

# \$15,589,614 ALLOWED TO MELLON CONCERN

## Official Files Show Aluminum Company of America Claimed \$18,000,000 Amortization.

### GULF OIL CASE DISCUSSED

#### Witness Says Question of Lessee Depletion Allowance Was First Raised in 1920.

### REGULATION WAS IGNORED

#### Couzens Declares Secretary Mellon "Avoids" Giving Senate Committee Information It Desires.

Special to The New York Times.

WASHINGTON, April 2.—Amortization of \$15,589,614.29 was allowed the Aluminum Company of America, a so-called Mellon concern, on income taxes for 1918 and 1919, according to official files opened today before the Senate sub-committee investigating the Bureau of Internal Revenue.

Secretary Mellon, who had been informed that the sub-committee desired the files of all other companies in which he is interested, wrote Chairman Watson that he would be in position to advise what course he would take with regard to such requests when the companies whose returns were wanted had been specified.

This provoked a statement from Senator Couzens that the sub-committee wanted a list of corporations in which Mr. Mellon was a stockholder.

"He doesn't refuse it; he avoids it," said the Senator, adding, "I am not saying that he does so intentionally."

Mr. Couzens declared information was desired as to his holdings in the Gulf Oil Corporation, the Standard Steel Car Company, and the Aluminum Company of America; "or we would like to know," the Senator added, "whether he prefers to be subpoenaed."

#### Secretary Mellon's Letter.

Secretary Mellon's letter to Senator Watson was as follows

"April 1, 1924.  
"My Dear Mr. Chairman:  
"In my letter to you of March 25, I informed your committee that three companies of which I was a stockholder had waived their right to privacy and were willing to have your committee investigate their tax returns. I stated that if question is later raised with respect to any other companies in which I may be interested I would be glad to do what I could to obtain similar publicity to their returns.

"I understand from Mr. Hartson that some additional information from me is required by your committee in connection with other companies in which I might be a stockholder. If you will be good enough to advise me the names of the companies and the questions which have been raised with respect to their returns, I will be in position to advise you what, if anything, I can do to facilitate your committee's investigation of these returns. Very truly yours,  
"A. W. MELLON, Secretary of the Treasury."

H. A. Whitney, appraisal engineer, who examined the income tax return of the Aluminum Company of America with S. T. De La Mater, gave the details of their findings.

A claim for amortization was submitted in the returns for 1918 and 1919 as follows: 1918, \$6,053,527.26; 1919, \$797,170.10.

On Nov. 8, 1921, the taxpayer put in a revised claim for amortization of \$18,124,339.28, based on cost of work on property of \$37,326,000. In February, 1922, amortization allowance of \$15,151,840.92 was recommended. The taxpayer protested on April 8, 1922. The case was taken up in conference. An additional claim was made of \$293,676.93, based on post-war expenditures.

On April 16, 1923, a request was submitted that the amortization should be based on Regulation No. 62, instead of Regulation No. 45, and the change was agreed to. Another additional amortization of \$144,096.74 was claimed June 26, 1923.

#### Final Allowance \$15,589,614.

The final allowance of amortization was \$15,589,614.29, based on a cost of \$31,602,703.81. There was a disallowance of \$2,678,821.43.

Mr. Whitney explained that Regulation No. 62 allowed a greater amortization. Senator Couzens pointed out that this regulation was issued Feb. 16, 1922, and that the report recommending \$15,151,840.92 was submitted Feb. 15.

The case has not been closed, it was stated by Solicitor Hartson, under Section 1312 of the law, which permits an agreement preventing cases from being reopened.

"Who signs the agreements under Section 1312?" asked Senator Couzens.

"The Commissioner and the Secretary," Mr. Hartson replied.

"Then the Secretary signs an agreement to settle with regard to his own companies," Senator Couzens said.

"He is required to do so under the law," Mr. Hartson remarked, adding that he thought the signature was made by the Acting Secretary when the Secretary was away.

A. C. Ernst of the accounting firm of Ernst & Ernst of Cleveland reviewed certain phases of his examination of the affairs of the Gulf Oil Corporation. He said his first information with regard to the question of lessee depletion was in the case of that corporation.

#### Acted on Legal Advice, He Says.

Senator Couzens said he could not understand how Mr. Ernst, in making up the return, took credit for lessee depletion, although the regulations were not issued until a later time.

