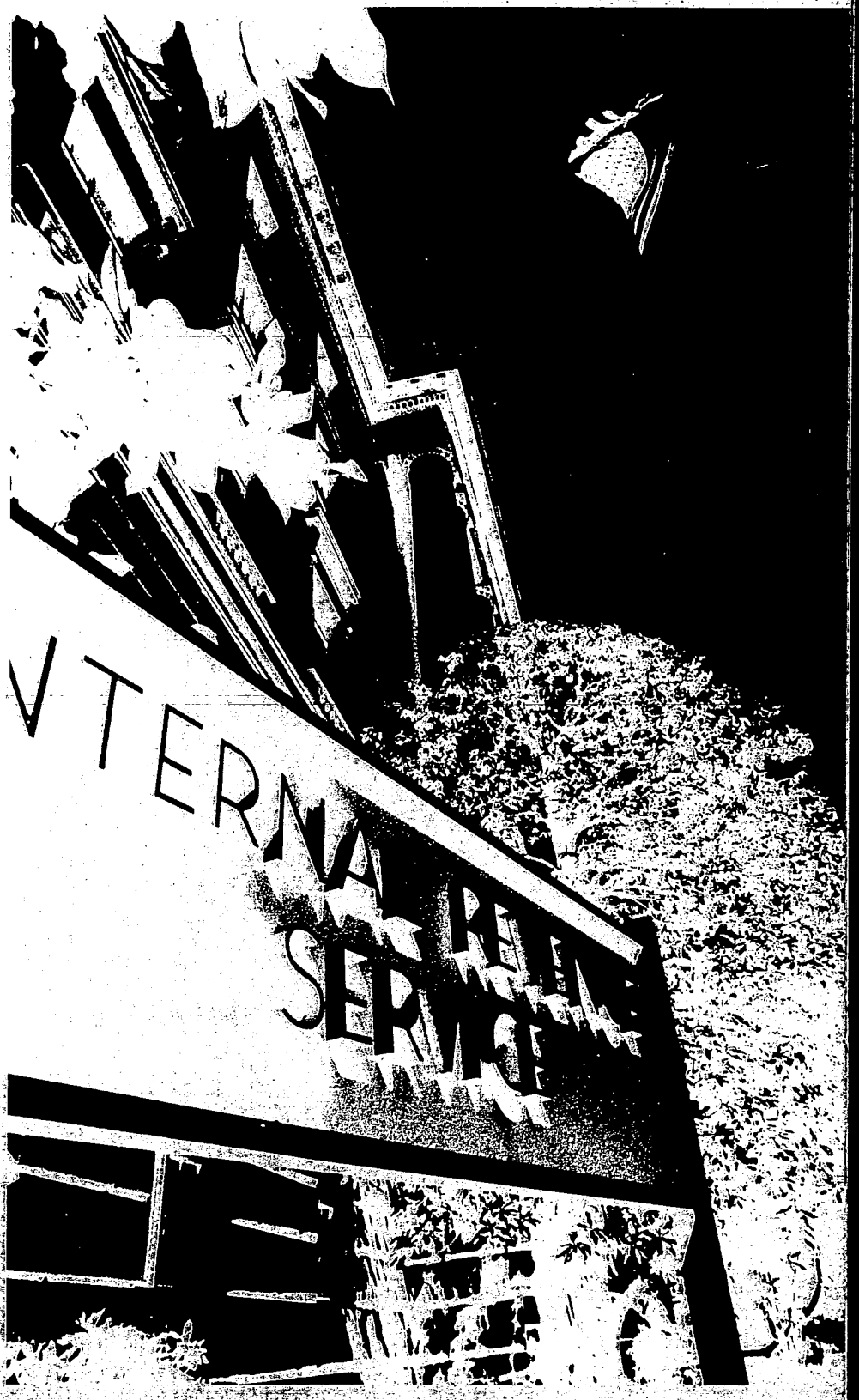
Annual Report 1973

Commissioner of Internal Revenue



Annual Report 1973

Commissioner of Internal Revenue

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Honorable George P. Shultz
Secretary of the Treasury
Washington, D. C. 20220

Dear Mr. Secretary:

I am pleased to present to you the Annual Report of the Internal Revenue Service for fiscal year 1973. As I became Commissioner late in the year, most of the accomplishments reported were made under the leadership of my able predecessor, Johnnie M. Walters.

The Service made substantial progress in 1973, reaching record levels in many areas of tax administration. It also took a number of steps to increase and improve service to taxpayers. The diligence, judgment and integrity of Service employees are responsible for what the Service accomplished last year and what it will accomplish in the future.

Sincerely,

Donald C. Alexander
Commissioner of Internal Revenue

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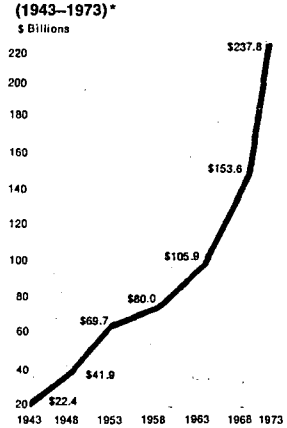
Associate Supreme Court Justice Potter Stewart (right) administers the oath of office to Donald C. Alexander, Commissioner of Internal Revenue. Looking on are (l. to r.) Secretary of Treasury George P. Shultz, Mrs. Alexander, and James M. Alexander.

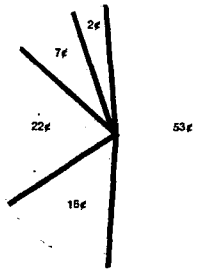
Increases in Gross Collections Over Thirty Year Period (1943–1973)*



* During this period significant changes in the tax laws, the population, and in the economy caused changes in tax receipts.

THE TAX DOLLAR WHERE IT CAME FROM

FISCAL YEAR 1973



Individual Income Taxes—53¢
Corporation Income Taxes—16¢
Employment Taxes—22¢
Excise Taxes—7¢
Estate & Gift Taxes—2¢

Statistical Highlights

(Dollars in thousands)

	1972	1973	Percent Change
Gross Collections	$209,855,737	$237,787,204	13.3
Individual Income	$108,879,186	$125,112,006	14.9
Corporation Income	$34,925,546	$39,045,309	11.8
Employment	$43,714,001	$52,081,709	19.1
Estate and Gift	$5,489,969	$4,975,862	—9.4
Excise	$16,847,036	$16,572,318	—1.6
Refunds			
Number	55,154,883	63,123,884	14.4
Amount	$18,970,640	$25,804,850	36.0
Returns Filed	112,000,449	116,940,404	4.4
Returns Examined			
Number	1,695,848	1,770,971	4.4
Tax Increase Recommended	$3,413,133	$5,068,432	48.5
Returns Mathematically Verified			
Number	72,482,000	72,971,656	0.7
Amount of Tax Increase	$238,982	$276,317	15.6
Amount of Tax Decrease	$119,406	$156,036	30.7
Delinquent Returns Secured			
Number	815,000	932,331	14.4
Amount	$452,324	523,182	15.7
Delinquent Accounts Collected	$2,327,585	$2,345,146	0.8

Notes

All yearly data are on a fiscal year basis, unless otherwise specified. For example, data headed "1973" pertain to the fiscal year ended June 30, 1973 and "July 1" inventory items under this heading reflect inventories as of July 1, 1972.

In many tables and charts, figures have been rounded and may not add to the totals which are based on unrounded figures.

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Report on Operations

Informing and Assisting Taxpayers
Enforcement Activities
Special Enforcement Activities
Economic Stabilization Activities
International Activities
Legislative and Legal Activities
Planning Activities
Internal Management and Support Activities
Receipts, Refunds and Returns Filed

Informing and Assisting Taxpayers

Improved Service a Major Objective

The Service is committed to maintaining and strengthening the American voluntary compliance tax system. This commitment requires the Service to inform taxpayers about the system and their responsibilities and rights under it, to give them guidance in training in carrying out their responsibilities, and to provide direct assistance to the greatest extent possible. Also required are constant efforts to simplify IRS forms, form letters, publications, and procedures and to ensure that IRS personnel are fully prepared to provide high-quality assistance.

In 1973, improved service to taxpayers was one of the Service's objectives, and a number of steps were taken toward achieving it. It is a major objective for 1974.

Steps taken to meet the 1973 objective included expanding the Taxpayer Information Program; increasing direct assistance (including testing new approaches from improving taxpayer service); expanding the Taxpayer Education Program; and issuing a large number of published rulings, regulations, simplified tax guides, and Service publications covering special tax situations. Special efforts were made to ensure a sufficient number of qualified, well-trained personnel to give taxpayer assistance and to provide IRS personnel with internal publications for guidance.

Expanded Taxpayer Information Program

The Service maintains a continuing taxpayer information program which is refined and expanded each year. The various news media are fully utilized. In addition, Service personnel make tax-information presentations to live groups and to radio and television audiences.

In 1973, IRS spot announcements were carried by more than 4,800 radio stations and film spots by over 800 television stations free of charge as a public service. These stations assisted area offices by presenting tax-information programs tailored to local interests and needs. Programs for residents of rural areas covered farmers' tax problems; those for urban areas gave information of interest to wage earners and small businesses.

Field offices issued nearly 8,000 news releases to the media and answered approximately 24,000 inquiries from newspapers and broadcasters.

In addition, last year millions of Americans found answers to many of their tax questions in weekly question-and-answer columns prepared by the Service and published in thousands of daily and weekly newspapers across the nation.

IRS personnel made more than 5,000 tax-information presentations to civic and practitioner groups. District and regional offices distributed a tax-information film to theaters, television stations, and civic organizations.

Direct Assistance

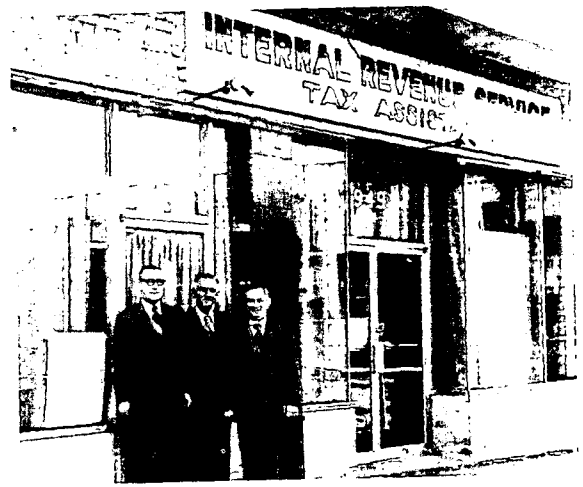
In 1973, the Service assisted a record number of taxpayers. It gave direct assistance to more than 30 million taxpayers, a substantial increase over 1972. Some 22 million persons telephoned, more than 250,000 wrote, and about 11 million visited Service offices, where approximately 4 million returns were prepared. Some 21.3 million taxpayer inquiries were received during the peak filing season from January through mid-April.

Throughout the 1973 filing season, office hours were extended. Individual returns were prepared for taxpayers needing such help. Toll-free telephone service was made available in 30 districts. Satellite offices were established. Taxmobile and mini-information centers were used to reach senior citizens and low-income groups. Cooperative efforts with military installations were expanded. And some offices arranged assistance visits to nursing homes, hospitals, and other institutions.

Special Assistance to POW's, MIA's, and Natural Disaster Victims

The Service took prompt action to ensure that returning prisoners of war and families and survivors of persons listed as missing in action received all benefits allowable under the law. Special tax-information publications were quickly prepared and distributed. Representatives were appointed in each district to give servicemen and their families prompt, courteous assistance. And the processing of their returns received special attention; most were processed in about 48 hours.

The Service also assisted taxpayers victimized by natural disasters. In the aftermath of Hurricane Agnes, the Service publicized procedures for filing claims, extended office hours for providing service, and quickly processed returns and claims filed by residents of disaster areas. A tax-information paper was prepared for inclusion with Small Business Administration disaster loan checks. The paper explained the tax treatment of these loans and urged taxpayers to contact their nearest IRS office for further information.



The Service provided increased tax assistance this year through temporary offices in many neighborhood locations.

Taxpayer Service Assistants Trained

To ensure high-quality taxpayer assistance, the training of Taxpayer Service Representatives was expanded. A new course featuring six weeks of classroom training was prepared for newly hired TSR's. New courses were also developed for all temporary TSR's, including employees detailed from other functions to serve as TSR's during the filing period. In addition, a two-week advanced tax law course was offered to all experienced TSR's.

New Approaches Tested

Over 9,000 returns were prepared by mini-computers at four test sites during the 1973 filing period. While the taxpayer waited, Service employees fed basic data into computers, which then calculated the tax and printed out a completed Form 1040A ready for signature. Taxpayer response was very favorable.

A Pre-Filing Returns Review Test was conducted in two district headquarters offices to determine taxpayer response to a Service offer to review returns for accuracy before filing. Test results were favorable, and Servicewide use is under consideration.

Taxpayer Education Program Expanded

The Service continued to provide tax information in Spanish. Districts with a high concentration of Spanish-speaking taxpayers employed Spanish-speaking Taxpayer Service Representatives at 77 posts of duty. News releases and tax information publications in Spanish were widely distributed.

Seventy-four blind Taxpayer Service Representatives, employed in 49 districts, provided tax information by telephone. As toll-free telephone service became available nationwide, the Little Rock and Los Angeles Districts began testing a reading aid (Optacon) for the blind. This aid converts the image of a printed letter to one that can be felt with one finger. If practical, the Optacon would make it possible to use more blind individuals to provide taxpayer service.

In 1973, the Service expanded its taxpayer education program, reaching an estimated additional 20 million taxpayers.

There was a marked increase in the number of citizens who served as volunteers under the Service's Volunteer Income Tax Assistance (VITA) Program and in the number of taxpayers they assisted.

Under this Program, training is given to volunteers from civic, community, church, senior-citizen, and student groups to prepare them to assist lower-income, disadvantaged, and elderly persons with their tax returns. This assistance includes explaining the tax laws so these persons can prepare their own returns or assisting them, if necessary, in preparing their returns.

In 1973, 22,500 volunteer assistors were trained by Service personnel in 850 VITA classes. Through their services, 700,000 taxpayers received free assistance, an increase of 120% over 1972. Of this number, 175,000 were elderly and retired persons, more than triple the number assisted the previous year. This increase is due to the increased involvement of various retirement organizations, particularly the Institute of Lifetime Learning.

Pictured above are some senior citizen volunteers receiving training in the preparation of Federal income tax forms. After training, they will then assist other retired people in completing their tax forms.

The number of college students participating as volunteer assistors rose considerably. Many colleges placed VITA in their curricula and offered students academic credit for their volunteer work. Junior Chambers of Commerce cooperated to sponsor VITA nationwide.

In other Taxpayer Education Programs, the Service provided tax material to over 23,000 high schools, teaching approximately 4,300,000 students to prepare their own returns. Over 50,000 taxpayers in adult education classes were taught how to prepare their returns. And more than 67,000 tax practitioners attended training programs on filing requirements and changes in the law.

Several new programs were added in 1973, including a volunteer assistance program for Spanish-speaking taxpayers and a Fundamentals of Tax Preparation Course for colleges and universities, offered by more than 600 schools to approximately 41,000 enrollees.

Tax Forms Activity

In 1973, the Service took a number of steps to simplify its forms. Most notable was the reintroduction of the short form individual return, Form 1040A, after an absence of three years. Several recent changes in law, such as the increase in the standard deduction and in the ceiling of the optional tax tables to $10,000, made it feasible to bring back the short form. Over 22 million of the country's 78 million filers used this abbreviated return. In addition, the Service issued step-by-step simplified instructions for preparing returns and changed some public-use forms to make them more understandable.

The Service also developed Form 4875, used by more than 2,420,000 individual tax filers to earmark $1 for the Presidential Election Campaign Fund. This form was a separate attachment to protect the taxpayer's privacy in designating political affiliation.

Other significant forms developed during 1973 to comply with the Revenue Act of 1971 were Form 1120–DISC, a return for Domestic International Sales Corporations, and Form 4874, used by employers to compute tax credits available to them when they hire welfare recipients under Work Incentive (WIN) Programs.

As part of its campaign to reduce overwithholding of income tax on wages, the Service simplified Form W–4, Employee's Withholding Exemption, and sent a message to more than 4.5 million employers requesting them to ask their employees to review their tax situation and amend their withholding certificates where necessary to reduce excessive withholding.

The Service also took steps to correct the excessive withholding problem of part-time employees. Many students could qualify to file Form W–4E and thereby avoid withholding of income tax because they were not liable for tax in the prior year and would not be liable in the current year. A letter and notice were sent to 30,000 School Placement Directors and 90,000 Personnel Directors urging them to post the IRS notice and advise eligible students to file Form W–4E to avoid income tax withholding.

Improvement of Form Letters and Other Communications

In 1973, the Service continued its efforts to improve the timeliness, responsiveness, and clarity of written communications to individual taxpayers.

A special unit in the National Office reviews all form letters, notices, and stuffers to improve their quality, prevent duplication, and eliminate obsolete communications. Of the more than 1,700 reviewed during the year, 370 were eliminated or consolidated. This centralized review is aimed at continuing improvement in the tone, clarity, and appearance of these important taxpayer communications.

Greater personalization of form letters, including an individualized salutation, is possible now because all Service Centers now have the Integrated Data Retrieval System (IDRS). This personalized approach eliminates the "ballot boxes" which made form letters long and hard to understand.

Tax Publications Provide Year-Round Guidance

The Service provides many booklets and pamphlets that explain the tax laws in nontechnical language.

Special publications help taxpayers faced with uncommon problems. For example, when Congress enacted new tax relief provisions in the wake of Hurricane Agnes, the Service produced a special edition of Publication 547, "Tax Information on Disasters and Casualty Losses and Thefts." On announcement of the Vietnam cease-fire, the Service issued Publication 815, "Tax Information for Returning POW's" and Publication 816, "Tax Information for Families and Executors of Missing Servicemen."

Other new publications released in 1973 were Publication 581, "Questions and Answers Regarding Original Issue Discount on Savings Deposit Arrangements," and Publication 582, "Federal Use Tax on Civil Aircraft."

This year a group of representatives of professional organizations, small business associations, and governmental agencies contributed comments which led to many improvements in the "Tax Guide for Small Business."

IRS Bulletin Provides Official Guidance

The Service publishes rulings, procedures, and other significant technical developments in the weekly Internal Revenue Bulletin for the guidance of taxpayers, tax practitioners, and Service personnel. Semiannually the contents of the Weekly Bulletins are cumulated and the compilation published as Cumulative Bulletins.

During 1973 the following items were published in the Bulletin:

580 Revenue Rulings
37 Revenue Procedures
30 Public Laws relating to Internal Revenue matters
16 Committee Reports
5 Executive Orders
3 Tax Conventions
92 Treasury Decisions containing new or amended regulations
17 Delegation Orders
6 Treasury Department Orders
1 Treasury Department Notice
4 Court Decisions
5 Notices of Suspension and Disbarment from Practice before the Service
193 Announcements of general interest

Additional Guidelines in Published Rulings and Procedures

Revenue Rulings state the Service position on issues of general interest, and Revenue Procedures announce practices and procedures that affect taxpayers' rights and obligations.

The following table shows by tax category the number of Revenue Rulings and Revenue Procedures published during 1973:

Type	*Number*
Administrative	36
Employment taxes	15
Estate and gift taxes	19
Excise taxes	116
Exempt organizations	25
Income tax	364
Pension trusts	34
Tax conventions	8
Total	617

Request for Tax Rulings & Technical Advice (Closings)

Subject	Total	Taxpayers Requests	Field Requests
Total	15,756	13,970	1,786
Actuarial Matters	861	798	63
Administrative Provisions	60	47	13
Employment & Self-Employment Taxes	450	379	71
Engineering Questions	154	100	54
Estate and Gift Taxes	305	269	36
Exempt Organizations	3,854	3,392	462
Other Excise Taxes	347	235	112
Other Income Tax Matters	7,151	6,797	354
Pension Trusts	2,574	1,953	621

New Bulletin Index-Digest System

A new Bulletin Index-Digest System provides a comprehensive and rapid method for researching currently applicable Revenue Rulings and other material published in the Internal Revenue Bulletin for all years after 1952. This System replaces the old Index-Digest Supplement System.

Each of the four Services in the new System (income, estate and gift, employment, and excise taxes) consists of a 20-year basic volume (1953–1972) and a cumulative supplement covering subsequent Bulletins. The supplements are issued quarterly for the Income Tax Service and semiannually for the other Services. Every two years the basic and supplemental volumes will be consolidated into new revised basic volumes.

This System makes a handy desk reference for anyone working with Federal taxes who must refer frequently to the Bulletin.

Regulations Aid in the Uniform Administration of Revenue Laws

Under a delegation from the Secretary of the Treasury, the Service prescribes regulations implementing the Internal Revenue Code. The Regulations assist both Service personnel in administering tax statutes and the public in complying with them.

Normally, the Service issues proposed regulations through publication of the complete text in a public notice of proposed rule making. All notices invite written comments on the proposed regulations and inform the public of its right to request a hearing and to comment at the hearing. After considering the comments and suggestions, the Service revises proposed regulations as necessary. Preparation and publication of a Treasury decision in the Federal Register follows. These regulations have the force and effect of law.

Some regulations may be issued without this procedure. For example, when a new law requires immediate implementation, temporary regulations are published without prior notice, followed by permanent regulations issued in the usual manner.

During fiscal year 1973, 19 public hearings were held on the provisions of proposed regulations and were attended by 962 taxpayers or their representatives.

Pension Trust Activity

Interest remained high in the pension trust area as the number of new pension and profit-sharing plans continued to climb steadily. Determination letters issued on corporate pension and profit-sharing plans were up approximately 25% over fiscal year 1972. About 35 million people now participate in nongovernmental pension and profit-sharing plans. Assets of the various types of plans equaled approximately $166.5 billion as of the end of calendar year 1972. Problems stemming from the large numbers of people and the billions of dollars involved in these plans and the need for safeguarding pensions caused much interest by the press and Congress.

Various congressional hearings have been held on the question of pension reform. One issue was which agency should administer the laws regulating retirement plans—the Internal Revenue Service or the Labor Department. Other problems considered were: requirements for satisfactory coverage of employees under qualified pension or profit-sharing plans; vesting and portability of plan participants' rights; adequate funding and insurance of plan benefits; enforcement of plan fiduciaries' responsibilities; and extension of tax advantages of qualified plans to plans set up by individual employees.

Determination Letters Issued on Employee Benefit Plans, FY 1973

Item	Profit sharing and stock bonus plans	Pension or annuity plans	Total
Determination letters issued with respect to—			
1. Initial qualification of plans:			
a. Plans approved	24,422	33,114	57,536
Number of participating employees	504,539	1,063,354	1,567,893
b. Plans disapproved	244	388	632
2. Termination of plans	1,792	2,005	3,797
3. Amendments	5,768	14,451	20,219
4. Investments	187	164	351
Cases closed without issuance of determination letter and other disposals	1,943	3,525	5,468

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Enforcement Activities

Investigation of Return Preparers Continues

Disclosure of a high percentage of incorrect and fraudulent returns prepared by fly-by-night commercial return preparers resulted in a nationwide Return Preparers Compliance Program begun in 1972 and continued in 1973. Following development of more sophisticated methods for identifying suspect preparer returns, the number of audit examinations and intelligence investigations of fraudulent return preparers increased.

During the 1973 filing period, the Service issued press releases cautioning taxpayers to choose their tax return preparers carefully. In addition, it announced that agents, without identifying themselves, would be going to hundreds of return preparers with income and deduction data and withholding forms to have tax returns prepared.

A total of 4,977 tax returns were prepared for Service employees posing as clients during the 1973 filing period. Of these returns, 1,112 (or 22%) appeared fraudulent. From January 1972 to June 30, 1973, the Intelligence Division filed complaints, arrested or obtained indictments against 420 tax return preparers. So far 209 preparers have been convicted or have pleaded guilty.

As of June 30, 1973, the Audit Division examined 234,938 returns resulting in additional tax and penalties of more than $43.8 million for an average of $187 per return examined. Approximately 4,200 preparers of these returns were identified during the 1973 program.

Courts are dealing more severely with convicted return preparers. More than 53 percent have received prison terms. During March 1973, five of six return preparers sentenced received prison terms varying from three months to three years.

The following are examples of 1973 convictions:

KENNETH GRIFFIN, a self-proclaimed tax expert, was sentenced to three years in prison after being convicted of preparing fraudulent tax returns. GRIFFIN's fraudulent claims included a gasoline tax deduction for a person who was unable to drive and a business telephone expense for a person who did not have a phone.

GILBERT RIVERA was indicted on twenty-two counts of aiding and assisting in preparing false income tax returns. His clients testified at the trial that RIVERA, without their knowledge or consent, had falsely claimed itemized deductions, personal exemptions, and employee business expenses on their income tax returns. Many of his cleints could neither read nor write English, and RIVERA frequently diverted to his own use money intended to pay his clients' tax liabilities. He was convicted on all counts and sentenced to nine years in prison, with six years probation to follow imprisonment.

ROBERT WICKER was found guilty of eighteen counts of preparing false returns and sentenced to three years in prison. In passing sentence, the Judge noted that 271 clients who owe $87,000 in additional taxes were misled by WICKER. The court stated that WICKER "was a disgrace to the tax return preparing profession."

RENE BAZARTE, a bail bondsman and tax return preparer, pleased guilty to 3 of 27 counts of willfully aiding and assisting in the preparation of false and fraudulent income tax returns. He was sentenced to serve 54 months in prison. BAZARTE gave his clients cash refunds at the time he prepared their returns. He would subsequently increase these refunds by claiming additional exemptions.

Identification of Noncompliance Areas

Audits of all classes of returns help assure that all segments of the taxpayer public are scrutinized by the Service.

Through the Joint Compliance Program, the Service conducts research to uncover noncompliance conditions not identified by other approaches. Audit, Intelligence, and Collection work together to gather background information and to initiate special returns selection and examination projects.

The objective is to identify significant noncompliance situations with substantial revenue implications.

Several early projects demonstrated that income not reported on an information return (Form 1099 or Form W-2) is frequently omitted by the taxpayer. A program is under way to correct this problem.

In 1973, a number of significant areas of noncompliance were identified.

A project in one district uncovered significant noncompliance with Sec. 56, which provides for a minimum tax on tax preference items. This finding may have nationwide implications.

In other projects, Service employees have found noncompliance with income and employment tax requirements among employees calling themselves subcontractors.

Another project in this category involved a state with a Special Subsidiary Fund paying $100 million annually in consultant fees for personal services. State officials did not understand that payroll taxes and information returns were required with respect to payment from the fund until so advised by Service personnel.

Another example concerns taxpayers receiving funds from a Profit-Sharing Plan. Approximately 30% either did not report their share at all or did not report it properly.

Computer Selection of Returns Expanded

The Service uses computers programmed with mathematical formulas to identify returns having the highest probability of tax error. The results have been significant. The Service has reduced the number of taxpayers contacted whose audit would result in no tax change and has identified returns most needing examination. In 1973, corporations with assets under $1 million were added to the computerized system for selecting returns for audit.

Computers Assist Directly in Tax Audits

Machine-sensible records are becoming available in more audits where accounting records are processed through automatic data processing systems. Revenue Ruling 71–20 requires taxpayers to retain pertinent computerized tax records. The Service has evaluated several thousand ADP installations and advised taxpayers concerning records they should retain for audit purposes.

These machine-sensible records permit rapid retrieval, analysis, and calculation of data needed for audit. In addition, the computer checks great masses of data that it would be impractical to check manually and prints out only data of audit interest. These techniques save substantial manpower and money for the Service and the taxpayer.

Results of Audit Activity

The Service examined 1,770,971 returns in 1973, an increase of 4% from 1972. Additional tax and penalties recommended amounted to $5.1 billion—an all-time high, and an increase of $1.7 billion over 1972.

Three of every four examinations involved individual income tax returns. These returns accounted for $1.1 billion in tax and penalties recommended. Corporate returns, representing 6.9% of total examinations produced recommendations for assessment of an additional $3.1 billion.

Examination of estate and gift tax returns resulted in additional tax deficiency recommendations of $700 million.

The table below shows the number of returns examined in 1972 and 1973 by type of tax.

Number of Tax Returns Examined

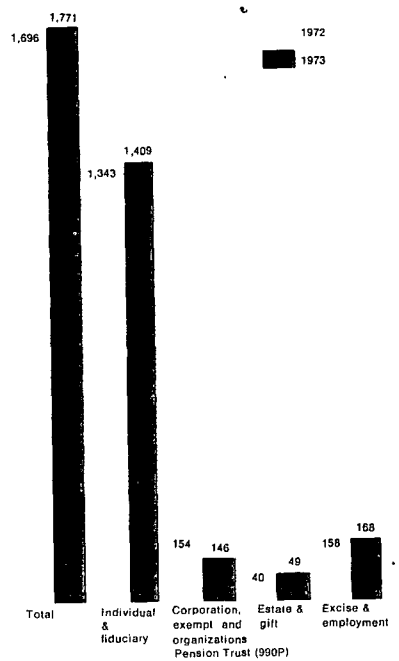
(Figures in thousands)

Type of Return	Total 1972	Total 1973	Field 1972	Field 1973	Office 1972	Office 1973
Grand total	1,696	1,771	593	588	1,103	1,183
Income Tax, Total	1,497	1,554	424	411	1,073	1,143
Individual and Fiduciary	1,343	1,408	271	265	1,072	1,143
Corporation	136	122	135	122	1	(1)
Exempt Organization	18	22	18	22	(1)	(1)
Pension Trust (990P)	(1)	2	(1)	2	—	—
Estate and Gift Tax	40	49	35	41	5	8
Excise and Employment	158	167	133	136	25	31

1 Less than 1,000.
2 Not Available.

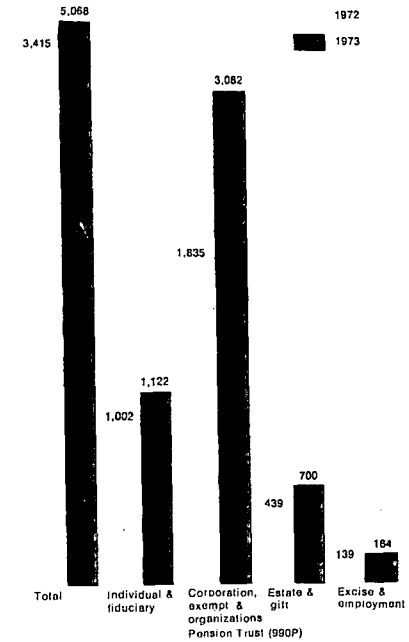
Number of Tax Returns Examined

Thousands

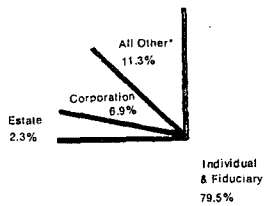


Additional Tax & Penalties Recommended on Audited Returns

Millions of dollars

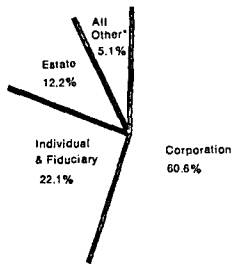


Percent of Total Returns Examined by Type of Tax



* Includes gift, exempt organizations, excise and employment tax returns.

Percent of Total Additional Tax Recommended by Type of Tax



* Includes gift, exempt organizations, excise and employment tax returns.

Many Examinations Result in Decrease in Tax Liability

Not all examinations result in additional tax. Many result in a decrease in the tax liability reported by the taxpayer. In 1973, examinations disclosed overassessments on 83,780 returns, resulting in refunds of $257.7 million, an increase of $31.3 million over those in 1973. The table below shows the number of returns and the amount of recommended overassessments by type of tax:

Overassessments of Tax Exclusive of Claims for Refund

	Number		Amount Recommended (thousand dollars)	
	1973	1972	1973	1972
Total	83,780	78,605	$275,679	$244,414
Individual and Fiduciary	57,657	57,503	57,325	51,354
Corporation	15,191	11,781	176,249	162,696
Estate	4,270	3,442	25,421	18,150
Gift	452	347	4,350	2,842
Excise	3,899	3,613	9,728	7,454
Employment	1,648	1,867	1,946	1,807
Exempt Organizations	663	52	661	101

Audit Operations Continue At Service Centers

The correspondence audit programs begun in 1972 at the service centers were continued in 1973. In addition, the Service conducted new programs to centralize all or portions of several district correspondence audit programs at the service centers.

The Unallowable Items Program continued as the major course of the correspondence audit workload. In this program taxpayers are contacted concerning deductions which appear to be unallowable. Computers identify many of the unallowable items and then print letters to taxpayers showing the correct tax and explaining the correction.

Another new audit program involved returns on which the taxpayer erroneously claimed head of household status. Returns as unmarried heads of households were being filed by taxpayers who did not meet the requirement that the household be maintained not only for the taxpayer but also for a near relative or dependent. As a result, the Service is revising its instructions to clarify the use of the head of household tax rate.

During 1973, the service centers examined 482,556 returns under the program resulting in recommendations for additional assessments of $43.5 million.

Audit Assists Exporters in Electing New Tax Advantages

To encourage export business, the 1971 Domestic International Sales Corporation (DISC) legislation provided optional tax treatment for certain U.S. exporters comparable to that afforded by many foreign countries to their exporters.

Key personnel were designated in district offices to provide assistance to taxpayers who intended to elect the tax treatment afforded to qualified corporations. As of June 30, 1973 4,164 companies have filed elections to be treated as DISC corporations.

New Procedures Utilized to Examine Corporate Giants

Experience gained in the coordinated examination program has shown the need for new procedures to examine our largest corporate taxpayers.

A new technique under study is industry-wide examinations. This involves simultaneous examination of a group of taxpayers in the same industry or trade. The technique produces a more uniform and effective examination, completed in a shorter period.

The computer-assisted audits is another technique used in large corporate examinations. To modernize its examinations, the Service is using computers in combination with a statistical sampling technique to establish the potential tax change.

Employment Tax Audits Benefit Workers

Increases in the tax base and rates of employment taxes over the years prompted concern over voluntary compliance in the business community. Beginning in 1971, the Service expanded the employment tax audit program to assure that employees receive proper earnings credit in computing social security benefits and to enable them to meet their obligations on a pay-as-you-go basis.

In 1973 the Service examined a wide range of industries through a "package audit" of employers' income and employment taxes. Examining officers specially trained in employment tax law devoted the major part of their time to employment tax audits of large cases and provided technical assistance to regular agents on other cases.

Since 1971, manpower applied to the employment tax audit program increased 20 percent and returns examined increased 112 percent. Additional tax uncovered under the program in 1973 amounted to $78.2 million, up 128 percent over 1971.

New Approaches Result in More Current Audits

The Service is making every effort to complete its examination of individual returns within 26 months and corporation returns within 27 months. Positive steps are being taken to prevent any undue delay in completing examinations including any delays by the taxpayer or the taxpayer's counsel. Current audits contribute to sound tax administration and good public relations.

Inventory of old year returns was reduced from 190,257 returns at June 30, 1972, to 125,687 returns at June 30, 1973.

Art Advisory Panel Assists in Valuations

Since 1968, a panel of art experts — museum directors, scholars, and dealers—has helped the Service determine the acceptability of valuations placed on contributed works of art and on art objects for estate and gift tax purposes.

In its five years of operation, the panel has reviewed approximately $82 million worth of art and has recommended valuation adjustments of approximately $23.5 million.

At the meeting held in 1973 the panel reviewed works of art valued in tax returns at approximately $12 million. It recommended a 39 percent decrease in the claimed value of works of art donated to charity and a 60 percent increase in the reported value of works of art included in estates. Approximately 50 percent of the valuations reviewed by the panel require adjustment.

Exempt Organization Activity Increases

In 1973 the Service made substantive programs to meet its goal of examining all private foundations by the end of 1974 (5-year cycle). The 2-year cycle for large exempt organizations has been refined, and interest is now centered on the largest, most complex, private foundations.

The Tax Reform Act of 1969 required charitable exempt organizations to notify the Service of their foundation status. Otherwise, such organizations will be presumed to be private foundations. So far, 33,657 exempt organizations have been classified as private foundations. These foundations reported $56 million under the excise tax provisions of the law. The Exempt Organization Master File increased from 535,000 entities in 1972 to 630,000 in 1973. New features added to the Master File for 1973 include (1) Audit Classification Register (ACR), (2) Private Foundation Audit Control List (PFACL), and (3) Tentative Cumulative List (TCL) of organizations defined as charitable under Section 170 (c) of the Internal Revenue Code.

The Service received 29,741 applications for determination of exempt status during the year, an increase of 1,155 from a year ago. It issued 21,635 determination letters, or 7% fewer than last year.

In 1973, the Service expended 236 man-years examining 22,028 exempt organization returns. Examining officers recommended revocation of the tax exempt status of 251 organizations.

Large Overassessments Reported to Joint Committee

All refunds and credits of more than $100,000 on income taxes and on estate and gift taxes are reported to the Joint Committee on Internal Revenue Taxation, as required by law. During 1973, 1,532 cases involving overassessments of $1.2 billion were reported to the Joint Committee, as compared with 1,171 cases and $756.1 million in 1972.

Administrative Appeals System

General

Historically, the Service has encouraged the resolution of tax disputes through the administrative appeals system rather than through litigation. For the taxpayer who disagrees with a proposed adjustment, the Service provides an opportunity for an early, independent review of his case at one of the 58 district offices or 40 regional appellate offices throughout the country. It also provides conferences at other locations which do not maintain a full-time conference staff.

Although district and regional offices are unlike in jurisdiction and authority, they have a common objective of closing disputed cases as soon as possible on a basis that reflects impartial and reasonable administration of the law. The taxpayer can go to either the district or regional office for an initial conference. If agreement is not reached at the district office, the taxpayer may ask that his case be considered further at the regional appellate office. Appellate offices have greater authority to resolve tax disputes because they can consider hazards of litigation.

Early Informal Hearing Provided

At both district and regional appellate offices a conference is offered soon after the case is received at a convenient date, time, and place. If the disputed tax is less than $2,500, the taxpayer need not file a written protest for a conference in the district office. The same rule applies to a conference in the regional appellate office if the taxpayer has first had a district conference.

Proceedings are informal. Taxpayers may represent themselves or be represented by counsel. In either case, they are given every opportunity to present their views. If the case is not settled, the taxpayer is informed of further appeal rights and options.

Generally taxpayers and Revenue Service conferees at district or regional level resolve disputes on a mutually acceptable basis. The result is that relatively few cases go to trial. In the last ten years the Service closed 97 percent of all disputed cases without trial.

In 1973, the appeals function disposed of 54,351 cases by agreement; the Tax Court decided 1,293 cases and the U.S. District Courts and Court of Claims decided 445 cases.

Appeal Options Available to Taxpayer

If there is no agreement at either district or regional level, the taxpayer can, in most instances, file an appeal with the U.S. Tax Court. Even if the case is docketed for trial in the Tax Court, the taxpayer may still reach a settlement with the appellate office. Except in unusual circumstances, the timely filing of an appeal with the Tax Court stays the assessment and collection of the tax until the Court has entered its decision. As an alternative to trial in the Tax Court, the taxpayer can pay the deficiency in tax, file a claim for refund (at any time within two years from date of payment) and either after denial of the claim by the Service or after 6 months from date of filing the claim file suit for recovery against the Government in either a District Court or the U.S. Court of Claims.

