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Letter re: Urging support of bill to amend the Corporation Tax Law

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American Association of Public Accountants. Committee on Federal Legislation

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American Association of Public Accountants
COMMITTEE ON FEDERAL LEGISLATION

Room 2209

55 Liberty Street
NEW YORK

November 15, 1911.

TO THE MEMBERS OF THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS:

Congressman Francis Burton Harrison has promised to introduce at the coming Session of Congress, a bill to amend the Corporation Tax Law in accordance with the ideas of the business world, whereby returns shall be made at the close of fiscal, not necessarily calendar years.

You are urgently requested to lose no time in approaching either your Senators or Representatives, or both, with the object of obtaining promise of co-operation when the bill is introduced by Mr Harrison.

As you are aware, this is in a measure the culmination of a campaign for amendment which has been carried on by your Federal Legislation Committee for the past six months. It is unnecessary here to go further into the question of the desirability of an amendment of the law. The need for alteration is admitted on all sides, and there is every prospect of a practically unanimous passage in both Houses of Congress when the bill is introduced. BUT IT IS OF VITAL IMPORTANCE THAT THERE SHOULD BE ACTIVE CO-OPERATION BY AS LARGE A NUMBER OF CONGRESSMEN AND SENATORS AS IT IS POSSIBLE TO ENLIST.

The near approach of the assembling of Congress leaves little time, and your Committee earnestly requests that you will use every endeavor to secure the assistance of your Representatives and Senators without delay.

This assistance may be gained in two ways. First, through representations by corporations to Congressmen pointing out the great inconvenience and expense involved in an arbitrary rule requiring December 31st to be the date of report. Secondly, by directly communicating with Senators and Representatives, and convincing them of the hardships which the law as enforced inflicts upon accountants.

Previous circular letters from this Committee have informed you of the progress which has been made in preparing the way for the passage of the amending bill. The opposition of the Treasury Department will probably be overcome by careful preparation of the bill in consultation with Officials of that Department. Political opposition does not exist. This is a matter simply of public expediency and one to which both parties should be ready to lend their aid.

In reply to complaints and inquiries, the Treasury Department has asserted that 95% of the corporations concerned have complied with the present law and have found it not inconvenient to do so. This assertion can be and must be disproved if we are to obtain the desired relief. It can be shown conclusively on the testimony of your clients that although there has been compliance with the law, it has been effected with great difficulty. Mere obedience to the law does not signify approval of it. It does show, however, that the business community is ready to make great efforts to meet the wishes of the Government entrusted with the administration of the law, and therefore is an argument for consideration of, rather than rigid opposition to, the wishes of the taxpayer.

Will you kindly approach your clients and urge them to communicate directly with their Representatives in Congress in some such form as that which was enclosed in the Committee's circular letter of August 24th?

In approaching your Congressmen or Senators, it probably would be advisable to draw particular attention to the large numbers of representative bodies of commercial and industrial men

HON.

United States Senate,
(House of Representatives,)
Washington, D. C.

DEAR SIR:—

The change in corporate accounting for purposes of Federal Corporation Tax is a matter which has the warm support of a very large number of commercial bodies and individual corporations throughout the country. You are no doubt aware that Chambers of Commerce and similar bodies in several of the principal cities have passed resolutions favoring such an alteration. There seems no reason why the purposes of the Government cannot be equally well served by permitting companies to make their returns as of the close of their individual fiscal years. It is certain that such permission would be of the utmost convenience to very many companies, and would tend to diminish the opposition to this form of taxation.

Owing to the exigencies of business, it is practically impossible for many firms and corporations to conclude their fiscal years on December 31st, and you will readily understand that, in the case of such companies, it is a great hardship to be compelled to make accurate inventories and furnish an accurate balance sheet at, what is to them, an unnatural fiscal period.

The only objection which has been raised by the Government, or its officials, is that it would be inconvenient to make another change now that the law fixing December 31st of each year has been put in effect. This objection by its weakness shows that there is no valid reason, from an administrative point of view, why December 31st should be maintained as the fixed termination of all fiscal years.

Adoption of the natural fiscal years of all corporations would spread the work of accounting more or less evenly throughout the twelve months, and it would work a considerable saving financially. Surely the corporations which pay the tax are entitled to as much consideration as can be given them without injury to the purposes of the Government.

Not only would there be a saving to corporations and accountants, but the administration of Government could be more easily and less expensively carried out. Under the present regulations, balance sheets and inventories from approximately 400,000 corporations have to be compiled and submitted to Washington between December 31st and March 1st. This involves an abnormal amount of clerical assistance, much of which cannot be as efficient as that of the regular staff of the department.

In every way, therefore, an amendment calls for commendation, and it is hoped that you will find it possible to assist in its passage through the Senate (House of Representatives) when the time comes.

This Company is strongly in favor of the amendment and urges its adoption.

Very truly yours,

which have endorsed the idea that will be embodied in the proposed amendment. Chambers of Commerce and similar institutions from the Atlantic to the Pacific have given unqualified approval to an amendment of the law, and this fact alone should be sufficient reason for the co-operation of your Representatives.

At a later date your Committee will advise you of further steps in the campaign, but for the present it will be enough if you will obtain a promise of assistance from Members of Congress.

If the American Association of Public Accountants is to show its co-ordination and strength, each member of the Association must adopt this opportunity so to do, and must make an immediate and personal effort to further the aims in view.

Kindly treat this letter as being of as much importance as though it were a purely personal communication. The Committee must have the assistance of every Member of the Association.

Enclosed herewith is a copy of the form of letter sent with the Committees's circular of August 24th.

Very truly yours,

ROBERT H. MONTGOMERY,
Chairman

FRANCIS F. WHITE,
PERLEY MORSE,

Committee.

[1 Enclosure.]