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Proposed Changes in Federal Revenue Law

[Copies of the following special report by the committee on Federal taxation have been presented to Congressional committees and officials of the United States Treasury Department.]

AMERICAN INSTITUTE OF ACCOUNTANTS
COMMITTEE ON FEDERAL TAXATION

There is urgent need for the determination of fixed principles of Federal income taxation, having a closer relation to sound accounting and conservative business practice.

The repeated shifting in form and incidence of Federal income taxation has been decried repeatedly, but none of the changes effected during the past two decades have had such a devastating effect upon business as the corporate surtax enacted in the revenue act of 1936.

Taxation has become a bugaboo in corporate planning, threatening future stability. Business can adjust itself to changing rates of taxation, but to face the future confidently it must have reasonable assurance of the character and basis of such taxation, predicated upon ascertained facts and not upon guesswork. Nor can it face the future confidently if forced to distribute prodigally resources which should be husbanded for future adverse years.

It is true that the Treasury Department regulations provide that "approved standard methods of accounting will ordinarily be regarded as clearly reflecting income"; furthermore, these regulations admit the law contemplates that "each taxpayer shall adopt such forms and systems of accounting as are in his judgment best suited to his purpose." Nevertheless, grave injustices occur as the result of the changes made by the Bureau of Internal Revenue in the reports of annual net income filed in good faith by taxpayers. The bureau sometimes eliminates an item of income from a year in respect of which recovery of tax is barred by statute, allocating such income to a year for which additional tax may still be collected. The bureau often disallows a deduction on the grounds that it had accrued in a prior year, in respect of which recovery of tax is barred by statute, thus, in effect, denying the deduction altogether. It is true also that in some

cases taxpayers avail themselves of the advantages presented by these differences in concepts of income and allowable deductions. To some extent these cases arise from court interpretations of the law. The comparative frequency of such instances, however, demonstrates the existing differences between "tax accounting" and "business accounting." The condition will be gravely accentuated henceforth because of the steeply graduated surtax on undistributed profits.

The revenue acts specifically define elements of gross income and allowable deductions, and these provisions ignore many conventions of business practice. This fact lies at the root of the present differences between "tax accounting" and "business accounting." Certain of these statutory deviations from recognized accounting practice have been motivated by the desire to plug real or apparent loopholes in the tax law or to temper the application of the law in special cases where gross injustices would otherwise occur. The result, unfortunately, has been the creation of a labyrinth of exceptions, incomprehensible to the average taxpayer. The bill enacted in August, 1937, "to equalize taxation, and to prevent tax evasion and avoidance," adds a few more fantastic pieces to the revenue jigsaw puzzle, notably the term "Supplement P. Net Income" and all that it implies, relative to foreign personal holding companies.

Reports from Washington indicate that a complete revision of the revenue act is contemplated. Obviously, budget requirements must be heeded in such revision. Will this revision approach the problem purely from the angle of increasing the revenue by further tightening of existing provisions or the introduction of further changes in form and incidence of taxation, or will there be a conscientious endeavor to simplify existing law, to determine sound principles in harmony with long-range economic principles, and in recognition of conservative business practices? Revisions of taxation may appear to reduce the potential revenue of the Treasury, but some changes are imperative to the very existence of many corporations and from that standpoint, as well as from the angle of renewed confidence and related stimulation of commerce, will increase the revenue. It seems desirable also to broaden the base of income taxation by the reduction of specific exemptions and otherwise, facilitated by an extension of the principle of withholding at the source. We do not presume to

suggest that a simple income tax may be devised. In such a case simplicity is relative. Nor do we have the temerity to propose that accountants could formulate fixed principles of income taxation which would be acceptable either to the government or to taxpayers as a whole. We do, however, seek participation in the solution of that problem.

The present surtax on undistributed corporate profits is unsound.

