(*)		(*)		
Providence (Rhode Island)	(*)		(*)		
Mid-Atlantic Region	**509,016**	**483,113**	**25,860**	**43**	**10**
Baltimore (Maryland and D.C.)	68		53	15	(*)
Newark (New Jersey)	41	(*)	12	29	6
Philadelphia (See (e) below)	24,442	13	24,430		3
Pittsburgh (See (e) below)	419	(*)	419		(*)
Richmond (Virginia)	484,046	483,100	946		1
Wilmington (Delaware)	(*)	(*)			(*)
Southeast Region	**1,140,888**	**1,123,832**	**16,386**	**669**	**12**
Atlanta (Georgia)	958	(*)	958		1
Birmingham (Alabama)	2,078		2,078	(*)	4
Columbia (South Carolina)	2,014		2,014		(*)
Greensboro (North Carolina)	1,124,203	1,123,677	44	482	2
Jackson (Mississippi)					3
Jacksonville (Florida)	11,472	155	11,289	29	1
Nashville (Tennessee)	162		4	159	1
Central Region	**433,148**	**429,019**	**4,038**	**91**	**1**
Cincinnati (See (d) below)	113		113		
Cleveland (See (d) below)	777		775	2	(*)
Detroit (Michigan)	4	(*)	2	2	(*)
Indianapolis (Indiana)	459		459	(*)	1
Louisville (Kentucky)	431,562	429,019	2,456	87	(*)
Parkersburg (West Virginia)	233		233		(*)
Midwest Region	**12**	(*)	**10**	**2**	**58**
Aberdeen (South Dakota)					1
Chicago (See (b) below)	4	(*)	3	1	48
Des Moines (Iowa)					(*)
Fargo (North Dakota)	(*)			(*)	1
Milwaukee (Wisconsin)	7		6	1	1
Omaha (Nebraska)	1		1		3
St. Louis (Missouri)	1		1		3
St. Paul (Minnesota)	(*)	(*)	(*)	(*)	1
Springfield (See (b) below)					(*)
Southwest Region	**170**	**5**	**163**	**2**	**47**
Albuquerque (New Mexico)	(*)			(*)	1
Austin (See (f) below)	168	3	163	2	5
Cheyenne (Wyoming)					(*)
Dallas (See (f) below)					37
Denver (Colorado)					2
Little Rock (Arkansas)	(*)			(*)	
New Orleans (Louisiana)	2	2	(*)	(*)	1
Oklahoma City (Oklahoma)	(*)		(*)		1
Wichita (Kansas)					(*)
Western Region	**91**	**5**	**24**	**62**	**78**
Anchorage (Alaska)	(*)			(*)	
Boise (Idaho)					
Helena (Montana)	(*)			(*)	
Honolulu (Hawaii)	9	(*)		9	2
Los Angeles (See (a) below)	61	(*)	21	40	26
Phoenix (Arizona)	(*)	(*)	(*)	(*)	6
Portland (Oregon)	(*)			(*)	(*)
Reno (Nevada)					(*)
Salt Lake City (Utah)	(*)		(*)		1
San Francisco (See (a) below)	19	4	3	13	43
Seattle (Washington)	1	(*)		(*)	(*)
Office of International Operations	**10,022**		**10,022**	(*)	
Puerto Rico	10,022		10,022	(*)	
Other					
Undistributed:					
Federal tax deposits and depository receipts [6]					
Gasoline, lubricating oil, and excess FICA credits [7]					
Transferred to Government of Guam					
Withheld taxes of Federal employees					
Totals for States not shown above					
(a) California	80	4	24	52	68
(b) Illinois	4	(*)	3	1	48
(c) New York	593	127	102	364	14
(d) Ohio	890		888	2	(*)
(e) Pennsylvania	24,861	13	24,849		3
(f) Texas	168	3	163	2	41

See footnotes on p. 120.

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. 118 for tax rates and further breakdown of national totals by sources]

Internal revenue regions, districts, States, and other areas [1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)		Manufacturer's excise taxes: Total	Gasoline	Lubricating oil, etc.	Tires (wholly or in part of rubber), inner tubes, and tread rubber	Motor vehicles, chassis, bodies, parts, and accessories	Other [11]	Total retailers excises taxes [12]
		(31)	(32)	(33)	(34)	(35)	(36)	(37)
United States, total		**6,683,061**	**3,430,076**	**87,510**	**614,795**	**2,497,382**	**53,298**	**108**
North-Atlantic Region		**705,141**	**492,250**	**12,571**	**139,087**	**30,205**	**31,029**	**12**
Albany	(See (c) below)	3,119	2,375	19	46	500	178	
Augusta	(Maine)	3,520	3,073	2	326	115	5	
Boston	(Massachusetts)	31,979	26,970	136	522	1,778	2,572	(*)
Brooklyn	(See (c) below)	22,770	4,746	83	6,044	11,779	119	11
Buffalo	(See (c) below)	35,075	18,643	50	13,587	2,028	768	(*)
Burlington	(Vermont)	866	732	(*)	56	31	47	
Hartford	(Connecticut)	67,517	8,506	3	34,727	2,704	21,578	(*)
Manhattan	(See (c) below)	535,928	423,809	12,257	83,356	10,878	5,628	1
Portsmouth	(New Hampshire)	1,451	1,092	1	198	117	43	
Providence	(Rhode Island)	2,919	2,306	20	225	275	93	
Mid-Atlantic Region		**866,906**	**647,655**	**18,699**	**64,270**	**132,551**	**3,732**	(*)
Baltimore	(Maryland and D.C.)	56,486	20,619	225	34,455	766	421	
Newark	(New Jersey)	151,245	42,016	2,433	1,889	102,706	2,201	(*)
Philadelphia	(See (e) below)	365,092	319,692	7,856	12,898	23,866	780	(*)
Pittsburgh	(See (e) below)	273,713	257,768	8,135	3,414	4,350	46	
Richmond	(Virginia)	19,736	6,947	47	11,614	844	283	(*)
Wilmington	(Delaware)	635	613	3		18		(*)
Southeast Region		**149,136**	**118,481**	**1,188**	**11,334**	**16,049**	**2,143**	**1**
Atlanta	(Georgia)	49,601	44,697	513	1,551	2,731	108	
Birmingham	(Alabama)	13,690	7,741	47	1,207	4,647	48	(*)
Columbia	(South Carolina)	12,670	11,481	151	191	265	582	
Greensboro	(North Carolina)	32,980	28,323	58	2,407	2,147	44	
Jackson	(Mississippi)	11,513	5,275	1	5,384	838	14	
Jacksonville	(Florida)	15,214	10,762	340	381	2,487	1,244	1
Nashville	(Tennessee)	13,528	10,701	78	212	2,934	102	
Central Region		**2,744,688**	**252,351**	**4,966**	**368,687**	**2,116,967**	**1,635**	**−2**
Cincinnati	(See (d) below)	12,427	7,905	70	2,449	1,936	67	(*)
Cleveland	(See (d) below)	567,975	121,664	2,185	393,770	49,658	700	−2
Detroit	(Michigan)	2,069,363	42,564	284	−28,195	2,054,095	615	(*)
Indianapolis	(Indiana)	41,352	30,770	895	121	9,328	238	
Louisville	(Kentucky)	51,455	47,805	1,533	318	1,789	11	
Parkersburg	(West Virginia)	2,035	1,645	(*)	225	162	3	(*)
Midwest Region		**601,292**	**478,160**	**8,684**	**6,282**	**100,885**	**7,281**	**17**
Aberdeen	(South Dakota)	6,450	6,052	142	12	244	(*)	
Chicago	(See (b) below)	355,257	267,906	5,595	2,744	76,739	2,273	4
Des Moines	(Iowa)	19,521	14,901	136	1,082	3,011	391	(*)
Fargo	(North Dakota)	3,658	1,508	24	11	2,113	1	
Milwaukee	(Wisconsin)	57,332	45,732	232	240	10,416	713	
Omaha	(Nebraska)	6,928	5,916	366	12	557	77	
St. Louis	(Missouri)	80,988	72,294	1,279	1,816	5,507	93	12
St. Paul	(Minnesota)	46,096	41,214	844	329	81	3,534	
Springfield	(See (b) below)	25,150	22,637	67	36	2,212	199	
Southwest Region		**1,149,585**	**1,083,722**	**30,021**	**19,463**	**14,908**	**1,471**	**79**
Albuquerque	(New Mexico)	4,483	4,397	(*)	46	35	5	
Austin	(See (f) below)	691,238	664,638	20,837	4,043	1,655	64	3
Cheyenne	(Wyoming)	12,169	12,151	(*)	6	8	4	
Dallas	(See (f) below)	60,342	51,370	641	2,517	5,554	260	77
Denver	(Colorado)	35,120	20,542	−16	12,246	2,042	306	
Little Rock	(Arkansas)	24,612	23,174	78	44	600	715	
New Orleans	(Louisiana)	11,498	9,941	580	103	814	61	(*)
Oklahoma City	(Oklahoma)	290,797	279,374	7,491	402	3,480	51	
Wichita	(Kansas)	19,325	18,135	410	55	721	4	
Western Region		**466,181**	**357,423**	**11,386**	**5,655**	**85,788**	**5,935**	**1**
Anchorage	(Alaska)	14	3		(*)	9		
Boise	(Idaho)	2,532	2,028	23	79	145	258	
Helena	(Montana)	470	368	(*)	45	36	21	
Honolulu	(Hawaii)	1,395	50	(*)	126	1,203	10	
Los Angeles	(See (a) below)	207,641	162,189	4,681	2,995	35,396	2,380	
Phoenix	(Arizona)	390	93	(*)	101	185	10	
Portland	(Oregon)	17,106	1,543	9	311	15,155	89	1
Reno	(Nevada)	806	685	7	21	94	(*)	
Salt Lake City	(Utah)	4,937	1,806	4	187	375	2,566	
San Francisco	(See (a) below)	204,006	182,360	6,638	1,576	13,158	274	(*)
Seattle	(Washington)	26,884	6,299	18	214	20,026	326	
Office of International Operations		**153**	**32**		**18**	**29**	**73**	
Puerto Rico								
Other		153	32		18	29	73	
Undistributed:								
Federal tax deposits and depository receipts [5]								
Gasoline, lubricating oil, and excess FICA credits								
Transferred to Government of Guam								
Withheld taxes of Federal employees								
Totals for States not shown above								
	(a) California	411,647	344,549	11,319	4,571	48,555	2,654	(*)
	(b) Illinois	380,408	290,543	5,662	2,780	78,951	2,472	4
	(c) New York	596,889	449,572	12,409	103,033	25,185	6,690	12
	(d) Ohio	580,402	129,569	254	396,219	51,593	762	2
	(e) Pennsylvania	638,805	577,460	15,990	16,312	28,216	827	(*)
	(f) Texas	751,580	716,008	21,478	6,561	7,209	324	79

See footnotes on p. 120.

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. 118 for tax rates and further breakdown of national totals by sources]

Internal revenue regions, districts, States, and other areas [1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)		Miscellaneous excise taxes: Total	Admissions: theaters, concerts, athletic contests, roof gardens, cabarets, etc.	Telephone: wire, etc., and equipment services	Transportation of persons	Sugar	Diesel and special motor fuels
		(38)	(39)	(40)	(41)	(42)	(43)
United States, total		**2,342,222**	**−71**	**1,469,562**	**250,802**	**113,309**	**257,712**
North-Atlantic Region		**491,179**	**8**	**245,091**	**81,865**	**42,659**	**25,216**
Albany	(See (c) below)	4,322	(*)	2,141	49	(*)	1,024
Augusta	(Maine)	2,126	10	442	15	196	866
Boston	(Massachusetts)	64,711	2	46,443	3,285	2,499	2,399
Brooklyn	(See (c) below)	5,065	(*)	32	187	1,742	777
Buffalo	(See (c) below)	16,717		9,237	1,758	1	3,139
Burlington	(Vermont)	1,095		342	2	8	481
Hartford	(Connecticut)	26,413		18,397	22	2,830	1,982
Manhattan	(See (c) below)	368,977	−4	167,829	76,544	35,384	13,884
Portsmouth	(New Hampshire)	1,012	(*)	225	(*)		432
Providence	(Rhode Island)	753		4	3		232
Mid-Atlantic Region		**270,685**	**29**	**198,302**	**5,330**	**5,155**	**38,587**
Baltimore	(Maryland and D.C.)	46,764	−4	35,434	5,003	2	2,825
Newark	(New Jersey)	56,743	4	46,476	41	97	4,858
Philadelphia	(See (e) below)	108,166	28	83,706	211	5,054	11,976
Pittsburgh	(See (e) below)	24,888	(*)	6,629	43	3	14,720
Richmond	(Virginia)	32,953	2	26,056	24		4,006
Wilmington	(Delaware)	1,032	(*)	1	4		202
Southeast Region		**240,090**	**−56**	**158,574**	**34,370**	**13,230**	**22,112**
Atlanta	(Georgia)	100,179	−11	63,541	23,556	5,082	4,890
Birmingham	(Alabama)	68,739	−21	58,767	6	4,985	2,390
Columbia	(South Carolina)	5,258	−14	1,495	43		1,852
Greensboro	(North Carolina)	27,052		16,510	2,289	2	3,674
Jackson	(Mississippi)	3,151		321	2	(*)	1,438
Jacksonville	(Florida)	32,543	−8	14,091	8,419	1,161	3,960
Nashville	(Tennessee)	11,166	−1	3,849	56	(*)	3,908
Central Region		**220,691**	**4**	**165,675**	**709**	**2,298**	**30,290**
Cincinnati	(See (d) below)	20,331	−14	14,941	161		2,393
Cleveland	(See (d) below)	69,511	(*)	53,833	109	241	10,000
Detroit	(Michigan)	68,102	−4	54,797	255	2,053	4,832
Indianapolis	(Indiana)	41,165	3	29,603	130	3	6,722
Louisville	(Kentucky)	10,301	18	3,608	38	1	5,087
Parkersburg	(West Virginia)	11,282		8,843	15		1,256
Midwest Region		**512,771**	**−38**	**358,168**	**86,035**	**826**	**40,502**
Aberdeen	(South Dakota)	2,161	(*)	613	3	(*)	972
Chicago	(See (b) below)	102,393	−3	86,142	48,301	(*)	19,087
Des Moines	(Iowa)	10,838	−1	5,080	24		3,186
Fargo	(North Dakota)	1,692		699	(*)		598
Milwaukee	(Wisconsin)	36,244	(*)	29,081	120	2	3,488
Omaha	(Nebraska)	90,959		87,444	12	5	2,020
St. Louis	(Missouri)	169,966	−7	134,592	24,579	817	5,496
St. Paul	(Minnesota)	25,153		5,696	12,992	2	3,162
Springfield	(See (b) below)	13,366	−26	8,823	3	1	2,493
Southwest Region		**201,510**	**−32**	**76,073**	**15,588**	**30,590**	**56,875**
Albuquerque	(New Mexico)	3,372	−3	190	6		2,621
Austin	(See (f) below)	34,002	−22	2,067	2,125	3,798	20,877
Cheyenne	(Wyoming)	4,327		98	3		3,698
Dallas	(See (f) below)	37,562	−2	14,582	10,104	1	7,164
Denver	(Colorado)	79,793	−1	53,203	3,237	17,658	3,302
Little Rock	(Arkansas)	5,309		1,231	90		2,402
New Orleans	(Louisiana)	14,437	(*)	828	6	9,134	2,242
Oklahoma City	(Oklahoma)	15,454	−2	1,182	4		11,988
Wichita	(Kansas)	7,255	−2	2,700	13		2,581
Western Region		**395,172**	**15**	**267,577**	**26,723**	**19,473**	**44,130**
Anchorage	(Alaska)	2,500		1,730	405		97
Boise	(Idaho)	2,728	(*)	218	19		1,579
Helena	(Montana)	2,211	17	425	1		1,176
Honolulu	(Hawaii)	6,710		4,860	1,090	3	214
Los Angeles	(See (a) below)	118,386	(*)	69,409	22,222	1,448	16,664
Phoenix	(Arizona)	3,547		245	25	(*)	2,370
Portland	(Oregon)	6,714	−2	1,950	19	(*)	2,171
Reno	(Nevada)	12,066		125	1	(*)	1,437
Salt Lake City	(Utah)	10,248	(*)	107	2	7,869	1,214
San Francisco	(See (a) below)	184,006	1	148,380	2,442	10,150	15,153
Seattle	(Washington)	45,057		40,127	495	(*)	2,056
Office of International Operations		**2,201**		**105**	**181**	**1,080**	
Puerto Rico		1,083				1,080	
Other		1,120		105	181		
Undistributed:							
Federal tax deposits and depository receipts [5]							
Gasoline, lubricating oil, and excess FICA credits [7]							
Transferred to Government of Guam							
Withheld taxes of Federal employees							
Totals for States not shown above							
	(a) California	302,393	1	217,789	24,664	11,598	31,817
	(b) Illinois	175,760	−30	94,963	48,304	(*)	21,581
	(c) New York	395,070	−3	179,238	78,537	37,127	18,824
	(d) Ohio	89,842	−14	68,824	270	241	12,393
	(e) Pennsylvania	133,054	28	90,335	259	5,056	26,696
	(f) Texas	71,564	−23	16,649	12,229	3,799	28,041