Mr. Ernst declared he did so on legal

advice because of disputes over what should be allowed, and he added that the settlement in the Gulf case was no different than in others, saying:

"Most corporations feel that for 1917 and 1918 they paid too much tax."

Mr. Ernst said he never was in consultation with Carl Mapes, former solicitor, with regard to the Gulf Oil tax statement.

"So far as any one advising with me on this case was concerned," he continued, "there was no one except the Gulf's own representatives."

Solicitor Hartson declared there were several cases before the Internal Revenue Bureau in which the problem of allowing depletion to lessees of oil property was involved. He said there was no doubt depletion allowance in which the lessee and lessor both benefited from the same thing.

The question was raised first when the Equality Oil Company's case was received at the office of the solicitor, Nov. 5, 1920. It was in the office for one and a half years. There at the same time was the case of the Britton Johnson Oil Company, and later of the Prairie Oil and Gas Company.

An opinion was rendered in the Britton Johnson case by a lawyer named Davis disallowing lessee depletion as not legal. It was then assigned to a lawyer named Cosgrave, who rendered a similar opinion. It was then assigned to a Mr. Price, who reached the conclusion that a reasonable interpretation of the law would not deny depletion to lessees. Mr. Mapes concurred in that opinion, it was put into effect, and the regulations were changed.

#### "Slipped Through," Couzens Remarks.

It was shown that the Gulf Oil Corporation case was not one of those in the solicitor's office on depletion allowance. Solicitor Hartson said this was not unusual, and Senator Couzens said it "slipped through."

Thomas S. Adams, adviser to the sub-committee, who wrote the administrative features for the 1918 tax law, declared he was surprised to learn that depletion had been allowed for 1916 and 1917. He hoped it could be allowed in the future, however.

"But," he added, "I personally am shocked to know that cases were passed upon and went out against the printed regulations of the department."

Mr. Hartson said the regulations were made before Secretary Mellon came into office.

Mr. Adams declared that Congress had written the laws of 1918 and 1919 with the information that lessee depletion had not theretofore been allowed.

Senator Couzens produced a letter from an unnamed source charging that an appeal of a case involving taxes on the Mellon family had been allowed to lapse instead of being carried to the Supreme Court. This was desired as a test case over dividends of \$70,000 involving A. W. and W. L. Mellon, and involved the right of the Government to levy taxes on certain dividends of the Gulf Oil Corporation. It was stated that \$500,000 in taxes of a similar character still were in litigation.

Mr. Hartson declared the letter did not contain a true statement of the facts, and that it was a pure mistake for the writer to state that the matter was not taken up. An official, Andrew W. Aldridge, had recommended that the matter be carried on to the Supreme Court.

### FIERCE CONEY ISLAND FIRE.

#### Woman Hurt Jumping From Window at Five-Alarm Blaze.

Fire which burned so fiercely in a stiff wind that it threatened to sweep to Sea Gate and to Steeplechase Park early this morning destroyed Whitney's Hotel and Baths on the Coney Island Boardwalk, between Twenty-ninth and Thirtieth Streets. Five alarms—a borough call—and a number of special calls for apparatus brought virtually all the firemen in Brooklyn and, except for the destruction of two neighboring bungalows, the region was saved. Only a few persons were in near-by bungalows, hotels and boarding houses. They were guided to the street by policemen.

Mrs. James Kennedy, wife of the watchman at the Whitney place, jumped from a second-story window and was injured. She was taken to Coney Island Hospital.

The fire at its height was a spectacle visible for many miles inland and far out at sea. Reserves were called from a number of police stations to control the crowd.

### TWO BRONX HOLD-UPS.

#### Robbers Get \$200 Loot in Two Forays.

Just before last midnight two men with pistols held up the delicatessen and restaurant of Paul Dubin at 1,219 Boston Road, the Bronx, took \$90 from the cash register and \$95 from William Pokress of 1,229 Boston Road, a customer. They had wrawn their pistols before they entered the store. One forced Pokress to hand over his money while the other drove Dubin to the rear of the place. During the manoeuvre Dubin deftly tossed \$100 into a barrel, unseen by the thieves. With the usual warning to keep quiet the robbers backed out and escaped.

A short time later possibly the same men visited the drug store of E. Adelson at 1,115 Tiffany Street, the Bronx. One remained on guard outside while the other held up Charles Goldberg, a clerk, and took \$15 from him. Adelson had left the store about ten minutes before with \$130. A silver watch of Goldberg's was returned to him by the thief, on the clerk's plea that it was a gift from his father.