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## What we may expect

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# BULLETIN

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No. 1

### What We May Expect

**A** GAIN it appears that the stock exchange may be used as an index of forthcoming business conditions. In the light of the past, its recent activity seems to presage an era of prosperity. Facilities of brokerage houses have been taxed to the limit in order to handle the enormous volume of transactions which have taken place at continually rising prices. Every day has seen a long list of stocks reach new high levels for the year. The trading has not been confined to a few issues, but has been widely diversified and representative of the country's leading industries.

The unusual activity of the exchange has not been unwarranted. The business outlook appears to be the best in several years. Our country has practically emerged from the period of depression of a few years ago. The uncertainties of the "election year" have passed, and the return to power of the present conservative administration has been a stabilizing factor in our industries. The situation in Europe has begun to look more favorable than at any other time since the war. German rehabilitation is being accomplished through the agency of the Dawes plan; and the relations among the nations, at least on the surface, are again cordial.

Apparently, it may reasonably be expected that there will be a rise in the general price level during the coming months. The leading price indexes re-

cently have begun to show an increase. Professor Irving Fisher's index number of the wholesale prices of two hundred representative commodities stood at 154.6 for the week ended December 5, as against 142.3 for the week ended July 11, the low point of the year. Prosperity is contagious. When the producers in one group of industries begin to receive more for their output, their demand grows for the products of other groups, with a resulting tendency towards higher prices for the other products. The movement thus becomes a progressive one.

It seems that there may be expected also an increase in volume of business, accompanied by an extension of facilities for production. The railroads have announced an ambitious program for 1925. The number of corporate security issues for purposes of expansion is already on the increase.

Present tendencies indicate that we are not in imminent danger of another period of inflation and over-expansion. The present signs of prosperity appear to be warranted by conditions. A general betterment has become manifest in the status of almost all our industries, including agriculture. The general attitude prevailing seems hopeful rather than over-optimistic.

It is not amiss, nevertheless, to bespeak caution in expanding our industries, lest

we unwittingly overreach ourselves before we are aware of it. We do not all of us stop to reflect at the height of our prosperity. The leading reviews and forecasts, while expressing a belief in the soundness of present conditions, sound a note of warning against the evils which usually follow an era of successful business.

The present conservative state of mind, however, when viewed in the light of the past, augurs well for the future. There seems to be a widespread belief in the

soundness and stability of existing conditions, and coupled therewith an earnest desire to maintain the equilibrium. Those in charge of the nation's industries appear to have profited by the abundant experience of the past, in basing their programs for the future more largely on past realizations than on possibilities. If the needed restraint is placed upon any future tendencies towards over-expansion that may arise, it seems that there may be expected a long continued period of prosperity.

### Concerning the Revenue Act of 1924

**T**AXPAYERS throughout the country recently were startled when the publicity features of the Revenue Act of 1924 were brought to their attention by the public press. For many months prior to the passage of the Act it was known that Congress would eventually demand a certain degree of publicity in the tax affairs of the country, and the extent thereof was clearly and definitely indicated on June 2, 1924, when the President affixed his signature to the completed law. Yet the startled surprise and indignation were apparently as great as might have been expected had no previous knowledge existed that such announcement must of necessity be made to comply with the requirements of the new Act. Is it not possible that other changes in the new law equally important to the taxpayer have failed to receive the attention they deserve?

The intent of the Revenue Act of 1924 is to give relief to the individual taxpayer. Such benefit as results to the corporate taxpayer is incidental to the tax reduction to the individual. In the following brief summary of the changes effectuated it will be noted that in nearly every instance it is the individual who receives the relief.

The immediate benefit of the new law was the reduction of the 1923 taxes of individuals to the extent of 25 per cent. Such reduction cannot be applied to the

taxes for 1924, for which year a reduction in normal and surtax rates gives a substantially equivalent relief. Beginning with the 1924 return, the normal tax on the first \$4,000 of net income in excess of the exemptions is reduced from 4 to 2 per cent. The tax on the next \$4,000 is 4 per cent. instead of 8 per cent., and on income in excess of \$8,000 the rate is reduced from 8 per cent. as fixed by the 1921 Act, to 6 per cent. The very material mitigation in the tax burden of the great mass of small taxpayers is vividly revealed when it is considered that 6,400,000, or over 96 per cent., of the 6,650,000 personal returns filed for the calendar year 1921, were filed by individuals having incomes of not over \$8,000.

Relief is also extended in a more limited degree to individuals with higher incomes. Surtaxes formerly began with 1 per cent. at \$6,000 and reached 50 per cent. at \$200,000. The rates now begin with 1 per cent. at \$10,000 and increase to 40 per cent. at \$500,000, the greatest benefit ensuing to incomes of \$100,000 and over. For the calendar year 1921 less than one-half of one per cent. of the personal returns filed reported income of the latter amount.

Additional relief is given the taxpayer through removing the limitation on the exemption of \$2,500 for married persons and heads of families, the full deduction