See footnotes on p. 120.

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. 118 for tax rates and further breakdown of national totals by sources]

Internal revenue regions, districts, States, and other areas [1]		Miscellaneous excise taxes—Continued: Narcotics and marijuana including occupational taxes (44)	Coin-operated gaming devices (45)	Wagering taxes: Occupational (46)	Wagers (47)	Use tax on highway motor vehicles (48)	Other [15] (49)	Unclassified excise taxes (50)
States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)								
United States, total		**2,075**	**14,256**	**570**	**4,063**	**135,086**	**94,858**	**38,059**
North-Atlantic Region		**455**	**32**	**285**	**28**	**14,558**	**80,981**	**83,204**
Albany	(See (c) below)	58	(*)	2	1	957	89	1,018
Augusta	(Maine)	3		5	1	564	24	−94
Boston	(Massachusetts)	92	27	2	5	2,601	7,356	16,176
Brooklyn	(See (c) below)	125		25	6	1,658	504	1,197
Buffalo	(See (c) below)	44		219	4	2,249	67	436
Burlington	(Vermont)	2				257	4	−21
Hartford	(Connecticut)	10	1	3	1	1,594	1,573	−42,450
Manhattan	(See (c) below)	116		27	(*)	3,905	71,291	107,166
Portsmouth	(New Hampshire)	2	4	(*)	4	326	18	31
Providence	(Rhode Island)	3		1	6	448	55	−256
Mid-Atlantic Region		**471**	**593**	**27**	**82**	**19,221**	**2,706**	**−33,589**
Baltimore	(Maryland and D.C.)	36	425	7	5	2,386	645	−8,833
Newark	(New Jersey)	257	59	4	16	4,426	506	25,544
Philadelphia	(See (e) below)	116	8	9	8	6,157	892	−17,740
Pittsburgh	(See (e) below)	29	112	5	35	3,174	133	−21,822
Richmond	(Virginia)	31	90	1	13	2,671	59	−10,789
Wilmington	(Delaware)	1		(*)	5	407	472	−50
Southeast Region		**110**	**2,106**	**17**	**367**	**18,215**	**1,045**	**37,029**
Atlanta	(Georgia)	22	193	5	65	2,547	290	−2,671
Birmingham	(Alabama)	9	1	1	87	2,471	43	15,144
Columbia	(South Carolina)	9	734	1	28	1,109	2	75
Greensboro	(North Carolina)	24	34	1	9	4,242	269	−195
Jackson	(Mississippi)	8	238	2	37	1,098	7	25,139
Jacksonville	(Florida)	25	13	5	112	4,429	336	−106
Nashville	(Tennessee)	13	892	3	29	2,319	99	−357
Central Region		**123**	**614**	**76**	**1,070**	**19,306**	**527**	**56,866**
Cincinnati	(See (d) below)	24	164	3	57	2,529	73	11,431
Cleveland	(See (d) below)	16	50	20	142	4,932	116	20,333
Detroit	(Michigan)	21	2	22	35	5,872	217	10,575
Indianapolis	(Indiana)	54	155	15	565	3,857	59	8,444
Louisville	(Kentucky)	6	10	8	150	1,316	57	6,336
Parkersburg	(West Virginia)	2	233	9	120	4	799	−254
Midwest Region		**145**	**365**	**24**	**130**	**23,497**	**3,119**	**−24,557**
Aberdeen	(South Dakota)	2	89	(*)	2	479	1	−2,210
Chicago	(See (b) below)	32	25	11	10	6,166	2,622	3,505
Des Moines	(Iowa)	7	(*)	1	7	2,491	42	−446
Fargo	(North Dakota)	4	8	2	8	368	5	782
Milwaukee	(Wisconsin)	14	(*)	1	(*)	3,456	83	−2,594
Omaha	(Nebraska)	15	30	5	87	1,289	53	−28,475
St. Louis	(Missouri)	48	83	2	3	4,232	121	191
St. Paul	(Minnesota)	17	5	1	4	3,107	165	4,819
Springfield	(See (b) below)	8	124	1	7	1,907	27	−124
Southwest Region		**221**	**1,131**	**21**	**323**	**19,105**	**1,616**	**−64,925**
Albuquerque	(New Mexico)	9	13	1	1	515	20	−606
Austin	(See (f) below)	87	4	4	109	4,210	743	−64,049
Cheyenne	(Wyoming)	4	57	1	1	464	10	−77
Dallas	(See (f) below)	29	1	2	78	5,220	382	−8,937
Denver	(Colorado)	37	55	3	6	2,173	120	−1,636
Little Rock	(Arkansas)	9	112	2	48	1,410		244
New Orleans	(Louisiana)	20	635	5	44	1,191	232	1,685
Oklahoma City	(Oklahoma)	14	55	3	30	2,108	72	2,356
Wichita	(Kansas)	13	197	(*)	5	1,713	34	6,096
Western Region		**548**	**9,314**	**120**	**2,052**	**21,101**	**4,111**	**−19,408**
Anchorage	(Alaska)	3	2	3	45	140	73	53
Boise	(Idaho)	4			(*)	858	49	−34
Helena	(Montana)	2	21	8	16	512	32	76
Honolulu	(Hawaii)	17	95			400	31	12
Los Angeles	(See (a) below)	239	50	16	54	5,765	2,519	−25,783
Phoenix	(Arizona)	58	36	(*)	4	762	46	−151
Portland	(Oregon)	9	216	(*)	1	2,318	32	−1,144
Reno	(Nevada)	15	8,555	7	1,584	254	87	43
Salt Lake City	(Utah)	5	180	23	62	760	26	316
San Francisco	(See (a) below)	158	2	2	5	7,123	590	5,069
Seattle	(Washington)	36	158	60	290	2,208	625	2,136
Office of International Operations		**2**				**84**	**751**	**2,965**
Puerto Rico		2					1	1,732
Other		1				84	750	1,232
Undistributed:								
Federal tax deposits and depository receipts [8]								561
Gasoline, lubricating oil, and excess FICA credits [7]								
Transferred to Government of Guam								
Withheld taxes of Federal employees								
Clearing account for Excise taxes aviation fuel and oil—Air Force								9
Totals for States not shown above								
(a) California		397	52	18	60	12,883	3,109	−70,715
(b) Illinois		39	149	12	18	8,073	2,649	3,382
(c) New York		343	(*)	273	11	8,768	71,952	109,818
(d) Ohio		40	215	23	199	7,461	189	31,764
(e) Pennsylvania		146	119	14	43	9,331	1,026	−39,562
(f) Texas		116	6	6	187	9,430	1,125	−72,987

See footnotes on p. 120.

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

[In thousands of dollars]

Source of revenue	Quarter ended: Sept. 30, 1969 (1)	Dec. 31, 1969 (2)	Mar. 31, 1970 (3)	June 30, 1970 (4)
Grand total	44,911,502	40,277,205	47,454,217	63,079,173
Corporation income tax	7,584,513	7,594,683	6,584,303	13,273,483
Individual income and employment taxes, total	32,576,178	27,675,158	36,379,254	44,470,184
Income tax not withheld and self-employment tax [4, 5]	4,890,702	1,011,291	7,038,236	15,267,489
Income tax withheld and old-age and disability insurance [4, 5]	27,429,308	26,426,555	28,479,702	28,834,512
Railroad retirement	251,525	233,908	243,250	252,168
Unemployment insurance	4,644	3,406	652,065	116,023
Estate tax	732,062	762,907	870,553	875,798
Gift tax	9,642	10,048	11,466	407,593
Excise taxes, total	4,009,103	4,234,409	3,698,640	4,052,109
Alcohol taxes, total	1,174,175	1,312,906	1,029,130	1,230,171
Distilled spirits [9]	841,283	1,008,387	750,293	883,424
Wines, cordials, etc.	40,282	46,227	50,658	45,761
Beer [9]	292,609	258,292	228,269	300,987
Tobacco taxes, total [9]	542,458	516,423	501,792	533,539
Cigarettes	527,859	499,971	490,072	518,190
Cigars	14,344	16,122	11,396	14,971
Other	246	329	324	378
Stamp taxes on documents, other instruments, and playing cards, total [3]	30	44	57	90
Manufacturers' excise taxes, total	1,720,623	1,621,300	1,749,571	1,591,567
Gasoline	844,978	898,562	859,852	826,684
Lubricating oil, etc.	24,646	24,372	18,678	19,813
Tires (wholly or in part of rubber), inner tubes, and tread rubber	172,569	153,752	145,891	142,581
Motor vehicles, chassis, bodies, parts, and accessories	665,620	531,786	713,226	586,750
Radio and television sets, phonographs, components, etc.	17	−7	−15	
Refrigerators, freezers, air-conditioners, etc.; electric, gas, and oil appliances	−17	19	−6	−119
Other	12,808	12,817	11,944	15,858
Retailers' excise taxes, total	15	−1	17	77
Luggage, etc.	2	−1	4	77
Jewelry, etc.	13	(*)	12	(*)
Furs	(*)	1	(*)	
Toilet preparations	−1	−1	1	(*)
Miscellaneous excise taxes, total	620,943	530,127	697,263	503,889
Admissions:				
Theaters, concerts, athletic contests, etc.	4	−23	(*)	−15
Roof gardens, cabarets, etc.	9	−49	9	−4
Club dues and initiation fees	58	73	67	8
Telephone wire, etc., and equipment services	354,175	334,716	466,517	314,154
Transportation of persons	67,640	49,834	73,193	60,139
Use of safe deposit boxes			(*)	(*)
Coconut and other vegetable oil processed	(*)	(*)	(*)	
Sugar	26,703	30,778	29,691	26,736
Diesel and special motor fuels	65,368	60,476	67,526	64,342
Narcotics and marihuana, including occupational taxes	437	358	392	882
Coin-operated amusement devices, bowling alleys, pool tables, etc. [14]	5	2	8	12
Coin-operated gaming devices	12,514	557	326	858
Wagering taxes:				
Occupational	153	248	41	129
Wagers	917	1,116	1,607	993
Use tax on highway motor vehicles	67,382	17,675	25,033	24,996
Other	25,547	34,368	23,448	11,261
Unclassified excise taxes	−49,137	253,609	−359,190	192,777

See footnotes on p. 120.

