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NEW "PEEPING TOM" LAW WORRIES THE TAXPAYER

Federal Income Returns No Longer to Be Secret—Names of Taxpayers and Payments to Be Posted in the District Revenue Offices.

By W. M. KIPLINGER.

SOME fine day next year all persons who pay income tax to the Federal Government will wake up to find their names, addresses and amounts of tax paid posted in a great list at the office of the district collector of Internal Revenue, and perhaps also at post offices and other public places. It is a provision of the new Revenue act, which excited much attention when the law was in final critical stages of consideration two or three months ago. Now the Treasury is working out rules and regulations for application of the provision. Those who do not like the arrangement call it the "Peeping Tom" law.

Any person can look over the lists and calculate with fair accuracy the income of a taxpayer by taking into consideration the family dependency, that is, number of children, and a few other items determining deductions. Thus we may expect to hear conversations like this:

"Do you realize that our friends, the Browns, must have an income of ten thousand or more? I saw Brown's income tax in the collector's list and I was surprised at it. They live so economically."

Or this: "Neighbor Smith, you know, really doesn't make much. His family lives well and makes a show, but I saw by the income tax records that he paid less than I did last year."

Or perhaps this: "That company seems to be doing a poor business, according to its tax return."

The amount of tax paid will be as much a matter of public record as the assessment on a piece of property or the decision of a court. The difference is that heretofore a man's income has been assumed to be a very personal and intimate thing, to be disclosed to the tax collector in confidence, and only for purposes of aiding in determination of the proper tax due and in evasion of the tax responsibility. Now the amount of tax paid is to be open to the world, and the amount of tax will be a good average indication of the amount of income. It is the new law of the land.

The lists will be posted along in April or May of next year, according to present plans. They will show tax payable on incomes for this year, 1924, on returns to be filed on or before March 15, 1925.

The law says: "The Commissioner (this means District Collectors of Internal Revenue also) shall as soon as practicable in each year cause to be prepared and made available to public inspection, in such manner as he may determine, in the office of the collector in each internal revenue district and in such other places as he may determine, lists containing the name and the post office address of each person making an income tax return in such district, together with the amount of tax paid by such person."

This applies to individuals, partnerships and corporations.

Posting the Names.

The posting of names is to be done "as soon as practicable." This element of time will be left largely to the collectors in each district. The Treasury believes that some offices can prepare lists, either partial or complete, in thirty to sixty days after the returns are filed, or between April 15 and May 15 next year. In some districts, where the work is heavy, this may be long delayed. The New York district probably will require more time than any other.

The manner of posting the names is yet to be determined. It is expected that the lists will be printed and posted in collectors' offices, and that copies will be made available to newspapers and certain public officials. In New York the list will be so long that the average taxpayer will pay little attention to it. Newspapers may be expected, however, to extract the names of prominence and to publish their tax-paying records.

In smaller communities the publicity provisions will make more neighbor-to-neighbor gossip. There is nothing to prevent the leading information spreaders in the smallest hamlet in the United States from knowing who paid what, and to pass this along industriously. In village stores, in the town garage, in the council meeting, on the front porch at dusk, in family councils, at lodge meetings, wherever people meet and discuss personalities, the subject of the income tax paid by So-and-So and his calculated income is likely to become a sly subject of conversation.

Then may come the mailing list makers and later as a result the advertising material. From tax records there can be gleaned lists of men who paid \$500,000 or more, those whose taxes ran around \$100,000, and all other classes down the line. The small fry may escape, and they may not. The lists are accurate and authoritative, and will provide too good an opportunity for direct-mail advertisers to overlook.

Of course, one purpose of this new plan is to catch the tax evaders. The theory is that one man will tell tales on another, if the list does not contain the name of the man who should pay taxes but who does not do it. Or one man may know that another should have paid more than the record shows. Furthermore, it is assumed that the advance realization that names, addresses and amounts are to be posted will prompt every taxpayer to report his income fully and accurately.

On the other hand, those who consider the publicity provision ill-advised believe its tendency will be to make wealthy men who are sensitive over the amounts of their incomes deliberately "play down" their reports to minimize the "rich man" talk. Both are theories, and the utility or alarms cannot be judged now. The only certain thing is that there will be forthcoming a lot of good gossip.