Cases Considered Through the Appeals System

Cases considered include individual and corporation income tax, estate tax, gift tax, excise and employment taxes, and offers in compromise. They cover a wide range of issues, from the most elementary to the most complex; they involve proposed additional tax ranging from very small amounts to millions of dol-

lars. Deficiency cases are considered in both nondocketed status (before appeal to the Tax Court) and in docketed status (after appeal to the Tax Court). Claims for refund are also considered. About 72 percent of the appellate workload is in the nondocketed area. In 1973, appellate offices closed 77 percent of these cases by agreement with the taxpayer. Agreements in this category have averaged 80 percent over the last 10 years.

In the docketed case area, in which settlement negotiations are continued in appellate offices, most cases are also closed through agreement with the taxpayer. For 1973, the appellate offices closed 74 percent by agreement. Agreements in this category have also averaged 80 percent over the last 10 years.

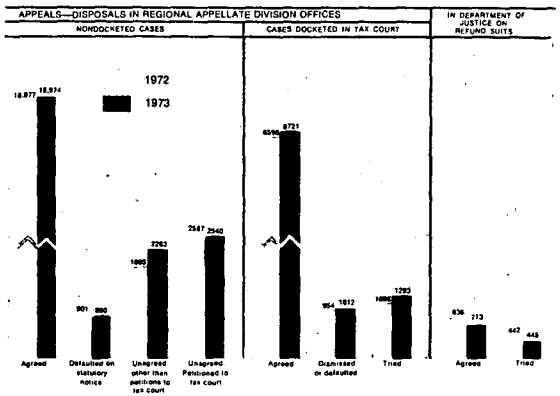
District offices have consistently closed about two-thirds of their cases by agreement with the taxpayer.

The following tables and chart show the processing of cases in both district and regional appellate offices in 1972 and 1973. For additional information see tables 11 and 12, page 139.

District Conference Case Workload

Item	Field Audit	Office Audit	Total
Cases pending July [1]	9,477	4,431	13,908
Cases received	21,943	17,065	39,008
Conference completed	22,999	17,757	40,756
Number Agreed	15,327	13,329	28,656
Agreed on percent of total	66.6	75.1	70.3
Cases pending June 30	8,421	3,739	12,160

[1] Revised.



Appellate Division processing of all cases for 1972–1973 (Income, estate, gift, excise, employment, and offers-in-compromise)

Status	Number of cases 1972	1973
Pending July 1	33,491	34,878r
Received	34,278	33,549
Disposed of, total	32,898	33,693
By agreement	25,475	25,695
Unagreed: (Overassessments, claims, excise, employment, and offer-in-compromise rejections)	1,885	2,263
By taxpayer default on statutory notice or dismissal by Tax Court	1,855	1,902
By petition to the Tax Court	2,587	2,540
Tried in the Tax Court	1,096	1,293
Pending June 30	34,871	34,734

r=revised.

IDRS Extended to Delinquent Accounts

In 1973 the Service collected $2.4 billion in delinquent taxes, an increase of $119 million over 1972.

The Service extended the Integrated Data Retrieval System (IDRS) (see page 93 for a description) to the delinquent accounts area in 36 of 58 IRS districts in 1973. On delinquent accounts, the system automatically issues and controls case assignments, monitors index files, computes interest and penalties on accounts, allows direct input of payments on accounts, issues certain correspondence and forms, and provides necessary management reports.

Withholding Tax Laws Strictly Enforced

Employers who withhold money from their employees' salaries must deposit it promptly to the Government's credit. Some unscrupulous employers use these monies belonging to others as working capital. The Service uses a number of approaches toward these employers to enforce compliance with withholding requirements.

Under the Federal Tax Deposit Alert program, the Service's data processing system identified employers who are not making appropriate deposits. Before the return is due, enforcement officers call on these employers to learn why they have not complied.

To accelerate issuances and thereby cope with delinquent employers sooner, delinquent accounts covering withheld tax are taken out of the ordinary processing cycle and immediately assigned to enforcement officers.

In some cases the Service imposes criminal sanctions. Public Law 85–321 provides a $5,000 fine and/or a year in prision for failure to properly file or pay withheld taxes. During 1973, an intensified program resulted in 22 convictions.

Enforcement Operations in High Crime Areas

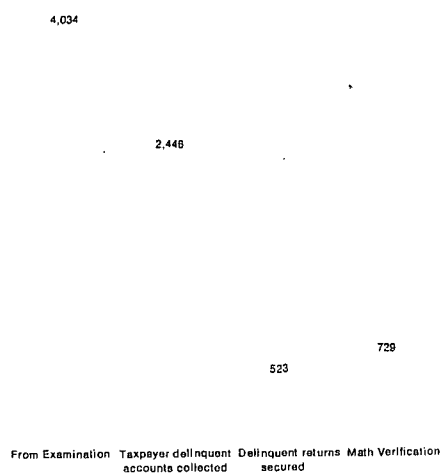
Even-handed tax administration requires IRS employees to deal with all types of individuals in all locations. Revenue Officers must often collect delinquent accounts and secure delinquent returns from areas where there is a high incidence of violent crimes. To protect these employees, the Service is developing special training, using Government cars which show Federal identification, and authorizing a team approach for assignments in these areas.

Returns Compliance Programs Stepped Up

Although most taxpayers comply with tax return filing requirements, the Service takes prompt steps to identify those few taxpayers who do not fulfill their obligation. Stepped-up enforcement efforts in 1973 produced more than 932 thousand delinquent returns reflecting assessed tax, penalties, and interest of $523 million, some $71 million more than last year. A total of 873,000 returns, assessed at $453 million, were secured through various established delinquent returns programs—the highest results since 1966.

Results from Direct Enforcement

Millions of dollars



Nationwide Highway Use Tax Compliance Program Completed

During 1973 the Service undertook a Nationwide Highway Use Tax Compliance Program. Through vehicle registration data, the Service identified the owners of virtually all trucks and other motor vehicles appearing liable for this tax. 168,858 delinquent returns were secured producing $34,900,000 in revenue. This program will continue in 1974, emphasizing increasing awareness of the Highway Use Tax requirements by first-time owners of a taxable truck.

Delinquency Prevention Stressed

Nationwide programs for specific types of tax are triggered generally by working with Federal Agencies and private firms to secure data that can be compared with the Service's several different computer tax files. Those individuals and businesses which are not listed in these files, but which appear liable for taxes, are checked for possible delinquency. In addition, other programs are developed by local officials to meet problems of their particular area. Supplementing these programs is a concerted effort to prevent tax delinquency. For example, the Service distributes a kit of tax forms and filing information booklets to newly established businesses. This kit, which is often delivered by a Service representative, helps familiarize the new businessman with his Federal tax obligations before his liabilities accrue.

Tax Fraud Investigations

The Intelligence Division enforces the criminal tax statutes by investigating instances of tax fraud including suspected income and excise tax evasion, failure to file returns, false withholding exemption statements (W-4), false claims for refunds, false estimated tax credits, perjury, failure to remit trust funds collected, and evasion of wagering taxes.

Improved techniques helped produce a record number of prosecution recommendations this year. The Intelligence Division completed 8,601 investigations and recommended prosecution in 2,555 cases, a record high.

Jail Terms for Tax Convictions

The incidence of jail terms imposed for tax convictions reached an all-time high in 1973. This year, grand juries indicted 1,186 taxpayers. Prosecution was successfully completed in 1,104 cases, in which 914 taxpayers entered guilty pleas and 190 were convicted after trial. Acquittals and dismissals totalled 55 and 112, respectively.

Well-Balanced Tax Fraud Program

Tax fraud is not confined to any occupational or social group. This year, the Service recommended prosecution of taxpayers in 50 different industries and occupations.

The following cases illustrate the Service's effort to maintain balanced coverage:

EDWARD KROCK, a nationally known businessman and financier, was indicted for failing to report more than $6,000,000 in income from stock transactions. An investigation disclosed that KROCK evaded $1,443,231 in taxes. KROCK failed to appear for arraignment, and a bench warrant has been issued for his arrest.

CHARLES D. McCORKLE, JR., owner of a large court reporting service in the Midwest, was found guilty of failing to file income tax returns for 1965, 1966, and 1967. He was sentenced to serve one year in prison and fined $10,000, in addition to taxes and penalties assessed. The Judge, upon learning that McCORKLE had failed to file returns for the years 1955 through 1967, declared that his was "the most flagrant case of willful failure to file that I have been able to find in the lawbooks."

CLARENCE LILLEHEI, a world-renowned surgeon, was indicated on five counts of willfully attempting to evade his income tax. Investigation of LILLEHEI's tax returns disclosed that he failed to report a substantial part of his fees and income from other sources and that he claimed several personal expenditures as professional expenditures. LILLEHEI was convicted on all counts, was fined the maximum amount of $50,000, and received a six-month suspended sentence (upon the condition that he work free of charge in any Army Hospital), with five years' probation.

ANTHONY J. GARGOTTO, a gambler, was convicted on each count of a 15-count indictment charging him with willfully attempting to evade payment of Federal excise tax on wagers. He received a five-year prison term on each count, to be served concurrently. Betting records seized by the Louisville Fire Department during a fire at GARGOTTO's handbook premises led to his conviction.

GENE F. REID, a tile setter, pleaded guilty to three counts of preparing and presenting fraudulent claims against the Government for the years 1967, 1968, and 1969. REID used various schemes, including filing a joint return when he was not married, falsely claiming credit for income taxes withheld, and failing to report income received. He was sentenced to one year in prison and placed on two and one-half years' probation.

Referrals to the Department of Justice

In 1973, the Service forwarded prosecution recommendations to the Department of Justice in 1,803 income and miscellaneous criminal cases (involving 1,797 prospective defendants). This was an increase of 33 percent over last year. In 1973, indictments in such cases were up 9 percent. In income and excise tax criminal cases, the Court results included: 914 guilty or nolo contendere (no contest) pleas, 190 convictions after trial, 55 acquittals, and 112 dismissals.

A comparison of indictments and court actions for the last two years appears at the right.

Cases Involving Criminal Prosecution

Cases received in the Chief Counsel's Office with recommendation of criminal prosecution involved additional taxes and penalties of $252 million. This was $59 million more than the prior year.

An analysis of the receipt and disposal of criminal cases in the Chief Counsel's Office follows:

Receipt and disposal of criminal cases in Chief Counsel's Office

Status	1972	1973
Pending July 1	2,467	2,762
Received, total	1,680	2,385
With recommendations for prosecution	1,523	2,304
With requests for opinion, etc.	157	81
Disposed of, total	1,385	1,550
Prosecution not warranted	94	104
Department of Justice declined	57	72
Prosecutions	1,009	1,077
Opinions delivered	58	46
All other closings	167	251
Pending June 30	2,762	3,597

Results of criminal action in tax fraud cases

Action	Number of defendants 1972	1973
Total		
Indictments and informations	1,085	1,186
Disposals, total	1,037	1,271
Plea, guilty or nolo contendere	733	914
Convicted after trial	113	190
Acquitted	40	55
Nol-prossed or dismissed [1]	151	112
Income and miscellaneous cases [2]		
Indictments and informations	1,074	1,176
Disposals, total	1,011	1,261
Plea, guilty or nolo contendere	722	908
Convicted after trial	113	186
Acquitted	39	55
Nol-prossed or dismissed [1]	137	112
Wagering Tax Cases		
Indictments and informations	11	10
Disposals, total	26	10
Plea, guilty or nolo contendere	11	6
Convicted after trial	0	4
Acquitted	1	0
Nol-prossed or dismissed	14	0

[1] Includes cases dismissed for the following reasons: 11 because of death of principal defendant, 3 because of serious illness, 4 because of defendant being mentally incompetent to stand trial, and 44 because principal defendant had pleaded guilty or had been convicted in a related case.

[2] Includes income, estate, gift, and excise taxes other than wagering, alcohol, tobacco, and firearms taxes.

Additional detail on legal workload involved in the prosecution of criminal cases by Service attorneys during the past two years is provided in the following table:

Tax and penalty and number of tax years involved in criminal fraud case disposals

(Exclusive of wagering and coin-operated gaming device cases)

Disposition	Tax years 1972	1973	Tax and Penalty 1972	1973
Total	3,344	3,211	$77,912,774	$126,093,134
Prosecutions	2,890	2,938	55,377,297	114,339,945
All other closings [1]	454	273	22,535,477	11,753,189

[1] Includes cases declined by Department of Justice.

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Summary of Additional Taxes From Direct Enforcement

Additional revenue resulting from direct enforcement historically has represented a relatively small part of total tax collections. The main importance of direct enforcement cannot be expressed in dollars. Its importance lies in reassuring the public that the Service has an effective enforcement system, and a balanced program aimed at equitable enforcement of the law for all taxpayers, regardless of position or wealth.

The table below sets forth for the last two years the source of additional tax, penalties, and interest assessed and certain other results of direct enforcement.

Gross tax, penalties and interest resulting from direct enforcement

(In thousands of dollars)

Item	1972	1973
Additional tax, penalties, and interest assessed, total	4,271,407	5,286,453
From examination of tax returns, total	3,205,724	4,034,402
Income tax, total	2,683,262	3,459,783
Corporation	1,727,241	2,517,982
Individual and fiduciary	956,021	941,801
Estate and gift tax	390,923	403,943
Employment tax (including withheld income tax)	95,234	82,240
Excise tax	36,305	88,436
From mathematical verification of income tax returns	238,982	276,317
From verification of estimated tax payments claimed	374,377	452,552
From delinquent returns secured, total	452,324	523,182
By district collection divisions	380,676	452,604
By district audit divisions	71,648	70,578
Delinquent taxes collected, total	2,327,585	2,446,160

Workflow in the Service and the Courts

The following table provides information on work processed by the Service for years 1972 and 1973. The major portion of the workload results directly from the returns filed involving income estate and gift taxes. The time required to process a return depends on the complexity of the items and the issues involved. Many returns are processed in a short period while others require work by different activities and are not closed during the year of filing.

The unit of measurement at the audit level is on a return basis while beyond that level it is on a case basis. A case may involve one or more returns and more than one taxpayer and may include returns which span a number of years.

Workflow in the Internal Revenue Service and the courts, fiscal years, 1972 and 1973

Items	Returns 1972	Returns 1973
Tax returns filed, total	112,000,449	116,940,404
Individual income	77,105,693	80,366,102
Corporation income	1,880,819	1,946,534
Estate and gift	383,576	445,870
Employment	22,007,335	23,999,458
Excise	1,310,812	1,488,347
Other income	9,312,214	8,694,093
Income, Estate, and Gift Taxes		
Number of returns examined (including forms 990)	1,537,302	1,603,347
Returns with adjustments proposed by audit divisions	1,024,005	1,104,261
Disposed of by audit divisions:		
Agreed paid, or defaulted	983,216	1,064,437
Transferred to appellate	36,733	36,368
Other	4,056	3,456
Civil Cases		
Total received in appellate division	22,204	20,500
Disposed of by appellate divisions: Agreed, paid, or defaulted	18,893	18,787
Courts of original jurisdiction:		
Tax court:		
Total petitioned to Tax Court	8,949	9,642
Dismissed	954	1,018
Settled by stipulation	6,673	6,827
Settled by Tax Court decision	680	951
Decided by Tax Court, but appealed	268	256
District courts and Court of Claims:		
Total filed in district courts and Court of Claims	1,042	931
Settled in district courts and Court of Claims	836	713
Decided by district courts and Court of Claims	460	366
Courts of Appeals:		
Settled by courts of appeals decision	463	364
Favorable to Government	299	256
Favorable to taxpayers	128	83
Modified	36	25
Decided by courts of appeals but reviewed by Supreme Court	5	8
Supreme Court: Settled by Supreme Court decision	5	9
Fraud cases		
Received for investigation in intelligence divisions	7,354	7,498
Disposed of by intelligence divisions:		
Prosecution recommended	1,795	2,555
Prosecution not recommended	7,167	6,046
Disposed of by Office of Chief Counsel:		
Prosecution not warranted, including cases declined by the Department of Justice	151	176
Prosecutions	1,009	1,007

Amounts of revenue involved at each level of the tax system fiscal years 1972 and 1973

Millions of dollars

Item	1972	1973
Internal revenue collections, total	209,856	237,787
Individual income taxes, total	108,879	125,112
Withholding	83,200	98,092
Other	25,679	27,017
Corporation income taxes	34,926	39,045
Estate and gift taxes	5,490	4,976
Employment taxes	43,714	52,082
Excise taxes	16,847	16,572
Income, Estate, and Gift Taxes		
Civil Cases		
Additional tax and penalties in cases disposed of in audit divisions by agreement, payment or default	1,419	1,985
Additional tax and penalties in cases disposed of in appellate divisions by agreement, payment or default	401	493
Additional tax and penalties determined by settlement in Tax Court	106	109
Additional tax and penalties determined by Tax Court decisions:		
Dismissed	9	8
Decisions on merits	17	20
Additional tax and penalties in cases decided by Supreme Court and Courts of Appeals	26	10
Amount refunded to taxpayers as a result of refund suits	48	50
Fraud cases		
Deficiencies and penalties in cases disposed of in intelligence divisions:		
Prosecution recommended:	223	246
Prosecution not warranted and cases declined by Department of Justice	52	21

Special Enforcement Activities

War on Narcotics Traffickers Continues

1973 was the second year the Service participated in the war on drug traffickers.

The effectiveness of the coordinated effort of the Bureau of Narcotics and Dangerous Drugs, the Bureau of Customs, and the Internal Revenue Service was illustrated in April 1973, when a massive narcotics conspiracy investigation was completed in the New York area. Eighty-six indictments were returned against major heroin and cocaine dealers. The two key figures in the conspiracy are targets in the IRS Narcotics Traffickers Program. One of the two, described by the U.S. Attorney's Office as "at the very top of the distribution system," was the subject of a five million dollar jeopardy assessment.

Currently, the main emphasis is on identifying new targets. As major traffickers are arrested and imprisoned, a strong effort is made to identify individuals who may be replacing them.

Through June 30, 1973, the Target Selection Committee identified 1,622 targets. The Service completed criminal investigations on 646, with 271 prosecution recommendations. In addition, 122 individuals have been indicted and 52 convicted for tax violations. The average sentence imposed on those convicted has been 30 months.

The following cases show some of the sentences and fines:

—Richard Lee Barksdale, identified as the major source of heroin and cocaine in the Fort Wayne, Indiana area, was convicted on three counts of tax evasion and received the maximum sentence allowed under the law—15 years in prison and a $30,000 fine.

—Lester Ramsey, a Detroit heroin wholesaler with nationwide connections, was convicted on two counts of tax evasion and sentenced to serve 10 years in prison.

—Samuel Harris, a narcotics dealer in Pittsburgh, Pennsylvania, was sentenced to 4 years in prison and fined $13,000 upon conviction on two counts of failure to file income tax returns and one count of income tax evasion.

—Vincent Papa, a heroin distributor in the New York area, pleaded guilty to tax evasion and narcotics possession charges and was sentenced to five years in prison.

Organized Crime and Strike Forces

Tax assessments against narcotics violators reached $148.7 million in 1973. The largest tax assessment ever made in a narcotics case occurred in January 1973. The trafficker, from Brooklyn, was indicted for income tax violations in addition to related narcotics charges. An assessment of $7 million was made through the coordinated efforts of Service agents in Las Vegas, New York, and Atlanta.

The Treasury Law Enforcement Information and Communications System is now operational in the National Office and most Regional Offices. This system provides access to information in the U.S. Customs Computer in San Diego, California, and the National Crime Information Center in Washington, D.C., and forms a common communications network linking all Treasury Enforcement Agencies.

Since joining the Federal coordinated drive on organized crime in 1966, the Internal Revenue Service has expanded its efforts to 18 key locations throughout the United States. Each Strike Force is organized by the Department of Justice, with Federal investigative agencies led by a Strike Force Attorney-in-Charge. The Service has been the major contributor of investigative manpower.

Since inception of the Strike Force, 238 organized crime members and their associates have been convicted or have pleaded guilty to various tax charges. More than $500 million in additional taxes and penalties have been proposed for assessment.

The following are examples of Strike Forces activities:

Approximately 100 Service agents swept the Boston area in a drive to collect an estimated $3.5 million in unpaid excise taxes from 62 bookies. Revenue officers seized bank accounts, autos, and other property.

The Service filed tax liens totalling $1.8 million on the personal property of five Hartford, Connecticut men who allegedly ran bookmaking operations grossing $18 million a year.

A Miami Strike Force investigation of Ettore Coco resulted in his conviction, a 15-year prison sentence, and a $60,000 fine for extortion and interference with interstate commerce. His associate, Louis Nash, was sentenced to 10 years imprisonment and fined $5,000.

New York crime figure Aniello Dellacroce was sentenced to five years in prison and fined $15,000 for income tax evasion. He is reputed to be the heir-apparent to Carlo Gambino, organized crime's "boss of bosses." While the trial was in progress, there were attempts to intimidate witnesses, and one key witness was relocated because of possible retaliation.

In Las Vegas, Sam Cohen and Morris S. Lansburgh pleaded guilty to charges of conspiring to evade the income taxes of the Flamingo Hotel and of conspiring to violate the interstate gambling statutes. Both were sentenced to one year in prison and fines of $20,000.

Former United States Congressman Cornelius E. Gallagher pleaded guilty to evading $74,000 in income taxes. He was sentenced to 2 years in prison and fined $10,000.

Special Enforcement Training

The Service's manpower commitment to Special Enforcement Programs, which increased steadily through 1973, continues to demand specialized agent training. The Service recently developed a two-week course for revenue agents in special enforcement techniques. By early 1974, this training will be available to all revenue agents assigned to the Strike Force or Narcotics Trafficker Programs.

The Service trained 423 new special agents last year, surpassing the 1972 record of 405 trainees. In addition to seven weeks of basic training, all new special agents are given five weeks' training in income tax law and a seven-week course in criminal investigative techniques during their first year in the Service.

In cooperation with the Law Enforcement Assistance Administration, 25 state and local law officers completed the special agent basic school in 1973. Since 1969, the Service has trained 125 state and local officers.

A class of special agent trainees listens attentively to a lecture on criminal aspects of tax law.

New York City Police Department awards Special Agent Thomas Egan a Certificate for his participation in the investigation of a major narcotics conspiracy in the Metropolitan New York area. Pictured (l. to r.) William McCarthy, Deputy Commissioner NYPD; Donald Cawley, Commissioner NYPD; Elliott Gray, Director of Internal Revenue, Manhattan District; Egan; and John Schawaroch, Chief Inspector NYPD.

Economic Stabilization Activities

Background

The Internal Revenue Service has played a key role in administering the Economic Stabilization Program since its inception in August, 1971.

During the 90-day freeze (August 15 to November 15, 1971) the Service operated local service and compliance centers under the direction of the Office of Emergency Preparedness (OEP).

On November 15, 1971, Phase II began, featuring a set of controls on prices, wages, and rents designed to hold the yearly rise in prices to 2.5 percent and wage increases to 5.5 percent. The Service then took over responsibility for directing administrative activities. Policy direction was received from three bodies: the Cost of Living Council, the Price Commission, and the Pay Board.

Phase III replaced Phase II on January 11, 1973. While Phase III placed mandatory controls on about 850 of the Nation's largest firms and on certain problem industries, it emphasized voluntary adherence to price and wage guidelines. The Cost of Living Council became the sole policy-making body, and the Pay Board and the Price Commission were abolished.

Service Activities in the Stabilization Program

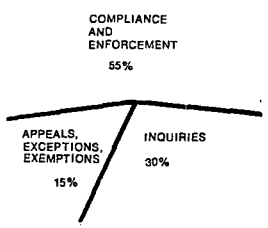
The Service's role in the Economic Stabilization Program has varied as emphasis has changed. During Phase I, IRS used most of its 3,000-man Stabilization workforce to answer questions from the public and to investigate complaints. During Phase II, IRS, the principal contact point with the public on Stabilization matters, was charged with three major functions:

1. providing the public with information needed to comply with regulations;
2. serving as the initial contact on citizens' requests for exceptions or exemptions and handling appeals from judgments or interpretations; and
3. investigating complaints of alleged violations.

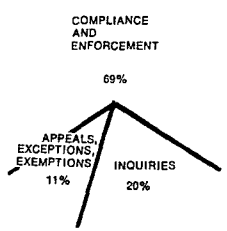
In Phase III, IRS responsibilities were:

1. providing investigative support to the Cost of Living Council,
2. monitoring the economic activity of selected industries;
3. answering inquiries and providing information to the public, and
4. acting on exception requests and hearing appeals from health and food processing industries.

STABILIZATION MANPOWER UTILIZATION



PHASE II
June 30, 1972–January 11, 1973
3000 Positions



PHASE III
January 11, 1973–June 30, 1973
3000 Positions January–April
2500 Positions May–June

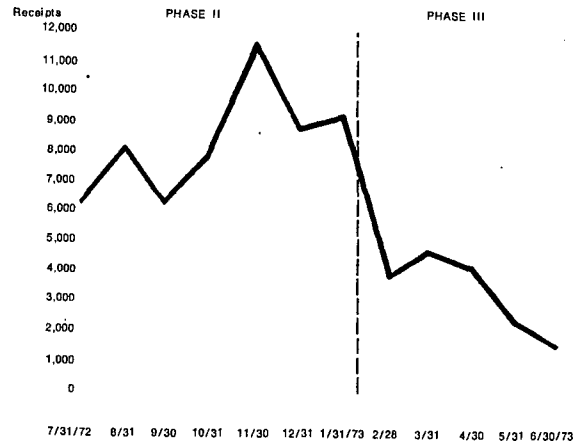
Phase II Compliance and Enforcement

The Internal Revenue Service was solely responsible for the Stabilization Compliance Program throughout the United States. Service personnel investigated complaints of alleged violations, conducted surveys on compliance levels, and performed investigations similar to audits.

Special investigations also developed information on selected firms for the policy bodies. From July 1973 until the end of Phase II, the Service completed about 3,000 full-scale investigations and 4,800 special investigations.

Surveys of high public-visibility industries (e.g. food retailers, lumber firms, health insurers, auto dealers/manufacturers, and hotel/motel industries) resulted in substantial savings to the public. For example, 93 food retailers (50 having sales greater than $100 million) entered into compliance agreements resulting in rollbacks of over $5 million.

Complaints of Alleged Violations



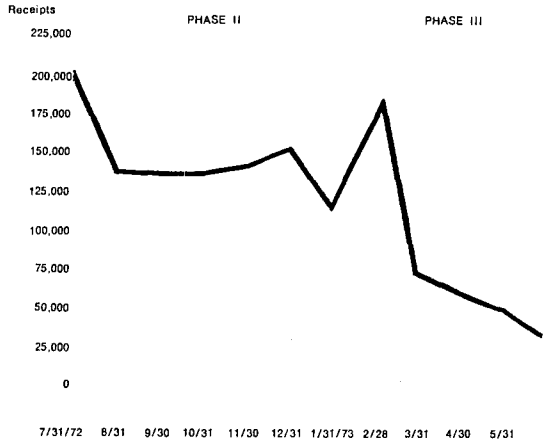
Inquiries

Written and oral inquiries declined steadily throughout Phase II. During the first two weeks, IRS responded to 180,000 questions. For the last several months, weekly inquiries averaged 35,000. Manpower released from the inquiry area was, for the most part, diverted to compliance activities. Altogether, a total of 3.4 million inquiries were answered during Phase II.

The Service conducted a survey of auto dealers to ensure that they computed base prices properly and kept within profit margin limitations. In surveys of approximately 300 lumber companies the Service checked illegal price increases and ensured item-by-item pricing compliance. A significant number of companies were found in violation and ordered to roll prices back.

Lifting controls on rents and on most firms reduced the number of inquiries to IRS offices. However, some manpower was shifted to other program areas as workload declined.

Oral and Written Inquiries



Rollbacks Decline with Increased Awareness

During the latter half of Phase II, over 7,200 rollbacks were accomplished, mostly in rent control. This decrease from the 11,000 rollbacks in the first half of Phase II is attributed to increasing public awareness of controls and IRS compliance activities.

Industry Monitoring System

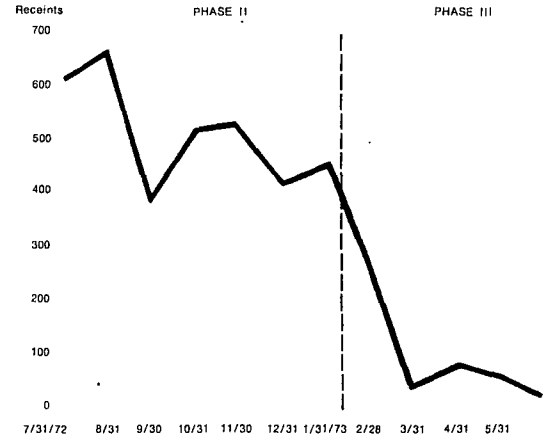
The Service established a nationwide Industry Monitoring System to provide information about pricing trends in selected industries, to identify apparent violations of guidelines and to promote nationwide compliance.

The Service's primary mission in the price area has been to investigate the pricing practices of the approximately 850 firms with sales of $50 million to $250 million.

A special three-month survey of 450 of the nation's larger firms is now being concluded. This survey will remind the business community of its obligation to maintain certain records and to voluntarily support Phase III.

Service personnel contacted 27,000 retailers, wholesalers, and packers to assure compliance with pricing and posting requirements.

APPEALS



Exceptions/Exemptions, and Appeals

Sometimes regulations create an unforeseen hardship or marked inequity, requiring exceptions and exemptions to provide relief. An "exception" is a waiver of one feature of a regulation as it applies to an individual or firm. An "exemption" is a waiver of a regulation as it applies to certain classes of property.

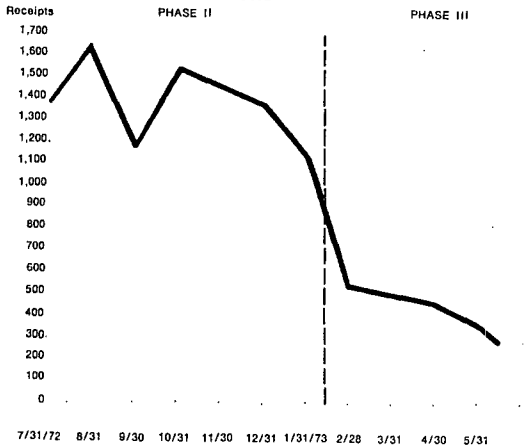
When the Cost of Living Council became the sole Phase III policy-making body, it assumed the authorities of the Price Commission and Pay Board. Delegations made by these organizations to IRS were rescinded. An exception and appeals program was, however, maintained for those firms still under mandatory controls.

Early in the Program, IRS had to pass exception requests to the appropriate policy body for decision. By the end of Phase II, IRS had been delegated responsibility for most exceptions affecting firms with annual sales of less than $50 million.

The Cost of Living Council acts on all exception requests or appeals by firms with sales over $50 million or on large pay matters. The Service received authority to decide on price matters affecting smaller firms.

The change in the application of Stabilization regulations and the change in delegated authorities reduced IRS receipt of exception requests from a weekly average of 400 to 200.

EXCEPTIONS AND EXEMPTIONS



60-Day Freeze

On June 13, 1973, President Nixon ordered a 60-day freeze on most prices. The Cost of Living Council and the Internal Revenue Service were given the responsibility for enforcing the freeze regulations, answering inquiries, and processing requests for exceptions and exemptions. IRS field offices were fully prepared for freeze operations by June 15. In some areas office hours were extended to better serve the public.

Phase III Compliance and Enforcement

With Phase III wage and price guidelines operating mainly on a voluntary basis, compliance and enforcement assumed a different perspective. The responsibility of the Cost of Living Council was to determine whether violations had occurred and to order rollbacks and refunds. The responsibility of the Service was to serve mainly as a fact-finder for the Council.

Support Activities Publications

Encouraging voluntary compliance required a strong program to explain complex Stabilization regulations in plain language. The Internal Revenue Service took two approaches to this task. It developed a series of publications explaining the regulations and issued special publications to selected segments of the economy. Copies of Stabilization publications were sent to associations or organizations for distribution to their members and for reproduction in their periodicals. Some of the general interest publications were translated into Spanish. The Service has distributed over 18 million copies of stabilization publications.

Special Programs

On occasion, the IRS participated in special-emphasis programs to deal with emergencies. For example, after the damaging floods, IRS maintained a special alert to stop price gouging. Also in October, November, and December of 1972, Service investigators maintained a "Rent Watch" to protect the new Social Security benefit increase from raised rents.

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International Activities

Introduction

The Service has a broad overseas program consisting of three areas: (1) administrating tax laws which apply to U.S. citizens living abroad, nonresident aliens, and foreign corporations; (2) providing assistance to developing countries in improving their systems of tax administration; (3) participating in the negotiation of tax conventions or treaties with foreign countries to prevent double taxation. The more important highlights and accomplishments in carrying out these duties are related in the following pages.

Foreign Posts Serve U.S. Taxpayers Abroad

The Service operates ten foreign posts to provide a link between United States citizens and businesses abroad and the domestic tax program. The posts are located in Bonn, London, Manila, Mexico City, Ottawa, Paris, Rome, Saigon, Sao Paulo, and Tokyo.

Heading each post is a Revenue Service Representative responsible for carrying out Service compliance activities within a designated geographical area. Illustratively, he performs such other duties as handling requests for information from foreign tax officials, serving as liaison between United States and foreign tax authorities in resolving double taxation cases or other inequities originating under tax treaties, and furnishing information and assistance to United States citizens who have tax problems.

Audits Conducted Abroad

In 1973, the Service again expanded its overseas enforcement efforts by detailing teams of revenue agents and tax auditors to foreign posts. Each agent-auditor team is stationed abroad for six months and is replaced by another team to ensure year-round compliance coverage. The agents and auditors travel throughout the post territory examining returns and performing related work at the post headquarters.

Worldwide Assistance to U.S. Taxpayers

Twenty specially trained Service personnel, including three Taxpayer Service Representatives (TSR's), visited 102 cities in 60 countries where they assisted 36,371 persons in filing their U.S. tax returns.

Tax seminars held in 57 foreign cities broadened the bases of the overseas tax assistance program. The group-oriented seminars are structured to allow time for a discussion of tax rules, questions and answers, and preparation of returns.

Approximately 900 military personnel received classroom income tax instruction at 13 military bases overseas, after which they assisted numerous other members of the military community. For the first time women made up part of the IRS instructor team.

The overseas taxpayer assistance team travels throughout foreign countries offering tax assistance to citizens residing abroad. Office of International Operations Director R. L. Plate is located (standing) second from the left. Assistant Director D. J. Lantonio appears third from the left.

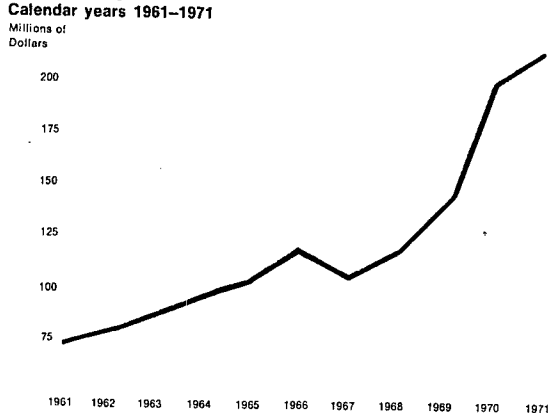
Cooperation With the Possessions

The Service and the tax authorities of the Government of Puerto Rico have recently begun to carry out an Agreement of Coordination in Tax Administration. It is hoped that similar agreements will also be entered into with Guam and American Samoa. Such agreements provide for mutual assistance and exchange of information and tend to improve tax administration and tax compliance.

Withholding Tax

The chart below summarizes the amounts of income paid to foreign persons and the tax withheld. The figures indicate the magnitude of foreign investment in United States stocks, bonds, properties, patents, copyrights, annuities, etc., and the rising trend of such investment during the period of 1961 through 1971.

Increase in Tax Withheld from Payments to Foreign Persons of Treaty and Non-treaty countries—Calendar years 1961–1971



investment income from United States sources (dividends, interest, rents, royalties, etc) derived by nonresident aliens and foreign corporations is subject to the withholding of U.S. tax. The statutory rate is 30%, but a lower rate specified in a tax treaty may be applicable.

Tax withheld from payments to foreign persons of treaty and nontreaty countries—calendar year 1971

Dollars in Thousand

Country	Income	Tax withheld by domestic withholding agents	Tax from foreign governments or withholding agents	*Total tax withheld	Number of information documents filed by withholding agents
Treaty Countries:					
Australia	3,744	565		565	5,645
Austria	2,087	239		239	5,007
Belgium	26,377	3,599	365	3,964	12,997
Former Belgian o/s Territories	78	14		14	534
Canada	263,259	29,189	3,188	32,377	249,567
Denmark	2,217	185		185	2,349
Finland	349	21		21	344
France	74,313	8,033	79	8,112	20,308
Federal Republic of Germany	61,896	6,291		6,291	79,541
Greece	1,393	286		286	3,113
Ireland	4,272	482	2	484	4,084
Italy	13,640	1,384		1,384	12,104
Japan	40,326	4,000		4,000	3,650
Luxembourg	19,139	4,192	519	4,711	2,947
Netherlands	193,293	14,912	422	15,334	10,310
Netherlands Antilles	163,874	4,343	3	4,346	1,938
New Zealand	467	67		67	1,092
Norway	2,342	282		282	4,976
Pakistan	159	17		17	167
Sweden	15,919	977		977	5,012
Switzerland	310,248	39,049	27,000	66,049	44,323
Trinidad and Tobago	2,752	758		758	309
Republic of South Africa	1,561	399		399	1,822
United Kingdom	350,960	36,958	454	37,412	53,629
U.K. overseas territ.	3,364	681		681	5,074
Nontreaty countries	88,710	22,270		22,270	105,383
Total	1,646,739	179,193	32,032	211,225	636,225

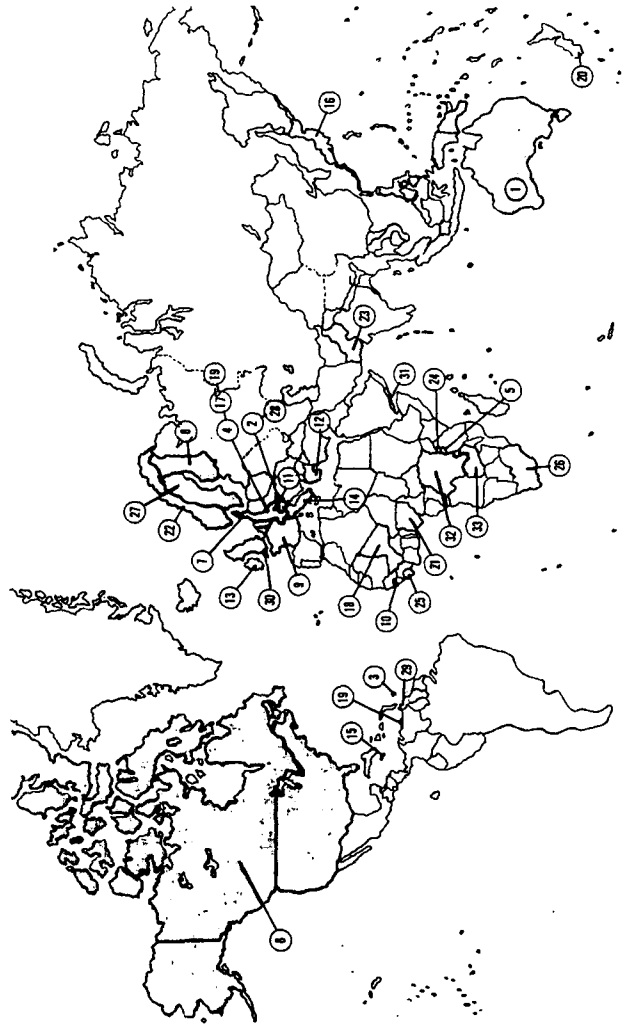
Foreign Entertainers and Athletes

The Service has recently taken strong measures to improve compliance among foreign entertainers and athletes who come to the U.S. temporarily for the purpose of performing and participating in sports events. Recent studies uncovered schemes to avoid tax. As a result, the Service took added enforcement steps to obtain compliance with the 30% withholding required on amounts paid to these individuals. The Immigration and Naturalization Service aided compliance efforts by supplying current information on the influx and outgo of aliens.