Table 3.—Internal revenue collections by sources, fiscal years 1969 and 1970

[In thousands of dollars]

Sources of revenue	Fiscal year 1969 (1)	Fiscal year 1970 (2)
Grand total, all sources	187,919,560	195,722,096
Corporation income taxes, total [17]	38,337,646	35,036,983
Regular	38,332,032	35,032,183
Exempt organization business income tax	5,613	4,800
Individual income and employment taxes, total	130,509,062	141,100,773
Income tax not withheld and self-employment tax	28,972,781	28,177,709
Income tax withheld and old-age and disability insurance, total [3 4 5 6]	99,957,566	111,166,075
Railroad retirement, total [36]	938,684	980,851
Unemployment insurance, employers of 4 or more persons taxed 3.1 percent on taxable portion of wages, effective Jan. 1, 1964, credit allowed up to 90 percent of tax for contributions to State unemployment funds	640,030	776,139
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	73,136,691	3,241,321
Gift tax, graduated rates from 2¼ percent on first $5,000 of net gifts in excess of $30,000 exemption to 57¾ percent on portion over $10,000,000; $3,000 annual exclusion for each donee	393,373	438,755
Excise taxes, total	15,542,787	15,904,264
Alcohol taxes, total	r 4,555,560	4,746,382
Distilled spirits taxes, total	r 3,390,819	3,483,297
Imported (collected by Customs, rates same as domestic)	831,601	748,631
Domestic, $10.50 per proof gallon or wine gallon when below proof [8]	r 2,512,861	2,695,773
Rectification, 30 cents per proof gallon [8]	r 31,744	25,101
Occupational taxes:		
Nonbeverage manufacturers of spirits, $25, $50, $100, per year	70	80
Rectifiers:		
Less than 20,000 proof gallons, $110 net year	37	6
20,000 proof gallons or more, $220 per year	47	19
Retail dealers in liquor or medicinal spirits, $54 per year	12,680	12,427
Wholesale liquor dealers, $255 per year	r 621	647
Manufacturers of stills, $55 per year	11	12
Seizures, penalties, etc	1,139	598
Stills or condensers manufactured, $22 each	8	3
Wines, cordials, etc., taxes, total	r 157,394	182,929
Imported (collected by Customs, rates same as domestic)	19,769	36,751
Domestic (Still-wines, 17 cents, 67 cents, $2.25 per wine gallon; sparkling wines, $3.40; artificially carbonated wines, $2.40; liqueurs, cordials, $1.92)	r 134,987	143,602
Occupational taxes:		
Retail dealers in wines or in wines and beer, $54 per year	2,472	2,411
Wholesale dealers in wines or in wines and beer $255 per year	166	165
Beer taxes, total	r 1,007,348	1,080,156
Imported (collected by Customs, rates same as domestic)	6,203	6,594
Domestic, $9 per barrel of 31 gallons [8]	997,151	1,069,555
Occupational taxes:		
Brewers:		
Less than 500 barrels, $55 per year	2	2
500 barrels or more, $110 per year	14	22
Retail dealers in beer, $24 per year (includes limited retail dealers in wines or beer, $2.20 per month)	r 3,247	3,185
Wholesale dealers in beer, $123 per year	730	799
Tobacco taxes, total	r 2,137,585	2,094,212
Cigarettes, total	2,082,106	2,036,101
Small (Class A), $4 per thousand	r 2,082,101	2,036,084
Large (Class B), $8.40 per thousand, except if over 6½ inches long $4 per thousand for each 2¾ inches or fraction thereof [1]	5	16
Prepayments	1	
Cigars, total	r 54,220	56,834
Large cigars, total [1]	r 53,723	56,174
Class A (Retailing at not over 2½ cents each), $2.50 per thousand	339	417
Class B (Over 2½ cents, not over 4 cents each), $3 per thousand	r 878	877
Class C (Over 4 cents, not over 6 cents each), $4 per thousand	r 12,263	12,416
Class D (Over 6 cents, not over 8 cents each), $7 per thousand	r 8,770	10,402
Class E (Over 8 cents, not over 15 cents each), $10 per thousand	r 22,878	23,268
Class F (Over 15 cents, not over 10 cents each), $15 per thousand	r 4,999	5,125
Class G (Over 20 cents each) $20 per thousand	r 3,595	3,650
Small cigars, 75 cents per thousand	443	622
Prepayments	r 54	37
Imported cigars, cigarette, cigarette papers and cigarette tubes, (collected by Customs rates same as domestic)	580	512
Miscellaneous Tobacco	r 10	9
Cigarette papers and tubes, papers ½ cent per 50; tubes 1 cent per 50	669	756
Stamp taxes on documents, other instruments, and playing cards, total [27]	1,455	220

See footnotes on p. 120.

Table 3.—Internal revenue collections by sources, fiscal years 1969 and 1970—Continued

[In thousands of dollars]

Sources of revenue	Fiscal year 1969 (1)	Fiscal year 1970 (2)
Excise taxes total—Continued		
Manufacturers' excise taxes, total	6,501,146	6,683,061
Gasoline, 4 cents per gallon	3,186,233	3,430,076
Lubricating oil, etc., 6 cents per gallon, cutting oil, 3 cents per gallon [2]	97,473	87,510
Tires (wholly or in part of rubber), inner tubes, and tread rubber:		
Tires, highway type, 10 cents per pound, other, 5 cents per pound except laminated tires (other than type used on highway vehicles), 1 cents per pound	576,699	561,049
Inner tubes, 10 cents per pound	26,919	24,727
Tread rubber, 5 cents per pound	27,909	29,018
Motor vehicles, chassis, bodies, parts, and accessories:		
Passenger automobiles, chassis, bodies, etc., 7 percent [21]	1,863,956	1,753,327
Trucks, and buses, chassis, bodies, etc., 10 percent	589,304	6,9,986
Parts and accessories for automobiles, trucks, etc., 8 percent	81,387	84,069
Radio and television sets, phonographs, components, etc., 10 percent [21]	−129	−5
Refrigerators, freezers, air-conditioners, etc., 5 percent; self-contained air-conditioning units, 10 percent [23]	31	−30
Electric, gas, and oil appliances, 5 percent [24]	12	−94
Pistols and revolvers, 10 percent	5,183	6,697
Phonograph records, 10 percent [4]	−8	−1
Musical instruments, 10 percent [4]	−63	−8
Sporting goods (other than fishing rods, creels, etc.), 10 percent [24]	−3	(*)
Fishing rods, creels, etc., 10 percent	11,904	13,924
Business and store machines, 10 percent [24]	−25	−1
Cameras, lenses, films, etc., 10 percent; household type projectors, 5 percent [24]	82	
Electric light bulbs and tubes, 10 percent	164	(*)
Firearms (other than pistols and revolvers), shells, and cartridges, 11 percent	33,082	32,806
Mechanical pencils, pens, 10 percent; lighters, 10 cents per lighter ($1 or more) 10 percent (less than $1) [4]	17	5
Matches, 2 cents per thousand (but not to exceed 10 percent of selling price); fancy wooden or colored stems, 5½ cents per thousand [24]	(*)	5
Retailers' excise taxes, total	36	108
Luggage, etc., 10 percent	(*)	82
Jewelry, etc., 10 percent	34	26
Furs, 10 percent	10	1
Toilet preparations, 10 percent	−9	−1
Miscellaneous excise taxes, total	2,147,547	2,342,222
Admissions taxes, total [29]	11	−71
Theaters, concerts, athletic contests, etc.:		
Admissions, 1 cent for each 10 cents or major fraction thereof of the amount paid in excess of $1	−22	−21
Ticket brokers' sales, 10 percent of amounts in excess of box office price	−2	(*)
Leases of boxes or seats, 10 percent of the amount for which similar accommodations are sold	3	−14
Admissions sold by proprietors in excess of established price, 50 percent of such excess	(*)	
Roof gardens, cabarets, etc., 10 percent of total paid for admissions, services, etc	33	−36
Club dues and initiation fees, 20 percent (if dues or fees are in excess of $10 per year) [27]	1,030	205
Telephone, wire mileage, etc., services, 10 percent; wire and equipment services, 8 percent [28]	1,316,378	1,469,562
Transportation of persons, 10 percent; repealed effective Nov. 16, 1962, except on air transportation which was reduced to 5 percent	223,687	250,802
Use of safe deposit boxes, 10 percent [29]	1	(*)
Coconut and other vegetable oils processed, 2 cents per pound repealed, effective Aug. 31, 1963	(*)	(*)
Sugar, approximately ½ cent per pound	108,191	113,309
Diesel and special motor fuels, 4 cents per gallon (in some instances 2 cents per gallon)	224,657	257,712
Narcotics and marihuana, total [30]	1,936	2,075
Narcotics	1,217	1,257
Marihuana	719	818
Coin-operated amusement devices $10 per device, per year, bowling alleys, pool tables, etc., $20 per alley or table, per year [31]	53	27
Coin-operated gaming devices, $250 per device per year	12,345	14,256
Wagering taxes:		
Occupational tax, $50 per year	354	570
Wagers, 10 percent of amount wagered	4,328	4,063
Use of tax on highway vehicles weighing over 26,000 pounds, $3 per 1,000 pounds per year (installment privileges permitted)	124,273	135,086
Adulterated butter and filled cheese (imported and domestic), process or renovated butter and imported oleomargarine [31]	6	13
Firearms transfer and occupational taxes [32]	r 119	91
Interest equalization	r 111,685	85,906
Foreign insurance	18,482	8,614
Unclassified excise taxes	199,458	38,059

See footnotes on p. 120.

Table 4.—Internal revenue collections by principal sources, fiscal years 1940 through 1970

[In thousands of dollars]

Fiscal year ended June 30	Total internal revenue collections	Income and profits taxes			Employment taxes [21]	Estate and gift taxes	Alcohol taxes [8]	Tobacco taxes [9]	Manufacturers' excise taxes	All other taxes
		Total	Corporation income and profits taxes [2]	Individual income taxes [3]						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1940	5,340,452	2,129,609	1,147,592	982,017	833,521	360,071	624,253	608,518	447,088	337,392
1941	7,370,108	3,471,124	2,053,469	1,417,655	925,856	407,058	820,056	698,077	617,373	430,564
1942	13,047,869	8,006,884	4,744,083	3,262,800	1,185,362	432,540	1,048,517	780,982	771,902	821,682
1943	22,371,386	16,298,888	9,668,956	6,629,932	1,498,705	447,496	1,423,646	923,857	504,746	1,274,048
1944	40,121,769	33,027,802	14,766,796	18,261,005	1,738,372	511,210	1,618,775	988,483	503,462	1,733,655
1945	43,890,388	35,061,526	16,027,213	19,034,313	1,779,177	643,055	2,309,866	932,145	782,511	2,292,108
1946	40,672,097	31,258,138	12,553,602	18,704,536	1,700,828	676,832	2,526,165	1,165,519	922,671	2,421,944
1947	39,103,386	29,019,756	9,676,459	19,343,297	2,024,365	779,291	2,474,762	1,237,768	1,425,260	2,147,184
1948	41,863,542	31,172,191	10,174,410	20,997,781	2,381,342	893,345	2,255,327	1,300,280	1,649,234	2,206,823
1949	40,463,125	29,605,491	11,553,669	18,051,822	2,476,113	796,538	2,210,607	1,321,875	1,771,533	2,280,969
1950	38,957,132	28,007,659	10,854,351	17,153,308	2,644,575	706,227	2,219,202	1,328,464	1,836,053	2,214,951
1951	50,445,686	37,384,879	14,387,569	22,997,309	3,627,479	729,730	2,546,808	1,380,396	2,383,677	2,392,719
1952	65,009,586	50,741,017	21,466,910	29,274,107	4,464,264	833,147	2,549,120	1,565,162	2,348,943	2,507,933
1953	69,686,535	54,130,732	21,594,515	32,536,217	4,718,403	831,284	2,780,925	1,654,911	2,862,788	2,647,497
1954	69,919,991	54,360,014	21,546,322	32,813,691	5,107,623	935,121	2,783,012	1,580,229	2,699,133	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	2,019,380
1957	80,171,971	60,560,425	21,530,653	39,029,772	7,580,522	1,377,939	2,973,195	1,674,050	3,761,925	2,243,856
1958	79,978,476	59,101,874	20,533,316	38,568,559	8,644,386	1,410,925	2,946,461	1,734,021	3,974,135	2,166,675
1959	79,797,973	58,826,254	18,091,509	40,734,744	8,853,744	1,352,982	3,002,096	1,806,816	3,958,789	1,997,292
1960	91,774,803	67,125,126	22,179,414	44,945,711	11,158,589	1,626,348	3,193,714	1,931,504	4,735,129	2,004,394
1961	94,401,086	67,917,941	21,761,940	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	75,323,714	22,336,134	52,987,581	15,004,486	2,187,457	3,441,656	2,079,237	5,610,309	2,278,536
1964	112,260,257	78,891,218	24,300,863	54,590,354	17,002,504	2,416,303	3,577,499	2,052,545	6,020,543	2,299,645
1965	114,434,634	79,792,016	26,131,331	53,660,683	17,104,306	2,745,532	3,772,634	2,148,594	6,418,145	2,453,406
1966	128,879,961	92,131,794	30,834,243	61,297,552	20,256,133	3,093,922	3,814,378	2,073,956	5,613,869	1,895,909
1967	148,374,815	104,288,420	34,917,825	69,370,595	26,958,241	3,014,406	4,075,723	2,079,869	5,478,347	2,479,809
1968	153,636,838	r 108,148,565	29,896,520	r 78,252,045	r 28,085,898	3,081,979	4,287,237	2,122,277	5,713,973	r 2,196,909
1969	r 187,919,560	r 135,778,052	38,337,646	r 97,440,406	33,068,657	3,530,065	r 4,555,560	r 2,137,585	r 6,501,146	r 2,348,495
1970	195,722,096	138,688,568	35,036,981	103,651,585	37,449,188	3,680,076	4,746,382	2,094,212	6,683,061	2,380,609

Footnotes for tables 1–4

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

*Less than $500.

r Revised.

[1] 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.

[2] Includes tax on unrelated business income of exempt organizations.

[3] 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. 15 and are used in obtaining national totals for individual income taxes and employment taxes in table 4.

[4] 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.

[5] 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 $11.1 million for 1970.

[6] Tax payments made to banks, under the Federal tax deposit system or the prior depository receipts system, are 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 depositary receipts are received in the internal revenue offices with tax returns.

[7] 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).

[8] 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.

[9] Includes occupational tax on manufacturers of stills, rectifiers, wholesale liquor dealers, retail dealers in liquor or medicinal spirits, and non-beverage manufacturers of spirits.

[10] Includes seizures, penalties, etc., and tax on stills or condensers manufactured.

[11] Includes occupational taxes on wholesale and retail dealers in wines or in wines and beer.

[12] Includes occupational taxes on brewers and wholesale and retail beer dealers.

[13] 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.

[14] Includes taxes on fishing equipment, and taxes on the following items which were repealed by Public Law 89–44: Phonograph records, musical instruments; sporting goods (except fishing equipment); business and store machines; cameras, lenses, films, and projectors; electric light bulbs, and tubes; mechanical pencils, pens, and lighters; matches; radio and television sets, phonographs, components, etc.; refrigerators, freezers, air-conditioners, etc.; electric, gas and oil appliances.

[15] Includes taxes on luggage, jewelry, furs, toilet preparations; repealed effective June 22, 1965 (Public Law 89–44).

[16] Includes taxes on adulterated butter and filled cheese (imported and domestic), process or renovated butter and imported oleomargarine; firearms transfer; and occupational taxes.

[17] Corporation income tax rates: Effective Jan. 1, 1965, first $25,000 of net income normal tax of 22 percent; net income in excess of $25,000 combined normal and surtax of 48 percent. Normal tax and surtax also apply to net income derived by certain exempt organizations from unrelated trade or business. Effective Jan. 1, 1968, 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 Public Law 91–53 and then extended to June 30, 1970, by Public Law 91–172 at a 5 percent annual rate.

[18] 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 Apr. 1, 1968, for individuals, was extended to Dec. 31, 1969, at the same annual rate (Public Law 91–53) and then extended to June 30, 1970 (Public Law 91–172) at a 5 percent annual rate.

