1918

Tax Department

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Tax Department.

WITH the increasing and exacting demands for advice in tax matters the firm has felt the necessity of taking steps to provide for such service. Accordingly, on November 12, 1917, a tax department was organized. The department will give attention to the question of all taxes, but with special reference to those relating to income and war excess profits.

Mr. George M. Dallas has been appointed manager of the tax department and will be glad at any time to confer with any of the accountants on matters relating to taxes.

In connection with taxes, the following quotation from a letter of Mr. Deputy Commissioner Speer, under date of February 11, 1918, may be of interest:

> "You are informed that gifts received by corporations during 1916 or subsequent years are not considered income which must be reported in preparing returns of annual net income under the provisions of the Act of September 8, 1916, or Titles I and II of the Act of October 3, 1917. However, gifts received in years prior to 1916 are considered income to be reported in preparing returns of annual net income under the provisions of the Acts of August 5, 1909, and October 3, 1913, inasmuch as the last-named Acts failed to mention that such gifts were not taxable."

The Accounting for Liberty Bonds.

UNDER date of February 15 the American Institute of Accountants sent out a letter suggesting to members and associates of the Institute a way of showing in a balance sheet the subscriptions to and liabilities in connection with Liberty Bonds. This step was taken by the Institute, presumably, as a conscious attempt at standardization, for which there is ample opportunity. The letter met the fate of most attempts at standardization, namely, to provoke discussion. Suggestions for improvement usually result in discussion and criticism. It is perhaps one of the most hopeful signs for the future of the accountancy profession that a suggestion of any kind brings forth extensive discussion.

The substance of the material for discussion might be summed up in a statement of facts, as follows:

The Warburton Company subscribed for United States Liberty Bonds in the amount of $50,000.00. Of this amount, $20,000.00 was for account of employes, who are to pay therefor by installments. The company borrowed $10,000.00 from a bank on an open, unsecured note. Employes paid to the company $10,000.00 as the first installment on their subscription. The Warburton Company paid to the Government, $30,000.00 on account of the subscription of $50,000.00.

Suppose you were called upon to set up in a balance sheet the condition resulting from these transactions, how would you show it?

The Institute recommends setting it up net, as follows:

U. S. Liberty Bonds (including $20,000.00 subscribed by employes)......	$50,000.00	
Deduct — Unpaid instalments not due..	20,000.00	
	$30,000.00	
Deduct—Amount borrowed to invest in bonds	10,000.00	
	$20,000.00	
Deduct—Payments by employes	10,000.00	
		$10,000.00

With this everyone does not agree. The letter of the Institute does not make clear whether the bank loan is, or is not, secured