We challenge the soundness of principle of the present tax on the undistributed profits of corporations. That principle ignores recognized credit standards and invites violations of the rudiments of corporate finance, by placing a premium on the immediate distribution of earnings and even on the creation of debt to facilitate such distributions, which is ordinarily regarded as financial heresy, endangering the future stability of enterprise. We strongly urge the abandonment of the present form of surtax on undistributed profits, and reiterate the recommendation made to the Senate finance committee in May, 1936, "that a higher corporate normal tax be enacted, coupled with a 'drawback' at a fixed rate to be applied to the amount of dividends paid during the taxable year, as a credit against the corporate income tax. The larger the rate of 'drawback,' the greater the incentive to distribute (within the limits of sound financial practice), resulting in a greater yield from the surtax on individual income." The relative simplicity of this method recommends it strongly. While the method would induce liberal distributions, it would avoid the unsound "pressure" of the existing law and eliminate most of the technical difficulties. The "drawback" is simply illustrative of the principle urged. Other applications of that idea have been suggested in the form of credits against stockholders' taxes for the pro-rata part of the corporate tax reflected in the distribution of a tax-paid dividend.

The tax burden should be equalized and the Federal revenue stabilized.

We urge the principle of taxing corporate income on the basis of average earnings for five years, believing it to be inequitable to exact heavy taxes upon the full profits of successful years without relief in respect of unprofitable years. The corporate

surtax emphasizes this inequity, demands the immediate dissipation of earnings by distribution, leaving a stripped exchequer to face lean years. A basis of average earnings would correct this evil and, by the same token, would assure less fluctuation in the level of revenue to the government. The taxation of income on the basis of average earnings would immediately minimize administrative problems and controversies as to the year in which an item belongs and would automatically give effect to the principle of carrying over net losses. The establishment of sound principles of income taxation contemplates a long-range viewpoint and a reasonably stabilized level of revenue.

As an alternative to the principle of averaging income for five years, provision for carrying forward losses for five years would serve the same general purpose.

If it be impossible to obtain repeal of the existing corporate surtax, the following modifications are urged:

If retained, the corporate surtax should be levied on undistributed profits and not on undistributed taxable income.

The corporate surtax was enacted with the object of forcing corporations to distribute their earnings and, thus, to subject such earnings to the surtax imposed on individuals. If the tax is to be an equitable one, it is obvious that the basis of the tax should be the amount of the actual earnings of the taxable year, not an amount which often bears little relation thereto. As the amount of tax is controlled by dividend payments, the basis of the tax necessarily should be that income which is available for payment of dividends, which means true earnings and profits.

One of the major differences between actual earnings and taxable net income is due to the limitation placed by section 117(d) upon the deductibility of net capital losses in the computation of taxable net income. Where a corporation has net capital losses in excess of the $2,000 limitation, such excess operates as a restriction on the payment of dividends. This fact is recognized in the provisions of the law imposing the surtax on improper accumulation of surplus (section 102), and should also be recognized in the computation of the income subject to the surtax on undistributed profits.

As the law now stands, it sometimes happens that a corporation has to pay income taxes when it actually has no income and,

furthermore, under the 1936 revenue act, it may have to pay, not only normal income tax, but also the surtax on undistributed profits. A striking example is a corporation with an operating deficit at the beginning of the year, ordinary income of $100,000, and a capital loss of the same amount. Such a corporation would have to pay total taxes of almost $31,000, although it had no actual net income (as only $2,000 of the capital net loss is deductible in computing statutory net income) and, because of its deficit, could not pay dividends. Even though such a corporation were to make a distribution to the full extent of its adjusted net income, it would get no dividends-paid credit in view of the fact that a distribution would not be a taxable dividend under section 115(a).

It is recommended that a subsection, similar to subsection 102(c) (1) (C) be added to subsection 14(a) (1), to provide that, in the determination of "adjusted net income," there shall be deducted losses disallowed as a deduction by section 117(d).

Recognition should be given state laws restricting the payment of dividends.

In many cases, corporations having earnings or profits for the taxable year, but an accumulated deficit, are forbidden to pay dividends by the laws of the states in which they are incorporated. It is obviously unfair to penalize such corporations for failure to distribute current earnings when such failure is due, not to any act or omission on the part of directors, but solely to a law over which they have no control.

It was believed, at first, that such corporations would be entitled to relief under section 26(c) (1) on the grounds that their charters were contracts restricting the payment of dividends. However, the Commissioner of Internal Revenue, in regulations 94, promulgated under the revenue act of 1936, holds in article 26–2(a), that "the charter of a corporation does not constitute a written contract executed by the corporation within the meaning of section 26(c)."