[19] Rates of tax are as follows: Income tax withheld: Effective July 1, 1967, graduated withholding, 14 to 33 percent of wages in excess of exemptions (Public Law 89–368). Old-age, survivors, and disability insurance taxes and hospital insurance taxes on salaries and wages are subjected to a combined tax rate of 4.8 percent (4.2 percent for social security and 0.6 percent for hospital insurance). For 1969 and 1970 the tax applies to wages up to $7,800 paid by the employer and received by the employee. In the case of wages paid after the 15th day following enactment of Public Law 90-364 (enacted June 28, 1969) income tax withheld was adjusted to include the surcharge.

[20] Includes railroad employment compensation tax, 9.55 percent for calendar years 1969 and 1970. Tax applies to employers and employees, imposed on taxable portion of wages. Also, effective Oct. 31, 1966, includes (a) a supplemental tax on income on each employee representative equal to 2 cents per man-hour for which compensation is paid to him; and (b) a supplemental tax imposed on each employer equal to 2 cents for each man-hour for which compensation is paid to employees. Amended by Public Law 91-215 which authorizes the Railroad Retirement Board to determine the rate of the supplemental tax beginning Apr. 1, 1970. Further includes railroad employees representative tax, 19.1 percent for calendar years 1969 and 1970 on taxable portion of wages.

[21] Issues and transfers of stocks and bonds, repealed, effective Jan. 1, 1966. Deeds of conveyances: $100 to $500, 55 cents; each additional $500 or fraction thereof, 55 cents; repealed effective Jan. 1, 1968.

[22] Cutting oil, repealed Jan. 1, 1966 (Public Law 89–44).

[23] Under the Revenue and Expenditure Control Act of June 28, 1968 (Public Law 90–364) rate restored retroactively, to 7 percent, effective through Dec. 31, 1969. This rate was further extended to Dec. 31, 1970 by Public Law 91–172. (The Tax Reform Act of 1969).

[24] Repealed, effective June 22, 1965 (Public Law 89–44).

[25] Air conditioners, repealed, effective May 15, 1965. Refrigerators and freezers, repealed, effective June 22, 1965 (Public Law 89–44).

[26] Repealed, effective noon, Dec. 31, 1965 (Public Law 89–44).

[27] Repealed, effective Jan. 1, 1966 (Public Law 89–44).

[28] 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, 1970 by Public Law 91–172. (The Tax Reform Act of 1969).

[19] Repealed, effective July 1, 1965 (Public Law 89–44).

[20] Narcotics, 1 cent per ounce: narcotics order blanks, $1 per hundred. Marihuana, $1 per ounce: marihuana order blanks, 2 cents each. Amounts shown also include occupational taxes levied on manufacturers, dealers, and practitioners. For classes and rates of occupational taxes, see table 14.

[21] Adulterated butter: 10 cents per pound. Processed or renovated butter; ¼ cent per pound. Domestic filled cheese: 1 cent per pound. Imported filled cheese: 8 cents per pound. Imported adulterated butter and oleomargarine: 15 cents per pound. Occupational taxes are levied on manufacturers or dealers in these products and are included in the amounts shown.

[22] Transfers of machine guns, short-barreled firearms, silencers, etc., $200 each: certain guns with combination shotgun and rifle barrels, and other special types of firearms, $5 each. Occupational taxes are levied on manufacturers, importers, or dealers in firearms and are included in the amount shown.

[23] Negative figures (excluding unapplied collections and undistributed depositary receipts) stem primarily from floor stock credits taken on certain taxes repealed by the Excise Tax Reduction Act of 1965.

Table 5.—Internal revenue refunds including interest

[In thousands of dollars]

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 (1)	Corporation income (2)	Individual income and employment taxes: Excessive prepayments (3)	Individual income and employment taxes: Other (4)	Estate (5)	Gift (6)	Excise[1] (7)
United States, total	**16,188,109**	**2,278,530**	**13,018,068**	**648,511**	**38,592**	**2,385**	**202,024**
North-Atlantic Region	**2,815,274**	**658,371**	**2,021,954**	**50,906**	**7,424**	**412**	**26,208**
Albany (See (c) below)	113,121	6,205	104,676	1,239	445	1	556
Augusta (Maine)	55,344	3,588	50,687	832	160	(*)	78
Boston (Massachusetts)	455,906	62,551	382,380	6,168	1,176	89	3,543
Brooklyn (See (c) below)	518,387	32,447	473,360	5,503	1,199	103	5,774
Buffalo (See (c) below)	344,598	23,168	313,195	4,395	577	21	3,202
Burlington (Vermont)	24,693	1,590	22,694	334	65	1	9
Hartford (Connecticut)	266,897	19,400	237,098	3,325	1,023	40	6,010
Manhattan (See (c) below)	915,464	493,171	384,769	27,797	2,710	157	6,861
Portsmouth (New Hampshire)	50,369	6,355	43,424	542	21	1	26
Providence (Rhode Island)	70,535	9,895	59,672	769	49	(*)	150
Mid-Atlantic Region	**2,206,259**	**265,892**	**1,871,354**	**29,736**	**4,347**	**20**	**33,710**
Baltimore (Maryland and D.C.)	399,883	34,267	354,316	5,527	757	(*)	5,015
Newark (New Jersey)	572,630	50,347	499,137	8,460	1,425	4	13,257
Philadelphia (See (e) below)	583,630	106,418	456,610	8,128	909	(*)	11,566
Pittsburgh (See (e) below)	326,376	40,851	281,632	2,359	525	7	1,003
Richmond (Virginia)	278,703	22,345	250,225	3,061	556	10	2,507
Wilmington (Delaware)	45,037	10,864	31,435	2,201	175	.....	362
Southeast Region	**1,438,572**	**142,771**	**1,254,031**	**24,354**	**4,343**	**118**	**13,157**
Atlanta (Georgia)	257,113	34,515	215,177	4,022	151	19	3,228
Birmingham (Alabama)	163,838	15,446	144,892	2,761	445	11	283
Columbia (South Carolina)	113,671	9,318	101,571	1,403	880	12	486
Greensboro (North Carolina)	230,260	29,457	189,976	3,738	365	29	6,696
Jackson (Mississippi)	89,594	4,293	82,787	2,061	86	16	351
Jacksonville (Florida)	400,431	31,374	359,138	7,192	1,848	28	851
Nashville (Tennessee)	183,664	18,367	160,490	3,177	365	2	1,263
Central Region	**2,229,498**	**285,063**	**1,891,855**	**27,873**	**4,673**	**209**	**19,826**
Cincinnati (See (d) below)	324,503	38,363	278,339	3,781	376	11	3,633
Cleveland (See (d) below)	550,959	103,528	437,567	6,403	705	38	2,717
Detroit (Michigan)	772,721	105,083	649,953	9,040	1,043	142	7,460
Indianapolis (Indiana)	341,587	22,723	307,710	5,326	1,916	12	3,899
Louisville (Kentucky)	156,724	10,995	141,062	2,527	467	1	1,672
Parkersburg (West Virginia)	83,005	4,370	77,223	796	165	5	446
Midwest Region	**2,115,123**	**298,365**	**1,759,841**	**27,734**	**2,956**	**1,023**	**25,205**
Aberdeen (South Dakota)	25,039	951	23,481	476	8	(*)	124
Chicago (See (b) below)	766,402	122,158	628,269	10,114	779	105	5,976
Des Moines (Iowa)	145,922	13,845	129,058	2,273	205	10	532
Fargo (North Dakota)	23,639	881	22,088	617	9	(*)	43
Milwaukee (Wisconsin)	293,301	41,895	247,059	2,879	631	59	779
Omaha (Nebraska)	81,706	11,738	67,759	1,481	298	6	425
St. Louis (Missouri)	339,833	63,800	261,155	4,686	454	828	8,910
St. Paul (Minnesota)	266,257	32,870	223,213	3,155	323	5	6,692
Springfield (See (b) below)	173,024	11,228	157,759	2,054	249	8	1,725
Southwest Region	**1,463,447**	**171,979**	**1,235,852**	**37,457**	**8,036**	**151**	**9,932**
Albuquerque (New Mexico)	55,890	1,553	53,117	1,028	132	(*)	60
Austin (See (f) below)	375,877	50,296	312,097	10,228	575	25	2,656
Cheyenne (Wyoming)	18,966	951	17,351	574	63	1	25
Dallas (See (f) below)	305,660	51,516	238,030	10,335	1,069	57	4,652
Denver (Colorado)	161,209	17,776	139,935	3,022	221	34	221
Little Rock (Arkansas)	76,941	5,035	69,706	1,943	183	2	73
New Orleans (Louisiana)	202,928	14,647	180,754	4,115	2,322	3	1,087
Oklahoma City (Oklahoma)	142,488	19,148	115,905	3,459	3,343	17	615
Wichita (Kansas)	123,489	11,057	108,958	2,753	126	52	543
Western Region	**3,382,391**	**451,940**	**2,854,843**	**57,245**	**5,204**	**413**	**11,747**
Anchorage (Alaska)	30,864	1,155	28,958	665	(*)	.....	86
Boise (Idaho)	42,998	3,848	37,257	1,777	11	(*)	106
Helena (Montana)	37,226	1,715	33,946	1,131	363	30	42
Honolulu (Hawaii)	71,131	10,079	59,765	818	401	22	46
Los Angeles (See (a) below)	1,692,066	293,762	1,369,106	23,749	2,247	173	3,030
Phoenix (Arizona)	117,374	3,249	110,371	3,202	438	7	107
Portland (Orgeon)	145,399	13,081	128,505	3,488	90	9	226
Reno (Nevada)	54,543	3,996	49,028	1,142	330	14	32
Salt Lake City (Utah)	73,080	4,138	67,979	868	49	11	36
San Francisco (See (a) below)	825,380	79,597	721,769	14,951	1,505	126	7,432
Seattle (Washington)	292,329	37,321	248,159	5,456	768	20	605
Office of International Operations	**89,225**	**4,949**	**76,340**	**7,109**	**812**	.....	**16**
Puerto Rico	13,191	(*)	12,717	478	(*)	.....	2
Other	76,036	4,949	63,628	6,634	812	.....	14
Gasoline, lubricating oil and excess FICA credits[4]	**445,397**	.....	.....	**386,094**	.....	.....	**59,303**
Bureau of Customs	**2,920**	.....	.....	.....	.....	.....	**2,920**
Total for States not shown above							
(a) California	2,517,446	373,359	2,090,875	38,699	3,752	299	10,462
(b) Illinois	939,426	133,386	786,028	12,168	1,028	113	7,701
(c) New York	1,891,530	554,991	1,276,000	38,936	4,931	282	16,393
(d) Ohio	875,462	141,891	715,906	10,184	1,081	49	6,350
(e) Pennsylvania	910,006	155,269	738,242	10,487	1,434	7	12,569
(f) Texas	681,537	101,812	550,127	20,563	1,644	82	7,308

*Less than $500.

[1] Includes drawbacks.

[2] Figures have not been reduced to reflect reimbursements from Federal Old Age and Survivors, Federal Disability and Federal Hospital Insurance Trust Funds amounting to $318,094,000 in 1970 and $601,953,000 in 1969, from the Highway Trust Fund amounting to $32,074,000 in 1970 and $223,755,000 in 1969; and from the Unemployment Trust amounting to $6,500,000 in 1970 and $6,852,000 in 1969.

[3] Net of 113,595 undeliverable checks deposited totaling $14,142,000.

[4] 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).

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Table 6.—Number of returns filed, by internal revenue regions, districts, States, and other areas

