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Letter from Committee on Federal Legislation, American Institute of Accountants, to Members of the AIA Re: Request to be Permitted to File Tentative Returns on March 15, 1920.

Adam A. Ross

American Institute of Accountants. Committee on Federal Legislation

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AMERICAN INSTITUTE OF ACCOUNTANTS

R 1/7/20

Request to be permitted to file Tentative Returns
on March 15, 1920.

To the Members of the
American Institute of Accountants:

December 26, 1919.

On 10th December the Committee on Federal Legislation met Assistant Commissioner Callan by appointment at the Treasury Department in Washington and presented and discussed at length the enclosed draft of letter to be submitted to the Commissioner requesting permission for individuals and corporations to file tentative returns in March 1920. The Commissioner's formal reply has just come to hand and a copy thereof is also enclosed.

The Department's attitude is quite clear and the Committee feels that the correspondence should be sent to the members of the Institute with the suggestion that early in March next they communicate with the Secretary outlining concisely the situation then existing in their offices stating the number of returns already filed and number still to be filed so that a tabulation may be prepared by the Secretary for submission, if need be, to the Commissioner. If relief is to be sought at that time the Institute should be in a position to present the facts in the most convincing manner. This will be an opportunity for all the members of the Institute to cooperate for the benefit of all concerned. Do not fail to do your share.

Committee on Federal Legislation (Adam A. Ross, Chairman
(Archibald Bowman
(Francis Oakey

March 1920.

A. P. Richardson, Secretary,
American Institute of Accountants,
New York.

Sir:

At this date this office has prepared for filing
_____ Federal Tax returns due to be filed March 15, 1920 and
_____ remain to be prepared. Of the latter _____ call for
consolidated returns or are in other respects of a complicated
nature requiring special treatment.

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Signed.....
Member, American Institute of Accountants.

Hon. Daniel C. Roper,
Commissioner of Internal Revenue,
Washington, D. C.

Dear Sir:

We respectfully request that individuals and corporations be permitted in 1920 to file tentative estimates of taxes on or before 15th March, and final returns on or before 15th June, with the same requirements as to quarterly installments and adjustments to the proper amounts due at 15th June as prevailed in 1919. Also that due announcement thereof be made by the Commissioner's office if this suggestion be adopted.

It may be that the Department is under the impression that in view of the regulations being known in advance and forms in readiness this year, there will be no occasion for again making this arrangement; also that only a limited number of corporations close their accounts at 31st December so that no undue congestion is likely to take place.

The real situation, however, as revealed by a canvass of several representative offices of public accountants in Boston, New York, Philadelphia and elsewhere, shows that from 70 to 80 per cent of their clients close their accounts on 31st December and that the percentage is constantly increasing due principally to the influence of the Federal tax requirements.

Experience has shown that a 31st December closing does not mean that the preparation of reports can be promptly started on 1st January. In fact the average taxpayer is not ready to close his books until about the fourth week of January or the first week of February. The preparation of tax returns therefore cannot be begun until February at the earliest and as this is a short month with two holidays in it, there are only about thirty working days left before 15th March. In other words, in about one-tenth of the working year 70 or 80 per cent of the Federal tax returns must be prepared in addition to annual reports and other data.

A return prepared from audited books is, of course, preferable to one made up hastily from the face of unaudited books. Taxpayers and corporation officers are reluctant as a rule to submit statements before the accounts from which they are prepared have been audited. If more time is allowed the final returns are more likely to be accurate. Last year the conditions under which taxpayers and accountants had to work were such that nobody, least of all the Department, should care to see them repeated.

There will be no loss to the Government in receiving first an estimate with at least one-quarter of that estimate in cash, and probably the Government will gain something in interest on shortages that may have to be adjusted when the final return is filed.

In our opinion it will be wholly impossible to have completed returns filed by 15th March, and if the permission asked for is granted and announcement thereof made it would greatly clarify the situation. It will be extremely inconvenient for the taxpayer and the Government if separate permissions have to be asked for in so many individual cases.

Respectfully,

Committee on
Federal Legislation

(Adam A. Ross, Chairman
(Archibald Bowman
(Francis Oakey

December 18, 1919.

Mr. Adam A. Ross, Chairman,
Committee on Federal Legislation,
Morris Building,
Philadelphia, Pa.

My dear Sir:

Mr. Callan has brought to my attention the substance of the conference which he had with you and your associate members of the Committee on Federal Legislation, who visited the Bureau on the 10th instant.

I have earnestly hoped that the necessity would not arise this year for a general extension of the time for filing income and profits tax returns, or even for a large number of specific requests for extension of time.

We are mindful of the burden that the accountants of the country must bear in connection with the preparation and filing of the more important returns and we value highly the cooperation that has been accorded to the service by the members of your profession. Consequently, you may depend upon it that we shall not make unreasonable demands of you. I feel at this time, however, that I should encourage no one to believe that the Bureau may find it feasible to authorize the extension of time for filing any class of returns. I urge you and other members of your profession to make every possible effort to complete your work within the time prescribed by the law and should your best efforts fall short of perfect performance, you may be assured that we shall consider sympathetically the conditions that exist toward the close of the filing period and endeavor to make such arrangements as will minimize the necessity for filing hastily prepared and ill-considered returns.

May I not suggest that you advise me of the situation that may be found to exist about March 1st next?

Yours very truly,

(Signed) Daniel C. Roper,

Commissioner