This relief can be afforded either (1) by amendment of section 26(c) (1) to include the charter of a corporation, regardless of the date of incorporation, in the class of contracts which restrict the payment of dividends, or (2) by the addition of a subsection to subsection 14(a) (2) providing for a credit against adjusted

net income in the amount of the deficit as at the beginning of the taxable year.

It is argued that deficits may be eliminated by revisions of capital structure and that taxable dividends may be distributed in forms other than cash. In theory this is true and, in practice, some corporations have been able to adjust these conditions, but in many cases difficulties which are almost insurmountable prevent such actions. Regardless of momentary earnings, the financial position of a corporation may not justify the payment of dividends; its credit-standing may be jeopardized by such action; the market value of notes or debentures distributed as dividends may be very much lower than face value, and such a distribution may be foolhardy under the circumstances; the creation of debt to pay dividends is basically unsound; adequate coöperation of stockholders in the reinvestment of cash dividends may be problematical, to say the least; revamping capital structures may involve unjustifiable expense of professional services, stockholders' meetings, obtaining proxies, printing, issue taxes, etc., and divergent interests of classes of stock and existing indenture provisions may make such procedure inadvisable unless acute emergency exists. Certainly it is untenable that one should justify the creation of such emergencies by a taxing statute. The technical obstacles to these corrective measures are greatly underestimated by the proponents of the existing statute. Unless advantages may be clearly demonstrated, both management and stockholders are averse to changes in existing stock indentures and resent having such changes forced upon them.

The ultimate result of such coercion will be distortion of capital structures, necessitating further revision under greater difficulties.

A portion of adjusted net income should be exempt from the surtax on undistributed profits.

There is generally a wide variation between taxable net income and earnings determined on the basis of recognized sound accounting principles, caused by the disallowance of certain expenses and provisions for losses in the determination of taxable net income. Such expenses and provision of reasonable reserves, essential to the prudent conduct of a business (to meet, for ex-

ample, contingent liabilities, inventory, bad debt and investment losses), operate as restrictions on the payment of dividends. In order to provide some measure of relief on account of such unallowable deductions, in addition to the relief already recommended in respect of net capital losses and deficits, a portion of the adjusted net income should be exempt from the surtax. Furthermore, corporations should be encouraged to set aside a portion of their earnings in prosperous years as a cushion for the lean years which are bound to follow.

If the surtax on undistributed profits had been in existence before the depression from which the country is now recovering, many corporations that survived would have failed and many more would have had to curtail payrolls, thereby aggravating the problem of unemployment. Considering the stability of Federal income-tax revenue alone, it is essential to permit corporations to retain a portion of their earnings without subjecting such retained portion to a burdensome tax.

It is recommended that an additional subsection be added to subsection 14(a) (2) providing a credit against adjusted net income in the amount of $15,000 or 20 per cent. of the adjusted net income, whichever is greater. If such a credit were allowed, the specific credit provided by section 14(c) could be repealed.

Corporations operating under creditors' extension agreements should be exempt from the surtax on undistributed profits.

Section 14(d) (2) of the 1936 revenue act exempts from the surtax corporations which, for any portion of the taxable year, are in bankruptcy under the laws of the United States, or are insolvent and in receivership in any court of the United States or of any state, territory, or the District of Columbia. At least as much, if not more, consideration should be shown towards corporations which are attempting to work their way out of difficulties through coöperation with their creditors, under extension agreements. Such agreements generally prohibit, in effect, the payment of dividends, but more often than not, the restriction is indirect and does not come within the scope of section 26(c) (1). Also, the agreement may be made after the arbitrary basis date of May 1, 1936. Should not this arbitrary date be reconsidered? There is legitimate need for similar provisions in contracts made after that in many financing operations.

While it is realized that a blanket exemption granted to corporations operating under creditors' extension agreements might lead to abuse of the exemption, it is believed that restrictions could be imposed which would limit the exemption to those corporations operating under bona-fide agreements. Accordingly, it is recommended that a new subsection be added to section 14(d) exempting, with suitable restrictions, corporations operating under creditors' extension agreements from surtax on undistributed profits.

We endorse the following recommendations made by the National Bankruptcy Conference affecting income taxes incident to reorganizations effected pursuant to section 12 of the bankruptcy act:

"1. No income or profit, taxable under any law of the United States now in force or which may hereafter be enacted shall be deemed to have accrued to, or have been realized by the debtor, or to a corporation organized or made use of for the purpose of effectuating the plan confirmed by the court, by reason of a modification in or liquidation in whole or in part or any indebtedness of the debtor in a plan of reorganization consummated under this subsection.