Internal revenue regions, districts, States and other areas (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table.)	Total [1] (1)	Individual income tax [1] (2)	Corporation income tax (3)	Partnership (4)	Declaration or estimated tax and all other income taxes [1] (5)	Employment taxes (6)	Estate tax (7)	Gift tax (8)	Excise taxes (9)
United States, total	**113,078,185**	**77,213,611**	**1,725,760**	**937,399**	**9,348,475**	**22,993,578**	**131,870**	**147,693**	**1,579,793**
North-Atlantic Region	**18,352,559**	**12,248,120**	**435,576**	**120,430**	**1,782,587**	**3,549,919**	**25,485**	**30,668**	**239,954**
Albany (See (c) below)	957,578	704,835	17,305	7,151	11,045	196,062	1,715	1,090	18,375
Augusta (Maine)	517,283	374,128	8,484	2,761	7,527	113,528	642	638	9,575
Boston (Massachusetts)	3,158,495	2,352,889	69,408	14,069	97,710	579,472	3,893	4,891	36,163
Brooklyn (See (c) below)	3,655,023	2,758,192	99,568	26,247	35,593	681,228	5,463	4,540	44,192
Buffalo (See (c) below)	2,346,809	1,798,841	37,436	15,324	35,811	414,898	4,299	2,959	37,241
Burlington (Vermont)	240,878	168,147	4,477	1,854	3,669	57,087	285	277	5,082
Hartford (Connecticut)	1,790,526	1,338,193	34,710	13,271	37,681	332,729	2,728	4,549	26,665
Manhattan (See (c) below)	3,473,715	2,081,816	142,830	35,517	156,159	991,675	5,297	10,518	49,903
Portsmouth (New Hampshire)	397,849	291,874	7,525	2,110	5,495	83,768	510	639	6,428
Providence (Rhode Island)	513,367	379,205	13,833	2,126	10,861	99,972	573	467	6,330
Mid-Atlantic Region	**16,502,713**	**11,262,472**	**236,420**	**81,868**	**1,684,846**	**3,016,854**	**15,362**	**17,844**	**187,047**
Baltimore (Maryland and D.C.)	2,590,867	1,958,752	37,898	12,966	36,311	512,423	2,237	3,483	26,797
Newark (New Jersey)	3,835,107	2,837,066	90,369	21,285	59,276	771,350	5,142	4,841	45,778
Philadelphia (See (e) below)	3,832,662	2,863,555	50,718	19,413	79,825	763,594	3,533	4,060	47,964
Pittsburgh (See (e) below)	2,279,830	1,751,279	22,213	12,542	34,331	424,202	2,019	2,089	31,155
Richmond (Virginia)	2,221,362	1,642,364	28,381	14,062	22,402	477,161	2,043	2,863	32,086
Wilmington (Delaware)	299,673	209,456	6,841	1,600	9,489	68,124	388	508	3,267
Southeast Region	**14,521,467**	**9,687,008**	**210,272**	**118,273**	**967,498**	**3,293,855**	**13,399**	**18,479**	**212,691**
Atlanta (Georgia)	2,191,690	1,538,389	30,679	16,749	23,937	547,637	1,643	2,880	29,776
Birmingham (Alabama)	1,496,657	1,067,703	17,360	11,627	12,687	363,251	909	1,628	21,492
Columbia (South Carolina)	1,193,385	852,903	15,476	9,082	8,656	282,117	931	1,258	22,962
Greensboro (North Carolina)	2,465,074	1,766,737	35,765	23,638	25,860	574,129	2,017	3,055	33,873
Jackson (Mississippi)	879,755	600,285	10,772	8,133	6,318	233,216	657	792	19,582
Jacksonville (Florida)	3,598,143	2,507,691	79,128	27,794	59,313	855,070	5,758	6,904	56,485
Nashville (Tennessee)	1,882,947	1,353,292	21,092	21,250	16,911	438,435	1,484	1,962	28,521
Central Region	**15,499,746**	**11,057,801**	**205,095**	**123,384**	**1,149,677**	**2,718,278**	**15,710**	**16,561**	**203,220**
Cincinnati (See (d) below)	2,292,740	1,758,919	30,866	15,925	31,040	421,599	2,797	2,786	28,808
Cleveland (See (d) below)	3,169,646	2,405,978	51,408	24,146	49,422	584,523	3,715	3,915	46,439
Detroit (Michigan)	4,263,003	3,294,886	55,876	37,909	46,670	761,457	3,664	4,727	57,814
Indianapolis (Indiana)	2,538,239	1,943,671	35,995	19,866	26,722	469,077	3,423	2,816	36,669
Louisville (Kentucky)	1,455,813	1,063,961	18,581	17,575	14,782	317,750	1,482	1,639	20,043
Parkersburg (West Virginia)	797,411	590,386	12,369	7,963	8,047	163,872	649	678	13,447
Midwest Region	**16,820,811**	**11,549,817**	**235,933**	**165,622**	**1,435,393**	**3,149,431**	**26,863**	**24,298**	**241,654**
Aberdeen (South Dakota)	357,126	247,764	4,962	5,360	4,343	85,736	674	595	7,692
Chicago (See (b) below)	4,519,156	3,436,463	70,032	47,084	91,700	814,722	6,768	7,467	44,920
Des Moines (Iowa)	1,507,343	1,087,679	19,455	17,474	24,719	325,456	4,128	2,517	25,915
Fargo (North Dakota)	326,768	225,953	4,305	4,964	3,060	80,687	707	592	6,500
Milwaukee (Wisconsin)	2,298,655	1,695,701	38,237	19,808	46,837	444,347	3,466	3,768	46,491
Omaha (Nebraska)	823,404	580,046	11,822	11,150	11,800	187,548	1,941	2,092	17,005
St. Louis (Missouri)	2,412,792	1,740,754	42,713	22,787	37,714	521,678	2,766	3,141	41,239
St. Paul (Minnesota)	1,916,734	1,439,868	28,712	19,711	29,815	362,787	3,083	2,043	30,715
Springfield (See (b) below)	1,490,838	1,095,589	15,695	17,284	18,210	317,470	3,330	2,083	21,177
Southwest Region	**13,058,007**	**8,723,046**	**177,623**	**127,271**	**963,334**	**2,653,029**	**13,256**	**19,221**	**223,247**
Albuquerque (New Mexico)	454,808	327,963	6,009	4,577	4,015	103,205	313	585	8,141
Austin (See (f) below)	3,106,768	2,230,211	39,969	30,419	38,608	704,067	2,804	4,599	56,091
Cheyenne (Wyoming)	188,897	125,187	3,619	2,520	2,030	50,459	215	642	4,225
Dallas (See (f) below)	2,532,379	1,755,063	36,664	33,559	36,255	622,424	2,664	3,790	41,960
Denver (Colorado)	1,144,526	829,346	20,219	12,829	18,079	240,753	1,507	1,951	19,842
Little Rock (Arkansas)	878,068	617,820	12,165	8,732	6,489	214,232	682	1,172	16,776
New Orleans (Louisiana)	1,566,114	1,106,916	26,691	11,196	13,327	377,055	1,063	1,527	28,339
Oklahoma City (Oklahoma)	1,231,053	886,878	17,922	11,991	13,956	271,697	1,685	2,265	24,659
Wichita (Kansas)	1,178,864	843,662	14,365	11,448	14,075	269,137	2,323	2,690	21,214
Western Region	**17,719,243**	**12,281,774**	**222,764**	**200,300**	**1,421,495**	**3,277,446**	**20,850**	**20,316**	**272,288**
Anchorage (Alaska)	125,452	92,128	2,473	1,625	1,281	25,284	56	51	2,554
Boise (Idaho)	361,954	256,186	5,684	4,605	3,382	82,300	371	484	8,942
Helena (Montana)	377,968	260,274	6,316	5,005	4,173	90,509	656	982	10,053
Honolulu (Hawaii)	394,473	297,599	7,506	3,780	7,947	71,225	351	675	5,390
Los Angeles (See (a) below)	6,470,609	4,879,744	88,555	76,102	93,779	1,234,827	8,187	6,581	82,834
Phoenix (Arizona)	832,620	620,173	12,333	7,952	11,926	165,523	830	1,241	12,642
Portland (Oregon)	1,115,854	807,550	16,652	13,343	17,086	237,478	1,292	1,702	20,751
Reno (Nevada)	275,339	202,883	5,115	3,191	3,309	53,272	248	352	6,969
Salt Lake City (Utah)	503,734	370,134	9,047	5,388	8,540	97,576	379	659	12,011
San Francisco (See (a) below)	4,245,719	3,136,391	42,789	59,140	58,160	862,532	6,477	5,875	74,355
Seattle (Washington)	1,829,007	1,360,712	26,294	20,169	25,398	356,920	2,013	1,714	35,787
Office of International Operations	**574,439**	**401,581**	**2,077**	**251**	**23,665**	**143,766**	**995**	**406**	**1,698**
Puerto Rico	717,482	75,026	342	12	5,201	136,108	4	47	742
Other	356,957	326,555	1,735	239	18,464	7,658	991	359	956
Totals for States not shown above									
(a) California	10,716,328	8,016,135	131,344	135,242	151,939	2,097,359	14,664	12,456	157,189
(b) Illinois	6,009,991	4,532,052	85,727	64,368	109,910	1,132,192	10,098	9,550	66,037
(c) New York	10,433,125	7,343,684	297,139	84,239	238,608	2,283,863	16,774	19,107	149,711
(d) Ohio	5,467,286	4,164,897	82,274	40,071	80,462	1,006,122	6,512	6,701	75,247
(e) Pennsylvania	6,112,492	4,614,834	72,931	31,955	114,156	1,187,796	5,552	6,149	79,119
(f) Texas	5,639,147	3,985,274	76,633	63,978	74,863	1,326,491	5,468	8,383	98,051

[1] Includes estimated tax declarations not available by districts.
[2] Includes 144,273 forms 1040B, NBA, PR, and VI which are included in "all other individual and fiduciary" returns in this table on p. 17.

Table 7.—Internal revenue collections, cost, employees, and U.S. population, 1940 through 1970

Fiscal year	Operating cost [1] (1)	Collections (2)	Cost of collecting $100 (3)	Population (Thousands) (4)	Tax per capita (5)	Number of employees: Total (6)	National Office (7)	Field (8)
1940	59,675,518	5,340,452,347	$1.12	132,954	40.28	22,423	3,993	18,430
1941	65,289,527	7,370,108,378	.89	133,894	55.04	27,230	4,151	23,079
1942	75,105,704	13,047,868,518	.58	135,361	96.39	29,065	4,329	24,736
1943	99,093,512	22,371,386,497	.44	137,250	163.00	36,338	4,377	31,961
1944	129,941,848	40,121,760,233	.32	138,916	288.82	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	40,672,095,998	.43	141,936	286.55	59,693	5,144	54,549
1947	203,916,822	39,108,385,742	.52	144,698	270.28	52,830	4,771	48,059
1948	183,731,060	41,864,542,295	.44	147,208	284.39	52,143	4,662	47,481
1949	209,205,715	40,463,125,019	.52	149,767	270.17	52,266	4,554	47,712
1950	230,408,200	38,957,131,768	.59	152,271	255.84	55,551	4,303	51,248
1951	245,869,538	50,445,686,315	.49	154,878	325.71	57,795	4,030	53,765
1952	271,872,192	65,009,585,560	.42	157,553	412.62	55,370	3,842	51,528
1953	268,590,806	69,686,535,389	.38	160,184	435.00	53,463	3,834	49,629
1954	268,969,107	69,919,990,791	.38	163,026	428.89	51,411	2,707	48,704
1955	278,834,278	66,288,692,000	.42	165,931	399.50	50,890	2,675	48,215
1956	299,894,710	75,112,649,000	.40	168,903	444.71	50,682	2,583	48,099
1957	305,537,814	80,171,971,000	.38	171,984	466.16	51,364	2,602	48,762
1958	337,428,789	79,978,476,484	.42	174,882	457.33	50,816	2,638	48,178
1959	355,469,228	79,797,972,806	.44	177,830	448.73	50,200	2,633	47,567
1960	363,735,359	91,774,802,823	.40	180,684	507.93	50,199	2,702	47,497
1961	413,295,238	94,401,086,398	.44	183,756	513.73	53,680	3,031	50,649
1962	450,080,420	99,440,839,245	.45	186,656	532.75	56,510	3,357	53,153
1963	500,804,314	105,925,395,281	.47	189,417	559.22	59,486	3,562	55,924
1964	549,692,131	112,260,257,115	.49	192,120	584.32	59,357	3,753	55,604
1965	597,387,471	114,434,633,721	.52	194,592	588.07	60,360	3,790	56,570
1966	624,861,929	128,879,961,342	.48	[2] 196,907	[2] 654.52	61,689	3,816	57,873
1967	667,080,295	148,374,814,552	.45	[2] 199,119	[2] 745.16	65,122	4,060	61,062
1968	699,190,304	153,636,837,665	.46	[2] 201,177	[2] 763.69	65,177	[2] 3,939	[2] 61,238
1969	758,785,475	187,919,559,668	.40	[2] 203,213	[2] 924.74	64,507	4,037	60,470
1970	886,159,162	195,722,093,497	.45	205,395	952.28	68,098	4,356	63,742

Table 8.—Internal revenue tax collected on Puerto Rican manufactured products transported to the United States, by objects of taxation

[In thousands of dollars]

Objects of taxation	1969	1970
Total	82,297	80,219
Distilled spirits	72,548	69,079
Distilled spirits rectification tax	1,356	1,071
Wine	5	3
Beer	35	45
Cigars, large:		
Class A	.....	*
Class B	1	*
Class C	1,124	1,299
Class D	144	516
Class E	5,842	6,747
Class F	1,100	1,288
Class G	142	168
Cigars, small	.....	.....
Cigarettes, large	.....	.....
Cigarettes, small	.....	.....

Note.—Amounts of internal revenue taxes collected on Puerto Rican tobacco and liquor manufactures transported to the United States, or consumed in the island (less refunds, drawbacks, and expenses), are covered into the Treasury of Puerto Rico under the provisions of secs. 7652(a)(3) and 5314(a)(4) of the Internal Revenue Code of 1954. The gross amounts are included in overall collections results (tables 1 through 4), beginning with 1955.

Table 9.—Establishments qualified to engage in the production, distribution, storage, or use of alcohol and alcoholic liquors

Class of establishment	As of June 30: 1969	1970
Distilled spirits plants:		
Plants (net number)	337	[1] 325
Facilities:		
Production	155	152
Warehousing	275	271
Bottling in bond	56	54
Denaturing	51	50
Taxpaid bottling	145	143
Rectifying	139	138
Denatured and tax-free products (dealers, users, etc.):		
Dealers in specially denatured alcohol and denatured rum	42	41
Users of specially denatured alcohol and denatured rum	3,424	3,419
Reprocessors, rebottlers, etc., of specially denatured alcohol articles	947	953
Users of tax-free alcohol	7,364	7,328
Beer: Breweries	158	[2] 154
Wines:		
Bonded wine cellars	438	[3] 441
Taxpaid wine bottling houses	71	65
Vinegar: Vinegar factories using vaporizing process	3	3
Beverage dealers:		
Importers	2,063	2,139
Wholesale dealers in liquors	3,595	3,567
Wholesale dealers in beer	6,214	6,088
Retail dealers in liquors	277,918	283,234
Retail dealers in beer	134,605	131,706
Other:		
Manufacturers of non-beverage products (drawback)	778	792
Fruit-flavor concentrate plants	56	65
Bottle manufacturers	121	124

[1] Includes 4 experimental distilled spirits plants.
[2] Includes 12 experimental breweries.
[3] Includes 6 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— 1969	1970
Manufacturers of tobacco products	227	203
Manufacturers of cigarette papers and tubes	4	4
Tobacco export warehouses	188	189

Table 11.—Permits relating to distilled spirits under chapter 51, Internal Revenue code 1954

Status	Total	Section 5171 I.R. Code	Section 5271, I.R. Code			
		Distilled spirits plants	Dealers in specially denatured alcohol	Users of— Specially denatured alcohol	Specially denatured rum	Tax-free alcohol
	(1)	(2)	(3)	(4)	(5)	(6)
In effect July 1, 1969	11,032	202	42	3,403	20	7,364
Issued	654	15	4	360	1	274
Terminated, total	706	21	5	363	1	310
Revoked						
Otherwise terminated	706	21	5	363	1	310
In effect June 30, 1970	10,986	196	41	3,401	20	7,328
Amended	725	21	1	222		481

Table 12.—Permits for operations relating to alcoholic beverages under the Federal Alcohol Administration Act

Status	Grand total	Distilled spirits plants [1]				Wine producers and blenders	Wine blenders	Importers	Wholesalers
		Total [2]	Distillers	Warehousing and bottling	Rectifiers				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
In effect July 1, 1969	12,626	355	164	177	157	359	40	2,063	9,809
Issued	1,356	31	18	26	23	53	4	313	955
Terminated, total	1,437	43	22	27	24	47	11	237	1,099
Revoked	2							1	1
Otherwise terminated	1,435	43	22	27	24	47	11	236	1,098
In effect June 30, 1970	12,545	343	160	176	156	365	33	2,139	9,665
Amended	1,378	295				100	2	288	753

[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 of 1954

Status	Total	Manufacturers of tobacco products	Export warehouse proprietors
	(1)	(2)	(3)
In effect July 1, 1969	415	227	188
Issued	49	20	29
Terminated, total	72	44	28
Revoked			
Otherwise terminated	72	44	28
In effect June 30, 1970	392	203	189
Amended	77	44	33

Table 14.—Label activity under Federal Alcohol Administration Act

Type of label	Applications acted upon			
	Total	Certificates issued		Disapproved
		Approvals	Exemptions	
Grand total	71,804	71,225	82	497
Distilled spirits, total	33,841	33,573	42	226
Domestic	27,918	27,747	42	129
Imported	5,923	5,826		97
Wines, total	36,305	36,007	40	258
Domestic	14,043	13,926	40	77
Imported	22,262	22,081		181
Malt beverages, total	1,658	1,645		13
Domestic	958	954		4
Imported	700	691		9