All sorts of rumors are now afloat concerning the Treasury's intentions of modifying the effectiveness of the publicity provisions by administrative rulings. These are prompted by the fact that the Treasury did not favor the publicity plans and that the President opposed them vigorously and by well founded reports that repeal of them would be sought at the session of Congress convening next December. It may be stated authoritatively that the Treasury's attitude, to be disclosed in a month or two, will be to enforce the law strictly as it was enacted. Whether Congress will reconsider in December is doubtful. Most observers are inclined to the view that the provisions explained above will remain.

who is not satisfied with the treatment accorded by the Bureau of Internal Revenue.

Many delicate and confidential points will be brought out in proceedings before this board, yet hearings must be open to the public. This means that hearings may be attended by agents of a competitor or of some other firm which wants to know the intimate affairs of the taxpaying concern. Some of these points are: Volume of sales, profits, amount and details of income, manufacturing processes, business methods and value of patent rights. The circumstances under which these matters are to be made public will be determined by the board and revealed in its regulations to be announced within two weeks. There are reasons for thinking that the board, while applying the law, will minimize the effects of the publicity instructions by permitting appealing taxpayers to incorporate very secret or confidential matter in briefs and then in enforcing secrecy on these briefs. The legality or propriety of this probably will be called into question.

It is also interesting to note that the hearing room provided for the board in one of Washington's new office buildings is small and that there is little room for chairs which might be occupied by agents of spying competitors. Of course this physical deterrent cannot be depended upon to insure privacy. Some taxpayers who expect to come before the board demanding access to all information in the possession of the Revenue Bureau used in determining the taxpayer's assessment, such as comparative data sheets showing earnings in similar enterprises, will be disappointed. The board regulations and rules to be adopted from time to time will not permit this.

The law specifies that if the amount of tax in controversy is more than \$10,000, oral testimony must be reduced to writing and the board's report on the case must contain this as well as findings of fact and decision. These reports are to be printed by the Government Printing Office and sold like any other public document. Already business firms are making applications for regular receipt of all such reports. These will be used by banks and credit agencies to keep track of important tax liability cases.

The publicity arrangements before this board undoubtedly will be a deterring influence to make taxpayers accept the decision of the Bureau of Internal Revenue rather than to run the risk of publicity by taking the case before the board. On the other hand, there is already evident a tendency to take to this board only test cases, on which argument need not disclose confidential business information, and then settling comparable cases within the Revenue Bureau without appeal to this semi-judicial body.

Where Secrecy Still Holds. It should be understood that secrecy is still maintained in negotiations on tax matters within the Revenue Bureau. The proceeding on disputed cases is usually something like this: The taxpayer files his return and pays his tax. Some time later his return is audited and the bu-

reau decides he owes more tax. He receives a preliminary notice of the bureau's intention to assess an additional sum. He may appear informally before the section of the bureau having his case in charge. Sometimes he is able to dissuade the technical men from their intentions. Usually he fails in this, and the assessment is formally imposed. Then he sometimes has another hearing before the officials, but usually he takes his case to the Committee on Appeals and Review, which is really a creature of the Commissioner of Internal Revenue, a sort of advisory body.

This committee's recommendation is usually approved by the Commissioner and the assessment is made. The taxpayer must then pay the tax as a necessary preliminary to appealing his case to the Federal courts, which are now jammed with tax cases. Under the new board system he may appeal to the board from the Commissioner, without paying the tax. If he loses, then he pays, and subsequently may appeal to the Federal courts. If he wins, the Commissioner may appeal to the courts. Only at the Board of Appeals stage does publicity apply. Hearings before the appeals unit of the bureau, which will be created to replace the defunct Committee on Appeals and Review, will be secret.

The Treasury will ask Congress to amend the law relating to the Board of Tax Appeals in various ways to make it an administrative body rather than a quasi-judicial and independent commission. There is much apprehension lest the board, because of the publicity provisions, become involved in endless red tape and piled high with accumulated cases, consequently finding itself unable to act rapidly enough to roll in the past-due taxes which the Government needs to support itself. This situation will be worth watching in the next few months, for it will be the subject of much agitation for amendment of the tax law when Congress meets again in December.