Tax Treaties

Tax treaty programs include exchange of information to eliminate tax avoidance and periodic meetings between competent authorities to develop new avenues of cooperation, to eliminate double taxation, and to clarify application and interpretation of treaties.

During 1973 Treasury renegotiated tax treaties with Belgium, Japan, and Norway. In addition, an income tax treaty with the Soviet Union was signed and awaits Senate ratification.



U.S. Tax Treaty Network

1. Australia
2. Austria
3. Barbados
4. Belgium
5. Burundi
6. Canada
7. Denmark
8. Finland
9. France
10. Gambia
11. Germany
12. Greece
13. Ireland
14. Italy
15. Jamaica
16. Japan
17. Luxembourg
18. Malawi
19. Netherlands
Neth. Antilles
20. New Zealand
21. Nigeria
22. Norway
23. Pakistan
24. Rwanda
25. Sierra Leone
26. South Africa
27. Sweden
28. Switzerland
29. Trinidad & Tobago
30. United Kingdom
31. Yemen (Aden)
32. Zaire (Congo)
33. Zambia

Technical Assistance in Tax Administration

The Tax Administration Advisory Staff provides technical assistance in tax administration to foreign governments, state governments, and international organizations. Assistance is provided in the following ways:

1. assigning full-time resident advisors for long terms;
2. assigning short-term advisors for specific purposes;
3. developing and presenting training programs in specific areas of tax administration;
4. arranging discussions and visits to IRS facilities;
5. coordinating and supporting other international tax administration organizations.

International Advisory Program

The Internal Revenue International Advisory Program began in 1963 under an agreement with the Agency for International Development, with five advisors assigned to three countries. By 1967 (the peak year), 82 advisors were assigned in 21 countries. At the end of 1973, 24 advisors were assigned throughout Bolivia, Columbia, El Salvador, Guatemala, Guyana, Jamaica, Paraguay, Trinidad and Tobago, Uruguay, and Vietnam.

In 1973 advisory services included audit, collection, data processing, and public information. Internal support areas such as organization and methods studies, training, long-range planning, and budgeting also received attention.

Since the beginning of IRS involvement in 1963, there has been a marked increase in the capability of the host countries to develop tax administration improvement programs. Early IRS efforts were directed toward training tax officials; now, most countries where advisory teams have been assigned are operating full-time training programs. Argentina, Brazil, and Chile have since invited other Latin American nations to participate in their tax administration training programs.

The Inter-American Center for Tax Administrators (CIAT), formed with strong IRS support in 1967, is now offering technical seminars for its 25 member nations. The most recent seminar, held in Honduras in February 1973, was on Training Management. Other seminars have featured the topics of ADP, audit, collection, and property tax administration.

CIAT also coordinates the exchange of tax specialists among its member nations. Several of these officials received earlier training in the United States.

Foreign Visitors Study IRS Tax Administration

Tax administration officials from other governments frequently visit IRS facilities to discuss problems and techniques of mutual interest. In 1973, 373 officials from 46 countries visited the United Staes, bringing the total for the past ten years to more than 3,300 visitors from 104 countries. About one-fourth of the participants attended the International Tax Administration Training Series (INTAX) seminars offered by IRS for foreign tax officials. This year, six seminars involved Middle Management, Supervisory Development, Training Management, and Public Relations.

While more than 70% of our visitors have been from the developing countries, an increasing number of visits came from other countries, such as Canada, England, France, Germany, and Japan. The topic in which they were most interested was the relationship between computer methods and audit.

International Organizations

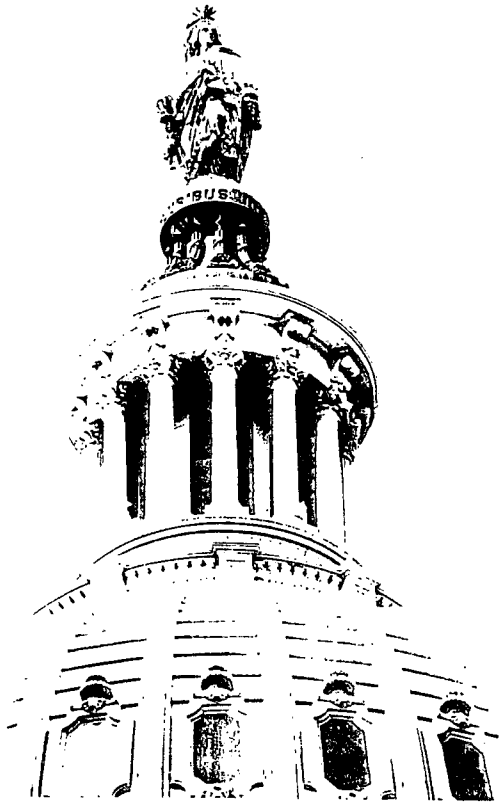
The advisory staff assists a number of international organizations that provide assistance in tax administration. Staff assistance includes furnishing technical aid as well as locating retired IRS employees who can serve as consultants. Retirees serve in Botswana, Africa, under an agency for International Development contact; in Panama, with the Interamerican Center for Tax Administration; in Malaysia, with the International Executive Service Corps; in Lebanon, with the Ford Foundation; and in Ethiopia, with the International Monetary Fund.

One retired IRS official received the Silver Medal from the President of Singapore, the second highest award that can be given to a non-citizen. His accomplishments included design of a tax fraud program which substantially improved voluntary compliance in Singapore.

Technical Assistance to States

Under the Intergovernmental Personnel Act, IRS advisors now provide technical assistance to state administration agencies. Advisor assignments, which range from a few weeks to several months, contribute to increased cooperation between IRS and the state taxing authority. This year, the IRS assisted Guam and Puerto Rico.

Legislative and Legal Activities



Introduction

The Office of the Chief Counsel performs the legal work of the Internal Revenue Service. It renders opinions to Service officials on substantive legal questions and provides technical assistance to the Treasury Department's legislative program.

The Chief Counsel represents the Commissioner in trying and in helping to settle cases docketed in the Tax Court.

This chapter covers general activities in the legal area.

Tax Court Litigation Activity

In 1973, 8,430 statutory notices prepared by District or Appellate offices were reviewed before issuance by attorneys in the National Office or the field. Agreement was reached with the District Director or Appellate Division on 7,248 cases.

New Tax Court cases received totaled 9,624 and disposals numbered 8,796, leaving a pending case load of 13,450 compared with 12,622 cases at the end of last year. Of the 8,796 cases disposed of during fiscal year 1973, 6,827 were settled, 1,018 were dismissed or defaulted, and 951 were decided by the Tax Court on the merits. Of the 6,827 cases settled, 4,431 were settled in calendar status and 2,396 in noncalendared status.

The Tax Court held 137 trial sessions (in addition to over 100 small case trial sessions) involving 6,355 docketed cases. Of these 2,051 dockets or 32% were settled; 1,623 or 26% were continued for settlement; 810 or 13% were tried; 73 or 1% were defaulted or dismissed and 1,798 or 82% were continued generally.

Cases disposed of by settlement

Fiscal year	Number of cases disposed of	Deficiencies and penalties asserted (thousands)	Amounts recovered (thousands)	Recovery percentage
1969	4,776	$329,938	$118,974	36.06
1970	5,343	352,328	105,447	29.93
1971	6,197	316,997	100,788	31.79
1972	6,673	350,129	106,301	30.36
1973	6,827	324,069	109,478	33.78

Results in Tax Court cases

Fiscal year	Number of cases disposed of	Deficiencies and penalties asserted (thousands)	Amounts recovered (thousands)	Recovery percentage
1969	5,831	$393,699	$145,589	36.98
1970	6,564	400,092	130,724	32.67
1971	7,560	391,605	143,913	36.75
1972	8,507	400,631	132,984	33.19
1973	8,796	390,821	138,132	35.34

Civil Litigation

The Tax Court entered 456 opinions involving 696 dockets. Of the 456 opinions, 224 were decided for the Government, 72 for the taxpayer, and 160 partially for the Government and partially for the taxpayer. In addition, the Tax Court entered 240 Summary Opinions involving 255 Small Tax Cases. Of these opinions, 126 were decided for the Government, 29 for the taxpayer, and 85 partially for the Government and partially for the taxpayer. The Court sustained 35.09 percent of the total deficiencies and penalties asserted by the Government.

The Court of Appeals rendered 132 opinions involving 218 dockets. Of these opinions, 104 were decided for the Government, 19 for the taxpayer, and 9 partially for the Government and partially for the taxpayer.

Cases disposed of by trial [1]

Fiscal year	Number of cases disposed of	Deficiencies and penalties asserted (thousands)	Amounts recovered (thousands)	Recovery percentage
1969	783	$59,798	$22,888	38.28
1970	763	44,926	22,654	50.43
1971	806	52,998	21,779	41.09
1972	880	41,132	17,371	42.23
1973	951	58,132	20,401	35.09

[1] Figures for settled and tried cases do not add to overall totals, which include a small number of cases dismissed.

Trial court case record (opinions rendered)

Action	Court of Claims 1972	Court of Claims 1973 [1]	District Courts 1972	District Courts 1973 [2]	Tax Court 1972	Tax Court 1973 [3]
Decided in Favor of Government	12	26	181	156	399	350
Decided in Favor of Taxpayer	41	9	95	82	113	101
Decided partially for the taxpayer and partially for the Government	3	3	47	31	202	245

[1] 38 opinions rendered involving 44 cases.
[2] 269 opinions rendered involving 322 cases.
[3] 696 opinions rendered involving 951 cases.

Refund Litigation Division

In 1973, the Refund Litigation Division closed 1,254 cases leaving a total of 2,744 cases pending at the end of the year. In 1972 it had closed 1,442 cases.

The Supreme Court handed down 9 decisions in tax refund suits, sustaining the Government's position in 8 of the cases. In the preceding year the Supreme Court rendered three decisions in refund suits sustaining the Government's position in two of the cases.

Of the 116 opinions rendered by the Courts of Appeal (involving 146 cases), 74 favored the Government, 35 favored the taxpayer, and 7 decisions partially favored the Government.

The amount involved in pending refund litigation cases increased to $590.5 million, from $529.5 million at the start of the year. This increase resulted from the receipt of new cases involving $167.7 million and the disposal of cases involving $106.6 million. The $167.7 million in new cases compares to $140.2 million in the preceding year. The 1,254 refund suits disposed of during the year resulted in refunds of $50,694,000 consisting of $3,801,000 refunded pursuant to Court of Claims judgments, $16,870,000 refunded pursuant to district court judgments, and $30,023,000 refunded as a result of settlements. In these refund suits, the Government defended its position successfully with respect to $55,973,000 of the amounts claimed for refund. (Comparable statistics for the last 5 fiscal years appear in the table at right.

Tax in litigation

(In thousands of dollars)

Status	Total	Tax Court: Taxes and penalties	Tax Court: Over-payments	Refund litigation refund suits
Pending July 1, 1972	$2,298,234	$1,578,913	$189,912	$529,509
Received	1,151,477	846,644	137,130	167,703
Disposed of	545,162	390,821	47,674	106,667
Pending June 30, 1973	2,904,549	2,034,736	279,268	590,545
Amount saved	238,599	138,132	44,494	55,973

Results in refund suits (settlements and trials combined)

(Amounts are in thousands of dollars)

Fiscal Year	Number of cases disposed of	Amount in dispute (Thousand dollars)	Amounts saved—not refunded (Thousand dollars)	Percentage not refunded
All refund suits				
1969	1,563	$120,059	$72,670	60.53
1970	1,160	84,356	50,262	59.58
1971	1,091	106,223	48,323	45.49
1972	1,442	134,417	85,944	63.93
1973	1,254	106,667	55,973	52.47
District Courts				
1969	1,394	97,500	56,992	58.45
1970	1,053	49,246	26,401	53.61
1971	938	63,816	39,841	62.43
1972	1,292	85,629	51,916	60.62
1973	1,076	79,967	44,733	55.94
Court of Claims				
1969	169	22,559	15,678	69.50
1970	107	35,110	23,861	67.96
1971	153	42,407	8,482	20.00
1972	150	48,788	34,028	69.74
1973	178	26,700	11,240	42.09

General Litigation Legal Services

General litigation cases have reached an all-time high. In 1973 14,906 cases were received in comparison with 13,855 in 1972. Disposals have reached from 13,300 cases in 1972 to 14,203 in 1973. The number of cases pending at the end of the year was 8,132, an increase of 703 cases over 1972. Field reciepts for 1972 included 6,802 cases in litigation and 7,434 noncourt cases compared to 1972 field receipts of 6,996 cases in litigation and 6,336 noncourt cases. National office receipts for the year included 296 cases in litigation and 374 noncourt cases, compared with 1972 figures of 279 and 246, respectively. Field disposals for 1973 were 6,405 cases in litigation and 7,242 noncourt cases compared to 1972 disposals of 6,698 cases in litigation and 6,226 noncourt cases. National office disposals increased over the 1972 disposals, 201 cases in litigation and 355 noncourt cases in 1973 compared to 169 cases in litigation and 209 noncourt cases in 1972. For detailed statistics on case receipts and disposals, see tables 14 through 21 on page 141.

Selected general litigation cases are summarized on page 113.

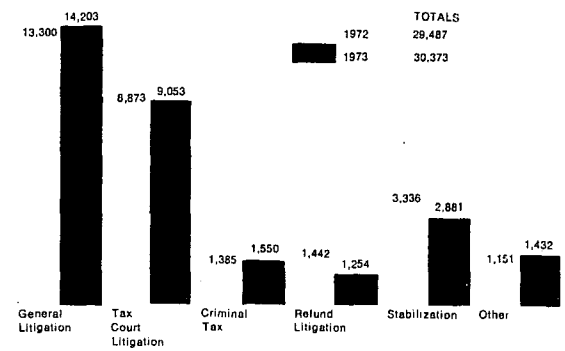
While summons cases continue as a major area of litigation, the following new areas of general litigation are developing:

1. Actions brought under the Freedom of Information Act, 5 U.S.C. § 522;
2. Injunctions by taxpayers seeking to require an exemption under *Code* § 501 (c) (3), to change the taxpayer's ruling or regulation.
3. Suits by third persons seeking to require the Commissioner to deny exemptions to organizations, usually on the basis of race or sex discrimination.

Service attorneys furnished advice on offers in compromise, disclosure of information, noncollection matters, and noncourt matters arising under the Freedom of Information Act (5 U.S.C. § 522). General litigation lawyers participated in regional training sessions in the advanced technical training program for revenue officers, and in special procedures seminars. They also furnished legal assistance and made suggestions to the service centers and district offices.

CASE DISPOSALS BY OFFICE OF CHIEF COUNSEL

NUMBER OF CASES



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Interpretative Activities

In addition to reviewing all revenue rulings before publication, attorneys of the Chief Counsel's Office participated with technical personnel of the Service in solving the more difficult interpretative problems arising in the past fiscal year. The following examples illustrate some problems which had significant impact or received much public attention.

As in the past, many issues arose in the corporate reorganization area. In particular, the Interpretative Division assisted in preparing two Revenue Rulings. The first of these, Rev. Rul. 72-522, 1972-44 I.R.B. 15, holds that the purchase by the acquiring corporation of authorized but unissued stock of the acquired corporation did not disqualify an otherwise valid reorganization. The second, Rev. Rul. 73-54, 1973-5 I.R.B. 10, holds that, if an acquiring corporation paid or assumed bona fide expenses of a reorganization otherwise due from the acquired corporation or its shareholders, those payments did not disqualify the reorganization under Code §§ 368(a)(1)(B) or (C).

In other corporate cases the Service ruled that a corporation's distribution to its shareholders of stock in another corporation resulted in no recognized gain or loss to the shareholders under Code § 355, even though less than half of the distributing corporation's assets were devoted to the active conduct of a trade or business, in view of other circumstances surrounding the transfer. Rev. Rul. 73-44, 1972-46 I.R.B. 39. A number of questions arising out of the "reverse acquisition" rule of the consolidated returns regulations were also considered. See Rev. Rul. 72-322, 1972-26 I.R.B. 14, for example. In another interesting case, Rev. Rul. 73-116, 1973-10 I.R.B. 10, held that expenses incurred by a savings and loan association in selling property acquired through foreclosure of mortgages were to be taken into account in computing its gains or losses on the sales, rather than deducted as expenses under Code § 162.

In the partnership area, the Chief Counsel's Office aided the Service in preparing Rev. Proc. 72-51, 1972-46 I.R.B. 47, which explains when a partnership will be allowed to adopt a taxable year other than that of all its principal partners and how the adjustment shall be made. The Rev. Proc. also applies to electing small businesses ("Subchapter S" corporations).

Much attention was given to estate tax cases raising questions about the scope of *Code* § 2036 in light of the Supreme Court's decision in *United States v. Byrum,* 408 U.S. 125 (1972). Chief Counsel personnel assisted by providing explanations and analyses of the decision and its impact.

In the foreign tax area, the Service issued two significant rulings on the effect of the allocation of income under *Code* § 482 on the foreign tax credit allowed under *Code* § 901. In Rev. Rul. 72-370, 1972-31 I.R.B. 8, the foreign tax credit was not allowed to a parent corporation when it was determined that a portion of its subsidiary's income should have been allocated to it and that, if the income had been so allocated, the subsidiary would not have had to pay the foreign tax. In Rev. Rul. 72-371, 1972-31 I.R.B. 8, it was held that if a parent corporation would have been subject to a foreign tax on royalty income allocated to it under *Code* § 482, but actually received by its foreign subsidiary, and if the subsidiary paid taxes on the income to a foreign country, the parent corporation would be allowed a foreign tax credit to the extent of the taxes paid by the subsidiary on that income.

Tax Legislation Enacted

Congress enacted a number of laws relating to tax matters. The Federal-State Tax Collection Act of 1972, usually called the "piggyback tax" act, provides for the adoption of a voluntary collection system under which the Federal Government collects State individual income taxes for those States which elect to join the collection system. A detailed explanation of this new law appears on page 62. Also of considerable significance was the enactment of Public Law 92-603, which increases social security and self-employment taxes for 1973, permits optional determination of self-employment earnings from nonfarm self-employment after 1972, and permits elective social security coverage for members of religious orders who have taken a vow of poverty.

Other public laws relating to tax matters included:

Public Law 92-326, enacted July 1, 1972, extends the disaster loss period under Code section 165 (h) and increases tax rates and earnings base for social security tax purposes.

Public Law 92-418, enacted August 29, 1972, places veterans' organizations in a special category of exempt organizations and expands the disaster loss rule.

Public Law 92-580, enacted October 27, 1972, provides that when a State or local sales tax rate on motor vehicles is higher than the general sales tax rate, then that part of the tax equal to the general sales tax rate may be deducted.

Public Law 93-317, enacted April 10, 1973, extends the interest equalization tax through fiscal 1974.

Tax Legislation Pending

During the Spring of 1973, the House Committee on Ways and Means conducted extensive hearings on tax reform. Secretary George P. Shultz appeared before the Committee to present the Administration's proposals for tax change, including legislative suggestions in the following areas: (1) minimum taxable income; (2) limitation on artificial accounting losses; (3) tax simplification; (4) property tax credit for the elderly; (5) tuition credit for nonpublic schools; (6) exploratory drilling credit; (7) municipal bonds; (8) arbitrage bonds; (9) tax return preparers; (10) foreign tax haven manufacturing corporations; and (11) recovery of foreign losses. The review of revenue laws by the Committee was still pending at the close of the year.

Among the tax bills awaiting action by Congress at the end of the year were the following:

H.R. 3150, to allow disabled persons to deduct transportation expenses to and from work and to provide an additional exemption for disabled taxpayers.

H.R. 3152, to liberalize the charitable contribution treatment of copyrights, artistic compositions, and certain letters and memorandums.

H.R. 7064, to require preparers of income tax returns to report information to the Internal Revenue Service and to prohibit preparation of returns by a person convicted of preparing a fraudulent return.

H.R. 7157, to set minimum participation and vesting standards for pension and profit-sharing retirement plans, to allow deductions for employee contributions, to increase deduction limits for contributions by self-employed persons and shareholders of electing small business corporations, and to impose an excise tax on prohibited transactions.

Planning Activities

Planning Activities

Recent legislation on revenue sharing and Federal collection of State income tax played a key role in the Service's planning activities in 1973.

Service planners assisted the Office of the Secretary in several legislative proposals, the most important relating to measures to curb abuses among tax return preparers and to reform in estate and gift taxes, employment taxes, and employee benefits (pension plans). The Service also submitted recommendations for alleviating administrative problems in enforcing existing law.

In the second session, Congress enacted nine bills with varying degrees of impact on the Internal Revenue Code. Among these was Public Law 92–512, which included the State and Local Fiscal Assistance Act of 1972 establishing the general revenue sharing program, and the Federal-State Tax Collection Act of 1972 which authorized Federal collection of State individual income taxes.

Revenue Sharing

The State and Local Fiscal Assistance Act of 1972 authorized the inclusion of information about place of residence on individual tax returns. The Service provided the Bureau of the Census with certain tax return information, coded by taxpayer place of residence, for estimating population and per capita income for all governmental units eligible for revenue sharing. These are two factors used to determine amounts of revenue shared.

Federal Collection of State Individual Income Taxes

The Federal-State Tax Collection Act of 1972 authorizes the Service to enter into agreements with States to collect State individual income taxes if the State conforms its individual income tax law closely to Federal tax law. The procedures would also require redesign of some IRS systems, modification of tax returns and instructions, and changes in regulations and master file system.

Federal collection of State individual income taxes can go into effect only after two or more States (representing 5 percent or more of the Federal individual income tax returns) request the Federal government to collect their income taxes. No requests had been made by the end of the fiscal year.

Tax Return Preparers

In 1973, the Service assisted the Office of the Secretary in legislative proposals to curb abuses by tax return preparers. In general these proposals call for civil penalties for preparers who knowingly understate tax liability, injunctions against preparers who are found to prepare inaccurate returns, and information returns to identify the employees of preparer offices.

Other Federal-State Cooperation

Formal agreements between the Service and the States provide for reciprocal exchange of tax information. The Service has agreements with 48 states, the District of Columbia, and Puerto Rico. Two-thirds of these agreements now conform to the model which reflects recent changes in Federal and State tax administration.

Tax Administrators in 39 States, the District of Columbia, and Puerto Rico requested and received magnetic tapes containing standard data elements from the Individual Master File for tax year 1971. This information is used by the States for improving compliance with State tax laws.

In 1973 the Service developed a program to provide States with Federal gift tax information on magnetic tapes and provided the State of New York with training material.

Single Wage Reporting System

The Office of Management and Budget directed the Departments of the Treasury and Health, Education and Welfare to design a system which would eliminate the present employer quarterly wage reporting requirements and would use the annual Form W–2, Wage and Tax Statement, to determine social security program coverage and benefits and to provide information for tax enforcement. If legislation is enacted, the wage reporting burden on employers will be substantially reduced. Both the Service and the Social Security Administration will benefit from reducing the volume of reports.

Service Productivity

The Service is participating in the measurement of productivity in the Federal sector. The purpose of this study, which is spearheaded by representatives of the Civil Service Commission, General Accounting Office, and Office of Management and Budget, is to aid budget and management planning.

Long-Range Planning System

The Long-Range Plan constitutes a basic statement of goals and planned work accomplishments for the next five years. It included projections of the nature and size of the tax administration job ahead and the programs needed to meet Service objectives. It also estimates how many people, how much money and what equipment will be needed to do the job.

Economic forecasts indicate that by the end of this decade the U.S. economy will be nearing a GNP level of two trillion dollars, and gross federal tax collections are expected to exceed $400 billion.

Service planners must devise ways in which tax administration can keep pace with this growth, provide taxpayers the assistance they need to comply with tax laws, and assure vigorous enforcement programs.

The Tax Models in 1973

Originally developed 10 years ago to meet Treasury's need for timely estimates of the revenue effect of proposed tax legislation, the tax models continue to be valuable tools for economic planning.

Each model consists of a set of generalized computer programs used with specially formatted data files comprising records in the Statistics of Income files. Statistical information is generated from a model file by using instruction cards designed by statisticians and economists.

This year the service developed a State Tax Model to gain data estimates concerning the Federal-State Tax Collection Act of 1972. The State Tax Model consists of a sample of over 276,000 Forms 1040 filed for 1970, sorted into segments for each state.

Office of Industrial Economics

The Service established the Asset Depreciation Range Information System (ADRIS) during the year to collate and analyze information on capital asset acquisition, replacement, and retirement reported on income tax returns of taxpayers electing the Asset Depreciation Range System.

Because of the nature of the work performed, the Office of Industrial Economics was transferred from IRS to Treasury at the close of the fiscal year.

Statistics of Income Highlights

Estimates for business and individual returns published in the annual Statistics of Income reports reflected the continued growth in the U.S. economy.

Corporate and noncorporate businesses reported almost $2.1 trillion in receipts. Corporations accounted for 83 percent ($1.7 trillion) of 1971 gross income receipts and showed net income of $79 billion. In the unincorporated area, proprietorships had receipts of $255 billion and profits of $34 billion; partnerships had receipts of $98 billion and profits of $9.1 billion.

Individual taxpayers reported adjusted gross income of $674 billion on 1971 returns, up 6.7 percent from 1970. Taxable income was $414 billion, after allowing for personal exemptions and deductions.

The table on the next page focuses on the frequency and amount of personal deductions and exemptions claimed on individual income tax returns. The total amount of deductions and exemptions for 1971 was 38 percent greater than that for 1967.

Chart A pictures how the returns that individuals filed for 1971 and the tax liability they reported are distributed in terms of the size of tax.

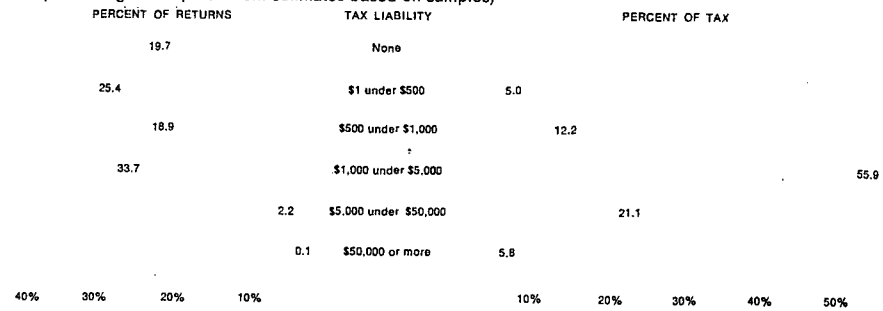
Statistics of Income publications can be obtained from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Individual Income Tax Returns:
Number of returns, personal deductions and exemptions
(All figures are estimates based on samples)

Item	Income year 1967	1968	1969	1970	1971
			(Thousands)		
All individual returns, total	71,652	73,729	75,834	74,280	74,601
Standard deduction returns [1]	41,877	41,698	40,919	38,849	43,924
Itemized deduction returns	29,774	32,030	34,915	35,430	30,677
Number of exemptions	198,036	201,288	206,197	204,126	203,936
			(Million dollars)		
Total personal deductions and exemptions	200,548	212,024	225,555	248,080	277,431
Amount of exemptions	118,822	120,773	123,718	127,531	137,598
Amount of standard deductions	22,103	22,074	21,627	32,371	48,153
Amount of itemized deductions	59,623	69,177	80,210	88,178	91,680

[1] Includes returns with no adjusted gross income.

CHART A. Number of Returns and Amount of Tax, Percent Distribution by Size of Tax Liability, 1971
(Percentages computed from estimates based on samples)



Returns Filed Projections

Projections of returns filed serve as a basis for planning activities throughout the Service. The Service revises the projections each year to include changes in tax law and to incorporate the most recent thinking on economic and demographic expectations.

By 1980, the Gross National Product in current dollars is expected to increase from its 1972 level of $1,150 billion to $2,090 billion. During the same period, total employment is expected to increase from 84 to 97 million. These increases represent a growth of 15 percent in employment and 82 percent in GNP. This is expected to have its impact on the number of returns to be filed. Between 1972 and 1980, the total number of tax returns is expected to increase by about 21 million, or 19 percent.

In this same period, returns of individuals with higher adjusted gross income (AGI over $10,000) and taxpayers filing fiduciary, corporation, estate, gift, and exempt organization returns are expected to increase at a higher than average rate. Conversely, decreases are expected from individuals with lower income and from taxpayers filing excise returns. The excise return decrease is expected because of the scheduled expiration of several taxes before 1980. The expected decrease in Form 1040A and Form 1040 returns with lower income and the increase in returns with higher income is a continuation of the general trend toward more complex returns. This trend is also evident in the corporation asset projections.

Selected Types of Returns Filed in 1972, and Projected for 1974, 1975 and 1980, by Calendar Year

(Thousands)

	Actual 1972	Projected 1974	Projected 1975	Projected 1980	Percent Change 1972–1980
Total Returns	112,071	120,331	121,987	133,253	18.9
Individual	75,800	81,697	83,003	92,646	22.2
Form 1040A	—	22,163	21,593	20,963	NA
Form 1040	75,021	58,650	60,513	70,699	NA
AGI under $10,000	48,987	29,154	28,020	24,966	NA
AGI $10,000 and over	26,034	29,496	32,493	45,733	NA
Other individual	779	884	897	984	26.3
Fiduciary	1,294	1,473	1,541	2,004	54.9
Partnership	1,036	1,046	1,052	1,085	4.7
Corporation	1,853	2,011	2,063	2,368	27.8
Forms 1120, 1120 Special, total	1,549	1,659	1,690	1,900	22.7
Assets under $50,000	675	712	724	800	18.5
Assets $50,000 under $1 million	766	828	844	953	24.4
Assets $1 million or more	108	119	122	147	36.1
Other corporation	304	352	373	469	54.3
Employment	21,933	23,950	24,016	24,434	11.4
Estate and gift	419	414	430	531	26.7
Exempt organization	549	617	650	829	51.0
Excise	770	860	852	385	—50.0
Other [1]	8,417	8,263	8,380	8,971	6.6

NOTE: The introduction of Form 1040A in 1973 makes percent changes for certain individual sub-strata non-comparable.
[1] Includes Forms 7, 8, 11, 13, 4705, 4706, 4707, 4708, 1040ES, 7004, 7005, 2438 and 1042.

Taxpayer Compliance Measurement Program

The Taxpayer Compliance Measurement Program (TCMP) uses statistical techniques to determine how well taxpayers comply with tax laws. TCMP provides data that enable the Service to allocate audit resources most efficiently among classes of taxpayers and to develop the most effective delinquent accounts and returns program.

TCMP information is also used to develop and update formulas for computer selection for auditing returns with the highest probability of tax change. During 1973, new formulas, based on TCMP survey of corporations with assets of less than $1 million, have been used in screening small corporate income tax returns for audit.

Internal Revenue Manual

The Service sets forth its policies and procedures in the Internal Revenue Manual. To give greater guidance to the public and in accordance with the Freedom of Information Act, the Manual is being made available to the public. Certain material which should not be publicly disclosed is being removed.

Technical Reference Information (TRI)

The Service is continuing the test of the TRI system with an expanded data base from the U.S. Code, the Cumulative Bulletin, Index Digest Supplements, and selected court decisions. TRI is designed to provide almost instant computer access to technical and legal texts necessary to interpret or apply tax laws to specific taxpayer circumstances.

Automated Preparation of Tax Returns

The Service tested Mini-Computer systems to assist field personnel in preparing short Form 1040A returns for taxpayers. These systems operated in walk-in facilities in Boston, Brooklyn, Philadelphia, and Washington during the filing season. An evaluation is under way to determine whether this service should be continued or expanded to other cities.

Executive Resources System

The Service successfully tested a computerized system for identifying candidates for executive positions. On-line video terminals provide management with means for quickly identifying persons who should be considered for high-level positions. This procedure removes much of the time-consuming drudgery from the selection process.

Internal Management and Support Activities

Inspection Programs Designed to Maintain Integrity In IRS

Through internal audit and internal security programs, Service managers are assisted in maintaining high standards of integrity and efficiency.

The Internal Audit Division reviews Service operations to be sure they are carried out properly and efficiently.

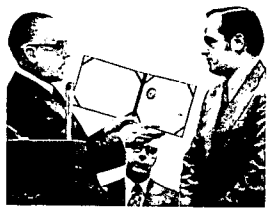
The Internal Security Division conducts background investigation on applicants and investigates complaints of misconduct or irregularities concerning Service employees. The division also investigates persons outside the Service who attempt to bribe or otherwise corrupt Service employees.

In March 1972 the Internal Security Division assumed jurisdiction over assaults and threats against IRS employees. Employees have reported 488 assaults or threat complaints, resulting in 53 prosecutions and 17 convictions.

Internal Audit Provides Independent Reviews of Service Operations

Wide Scope of Activities

The Internal Audit Division independently reviews all phases of Service activities and assists the Commissioner and management in maintaining efficient tax administration. Internal Audit devotes about 85% of its time to activities directly related to the collection of revenues and the enforcement of tax laws. Various auditing techniques are used to detect problems stemming from integrity or program weaknesses. Information indicating breaches of integrity is referred to Internal Security for investigation.



Ralph J. D'Amato (right), Brooklyn Revenue Agent, received a special award from Deputy Commissioner Harless for his role in reporting six bribery attempts over a period of three years.

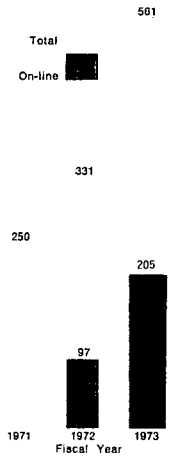
The Internal Audit program is accomplished by periodically auditing organizational segments, auditing new or revised programs and procedures, and completing integrity investigations. Facts developed during the audits are reported to appropriate management officials who are responsible for evaluating the findings and taking appropriate corrective actions. Such actions are followed up by the various echelons of management.

Service investigators issued 561 regular internal audit reports in 1973. Additional reports also were issued covering integrity matters, special reviews, and imprest fund audits. At the end of the year, 133 audits were in process. The accompanying charts show the significant increase in reports issued to management during the past three fiscal years. This increase resulted primarily from changes in auditing and reporting techniques discussed in the following paragraphs.

Significant Improvements and Savings

Actions by managment on problem areas detected during internal audits result in increased operating efficiency, strengthened internal controls, and improved taxpayer service. In addition, they generally foster a climate of integrity and responsibility within the Service. Many improvements and long-term benefits cannot be measured monetairly. In areas that can be measured savings and additional revenue have averaged over $30 million per year in recent years and for fiscal year 1973 exceed $59 million.

Internal Audit Reports Issued



Changing Audit Methods

On-line audits provide immediate coverage of Service programs that are being newly implemented, are undergoing substantial revision, or are of immediate concern to management. These audits of current activity identify problems as they occur rather than after the fact. Findings are reported to appropriate managers for prompt corrective action.

The project audit approach concentrates the limited manpower available on critical operations in several offices rather than solely on a single organization. This approach permits greater flexibility in the audits and in-depth reviews. Maximum use of pre-audit analyses and survey techniques is made to identify the problem areas warranting in-depth coverage.

Internal auditors stationed at regional service centers examine automatic data processing activities on a continuing basis to ensure timely correction of problems. Specially designed computer programs are used in the audits. Significant problems, including fraudulent refund schemes, have been brought to the attention of management through these audits.

Violations of Tax Laws Discovered

Internal audits and integrity investigations often uncover income tax evasion or other tax law violations. To illustrate, a tax preparer was arrested and charged with preparing false income tax returns after internal auditors found that 131 tax returns prepared by this individual contained improper itemized deductions. Refunds claimed on the returns exceeded $50,000. In a similar case, a tax return preparer was arrested, and examinations of 40 of his clients' returns resulted in tax deficiencies of over $36,000.

In another region, two false refund schemes were disclosed by internal audit review of early filed returns. In one case, the names and social security numbers of other taxpayers were used in an attempt to obtain 32 false refunds totaling over $16,000. The perpetrator was identified and indicted. In the other case, three false refunds totaling $7,300 were detected. The operator of this scheme was found to be in jail for armed robbery. Such cases, if integrity is not involved, are referred to the Intelligence Division for investigation and prosecution. Internal Audit works closely with intelligence on such referrals.

Assistance to Other Agencies

As a result of a fraudulent refund scheme discovered in one region, all income tax returns with overpayments exceeding a specified amount were given a special review. To date, erroneous refunds in excess of $320,000 have been prevented by this review. Managers at all service centers were alerted to the types of taxpayer and processing errors which occurred in these cases.

Since 1962, the Service has provided internal audit assistance to the Virgin Islands Tax Division and to the Government of Guam. This year, assistance to Guam consisted of an audit of the General Taxes Division, requested by Guam's Director of Revenue and Taxation.

Internal Security Division Activities Extensive in Scope

In fiscal year 1973, 204 employees reported possible bribery attempts, resulting in 62 arrests or indictments.

Since 1961 Service employees have reported 1,291 bribery attempts. One of every four instances resulted in prosecution action. During the twelve-year period, bribery investigations resulted in 345 arrests or indictments and 244 convictions or guilty pleas. At the end of this fiscal year, 46 persons charged with attempted bribery awaited trial. Bribes offered, solicited, or paid during the fiscal year ranged from $50 to $25,000.

The following cases show that attempts to bribe follow no particular location or occupational patterns.

A New York Postal Service employee and his representative offered a bribe to a Revenue Agent for a favorable audit. Both defendants pled guilty and were sentenced to six months in prison and two years probation.

A California physician offered a Revenue Agent a parcel of land in exchange for reducing a tax deficiency and was subsequently indicted for bribery.

A New York CPA was fined $5,000 and sentenced to two years' probation for attempting to bribe a Revenue Agent.

A Maryland taxpayer was fined $1,000 for attempting to bribe a Revenue Agent.

A Michigan taxpayer was arrested by Detroit Inspectors for offering a Revenue Agent a $500 bribe in return for a "no change" report.

A Philadelphia taxpayer, arrested for bribery, had offered $1,000 to a Revenue Officer in an effort to forestall collection of withholding tax liabilities.