Table 15.—Number of occupational tax stamps issued, covering fiscal year 1970, or portion thereof, by class of tax and by internal revenue regions, districts, and States

Internal revenue regions, districts, and States (States represented by single districts indicated in parentheses; totals for	Total number of occupational tax stamps issued	Distilled spirits								
		Manufacturers of stills $55	Rectifiers: Less than 20,000 proof gallons, $110	Rectifiers: 20,000 proof gallons or more, $220	Wholesale dealers, $225	Retail dealers: Retail dealers,	Retail dealers: At Large $54	Medicinal spirits $54	Manufacturers of non-beverage products: Not exceeding 25 gallons,	Manufacturers of non-beverage products: Not exceeding 50 gallons,	Manufacturers of non-beverage products: More than 50 gallons, $100
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
United States, total	**853,798**	**137**	**36**	**77**	**2,597**	**232,386**	**1,219**	**899**	**52**	**33**	**701**
North-Atlantic Region	**150,452**	**29**	**3**	**12**	**283**	**42,182**	**80**	**479**	**14**	**12**	**158**
Albany (See (c) below)	10,480	18			12	3,704	19		1		7
Augusta (Maine)	4,376			2	1	457				3	
Boston (Massachusetts)	23,255	3		5	86	6,873	9	471	5		40
Brooklyn (See (c) below)	31,920		3	1	41	7,134	8	1	1		52
Buffalo (See (c) below)	24,026	6			25	8,757	15	1	1		18
Burlington (Vermont)	2,669					567	3	6			
Hartford (Connecticut)	13,777			3	31	4,989	10			7	
Manhattan (See (c) below)	32,902	2			68	7,436	5		2		36
Portsmouth (New Hampshire)	3,417			1	2	643	6		1	2	
Providence (Rhode Island)	3,630				17	1,622	5		3		5
Mid-Atlantic Region	**109,050**	**50**	**5**	**19**	**241**	**36,824**	**94**	**8**	**4**		**143**
Baltimore (Maryland and D.C.)	19,066		1	5	51	5,235	49	1			17
Newark (New Jersey)	27,197	27	4	9	87	12,393	35		1		76
Philadelphia (See (e) below)	28,766	21		4	42	10,218	2	1	3		39
Pittsburgh (See (e) below)	17,242			1	43	7,838	1	3			5
Richmond (Virginia)	14,912	2			8	331	4	3			6
Wilmington (Delaware)	1,867				10	809	3				
Southeast Region	**103,380**	**4**	**1**	**4**	**206**	**10,717**		**16**	**3**	**1**	**58**
Atlanta (Georgia)	11,974			1	39	1,758		1			11
Birmingham (Alabama)	8,900	2			5	768		6	2		3
Columbia (South Carolina)	12,407				14	1,072					4
Greensboro (North Carolina)	14,527	1			54	223		8			8
Jackson (Mississippi)	9,291	1			8	821			1	1	2
Jacksonville (Florida)	32,211			3	60	5,236					10
Nashville (Tennessee)	14,070		1		26	839		1			20
Central Region	**113,278**	**24**	**7**	**5**	**477**	**38,031**	**38**	**20**	**3**	**1**	**75**
Cincinnati (See (d) below)	17,007	9		1	111	4,783	9				24
Cleveland (See (d) below)	27,924	5	1		153	10,460		2	3		14
Detroit (Michigan)	34,789	3	3	3	117	14,759	22	18			23
Indianapolis (Indiana)	16,869		2		20	5,374	2			1	6
Louisville (Kentucky)	9,125	7	1		74	1,938	5				7
Parkersburg (West Virginia)	7,556			1	2	717					1
Midwest Region	**124,793**	**5**	**1**	**11**	**390**	**45,718**	**812**	**230**	**16**	**10**	**126**
Aberdeen (South Dakota)	3,529				9	947		1			1
Chicago (See (b) below)	28,852			5	116	12,086	423	5	3	5	61
Des Moines (Iowa)	10,890				3	3,067		14	1		4
Fargo (North Dakota)	2,341				10	1,037		2			
Milwaukee (Wisconsin)	27,342			1	83	13,316	3	168	1		12
Omaha (Nebraska)	6,077				40	2,008	29	7	7		
St. Louis (Missouri)	19,392	4		3	52	6,020	289	4	2	4	31
St. Paul (Minnesota)	17,076			1	10	3,007	66	26	2	1	12
Springfield (See (b) below)	9,294	1	1	1	67	4,230	2	3			5
Southwest Region	**107,973**	**5**	**1**		**293**	**17,490**	**187**	**124**	**2**	**2**	**45**
Albuquerque (New Mexico)	3,222		1		23	1,454	1				
Austin (See (f) below)	33,915	2			80	2,314	44	4	1		10
Cheyenne (Wyoming)	1,653				1	693	1				
Dallas (See (f) below)	15,948	1			70	1,575	80	1	1		12
Denver (Colorado)	10,111				16	3,083	60	118		1	6
Little Rock (Arkansas)	5,654				9	732				1	
New Orleans (Louisiana)	16,579				48	5,484					11
Oklahoma City (Oklahoma)	12,216	2			13	939					1
Wichita (Kansas)	8,675				33	1,216	1	1			5
Western Region	**144,880**	**20**	**18**	**26**	**707**	**41,434**	**8**	**22**	**10**	**7**	**96**
Anchorage (Alaska)	1,187				10	678					
Boise (Idaho)	3,432				1	660					
Helena (Montana)	3,682				1	1,439	1				
Honolulu (Hawaii)	2,792		6		33	1,212		1			1
Los Angeles (See (a) below)	51,982	5	3	7	201	15,365	3	1	5	3	48
Phoenix (Arizona)	7,143				58	2,567			1		
Portland (Oregon)	10,057		6		52	1,283					4
Reno (Nevada)	4,291				27	1,445	3	20			
Salt Lake City (Utah)	4,227					170	1				2
San Francisco (See (a) below)	40,782	14	3	18	225	12,692			4	4	39
Seattle (Washington)	15,305	1		1	99	3,923					2
Totals for States not shown above											
(a) California	92,764	19	6	25	426	28,057	3	1	9	7	87
(b) Illinois	38,146	1	1	6	183	16,316	425	8	3	5	66
(c) New York	99,328	26	3	1	146	27,031	47	2	5		113
(d) Ohio	44,931	14	1	1	264	15,243	9	2	3		38
(e) Pennsylvania	46,003	21		5	85	18,056	3	4	3		44
(f) Texas	49,863	3			150	3,889	124	5	2		22

Table 15.—Number of occupational tax stamps issued, covering fiscal year 1970, or portion thereof, by class of tax and by internal revenue regions, districts, and States—Contined

Internal revenue regions, districts, and States (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Wine: Wholesale dealers: Wines, $255	Wine: Wholesale dealers: Wines and beer, $255	Wine: Retail dealers: Wines, $54	Wine: Retail dealers: Wines and beer, $54	Beer: Brewers: 500 barrels or more, $110[1]	Beer: Wholesale dealers, $123	Beer: Retail dealers, $24	Beer: Retail dealers at large, $24	Beer: Temporary dealers in liquor (wines or beer) $2.20 per month
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
United States, total	**114**	**653**	**175**	**48,545**	**169**	**6,497**	**131,609**	**97**	**4,190**
North-Atlantic Region	**43**	**55**	**27**	**1,328**	**23**	**708**	**24,321**	**34**	**535**
Albany (See (c) below)						82	2,409	5	55
Augusta (Maine)						38	2,147	1	
Boston (Massachusetts)		6	2	176	6	18	100		49
Brooklyn (See (c) below)	10	2	3	71	4	220	6,507	26	1
Buffalo (See (c) below)	3		5	38	6	192	4,895		281
Burlington (Vermont)		43		902		1	96		4
Hartford (Connecticut)	2	1	3	14	1	36	1,806		131
Manhattan (See (c) below)	28	2	11	72	3	89	4,976		18
Portsmouth (New Hamshire)				2	1	25	1,350	2	
Providence (Rhode Island)		1		15	1	7	35		
Mid-Atlantic Region	**12**	**56**	**6**	**3,794**	**34**	**1,691**	**6,671**	**17**	**830**
Baltimore (Maryland and D.C.)		3	2	440	5	75	1,424	1	365
Newark (New Jersey)	6	1		70	6	122	269	14	374
Philadelphia (See (e) below)			1	13	13	770	796	1	8
Pittsburgh (See (e) below)	1		1	19	8	613	438		
Richmond (Virginia)	5	50	2	3,251	2	102	3,731	1	2
Wilmington (Delaware)		2		1		9	13		81
Southeast Region	**9**	**140**	**54**	**13,567**	**7**	**466**	**27,394**	**1**	**20**
Atlanta (Georgia)	1	24	7	1,189	1	52	2,121		
Birmingham (Alabama)	2	1	7	31		73	3,355		
Columbia (South Carolina)		30	3	2,113		24	3,447		2
Greensboro (North Carolina)	2	38	20	2,917	2	62	4,427		
Jackson (Mississippi)				22		79	4,963	1	7
Jacksonville (Florida)	4	47	17	7,172	4	101	4,876		
Nashville (Tennessee)				23		75	4,205		11
Central Region	**15**	**190**	**24**	**13,002**	**19**	**686**	**6,789**	**1**	**301**
Cincinnati (See (d) below)	3	11	5	2,678	5	56	480		118
Cleveland (See (d) below)	1	1	4	4,876	1	100	600		104
Detroit (Michigan)	9	174	13	3,282	5	100	192		23
Indianapolis (Indiana)	1	4	2	2,042	4	206	367		29
Louisville (Kentucky)				14	3	123	1,883	1	27
Parkersburg (West Virginia)	1			110	1	101	3,267		
Midwest Region	**4**	**9**	**7**	**144**	**45**	**1,400**	**19,569**	**4**	**1,924**
Aberdeen (South Dakota)				1		46	1,170		14
Chicago (See (b) below)	1	1		41	3	172	215	2	353
Des Moines (Iowa)				45	2	167	2,754		4
Fargo (North Dakota)						41	237		
Milwaukee (Wisconsin)		6	1	25	23	331	4,401		876
Omaha (Nebraska)			1	2	3	69	799		
St. Louis (Missouri)	3		3	4	5	186	3,712		201
St. Paul (Minnesota)		1	2	3	9	257	6,045	2	176
Springfield (See (b) below)		1		23	4	131	236		300
Southwest Region	**3**	**30**	**35**	**7,658**	**16**	**978**	**32,444**	**38**	**91**
Albuquerque (New Mexico)			1	2		10	23	10	
Austin (See (f) below)		9	26	5,627	6	403	14,328		19
Cheyenne (Wyoming)						46	94	2	16
Dallas (See (f) below)		2	6	1,687	3	131	3,135	19	6
Denver (Colorado)				44	3	70	1,393	5	5
Little Rock (Arkansas)	1	18		197		44	1,382	1	1
New Orleans (Louisiana)	2	1	1	22	3	104	3,034	1	18
Oklahoma City (Oklahoma)			1	69	1	93	5,788		6
Wichita (Kansas)				10		77	3,267		20
Western Region	**28**	**173**	**22**	**9,052**	**21**	**568**	**14,421**	**2**	**485**
Anchorage (Alaska)				9		17	19		
Boise (Idaho)				4		67	1,480		2
Helena (Montana)		2		6		66	602		15
Honolulu (Hawaii)			1	33	2	8	36		
Los Angeles (See (a) below)	4	19	8	1,347	6	118	5,559	1	91
Phoenix (Arizona)		5		749	1	15	323		
Portland (Oregon)		26	3	2,088	1	59	1,170		61
Reno (Nevada)		2		25		9	120		2
Salt Lake City (Utah)				1		28	1,124		2
San Francisco (See (a) below)	21	79	8	3,096	6	151	3,090	1	303
Seattle (Washington)	3	4	2	1,694	5	30	898		9
Totals for States not shown above									
(a) California	25	98	16	4,443	12	269	8,649	2	394
(b) Illinois	1	2		64	7	303	451	2	653
(c) New York	41	4	22	219	14	583	18,787	31	355
(z) Ohio	4	12	9	7,554	6	156	1,080		222
(e) Pennsylvania	1		2	32	21	1,383	1,234	1	8
(f) Texas		11	32	7,314	9	534	17,463	19	25

[1] Includes 5 brewers of less than 500 barrels at $55.