"2. For the purpose of computing any income or loss deemed to have been realized under any law of the United States, heretofore or hereafter enacted, by any corporation organized or made use of pursuant to any plan adopted as provided in this subsection, arising out of the sale or other disposition of any property acquired by said corporation from the debtor pursuant to such plan, the 'basis' of such property shall be the same as it would have been in the hands of the debtor; provided, however, that where any of the fixed assets or securities owned by the debtor were subject to an indebtedness which has been liquidated in whole or in part, or which has been modified, resulting in income or profit therein specified to be exempt from taxation, and upon a sale or other disposition of any such fixed assets or securities, a loss would result from the use of the 'basis' specified in this paragraph, such loss shall not be allowed as a deduction in computing taxable net income.

"3. For the purpose of computing the undistributed adjusted net income subject to surtax under the revenue act of 1936 or which may be subject to a tax of like nature under any revenue act of the United States hereafter enacted, the debtor or the

corporation organized or made use of for the purpose of effectuating the plan confirmed by the court under this subsection shall be allowed a credit in such taxable year in an amount equal to the payments made to retire any indebtedness required to be made under the plan or under the terms of any instrument adopted pursuant to the plan.

"4. For the purpose of aiding in the rehabilitation of the debtor or a corporation organized or made use of for the purpose of effectuating a plan under this subsection, the debtor or the corporation so organized or made use of shall be allowed in each taxable year for the five years succeeding the confirmation of the plan, for the purpose of computing the undistributed adjusted net income subject to surtax under the revenue act of 1936, or which may be subject to a tax of like nature under any revenue act of the United States which may hereafter be enacted, a credit of 50 per cent. of its undistributed adjusted net income, as computed under the then applicable revenue act.

"5. The provisions of this paragraph where applicable, shall apply to all corporations reorganized, or individuals whose business affairs have been arranged, under the provisions of section 12 of this act, and to all corporations, reorganized under the provisions of sections 77 and 77-B, or individuals whose business affairs have been arranged under the provisions of section 74, or to persons making a composition under the provisions of section 12, of the Federal bankruptcy act of 1898, as amended, as heretofore enacted."

Earnings used or set aside to retire indebtedness should be allowed as a credit, regardless of the lack of a contract providing for such disposition.

The provision granting relief to debt-ridden corporations, contained in section 26(c) (2) of the present law, is unsatisfactory and capricious in its effect, the extent of the relief being materially affected by slight differences in the verbiage used in restrictive covenants and other unessential differences in actual conditions. It is obviously unfair to grant relief from the surtax to one debt-ridden corporation because some time before the surtax was proposed it entered into an agreement containing, by a lucky chance, a clause which fits exactly the extremely narrow provision of section 26(c) (2), while denying any relief to another debt-ridden corporation in the same circumstances as the first, except that its contract does not refer to, say, "earnings of the

taxable year." In the latter case, the contract operates as a restriction on the payment of dividends just as much as in the former case, and such a corporation is entitled to equivalent relief. Even where the creditors did not require the execution of any contract, prudent management would require that the earnings be used to retire indebtedness, thus strengthening the financial position of the corporation, before making any distributions to stockholders.

Accordingly, section 26(c) (2) should be amended to provide a credit for all reasonable amounts used or set aside to retire indebtedness. This provision should, of course, exclude payments of ordinary current trade indebtedness. It is reiterated that the setting of an arbitrary date should be reconsidered.

The dividends-paid credit should be the amount of dividends paid during the year ending 90 or 120 days after the end of the taxable year.

Normally, the corporate income of a year is distributed partly within that year and partly in the early months of the succeeding year, and the 1936 revenue bill, as originally drafted, recognized this practice by providing a "dividend year" ending two and a half months after the close of the taxable year. The practice is world-wide and financially sound, and students of taxation have regarded it as fiscally desirable in that it tended to smooth out the extreme fluctuations in the yield from the income tax, which constitutes perhaps the most serious objection to that form of taxation.