A New Jersey taxpayer, who pled guilty to offering a $500 bribe to a Special Agent, was sentenced to three months in prison, 15 months suspended sentence, and two years' probation.

An Illinois taxpayer attempted to give a Revenue Agent a color TV in exchange for reducing the proposed tax adjustments. A Grand Jury returned an indictment charging him with bribery.

A New Jersey construction executive who offered a Special Agent $100,000 to "fix" a tax case pled guilty and was fined $61,000 and sentenced to three months in prison.

A Chicago taxpayer who pled guilty to offering a $2,000 bribe to a Special Agent received a one-year suspended sentence and a fine of $3,000.

Employees have continued to be effective in opposing challenges to the integrity of the Service through bribery. Former Commissioner Walters (center, first row) is pictured above at a special ceremony in New York City with recipients of integrity awards for the reporting of bribery attempts.

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Organized Crime Influences

During the past four years, there have been extensive investigations of possible corruptive influence by organized crime upon the Service. One case involved 90 persons, of whom 37 were IRS employees or former employees and 21 were organized crime figures. To date there have been 25 indictments and 21 convictions. The 21 persons convicted include 7 organized crime figures, 12 present or former employees, and 2 tax practitioners.

In this case, one organized crime overlord's first trial for attempted bribery ended in a hung jury and the second in acquittal. The investigation of a subsequent allegation of conspiracy to tamper with the jury during the second trial and obstruction of justice resulted in a successful prosecution and a sentence of five years in prison plus a $10,000 fine.

In another case, ten individuals identified with organized crime were indicted on bribery and conspiracy charges. This investigation which extended over a period of two years, involved the use of innovative investigative techniques for the protection of five cooperating Service employees. During the investigation, two businessmen erroneously identified as organized crime suspects in this case were slain in a restaurant by the under world. None of the suspects were arrested on the same date, and one who fled surrendered himself to Internal Security Inspectors five months later.

Convictions Continue Upward Trend

Comparison of convictions for the past seven fiscal years appears in the table below. Of a total of 77 convictions, 61 preferred to plead guilty rather than go to trial.

	Convicted	Pleaded Guilty	Employees, Former Employees	Non-Employees	Total
F.Y. '67	14	19	17	16	33
F.Y. '68	26	19	12	33	45
F.Y. '69	9	30	13	26	39
F.Y. '70	14	32	20	26	46
F.Y. '71	22	48	16	54	70
F.Y. '72	18	49	13	54	67
F.Y. '73	16	61	12	65	77
Total	119	258	103	274	377

Criminal Action Remains Constant

During the fiscal year, Service investigators arrested or indicted 121 individuals, including 12 employees or former employees and 109 taxpayes, tax practitioners, or others. Comparison of prosecutive actions initiated by the Service during the past four years appears in the table below.

At the end of the year, 88 taxpayers and 14 present or former employees awaited trial or possible indictment.

Prosecution actions covered such charges as embezzlement, disclosure of confidential tax information, attempted bribery, solicitation of a bribe, conspiracy to defraud the Government, subscribing to false returns, assaults and threats against IRS employees, and obstruction of justice.

A few examples follow:

An employee who fled to Australia was extradicted, and was subsequently indicted by a Federal Grand Jury for impersonation, embezzlement, bribery, and failure to deposit Government funds. He entered a plea of guilty, and was sentenced in United States District Court, Los Angeles, to two years in prison with 18 months suspended and five years probation on each of two counts. He was also ordered to make restitution of $4,800 to the Government.

An employee at Memphis was indicated by a Federal Grand Jury on three counts of embezzlement; and her husband was indicated on three counts of aiding and abetting the embezzlement.

An employee at Atlanta who stole and cashed two money orders which had been sent to the IRS in payment of taxes was indicted by the Federal Grand Jury on two counts of embezzlement. The employee entered a plea of nolo contendere and was sentenced to two years' imprisonment, sentence suspended, and placed on two years' probation.

A Newark employee was convicted on conspiracy and falsifying audit reports, sentenced to three years' probation, and fined $500.

An IRS warehouseman in San Francisco who was arrested for embezzlement, theft, and sale of Government property entered a plea of guilty to State charges made in connection with drugs found in his possession when arrested. He also pled guilty to the Federal theft charges.

A Philadelphia employee was the subject of an Information filed in U.S. District Court as a result of unlawful disclosure of income tax information to a private detective.

PERSONS INVOLVED IN ATTEMPTS TO CORRUPT IRS	Number arrested or indicted				TOTAL
	1970	1971	1972	1973	
Employees or former employees of IRS	21	12	12	12	57
Taxpayers, tax practitioners, others	37	54	65	109	265
TOTAL	58	66	77	121	372

Case Closure Rate Climbs to All Time High

The Internal Security Division completed 19,654 investigations during fiscal year 1973 as compared to 13,868 during fiscal year 1972, an increase of 41.7%. In addition, singular and multiple police record searches were conducted on 14,670 persons considered for temporary short-term appointments or for positions created for special economic and educational programs.

The vast majority of investigations relating to alleged acts of impropriety by Service personnel result in exoneration of the employee. The employees who become involved in improper behavior or unlawful actions constitute a very small percentage of the IRS employment force.

The following tabulation shows the types of investigations completed during the past two years and related dispositions:

Type of Investigation and Action	1972	1973
Total	13,868	19,654
Personnel Investigations		
Number of cases closed, total	10,697	15,193
Character and Security Investigations	7,877	11,672
Conduct Investigations	618	1,034
Special Inquiries	2,202	2,487
Actions taken by Service management officials as a result of Personnel investigations		
Rejected for Employment	296	246
Clearance and closed without action Letters on Conduct Investigations	174	186
Disciplinary actions, total	714	838
Separations, total [1]	211	235
Bribery, extortion, or collusion	2	1
Embezzlement, or theft of Government funds or property	4	7
Failure of employee to pay proper tax	9	26
Falsification or distortion of Government reports, records, etc.	101	91
Unauthorized outside activity	9	5
Failure to discharge duties properly	7	10
Divulgence of confidential information	3	4
Acceptance of fees or gratuities	1	2
Refusal to cooperate in official investigation	0	3
Personal and other misconduct	75	86
Suspension from duty and pay	34	35
Reprimands, warnings, or demotions	469	568
Investigations completed with favorable results	9,513	13,923
Other Investigations		
Number of cases closed, total	3,171	4,461
Assault	17	411
Disclosure	2	58
Applications for admission to practice before the I.R.S.	1,178	1,237
Charges against Attorneys, CPA's, and Enrollees	78	74
Federal Tort Claims	180	150
Bribery	130	173
Discrimination	1	0
Investigations for other Treasury Bureaus	1,585	2,358

[1] Includes resignations, retirements, or other separations while employees were under investigation or before administrative decision was made on disciplinary action where investigation disclosed derogatory information.

Assistance To Other Agencies

The Internal Security Division conducted 2,358 investigations for other Treasury components, a substantial increase over the prior years's total of 1,585 investigations. Information or assistance was furnished to the U.S. Bureau of Customs, the Department of Transportation, the Department of Labor, the Price Commission, the D.C. Government, and the Navy Department for development of procedures in their internal security functions.

Investigative Team Produces Results

Internal Auditors and Internal Security Inspectors investigate breaches of integrity by both employees and taxpayers in collusion with employees. Intensive investigations resulted in successful criminal prosecution as well as recommendations for improved controls and procedures.

One former employee pleaded guilty to preparing and filing tax returns for others for a fee and to representing taxpayers in connection with an audit examination while he was an employee of the Service. The joint investigation also disclosed that he had claimed false deductions on his own returns and on returns prepared for others. Examination of his returns and 64 clients' returns resulted in additional tax and penalty of about $350,000.

Another investigation resulted in the conviction of two officials of a Savings and Loan Association on State charges of making fraudulent loans and Federal charges of conspiracy to defraud, tax evasion, and subscribing false returns. This was an outgrowth of Inspection's investigation of alleged irregularities concerning Service employees. A former revenue agent who had previously audited the officials was fined $2,500 for accepting fees from them for accounting services while still an employee. As a result of the investigation, changes in the banking laws of several states are being considered.

Investigation of refund schemes has brought about the arrest of 5 individuals on charges of preparing and filing false tax returns. To date, investigators have identified 300 returns claiming questionable refunds of more than $120,000.

Management By Objectives — Assessment By Results (MOAR)

One of the persistent problems in Administration is setting priorities, planning programs, and responding to new demands. To deal with these problems the Service started a system of Management by Objectives and Assessment by Results (MOAR). MOAR does not replace the normal management processes, but supplements them by providing the mechanism for focusing attention on problem areas or programs. An important part of the system involves meetings between the Assistant Commissioner (Administration) and his Division Directors and with the Regional Commissioners and Assistant Commissioners to establish objectives for the coming year.

Before the meetings, each official completes an inventory of resources and problems in the Administration area. During the meetings these problems are discussed; those needing special attention are spotlighted, priorities are determined, responsibility is placed, and accountability established. The objectives are published in a compendium that is updated periodically.

Financial Developments

In February 1973 the Comptroller General approved the Internal Revenue Service administrative accounting and payroll system as conforming to prescribed principles, standards, and related requirements.

The Service took steps this year toward automating its administrative accounting and budget control. It completed a basic layout and selected equipment for the system late in fiscal 1973. This system, when completed, will streamline fiscal operations throughout the Service.

The Service's fiscal 1973 budget totaled $1,143 million, an increase of $85.8 million over the prior year. The budget included $21 million in supplemental funding for the Service's role in anti-narcotics enforcement, for administering revenue sharing, for maintaining economic stabilization work, and for higher postal rates. At the end of the year the Service had spent 99.7% of its authorized funds. The Service's costs amount to about ½ of 1% of revenue collections.

Man-Years Authorized and Realized

Appropriation	Authorized 1972	Authorized 1973	Realized 1972	Realized 1973	Percentage Realized 1972	Percentage Realized 1973
Salaries and expenses	1,664	1,719	1,638	1,728	98.4	100.5
Accounts, collection and taxpayer service	36,397	38,524	35,932	38,683	98.7	100.4
Compliance	30,607	32,485	30,387	32,915	99.3	101.3
Total	68,668	72,728	67,957	73,326	99.0	100.8
Increase 1973 over 1972		+4,060		+5,369		+1.8

NOTE:
1972 adjusted to reflect transfer of Alcohol, Tobacco and Firearms function July 1, 1973.

Personnel Management Activities

Additional multi-unit collective bargaining negotiations took place in 1973 with a consequent increase in the importance of union relations in the management of the Service. All levels of management were brought into the union relations process. The Service made substantial progress in position management by increasing effectiveness and economy in organization and assignment practices. These changes resulted in more than meeting the Service's goals in grade de-escalation. Other features of the Personnel program included successful recruitment efforts, advances in the cooperative education programs for prospective professional and technical recruits, extension of career programs to data processing supervisory and managerial jobs, and further advances in the equal opportunity program.

Personnel Summary

Location and type	Man-years realized 1972	Man-years realized 1973	Number on rolls at close of year 1972	Number on rolls at close of year 1973
Service Total	68,549	74,170	70,562	71,846
Permanent	60,416	63,250	61,870	63,987
Temporary	8,133	10,919	8,692	7,859
National Office [1]	4,134	4,309	4,281	4,073
Field Service Total [2]	64,137	67,935	65,394	65,694
Data Processing, total	21,785	24,387	21,878	22,501
Collection and Taxpayer				
Service Total	12,305	12,273	12,330	11,481
Revenue officers	6,140	6,464	6,131	5,969
Other	6,165	5,809	6,199	5,512
Audit, total	21,514	22,392	22,343	22,858
Revenue Agents	13,402	13,166	13,507	13,017
Off. Aud. and Tax Tech.	3,171	3,336	3,322	3,347
Other [3]	4,941	5,890	5,514	6,494
Intelligence, total	2,864	3,168	3,106	3,319
Special Agents	2,074	2,304	2,221	2,396
Other	790	864	885	923
Appellate, total	1,362	1,305	1,298	1,246
Appellate conferees	628	611	603	590
Auditors	135	128	125	120
Other	599	566	570	536
Administration, total	2,688	2,741	2,692	2,580
Regional Counsel	863	862	924	902
Regional Inspection	756	807	823	807
Economic Stabilization Program, total [4]	277	1,926	887	2,079

[1] Includes terminal leave man-years for entire Service.
[2] Includes Office of International Operations, National Computer Center and IRS Data Center.
[3] Includes overseas employees hired locally. (2 in 1972 and in 1973).
[4] Reflects man-years realization and personnel on roll for National office and field.

Multi-Unit Agreement Concluded With Naire

A second multi-unit agreement with the National Association of Internal Revenue Employees (NAIRE) was signed on April 13, 1973. This agreement covers about 26,000 employees of nine service centers, the National Computer Center, and the IRS Data Center. Important provisions of the agreement deal with promotions, performance evaluations, grievances and disciplinary proceedings, layoff and recall of seasonal employees, and an agreement that the union will take action to prevent strikes.

An example of implementing one of these provisions is the establishment of new performance evaluation procedures providing for better communications between an employee and his supervisor. Under the contract, five occupational areas will be covered: Revenue Agent, Revenue Officer, Estate Tax Attorney, Clerk, and Secretary.

Training in Union Management Relations

Because of the expansion in union activity, the Service has increased contract administration and labor relations training for managers, supervisors, and personnel officers.

The Service trained managers and personnel officers to administer the Multi-District and Multi-Center agreements with NAIRE. Between July and December, 3,000 managers in 56 districts completed a three-day training program on the Multi-District Agreements. In the fall, a segment was added to the Basic Supervisory Training Course to provide guidance to new Supervisors on their role in union relations. Personnel officers participated in a workshop in union relations responsibilities. In June over 2,000 managers in nine Service Centers, the Data Center and Computer Center participated in a three-day course on the Multi-Center Agreement which became effective July 1, 1973.

Major Management Improvements

The Service has reemphasized Government-wide efforts to reduce costs. In the first year of a two-year program the average GS grade was reduced from 7.8 to 7.5. This works out to a savings of approximately $11 million in payroll costs.

The grade de-escalation program has encouraged IRS managers to seek new methods to accomplish savings in their personnel resources. For example, IRS executives have taken advantage of the favorable labor market by recruiting college graduates at lower grades where possible; have increased use of paraprofessionals; have established firmer controls over filling vacancies; and have revised work methods and assignments to assure concentration of work at existing grade levels.

Recruitment Efforts In Good Labor Market

In July 1972, the Civil Service Commission discontinued the special salary rates for Internal Revenue Agents and Special Agents which had been in effect for several years. In spite of this, the Service successfully met its FY 1973 recruitment goals by hiring some 1200 internal revenue agents, 890 revenue officers, 500 tax auditors, 350 special agents, and 160 estate tax attorneys. Late in the fiscal year, after review of labor market and economic conditions affecting the supply of accountants, the Civil Service Commission reestablished special higher salary rates for entrance-level accountants and internal revenue agents. The rate changes were in time to aid spring recruiting for FY 1974 advance attrition hiring.

Para-Professional Staffing To Be Increased

After a comprehensive study of its para-professional occupation, the Revenue Representative, the Collection Division found that these employees could close many cases formerly handled by Revenue Officers. This change made available manpower which could be devoted to the more difficult assignments. During 1973, the Service made a special effort to recruit more Revenue Representatives.

Progress In Testing Procedures And Test Validation

The Service exercises special care to see that tests used in recruitment, reassignment, and promotion for Service positions are valid, job-related, bias-free, and administered fairly. New guidelines for noncompetitive written testing were put into effect, substantially revising existing Service procedures.

This year the Service began a special test validation study for the Fresno Service Center. The study should reveal whether tests given to applicants, accurately assess ability to perform on the job.

Cooperative Education Programs

Growth continued in the Service's Cooperative Education Program covering Revenue Agents, Internal Auditors, Revenue Officers, Tax Auditors, Special Agents, and Internal Security Inspectors. The program provides for part-time employment for promising students with an offer of employment upon graduation. About 600 students from 250 schools participated in the program this year.

Cooperative education is an excellent source of recruitment of technical personnel. An additional program in Estate Tax for law students is in the offing.

Equal Employment Opportunity (EEO) Activities

The Equal Employment Opportunity Act of 1972 reinforced the Federal Government's responsibility to assure equal employment opportunity for all Federal employees and applicants for employment. The law requires Federal agencies to prepare EEO Affirmative Action Plans on a national and local basis for Civil Service Commission approval. Accordingly, regional offices, districts, and service centers prepared plans under the new regulations for the first time this fiscal year. The scope and format required for the plan differed so radically from past plans that many initial problems had to be overcome. However, at the end of the fiscal year, virtually all Affirmative Action Plans were approved and in operation at locations across the country.

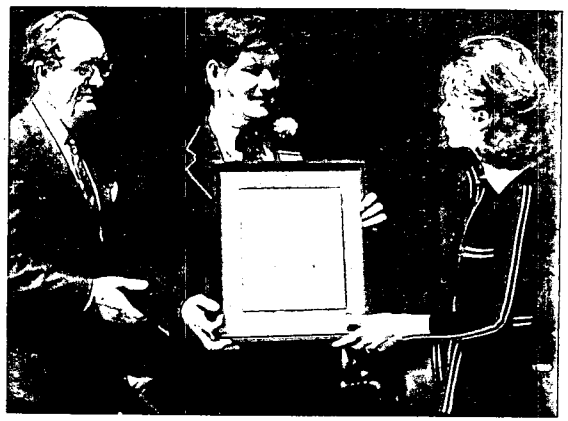
Progress in Employing the Blind

The Service has progressed substantially in its program of employing the blind. Because of the nature of the work, the Taxpayer Service Representative occupation is particularly suited to the employment of visually handicapped persons.

On January 30, 1973, IRS personnel participated in a ceremoney marking the 100th graduate trained as a Taxpayer Service Representative at the Arkansas Enterprises for the Blind. The graduate, Miss Penny Keim, was hired by the Nashville District as a Taxpayer Service Representative. Sixteen classes have graduated 111 persons qualified to work as Taxpayer Service Representatives.

Mr. Jack McSpadden, the first blind taxpayer Service Representative, was selected as the Internal Revenue Service's nominee for the Outstanding Handicapped Federal Employee of the Year. Subsequently, Jack was chosen as the Department of the Treasury's nominee and was one of the ten finalists selected by the U.S. Civil Service on November 13, 1967.

Throughout the United States, 76 blind TSR's are working in the district offices and service centers. The Service is striving to achieve its goal of one blind Taxpayer Service Representative in each office.



Again this year, handicapped employees did a good job for the Service. Pictured above is Jack McSpadden, a blind Taxpayer Service Representative, being presented an award as an outstanding handicapped Federal employee. Julie Nixon Eisenhower (r) presented the award. Then-Commissioner Johnnie M. Walters appears at the left.

Advances In Management Careers Programs

A new Servicewide Management Careers Program covers National Office, regional, and district managerial positions within ACTS, Compliance, and Administration. The major aspects of this program include: (1) required training for first-line supervisors selected under the program, *before* entering supervisory positions and (2) district, regional, and National Office Career Boards to oversee the development and advancement of employees in the program. As part of this activity, the Service set up an ongoing Supervisory Assessment Center, which appraised approximately 800 applicants for first-line supervisory jobs.

The Service is launching a new Career Program to fill lower-level management positions in Service Centers and the Detroit Data Center. Major features include: establishment of a Career Board, which places reliance on collective judgment; a comprehensive selection and development process; national guidelines with provision for local flexibility; option to select in advance of vacancies, with opportunity for training before assuming new duties; and continued emphasis on career development and training of those new in management jobs.

The Service continued its executive Selection and Development Program and selected 31 persons for the 1974 ES&D class.

Carolyn K. Buttolph became the first woman in IRS history to be appointed a District Director. Here she is sworn in as Director of the Burlington District by United States District Judge Albert W. Coffrin. Holding the Bible is her uncle, the Reverend F. Nelsen Schlegel.

Management Career Program

A principle of the Management Career Program is that new supervisors should be considered "recruits" in the sense that they are moving into jobs as new to them as the jobs they entered when they came into the Service in technical positions. Therefore, new supervisors are provided developmental experiences before and after they assume new responsibilities.

With the help of a coach, usually a middle manager or an experienced supervisor, each selectee in the Management Career Program prepares an Individual Development Plan, which is a roadmap for the path he will follow to acquire the necessary experience and skill.

Major Revision of Executive Development Program

The six-month Executive Development Program was revised in the fall of 1972 to place more emphasis on work of a field official, on decision-making, and on problem-solving at the District Director, Service Center Director, and Assistant Regional Commissioner level. Selectees spend considerable time in the field and the National Office learning or managing the work of major programs in which they have not had experience.

Data Center Moved to New Location

The IRS Data Center moved to a new building in downtown Detroit. The building, especially constructed to meet the Center's needs, provides about 200,000 square feet of space. This move gives the Data Center excellent office space for a 20-year period and a new sense of permanence.

The George S. Boutwell Auditorium Dedicated

With the assistance of the General Services Administration, the Service completed a much-needed auditorium on the seventh floor of the National Office Building. Named after the first Commissioner, the facility seats 204 people and affords improved conference and hearing accommodations for large groups.

Protection of Facilities Strengthened

The Service continued to strengthen the physical security of its data processing activities to ensure uninterrupted operation of the revenue collection function. Threats against Service operations were encountered and handled without major incident. While the number of bomb warnings did not change from the previous year, the number of manhours lost by building evacuation increased significantly due largely to a mass evacuation at one facility.

Improved Power Supply for Computer Operations

Computer operations in IRS Service Centers depend on a stable supply of power. Each Center's power supply is monitored to detect variations that can slow or stop operations and result in severe manhour and processing time losses.

Finding that the Memphis Service Center power supply variations exceeded the standards, the Service installed a support motor-generator. It will, if necessary, install in Service Centers heavy-duty rechargable battery systems comparable to those used by telephone companies to maintain service during power outages.

Paperwork Management Improvement Activities

During the fiscal year, the Service started a campaign to improve or eliminate over 900 reports. More than 850 employees were oriented in the techniques of effective reports management to ensure that benefits of required reports exceed their costs.

Records disposal programs during 1972 resulted in releasing space and equipment valued at $1,597,783. A total of 120,032 cubic feet of records were destroyed and 298,703 cubic feet of records were retired to Federal Records Centers.

The Accident Prevention Program

During the second year of the "ZERO IN" on the Federal Safety Program, the Service experienced its lowest disabling injury rate on record. The rate of 1.7 disabling injuries per million manhours of exposure was a 19% improvement over 1970 and a 15% improvement over 1971.

Service personnel operated motor vehicles a record 115.8 million miles in 1972 on official business, with an accident frequency rate of 8.0 per million miles driven.

Toll-Free Taxpayer Telephone Service

The Service has been installing a system that will give all taxpayers in a state toll-free telephone access to an IRS office.
At the beginning of FY 1973, the system covered 27 states. The plans for FY 1974 provide for completion of installations in the remaining 28 districts and 20 states. Soon all taxpayers in the country, by placing a local phone call, will have access to toll-free tax service.

Receipts,
Refunds
and
Returns
Filed

Gross Collections Rise To Record Levels

In 1973, gross revenue collections rose rapidly to a record $237.8 billion, an amount exceeding total receipts for 1964 and 1965 combined. The increase over last year, $27.9 billion, was the second largest ever recorded.

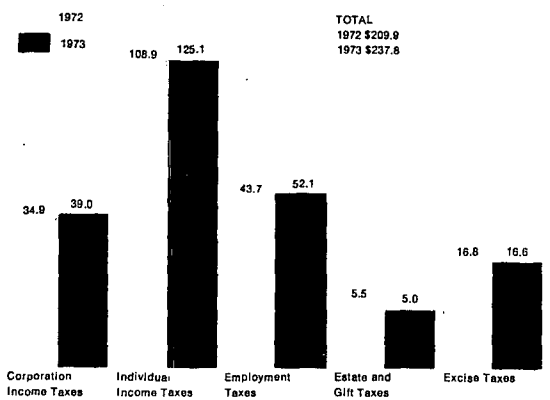
Individual income tax, including amounts withheld and amounts paid with estimated and regular tax returns, accounted for 53 percent of all collections. Corporation income tax produced 16 percent of all receipts. Employment taxes, comprising payroll taxes levied on salaries and wages, was the second greatest source of revenue, accounting for 22 percent of all receipts. Excise taxes and estate and gift taxes made up the other 9 percent.

Individual income tax receipts of $125.1 billion showed a $16.3 billion (14.9%) increase over last year. Growth in personal income accounted for the substantial rise.

Corporate income tax collections of $39 billion, up $4.1 billion (11.8%), reflected higher corporate profits which began in 1971. The income tax payment system for corporations has been in a transition period for several years. The Revenue and Expenditure Control Act of 1968 provided for gradual elimination of amounts exempt from estimated tax payment. The original exemption of $5,500, is being phases out over a five year period ending in 1977, when all corporations with $40 or more of expected tax liability will be required to pay their tax currently.

Employment tax collections amounted to $52.1 billion, an increase of more than 19 percent over 1972. The growth of salaries and wages, higher tax rates, and increases in the taxable wage base were major factors in increased collections. Effective January 1, 1973, the combined employer-employee social security (FICA) rate increased from 10.4 to 11.7 percent, the self-employment (SECA) rate from 7.5 to 8.0 percent, and the railroad retirement rate from 19.9 to 21.2 percent. The taxable earnings base went up from $9,000 to $10,800 on January 1, 1973.

Tax Collections From All Sources
Billions of Dollars



Internal Revenue refunds, including interest
(For refunds by region and district, see table 5.)

	Number		Amount refunded (principal and interest thousand dollars)		Amount of interest included (thousand dollars)	
	1972	1973	1972	1973	1972	1973
Total refunds of internal revenue [1] [2]	55,154,883	63,123,884	18,970,640	25,804,850	182,765	175,867
Corporation income taxes	268,559	275,104	2,894,407	3,013,025	134,777	120,246
Individual income and employment taxes, total [3]	54,823,523	62,774,727	14,642,417	22,412,326	38,704	47,510
Excessive prepayment income tax [3]	53,203,811	61,088,325	13,750,862	21,442,506	16,397	22,622
Other income tax and Federal Insurance Contributions Act taxes [3] [4]	1,543,374	1,565,368	877,554	948,278	21,930	24,414
Railroad retirement	458	1,916	619	721	7	18
Unemployment insurance	75,880	119,118	13,382	20,821	370	456
Estate tax	15,346	16,345	52,702	62,057	5,235	6,225
Gift tax	2,110	2,426	7,501	3,403	860	443
Excise taxes, total	45,345	55,282	1,373,614	314,037	3,188	1,442
Alcohol taxes [5]	8,320	10,542	106,031	109,087	6	8
Tobacco taxes [6]	390	528	2,393	2,706	(*)	(*)
Manufacturers' and retailers' excise taxes, total	5,094	4,429	1,246,972	175,428	1,951	395
Gasoline used on farms	62	50	103,619	102,278	—	—
Gasoline, nonhighway	1,247	1,022	23,120	24,765	—	—
Other [6]	3,785	3,357	1,120,233	48,385	1,951	395
All other excise taxes [7]	31,541	39,783	18,217	26,816	1,231	1,039

[1] Figures have not been reduced to reflect reimbursements from the Federal Old-Age and Survivors, Feral Disability, and Federal Hospital Insurance Trust Funds amoting to $447,332,000 in 1972 and $478,856,000 in 1973; from the Hiway Trust Fund amounting to $144,325,000 in 1972 and $146,373,000 1973; and from the unemployment Trust Fund amounting to $182,000 in 1972 and $20,820,969 in 1973.

[2] Net of 80,725 undeliverable checks totaling $14,082,000 in 1972 and 76,669 undeliverable checks totalg $18,209,000 in 1973.

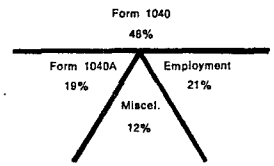
[3] Includes refunds "not otherwise classified."
[4] Includes excess FICA credits.
[5] Includes drawbacks and stamp redemptions.
[6] Includes lubricating oil used for nonhighway purposes.
[7] Includes narcotics, silver, wagering (excise and stamps), capital stock, and other excise tax refunds.
* Less than $500.

Increase In Returns Filed

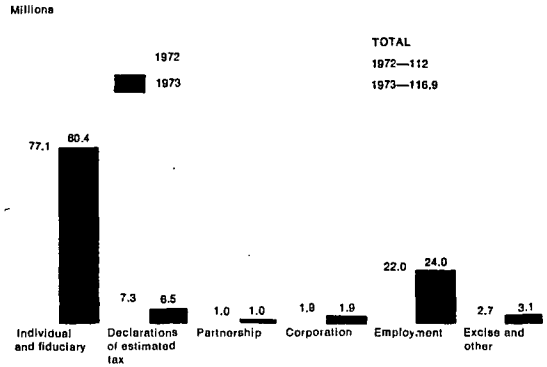
Almost 117 million returns of all types were filed in 1973. Individuals filed 80.4 million returns, with 22 million using the simplified Form 1040A.

The chart on this page shows the percentage distribution of all tax returns filed with the Service.

PERCENTAGE DISTRIBUTION OF TAX RETURNS FILED



INCREASE IN NUMBER OF RETURNS FILED



The table below presents data on returns filed by type of return for 1972 and 1973.

Number of returns filed, by principal type of return

Type of return	1972	1973
Grand total	112,000	116,940
Income tax, total	88,299	91,007
Individual and fiduciary, total	77,106	80,366
Individual-citizen and resident aliens, total	75,106	78,878
All other individual and fiduciary	1,422	1,488
Declarations of estimated tax, total	7,328	6,531
Individual	7,328	6,531
Corporation	NA	NA
Partnerships	1,029	1,043
Corporations	1,881	1,947
Other	955	1,120
Employment tax, total	22,007	23,959
Employers' Form 941	16,068	16,374
Employers' Form 942 (household employees)	3,616	3,459
Employers' Form 943 (agricultural employees)	475	458
Railroad retirement, Forms CT-1, Ct-2	15	14
Unemployment insurance, Form 940	1,832	3,695
Estate tax	193	202
Gift tax	191	244
Excise tax, total	1,311	1,488
Occupational tax	574	531
Form 720 (retailers, manufacturers, etc.)	297	316
Alcohol	20	19
Tobacco	5	5
Highway use tax	295	461
Other	120	108

Organizat ion - Principal Officers

Organization of the
Internal Revenue Service

Internal Revenue
Regions and Districts

Principal Officers
Historical
List of Commissioners

Princip ıal Officers Of The : Internal Revenu ıe Service As Of . June 30, 1973

NATIONAL O FFICE

Office of the Commissioner

Commissione r
Donald C. Ale xander
Deputy Comm ıissioner
Raymond F. H larless
Assistant to th e Commissioner
Edward M. Pe rkins
Assistant to th e Deputy Commission er
Donald C. Daw kins
Chairman, Tax Forms Coordinatin g Committee
James N. Kinse ıl
Director, Tax A dministration Advisory Sta ff
Joseph R. Harn ıon
Assistant to the Commissioner (Public Affair s)
Stanley C. Jens en (Acting)

Administration

Acting Assistar ıt Commissioner
Joseph T. Davis
Director, Progra m Staff
Julius H. Lauder dale
Division Direc tors:
Facilities Me ınagement
Leo C. Ingle sby
Fiscal Mana gement
Alan A. Beck
Personnel
Billy J. Brow n
Training
Richard C. M cCullough
Deputy Equal Emp ıloyment Opportunity Off icer Barbara R. Thompson

Compliance

Assistant Commissioner
John F. Hanlon
Deputy Assistant Commissioner
Joseph G. McGowan
Division Directors:
Appellate
James C. Stigamire
Intelligence
John J. Olszewski
Audit
S. B. Wolfe
Office of International Operations
Roger L. Plate

Accounts, Collection and Taxpayer Service

Assistant Commissioner
Dean J. Barron
Deputy Assistant Commissioner
Gerald C. Portney
Division Directors:
Collection
Harold E. Snyder
Accounts and Data Processing
Donald G. Elsberry
Taxpayer Service
Vacant
IRS Data Center, Detroit, Mich.
Ernest Shaw
National Computer Center, Martinsburg, W. Va.
M. Eddie Heironimus

Inspection

Assistant Commissioner
Francis I. Geibel
Division Directors:
Internal Audit
William C. Rankin
Internal Security
William J. Hulihan

Planning and Research

Assistant Commissioner (Acting)
Lancelot W. Armstrong
Division Directors:
Planning and Analysis
Albert Y. Sze (Acting)
Systems Development
W. J. O'Malley (Acting)
Research
Claude D. Baldwin
Statistics
Vito Natrella

Technical

Assistant Commissioner
Peter P. Weidenbruch, Jr.
Deputy Assistant Commissioner
Wade F. Hobbs
Division Directors:
Income Tax
Victor Cuniglio
Miscellaneous and Special Provision Tax
Duane B. Johnson
Technical Publications and Services
Roy J. Linger

Stabilization

Assistant Commissioner
Edward F. Preston
Division Directors:
Technical and Services
William Daniel
Compliance and Enforcement
Stanley Goldberg

Office of Chief Counsel

Acting Chief Counsel
Lawrence B. Gibbs
Deput Chief Counsel
Roger V. Barth
Special Assistant to the Chief Counsel
Stanley H. Hackett
Special Assistant to the Chief Counsel
Lester Stein
Technical Advisor to Chief Counsel
Robert B. Jacoby
Special Assistant to the Chief Counsel
Arthur B. White
Associate Chief Counsel (Litigation)
John T. Rogers
Associate Chief Counsel (Technical)
Richard M. Halm
Division Directors:
General Litigation
J. Walter Feigenbaum
Criminal Tax
Albert L. Henkle
Refund Litigation
John W. Holt
Tax Court Litigation
Robert A. Bridges
Interpretative
John L. Withers
Legislation and Regulations
James F. Dring
Operations and Planning
William P. Crewe

Central Region

All Regional Offices at 550 Main Street, Cincinnati, Ohio 45202, unless a different address is indicated
Regional Commissioner
Charles G. Keebler
Assistant Regional Commissioners:
Administration
Arthur J. Collinson
Audit
Michael A. DeGuire
Accounts, Collection & Taxpayer Service
Wayne S. Kegerreis
Appellate
W. Franklin Hammack
Intelligence
Harold B. Holt
Stabilization
Edgar H. Hughson
District Directors:
Cincinnati, Ohio 54201
Paul A. Schuster
Cleveland, Ohio 44199
Alvin M. Kelley
Detroit, Mich. 48226
Thomas A. Cardoza
Indianapolis, Ind.
James E. Daly
Louisiville, Ky. 40202
Paul F. Niederecker
Parkersburg, W. Va.
Hugh D. Jones
Director, Cincinnati Service Center, Covington, Ky. 41019
Patrick J. Ruttle
Regional Counsel
David E. Mills
Regional Inspector
Edward A. Conroy

Mid-Atlantic Region

All Regional Offices at 2 Penn Center Plaza, Philadelphia, Pa. 19102, unless a different address is indicated
Regional Commissioner
Edward J. Fitzgerald
Assistant Regional Commissioners:
Administration
Americo P. Attorri
Audit
Dwight L. James
Accounts, Collection & Taxpayer Service
Vacant
Appellate
Harold A. McGuffin
Intelligence
Amerigo R. Manzi
Stabilization
John Jennings
District Directors:
Baltimore, Md. 21201
William D. Waters
Newark, N.J. 07102
Elmer H. Klinsman
Philadelphia, Pa. 19108
Alfred L. Whinston
Pittsburgh, Pa. 15222
C. Dudley Switzer
Richmond, Va. 23240
James P. Boyle
Wilmington, Del. 19801
Charles O. DeWitt
Director, Philadelphia Service Center, Philadelphia, Pa. 19155
Norman E. Morrill
Regional Counsel
Emory L. Langdon
Regional Inspector, Bankers Securities Building, Walnut and Juniper Streets, Philadelphia, Pa. 19017
Emanuel L. Schuster

List of Commissioners of Internal Revenue

George S. Boutwell
Massachusetts
July 17, 1862/Mar. 4, 1863

Joseph J. Lewis
Pennsylvania
Mar. 18, 1863/June 30, 1865

William Orton
New York
July 1, 1865/Oct. 31, 1865

Edward A. Rollins
New Hampshire
Nov. 1, 1865/Mar. 10, 1869

Columbus Delano
Ohio
Mar. 11, 1869/Oct. 31, 1870

Alfred Pleasonton
New York
Jan. 3, 1871/Aug. 8, 1871

John W. Douglass
Pennsylvania
Aug. 9, 1871/May 14, 1875

Daniel D. Pratt
Indiana
May 15, 1875/July 31, 1876

Green B. Raum
Illinois
Aug. 2, 1876/Apr. 30, 1883

Walter Evans
Kentucky
May 21, 1883/Mar. 19, 1885

Joseph S. Miller
West Virginia
March. 20, 1885/Mar. 20, 1889

John W. Mason
West Virginia
Mar. 21, 1889/Apr. 18, 1893

Joseph S. Miller
West Virginia
Apr. 19, 1893/Nov. 26, 1896

W. St. John Forman
Illinois
Nov. 27, 1896/Dec. 31, 1897

Nathan B. Scott
West Virginia
Jan. 1, 1898/Feb. 28, 1899

George W. Wilson
Ohio
Mar. 1, 1899/Nov. 27, 1900

John W. Yerkes
Kentucky
Dec. 20, 1900/Apr. 30, 1907

John G. Capers
South Carolina
June 5, 1907/Aug. 31, 1909

Royal E. Cabell
Virginia
Sept. 1, 1909/Apr. 27, 1913

William H. Osborn
North Carolina
Apr. 28, 1913/Sept. 25, 1917

Daniel C. Roper
South Carolina
Sept. 26, 1971/Mar. 31, 1920

William M. Williams
Alabama
Apr. 1, 1920/Apr. 11, 1921

David H. Blair
North Carolina
May 27, 1921/May 31, 1929

Robert H. Lucas
Kentucky
June 1, 1929/Aug. 15, 1930

David Burnet
Ohio
Aug. 20, 1930/May 15, 1933

Guy T. Helevering
Kansas
June 6, 1933/Oct. 8, 1943

Robert E. Hannegan
Missouri
Oct. 9, 1943/Jan. 22, 1944

Joseph D. Nunan, Jr.
New York
Mar. 1, 1944/June 30, 1947

George J. Schoeneman
Rhode Island
July 1, 1947/July 31, 1951

John B. Dunlap
Texas
Aug. 1, 1951/Nov. 18, 1952

T. Coleman Andrews
Virginia
Feb. 4, 1953/Oct. 31, 1955

Russell C. Harrington
Rhode Island
Dec. 5, 1955/Sept. 30, 1958

Dana Latham
California
Nov. 5, 1958/Jan. 20, 1961

Mortimer M. Caplin
Virginia
Feb. 7, 1961/July 10, 1964

Sheldon S. Cohen
Maryland
Jan 25, 1965/Jan 20, 1969

Randolph W. Thrower
Georgia
Apr. 1, 1969/June 22, 1971

Johnnie M. Walters
South Carolina
Aug. 6, 1971/Apr. 30, 1973

Donald C. Alexander
Ohio
May 25, 1973

Office of Commissioner of Internal Revenue Created by Act of Congress, July 1, 1862
In addition, the following were Acting Commissioners during periods of time when there was no Commissioner holding the office:
John W. Douglas, of Pennsylvania from Nov. 1, 1870, to Jan. 2, 1871; Henry C. Rogers, of Pennsylvania, from May 1 to May 10, 1883, and from May 1 to une 4, 1907; John J. Knox, of Minnesota from May 11 to May 20, 1883; Robert Williams, Jr., of Ohio, from Nov. 28 to Dec. 19, 1900; Millard F. West, of Kentucky, from Apr. 12 to May 26, 1921; H. F. Mires, of Washington, from Aug. 16, to Aug. 19, 1930; Prosaly R. Baldridge, of Iowa, from May 16 to June 5, 1933; Harold N. Graves, of Illinois, from Jan. 23 to Feb. 29, 1944; John S. Graham, of North Carolina, from Nov. 19, 1952, to Jan. 19, 1953; Justin F. Winkle, of New York, from Jan. 20 to Feb. 3, 1953; O. Gordon Delk, of Virginia, from Nov. 1 to Dec. 4, 1955; and from Oct. 1 to Nov. 4, 1958; Charles I. Fox, of Utah, from Jan. 21 to Feb. 6, 1961; Bertrand M. Harding, of Texas, from July 11, 1964 to Jan. 24, 1965; and William H. Smith of Virginia, from Jan. 21 to Mar. 31, 1969; Harold T. Swartz of Indiana, from June 23, 1971 to Aug. 5, 1971; Raymond F. Harless of California from May 1 to May 25, 1973.