Table 15.—Number of occupational tax stamps issued, covering fiscal year 1970, 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: Manufacturers, importers, and compounders of opium	Narcotics: Wholesale dealers, $12	Narcotics: Retail dealers, $3	Narcotics: Practitioners, $1	Narcotics: Dealers in untaxed preparations, $1	Narcotics: Laboratories etc., $1	Marihuana: Manufacturers $24	Marihuana: Dealers, $3	Marihuana: Producers and millers, $1	Marihuana: Practitioners, $1	Marihuana: Laboratories, $1
	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)
United States, total	**118**	**1,315**	**55,347**	**344,669**	**1,117**	**503**	**8**	**1**	**1**	**45**	**85**
North-Atlantic Region	**24**	**319**	**9,719**	**69,346**	**394**	**120**				**14**	**24**
Albany (See (c) below)	1	9	556	3,504	45	7					
Augusta (Maine)	3	222	1,496	1	1						
Boston (Massachusetts)	4	21	1,709	13,512	13	33				3	5
Brooklyn (See (c) below)	5	28	1,963	15,802	28	8					
Buffalo (See (c) below)	3	17	1,117	8,445	177	13				2	7
Burlington (Vermont)		2	113	927		3					
Hartford (Connecticut)		11	852	5,831	9	20				6	7
Manhattan (See (c) below)	6	20	1,504	18,461	113	33				3	5
Portsmouth (New Hampshire)	1	3	154	1,215	1	2					
Providence (Rhode Island)	1	6	255	1,648	7	1					
Mid-Atlantic Region	**34**	**94**	**7,114**	**49,219**	**205**	**123**	**2**			**6**	**11**
Baltimore (Maryland and D.C.)	2	21	976	9,137	11	12				3	4
Newark (New Jersey)	17	27	2,026	11,509	51	51					
Philadelphia (See (e) below)	13	24	1,994	14,673	53	32	1			3	7
Pittsburgh (See (e) below)	1	11	1,134	6,897	16	13					
Richmond (Virginia)	1	6	858	6,204	67	11	1				
Wilmington (Delaware)		3	126	799	7	4					
Southeast Region	**7**	**127**	**8,464**	**36,046**	**135**	**36**					
Atlanta (Georgia)		31	1,254	5,116	15	4					
Birmingham (Alabama)		12	996	3,604	8	4					
Columbia (South Carolina)	2	13	662	2,777	5	2					
Greensboro (North Carolina)	1	13	1,051	5,534	44	11					
Jackson (Mississippi)		9	635	2,037	5						
Jacksonville (Florida)		22	2,675	11,792	29	8					
Nashville (Tennessee)	4	27	1,151	5,186	29	7					
Central Region	**24**	**138**	**7,030**	**43,385**	**123**	**47**	**1**	**2**		**2**	**4**
Cincinnati (See (d) below)	5	22	995	7,054	15	9		1		2	2
Cleveland (See (d) below)	4	24	1,389	9,925	31	13					1
Detroit (Michigan)	8	46	2,234	13,655	44	11					
Indianapolis (Indiana)	6	24	1,255	6,583	23	11	1	1			
Louisville (Kentucky)		12	815	4,054	9	3					1
Parkersburg (West Virginia)	1	10	342	2,034	1						
Midwest Region	**17**	**139**	**7,699**	**45,174**	**112**	**56**	**2**	**1**	**1**	**18**	**11**
Aberdeen (South Dakota)		3	279	764							
Chicago (See (b) below)	4	37	2,131	13,044	19	15					
Des Moines (Iowa)		19	733	4,043	14	4				3	
Fargo (North Dakota)		2	184	757		1					
Milwaukee (Wisconsin)	4	16	1,074	6,977	8	9					2
Omaha (Nebraska)	1	4	482	2,407	4	4	1	1		13	2
St. Louis (Missouri)	6	22	1,122	7,366	42	14				2	5
St. Paul (Minnesota)	1	20	969	6,429	7	2	1		1		2
Springfield (See (b) below)	1	7	725	3,387	18	7					
Southwest Region	**4**	**114**	**7,389**	**37,721**	**75**	**51**				**1**	**12**
Albuquerque (New Mexico)		3	274	1,384	5	5					
Austin (See (f) below)		22	1,686	9,189	26	15				1	8
Cheyenne (Wyoming)		2	127	511							
Dallas (See (f) below)	1	29	1,505	7,641	18	9					1
Denver (Colorado)		13	658	4,482	4	6					
Little Rock (Arkansas)		5	588	2,235	3	1					1
New Orleans (Louisiana)	2	20	1,026	4,923	9	12					1
Oklahoma City (Oklahoma)		12	865	4,263	7	3					1
Wichita (Kansas)	1	7	660	3,083	3						
Western Region	**8**	**178**	**7,922**	**63,868**	**73**	**70**	**3**			**4**	**23**
Anchorage (Alaska)		1	44	272							
Boise (Idaho)		2	238	973		1					2
Helena (Montana)		4	250	1,037		1					
Honolulu (Hawaii)		4	97	1,220	16	2					
Los Angeles (See (a) below)	5	71	2,725	26,164	31	42	3				12
Phoenix (Arizona)		10	433	2,935	3	2					1
Portland (Oregon)	2	11	609	4,066	5	1					1
Reno (Nevada)		6	136	720	1						
Salt Lake City (Utah)		8	268	1,682	2	1				4	4
San Francisco (See (a) below)	1	40	2,138	18,815	13	13					2
Seattle (Washington)		21	994	5,984	2	7					1
Totals for States not shown above											
(a) California	6	111	4,863	44,979	44	55	3				14
(b) Illinois	5	44	2,856	16,431	37	22					
(c) New York	15	74	5,140	46,212	363	61				5	12
(d) Ohio	9	46	2,384	16,979	46	22		1		2	3
(e) Pennsylvania	14	35	3,128	21,570	69	45	1			3	7
(f) Texas	1	51	3,191	16,830	44	24				1	9

Table 15.—Number of occupational tax stamps issued, covering fiscal year 1970, or portion thereof, by class of tax and by internal revenue regions, districts, and States.

Internal revenue regions, districts and States (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	National Firearms Act: Manufacturers or importers: Class 1, $500 (32)	Manufacturers or importers: Class 2, $500 (33)	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)	Dealer only in weapons classified as "Any Other Weapon," Class 6, $10 (37)	Coin-operated gaming device premises, $250 per device (38)	Adulterated process of renovated butter and filled cheese (39)	Wagering, $50 (40)
United States, total	22	8	81	37	36	55	17,008	51	3,289
North-Atlantic Region	8	3	7	9	5	3	181	3	3
Albany (See (c) below)	1	1				1			1
Augusta (Maine)	1		1		2				
Boston (Massachusetts)	2	1	2	4	1		94		2
Brooklyn (See (c) below)			1						
Buffalo (See (c) below)	1							1	
Burlington (Vermont)								2	
Hartford (Connecticut)	3	1			1		2		
Manhattan (See (c) below)			2	5	1	1			
Portsmouth (New Hampshire)						1	5	0	
Providence (Rhode Island)			1						
Mid-Atlantic Region	4	1	11		3	3	1,702	5	14
Baltimore (Maryland and D.C.)	1		6			1	1,218		
Newark (New Jersey)	1		1				20		
Philadelphia (See (e) below)			1		2		21	5	5
Pittsburgh (See (e) below)			1		1	1	189		7
Richmond (Virginia)	2	1	2			1	254		2
Wilmington (Delaware)									
Southeast Region	2	1	10	7	7	3	5,770	12	85
Atlanta (Georgia)	2		2			1	343		1
Birmingham (Alabama)			1				7		13
Columbia (South Carolina)					1		2,224		12
Greensboro (North Carolina)				2			63		5
Jackson (Mississippi)				1	1		650	1	46
Jacksonville (Florida)			5	4	3	2	30	11	
Nashville (Tennessee)		1	2		2		2,453		7
Central Region	3		5	1	5	8	2,053	6	805
Cincinnati (See (d) below)				1			578	4	26
Cleveland (See (d) below)	1		2		1	2	127	1	78
Detroit (Michigan)	2				4	4	10	1	24
Indianapolis (Indiana)			1			2	542		360
Louisville (Kentucky)			2				23		123
Parkersburg (West Virginia)							773		194
Midwest Region			23	2	4	20	573	5	116
Aberdeen (South Dakota)							278		16
Chicago (See (b) below)			15	1		2	92		
Des Moines (Iowa)			2				1	1	9
Fargo (North Dakota)					1		32		37
Milwaukee (Wisconsin)			1		1	2	1		
Omaha (Nebraska)						12	136		45
St. Louis (Missouri)				1	2	2	281	3	1
St. Paul (Minnesota)			3			1	17		3
Springfield (See (b) below)			2			1	135	1	5
Southwest Region	1	3	11	2	2	15	2,907	16	218
Albuquerque (New Mexico)							25		1
Austin (See (f) below)	1	2	6	2		5	7	10	62
Cheyenne (Wyoming)						1	141		18
Dallas (See (f) below)		1	4			2	1		7
Denver (Colorado)							141		3
Little Rock (Arkansas)							405	3	27
New Orleans (Louisiana)			1		1	5	1,801	2	47
Oklahoma City (Oklahoma)						1	100	1	50
Wichita (Kansas)					1	1	286		3
Western Region	4		14	16	10	3	3,502	4	2,048
Anchorage (Alaska)					1		6		130
Boise (Idaho)			1			1			
Helena (Montana)				1	2		98		157
Honolulu (Hawaii)							120		
Los Angeles (See (a) below)	4		6	9		1	107	4	4
Phoenix (Arizona)			4	1			32		3
Portland (Oregon)			1		1		602		5
Reno (Nevada)				3	1		1,610		161
Salt Lake City (Utah)			1	1	2		467		459
San Francisco (See (a) below)			1	1	3	1			
Seattle (Washington)							460		1,129
Totals for States not shown above									
(a) California	4		7	10	3	2	107	4	4
(b) Illinois			17	1		3	227	1	1
(c) New York	2	1	3	5	1	2		1	1
(d) Ohio	1		2	1	1	2	705	5	104
(e) Pennsylvania			2		3	1	210	5	12
(f) Texas	1	3	10	2		7	8	10	69

Table 16.—Appellate division receipts and dispositions of cases not before the Tax Court (nondocketed cases)

A. Progress of work — F.Y. 1970

Status	Number of cases (1)	Amount stated in revenue agent's report (thousand dollars): Deficiency and penalty (2)	Overassessment (3)
Pending July 1	22,179	r 2,255,240	109,981
Received	26,131	1,331,940	38,537
Disposed of, total	25,299	1,071,982	33,948
By agreement	20,780	832,193	33,225
Unagreed: (Overassessments, claims, excise, employment, and offer in compromise rejections)	1,249	10,808	204
By taxpayer default on statutory notice	967	37,496	39
By petition to the Tax Court—transferred to docketed status	2,303	191,482	479
Pending June 30	23,011	2,515,198	114,570

B. Results obtained in dispositions

Method	Number of cases (1)	Appellate determination (thousand dollars): Deficiency and penalty (2)	Overassessment (3)
Disposed of, total	25,299	517,538	52,603
By agreement	20,780	283,925	52,238
Unagreed: (Overassessments, claims, excise, employment, and offer in compromise rejections)	1,249	14,108	291
By taxpayer default on statutory notice	967	30,117	24
By petition to the Tax Court—transferred to docketed status	2,303	189,390	50

r Revised.

Table 17.—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. 1970

Status	Number of cases (1)	Amount stated in statutory notice (thousand dollars): Deficiency in tax and penalty (2)	Overassessment (3)
Pending July 1	9,848	1,343,828	316
Received, total	6,968	510,801	—316
Petitions filed in response to—			
District Directors' statutory notices	4,835	319,351	
Appellate Division's statutory notices[1]	2,133	191,450	
Disposed of, total	6,682	494,368	
By stipulated agreement	5,278	396,852	
By dismissal by the Tax Court or taxpayer default	458	3,158	
Tried before the Tax Court on the merits	946	94,358	
Pending June 30	10,134	1,360,261	

[1] Difference from table 16, transferred to docketed status is caused by excluding district directors' statutory notices considered by Appellate in 90-day status.

B. Results obtained in dispositions

Method	Number of cases (1)	Appellate determination (thousand dollars): Deficiency in tax and penalty (2)	Overassessment (3)
Disposed of, total	6,682	217,893	3,890
By stipulated agreement	5,278	120,912	3,890
By dismissal by the Tax Court or taxpayer default	458	2,623	
Tried before the Tax Court on the merits[1]	946	94,358	

[1] Represents amounts petitioned.

Table 18.—Office of Chief Counsel—Processing of income, estate, and gift tax cases in the Tax Court *

Status	Number of cases	Amount in dispute (thousand dollars)		
		Deficiency		Overpayment
		Tax	Penalty	
	(1)	(2)	(3)	(4)
Pending July 1	r 11,048	r 1,215,202	r 109,063	r 53,408
Filed or reopened	6,969	429,707	34,376	69,988
Disposed of	6,564	364,744	35,348	35,553
Pending June 30	11,453	1,280,165	108,091	87,843

r Revised.

Table 19.—Office of Chief Counsel—Receipt and disposal of Tax Court cases in courts of appeals and in Supreme Court

Status	In courts of appeals					In Supreme Court				
	Number of cases	Amount in dispute (thousand dollars)		Amount approved (thousand dollars)		Number of cases	Amount in dispute (thousand dollars)		Amount approved (thousand dollars)	
		Deficiency and penalty	Overpayment	Deficiency and penalty	Overpayment		Deficiency and penalty	Overpayment	Deficiency and penalty	Overpayment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Pending July 1, total	r 302	r 21,726	r 22							
Appealed by Commissioner	r 32	1,170	5							
Appealed by taxpayer	r 244	16,005	8							
Appealed by both	r 26	4,551	9							
Appealed, total	319	31,427	243			2	12			
By Commissioner	69	13,972	5							
By taxpayer	227	15,476	27			2	12			
By both	23	1,979	211							
Disposed of, total	239	15,986	224	10,011	48	2	12		12	
Favorable to Commissioner	154	6,772	12	6,772	6	2	12		12	
Favorable to taxpayer	19	767								
Modified	27	4,784	10	1,245	1					
Settled	1	1,261		915						
Dismissed	38	2,402	202	1,079	41					
Pending June 30, total	382	37,167	41							
Appealed by Commissioner	78	14,514	5							
Appealed by taxpayer	280	19,592	27							
Appealed by both	24	3,061	9							

r Revised.

* Difference between tables 17 and 18 are occasioned by immediate dismissal of late petitions, dismissal of petitions erroneously filed not in answer to a statutory notice and a slight difference in jurisdiction between Appellate and the Office of Chief Counsel.

Table 20.—Office of Chief Counsel—Receipt and disposal of suits filed by taxpayers in Federal courts and actions by the United States for recovery of erroneous refunds

Status	Total	Refund Suits (other than alcohol, tobacco, and firearms taxes)[1]		Erroneous refunds
		Court of claims	District courts	
	(1)	(2)	(3)	(4)
Pending July 1:				
Cases ... number	r 3,414	r 394	r 2,984	r 36
Amount in dispute ... thousand dollars	427,471	187,837	237,184	2,450
Received during year:				
Cases ... number	1,189	140	1,021	28
Amount in dispute ... thousand dollars	155,424	35,582	119,628	214
Disposed during year:				
Cases ... number	1,182	107	1,053	22
Amount in dispute ... thousand dollars	86,335	35,110	49,246	1,979
Refunded during year:				
Amount ... thousand dollars	34,094	11,249	22,845	
Percent of amount disposed of	39.49	32.04	46.39	
Pending June 30:				
Cases ... number	r 3,421	r 427	r 2,952	r 42
Amount in dispute ... thousand dollars	496,560	188,309	r 307,568	r 683

[1] The number of cases disposed of does not agree with the number of cases in which decisions were rendered by these courts during the year, due to settlement by stipulation, dismissals, and time required for retrial, recomputation of tax, etc. In the Court of Claims the number of decisions was 35, of which 15 were for the Government, 16 against the Government, and 4 partly for and partly against the Government. In the district courts 332 decisions were rendered, of which 151 were for the Government, 123 against the Government, and 58 partly for and partly against the Government. For decisions by the courts of appeals and Supreme Court, see Table 21.

r Revised.

Table 21.—Office of Chief Council—Decisions of courts of appeals and Supreme Court in civil tax cases

Court	Total	For the Government	Against the Government	Partly for and partly against the Government
	(1)	(2)	(3)	(4)
Total	343	250	57	36
By courts of appeals, total	331	241	54	36
Originally tried in—				
Tax Court	[1] 200	154	19	27
District courts	[2] 131	87	35	9
By Supreme Court, total	12	9	3	
Originally tried in—				
Tax Court	[3] 2	2		
District courts	[4] 10	7	3	
Court of Claims				

[1] The Courts of Appeals rendered 124 opinions in 200 docket numbers of which 96 opinions were for the Government, 12 opinions were partially for the Government, and 16 opinions were against the Government.