As finally enacted, however, the revenue act limits the credit for dividends paid to the amount actually paid within the taxable year. This provision makes it incumbent upon management to estimate its earnings for the year, or at least the last quarter, in order to determine the amount of dividend to be distributed within the taxable year. From an accounting standpoint, this creates a far more vexing problem than is apparent and, likewise, poses a financial dilemma which may, for example, involve corporate directors in personal liability for the illegal distribution of dividends. As to the accounting difficulties, one may exemplify the point by stating that, in the great majority of businesses, the ascertainment of earnings depends vitally upon the fair determination of inventories at the close of the year. Such

determination cannot be made (even upon the basis of perpetual inventory records) until after the close of the year. Similarly, the audit and adjustment of liabilities, accruals and reserves have a material bearing upon earnings; these adjustments, likewise, cannot be made until after the close of the year. Conventional accounting on an "accrual basis" contemplates as "earnings", in many cases, gains which accrue in advance of their actual realization in cash available for dividends. To ignore factors such as these is contrary to the tenets of sound management.

"The dividend year" was eliminated when the Treasury Department realized that its estimates of the yield of the surtax during the current fiscal year of the government would be seriously upset if most corporations were to postpone payment of the dividends necessary to offset adjusted net income until after December 31, 1936. While this provision may have been justified by the government's urgent need for additional revenue in the current fiscal year, the larger revenues to be expected from improving business conditions should render the continuation of such an unsound provision no longer necessary. Accordingly, it is recommended that section 27(a) be amended to provide that the dividends-paid credit shall be the amount of dividends paid during the twelve months ending 90 or 120 days after the close of the taxable year.

A further important point relative to the dividends-paid credit arises from the fact that the Treasury Department, upon examination of the return, may change the adjusted net income originally determined in good faith by the taxpayer.

Under the existing law, a corporation is forced to determine its dividend policy upon the basis of estimated taxable net income, which may differ materially from the net income finally determined and reported in the return filed several months later. Furthermore, additions to such taxable net income upon subsequent examination of the return by the Treasury Department will be subject to both normal tax and the surtax. Where a corporation has made every effort to comply with the spirit of the law by substantial distribution of its adjusted net income, it is obviously unfair to subject it to the added penalty of the surtax on such additional income.

Relief from this penalty should be granted by allowing a dividends-paid credit for the amount of any dividend distribution made within sixty days of the final determination of such additional income. Similar relief should be granted in respect of disallowance of dividends-paid credit. Alternatively, if administration difficulties can be met, it might be provided that such additional income shall not operate to increase the adjusted net income for the taxable year to which it belongs, but shall be added to the adjusted net income of the year in which it is finally determined.

The present method of taxing capital gains and losses is perilous to economic stability and should be modified.

It is argued that the existing capital-gains tax obstructs the normal flow of capital by encouraging taxpayers to hold on to assets involving profits in order to come within the categories of longer holdings, hence reduced taxable percentages, and thus has the effect of artificially curtailing supply, thereby inducing artificial price rises. The higher the price and the profit, the greater the incentive to defer the sale in the hope of ultimately consummating it at a reduced tax cost. The result is a vicious circle and a distorted market. Relief in taxation of capital gains would reopen the flow of capital transactions and the profits and employment that go with such transactions, which are now inhibited by inordinate taxes. Smaller taxes paid by few in respect of such transactions would be a small price to pay for the basic economic advantage to be derived by removing the present tax-induced jam in capital transactions.

While it is urged by some that the complete abolition of taxation of capital gains and losses is the only proper means of correcting these evils, the present time, with the government's need for large revenues, is probably not opportune for so drastic a revision. Furthermore, there is probably justification for the position that realized capital gains should bear their just proportion of taxation, instead of shifting the entire burden to those carrying on commerce and the professions, and such complete elimination would aggravate rather than correct the existing differences between "tax accounting" and "business accounting." It is recommended that capital gains and losses be segregated in a separate schedule from other income, taxable at a moderate,

flat rate, without subjection to percentages depending on the period during which the asset was held. The $2,000 limitation on net capital losses should be removed, and the right to carry forward net capital losses as an offset to gains for a period of five years should be established. It is believed that the tax so imposed, together with the additional stock-transfer tax resulting from the increased turnover, would compensate for the loss of the present taxes on net capital gains.