Publication Number/Title

17
Your Federal Income Tax
Price 75¢

54
Tax Guide for U.S. Citizens Abroad

76
Law and Regulations Relating to the Treatment of Annuities for Income Tax purposes. Price 45¢

225
Farmer's Tax Guide

334
Tax Guide for Small Business
Price 75¢

337
Law and Regulations Relating to Employee Pension, Annuity, Profit-Sharing, Stock Bonus, and Bond Purchase Plans including Plans for Self-Employed Individuals. Price 70¢ (revised 7–68)

349
Federal Highway Use Tax

377
Pension Trust Procedures
Price 55¢

378
Federal Fuel Tax Credit or Refund
for Nonhighway and Transit Users

448
A Guide to Federal Estate and Gift Taxation. Price 50¢
(revised 7–71)

463
Travel, Entertainment and Gift Expenses

501
Your Exemptions and Exemptions for Dependents

502
Deduction for Medical and Dental Expenses

503
Child Care and Disabled Dependent Care

504
Income Tax Deductions for Alimony Payments

505
Tax Withholding and Declaration of Estimated Tax

506
Computing Your Tax Under the Income Averaging Method

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Supreme Court Action

Criminal Cases

In *United States v. Bishop*, 412 U.S. 346 (1973), the Supreme Court resolved the disagreement that had existed in the Federal judicial circuits over the interpretation that should be accorded the term "willful" as used in felony statutes and as used in misdemeanor statutes. Bishop was convicted of willfully making and subscribing false returns, a felony offense under 26 U.S.C. § 7206(1), after the trial court refused a lesser-included-offense jury charge under 26 U.S.C. § 7207, which makes it a misdemeanor willfully to deliver or disclose to the Service any return or document known to be fraudulent or false as to any material matter. The Court of Appeals, Ninth Circuit, reversed on the ground that "willfully" as used in § 7206(1) implied an evil motive and bad faith, but the same word as used in § 7207 required only a showing of unreasonable, capricious, or careless disregard for the truth. In reversing the Ninth Circuit's decision, the Supreme Court held that "willfully" has the same meaning in §§ 7206(1) and 7207, and connotes the voluntary, intentional violation of a known legal duty. The distinction between the statutes, the Court noted, lies in the additional misconduct that is essential to the violation of the felony provision; hence, the trial court properly refused the requested lesser-included-offense instruction based on Bishop's erroneous contention that the word "willfully" in the misdemeanor statute implied less scienter than the same word in the felony statute.

Supreme Court Civil Cases

On January 22, 1973, the Supreme Court reversed per curiam a decision of the United States Court of Appeals for the Ninth Circuit and held for the Government in a significant estate tax case, *United States v. Chandler*, 410 U.S. 257 (1973). The case involved United States Savings Bonds, Series E, which were purchased by the decedent and registered in her name with her granddaughters as co-owners. The issue was whether such bonds were includable in her gross estate as jointly held property under *Code* § 2040 where she hand-delivered them prior to her death to the co-owners with the intent to make an irrevocable gift, but failed to have the bonds reissued without her name. The court ruled that the bonds were still includable in her estate despite her attempt to divest herself of ownership. It relied on the Treasury Regulations dealing with Savings Bonds which provide (31 C.F.R. § 315) that these bonds can be transferred from one co-owner to another only by surrendering them and having them reissued solely in the name of the other co-owner. The court explained that any other rule could lead to chaotic conditions with respect to these bonds, noting the Government's assertion that approximately 500 million Series E Bonds were outstanding, that these were worth over 50 billion dollars, and that 75% of them were registered in co-ownership form.

On February 27, 1973, the Supreme Court again reversed a decision of the United States Court of Appeals for the Ninth Circuit and held for the Government in *United States v. Basye*, 410 U.S. 441 (1973). The issue was whether contributions by the Kaiser Foundation Health Plan, a non-profit corporation, to a retirement plan of the Permanente Medical Group, a limited partnership of doctors, should be treated as income to the partnership and thus be taxable to the individual partners at the time of the contributions. The individual partners could forfeit their rights to benefits under the plan, but no contributions could ever revert to the Health Plan. The Supreme Court concluded that the case was controlled by long-standing principles of tax law: first, that income is taxed to the party who earns it and that liability may not be avoided by an anticipatory assignment of that income (*Lucas v. Earl*, 281 U.S. 111 (1930)) and, second, that partners are taxable on their distributive or proportionate shares of current partnership income irrespective of whether that income is actually distributed to them (*Heiner v. Mellon*, 304 U.S. 271 (1938)). The court held, in a decision which constitutes an important precedent favorable to the Government, that the partnership was obligated to report the contributions as income presently received and that each partner was responsible for his distributive share of that income.

Another decision favorable to the Government was rendered on April 16, 1973, in *United States v. Indrelunas*, 411 U.S. 216 (1973). That case arose from a tax refund suit and related third-party complaint in the district court. The issue presented to the Supreme Court was, however, not a tax issue, but an issue of court procedure. The court held per curiam that the Government had filed a timely appeal to the Court of Appeals when its appeal was filed within 60 days from the final entry of a formal judgment of the district court set forth in a "separate document," but more than 60 days after the district court's civil docket entry following jury verdicts, which entry contained the language "Enter judgment on the verdicts. Jury discharged." The Supreme Court decision interpreted the requirement of Rule 58, Federal Rules of Civil Procedure, that every "judgment shall be set forth on a separate document." It clarified the question of what documents constituted judgments for purposes of the running of the appeal period in federal courts, a subject on which lower courts had rendered conflicting opinions. The court stated that the "separate document" provision of Rule 58 should be "mechanically applied in order to avoid new uncertainties as to the date on which a judgment is entered."

On May 7, 1973, the Government lost an important estate tax case. *United States v. Cartwright*, 411 U.S. 546 (1973). This case involved the question of the proper method of valuing open-end investment company (mutual fund) shares for estate tax purposes. The issue related to the validity of Treas. Reg. § 20.2031-8(b)(1), which provides essentially that such shares should be valued at the offering (ask) price rather than the redemption (bid) price. The offering (ask) price is the mutual fund's price to the general public, which includes the net asset value per share plus a sales commission or "sales load" in so-called "load" funds. The Supreme Court held the Regulation invalid, affirming lower court decisions which sustained the use of the redemption price at the date of death for estate tax valuation purposes, because this was the only price that the estate could have obtained if the shares had been sold. The court held that the Regulation was technically inconsistent with the "willing buyer-seller" valuation concept and was manifestly inconsistent with the provisions of the Investment Company Act of 1940. The decision will have a widespread effect with respect not only to estate and gift taxes but also to the basis of mutual fund shares for income tax purposes.

The Supreme Court on June 4, 1973, reversed a decision of the United States Court of Claims and held for the Government in *United States v. Chicago, Burlington & Quincy Railroad Co.*, U.S. (1973). The issue decided was whether taxpayer could include in its basis for depreciation of road property sums attributable to facilities such as bridges, overcrossings, and funds primarily to enhance flasher signals built with public safety and traffic flow at railroad-highway intersections. The taxpayer had claimed, and the Court of Claims had allowed, depreciation on these costs even though taxpayer did not incur them. These costs were actually incurred by the Federal Government under federal highway aid legislation. The Supreme Court considered *Detroit Edison Co. v. Commissioner*, 319 U.S. 98 (1943), to be controlling, rather than *Brown Shoe Co., Inc. v. Commissioner*, 339 U.S. 583 (1950), relied upon by taxpayer. Large revenues were involved and the decision prevents substantial windfalls to this taxpayer and others similarly situated. It should also constitute a significant favorable precedent in the area of capital contributions under *Code* § 118.

In *United States v. Walter Kocher*, 468 F.2d 503 (2nd Cir. 1972), the Second Circuit held that the Government may enforce its tax lien against the husband by selling property held by the husband and wife as tenants in common and may bid at the sale although the tax lien is a junior lien. The Court noted that, although state law determines what interest the taxpayer has in the property, federal law determines the manner of enforcement of the tax lien. The Court concluded that the literal language of *Code* § 7403 provides for the sale of any property in which the taxpayer has any interest with the proceeds to be distributed according to the interests of the parties. The Court specifically rejected a contrary decision by the Fifth Circuit in *Folsom v. United States*, 306 F.2d 361 (5th Cir. 1962) and agreed with the Fourth, Seventh and Ninth Circuit decisions in *Washington v. United States*, 402 F.2d 3 (4th Cir. 1968), *cert. denied*, 402 U.S. 978 (1971), *United States v. Trilling*, 328 F.2d 699 (7th Cir. 1966), and *United States v. Overman*, 424 F.2d 1124 (9th Cir. 1970). The Court also held that the Government could bid at the sale even though its tax lien is junior to senior mortgage liens. Although under Code § 7403(c) the Government may bid only where its tax lien is the senior lien, the Court held that the Government had a right to bid under 31 U.S.C. § 195 when its tax lien was the junior lien.

In *In re Statmaster Corp.*, 465 F.2d 978 (5th Cir. 1972) the trustee for the bankrupt corporation deposited funds gathered in the course of liquidation in interest-bearing accounts. Thereafter, the trustee petitioned the bankruptcy court for an order relieving and discharging him from any income tax liability. Attached to the petition was a corporate tax return showing no tax due. The Government's contention that the court had no jurisdiction was rejected by the Referee. On review, the district court reversed, holding there was no jurisdiction because of the statutory prohibition against issuing declaratory judgments with respect to Federal Taxes, 28 U.S.C. § 2201. In their decision affirming the district court, the Fifth Circuit agreed that the bar on declaratory judgments prevented them from exercising jurisdiction. They noted a Congressional intent that the initial processing of tax matters be handled administratively.

The Tenth Circuit, in *United States v. Billingsley*, 469 F.2d 1208 (10th Cir. 1972), reversed the decision of the district court which held that the summons issued to taxpayer's employer was unenforceable under the decision in *Donaldson v. United States*, 400 U.S. 517 (1971), because it had been issued after the special agent's recommendation for criminal prosecution had been made. The Tenth Circuit agreed with the Government's contention that the recommendation referred to in *Donaldson* occurs, at the earliest, when the Service forwards a case to the Department of Justice for criminal prosecution. The court stated that *Donaldson* sanctioned the use of the summons in an investigation with both civil and criminal aspects and that, while a criminal investigation remains solely with the Service, the civil aspects are inextricably associated with the criminal. Only after reference to the Department of Justice, when two distinct agencies are involved, do the civil and criminal aspects at least begin to disentangle. The case however, was remanded to the district court for a determination as to whether the summons had been issued in good faith.

In the case of *Lucia v. United States*, 474 F.2d 565 (5th Cir. 1973), the Court of Appeals in an *en banc* decision reversed the panel decision and remanded to the district court for a factual determination respecting the taxpayer's allegation that the wagering excise tax assessment was arbitrary, capricious, and without factual foundation. The Court rejected the panel decision that, since the taxpayer was under no "duty" to file wagering excise tax returns, to deprive him of the defense of the bar of the statute of limitations constituted "punishment" for failure to file, which is proscribed by the *Marchetti* and *Grosso* cases. The Court concluded that the tax assessment was not barred because the statute of limitations does not commence to run until a return is filed, even though to require a return would violate the taxpayer's privilege against self-incrimination.

In *Clifford Irving, et al. v. Elliott Gray*, —— F.2d —— (2d Cir. 1973), the Second Circuit affirmed the judgment of the district court refusing to restrain collection of federal income taxes which had been determined to be due and owing as a result of the termination of the taxpayers' taxable years pursuant to *Code* § 6851. The Second Circuit's unanimous opinion approved the Government's actions, including the contention that the "full payment" rule of *Flora v. United States*, 357 U.S. 63 (1958) was inapplicable to this case, and that the decision in *Schreck v. United States*, 301 F. Supp. 1265 (D. Md. 1969) is erroneous. The Second Circuit followed the decision of the Seventh Circuit in *Williamson v. United States*, —— F.2d —— (7th Cir. 1971) and *Parrish v. Daly*, 350 F. Supp. 735 (S.D. Ind. 1972). The *Williamson* decision has previously received support from three tax court cases which ruled that taxes declared to be due and owing pursuant to the provisions of *Code* § 6851 (and its predecessor provisions) do not constitute deficiencies within the meaning of the *Code*. The Second Circuit concluded that the reasoning of *Williamson* and *Parrish* is correct and that the assessments made by the Service were not deficiency assessments governed by *Code* § 6861 but were rather assessments made under the general assessment authority of *Code* § 6201.

The Court of Appeals for the Second Circuit in a decision rendered on June 8, 1973, in *In re Freedomland, Inc.*, —— F.2d —— (2nd Cir. 1973), affirmed the district court's holding that the trustee in bankruptcy must withhold the federal income and social security taxes from the payment of the second priority wage claims and must file the requisite tax returns relative thereto. The Second Circuit reversed on the issue of the priority applicable to the payment of these taxes, concluding that they were not a debt owed by the bankrupt to be given a fourth priority, but were owed by the bankrupt's employees and conceptually were to be treated as a second priority claims, the same as the wages from which they derive. The Court of Appeals also held that the trustee may withhold on the 25 per cent basis which the district court had found represented an Internal Revenue Service attempt to facilitate the bankruptcy administration on a practical basis.

The Tax Court, in *Efrain T. Suarez*, 58 T.C. 792 (1972), articulated its first square holding concerning use of allegedly illegally obtained evidence as the basis of a statutory notice of deficiency. The offices and clinic of petitioner, later convicted as an abortionist, were raided by Florida police who seized certain records of petitioner. Deficiencies in tax were determined based on these records. Petitioner argued that the determinations were invalid, relying on the 4th and 5th Amendments. The Court determined that the warrantless raid was unconstitutional and therefore illegal and that, since respondent's determinations had been based on illegally seized evidence, the statutory notice was not entitled to any presumption of correctness. Significantly, however, the Court held that the notice of deficiency was sufficient to confer jurisdiction on the Tax Court, although the Commissioner was ordered to assume the burden of going forward with the evidence at the trial of the case on its merits.

The use of a "shell" or "nominee" corporation as a paper entity for the financing of commercial property was involved in *David F. Bolger*, 59 T.C. 760 (1973). There, petitioner utilized the corporate form to acquire property, finance the purchase price and construction thereon, and lease the same to third parties. Contemporaneously, legal title to the property was transferred to petitioner subject to the mortgage and lease. Petitioner made no investment and did not assume any liability. Petitioner's primary position was that the corporation was not a viable taxable entity, but a mere nominee. On this issue the Court held for respondent by reason of

of useful life need not be the same. Lastly, the court held in favor of the taxpayer on the issue of whether the investment credit should be allowed on the full basis of the film for depreciation purposes, or only on "those costs which are directly related to the finished negative," excluding the cost of unused portions of the film.

On January 8, 1973, the Government prevailed in *Hall Paving Co. v. United States*, 471 F.2d 261 (1973). This decision reversed a district court decision and remanded the case for further fact findings under *Code* § 269. The issue presented was whether post-acquisition net operating losses of affiliated corporations can be offset against post-acquisition income of an acquiring corporation on a consolidated return, or whether *Code* § 269 can be utilized to disallow such deductions where acquisitions are for tax avoidance purposes. Previous decisions in *Herculite Protective Fabrics Corp. v. Commissioner*, 387 F.2d 475 (3rd Cir. 1968), and *Zanesville Investment Co. v. Commissioner*, 335 F.2d 507 (6th Cir. 1964), had appeared to limit the Government's right to disallow such post-acquisition losses. The Fifth Circuit pointed out that the language of the statute gives no hint of any restriction to pre-acquisition losses, and found that the legislative history indicates that the Congressional purpose was to enable the Internal Revenue Service to disallow not only current and past losses but also prospective and anticipated losses. The decision constitutes an important precedent supporting the Government's efforts to prevent tax avoidance through the use of *Code* § 269.

On February 27, 1973, an adverse decision was rendered in *Janis v. United States*, 73–1 U.S.T.C. 7372 (C.D. Calif. 1973), an important test case which is now on appeal to the Court of Appeals for the Ninth Circuit.

The case involved wagering excise taxes which had been assessed at least in major part based on evidence which had allegedly been obtained in violation of the Fourth Amendment to the Constitution. The court held that the affidavit supporting the search warrant in the case failed to comply with the requirements set forth in *Spinelli v. United States*, 393 U.S. 410 (1969), and, therefore, that the evidence had been obtained from an unreasonable search and seizure in violation of the Fourth Amendment. It further held that the civil wagering tax assessment based on such evidence was invalid and, in effect, held that the exclusionary rule under the Fourth Amendment applies in civil tax cases. A similar decision was rendered by the Tax Court in another test case, *Efrain T. Suarez*, 58 T.C. 792 (1972), in which an appeal may be filed to the Fifth Circuit at a later date. The Supreme Court has never passed on the question of whether the exclusionary rule under the Fourth Amendment applies to civil cases, and the Government's position is that the exclusionary rule does not apply in such cases.

Three adverse decisions in *Portage Plastics Co., Inc. v. United States*, F.2d (7th Cir. 1973), *Shores Realty Co., Inc. v. United States*, 468 F.2d 572 (5th Cir. 1972) and *Amory Cotton Oil Co. v. United States*, 468 F.2d 1046 (5th Cir. 1972), resulted from the Government's attempts to uphold the validity of Treas. Reg. § 1.1371–1(g), relating to the requirements for recognition as a Subchapter S "small business corporation" under *Code* § 1371. One of the requirements is that such corporation not have more than one class of stock. The question arose as to whether advances to such corporations, which were not in proportion to shareholdings, but which gave rise to equity under traditional "debt v. equity" or "thin capitalization" tests, should be treated as giving rise to a second class of stock, thus disqualifying such corporations from Subchapter S treatment. Treas. Reg. § 1.1371–1(g) answered this question in the affirmative, but the Regulation has now been declared invalid. Such advances may give rise to equity for other purposes under the Code, but such treatment does not require disqualification as a Subchapter S corporation under these decisions.

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Statistical Tables

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In thousands of dollars.

Internal revenue regions, districts, States, and other areas[1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Total internal revenue collections	Corporation income tax[2]	Individual income and employment taxes: Total	Income tax not withheld and self-employment tax[3,4]	Income tax withheld and old-age and disability insurance[3,4,5]	Railroad retirement	Unemployment insurance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
United States, total	**237,787,204**	**39,045,309**	**177,193,715**	**29,389,938**	**145,236,920**	**1,250,859**	**1,315,997**
North-Atlantic Region	**47,533,836**	**9,982,429**	**34,619,259**	**4,696,556**	**29,591,978**	**57,407**	**273,319**
Albany (See (c) below)	2,484,703	405,350	2,034,223	171,624	1,844,824	4,281	13,493
Augusta (Maine)	581,258	70,358	486,384	101,079	375,686	5,442	4,177
Boston (Massachusetts)	6,513,894	952,961	5,053,940	796,388	4,210,647	7,708	39,203
Brooklyn (See (c) below)	4,468,626	441,273	3,676,620	737,465	2,898,283	12,699	28,173
Buffalo (See (c) below)	4,082,861	860,883	2,988,036	420,063	2,543,519	204	24,251
Burlington (Vermont)	288,758	29,431	234,752	52,249	180,466	320	1,716
Hartford (Connecticut)	5,307,204	856,029	3,856,208	878,884	2,989,378	41	27,904
Manhattan (See (c) below)	22,183,213	6,124,124	14,945,716	1,324,611	13,471,076	26,637	123,392
Portsmouth (New Hampshire)	595,336	72,023	481,861	95,362	382,399	(*)	4,099
Providence (Rhode Island)	1,027,982	169,997	821,518	118,831	695,704	73	6,910
Mid-Atlantic Region	**34,863,075**	**5,087,180**	**26,469,105**	**4,059,471**	**21,799,671**	**423,396**	**186,567**
Baltimore (Maryland and D.C.)	6,765,450	671,348	5,482,292	886,424	4,431,653	139,127	25,087
Newark (New Jersey)	8,753,915	1,749,582	6,355,921	1,054,199	5,287,260	4,497	49,964
Philadelphia (See (e) below)	8,661,187	1,029,172	6,737,616	959,092	5,530,032	198,679	49,814
Pittsburgh (See (e) below)	5,389,282	672,034	4,295,136	507,503	3,735,065	17,398	35,171
Richmond (Virginia)	3,850,802	419,478	2,703,731	523,876	2,096,042	63,694	20,120
Wilmington (Delaware)	1,432,438	545,565	854,409	128,377	719,619	(*)	6,413
Southeast Region	**22,913,245**	**3,349,978**	**16,902,982**	**3,859,199**	**12,837,808**	**60,760**	**145,215**
Atlanta (Georgia)	4,087,365	643,441	3,103,067	549,837	2,525,226	3,000	25,004
Birmingham (Alabama)	1,990,542	241,364	1,577,402	317,441	1,242,912	2,976	14,073
Columbia (South Carolina)	1,459,432	225,513	1,167,073	220,668	954,661	147	11,597
Greensboro (North Carolina)	5,179,552	791,037	2,950,247	510,679	2,448,115	1,651	29,803
Jackson (Mississippi)	885,151	125,841	711,255	199,023	505,156	423	6,653
Jacksonville (Florida)	6,499,990	902,767	5,108,376	1,555,079	3,464,276	50,015	38,006
Nashville (Tennessee)	2,811,214	420,016	2,225,562	505,472	1,697,461	2,550	20,080
Central Region	**38,614,716**	**7,346,140**	**27,177,238**	**3,469,685**	**23,428,068**	**86,059**	**193,427**
Cincinnati (See (d) below)	5,011,670	901,015	3,741,550	564,746	3,146,102	127	30,575
Cleveland (See (d) below)	9,151,453	1,433,134	6,729,277	726,675	5,923,486	32,141	46,975
Detroit (Michigan)	14,948,744	3,876,323	10,236,987	1,039,796	9,106,743	15,211	75,236
Indianapolis (Indiana)	5,555,766	684,404	4,351,986	640,264	3,685,998	1,821	23,903
Louisville (Kentucky)	3,145,918	352,544	1,458,460	345,389	1,065,305	36,705	11,061
Parkersburg (West Virginia)	801,166	98,720	658,978	152,815	500,432	54	5,677
Midwest Region	**36,583,531**	**6,283,332**	**27,370,606**	**4,312,214**	**22,453,736**	**397,068**	**207,587**
Aberdeen (South Dakota)	309,296	33,078	260,586	83,776	174,972	−3	1,839
Chicago (See (b) below)	14,971,083	2,797,013	11,042,261	1,465,905	9,337,321	149,214	89,821
Des Moines (Iowa)	1,973,426	333,870	1,545,703	460,467	1,073,817	597	10,822
Fargo (North Dakota)	300,526	24,165	259,989	83,661	174,587	2	1,738
Milwaukee (Wisconsin)	4,368,538	819,572	3,194,294	483,266	2,684,528	809	25,691
Omaha (Nebraska)	1,447,159	161,518	1,151,507	263,400	829,198	51,764	7,145
St. Louis (Missouri)	6,081,828	940,305	4,531,030	637,601	3,781,378	78,251	33,800
St. Paul (Minnesota)	4,503,203	725,873	3,555,379	421,211	2,996,857	112,802	24,509
Springfield (See (b) below)	2,628,472	447,939	1,829,857	412,926	1,401,077	3,630	12,223
Southwest Region	**23,166,589**	**2,888,781**	**17,403,661**	**3,736,977**	**13,442,227**	**103,876**	**120,581**
Albuquerque (New Mexico)	529,796	43,014	465,783	102,395	360,119	15	3,253
Austin (See (f) below)	6,508,865	804,688	4,458,357	1,042,766	3,378,521	5,445	31,625
Cheyenne (Wyoming)	212,423	17,579	163,991	58,568	104,286	4	1,133
Dallas (See (f) below)	5,264,731	809,516	3,895,484	889,354	2,958,846	16,771	30,513
Denver (Colorado)	3,638,051	272,594	3,069,382	349,914	2,693,876	12,277	13,315
Little Rock (Arkansas)	858,813	122,549	709,525	200,810	500,825	611	6,278
New Orleans (Louisiana)	2,276,937	306,133	1,835,879	412,542	1,408,713	1,348	13,276
Oklahoma City (Oklahoma)	2,178,980	295,008	1,463,630	328,284	1,123,230	137	11,979
Wichita (Kansas)	1,657,994	217,699	1,342,630	352,344	913,811	67,268	9,207
Western Region	**30,825,374**	**3,533,265**	**24,738,808**	**4,567,579**	**19,884,359**	**105,644**	**181,226**
Anchorage (Alaska)	246,719	16,129	224,348	32,891	190,194		1,263
Boise (Idaho)	577,270	68,249	486,737	92,408	389,614	579	4,136
Helena (Montana)	366,459	36,341	313,312	102,950	207,937	303	2,122
Honolulu (Hawaii)	735,359	86,199	620,174	110,541	505,095		4,538
Los Angeles (See (a) below)	11,946,838	1,442,754	9,584,952	1,700,893	7,810,174	471	73,414
Phoenix (Arizona)	1,431,937	155,721	1,225,825	268,038	948,106	206	9,475
Portland (Oregon)	1,945,825	322,373	1,545,376	336,629	1,194,719	1,141	12,887
Reno (Nevada)	562,862	80,554	446,401	100,137	342,826	1	3,437
Salt Lake City (Utah)	673,077	79,923	566,799	97,822	463,239	1,146	4,592
San Francisco (See (a) below)	9,439,366	922,073	7,387,516	1,277,378	5,960,787	101,513	47,838
Seattle (Washington)	2,899,660	322,949	2,337,369	447,893	1,871,668	285	17,523
Office of International Operations	**952,662**	**56,174**	**749,842**	**98,158**	**640,457**	**3,522**	**7,705**
Puerto Rico	338,555	657	220,861	11,947	208,456		459
Other	614,106	55,516	528,980	86,212	432,001	3,522	7,246
Undistributed:							
Federal tax deposits[6]	1,636,572	484,298	1,098,368		1,084,869	13,128	371
Gasoline lubricating oil, and excess FICA credits[7]	623,833	33,733	590,100	590,100			
Transferred to Government of Guam	−10,710		−10,710		−10,710		
Withheld taxes of Federal employees	84,458		84,458		84,458		
Clearing account for Excise taxes—aviation fuel and oil—Air Force and Navy	24						
Totals for states not shown above							
(a) California	21,386,204	2,364,828	16,972,468	2,978,271	13,770,961	101,983	121,252
(b) Illinois	17,599,555	3,244,952	12,872,118	1,878,831	10,738,398	152,845	102,044
(c) New York	33,219,404	7,831,630	23,644,595	2,653,762	20,757,702	43,822	189,309
(d) Ohio	14,163,123	2,334,149	10,470,827	1,291,421	9,069,589	32,268	77,550
(e) Pennsylvania	14,050,469	1,701,207	11,032,752	1,466,595	9,265,096	216,077	84,984
(f) Texas	11,773,596	1,614,203	8,353,841	1,932,120	6,337,367	22,216	62,138

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

In thousands of dollars.

Internal revenue regions, districts, States and other areas[1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Estate tax	Gift tax	Excise taxes, total (sum of columns 11, 26, 30, 36, 41 and 55)	Alcohol taxes: Total	Distilled spirits taxes: Total	Imported (collected by customs)	Domestic[8]	Rectification[8]	Occupational[8]	Other
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
United States, total	**4,338,924**	**636,938**	**16,572,318**	**5,149,513**	**3,755,516**	**736,020**	**2,971,278**	**34,873**	**12,607**	**738**
North-Atlantic Region	**964,301**	**154,088**	**1,813,759**	**637,809**	**457,497**	**242,422**	**221,142**	**1,616**	**2,066**	**250**
Albany (See (c) below)	26,865	1,107	17,159	7,162	177		(*)		176	(*)
Augusta (Maine)	13,832	920	9,763	2,683	2,529		2,477	15	37	(*)
Boston (Massachusetts)	169,906	22,449	314,638	176,021	161,361	88,329	71,996	627	408	1
Brooklyn (See (c) below)	142,751	15,043	192,940	67,097	6,365		6,045	2	280	38
Buffalo (See (c) below)	101,473	24,342	108,127	40,577	380			(*)	374	7
Burlington (Vermont)	19,799	1,624	3,151	92	54		1		53	
Hartford (Connecticut)	156,149	24,993	373,826	96,858	92,545		92,136	153	256	1
Manhattan (See (c) below)	298,305	61,253	753,815	214,610	203,671	154,092	48,188	815	373	203
Portsmouth (New Hampshire)	18,739	1,311	21,403	17,640	333		300	4	29	(*)
Providence (Rhode Island)	16,481	1,048	18,937	15,069	82				81	1
Mid-Atlantic Region	**587,603**	**80,220**	**2,638,967**	**836,921**	**646,707**	**79,085**	**548,740**	**16,918**	**1,895**	**68**
Baltimore (Maryland and D.C.)	112,226	17,694	481,890	264,181	237,733	79,085	150,259	8,134	255	(*)
Newark (New Jersey)	152,824	12,372	443,216	269,237	187,307		183,354	3,195	701	57
Philadelphia (See (e) below)	164,260	22,696	707,444	162,552	118,698		116,897	1,332	469	
Pittsburgh (See (e) below)	62,502	7,151	352,458	95,005	79,547		75,041	4,148	349	8
Richmond (Virginia)	77,755	8,923	650,915	45,893	23,377		23,185	109	80	3
Wilmington (Delaware)	18,036	11,383	3,045	53	44		4		40	(*)
Southeast Region	**491,199**	**67,613**	**2,101,473**	**245,422**	**104,994**	**49,007**	**54,728**	**327**	**777**	**154**
Atlanta (Georgia)	54,070	9,571	277,217	28,602	7,867		7,598	46	149	74
Birmingham (Alabama)	31,118	3,714	136,944	180	100		31		48	21
Columbia (South Carolina)	18,713	3,108	25,025	629	117		11		93	13
Greensboro (North Carolina)	65,861	6,545	1,325,863	40,713	159		106		53	
Jackson (Mississippi)	21,523	2,530	24,002	368	269		168		68	33
Jacksonville (Florida)	248,705	30,383	209,759	108,684	60,443	49,007	10,842	281	299	13
Nashville (Tennessee)	51,211	11,762	102,663	66,247	36,040		35,972		67	(*)
Central Region	**454,399**	**81,960**	**3,554,980**	**1,587,849**	**1,459,990**	**173,811**	**1,275,939**	**8,412**	**1,794**	**35**
Cincinnati (See (d) below)	91,851	12,880	264,374	214,685	183,622		182,203	1,167	250	1
Cleveland (See (d) below)	102,316	25,232	861,494	40,144	29,641	20,573	8,498	135	436	
Detroit (Michigan)	114,553	25,441	695,439	310,254	258,401	153,238	103,871	642	616	33
Indianapolis (Indiana)	81,588	12,588	425,200	322,910	303,938		298,794	4,816	328	
Louisville (Kentucky)	45,497	3,273	1,286,144	694,527	679,137		677,360	1,651	126	1
Parkersburg (West Virginia)	18,594	2,546	22,329	5,330	5,251		5,213		39	
Midwest Region	**587,795**	**107,855**	**2,233,944**	**785,017**	**458,430**	**59,140**	**392,634**	**4,153**	**2,502**	(*)
Aberdeen (South Dakota)	7,049	188	8,396	80	52				52	
Chicago (See (b) below)	212,981	56,810	862,018	184,575	178,150	44,008	132,925	508	709	
Des Moines (Iowa)	51,176	5,308	37,368	415	163		(*)		163	
Fargo (North Dakota)	7,552	548	8,271	140	119	64			55	
Milwaukee (Wisconsin)	68,492	8,894	277,287	156,711	6,604	3,639	2,281	8	677	
Omaha (Nebraska)	34,099	2,440	97,594	6,043	142				142	
St. Louis (Missouri)	97,393	15,946	497,153	143,215	45,906	7,768	37,245	599	294	(*)
St. Paul (Minnesota)	54,790	12,768	154,393	50,398	15,122	3,662	11,167	123	170	
Springfield (See (b) below)	54,262	4,952	291,462	243,440	212,172		209,016	2,916	240	
Southwest Region	**435,656**	**82,560**	**2,355,932**	**249,393**	**59,870**	**38,193**	**19,995**	**48**	**1,422**	**212**
Albuquerque (New Mexico)	9,963	1,124	9,912	1,256	1,251		1,126	44	79	3
Austin (See (f) below)	135,923	26,021	1,083,877	73,258	27,216	23,324	3,517		259	116
Cheyenne (Wyoming)	5,622	1,237	23,993	39	31				31	
Dallas (See (f) below)	104,547	27,308	427,877	33,274	321		95		211	15
Denver (Colorado)	43,493	4,955	247,627	93,222	152		(*)		152	(*)
Little Rock (Arkansas)	15,403	5,755	46,581	599	46		1		43	1
New Orleans (Louisiana)	45,630	7,649	81,645	47,211	30,588	14,868	15,154	4	506	56
Oklahoma City (Oklahoma)	36,403	5,209	378,730	240	70		3		63	4
Wichita (Kansas)	38,673	3,302	55,691	294	195		99		79	17
Western Region	**798,430**	**61,346**	**1,693,525**	**711,577**	**462,523**	**94,362**	**362,607**	**3,386**	**2,150**	**18**
Anchorage (Alaska)	869	280	5,093	224	220	173			48	
Boise (Idaho)	15,835	585	5,864	78	29				29	
Helena (Montana)	10,318	1,035	5,455	1,244	1,223	4	1,152	6	61	
Honolulu (Hawaii)	10,268	2,787	15,931	4,763	3,089	2,844	165	5	74	1
Los Angeles (See (a) below)	358,628	25,408	535,096	186,283	127,297	37,701	88,680	170	734	12
Phoenix (Arizona)	33,581	4,176	12,635	2,681	430	295			135	(*)
Portland (Oregon)	31,823	3,421	42,833	16,828	9,715	1,277	8,355	6	76	
Reno (Nevada)	25,658	1,348	8,901	82	73				72	1
Salt Lake City (Utah)	8,154	792	17,409	32	7				7	(*)
San Francisco (See (a) below)	248,505	15,425	865,846	429,196	298,282	33,461	260,891	3,180	747	3
Seattle (Washington)	54,791	6,089	178,462	70,164	22,158	18,608	3,363	20	165	1
Office of International Operations	**19,541**	**1,296**	**125,809**	**95,526**	**95,505**		**95,493**	**12**	(*)	
Puerto Rico	380	165	109,706	95,526	95,505		95,493	12		
Other	19,161	1,132	16,103	(*)	(*)				(*)	
Undistributed:										
Federal tax deposits[6]			53,906							
Gasoline lubricating oil, & excess FICA credits[7]										
Transferred to Government of Guam										
Withheld taxes of Federal employees										
Clearing account for Excise taxes—aviation fuel and oil—Air Force and Navy			24							
Totals for states not shown above										
(a) California	607,134	40,833	1,400,942	615,479	425,579	71,162	349,572	3,350	1,481	15
(b) Illinois	267,243	61,761	1,153,480	428,015	390,321	44,008	341,941	3,424	949	
(c) New York	569,394	101,744	1,072,041	329,446	210,593	154,092	54,233	817	1,203	248
(d) Ohio	194,167	38,112	1,125,868	254,829	213,263	20,573	190,701	1,302	686	1
(e) Pennsylvania	226,762	29,847	1,059,901	257,557	198,245		191,938	5,480	819	8
(f) Texas	240,470	53,329	1,511,753	106,532	27,537	23,324	3,611		470	131

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

In thousands of dollars.