[2] The Courts of Appeals rendered 102 opinions in 131 cases, of which 65 opinions were for the Government, 7 opinions were partially for the Government, and 30 opinions were against the Government.

[3] The Supreme Court rendered 1 opinion in 2 docket numbers

[4] The Supreme Court rendered 4 opinions in 10 cases, of which 3 opinions were for the Government, and 1 opinion was against the Government.

Table 22.—Office of Chief Counsel—Receipt and disposal of collection, injunction, summons, and disclosure cases

Status	Number of cases
Pending July 1	1,696
Received	1,926
Disposed of	1,887
Pending June 30	1,735

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 23), nor to appeal and other cases which are included in table 24.

Table 23.—Office of Chief Counsel—Receipt and disposal of insolvency and debtor proceedings

Status	Total	Reorganization proceedings [1]	Bankruptcy and receivership proceedings [2]	Miscellaneous insolvency proceedings [3]
	(1)	(2)	(3)	(4)
Pending July 1	2,064	1,031	572	461
Received	3,156	1,556	1,090	510
Disposed of	2,891	1,293	1,082	516
Pending June 30	2,329	1,294	580	455

[1] Proceedings instituted under the following sections or chapters of the Bankruptcy Act: Sec. 77 (railroad reorganizations) and chs. X (corporate reorganizations), XI (arrangements as to unsecured indebtedness), XII (real property arrangements), and XIII (wage earners' plans), which involve tax claims and other rights and interests of the United States.

[2] Bankruptcy liquidation proceedings and Federal or State receivership proceedings which involve tax claims of the United States.

[3] Proceedings relating to corporate dissolutions, insolvent banks, assignments for the benefit of creditors, or administration of estates of decedents, which involve tax claims of the United States.

Note. Includes cases handled at national and regional levels.

Table 24.—Office of Chief Counsel—Receipt and disposal of miscellaneous court cases, lien cases not in court, noncourt collection litigation cases, and appeal cases

Status	Total	Miscellaneous court cases [1]	Lien cases not in court [2]	Noncourt general litigation cases [3]	Appeal cases [4]
	(1)	(2)	(3)	(4)	(5)
Pending July 1	1,153	313	76	688	76
Received	5,721	504	1,766	3,343	108
Disposed of	5,360	438	1,758	3,102	62
Pending June 30	1,514	379	84	929	122

[1] Includes suits for foreclosure by mortgagees or other secured creditors, and suits to quiet title to which the United States is made a party.

[2] Primarily applications for discharge of property from tax liens.

[3] Primarily memorandums on general litigation matters from regional counsel to district directors which are not related to court proceedings or lien cases.

[4] Includes cases in Federal and State appellate courts relating to insolvency and debtor proceedings, lien cases in court, and collection, summons, and injunction cases.

Note. Includes cases handled at national and regional levels.

Table 25.—Office of Chief Counsel—Caseload report

Activity	Pending July 1 (1)	Receipts (2)	Disposals (3)	Pending June 30 (4)
Total	r 23,268	29,123	27,516	24,875
Administration	r 81	149	167	63
Alcohol, Tobacco and Firearms	949	7,850	7,709	1,090
National Office	245	2,390	2,330	305
Field	704	5,460	5,379	785
General Litigation	4,913	10,803	10,138	5,578
National Office	307	385	332	360
Field	4,606	10,418	9,806	5,218
Enforcement	2,073	1,100	967	2,206
National Office	56	54	37	73
Field	2,017	1,046	930	2,133
Interpretative Division	174	505	421	258
Legislation & Regulations	314	237	127	424
Refund Litigation Division	r 3,414	1,189	1,182	3,421
Tax Court Litigation [1]	r 11,350	7,290	6,805	11,835
National Office	302	321	241	382
Field	11,048	6,969	6,564	11,453

[1] Statutory Notices not included.
r Revised.

Table 26.—Costs incurred by the Internal Revenue Service

[In thousands of dollars]

Internal revenue office, district, or region	Total (1)	Personnel compensation and benefits (2)	Travel (3)	Equipment (4)	Other [1] (5)
A. National Office and regional totals (including district directors' offices and service centers)					
Total Internal Revenue Service [1]	886,159	778,527	21,439	6,527	79,667
National Office	107,542	58,125	1,552	2,281	45,584
North-Atlantic	134,463	127,246	2,283	438	4,497
Mid-Atlantic	108,266	102,028	2,269	409	3,561
Southeast	87,135	80,001	2,777	505	3,852
Central	96,978	90,540	2,455	435	3,549
Midwest	104,672	97,012	2,910	724	4,025
Southwest	82,474	75,776	2,354	454	3,889
Western	117,304	107,454	3,489	950	5,399
Regional counsel	11,918	11,426	162		330
Regional inspection	11,195	10,017	915	31	234
Office of International Operations	5,852	5,427	204	18	203
National Computer Center	5,928	7,808	13	221	2,886
IRS Data Center	12,429	10,657	57	58	1,658
B. Regional commissioners' offices (excluding district directors' offices and service centers)					
North-Atlantic	14,412	13,437	280	46	650
Mid-Atlantic	13,578	12,380	487	92	617
Southeast	17,078	15,047	633	64	1,334
Central	14,327	13,112	327	130	757
Midwest	12,740	11,319	416	111	894
Southwest	8,660	7,901	308	44	408
Western	12,400	11,096	457	194	652
C. Regional costs undistributed					
North-Atlantic	1,553	751	664	11	127
Mid-Atlantic	1,213	580	610		23
Southeast	1,035	428	484		124
Central	1,286	570	531	15	171
Midwest	1,365	624	599	19	123
Southwest	858	395	428	23	12
Western	1,223	432	735		56
D. District directors' offices and service centers					
North-Atlantic:					
Albany	3,960	3,745	101	13	100
Augusta	2,076	1,945	67	21	44
Boston	14,988	14,325	246	42	374
Brooklyn	16,697	16,054	186	31	426
Buffalo	10,247	9,815	182	26	225
Burlington	1,070	984	41	10	35
Hartford	7,572	7,257	114	25	175
Manhattan	31,776	30,979	202	41	553
Portsmouth	1,606	1,502	53	11	41
Providence	2,568	2,448	38	10	73
Puerto Rico Branch (AT&F)	145	133	9	(*)	2
North-Atlantic Regional Training Center	264		1	6	258
North-Atlantic Region—Centralized Training	68		68		
North-Atlantic Service Center	25,459	23,869	32	146	1,414
Mid-Atlantic:					
Baltimore	12,879	12,475	150	13	243
Newark	18,078	17,423	258	32	364
Philadelphia	17,470	16,882	247	25	315
Pittsburgh	10,224	9,882	156	11	175
Richmond	8,591	8,101	251	34	205
Wilmington	2,367	2,258	40	14	56
Mid-Atlantic Region—Centralized Training	42		41		1
Mid-Atlantic Service Center	23,825	22,046	28	188	1,563
Southeast:					
Atlanta	8,313	7,776	279	49	209
Birmingham	5,169	4,832	161	33	142
Columbia	3,578	3,324	116	29	110
Greensboro	8,234	7,703	303	43	185
Jackson	3,357	3,106	142	24	86
Jacksonville	14,499	13,652	387	91	370
Nashville	6,391	5,995	198	29	169
Southeast Region—Centralized Training	55		40		15
Southeast Service Center	19,395	18,139	34	143	1,079
Memphis Service Center	30				30
Central:					
Cincinnati	9,202	8,754	209	30	210
Cleveland	14,382	13,714	311	37	320
Detroit	17,416	16,505	392	50	468
Indianapolis	9,727	9,131	255	27	314
Louisville	6,071	5,696	189	20	165
Parkersburg	3,591	3,346	148	15	81
Central Regional Training Center	153	143	(*)	2	8
Central Region—Centralized Training	69		61		8
Central Service Center	20,754	19,569	32	108	1,046
Midwest:					
Aberdeen	1,637	1,491	51	15	40
Chicago	22,648	21,673	251	257	466
Des Moines	5,428	5,055	200	36	137
Fargo	1,501	1,375	77	14	35
Milwaukee	7,817	7,391	256	6	165
Omaha	3,626	3,392	134	10	92
St. Louis	11,376	10,722	351	22	281
St. Paul	7,754	7,364	199	27	163
Springfield	6,009	5,624	210	20	155
Midwest Region—Centralized Training	75		75		
Midwest Service Center	22,697	20,983	52	188	1,475

See footnotes at end of table.

Table 26.—Costs incurred by the Internal Revenue Service—Continued

[In thousands of dollars]

Internal revenue office, district, or region	Total (1)	Personnel compensation and benefits (2)	Travel (3)	Equipment (4)	Other [2] (5)
D. District directors' offices and service centers—Continued					
Southwest:					
Albuquerque	2,477	2,269	102	16	90
Austin	12,558	11,686	314	46	510
Cheyenne	1,314	1,208	67	8	31
Dallas	11,947	11,169	318	48	412
Denver	4,898	4,566	115	22	195
Little Rock	3,369	3,117	113	15	125
New Orleans	7,161	6,792	147	24	197
Oklahoma City	6,075	5,673	164	25	213
Wichita	4,989	4,650	177	22	140
Southwest Region—Centralized Training	59		59		
Southwest Service Center	18,108	16,346	42	162	1,558
Western:					
Anchorage	1,171	1,028	75	6	61
Boise	1,748	1,594	78	9	66
Helena	1,811	1,594	96	16	105
Honolulu	2,003	1,902	41	3	58
Los Angeles	29,239	27,412	698	116	1,012
Phoenix	3,830	3,566	113	20	132
Portland	5,002	4,628	135	47	192
Reno	3,089	2,751	136	24	179
Salt Lake City	2,527	2,371	65	14	76
San Francisco	19,700	18,233	474	174	819
Seattle	7,224	6,763	197	28	236
Western Regional Training Center	384	292	3	56	74
Western Region—Centralized Training	122		122		
Western Service Center	25,831	23,843	67	242	1,679

*Less than $500.
[1] Includes $7.0 million financed from reimbursements.
[2] Does not include transfer to General Services Administration in the amount of $1,427,000 for rental of space, and $495,000 for Early Records Retirement.

Table 27.—Obligations incurred by Internal Revenue Service, by appropriation and activity

[In thousands of dollars]

Appropriation by activity	Total 1969	Total 1970	Personnel compensation and benefits 1969	Personnel compensation and benefits 1970	Other 1969	Other 1970
Total obligations	758,785	886,159	667,191	778,527	91,594	107,631
Appropriated funds, total	755,305	879,125	664,228	772,531	91,077	106,594
Salaries and expenses:						
Total	21,931	25,569	18,973	22,214	2,958	3,355
Executive direction	9,666	11,133	8,349	9,808	1,317	1,325
Internal audit and security	12,265	14,436	10,624	12,406	1,641	2,030
Revenue accounting and processing:						
Total	189,183	214,299	158,632	177,857	30,551	36,442
Data processing operations	167,015	199,963	137,219	167,236	29,796	32,727
Statistical reporting	6,860	7,571	6,161	6,726	699	845
District manual operations	15,308	6,765	15,252	3,895	56	2,870
Compliance:						
Total	544,191	639,257	486,623	572,460	57,568	66,797
Audit of tax returns	284,949	328,089	257,656	296,858	27,293	31,231
Collection of delinquent accounts and securing delinquent returns	123,970	151,548	109,106	134,292	14,864	17,256
Tax fraud and special investigations	38,536	47,204	33,996	41,162	4,540	6,042
Alcohol, tobacco and firearms	41,656	50,083	34,949	42,414	6,707	7,669
Taxpayer conferences and appeals	25,695	28,009	23,935	26,271	1,760	1,738
Technical rulings and services	10,933	13,255	10,054	12,239	879	1,016
Legal services	18,452	21,069	16,927	19,224	1,525	1,845
Reimbursements, total	3,480	7,034	2,963	5,997	517	1,037

Note.—Amounts shown do not include transfer to GSA for rent of space amounting to $899,000 in 1969; $1,427,000 in 1970; Transfer to Narcotics of $63,000 in 1969; Transfer to GSA for Early Records Retirements of $950,000 in 1969; $495,000 in 1970.

Table 28.—Quantity and cost statistics for printing

Class of work	Fiscal year 1969: Quantity (thousands): Items or sets (1)	Fiscal year 1969: Quantity (thousands): Packages (2)	Fiscal year 1969: Cost (thousand dollars) (3)	Fiscal year 1970: Quantity (thousands): Items or sets (4)	Fiscal year 1970: Quantity (thousands): Packages (5)	Fiscal year 1970: Cost (thousand dollars) (6)
I. Tax packages (1968):						
Package 1 (Form 1040 and instructions—20 pages)	100,079	33,393	629			
Package 2 (Form 1040, schedules B, D, 1040ES, and instructions—32 pages)	75,607	10,801	302			
Package 3 (Form 1040, schedules B, C, D, 1040ES, and instructions—40 pages)	89,869	6,913	344			
Package 4 (Form 1040, schedules B, D, F, 1040ES, and instructions—40 pages)	41,470	3,190	158			
Package 5 (Form 1065, schedule D, and instructions—16 pages)	5,425	1,085	25			
Package 6 (Form 1120, schedule D, Form 3468, and instructions—24 pages)	12,775	1,825	47			
Package 7 (Form 1040A, instructions)	39,440	19,720	176			
II. Tax packages (1969): [1]						
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	11,220	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) [2]				4,400	880	33
Corporation Tax Package (Fiscal year filers—Form 1120, schedule D, instructions, Forms 1120W, 3468, 4466, 4626, 7004)				15,000	1,000	[2] 63
III. Employment tax package:						
Pub 393 (Forms 7018, 941C, W-2, 941A, W-4, schedule A (W-4), Pub. 213, and unemployment tax checklist)	72,000	4,500	191	79,360	4,960	209
Tax returns and instructions for major mailings to taxpayer—Total	436,665	81,427	1,872	1,352,358	83,754	[1] 3,073
IV. Other tax returns, instructions, public-use forms, and pamphlets [1]	1,538,767		[1] 6,924	1,720,097		[1] 10,325
V. Administrative forms and pamphlets	807,674		3,445	725,061		3,330
VI. Field printing	306,000		974	307,283		1,054
VII. Excise tax stamps	2,507,202		1,056	2,645,543		1,098
Grand total			14,271			18,880

[1] In 1970 there was a major change in tax forms and tax package format.
[2] In previous years, the contents of the corporation package for calendar year and fiscal year filers were identical. Previous of the Revenue Act of 1969 made it necessary to provide additional forms for fiscal year filers.

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