If the foregoing recommendation be not adopted, the least that should be done, to render the taxation of capital gains and losses more equitable, is to remove the present $2,000 limitation on the deduction of net capital losses. This limitation was introduced at a time when security prices were falling and many taxpayers were thus enabled to offset their other income by sales at a loss, thereby avoiding all tax liability. This condition no longer exists. The limitation should be removed.

If it be found inexpedient, however, to remove the limitation on the deduction of net capital losses, relief should be provided in two cases where the present law results in undue hardship.

The first of these is a partnership, which is, in effect, treated as a taxable entity, as regards capital gains and losses, but merely as the intermediary of its members with respect to all other income. Capital transactions of a partnership should be segregated from other income, and the net profit or loss thereon, without any limitation, should be allocable among the various members, who should be permitted to offset their shares of the partnership capital gain or loss against their private net capital loss or gain. Restoration of the provisions of prior laws in this respect is urged.

The second of these cases in which the present law results in undue hardship relates to corporate losses resulting from the sale of assets used in its business. Capital assets, for this purpose, should be redefined to exclude land and depreciable assets used in the business of a corporation, partnership or proprietorship.

Consolidated returns should be required.

Inasmuch as subsidiary companies are often organized merely to comply with the requirements of various state laws or to minimize risk in opening up new territory or establishing a new line of business, it is erroneous to treat them as entities distinct from the parent corporation. For all practical purposes, they are

branches or departments of one enterprise. Therefore, as the Treasury Department pointed out to the ways and means committee when it was considering the revenue act of 1934, the simplest way to secure a correct statement of income from affiliated companies is to require a consolidated return, with all intercompany transactions eliminated. This conforms to recognized, sound accounting practice. Otherwise, non-existent income is taxed, profits and losses may be shifted from one wholly-owned subsidiary to another in such a manner that the Commissioner's power to reallocate income is ineffectual and their separate statements of income do not present an accurate picture of the earnings of particular units. The administration of the income-tax law is simpler with the consolidated return, as it conforms to ordinary business practice, enables the Treasury Department to deal with a single taxpayer instead of many taxpayers, and eliminates the necessity for examining the bona fides of numerous intercompany transactions.

Likewise, from the standpoint of the taxpayers, in cases in which corporations follow the consistent practice of preparing consolidated financial statements, the preparation of related tax returns is simplified if done on a consolidated basis.

Accordingly, it is urged that consolidated returns be required.

Expenses incurred in the production of taxable income should be allowed as deductions, even though such income does not arise from a trade or business.

Section 23(a) of the present law and the corresponding section of prior laws provide for the deduction of all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business. Until recently, this provision was deemed to cover the deduction of expenses paid or incurred in the production of taxable income, even though such income did not arise from the taxpayer's trade or business. Recent rulings and decisions, however, have placed increasingly narrow interpretations on this section of the law, with the result that the latter class of expenses, including such items as investment-service fees, custodian fees, commissions paid for selling property resulting in taxable gain or loss, are now being disallowed. We consider these interpretations contrary to sound accounting concepts and contrary to the reasonable intent of the law. The

failure to allow such deductions results, in many cases, in the taxation of gross, instead of net, income. Accordingly, it is recommended that section 23(a) be amplified to permit the deduction of all ordinary and necessary expenses paid or incurred during the taxable year in the production of taxable income.

In Conclusion

The changes proposed in the foregoing recommendations relate particularly to the corporate-surtax and capital-gains provisions and would, in our opinion, remove some of the more obvious hardships and inconsistencies in the present revenue act. The committee makes no claim of originality in these proposals. All of them have been stressed before by this committee and have been endorsed by the tax committees of many of the state societies of certified public accountants throughout the United States, as well as by others competent to speak on the subject.

We deplore experimentation and shifting of the form and incidence of taxation. Furthermore, the intricate and sensitive mechanism of sound business practice should not be shattered by factors of taxation which demand an inordinate degree of guesswork.

For many years the determination of sound principles of Federal taxation has been urged. Treasury emergency and political expediency have combined to defer this objective. The Administration could do no one other thing of greater importance to assure the future stability of business than to bring about the creation of a qualified non-partisan commission to conduct the research required for the unbiased determination of fixed principles of Federal income taxation. The most confusing and perilous factor confronting those who chart the course of business today, is that of taxation. Much of the uncertainty could be removed.

Respectfully submitted,

Committee on Federal Taxation

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