Internal revenue regions, districts, States, and other areas[1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Alcohol taxes—Continued							
	Wines, cordials, etc., taxes				Beer taxes			
	Total (18)	Imported (collected by Customs) (19)	Domestic[8] (20)	Occupational taxes[11] (21)	Total (22)	Imported (collected by Customs) (23)	Domestic[8] (24)	Occupational taxes[12] (25)
United States, total	192,556	20,280	167,423	4,852	1,201,442	7,897	1,190,086	3,459
North-Atlantic Region	39,426	8,616	30,586	224	130,886	4,411	125,991	484
Albany (See (c) below)	504		490	14	6,482		6,438	43
Augusta (Maine)	124		88	36	31		1	29
Boston (Massachusetts)	3,027	1,814	1,184	29	11,632	1,329	10,291	13
Brooklyn (See (c) below)	4,237		4,231	6	56,495		56,380	115
Buffalo (See (c) below)	19,841		19,812	28	20,356		20,252	104
Burlington (Vermont)	33		(*)	33	5			5
Hartford (Connecticut)	3,906		3,898	8	407		373	34
Manhattan (See (c) below)	7,745	6,802	880	63	3,194	3,082		112
Portsmouth (New Hampshire)	6		4	2	17,301		17,273	28
Providence (Rhode Island)	3			3	14,984		14,983	1
Mid-Atlantic Region	16,333	2,699	13,434	200	173,881	444	173,112	325
Baltimore (Maryland and D.C.)	2,921	2,699	188	35	23,526	444	23,050	33
Newark (New Jersey)	8,740		8,729	11	73,190		73,159	31
Philadelphia (See (e) below)	2,799		2,781	18	41,055		40,959	96
Pittsburgh (See (e) below)	19		9	11	15,439		15,363	75
Richmond (Virginia)	1,853		1,727	126	20,663		20,575	88
Wilmington (Delaware)	1			1	8		7	1
Southeast Region	4,867	1,464	1,151	2,251	135,562	449	134,550	564
Atlanta (Georgia)	677		546	131	20,059		19,991	67
Birmingham (Alabama)	3			3	77			77
Columbus (South Carolina)	463		359	104	49			49
Greensboro (North Carolina)	165		(*)	165	40,389		40,288	101
Jackson (Mississippi)	2			2	97			97
Jacksonville (Florida)	3,550	1,464	246	1,840	44,692	449	44,152	91
Nashville (Tennessee)	7		(*)	7	30,200		30,118	83
Central Region	5,819	1,673	3,453	693	122,040	400	121,421	218
Cincinnati (See (d) below)	890		722	168	30,174		30,152	22
Cleveland (See (d) below)	1,614	1,124	316	174	8,888	21	8,849	18
Detroit (Michigan)	2,192	550	1,390	253	49,661	379	49,259	23
Indianapolis (Indiana)	653		565	89	18,318		18,290	29
Louisville (Kentucky)	465		460	5	14,924		14,873	51
Parkersburg (West Virginia)	4			4	75			75
Midwest Region	7,571	2,377	5,104	90	319,016	332	318,152	531
Aberdeen (South Dakota)	2			2	26			26
Chicago (See (b) below)	5,025	1,630	3,370	25	1,400	222	1,150	28
Des Moines (Iowa)	64		59	5	188		126	61
Fargo (North Dakota)	3	2		1	18	6		11
Milwaukee (Wisconsin)	442	363	54	25	149,665	100	149,441	124
Omaha (Nebraska)	4			4	5,896		5,869	28
St. Louis (Missouri)	1,765	181	1,575	9	95,543	(*)	95,447	96
St. Paul (Minnesota)	254	201	44	9	35,022	3	34,884	135
Springfield (See (b) below)	11		2	9	31,258		31,236	22
Southwest Region	1,982	878	507	598	187,541	330	186,218	993
Albuquerque (New Mexico)	3		1	2	2			2
Austin (See (f) below)	1,000	627	(*)	373	45,042	227	44,475	340
Cheyenne (Wyoming)	(*)			(*)	8			8
Dallas (See (f) below)	173			173	32,780		32,676	104
Denver (Colorado)	11		1	10	93,059		93,019	40
Little Rock (Arkansas)	517		502	14	36			36
New Orleans (Louisiana)	267	250	1	15	16,355	103	16,047	205
Oklahoma City (Oklahoma)	7		(*)	7	163			163
Wichita (Kansas)	4			4	95			95
Western Region	116,543	2,573	113,174	796	132,510	1,531	130,636	344
Anchorage (Alaska)	2	1	(*)	1	2	1		1
Boise (Idaho)	23		(*)	23	26			26
Helena (Montana)	2	1		1	20	1		19
Honolulu (Hawaii)	71	68		3	1,604	134	1,468	1
Los Angeles (See (a) below)	5,392	1,245	3,946	201	53,594	908	52,574	111
Phoenix (Arizona)	51	(*)	(*)	51	2,200	(*)	2,190	10
Portland (Oregon)	237	62	38	136	6,876	8	6,849	20
Reno (Nevada)	6			6	4			4
Salt Lake City (Utah)	1			1	25			25
San Francisco (See (a) below)	110,060	1,071	108,748	240	20,854	432	20,314	108
Seattle (Washington)	699	126	441	133	47,307	46	47,241	19
Office of International Operations	15		15		6		6	
Puerto Rico	15		15		6		6	
Other								
Undistributed:								
Federal tax deposits[5]								
Gasoline lubricating oil, and excess FICA credits[7]								
Transferred to Government of Guam								
Withheld taxes of Federal employees								
Clearing account for Excise taxes—aviation fuel and oil—Air Force and Navy								
Totals for states not shown above								
(a) California	115,452	2,316	112,695	441	74,448	1,341	72,888	219
(b) Illinois	5,036	1,630	3,372	34	32,658	222	32,385	50
(c) New York	32,327	6,802	25,413	112	86,526	3,082	83,070	375
(d) Ohio	2,504	1,124	1,038	342	39,062	21	39,000	40
(e) Pennsylvania	2,818		2,790	28	56,494		56,322	171
(f) Texas	1,174	627	(*)	546	77,822	227	77,151	443

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

In thousands of dollars.

Internal revenue regions, districts, States, and other areas[1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Tobacco taxes			
	Total (26)	Cigarettes (27)	Cigars[8] (28)	Other[13] (29)
United States, total	2,276,951	2,221,019	53,794	2,137
North-Atlantic Region	1,159	218	343	597
Albany (See (c) below)	54		54	
Augusta (Maine)	(*)			(*)
Boston (Massachusetts)	165	1	1	163
Brooklyn (See (c) below)	12	10	2	(*)
Buffalo (See (c) below)	2			2
Burlington (Vermont)				
Hartford (Connecticut)	228	(*)	219	9
Manhattan (See (c) below)	698	207	67	424
Portsmouth (New Hampshire)	(*)		(*)	
Providence (Rhode Island)	(*)	(*)	(*)	
Mid-Atlantic Region	558,189	537,267	20,587	335
Baltimore (Maryland and D.C.)	63		(*)	62
Newark (New Jersey)	161	40	6	115
Philadelphia (See (e) below)	20,164	4	20,160	(*)
Pittsburgh (See (e) below)	98	(*)	98	
Richmond (Virginia)	537,702	537,223	322	157
Wilmington (Delaware)				
Southeast Region	1,202,128	1,184,866	16,300	961
Atlanta (Georgia)	837		837	(*)
Birmingham (Alabama)	1,901		1,901	(*)
Columbia (South Carolina)	746		746	
Greensboro (North Carolina)	1,188,260	1,184,735	3,018	506
Jackson (Mississippi)				
Jacksonville (Florida)	10,006	131	9,795	81
Nashville (Tennessee)	379		4	375
Central Region	503,113	498,649	4,381	82
Cincinnati (See (d) below)	83		83	
Cleveland (See (d) below)	684		682	3
Detroit (Michigan)	5		1	3
Indianapolis (Indiana)	477		477	
Louisville (Kentucky)	501,560	498,649	2,834	77
Parkersburg (West Virginia)	305		305	
Midwest Region	50	(*)	10	40
Aberdeen (South Dakota)				
Chicago (See (b) below)	33		4	29
Des Moines (Iowa)				
Fargo (North Dakota)	1	(*)		1
Milwaukee (Wisconsin)	7	(*)	6	1
Omaha (Nebraska)				
St. Louis (Missouri)	8		(*)	8
St. Paul (Minnesota)	1		(*)	1
Springfield (See (b) below)				
Southwest Region	216	3	204	9
Albuquerque (New Mexico)				
Austin (See (f) below)	213	3	204	6
Cheyenne (Wyoming)				
Dallas (See (f) below)				
Denver (Colorado)				
Little Rock (Arkansas)				
New Orleans (Louisiana)	4	(*)		3
Oklahoma City (Oklahoma)				
Wichita (Kansas)				
Western Region	136	3	20	112
Anchorage (Alaska)	(*)	(*)		(*)
Boise (Idaho)				
Helena (Montana)	(*)			(*)
Honolulu (Hawaii)	6	1		6
Los Angeles (See (a) below)	75	(*)	17	58
Phoenix (Arizona)	1		1	(*)
Portland (Oregon)	(*)			(*)
Reno (Nevada)	(*)		(*)	(*)
Salt Lake City (Utah)				
San Francisco (See (a) below)	23	3	1	19
Seattle (Washington)	29	(*)		28
Office of International Operations	11,961	12	11,948	
Puerto Rico	11,961	12	11,948	
Other				
Undistributed:				
Federal tax deposits[5]				
Gasoline lubricating oil, and excess FICA credits[7]				
Transferred to Government of Guam				
Withheld taxes of Federal employees				
Clearing account for Excise taxes—aviation fuel and oil—Air Force and Navy				
Totals for states not shown above				
(a) California	98	3	18	77
(b) Illinois	33		4	29
(c) New York	765	216	123	426
(d) Ohio	767		764	3
(e) Pennsylvania	20,263	4	20,258	(*)
(f) Texas	213	3	204	6

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

In thousands of dollars.

Internal revenue regions, districts, States and other areas.[1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Manufacturer's excise taxes: Total	Gasoline	Lubricating oil, etc.	Tires (wholly or in part of rubber), inner tubes, and tread rubber	Motor vehicle chassis bodies parts and accessories[14]	Other[15]	Retailers' excise taxes: Total	Non-Commercial aviation fuel gasoline	Non-Commercial aviation fuel other than gasoline
	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)
United States, total	**5,395,750**	**3,927,535**	**103,094**	**814,042**	**485,601**	**65,477**	**368,372**	**10,246**	**23,613**
North-Atlantic Region	**321,964**	**107,578**	**1,007**	**169,211**	**7,799**	**36,369**	**19,955**	**601**	**1,676**
Albany (See (c) below)	7,669	3,876	11	93	257	3,431	1,622	41	62
Augusta (Maine)	4,338	3,615	22	485	200	17	1,306	31	26
Boston (Massachusetts)	45,578	39,582	193	1,502	775	3,525	3,270	92	63
Brooklyn (See (c) below)	18,940	6,183	148	10,904	1,590	115	1,420	52	205
Buffalo (See (c) below)	43,692	21,098	77	20,477	1,151	889	5,605	145	689
Burlington (Vermont)	1,572	1,247	125	79	57	64	671	17	19
Hartford (Connecticut)	167,281	11,396	14	128,811	1,391	25,669	2,628	150	187
Manhattan (See (c) below)	28,395	17,073	415	6,454	1,934	2,518	2,469	36	393
Portsmouth (New Hampshire)	1,382	1,108	(*)	170	65	39	718	24	31
Providence (Rhode Island)	3,116	2,400	(*)	236	377	103	246	12	1
Mid-Atlantic Region	**791,948**	**629,600**	**19,462**	**85,377**	**52,472**	**5,038**	**48,057**	**1,006**	**3,583**
Baltimore (Maryland and D.C.)	129,429	83,151	1,366	47,770	−3,116	257	6,455	99	197
Newark (New Jersey)	63,026	57,388	2,376	9,279	−9,548	3,531	7,045	264	1,565
Philadelphia (See (e) below)	357,572	268,138	6,684	23,119	58,740	891	12,077	195	186
Pittsburgh (See (e) below)	223,453	205,276	8,831	4,333	4,975	39	16,486	294	1,390
Richmond (Virginia)	17,697	14,971	203	877	1,332	314	5,233	141	244
Wilmington (Delaware)	773	676	2		89	7	761	12	11
Southeast Region	**171,955**	**130,988**	**2,248**	**15,888**	**17,965**	**4,867**	**35,191**	**1,625**	**2,559**
Atlanta (Georgia)	29,972	21,964	1,040	1,317	5,459	192	6,195	233	477
Birmingham (Alabama)	18,203	10,696	514	2,180	4,616	197	3,867	146	192
Columbia (South Carolina)	17,367	14,666	147	309	312	1,931	3,037	124	191
Greensboro (North Carolina)	46,633	41,584	147	2,798	2,064	41	6,251	252	434
Jackson (Mississippi)	11,248	6,568	3	3,975	690	12	2,345	138	94
Jacksonville (Florida)	22,278	15,612	201	2,568	1,617	2,280	7,527	527	741
Nashville (Tennessee)	26,256	19,898	196	2,741	3,207	214	5,970	204	430
Central Region	**1,030,719**	**347,998**	**7,251**	**488,393**	**185,387**	**1,689**	**44,571**	**996**	**2,122**
Cincinnati (See (d) below)	21,427	17,952	223	850	2,265	138	3,721	142	292
Cleveland (See (d) below)	710,333	170,762	1,976	487,545	49,401	650	15,146	157	776
Detroit (Michigan)	175,860	53,791	1,624	−820	120,585	680	7,502	318	394
Indianapolis (Indiana)	44,422	32,061	1,088	253	10,809	211	9,457	226	380
Louisville (Kentucky)	75,701	71,219	2,308	337	1,829	8	6,968	86	208
Parkersburg (West Virginia)	2,976	2,214	32	229	499	3	1,776	66	73
Midwest Region	**687,401**	**537,937**	**11,627**	**12,652**	**116,203**	**8,982**	**57,585**	**1,246**	**3,113**
Aberdeen (South Dakota)	4,479	3,960	22	11	483	2	2,076	39	37
Chicago (See (b) below)	410,723	300,909	8,377	7,214	92,104	2,119	21,811	221	526
Des Moines (Iowa)	20,860	14,207	100	2,681	3,434	437	5,334	141	155
Fargo (North Dakota)	3,583	3,331	24	31	196	1	973	47	22
Milwaukee (Wisconsin)	75,864	63,694	218	384	10,726	842	5,229	149	348
Omaha (Nebraska)	7,435	6,470	423	22	442	78	4,032	118	231
St. Louis (Missouri)	76,182	68,372	1,274	1,618	4,693	224	8,172	196	1,180
St. Paul (Minnesota)	59,370	51,581	1,054	214	1,910	4,611	6,560	199	492
Springfield (See (b) below)	28,906	25,413	134	476	2,215	668	3,397	135	122
Southwest Region	**1,848,932**	**1,755,488**	**47,967**	**23,058**	**20,445**	**1,974**	**101,521**	**2,424**	**7,277**
Albuquerque (New Mexico)	4,499	4,376	38	50	31	4	3,755	110	91
Austin (See (f) below)	1,015,756	975,101	30,125	8,398	2,056	77	39,660	728	3,178
Cheyenne (Wyoming)	20,704	20,653	4	17	25	5	2,150	45	34
Dallas (See (f) below)	310,714	292,651	8,731	1,444	7,510	329	22,417	459	903
Denver (Colorado)	46,317	30,458	38	12,388	2,849	583	3,786	164	470
Little Rock (Arkansas)	37,952	35,488	485	83	1,123	773	4,316	154	151
New Orleans (Louisiana)	15,480	13,557	453	98	1,274	98	4,474	330	690
Oklahoma City (Oklahoma)	355,543	342,919	7,620	489	4,431	84	16,758	239	1,473
Wichita (Kansas)	41,967	40,285	423	92	1,146	21	4,206	194	287
Western Region	**539,980**	**417,908**	**13,512**	**19,439**	**83,035**	**6,085**	**61,465**	**2,349**	**3,273**
Anchorage (Alaska)	18	15	(*)	1	1	1	204	100	26
Boise (Idaho)	1,932	1,610	11	132	91	88	2,305	77	57
Helena (Montana)	896	763	2	66	46	18	1,600	97	74
Honolulu (Hawaii)	343	22	1	284	19	16	218	26	4
Los Angeles (See (a) below)	173,520	143,201	4,470	13,705	10,149	1,995	15,626	5,581	−3,088
Phoenix (Arizona)	1,668	161	(*)	400	1,103	3	6,204	241	203
Portland (Oregon)	21,145	1,961	36	1,283	17,367	498	3,726	205	141
Reno (Nevada)	1,756	1,685	(*)	76	−6	(*)	1,409	52	34
Salt Lake City (Utah)	5,142	2,007	(*)	272	258	2,606	1,893	75	46
San Francisco (See (a) below)	277,888	257,531	8,937	2,878	8,032	510	24,653	−4,295	5,646
Seattle (Washington)	55,672	8,952	54	342	45,974	349	3,626	189	130
Office of International Operations	**2,851**	**38**	**21**	**24**	**2,295**	**473**	**26**		
Puerto Rico									
Other	2,851	38	21	24	2,295	473	26		
Undistributed:									
Federal tax deposits[4]									
Gasoline lubricating oil, and excess FICA credits[7]									
Transferred to Government of Guam									
Withheld taxes of Federal employees									
Clearing account for Excise taxes—aviation fuel and oil—Air Force and Navy									
Totals for states not shown above									
(a) California	451,408	400,733	13,406	16,583	18,181	2,505	40,279	1,286	2,559
(b) Illinois	439,629	326,322	8,511	7,690	94,320	2,786	25,208	356	649
(c) New York	98,696	48,230	651	37,928	4,933	6,953	11,116	274	1,349
(d) Ohio	731,759	188,713	2,199	488,394	51,665	788	18,867	299	1,067
(e) Pennsylvania	581,025	473,414	15,515	27,451	63,715	930	28,562	489	1,576
(f) Texas	1,326,470	1,237,752	38,906	9,841	9,566	406	62,077	1,189	4,082

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

In thousands of dollars.

Internal revenue regions, districts, States, and other areas.[1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Retailers' excise taxes Continued: Diesel and special motor fuel	Other[16]	Miscellaneous excise taxes: Total	Telephone and teletype-writer services	Transportation of persons by air	Use of international air travel facilities	Transportation of property by air	Sugar
	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)
United States, total	**334,473**	**39**	**3,041,551**	**1,885,228**	**579,167**	**44,548**	**37,214**	**113,616**
North-Atlantic Region	**17,657**	**21**	**740,047**	**395,935**	**165,433**	**19,789**	**7,036**	**38,973**
Albany (See (c) below)	1,518		4,326	3,229	59		5	(*)
Augusta (Maine)	1,249		1,569	473	48		(*)	1
Boston (Massachusetts)	3,113	2	95,915	83,136	3,032	188	72	2,535
Brooklyn (See (c) below)	1,150	13	10,034	234	1,931	3,001	382	1,350
Buffalo (See (c) below)	4,771		14,245	11,113	42	(*)	9	3
Burlington (Vermont)	635		851	172	21		4	(*)
Hartford (Connecticut)	2,290		83,381	78,902	78	58	8	1
Manhattan (See (c) below)	2,035	5	528,028	218,431	160,197	16,541	6,546	35,083
Portsmouth (New Hampshire)	663		993	238	8		9	(*)
Providence (Rhode Island)	233		706	7	18		(*)	
Mid-Atlantic Region	**43,441**	**18**	**339,504**	**264,852**	**20,798**	**189**	**927**	**9,512**
Baltimore (Maryland and D.C.)	6,159		73,805	46,563	20,451	166	785	
Newark (New Jersey)	5,198	18	99,149	80,215	60	5	8	4,405
Philadelphia (See (e) below)	11,696		107,816	89,929	167	(*)	49	5,020
Pittsburgh (See (e) below)	14,801		13,781	9,365	45	15	3	2
Richmond (Virginia)	4,848		42,983	38,780	72	4	21	85
Wilmington (Delaware)	738		1,970	1	4		62	(*)
Southeast Region	**31,007**		**429,794**	**285,524**	**88,286**	**2,235**	**4,540**	**12,095**
Atlanta (Georgia)	5,484		207,601	126,928	64,939	691	2,711	5,606
Birmingham (Alabama)	3,529		110,771	102,028	15	(*)	1	4,736
Columbia (South Carolina)	2,722		5,242	2,301	59		(*)	5
Greensboro (North Carolina)	5,565		37,356	23,102	5,943	14	228	2
Jackson (Mississippi)	2,113		2,143	411	12	(*)	5	(*)
Jacksonville (Florida)	6,258		54,023	24,338	16,701	1,045	1,580	1,738
Nashville (Tennessee)	5,336		12,657	6,415	616	485	14	8
Central Region	**41,453**		**461,827**	**195,342**	**1,222**	**77**	**1,837**	**1,919**
Cincinnati (See (d) below)	3,287		515,809	21,458	604	9	992	1
Cleveland (See (d) below)	14,213		61,127	53,812	231	(*)	124	164
Detroit (Michigan)	6,790		−182,862	66,036	253	4	702	1,742
Indianapolis (Indiana)	8,852		48,174	38,429	122	63	13	11
Louisville (Kentucky)	6,675		8,115	5,627	2	(*)	5	
Parkersburg (West Virginia)	1,636		11,466	9,980	11		1	(*)
Midwest Region	**53,226**		**683,088**	**398,431**	**208,439**	**10,981**	**16,623**	**1,584**
Aberdeen (South Dakota)	2,000		1,706	777	14		(*)	1
Chicago (See (b) below)	21,064		244,528	105,657	111,797	4,448	5,994	798
Des Moines (Iowa)	5,038		9,709	5,751	47		32	21
Fargo (North Dakota)	905		1,602	778	3	(*)	2	
Milwaukee (Wisconsin)	4,732		39,412	33,076	444	5	137	4
Omaha (Nebraska)	3,684		63,694	61,175	75		1	18
St. Louis (Missouri)	6,796		267,088	176,442	68,029	4,860	9,423	741
St. Paul (Minnesota)	5,868		40,984	3,127	27,807	1,663	1,022	1
Springfield (See (b) below)	3,140		14,365	11,648	221	5	11	1
Southwest Region	**91,820**		**19,668**	**119,985**	**37,758**	**1,396**	**1,465**	**30,483**
Albuquerque (New Mexico)	3,554		1,239	204	123	(*)	131	
Austin (See (f) below)	35,753		53,363	19,795	12,247	119	254	6,788
Cheyenne (Wyoming)	2,070		785	120	(*)		(*)	1
Dallas (See (f) below)	21,055		44,300	14,916	17,403	1,181	795	1
Denver (Colorado)	3,151		100,013	72,737	7,473	23	245	16,002
Little Rock (Arkansas)	4,010		5,243	2,202	67		16	(*)
New Orleans (Louisiana)	3,455		−202,311	1,564	316	70	10	7,685
Oklahoma City (Oklahoma)	15,046		6,807	1,361	23		6	2
Wichita (Kansas)	3,725		10,229	7,085	106	(*)	9	4
Western Region	**55,843**		**358,395**	**225,132**	**54,261**	**7,478**	**4,764**	**16,809**
Anchorage (Alaska)	79		4,841	2,373	1,257	110	608	(*)
Boise (Idaho)	2,171		1,558	214	29		(*)	7
Helena (Montana)	1,430		1,556	494	47	(*)	2	3
Honolulu (Hawaii)	188		10,734	7,112	2,400	65	150	7
Los Angeles (See (a) below)	13,132		101,012	38,406	35,881	3,776	3,037	3
Phoenix (Arizona)	5,760		2,320	136	90		72	(*)
Portland (Oregon)	3,380		14,365	3,301	5,100	463	206	448
Reno (Nevada)	1,323		5,665	152	76		4	
Salt Lake City (Utah)	1,772		10,277	169	22		1	8,669
San Francisco (See (a) below)	23,302		158,203	130,699	8,197	2,547	617	7,671
Seattle (Washington)	3,307		47,864	42,076	1,162	517	67	1
Office of International Operations	**26**		**9,227**	**27**	**2,970**	**2,403**	**22**	**2,240**
Puerto Rico			2,248		1	8		2,240
Other	26		6,979	27	2,969	2,395	22	
Undistributed:								
Federal tax deposits[4]								
Gasoline lubricating oil, and excess FICA credits[7]								
Transferred to Government of Guam								
Withheld taxes of Federal employees								
Clearing account for Excise taxes—aviation fuel and oil—Air Force and Navy								
Totals for states not shown above								
(a) California	36,434		259,215	169,105	44,078	6,323	3,654	7,674
(b) Illinois	24,204		258,894	117,304	112,019	4,453	6,005	799
(c) New York	9,474	18	556,632	233,006	162,229	19,542	6,942	36,436
(d) Ohio	17,500		576,936	75,270	834	9	1,116	166
(e) Pennsylvania	26,497		121,598	99,293	212	15	52	5,021
(f) Texas	56,808		97,663	34,711	29,649	1,303	1,049	6,789

Table 1.—Internal revenue collections by sources and by internal revenue regions, districts, States, and other areas—Continued

In thousands of dollars.

Internal revenue regions, districts, States, and other areas[1] (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table)	Miscellaneous excise taxes—Continued								
	Narcotics and marijuana including occupational taxes (47)	Coin-operated gaming devices (48)	Wagering taxes: Occupational (49)	Wagering taxes: Wagers (50)	Use tax on highway motor vehicles (51)	Use tax on civil aircraft (52)	Private foundations net investment income (53)	Other[17] (54)	Unclassified excise Tax (55)
United States, total	**257**	**7,286**	**376**	**5,553**	**188,517**	**19,293**	**76,617**	**83,879**	**340,181**
North-Atlantic Region	13	29	100	509	18,266	5,170	31,348	57,446	92,827
Albany (See (c) below)	(*)		(*)		1,020	(*)		13	−3,674
Augusta (Maine)	7		(*)	7	900	23	90	20	−133
Boston (Massachusetts)	2	22	10	224	3,478	95	1,665	1,455	−6,311
Brooklyn (See (c) below)	1		68	5	2,902	2	1	156	95,438
Buffalo (See (c) below)	1		11	149	2,888	2		27	4,007
Burlington (Vermont)					567	13	35	39	−34
Hartford (Connecticut)	(*)	(*)	(*)	14	1,878	68	1,647	727	23,450
Manhattan (See (c) below)	2	1	10	21	3,695	4,936	27,650	54,915	−20,385
Portsmouth (New Hampshire)	(*)	5	(*)	75	455	19	162	23	669
Providence (Rhode Island)		(*)	(*)	15	483	11	99	72	−199
Mid-Atlantic Region	14	636	57	291	25,048	859	11,682	4,640	64,347
Baltimore (Maryland and D.C.)	2	440	(*)	117	3,273	302	878	828	7,958
Newark (New Jersey)	2	29	52	1	6,143	151	5,591	2,488	4,598
Philadelphia (See (e) below)	1	4	1	93	7,557	272	4,084	640	47,263
Pittsburgh (See (e) below)	2	76	1	28	4,037			209	3,635
Richmond (Virginia)	4	86	2	48	3,337	85	307	152	1,407
Wilmington (Delaware)	3		1	5	702	49	822	323	−513
Southeast Region	29	2,149	9	625	25,897	2,720	4,111	1,574	16,982
Atlanta (Georgia)	11	199	(*)	156	3,868	1,212	880	399	4,010
Birmingham (Alabama)	1	(*)	(*)	171	3,449	112	148	109	2,023
Columbia (South Carolina)	2	766	(*)	24	1,641	47	388	9	−1,996
Greensboro (North Carolina)	2	20	(*)	3	5,931	232	1,749	129	6,650
Jackson (Mississippi)	3	119	2	25	1,473	56	28	9	7,898
Jacksonville (Florida)	8	8	2	300	5,967	943	583	811	7,240
Nashville (Tennessee)	2	1,038	3	−54	3,568	119	336	107	−8,845
Central Region	6	464	19	871	28,541	923	13,101	217,505	−73,098
Cincinnati (See (d) below)	2	194	1	38	3,649	395	2,769	485,697	−491,351
Cleveland (See (d) below)	1	38	2	163	6,516			77	34,061
Detroit (Michigan)	1	3	2	92	9,051	289	7,669	−268,706	384,681
Indianapolis (Indiana)	1	76	8	426	6,182	155	2,358	328	−239
Louisville (Kentucky)	(*)	28	1	62	2,034	54	210	92	−727
Parkersburg (West Virginia)	1	126	5	90	1,110	30	95	17	477
Midwest Region	42	369	144	289	31,249	4,452	7,064	3,422	20,803
Aberdeen (South Dakota)	(*)	172	1	3	703	26	5	3	56
Chicago (See (b) below)	26	12	136	103	7,424	2,971	2,885	2,279	347
Des Moines (Iowa)	1	(*)	1	27	3,381	119	311	19	1,049
Fargo (North Dakota)	(*)	15	2	8	733	34	26	2	1,972
Milwaukee (Wisconsin)	2	3	1	37	4,467	116	899	220	65
Omaha (Nebraska)	2	81	1	58	1,854	84	306	38	16,390
St. Louis (Missouri)	2	64	1	38	5,521	235	1,099	632	2,489
St. Paul (Minnesota)	5	1	(*)	4	4,741	866	1,533	214	−2,920
Springfield (See (b) below)	3	23	1	13	2,424			15	1,354
Southwest Region	39	420	16	522	31,832	2,032	5,279	−211,560	136,201
Albuquerque (New Mexico)	(*)	29	(*)	1	656	66	8	20	−837
Austin (See (f) below)	8	2	1	65	7,456	1,137	3,416	2,075	−98,373
Cheyenne (Wyoming)	(*)	23	(*)	(*)	503	55	47	35	315
Dallas (See (f) below)	4		9	184	9,149			655	17,171
Denver (Colorado)	21	50		63	2,498	183	451	267	4,290
Little Rock (Arkansas)	2	105	1	45	2,557	79	143	26	−1,528
New Orleans (Louisiana)	1	79	2	84	2,656	155	197	−215,130	216,787
Oklahoma City (Oklahoma)	2	103	3	77	3,778	224	895	334	−619
Wichita (Kansas)	1	29	(*)	2	2,579	132	121	159	−1,005
Western Region	113	3,219	31	2,446	27,492	3,133	3,934	9,581	21,973
Anchorage (Alaska)	1		2	25	270	162	1	32	−194
Boise (Idaho)	(*)	1	(*)	(*)	1,186	41	24	55	−10
Helena (Montana)	(*)	32	4	12	872	53	23	14	159
Honolulu (Hawaii)	3	103			496	63	224	110	−134
Los Angeles (See (a) below)	39	42	(*)	38	6,775	2,244	2,854	7,917	58,580
Phoenix (Arizona)	3	34	(*)	11	1,708	106	54	105	−239
Portland (Oregon)	(*)	265	(*)	45	4,133	100	218	115	−13,233
Reno (Nevada)	3	2,540	7	2,261	348	35	194	47	−11
Salt Lake City (Utah)	(*)	162	15	55	1,087	31	39	27	65
San Francisco (See (a) below)	60	37	(*)	12	7,697			667	−24,117
Seattle (Washington)	3	3	2	18	2,920	298	303	493	1,107
Office of International Operations					193	3	98	1,272	6,218
Puerto Rico									−29
Other					193	3	98	1,272	6,247
Undistributed:									
Federal tax deposits[5]									
Gasoline lubricating oil, and excess FICA credit[7]									
Transferred to Government of Guam									
Withheld taxes of Federal employees									
Clearing account for Excise taxes—aviation fuel and oil—Air Force and Navy									
Totals for states not shown above									
(a) California	99	78	1	49	14,472	2,244	2,854	8,583	34,463
(b) Illinois	29	34	137	115	9,848	2,971	2,885	2,294	1,702
(c) New York	4	1	89	175	10,505	4,941	27,651	55,110	75,386
(d) Ohio	3	231	3	201	10,164	395	2,769	485,774	−457,290
(e) Pennsylvania	3	80	2	121	11,593	272	4,084	849	50,897
(f) Texas	12	2	11	249	16,605	1,137	3,416	2,730	−81,202

Table 2.—Internal revenue collections by sources and by quarters

[In thousands of dollars]

Source of revenue	Quarter ended: Sept. 30, 1972	Dec. 31, 1972	Mar. 31, 1973	June 30, 1973
Grand total	51,642,309	47,089,275	59,924,812	79,130,809
Corporation income tax	7,402,570	7,912,294	7,613,225	16,117,219
Individual income and employment taxes, total	38,988,134	33,726,205	46,921,496	57,557,881
Income tax not withheld and self-employment tax [3,4]	4,849,590	1,098,787	7,424,736	16,016,825
Income tax withheld and old-age disability insurance [3,4,5]	33,547,471	32,173,564	38,835,455	40,680,430
Railroad retirement	296,084	279,526	324,958	350,291
Unemployment insurance	294,988	174,327	336,346	510,335
Estate tax	972,436	1,131,734	1,182,318	1,052,436
Gift tax	114,124	144,146	283,466	95,202
Excise taxes, total	4,165,045	4,174,896	3,924,307	4,308,071
Alcohol taxes, total	1,154,496	1,318,574	1,169,619	1,506,824
Distilled spirits [6]	787,444	1,019,679	859,204	1,089,189
Wines, cordials, ect. [6]	44,623	49,946	49,256	48,731
Beer [6]	322,429	248,949	261,159	368,904
Tobacco taxes, total	397,689	672,566	362,737	843,959
Cigarettes	384,965	657,639	349,768	828,648
Cigars [6]	12,306	14,387	12,486	14,616
Other	418	540	483	696
Manufacturers' excise taxes, total	1,280,869	1,407,702	1,346,691	1,360,489
Gasoline	977,987	1,041,809	971,757	935,981
Lubricating oil, etc.	25,330	27,618	24,601	25,546
Tires (wholly or in part of rubber), inner tubes, and tread rubber	223,382	193,731	189,451	207,478
Motor vehicles, chassis, bodies, parts and accessories	37,385	128,263	147,584	172,370
Other [15]	16,785	16,280	13,299	19,114
Retailers' excise taxes, total	89,955	91,427	93,786	93,204
Noncommercial aviation gasoline	3,152	2,855	2,094	2,145
Noncommercial aviation fuel other than gasoline	5,730	4,982	5,952	6,949
Diesel and special motor fuels	81,071	83,589	85,739	84,073
Other [16]	2			37
Miscellaneous excise taxes, total	792,681	655,679	754,647	838,543
Telephone and teletypewriter exchange services	484,872	404,881	483,084	512,390
Transportation of persons by air	147,360	139,821	153,912	138,074
Use of international air travel facilities	11,689	10,779	11,172	10,909
Transportation of property by air	8,102	9,279	9,670	10,163
Sugar	29,488	30,989	22,200	30,937
Narcotics and marihuana, including occupational taxes	113	48	51	46
Coin-operated gaming devices	4,877	975	278	1,156
Wagering taxes:				
Occupational	39	23	162	152
Wagers	728	1,147	1,927	1,751
Use tax on highway motor vehicles	71,997	31,476	27,463	57,581
Use tax on civil aircraft	5,962	5,678	3,681	3,971
Private foundations, net investment income	2,223	3,211	18,472	52,711
Other [17]	25,230	17,371	22,574	18,701
Unclassified excise taxes	449,355	28,948	196,827	−334,948

Table 3.—Internal revenue collections by sources, fiscal years 1972 and 1973

[In thousands of dollars]

Sources of revenue	Fiscal year [24] 1972	1973
Grand total, all sources	209,855,737	237,787,204
Corporation income taxes, total [16]	34,925,546	39,045,309
Regular	34,916,132	39,032,707
Exempt organization business income tax	9,414	12,602
Individual income and employment taxes, total	152,593,187	177,193,715
Income tax not withheld and self-employment tax [1 4 19]	27,710,985	29,389,938
Income tax withheld and old-age and disability insurance, total [3 4 20]	122,785,357	145,236,920
Railroad retirement, total [21]	1,072,776	1,250,859
Unemployment insurance, employers of 1 or more persons at any time in each of 20 calendar weeks, or paid wages of $1,500 or more in any calendar quarter, taxed 3.2 percent on taxable portion of wages, effective January 1, 1972	1,024,069	1,315,997
Estate tax, graduated rates from 3 percent on first $5,000 of net estate in excess of $60,000 exemption to 77 percent on portion over $10,000,000; credit allowed for State death taxes	5,126,522	4,338,924
Gift tax, graduated rates from 2¼ percent on first $5,000 of net gifts in excess of $30,000 exemption to 57¾ percent on portion over $10,000,000; $3,000 annual exclusion for each donee	363,447	636,938
Excise taxes, total	16,847,036	16,572,318
Alcohol taxes, total	5,110,001	5,149,513
Distilled spirits taxes, total	3,760,915	3,755,516
Imported (collected by Customs, rates same as domestic)	761,612	736,020
Domestic, $10.50 per proof gallon or wine gallon when below proof [8]	2,958,725	2,971,278
Rectification, 30 cents per proof gallon [8]	27,163	34,873
Occupational taxes:		
Nonbeverage manufacturers of spirits, $25, $50, $100, per year	71	84
Rectifiers:		
Less than 20,000 proof gallons, $110 per year	4	4
20,000 proof gallons or more, $220 per year	22	19
Retail dealers in liquor or medicinal spirits, $54 per year	12,116	11,778
Wholesale liquor dealers, $255 per year	646	696
Manufacturers of stills, $55 per year	5	24
Seizures, penalties, etc	550	738
Stills or condensers manufactured, $22 each	2	3
Wines, cordials, etc., taxes, total	181,223	192,556
Imported (collected by Customs, rates same as domestic)	17,547	20,280
Domestic (Still-wines, 17 cents, 67 cents, $2.25 per wine gallon; sparking wines $3.40; artificially carbonated wines, $2.40; liqueurs, cordials, $1.92) [8]	160,150	167,423
Occupation taxes:		
Retail dealers in wines or in wines and beer, $54 per year	3,251	4,523
Wholesale dealers in wines or in wines and beer, $225 per year	274	330
Beer taxes, total	1,167,863	1,201,442
Imported (collected by Customs, rates same as domestic)	6,539	7,897
Domestic, $9 per barrel of 31 gallons [8]	1,157,745	1,190,086
Occupational taxes:		
Brewers:		
Less than 500 barrels, $55 per year	1	1
500 barrels or more, $110 per year	13	15
Retail dealers in beer, $24 per year (includes limited retail dealers in wines or beer, $2.20 per month)	2,873	2,761
Wholesale dealers in beer, $123 per year	692	682
Tobacco taxes, total	2,207,273	2,276,951
Cigarettes, total	2,151,158	2,221,019
Small (Class A), $4 per thousand	2,151,153	2,221,010
Large (Class B), $8.40 per thousand, except if over 6½ inches long $4 per thousand for each 2¾ inches or fraction thereof	5	8
Prepayments		1
Cigars, total	54,173	53,794
Large cigars, total	52,989	49,790
Class A (Retailing at not over 2½ cents each), $2.50 per thousand [8]	493	18
Class B (Over 2½ cents, not over 4 cents each), $3 per thousand [8]	1,822	1,947
Class C (Over 4 cents, not over 6 cents each), $4 per thousand [8]	10,215	9,485
Class D (Over 6 cents, not over 8 cents each), $7 per thousand [8]	9,275	7,936
Class E (Over 8 cents, not over 15 cents each), $10 per thousand [8]	22,585	21,269
Class F (Over 15 cents, not over 20 cents each), $15 per thousand [8]	4,916	5,121
Class G (Over 20 cents each) $20 per thousand [8]	3,683	3,954
Small cigars, 75 cents per thousand	1,126	3,940
Prepayments	58	64
Imported cigars, cigarette, cigarette papers and cigarette tubes, (collected by Customs, rates same as domestic)	779	893
Miscellaneous Tobacco	10	4
Cigarette papers and tubes, papers one-half cent per 50; tubes 1 cent per 50	1,153	1,240
Stamp taxes on documents, other instruments, and playing cards, total [22]	259	44

Table 3.—Internal revenue collections by sources, fiscal years 1972 and 1973—Continued

[In thousands of dollars]