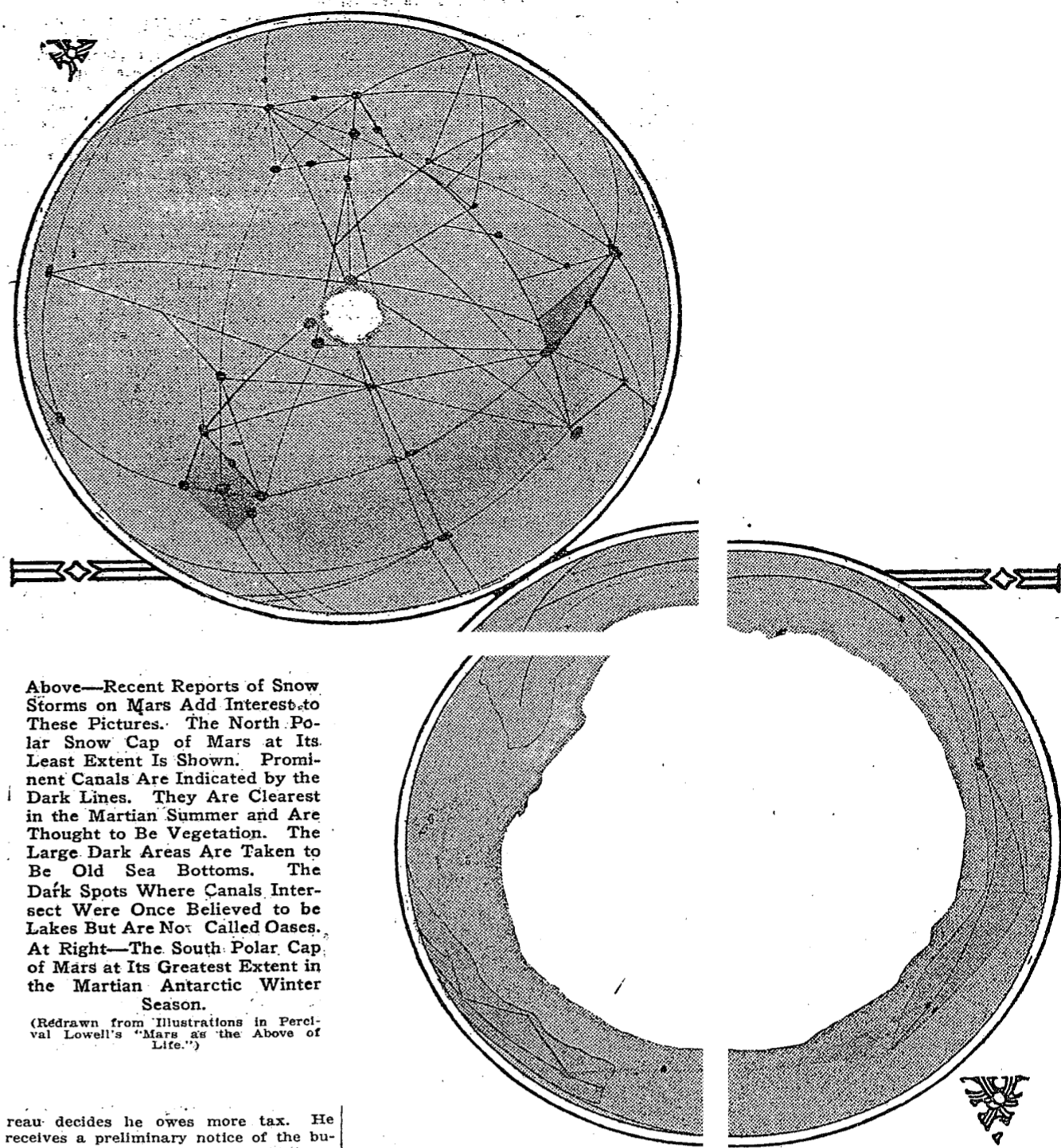
These are only a few of the delicate points which will arise under the publicity sections of the new tax law. The deep significance is in the fact that the country may be on the point of changing its political philosophy which heretofore assumed that a man's income was a personal matter to be disclosed in whispers between himself and his Government. Now he may whisper, but the Government will shout his taxes from the housetops.

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HOW SNOW VARIES ON MARS



Above—Recent Reports of Snow Storms on Mars Add Interest to These Pictures. The North Polar Snow Cap of Mars at Its Least Extent Is Shown. Prominent Canals Are Indicated by the Dark Lines. They Are Clearest in the Martian Summer and Are Thought to Be Vegetation. The Large Dark Areas Are Taken to Be Old Sea Bottoms. The Dark Spots Where Canals Intersect Were Once Believed to Be Lakes But Are Now Called Oases. At Right—The South Polar Cap of Mars at Its Greatest Extent in the Martian Antarctic Winter Season.

(Redrawn from Illustrations in Percival Lowell's "Mars as the Above of Life.")

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