Sources of revenue	Fiscal year [24] 1972	1973
Manufacturers' excise taxes, total	5,728,657	5,395,750
Gasoline, 4 cents per gallon	3,741,160	3,927,535
Lubricating oil, etc., 6 cents per gallon; cutting oil, 3 cents per gallon [23]	95,474	103,094
Tires (wholly or in part of rubber), inner tubes, and tread rubber:		
Tires, highway type, 10 cents per pound other, 5 cents per pound except laminated tires (other than type used on highway vehicles), 1 cent per pound	626,401	753,560
Inner tubes, 10 cent per pound	27,053	29,604
Tread rubber, 5 cents per pound	27,866	30,879
Motor vehicles, chassis, bodies, parts, and accessories:		
Passenger automobiles, chassis, bodies, etc., 7 percent [24]	563,223	−83,241
Trucks, and buses, chassis, bodies, etc., 10 percent [24]	497,138	461,353
Parts and accessories for automobiles, trucks, etc., 8 percent [23]	94,099	107,489
Radio and television sets, phonographs, components, etc., 10 percent [24]	8	1
Refrigerators, freezers, air-conditioners, etc. 5 percent; self-contained air-conditioning units, 10 percent [24]		231
Electric, gas, and oil appliances, 5 percent [24]	−14	
Pistols and revolvers, 10 percent	7,563	8,332
Phonograph records, 10 percent [23]	−37	−5
Musical instruments, 10 percent [24]	−25	
Sporting goods (other than fishing rods, creels, etc.), 10 percent [24]	−2	(*)
Fishing rods, creels, etc., 10 percent	13,023	15,539
Business and store machines, 10 percent [23]		−66
Electric light bulbs and tubes, 10 percent [27]	−17	1
Firearms (other than pistols and revolvers), shells and cartridges, 11 percent	35,771	41,468
Mechanical pencils, pen, 10 percent; lighters, 10 cents per lighter ($1 or more) 10 percent (less than $1) [23]		−24
Retailers' excise taxes, total	326,833	368,372
Noncommercial aviation gasoline, 3 cents per gallon	8,838	10,246
Noncommercial aviation fuel other than gasoline, 7 cents per gallon	19,381	23,613
Diesel and special motor fuels, 4 cents per gallon (in some instances 2 cents per gallon	298,608	334,473
Luggage, etc. 10 percent [24]		26
Jewelry, etc., 10 percent [24]	6	9
Furs, 10 percent [24]	(*)	4
Toilet preparation, 10 percent [24]		(*)
Miscellaneous excise taxes, total	2,694,682	3,041,507
Admissions taxes, total [28]	−99	−149
Theaters concerts, athletic contests, etc.:		
Admissions, 1 cent for each 10 cents or major fraction thereof of the amount paid in excess of $1	−18	−120
Leases of boxes or seats, 10 percent of the amount for which similar accommodations are sold	(*)	
Roof gardens, cabarets, etc., 10 percent of total paid for admissions, services, etc.	−81	−29
Club dues and initiation fees, 20 percent (if dues or fees are in excess of $10 per year) [27]	−37	−60
Telephone and teletypewriter exchange services 10 percent; wire and equipment services, 8 percent [29]	1,650,499	1,885,228
Transportation of persons by air, 8 percent (which was increased from 5 percent effective July 1, 1970)	515,269	579,167
Transportation of property by air, 5 percent	29,455	37,214
Use of international air travel facilities, $3 per person	42,271	44,548
Sugar, approximately half-cent per pound	115,752	113,616
Narcotics and marihuana, total [30]	466	257
Narcotics	11	22
Marihuana	454	235
Coin-operated amusement devices $10 per device, per year, bowling alleys, pool tables, etc. $20 per alley or table, per year [31]	19	2
Coin-operated gaming devices, $250 per device per year	14,847	7,286
Wagering taxes:		
Occupational tax, $50 per year	348	376
Wages, 10 percent of amount waged	4,315	5,553
Use tax on highway vehicles weighing over 26,000 pounds, $3 per 1,000 pounds per year (installment privileges permitted)	157,279	188,517
Use tax on civil aircraft, $25 per year with an additional 2 cents per pound on nonturbine engine powered over 2,500 pounds or 3½ cents per pound on turbine engine powered	20,375	19,293
Adulterated butter and filled cheese (imported and domestic), process or renovated butter and imported oleo margarine [32]	4	12
Firearms transfer and occupational taxes [33]	161	179
Interest equalization	71,885	68,965
Foreign insurance	15,725	14,650
Private foundations:		
Net investment income, 4 percent	56,045	76,617
Self dealing, 5 percent on self-dealer, lesser of $10,000 or 2½ percent on foundation manager	45	78
Excess business holding, 5 percent on foundation	51	13
Taxable expenditures, 10 percent on foundation, lesser of $5,000 or 2½ percent on foundation	7	1
Failure to file certain information returns, $10 per day up to a maximum of $5,000	(*)	34
Assessable penalties with respect to annual reports, $10 per day up to a maximum of $5,000	(*)	
Failure to distribute income, 15 percent of undistributed income		94
Investments which jeopardized charitable purpose, 5 percent on foundation, lesser of $5,000 or 5 percent on foundation manager		16
Unclassified excise taxes	779,330	340,181

Table 4.—Internal revenue collections by principal sources, fiscal years 1940 through 1973

[In thousands of dollars]

Fiscal year ended June 30	Total internal revenue collections	Income and profits taxes			Employment taxes [1] [5]	Estate and gift taxes	Alcohol taxes [6]	Tobacco taxes [6]	Manufacturers' excise taxes	All other taxes
		Total	Corporation income and profits taxes [2]	Individual income taxes [3]						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1940	5,340,452	2,129,609	1,147,592	982,017	833,521	360,071	624,253	608,518	447,088	337,392
1941	7,370,108	3,471,124	2,053,469	1,417,655	925,856	407,058	820,056	698,077	617,373	430,564
1942	13,047,859	8,006,884	4,744,083	3,262,800	1,185,362	432,540	1,048,517	780,982	771,902	821,682
1943	22,371,386	16,298,888	9,668,956	6,629,932	1,498,705	447,496	1,423,646	923,857	504,746	1,274,048
1944	40,121,760	33,027,802	14,766,796	18,261,005	1,738,372	511,210	1,618,775	988,483	503,462	1,733,655
1945	43,800,388	35,061,526	16,027,213	19,034,313	1,779,177	643,055	2,309,866	932,145	782,511	2,292,108
1946	40,672,097	31,258,138	12,553,602	18,704,536	1,700,828	676,832	2,526,165	1,165,519	922,671	2,421,944
1947	39,108,386	29,019,756	9,676,459	19,343,297	2,024,365	779,291	2,474,762	1,237,768	1,425,260	2,147,184
1948	41,864,542	31,172,191	10,174,410	20,997,781	2,381,342	899,345	2,255,327	1,300,280	1,649,234	2,206,823
1949	40,463,125	29,605,491	11,553,669	18,051,822	2,476,113	796,538	2,210,607	1,321,875	1,771,533	2,280,969
1950	38,957,132	28,007,659	10,854,351	17,153,308	2,644,575	706,227	2,219,202	1,328,464	1,836,053	2,214,951
1951	50,445,686	37,384,879	14,387,569	22,997,309	3,627,479	729,730	2,546,808	1,380,396	2,383,677	2,392,719
1952	65,009,886	50,741,017	21,466,910	29,274,107	4,464,264	833,147	2,549,120	1,565,162	2,348,943	2,507,933
1953	69,686,535	54,130,732	21,594,515	32,536,217	4,718,403	891,284	2,780,925	1,654,911	2,862,788	2,647,492
1954	69,919,991	54,360,014	21,546,322	32,813,691	5,107,623	935,121	2,783,012	1,580,229	2,689,133	2,464,859
1955	66,288,692	49,914,826	18,264,720	31,650,106	6,219,665	936,267	2,742,840	1,571,213	2,885,016	2,018,866
1956	75,112,649	56,636,164	21,298,522	35,337,642	7,295,784	1,171,237	2,920,574	1,613,497	3,456,013	2,019,380
1957	80,171,971	60,560,425	21,580,653	39,029,772	7,580,522	1,377,999	2,973,195	1,674,050	3,761,925	2,243,856
1958	79,978,476	59,101,874	20,533,316	38,568,559	8,644,386	1,410,925	2,946,461	1,734,021	3,974,135	2,166,675
1959	79,797,973	58,826,254	18,091,509	40,734,744	8,853,744	1,352,982	3,002,096	1,806,816	3,958,789	1,997,292
1960	91,774,803	67,125,126	22,179,414	44,945,711	11,158,589	1,626,348	3,193,714	1,931,504	4,735,129	2,004,394
1961	94,401,086	67,917,941	21,764,940	46,153,001	12,502,451	1,916,392	3,212,801	1,991,117	4,896,802	1,963,582
1962	99,440,839	71,945,305	21,295,711	50,649,594	12,708,171	2,035,187	3,341,282	2,025,736	5,120,340	2,264,817
1963	105,925,395	75,323,714	22,336,134	52,987,581	15,004,486	2,187,457	3,441,656	2,079,237	5,610,309	2,278,536
1964	112,260,257	78,891,218	24,300,863	54,590,354	17,002,504	2,416,303	3,577,499	2,052,545	6,020,543	2,299,645
1965	114,434,634	79,792,016	26,131,334	53,660,683	17,104,306	2,745,532	3,772,634	2,148,594	6,418,145	2,453,406
1966	128,879,961	92,131,794	30,834,243	61,297,552	20,256,133	3,093,922	3,814,378	2,073,956	5,613,869	1,895,909
1967	148,374,815	104,288,420	34,917,825	69,370,595	26,958,241	3,014,406	4,075,723	2,079,869	5,478,347	2,479,809
1968	153,636,838	r 108,148,565	29,896,520	r 78,252,045	r 28,085,898	3,081,979	4,287,237	2,122,277	5,713,973	r 2,196,909
1969	r 187,919,560	r 135,778,052	38,337,646	r 97,440,406	33,068,657	3,530,065	r 4,555,560	r 2,137,585	r 6,501,146	r 2,348,495
1970	195,722,096	138,688,588	35,036,983	103,651,585	37,449,188	3,680,076	4,746,382	2,094,212	6,683,061	2,380,609
1971	191,647,198	r 131,072,374	30,319,953	r 100,752,421	39,918,690	3,784,283	4,800,482	2,206,585	r 6,684,799	r 3,179,985
1972	209,855,737	143,804,732	34,925,546	108,879,186	43,714,001	5,489,969	5,110,001	2,207,273	5,728,657	3,801,104
1973	237,787,204	164,157,315	39,045,309	125,112,006	52,081,709	4,975,862	5,149,513	2,276,951	5,395,750	3,750,104

* Less than $500.

r Revised.

[1] The receipts in the various States do not indicate the Federal tax burden of each, since in many instances, taxes are collected in one State from residents of another State. For example, withholding taxes reported by employers located near State lines may include substantial amounts withheld from salaries of employees who reside in neighboring States.

[2] Includes tax on unrelated business income of exempt organizations.

[3] Collections of individual income tax not withheld include old-age, survivors, disability, and hospital insurance taxes on self-employment income. Estimated separate national totals for individual income tax and for old-age, survivors, disability, and hospital insurance taxes are shown in the text table on p. 00 and are used in obtaining national totals for individual income taxes and employment taxes in table 4.

[4] Self-employment tax and taxes imposed by the Federal Insurance Contributions Act are applicable with respect to Guam and American Samoa. Amounts of such taxes collected in Guam and American Samoa are combined with similar taxes reported for Office of International Operations-Other.

[5] Beginning with fiscal year 1957, the United States total is adjusted to exclude withheld individual income taxes transferred to the Government of Guam in accordance with the provisions of Public Law 630, approved Aug. 1, 1950 (64 Stat. 392). This adjustment amounted to $10.7 million for 1973.

[6] Tax payments made to banks, under the Federal tax deposit system, are included in the internal revenue collections for the period in which the Federal tax deposit is purchased. However, such payments are not classified by internal revenue districts (nor by tax subclasses to which excise tax payments relate) until the Federal tax deposit payment is applied to the taxpayer's liability in the internal revenue offices with tax returns.

[7] Represents credits allowable on income tax returns for certain gasoline and lubricating oil tax payments and for excess payments under the Federal Insurance Contributions Act (FICA).

[8] Amounts of internal revenue taxes collected on Puerto Rican products transported to the United States or consumed in the island (less refunds, drawbacks, and expenses) are covered into the Treasury of Puerto Rico under provisions of secs. 7652(a)(3) and 5314(a)(4) of the Internal Revenue Code of 1954. The gross amounts are included in overall collections results (tables 1 through 4), beginning with 1955 gross collections are shown separately in table 22.

[9] Includes occupational tax on manufacturers of stills, rectifiers, wholesale liquor dealers, retail dealers in liquor or medicinal spirits, non-beverage manufacturers of spirits and stills or condensers manufactured.

[10] Includes seizures, penalties, etc.

[11] Includes occupational taxes on wholesale and retail dealers in wines, or in wines and beer.

[12] Includes occupational taxes on brewers and wholesale and retail beer dealers.

[13] Includes taxes on domestically produced cigarette papers and cigarette tubes; taxes collected by Customs on imported cigars, cigarettes, cigarette papers and cigarette tubes; and miscellaneous tobacco collections.

[14] Includes taxes on passenger automobiles and light trucks which were repealed December 11, 1971 under the Revenue Act of 1971; and parts and accessories for automobiles, repealed January 1, 1966 by Public Law 89–44; and parts and accessories for trucks, etc.

[15] Includes taxes on fishing equipment, pistols and revolvers, other firearms, and shells and cartridges. Also, taxes on the following items which were repealed by Public Law 89–44: phonograph records, musical instruments; business and store machines; mechanical pencils, pens and lighters; radio and television sets, phonographs, components, etc.; refrigerators, freezers, air-conditioners, etc.; electric, gas and oil appliances; other sporting goods; electric light bulbs and tubes; and matches.

[16] Includes taxes on luggage, furs, jewelry, and toilet preparations; repealed effective June 22, 1965 (Public Law 89–44).

[17] Includes foreign insurance, adulterated butter and filled cheese (imported and domestic), process or renovated butter and imported alcomargarine; interest equalization; firearms transfer and occupational taxes; and private foundations (self dealing, excess business holding, taxable expenditures, failure to file certain information returns, assessable penalties with respect to annual reports, failure to distribute income and investments which jeopardize charitable purpose). Also, taxes on the following items which were repealed by Public Law 89–44: admissions; ticket brokers; lesses, etc., boxes and seats; roof gardens, cabarets, etc.; box office sales-excluding over price; club dues, etc.; documentary stamp taxes, etc.; coin operated amusement devices; and bowling alleys, pool tables, etc.

[18] Corporation income tax rates: Effective January 1, 1965, first $25,000 of net income normal tax of 22 percent; net income in excess of $25,000 combined normal and surtax of 48 percent. Normal tax and surtax also apply to net income derived by certain exempt organizations from unrelated trade or business. Effective January 1, 1968, a 10 percent per annum surcharge was added to the tax, (Public Law 90–364). The 10 percent per annum surcharge was extended to December 31, 1969, by Public Law 91–53 and then extended to June 30, 1970 by Public Law 91–172 at a 5 percent annual rate.

[19] Rates of tax are as follows: Individual income tax: Effective January 1, 1965, graduated rates from 14 percent on taxable income not over $500 to 70 percent on amounts of taxable income over $100,000. Includes old-age, survivors, disability, and hospital insurance taxes on self-employment income. The 10 percent per annum surcharge added by Public Law 90–364, effective April 1, 1968, for individuals, was extended to December 31, 1969, at the same annual rate (Public Law 91–53) and then extended to June 30, 1970 (Public Law 91–172) at a 5 percent annual rate.

[20] Rates of tax are as follows: Income Tax graduated withholding in excess of exemptions: Public Law 89–368, effective July 1, 1967, 14 to 33 percent-Public Law 91–172, effective January 1, 1970, 14 to 25 percent. Old-age, survivors, disability and hospital insurance taxes on salaries and wages up to $9,000 were subjected to a FICA tax rate of 5.2 percent (4.6 percent for Social Security and 0.6 percent for hospital insurance) for calendar years 1971 and 1972. Effective January 1, 1973, the rate changed to 5.85 percent (4.85 percent for Social Security and 1.0 percent for hospital insurance) on wages up to $10,800 paid by an employer to an employee.

[21] Consists of regular railroad retirement tax rate of 9.95 percent for calendar year 1972 and 10.6 percent calendar year 1973. Tax applies to employers and employees imposed on taxable portion of wages (limited to first $750 of monthly taxable compensation for 1972 and $900 for 1973). Also includes supplemental tax on employers for compensation paid to employees, and on income of each employee representative for compensation received; at the following rates: 2 cents per man-hour November 1, 1966 through March 31, 1970; 6 cents per man-hour April 1, 1970 through June 30, 1970; 7 cents per man-hour July 1, 1970 through December 31, 1970; 6 cents per man-hour January 1, 1971 through June 30, 1972; 7.5 cents per man-hour after July 1, 1972. Thereafter, employer and employee representative will be notified of the tax rate applicable for the quarter by the Railroad Retirement Board (P.L. 91–215). Further includes railroad employees representative tax, 19.9 percent for calendar year 1972 and 21.2 percent for calendar year 1973 on taxable portion of wages.

[22] Issues and transfers of stocks and bonds, repealed, effective January 1, 1966. Deeds of conveyances; $100 to $500, 55 cents; each additional $500 or fraction thereof, 55 cents; repealed effective January 1, 1968.

[23] Cutting oil. Automobile parts and accessories (except truck parts), repealed effective January 1, 1966, (Public Law 89–44).

[24] Taxes on passenger automobiles and light trucks repealed December 11, 1971 under the Revenue Act of 1971.

[25] Repealed, effective June 22, 1965 (Public Law 89–44).

[26] Air conditioners, repealed, effective May 15, 1965, refrigerators and freezers, repealed, effective June 22, 1965 (Public Law 89–44).

[27] Repealed, effective January 1, 1966 (Public Law 89–44).

[28] Repealed, effective noon, December 31, 1965 (Public Law 89–44).

[29] This tax was continued at 10 percent by joint resolution (Public Law 90–285), and the Revenue and Expenditure Control Act of June 28, 1968 (Public Law 90–364), which extended this rate through December 31, 1969. This rate was further extended, to December 31, 1972 by Public Law 91–614. Effective January 1, 1973, the rate was reduced to 9 percent.

[30] Narcotics, 1 cent per ounce; narcotics order blanks, $1 per hundred. Marihuana, $1 per ounce; marihuana order blanks, 2 cents each. Amounts shown also include occupational taxes levied on manufacturers, dealers, and practitioners. Repealed, effective May 1, 1971 (Public Law 91–513).

[31] Repealed, effective July 1, 1965 (Public Law 89–44).

[32] Adulterated butter, 10 cents per pound. Process or renovated butter, ¼ cent per pound. Domestic filled cheese, 1 cent per pound. Imported filled cheese, 8 cents per pound. Imported adulterated butter and oleomargarine, 15 cents per pound. Occupational taxes are levied on manufacturers or dealers in these products and are included in the amounts shown.

[33] Transfers of machine guns, short-barreled firearms, silencers, etc., $200 each; certain guns with combination shotguns and rifle barrels, and other special types of firearms, $5 each. Occupational taxes are levied on manufacturers, importers, or dealers in firearms and are included in the amounts shown.

[34] Negative figures (excluding unapplied collections) stem primarily from floor stock credits taken on certain taxes repealed by the Excise Tax Reduction Act of 1965.

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Table 5.—Internal revenue refunds including interest

[In Thousands of dollars]

Internal revenue regions, district, States and other areas (States represented by single districts indicated in parentheses; total for other States shown at bottom of table)	Total[1] (1)	Corporation income (2)	Individual income and employment taxes: Excessive prepayment[2] (3)	Individual income and employment taxes: Other[3] (4)	Estate (5)	Gift (6)	Excise[4] (7)
United States, total	**25,804,850**	**3,013,025**	**21,442,506**	**969,820**	**62,057**	**3,403**	**314,037**
North-Atlantic Region	**4,427,913**	**932,949**	**3,366,587**	**82,873**	**15,930**	**1,027**	**28,547**
Albany (See (c) below)	193,963	8,346	181,528	3,114	680	11	284
Augusta (Maine)	97,693	7,726	87,498	1,841	570	6	52
Boston (Massachusetts)	763,957	101,966	643,039	13,863	2,289	79	2,722
Brooklyn (See (c) below)	852,769	81,745	751,071	11,836	1,469	63	6,586
Buffalo (See (c) below)	593,808	63,520	518,154	8,769	854	146	2,366
Burlington (Vermont)	42,958	2,833	39,209	845	52	3	16
Hartford (Connecticut)	486,877	74,022	391,270	10,015	3,077	27	8,466
Manhattan (See (c) below)	1,195,530	575,735	574,812	29,688	6,685	687	7,924
Portsmouth (New Hampshire)	88,142	6,836	79,682	1,451	149	2	21
Providence (Rhode Island)	112,215	10,220	100,326	1,450	104	4	111
Mid-Atlantic Region	**3,683,207**	**394,361**	**3,179,849**	**56,874**	**4,981**	**312**	**46,830**
Baltimore (Maryland & D.C.)	689,833	76,959	595,492	9,825	1,247	57	6,353
Newark (New Jersey)	942,476	81,899	827,592	11,411	1,507	22	20,044
Philadelphia (See (e) below)	938,978	108,861	791,768	21,266	1,346	32	15,706
Pittsburgh (See (e) below)	522,265	61,738	453,111	5,413	477	59	1,466
Richmond (Virginia)	511,449	46,439	455,003	6,506	320	13	2,768
Wilmington (Delaware)	78,107	18,465	56,883	2,053	83	129	493
Southeast Region	**2,592,711**	**202,413**	**2,308,734**	**56,006**	**7,666**	**242**	**17,651**
Atlanta (Georgia)	453,184	39,240	397,440	8,923	982	29	6,571
Birmingham (Alabama)	263,065	15,198	241,344	5,296	543	12	671
Columbia (South Carolina)	212,640	18,717	189,933	3,398	285	6	302
Greensboro (North Carolina)	420,200	33,631	372,036	6,900	366	65	7,203
Jackson (Mississippi)	132,861	8,510	120,931	3,023	142	7	248
Jacksonville (Florida)	751,811	65,104	658,780	21,174	4,969	92	1,692
Nashville (Tennessee)	358,950	22,013	328,271	7,291	379	32	964
Central Region	**3,650,571**	**387,725**	**3,166,042**	**51,501**	**7,184**	**228**	**37,891**
Cincinnati (See (d) below)	569,904	81,810	474,296	9,380	1,081	72	3,265
Cleveland (See (d) below)	828,453	115,802	699,060	10,550	1,090	30	1,921
Detroit (Michigan)	1,251,374	131,015	1,075,953	16,257	1,206	77	26,866
Indianapolis (Indiana)	571,711	34,988	521,609	8,367	2,804	10	3,934
Louisville (Kentucky)	267,972	13,396	247,320	4,656	822	16	1,762
Parkersburg (West Virginia)	161,157	10,714	147,804	2,291	181	24	144
Midwest Region	**3,404,878**	**389,613**	**2,915,943**	**70,009**	**7,487**	**376**	**21,449**
Aberdeen (South Dakota)	45,317	2,258	40,911	1,983	89	1	75
Chicago (See (b) below)	1,218,827	167,174	1,018,757	24,485	2,774	178	5,459
Des Moines (Iowa)	244,534	18,833	218,109	6,368	587	10	627
Fargo (North Dakota)	42,444	1,098	39,500	1,594	125	4	123
Milwaukee (Wisconsin)	465,380	43,034	412,567	8,100	711	55	913
Omaha (Nebraska)	138,153	15,407	117,076	4,560	569	17	523
St. Louis (Missouri)	504,887	55,794	427,852	8,745	1,371	42	11,082
St. Paul (Minnesota)	451,457	62,963	377,385	9,322	478	15	1,294
Springfield (See (b) below)	293,879	23,052	263,786	4,851	782	54	1,353
Southwest Region	**2,457,126**	**241,870**	**2,133,802**	**67,041**	**6,438**	**383**	**7,591**
Albuquerque (New Mexico)	91,868	3,160	86,626	1,803	189	11	79
Austin (See (f) below)	690,778	89,459	575,279	21,945	1,824	64	2,206
Cheyenne (Wyoming)	33,514	1,303	30,653	1,483	54	1	20
Dallas (See (f) below)	479,973	60,432	400,415	14,982	1,138	47	2,959
Denver (Colorado)	278,436	17,552	253,876	6,369	423	11	205
Little Rock (Arkansas)	137,872	10,464	123,845	3,079	211	25	249
New Orleans (Louisiana)	316,621	21,752	287,116	6,340	984	87	331
Oklahoma City (Oklahoma)	234,199	26,362	199,923	5,652	1,142	123	998
Wichita (Kansas)	193,864	11,386	176,069	5,388	463	14	544
Western Region	**4,862,525**	**448,695**	**4,290,764**	**100,135**	**12,041**	**827**	**10,062**
Anchorage (Alaska)	56,061	3,540	51,251	1,194	11	----------	65
Boise (Idaho)	70,872	7,739	60,815	2,115	72	12	119
Helena (Montana)	60,198	2,131	55,743	2,088	209	7	20
Honolulu (Hawaii)	113,004	13,840	97,111	1,878	119	1	56
Los Angeles (See (a) below)	2,165,774	221,931	1,893,294	40,182	5,066	380	4,920
Phoenix (Arizona)	234,489	12,587	215,932	5,272	617	14	67
Portland (Oregon)	271,694	36,246	227,995	6,532	548	7	366
Reno (Nevada)	83,661	3,472	77,985	2,009	169	3	23
Salt Lake City (Utah)	123,022	9,536	110,583	2,687	98	2	115
San Francisco (See (a) below)	1,273,459	105,934	1,133,962	25,981	4,002	394	3,188
Seattle (Washington)	410,291	31,739	366,093	10,199	1,130	7	1,123
Office of International Operations	**103,206**	**15,399**	**80,785**	**6,525**	**330**	**8**	**159**
Puerto Rico	19,719	245	17,297	2,019	19	----------	139
Other	83,487	15,154	63,488	4,506	311	8	20
Gasoline, Lubricating oil and excess FICA credits	**621,405**	----------	----------	**478,856**	----------	----------	**142,550**
Bureau of Customs	**1,308**	----------	----------	----------	----------	----------	**1,308**
Total for States not shown above							
(a) California	3,439,233	327,865	3,027,256	66,163	9,068	774	8,108
(b) Illinois	1,512,706	190,226	1,282,543	29,336	3,556	232	6,812
(c) New York	2,836,070	729,346	2,025,565	53,407	9,688	907	17,160
(d) Ohio	1,388,357	197,612	1,173,356	19,930	2,171	102	5,186
(e) Pennsylvania	1,461,243	170,599	1,244,879	26,679	1,823	91	17,172
(f) Texas	1,170,751	149,891	975,694	36,927	2,962	111	5,165

[1] Figures have not been reduced to reflect reimbursements from the Federal Old Age and Survivors, Federal Disability, and Federal Hospital Insurance Trust Funds amounting to $478,856,000; from the Highway Trust Fund amounting to $146,373,000; and from the Unemployment Trust Fund amounting to $20,820,969.
[2] Net of 76,669 undeliverable checks totaling $18,209,000.
[3] Includes credits for excess Social Security payments under the Federal Insurance Contributions Act (FICA) of $478,856,000.
[4] Includes credits for certain gasoline and lubricating oil tax payments.

Table 6.—Internal revenue refunds issued by regions, districts, States and other areas

Internal revenue regions, districts, States and other areas (States represented by single districts indicated in parentheses; total for other States shown at bottom of table)	Total (1)	Corporation income (2)	Individual income and employment taxes: Excessive prepayments[1] (3)	Individual income and employment taxes: Other (4)	Estate (5)	Gift (6)	Excise (7)
United States, total	**63,123,884**	**275,104**	**61,088,325**	**1,686,402**	**16,345**	**2,426**	**55,282**
North-American Region	**9,652,581**	**49,561**	**9,340,298**	**248,424**	**2,877**	**403**	**11,018**
Albany (See (c) below)	544,176	2,254	531,981	9,378	161	10	392
Augusta (Maine)	311,120	1,505	301,829	7,514	87	9	176
Boston (Massachusetts)	1,920,971	12,371	1,865,421	41,816	536	94	733
Brooklyn (See (c) below)	2,095,823	4,583	2,039,296	50,643	517	47	737
Buffalo (See (c) below)	1,479,445	7,449	1,437,150	33,562	419	67	798
Burlington (Vermont)	140,010	608	134,490	4,795	31	7	79
Hartford (Connecticut)	1,003,274	8,784	965,949	26,857	349	51	1,284
Manhattan (See (c) below)	1,569,143	8,571	1,491,924	61,336	649	103	6,560
Portsmouth (New Hampshire)	257,083	1,466	249,197	6,216	70	7	127
Providence (Rhode Island)	331,536	1,970	323,061	6,307	58	8	132
Mid-Atlantic Region	**9,337,997**	**34,478**	**9,102,617**	**191,931**	**1,735**	**270**	**6,966**
Baltimore (Maryland & D.C.)	1,669,595	7,548	1,625,140	35,509	370	68	960
Newark (New Jersey)	2,296,923	8,325	2,244,571	42,188	532	52	1,255
Philadelphia (See (e) below)	2,355,678	9,235	2,291,112	52,035	486	77	2,733
Pittsburgh (See (e) below)	1,379,806	4,064	1,350,477	24,313	204	37	711
Richmond (Virginia)	1,456,338	3,995	1,417,738	33,603	111	23	868
Wilmington (Delaware)	179,657	1,311	173,579	4,283	32	13	439
Southeast Region	**8,429,877**	**32,268**	**8,141,220**	**248,650**	**1,683**	**289**	**5,767**
Atlanta (Georgia)	1,360,355	5,733	1,314,364	38,832	211	46	1,169
Birmingham (Alabama)	697,337	2,785	670,491	23,298	115	33	615
Columbia (South Carolina)	753,935	2,436	731,297	19,439	135	24	604
Greensboro (North Carolina)	1,509,473	5,167	1,462,341	40,697	119	42	907
Jackson (Mississippi)	503,770	1,724	485,864	15,616	99	21	446
Jacksonville (Florida)	2,180,763	11,453	2,088,012	78,880	892	104	1,422
Nashville (Tennessee)	1,224,244	2,970	1,188,851	31,688	112	19	604
Central Region	**9,018,372**	**37,329**	**8,783,819**	**189,647**	**1,472**	**235**	**5,870**
Cincinnati (See (d) below)	1,426,662	7,824	1,387,544	30,000	284	51	959
Cleveland (See (d) below)	1,967,919	9,886	1,918,742	37,730	294	61	1,206
Detroit (Michigan)	2,741,010	11,504	2,672,526	54,874	502	71	1,533
Indianapolis (Indiana)	1,559,015	4,054	1,518,673	34,796	212	35	1,245
Louisville (Kentucky)	843,775	2,598	818,130	22,296	135	13	603
Parkersburg (West Virginia)	479,991	1,463	468,204	9,951	45	4	324
Midwest Region	**9,854,975**	**44,859**	**8,519,655**	**279,419**	**3,141**	**366**	**7,535**
Aberdeen (South Dakota)	159,934	776	149,253	9,556	67	5	277
Chicago (See (b) below)	2,757,634	13,905	2,672,698	68,324	887	103	1,717
Des Moines (Iowa)	741,173	3,449	704,686	31,764	422	24	828
Fargo (North Dakota)	147,608	533	136,372	10,396	72	13	222
Milwaukee (Wisconsin)	1,325,094	7,145	1,276,468	39,858	381	65	1,177
Omaha (Nebraska)	410,740	2,296	386,568	21,015	266	37	558
St. Louis (Missouri)	1,353,743	8,732	1,304,385	38,965	397	45	1,219
St Paul (Minnesota)	1,126,054	5,026	1,086,924	32,818	307	40	939
Springfield (See (b) below)	832,995	2,997	802,301	26,723	342	34	598
Southwest Region	**7,255,185**	**30,607**	**6,988,245**	**222,478**	**1,919**	**383**	**11,553**
Albuquerque (New Mexico)	300,736	997	291,356	8,097	78	18	190
Austin (See (f) below)	1,958,500	7,728	1,887,074	57,401	479	113	5,705
Cheyenne (Wyoming)	101,426	580	96,841	3,853	38	5	109
Dallas (See (f) below)	1,392,929	6,341	1,336,262	47,581	389	70	2,286
Denver (Colorado)	758,228	2,859	733,923	20,752	167	39	488
Little Rock (Arkansas)	490,188	2,087	472,986	14,541	104	16	454
New Orleans (Louisiana)	941,763	4,030	911,408	25,130	161	41	993
Oklahoma City (Oklahoma)	701,481	2,963	675,485	21,980	229	48	776
Wichita (Kansas)	609,934	3,022	582,910	23,143	274	33	552
Western Region	**10,407,207**	**45,575**	**10,064,420**	**286,800**	**3,421**	**470**	**6,521**
Anchorage (Alaska)	95,081	604	90,972	3,351	11	1	142
Boise (Idaho)	207,508	1,140	197,000	9,014	60	10	284
Helena (Montana)	196,259	1,429	185,395	9,133	78	13	211
Honolulu (Hawaii)	269,258	1,533	261,605	5,982	43	9	86
Los Angeles (See (a) below)	4,022,495	15,678	3,904,786	98,624	1,419	187	1,801
Phoenix (Arizona)	600,083	2,135	580,146	17,354	174	30	244
Portland (Oregon)	736,664	6,213	705,472	24,116	168	30	665
Reno (Nevada)	193,976	812	187,696	5,298	25	5	140
Salt Lake City (Utah)	333,316	1,238	323,099	8,690	69	7	213
San Francisco (See (a) below)	2,706,632	9,586	2,621,647	72,235	1,002	142	2,020
Seattle (Washington)	1,045,935	5,207	1,006,602	33,003	372	36	715
Office of International Operations	**167,690**	**427**	**148,051**	**19,053**	**97**	**10**	**52**
Puerto Rico	37,033	18	26,245	10,762	4	----------	4
Other	130,657	409	121,806	8,291	93	10	48
Totals for States not shown above							
(a) California	6,729,127	25,264	6,526,433	170,859	2,421	329	3,821
(b) Illinois	3,590,629	16,902	3,474,999	95,047	1,229	137	2,315
(c) New York	5,688,587	22,857	5,500,351	154,919	1,746	227	8,487
(d) Ohio	3,394,581	17,710	3,306,286	67,730	578	112	2,165
(e) Pennsylvania	3,735,480	13,299	3,641,587	76,346	690	114	3,444
(f) Texas	3,351,429	14,069	3,223,336	104,982	868	183	7,991

[1] Net of 76,669 undeliverable refund checks.

Table 7.—Number of returns filed, by Internal Revenue regions, districts, States, and other areas.

Internal revenue regions, districts, States and other areas (States represented by single districts indicated in parentheses; totals for other States shown at bottom of table.)	Total	Individual income tax	Corporation income tax	Partnership	Declaration or estimated tax and all other income taxes[1]	Employment taxes	Estate tax	Gift tax	Excise taxes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
United States, total	**116,940,404**	**78,997,837**	**1,946,534**	**1,043,404**	**9,018,954**	**23,999,458**	**201,975**	**243,895**	**1,488,347**
North-Atlantic Region	18,270,605	12,042,509	459,534	150,108	1,612,087	3,730,634	37,415	45,031	193,187
Albany (See (c) below)	1,003,909	691,258	16,550	4,125	73,912	198,658	2,164	1,622	15,620
Augusta (Maine)	568,877	381,553	8,645	1,910	42,347	121,746	903	1,059	10,714
Boston (Massachusetts)	3,442,508	2,360,194	72,444	9,548	329,578	626,731	5,106	7,693	31,214
Brooklyn (See (c) below)	3,834,328	2,622,542	109,770	32,269	296,443	723,716	9,603	7,286	32,699
Buffalo (See (c) below)	2,483,338	1,772,452	38,016	11,304	185,729	433,954	5,217	4,860	31,806
Burlington (Vermont)	279,292	178,766	4,834	1,395	22,664	65,692	448	579	4,914
Hartford (Connecticut)	2,049,362	1,352,700	49,882	32,382	195,289	389,899	3,708	5,901	19,601
Manhattan (See (c) below)	3,580,158	1,970,199	138,298	53,990	389,227	970,651	8,867	14,328	34,598
Portsmouth (New Hampshire)	463,316	315,035	8,320	1,499	35,675	93,643	716	927	7,501
Providence (Rhode Island)	565,417	397,810	12,775	1,686	41,223	105,944	683	776	4,520
Mid-Atlantic Region	17,133,196	11,444,167	288,908	99,877	[2]1,858,187	3,212,618	26,669	29,644	173,126
Baltimore (Maryland & D.C.)	2,819,085	1,973,753	52,131	4,609	218,283	536,238	3,779	5,406	24,886
Newark (New Jersey)	4,488,125	2,992,033	117,684	65,678	349,997	896,547	9,227	8,592	48,367
Philadelphia (See (e) below)	4,042,781	2,814,056	55,203	5,925	358,891	757,063	6,167	6,207	39,269
Pittsburgh (See (e) below)	2,306,018	1,643,340	24,115	3,313	179,045	421,892	2,799	3,139	28,375
Richmond (Virginia)	2,583,349	1,797,760	33,257	20,040	166,908	529,003	4,074	5,363	26,944
Wilmington (Delaware)	338,766	223,225	6,518	312	30,599	71,875	623	937	4,677
Southeast Region	16,032,037	10,628,178	249,119	122,050	1,095,911	3,681,434	23,548	35,702	196,095
Atlanta (Georgia)	2,503,437	1,663,750	36,847	17,806	147,150	599,039	2,616	5,672	30,557
Birmingham (Alabama)	1,638,376	1,105,560	19,406	11,862	89,078	386,894	1,411	3,056	21,109
Columbia (South Carolina)	1,359,732	921,064	18,679	8,530	75,458	311,414	1,559	2,672	20,356
Greensboro (North Carolina)	2,767,429	1,883,057	39,316	19,557	163,959	619,788	3,325	5,576	32,851
Jackson (Mississippi)	999,407	646,452	12,821	10,867	55,131	253,424	1,010	1,861	17,781
Jacksonville (Florida)	4,579,371	2,895,385	97,563	35,933	441,074	1,038,420	10,982	13,203	46,811
Nashville (Tennessee)	2,184,285	1,512,910	24,427	17,495	124,061	472,455	2,645	3,662	26,630
Central Region	15,712,975	11,043,194	219,544	131,702	1,162,002	2,904,132	23,763	25,938	202,700
Cincinnati (See (d) below)	2,535,535	1,800,024	34,326	18,419	195,418	450,003	3,995	4,025	29,325
Cleveland (See (d) below)	3,338,045	2,339,959	51,583	17,936	269,322	612,320	5,144	5,597	36,184
Detroit (Michigan)	4,610,221	3,271,551	63,812	43,441	329,296	825,753	5,186	6,971	64,211
Indianapolis (Indiana)	2,771,694	1,957,312	37,150	21,756	204,381	499,736	5,415	5,166	40,778
Louisville (Kentucky)	1,617,541	1,098,592	21,119	21,524	108,445	342,482	2,827	2,844	19,708
Parkersburg (West Virginia)	839,939	575,756	11,554	8,626	55,140	173,838	1,196	1,335	12,494
Midwest Region	16,523,995	11,475,437	261,339	151,190	943,825	3,378,468	38,455	40,659	234,622
Aberdeen (South Dakota)	373,551	238,895	5,042	1,692	25,403	91,276	1,064	1,170	9,009
Chicago (See (b) below)	4,655,214	3,383,435	78,851	45,466	251,651	838,455	9,336	10,709	37,311
Des Moines (Iowa)	1,596,814	1,064,102	23,572	18,950	89,063	364,216	5,731	4,173	27,007
Fargo (North Dakota)	355,280	227,778	4,653	3,169	22,413	86,270	1,161	1,153	8,683
Milwaukee (Wisconsin)	2,461,885	1,716,980	42,046	19,007	132,254	497,399	5,156	6,335	42,708
Omaha (Nebraska)	905,494	577,410	14,428	11,788	71,876	204,389	3,059	3,945	18,599
St. Louis (Missouri)	2,531,886	1,733,167	44,058	21,688	127,764	555,539	3,861	5,955	39,854
St. Paul (Minnesota)	2,073,172	1,438,187	32,088	13,025	148,858	401,260	4,547	3,860	31,347
Springfield (See (b) below)	1,570,699	1,095,483	16,601	16,405	74,543	339,664	4,540	3,359	20,104
Southwest Region	14,117,481	9,292,564	214,568	174,676	930,902	[3]1,202,963	20,761	33,631	[2]247,416
Albuquerque (New Mexico)	605,202	432,673	7,601	5,837	30,458	120,113	526	579	7,415
Austin (See (f) below)	3,612,929	2,433,527	47,845	46,665	224,291	791,639	4,519	8,530	55,913
Cheyenne (Wyoming)	223,506	141,634	4,139	1,634	16,468	53,321	404	945	4,961
Dallas (See (f) below)	2,794,509	1,743,983	43,012	48,033	198,086	692,881	4,268	7,006	57,240
Denver (Colorado)	1,417,009	952,442	24,896	18,140	108,065	288,082	2,301	4,048	19,035
Little Rock (Arkansas)	1,001,974	652,703	14,837	10,292	59,272	243,094	1,084	2,075	18,617
New Orleans (Louisiana)	1,760,151	1,166,072	32,045	14,895	98,726	412,483	1,654	2,489	31,787
Oklahoma City (Oklahoma)	1,402,709	928,024	21,446	16,052	95,980	307,871	2,591	3,700	27,045
Wichita (Kansas)	1,294,871	841,506	18,747	13,128	99,556	293,479	3,414	4,259	20,782
Western Region	18,577,102	12,703,273	250,802	213,622	1,376,938	3,729,193	30,837	32,790	239,647
Anchorage (Alaska)	163,079	110,411	2,843	4,803	6,500	33,330	107	109	4,976
Boise (Idaho)	430,339	275,990	6,610	11,290	28,714	96,041	668	819	10,207
Helena (Montana)	430,071	272,567	7,242	1,404	32,914	102,041	1,030	1,840	11,033
Honolulu (Hawaii)	452,075	313,106	10,884	5,247	31,264	85,573	600	1,361	4,040
Los Angeles (See (a) below)	7,051,870	4,940,540	85,641	86,698	497,011	1,354,844	11,215	10,209	65,712
Phoenix (Arizona)	1,085,340	745,562	16,200	10,747	87,431	209,017	1,648	2,319	12,416
Portland (Oregon)	1,381,495	923,520	23,237	16,260	104,928	283,733	2,184	2,554	25,079
Reno (Nevada)	335,711	233,306	6,147	3,199	20,770	64,551	344	700	6,694
Salt Lake City (Utah)	577,429	398,873	10,595	1,664	35,883	117,267	615	1,232	11,300
San Francisco (See (a) below)	4,734,427	3,186,256	51,573	52,235	382,895	980,377	9,375	8,966	62,750
Seattle (Washington)	1,935,266	1,303,142	29,830	20,075	148,628	402,419	3,051	2,681	25,440
Office of International Operations	573,013	368,515	2,720	179	39,102	160,016	527	500	1,454
Puerto Rico	237,142	73,194	477	101	10,606	152,452	18	49	245
Other	335,871	295,321	2,243	78	28,496	7,564	509	451	1,209
Totals for States not shown above									
(a) California	11,786,297	8,126,796	137,214	138,933	879,906	2,335,221	20,590	19,175	128,462
(b) Illinois	6,225,913	4,478,918	95,452	61,871	326,194	1,178,119	13,876	14,068	57,415
(c) New York	10,901,733	7,056,451	302,634	101,688	945,311	2,326,979	25,851	28,096	114,723
(d) Ohio	5,873,580	4,139,983	85,909	36,355	464,740	1,062,323	9,139	9,622	65,509
(e) Pennsylvania	6,348,799	4,457,396	79,318	9,238	537,936	1,178,955	8,966	9,346	67,644
(f) Texas	6,407,438	4,177,510	90,857	94,698	422,377	1,484,520	8,787	15,536	113,153

[1] Includes estimated tax declarations not available by districts.
[2] Includes Forms 7004, 7005, tentative 1120L and M, and Forms 990, 990C, 990P, and 990T not available by districts.
[3] Includes Forms 4638 not available by districts.

Table 8.—Internal Revenue Collections, Costs, Employees, and U. S. Populations, 1944 through 1973

Fiscal Year	Operating cost	Collections	Cost of collecting $100	Population (Thousands)	Tax per capita	Number of employees: Total	Number of employees: National Office	Number of employees: Field
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1944	129,941,848	40,121,760,233	0.32	138,916	288.82	46,171	4,273	41,898
1945	145,390,720	43,800,387,576	0.33	140,468	311.82	49,814	4,441	45,373
1946	174,795,640	40,672,096,998	0.43	141,936	286.55	59,693	5,144	54,549
1947	203,916,822	39,108,385,742	0.52	144,698	270.28	52,830	4,771	48,059
1948	183,731,060	41,864,542,295	0.44	147,208	284.39	52,143	4,662	47,481
1949	209,205,715	40,463,125,019	0.52	149,767	270.17	52,266	4,554	47,712
1950	230,408,200	38,957,131,768	0.59	152,271	255.84	55,551	4,303	51,248
1951	245,869,538	50,445,686,315	0.49	154,878	325.71	57,795	4,030	53,765
1952	271,872,192	65,009,535,560	0.42	157,553	412.62	55,370	3,842	51,528
1953	268,590,806	69,686,535,389	0.38	160,184	435.00	53,463	3,834	49,629
1954	268,969,107	69,919,990,791	0.38	163,026	428.89	51,411	2,707	48,704
1955	278,834,278	66,288,692,000	0.42	165,931	399.50	50,890	2,675	48,215
1956	299,894,710	75,112,649,000	0.40	168,903	444.71	50,682	2,583	48,099
1957	305,537,814	80,171,971,000	0.38	171,984	466.16	51,364	2,602	48,762
1958	337,428,789	79,978,476,484	0.42	174,882	457.33	50,816	2,638	48,178
1959	355,469,228	79,797,972,806	0.44	177,830	448.73	50,200	2,633	47,567
1960	363,735,359	91,774,802,823	0.40	180,671	507.96	50,199	2,702	47,497
1961	413,295,238	94,401,086,398	0.44	183,691	513.91	53,680	3,031	50,649
1962	450,080,420	99,440,839,245	0.45	186,538	533.09	56,510	3,357	53,153
1963	500,804,314	105,925,395,281	0.47	189,242	559.74	59,486	3,562	55,924
1964	549,692,131	112,260,257,115	0.49	191,889	585.03	59,357	3,753	55,604
1965	597,387,471	114,434,633,721	0.52	194,303	588.95	60,360	3,790	56,570
1966	624,861,929	128,879,961,342	0.48	196,560	655.68	61,689	3,816	57,873
1967	667,080,295	148,374,814,552	0.45	198,712	746.68	65,122	4,060	61,062
1968	699,190,304	153,636,837,665	0.46	200,706	765.48	65,177	3,939	61,238
1969	758,785,475	187,919,559,668	0.40	202,677	927.19	64,507	4,037	60,470
1970	886,159,162	195,722,096,497	0.45	204,879	955.31	68,098	4,356	63,742
1971	981,065,297	191,647,198,138	0.51	[r]207,045	925.63	68,987	4,521	64,466
1972	1,127,390,411	209,855,736,878	0.53	[r]208,842	1,004.85	74,086	4,823	69,263
1973	1,162,009,945	237,787,173,138	0.48	210,404	1,130.15	71,846	5,046	66,800

[r] Revised.

Table 9.—Number of returns examined by class of tax and by Internal Revenue regions, districts, and other areas

Region, service center, and district	Total	Individual and fiduciary	Corporation	Estate	Gift	Excise	Employment	Exempt organization
Total	1,770,971	1,408,589	121,882	40,399	8,837	96,620	71,004	23,640
North-Atlantic	320,679	269,137	21,128	6,485	1,371	7,696	6,898	7,964
Mid-Atlantic	211,773	173,274	16,477	4,001	916	8,301	6,637	2,167
Southeast	243,430	192,746	16,525	4,028	918	14,706	12,146	2,361
Central	217,106	171,013	17,487	5,397	1,295	12,269	7,248	2,397
Midwest	246,166	180,438	21,379	8,235	1,516	17,136	13,415	4,047
Southwest	206,855	155,194	11,503	4,574	1,477	21,160	10,905	2,042
Western	303,976	248,096	16,938	7,425	1,328	15,216	12,358	2,615
International Operations	20,986	18,691	445	254	16	136	1,397	47
North-Atlantic Region:								
Albany	14,745	12,401	517	488	81	757	493	8
Augusta	6,352	4,607	503	131	14	506	577	14
Boston	48,767	32,704	9,024	1,220	208	2,264	1,009	2,338
Brooklyn	81,095	76,192	1,662	1,031	155	903	1,114	38
Buffalo	40,128	33,814	2,657	942	292	1,244	1,044	135
Burlington	4,707	4,217	181	58	2	101	147	1
Hartford	27,338	23,447	1,612	943	177	403	702	54
Manhattan	83,032	69,206	3,884	1,453	408	1,209	1,501	5,371
Portsmouth	5,891	4,969	535	108	19	33	224	3
Providence	8,624	7,580	553	111	15	276	87	2
Mid-Atlantic Region:								
Baltimore	44,742	36,140	4,250	746	190	1,158	1,096	1,162
Newark	49,446	41,510	2,785	1,392	250	2,051	1,375	83
Philadelphia	45,676	37,539	2,818	889	157	2,062	1,360	851
Pittsburgh	26,954	21,770	2,434	463	199	1,162	910	16
Richmond	35,108	28,497	2,863	431	112	1,600	1,573	32
Wilmington	9,847	7,818	1,327	80	8	268	323	23
Southeast Region:								
Atlanta	42,537	31,821	2,779	538	124	3,244	1,902	2,129
Birmingham	24,832	20,373	1,156	236	103	1,633	1,296	35
Columbia	22,042	18,298	1,045	300	37	1,385	949	28
Greensboro	41,117	32,060	3,597	490	164	2,681	2,125	----------
Jackson	20,477	17,683	613	230	120	571	1,246	14
Jacksonville	60,292	46,693	5,107	1,643	250	3,839	2,545	115
Nashville	32,133	25,818	2,228	591	120	1,353	1,983	40
Central Region:								
Cincinnati	29,017	20,886	2,761	782	189	1,837	1,469	1,093
Cleveland	49,320	38,422	4,275	1,169	468	2,830	1,439	717
Detroit	72,978	62,040	4,398	1,294	320	3,025	1,389	512
Indianapolis	33,326	25,160	2,637	1,307	173	2,898	1,107	44
Louisville	22,810	17,323	2,261	644	89	1,279	1,183	31
Parkersburg	9,655	7,182	1,155	201	56	400	661	----------
Midwest Region:								
Aberdeen	4,467	3,264	282	182	11	365	355	8
Chicago	80,051	60,809	7,093	2,649	407	5,170	2,477	1,446
Des Moines	22,640	15,242	1,846	966	115	1,794	2,640	37
Fargo	5,313	3,929	295	245	73	341	425	5
Milwaukee	29,934	22,667	2,609	760	301	2,332	1,113	152
Omaha	15,557	10,281	1,179	753	157	1,433	1,728	26
St. Louis	43,634	30,220	5,284	998	191	3,403	2,226	1,312
St. Paul	26,392	20,364	1,842	818	132	1,074	1,139	1,023
Springfield	18,178	13,662	949	864	129	1,224	1,312	38
Southwest Region:								
Albuquerque	5,490	4,396	284	114	41	326	326	3
Austin	53,124	37,760	3,042	1,251	419	7,290	2,385	977
Cheyenne	3,558	2,589	305	97	53	157	353	4
Dallas	48,966	36,062	2,300	1,120	477	5,661	2,435	911
Denver	15,108	11,793	677	286	93	1,450	778	31
Little Rock	14,726	11,656	903	325	100	1,010	712	20
New Orleans	26,171	20,324	1,983	389	137	2,056	1,246	36
Oklahoma City	18,104	13,771	1,108	520	110	1,581	977	37
Wichita	21,608	16,843	901	472	47	1,629	1,693	23
Western Ridge:								
Anchorage	3,822	3,344	177	18	6	146	129	2
Boise	7,273	5,867	363	114	27	417	380	5
Helena	8,294	6,412	509	171	20	850	322	10
Honolulu	5,527	4,522	277	69	8	347	284	20
Los Angeles	125,162	105,124	6,664	3,079	560	5,147	3,355	1,233
Phoenix	16,621	13,514	990	429	68	455	1,153	12
Portland	14,619	11,452	961	372	63	745	991	35
Reno	7,965	6,564	440	86	40	442	393	----------
Salt Lake City	12,003	9,111	988	189	34	853	815	13
San Francisco	74,672	61,086	3,787	2,164	385	3,610	2,836	804
Seattle	28,018	21,000	1,782	734	117	2,204	1,700	481

Table 10.—Additional tax and penalties recommended after audit examination by class of tax, and by Internal Revenue regions, districts, and other areas

Region, service center, and district	Total	Individual and fiduciary	Corporation	Estate	Gift	Excise	Employment	Exempt organization
Total	5,068,432	1,121,853	3,068,840	620,252	80,043	85,975	78,154	13,314
North-Atlantic	824,886	193,168	503,688	93,789	6,883	11,529	15,133	698
Mid-Atlantic	688,753	135,716	480,429	51,467	4,621	8,597	7,300	623
Southeast	567,217	188,159	292,977	60,463	7,046	12,015	6,131	426
Central	638,027	116,542	434,542	49,023	5,061	26,210	6,470	179
Midwest	896,262	114,174	667,741	79,635	5,691	6,656	21,706	860
Southwest	417,980	126,233	136,712	80,456	44,925	10,200	9,594	9,859
Western	994,324	229,814	536,941	199,567	5,792	10,674	10,668	869
International Operations	40,983	18,047	15,811	5,853	25	94	1,153	----------
North-Atlantic Region:								
Albany	63,442	6,224	54,078	2,707	129	116	187	----------
Augusta	6,222	2,390	1,851	1,522	11	108	300	----------
Boston	167,925	28,961	108,456	21,754	725	4,738	3,049	242
Brooklyn	65,151	43,083	11,602	6,765	802	1,654	1,246	----------
Buffalo	87,864	15,948	61,559	8,367	473	869	648	----------
Burlington	5,825	1,967	3,208	518	76	31	26	----------
Hartford	120,654	9,856	82,098	27,231	546	92	832	(*)
Manhattan	273,683	80,156	159,431	16,962	4,046	3,854	8,778	456
Portsmouth	5,868	1,856	3,549	369	48	8	39	----------
Providence	28,252	2,728	17,816	7,595	27	58	29	----------
Mid-Atlantic Region:								
Baltimore	125,695	41,705	67,464	10,226	228	3,270	2,211	592
Newark	69,868	26,481	24,954	12,184	665	3,875	1,710	(*)
Philadelphia	314,318	35,507	266,779	8,874	1,639	444	1,050	24
Pittsburgh	89,852	11,323	62,606	13,456	1,708	401	357	(*)
Richmond	66,038	17,015	41,832	5,490	221	466	1,014	----------
Wilmington	22,982	3,685	16,794	1,237	159	142	959	7
Southeast Region:								
Atlanta	76,073	20,174	42,918	7,297	388	4,033	871	393
Birmingham	45,719	21,821	17,564	4,552	323	1,131	329	----------
Columbia	28,889	8,109	15,260	3,144	30	1,851	494	----------
Greensboro	95,696	17,237	73,566	3,262	382	514	734	----------
Jackson	20,906	9,895	6,535	2,722	453	674	626	1
Jacksonville	176,679	73,583	63,438	31,317	3,440	3,144	1,725	33
Nashville	123,255	37,341	73,696	8,168	2,030	668	1,353	----------
Central Region:								
Cincinnati	57,979	12,582	38,906	4,369	357	648	1,057	59
Cleveland	150,736	21,947	110,684	7,239	1,324	7,625	1,872	43
Detroit	275,721	35,855	203,156	19,479	956	14,654	1,545	76
Indianapolis	92,946	26,393	50,535	10,560	1,993	2,622	843	----------
Louisville	45,970	13,127	25,711	5,376	248	568	940	----------
Parkersburg	14,675	6,638	5,550	2,000	183	93	213	----------
Midwest Region:								
Aberdeen	5,586	2,457	1,893	1,053	7	27	149	----------
Chicago	356,212	49,815	269,551	26,363	2,570	2,174	5,661	80
Des Moines	45,801	7,538	30,480	5,074	580	316	1,720	92
Fargo	4,428	2,234	977	695	257	41	224	----------
Milwaukee	82,408	11,799	57,674	5,563	451	1,191	5,729	1
Omaha	40,033	7,319	21,538	8,683	357	651	1,485	----------
St. Louis	225,868	14,238	200,335	7,495	273	1,472	1,695	360
St. Paul	94,992	12,741	70,052	7,458	889	387	3,339	127
Springfield	40,935	6,034	15,241	17,252	306	397	1,705	(*)
Southwest Region:								
Albuquerque	8,325	3,237	3,891	898	122	57	121	(*)
Austin	98,647	31,250	28,959	16,444	17,183	2,633	1,784	394
Cheyenne	4,387	2,554	436	454	844	9	91	----------
Dallas	100,771	33,680	32,852	16,732	1,854	3,816	2,392	9,445
Denver	71,564	10,117	12,568	24,815	22,974	383	707	----------
Little Rock	19,449	7,323	7,056	2,940	271	1,178	681	(*)
New Orleans	42,986	17,428	16,030	6,955	458	889	1,226	----------
Oklahoma City	48,318	13,447	26,530	6,293	908	671	465	3
Wichita	23,532	7,197	8,389	4,924	313	564	2,128	17
Western Region:								
Anchorage	4,048	2,405	860	225	1	336	221	----------
Boise	11,973	2,128	9,075	473	29	44	224	----------
Helena	6,668	3,230	1,959	939	164	186	190	----------
Honolulu	14,167	5,341	7,714	680	40	145	248	----------
Los Angeles	465,700	110,948	192,169	154,807	1,847	2,752	2,887	289
Phoenix	22,247	8,353	7,464	4,747	192	249	1,242	----------
Portland	30,511	9,630	15,888	4,137	346	209	297	5
Reno	32,166	9,775	17,056	1,526	386	3,206	218	----------
Salt Lake City	23,481	7,433	11,722	1,761	88	266	2,211	----------
San Francisco	313,698	55,388	232,818	19,945	2,080	850	2,085	531
Seattle	69,665	15,184	40,216	10,327	617	2,431	845	45

* Less than $500.

Table 11.—Appellate Division receipts and dispositions of cases not before the Tax Court (nondocketed cases)

A. Progress of work

F.Y. 1973

Status	Number of cases	Amount stated in revenue agent's report (thousand dollars)	
		Deficiency and penalty	Overassessment
	(1)	(2)	(3)
Pending July 1	23,411	2,827,939	160,423
Received	23,927	2,055,207	71,425
Disposed of, total	24,667	1,343,046	49,672
By agreement	18,974	1,052,604	47,227
Unagreed: (Overassessments, claims, excise, employment, and offer in compromise rejections)	2,263	37,352	2,272
By taxpayer default on statutory notice	890	26,338	27
By petition to the Tax Court—transferred to docketed status	2,540	226,752	146
Pending June 30	22,671	3,540,100	182,176

B. Results obtained in dispositions

Method	Number of cases	Appellate determination (thousand dollars)	
		Deficiency and penalty	Overassessment
	(1)	(2)	(3)
Disposed of, total	24,667	706,505	78,496
By agreement	18,974	431,136	76,072
Unagreed: (Overassessments, claims, excise, employment, and offer in compromise rejections)	2,263	39,194	2,404
By taxpayer default on statutory notice	890	23,169	8
By petition to the Tax Court—transferred to docketed status	2,540	213,006	12

Table 12.—Appellate Division receipt and disposition of income, estate and gift tax cases petitioned to the Tax Court (docketed cases)

A. Progress of work

F.Y. 1973

Status	Number of cases	Amount stated in statutory notice (thousand dollars)	
		Deficiency in tax and penalty	Overassessment
	(1)	(2)	(3)
Pending July 1	r11,467	r1,585,376	
Received, total	9,622	1,005 215	
Petitions filed in response to—			
District Directors' statutory notices	7,154	792,581	
Appellate Division's statutory notices[1]	2,468	212,634	
Disposed of, total	9,026	459,652	
By stipulated agreement	6,721	353,957	
By dismissal by the Tax Court or taxpayer default	1,012	9,165	
Tried before the Tax Court on the merits	1,293	96,530	
Pending June 30	12,063	2,130,939	

[1] Difference from table 12, transferred to docketed status is caused by excluding district directors' statutory notices considered by Appellate in 90-day status.

B. Results obtained in dispositions

Method	Number of cases	Appellate determination (thousand dollars)	
		Deficiency in tax and penalty	Overassessment
	(1)	(2)	(3)
Disposed of, total	9,026	220,485	
By stipulated agreement	6,721	115,134	
By dismissal by the Tax Court or taxpayer default	1,012	8,821	
Tried before the Tax Court on the merits[1]	1,293	96,530	

[1] Represents amounts petitioned.
r Revised.

Table 13.—Offers in compromise disposals

Type of tax or penalty	Number		Amount (thousand dollars)			
			Liabilities		Offers	
	1972	1973	1972	1973	1972	1973
Offers accepted, total	1,309	879	18,131	47,868	5,577	4,693
Income, estate, and gift taxes	340	272	10,798	40,322	3,343	2,506
Employment and withholding taxes	353	304	5,576	6,538	1,752	1,937
Other excise taxes	28	22	578	232	158	85
Delinquency penalties on all taxes	491	275	1,179	776	239	147
Specific penalties	97	6	(*)		86	18
Offers rejected or withdrawn, total	2,722	2,332	82,408	68,042	12,910	11,257
Income, estate, and gift taxes	1,182	1,021	57,337	47,072	8,943	7,305
Employment and withholding taxes	855	606	16,334	16,406	3,416	3,405
Other excise taxes	108	86	7,273	3,574	356	372
Delinquency penalties on all taxes	572	417	1,465	990	190	172
Specific penalties	5	2	(*)		6	3

* Note: Appraised values of specific liabilities are not included in the total liabilities for 1972 only.
r Revised.

Table 14.—Office of Chief Counsel—Processing of income, estate, and gift tax cases in the Tax Court

Status	Number of cases	Amount in dispute (thousand dollars)		
		Deficiency		Overpayment
		Tax	Penalty	
	(1)	(2)	(3)	(4)
Pending July 1, 1972	r12,622	r1,439,723	r139,190	r189,812
Filed or reopened	9,624	793,931	52,713	137,130
Disposed of	8,796	364,048	26,773	47,674
Pending June 30, 1973	13,450	1,869,606	165,130	279,268

r Revised.

Table 15.—Office of Chief Counsel—Receipt and disposal of Tax Court cases in courts of appeals and in Supreme Court

Status	In courts of appeals					In Supreme Court				
	Number of cases	Amount in dispute (thousand dollars)		Amount approved (thousand dollars)		Number of cases	Amount in dispute (thousand dollars)		Amount approved (thousand dollars)	
		Deficiency and penalty	Overpayment	Deficiency and penalty	Overpayment		Deficiency and penalty	Overpayment	Deficiency and penalty	Overpayment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Pending July 1, 1972, total	r411	r23,656	r275							
Appealed by Commissioner	r54	r3,585	7							
Appealed by taxpayer	r316	r15,654	r20							
Appealed by both	41	r4,417	248							
Appealed, total	256	25,103	522							
By Commissioner	36	11,131	1							
By taxpayer	215	13,813	521							
By both	5	159								
Disposed of total	257	14,238	46	10,811	33					
Favorable to Commissioner	160	9,177	37	9,177	30					
Favorable to taxpayer	41	2,312	3	37	3					
Modified	17	1,408		1,033						
Settled										
Dismissed	39	1,341	6	563						
Pending June 30, 1973, total	410	34,521	751							
Appealed by Commissioner	60	11,861	1							
Appealed by taxpayer	324	19,427	531							
Appealed by both	26	3,235	219							

r Revised.

Table 16.—Receipt and disposal of refund suits filed by taxpayers in Federal courts

Status	Total	Refund Suits (other than alcohol, tobacco, and firearms taxes)[1]	
		Court of Claims	District courts
	(1)	(2)	(3)
Pending July 1:			
Cases.....number..	3,067	r 471	r 2,596
Amount in dispute...thousand dollars..	529,509	224,585	304,924
Received during year:			
Cases.....number..	931	115	816
Amount in dispute...thousand dollars..	167,703	93,552	74,151
Disposed during year:			
Cases.....number..	1,254	178	1,076
Amount in dispute...thousand dollars..	106,667	26,700	79,967
Refunded during year:			
Amount.....thousand dollars..	50,694	15,460	35,234
Percent of amount disposed of.....	47.53	57.91	44.06
Pending June 30:			
Cases.....number..	2,744	408	2,336
Amount in dispute...thousand dollars..	590,545	291,437	299,108

[1] The number of cases disposed of does not agree with the number of cases in which decisions were rendered by these courts during the year, due to settlement by stipulation, dismissals, and time required for retrial, recomputation of tax, etc. In the Court of Claims the number of decisions was 44 of which 30 were for the Government, 10 against the Government, and 4 partly for and partly against the Government. In the district courts 322 decisions were rendered of which 178 were for the Government, 96 against the Government, and 48 partly for and partly against the Government.

r Revised.

Table 17.—Office of Chief Counsel—Decisions of courts of appeals and Supreme Court in civil tax cases

Court	Total	For the Government	Against the Government	Partly for and partly against the Government
	(1)	(2)	(3)	(4)
Total.....	287	208	62	17
By courts of appeals, total.....	278	200	61	17
Originally tried in—				
Tax Court.....	132	104	19	9
District courts.....	146	96	42	8
By Supreme Court, total.....	9	8	1	.....
Originally tried in—				
Tax Court.....	.....	.....	.....	.....
District courts.....	8	7	1	.....
Court of Claims.....	1	1	.....	.....

Table 18.—Office of Chief Counsel—Receipt and disposal of collection, injunction, summons, disclosure cases and erroneous refund suits

Status	Number of cases
Pending July 1 (1972).....	2,143
Received.....	2,939
Disposed of.....	2,692
Pending June 30 (1973).....	2,390

Note.—This table includes cases handled at national and regional levels which are under consideration for suit or are in suit in Federal and State courts. It does not include cases relating to alcohol, tobacco, and firearms taxes, nor to insolvency and debtor proceedings (table 19), nor to appeal and other cases which are included in table 20.

Table 19.—Office of Chief Counsel—Receipt and disposal of insolvency and debtor proceedings

Status	Total	Reorganization proceedings[1]	Bankruptcy and receivership proceedings[2]	Miscellaneous insolvency proceedings[3]
	(1)	(2)	(3)	(4)
Pending July 1 (1972).....	3,097	1,904	669	524
Received.....	3,559	1,841	1,154	564
Disposed of.....	3,482	1,708	1,171	603
Pending June 30 (1973).....	3,174	2,037	652	485

[1] Proceedings instituted under the following section or chapters of the Bankruptcy Act: Sec. 77 (railroad reorganizations) and chs. X (corporate reorganizations), XI (arrangements as to unsecured indebtedness), XII (real property arrangements), and XIII (wage earners' plans), which involve tax claims and other rights and interests of the United States.

[2] Bankruptcy liquidation proceedings and Federal or State receivership proceedings which involve tax claims of the United States.

[3] Proceedings relating to corporate dissolutions, insolvent banks, assignments for the benefit of creditors, or administration of estates of decedents, which involve tax claims of the United States.

Note.—Includes cases handled at national and regional levels.

Table 20.—Office of Chief Counsel—Receipt and disposal of miscellaneous court cases, lien cases not in court, noncourt general litigation cases, and appeal cases

Status	Total	Miscellaneous[1] court cases	Lien cases[2] not in court	Noncourt general[3] litigation cases	Appeal cases[4]
	(1)	(2)	(3)	(4)	(5)
Pending July 1.....	2,189	497	119	1,339	234
Received.....	8,408	833	2,429	4,930	216
Disposed of.....	8,029	727	2,398	4,776	128
Pending June 30.....	2,568	603	150	1,493	322

[1] Includes suits for foreclosure by mortgagees or other secured creditors, and suits to quiet title to which the United States is made a party.

[2] Primarily applications for discharge of property from tax liens.

[3] Primarily memorandums on general litigation matters from regional counsel to district directors which are not related to court proceedings or lien cases.

[4] Includes cases in Federal and State appellate courts relating to insolvency and debtor proceedings, lien cases in court, and collection, summons, and injunction cases.

Note.—Includes cases handled at national and regional levels.

Table 21.—Office of Chief Counsel—Caseload report

Activity	Pending July 1, 1972	Receipts	Disposals	Pending June 30, 1973
	(1)	(2)	(3)	(4)
Total.....	r 28,051	31,800	30,373	29,478
Administration.....	128	445	375	198
General Litigation.....	7,429	14,906	14,203	8,132
National Office.....	621	670	556	735
Field.....	6,808	14,236	13,647	7,397
Criminal Tax.....	2,762	2,385	1,550	3,597
National Office.....	153	[2] −12	46	95
Field.....	2,609	2,397	1,504	3,502
Interpretative.....	470	920	841	549
Legislation and Regulations.....	440	174	216	398
Refund Litigation.....	3,067	931	1,254	2,744
Stabilization.....	722	2,159	2,881	.....
National Office.....	544	1,154	1,698	.....
Field.....	178	1,005	1,183	.....
Tax Court Litigation[1].....	r 13,033	9,880	9,053	13,860
National Office.....	r 411	256	257	410
Trial Branch N. O.....	253	81	85	249
Field.....	r 12,369	9,543	8,711	13,201

[1] Statutory Notices not included.

[2] 48 Criminal Tax cases received by the National Office reduced by 60 cases transferred to a Field Office, leaving a negative figure for net receipts.

r Revised.

Table 22.—Costs incurred by the Internal Revenue Service

[In thousands of dollars]

Internal revenue office, district, or region	Total	Personnel compensation	Travel	Equipment	Other[2]
	(1)	(2)	(3)	(4)	(5)
A. National Office and regional totals (including district directors' offices and service centers)					
Total Internal Revenue Service[1].....	1,162,010	978,836	35,037	17,542	130,595
National Office.....	158,185	74,125	2,061	8,847	73,151
North-Atlantic.....	190,543	172,814	4,354	1,727	11,647
Mid-Atlantic.....	125,900	116,109	3,453	1,106	5,232
Southeast.....	119,521	105,663	4,547	1,223	8,088
Central.....	110,916	101,751	3,777	973	4,416
Midwest.....	124,141	112,881	4,261	1,224	5,775
Southwest.....	105,543	94,700	3,978	993	5,873
Western.....	165,322	148,257	6,347	1,097	9,620
Regional Counsel.....	15,721	15,076	221	.....	424
Regional Inspection.....	15,284	13,636	1,226	67	355
Office of International Operations.....	7,128	6,093	691	8	336
National Computer Center.....	6,575	4,130	51	15	2,379
IRS Data Center.....	17,230	13,602	68	261	3,299
B. Regional commissioner's offices (excluding district directors' offices and service centers)					
North-Atlantic.....	10,734	9,789	173	228	544
Mid-Atlantic.....	8,230	7,078	324	51	777
Southeast.....	7,245	6,411	198	132	503
Central.....	7,264	6,629	160	81	393
Midwest.....	8,873	7,328	321	210	1,016
Southwest.....	6,441	5,874	196	62	308
Western.....	11,312	10,213	345	62	692
C. Regional costs undistributed					
North-Atlantic.....	2,540	1,171	1,184	20	164
Mid-Atlantic.....	2,248	1,004	1,192	.....	52
Southeast.....	2,378	1,029	1,266	.....	83
Central.....	2,074	862	1,115	70	27
Midwest.....	1,931	1,009	803	54	66
Southwest.....	1,410	351	958	28	72
Western.....	2,404	717	1,596	.....	92

Table 22.—Costs incurred by the Internal Revenue Service—Continued

[In thousands of dollars]

Internal revenue office, district, or region	Total (1)	Personnel compensation (2)	Travel (3)	Equipment (4)	Other[2] (5)
D. District directors' offices and service centers:					
North Atlantic:					
Albany	5,486	5,113	157	36	180
Augusta	3,009	2,755	125	22	107
Boston	20,174	18,958	448	115	653
Brooklyn	21,280	20,187	324	157	612
Buffalo	13,520	12,682	398	73	366
Burlington	1,551	1,388	67	29	67
Hartford	10,144	9,499	235	131	278
Manhattan	45,050	43,058	480	148	1,363
Portsmouth	2,381	2,202	81	16	81
Providence	3,637	3,373	72	44	148
North-Atlantic Regional Training Ctr	336	40	3	9	285
North-Atlantic Region-Centralized Training	174		174		1
Andover Service Center	30,399	28,146	180	101	1,972
Brookhaven Service Center	20,129	14,451	251	599	4,828
Mid-Atlantic:					
Baltimore	15,989	15,248	222	50	468
Newark	24,112	22,813	510	131	658
Philadelphia	22,569	20,934	438	545	652
Pittsburgh	11,962	11,390	252	37	284
Richmond	10,975	10,262	277	51	385
Wilmington	2,920	2,685	56	96	83
Mid-Atlantic Regional Training Ctr	214	178	3	4	29
Mid-Atlantic Regional—Centralized Training	103		103		
Philadelphia Service Center	26,577	24,515	78	140	1,844
Southeast:					
Atlanta	12,548	11,294	579	78	597
Birmington	6,499	5,957	254	33	255
Columbia	4,713	4,330	170	60	153
Greensboro	10,719	9,738	459	94	428
Jackson	4,259	3,875	183	52	149
Jacksonville	20,606	18,532	762	232	1,081
Nashville	8,529	7,755	357	81	336
Southeast Regional Training Ctr	34				34
Southeast Region—Centralized Training	120		120		
Atlanta Service Center	20,717	18,757	101	194	1,666
Memphis Service Center	21,154	17,985	98	267	2,803
Central:					
Cincinnati	12,282	11,591	291	93	307
Cleveland	18,292	17,220	426	109	536
Detroit	23,015	21,479	675	149	712
Indianapolis	12,333	11,464	395	99	375
Louisville	7,809	7,041	279	188	301
Parkersburg	4,609	4,148	215	96	150
Central Regional Training Ctr	434	406	2	12	14
Central Region—Centralized Training	132		131		1
Cincinnati Service Center	22,674	20,911	89	76	1,598
Midwest:					
Aberdeen	2,185	1,936	143	44	63
Chicago	29,733	28,137	550	153	893
Des Moines	7,179	6,593	281	92	213
Fargo	2,085	1,856	117	28	84
Milwaukee	10,254	9,386	333	131	404
Omaha	4,807	4,388	200	70	149
St. Louis	14,472	13,313	558	116	485
St. Paul	10,116	9,353	340	120	303
Springfield	7,991	7,299	366	67	258
Midwest Regional Training Ctr					
Midwest Region—Centralized Training	134		133		1
Kansas City Service Center	24,382	22,283	118	139	1,841
Southwest:					
Albuquerque	2,996	2,642	131	27	197
Austin	17,620	16,199	609	89	723
Cheyenne	1,563	1,402	106	7	49
Dallas	16,781	15,418	541	237	584
Denver	6,934	6,017	174	305	438
Little Rock	4,410	4,005	182	25	198
New Orleans	9,618	8,955	258	92	313
Oklahoma City	7,791	7,208	284	30	269
Wichita	6,536	5,969	280	26	261
Southwest Region—Centralized Training	166		166		1
Austin Service Center	23,223	20,628	90	59	2,446
Austin Reg. Tr. Center	54	31	3	5	15
Western:					
Anchorage	1,588	1,320	115	7	145
Boise	2,444	2,194	144	4	103
Helena	2,317	2,071	144	3	99
Honolulu	3,009	2,654	105	35	216
Los Angeles	37,895	34,495	1,219	264	1,717
Phoenix	5,836	5,168	199	170	400
Portland	6,836	6,193	264	8	372
Reno	5,142	4,586	276	18	261
Salt Lake City	3,195	2,987	86	3	118
San Francisco	25,292	23,061	863	14	1,354
Seattle	9,810	8,699	384	45	482
Western Regional Training Ctr	452	379	3	6	64
Western Region—Centralized Training	217		210		7
Ogden Service Center	25,877	24,125	215	27	1,511
Fresno Service Center	21,995	19,397	179	431	1,987

[1] Includes $20.0 million financed from reimbursements.
[2] Amounts shown do not include transfer to GSA for rent of space amounting to $2,057,000 in 1972; $8,359,000 in 1973. 1972 adjusted to reflect transfer of alcohol, tobacco and firearms function July 1, 1973.

Table 23.—Obligations Incurred by Internal Revenue Service, by appropriation and activity

[In thousands of dollars]

Appropriation by activity	Total 1972	Total 1973	Personnal compensation and benefits 1972	Personnal compensation and benefits 1973	Other 1972	Other 1973
Total obligations, appropriations and reimbursable	1,054,083	1,162,009	889,061	978,836	165,022	183,173
Obligations against appropriation funds	1,048,424	1,141,969	884,388	969,752	164,036	172,217
Salaries and expenses:						
Total	31,516	34,617	27,102	29,493	4,414	5,124
Executive direction	13,370	15,195	11,571	12,933	1,799	2,262
Internal audit and security	18,146	19,422	15,531	16,560	2,615	2,862
Accounts, collection and taxpayer service:						
Total	470,322	510,598	376,088	418,631	94,234	91,967
Data processing operations	276,716	298,601	207,045	236,026	69,671	62,575
Collection and taxpayer service	184,245	202,188	160,776	173,871	23,469	28,317
Statistical reporting	8,810	9,488	7,718	8,422	1,092	1,066
District manual operations	551	321	549	312	2	9
Compliance:						
Total	546,586	596,754	481,198	521,628	65,388	75,126
Audit of tax returns	411,214	447,423	361,932	391,969	49,282	55,454
Tax fraud and special investigations	64,153	74,028	53,014	60,048	11,139	13,980
Taxpayer conferences and appeals	30,914	31,226	28,715	28,815	2,199	2,411
Technical rulings and services	16,171	16,656	15,066	15,486	1,105	1,170
Legal services	24,134	27,421	22,471	25,310	1,663	2,111
Reimbursable obligations, total	5,659	20,040	4,673	9,084	986	10,956

Note.—Amounts shown do not include transfer to GSA for rent of space amounting to $2,057,000 in 1972; $8,359,000 in 1973. 1972 adjusted to reflect transfer of Alcohol, tobacco and firearms function July 1, 1973.

Table 24.—Quantity and cost statistics for printing

Class of work	Fiscal year 1972 Quantity (thousands) Items or sets (1)	Fiscal year 1972 Quantity (thousands) Packages (2)	Fiscal year 1972 Cost (thousand dollars) (3)	Fiscal year 1973 Quantity (thousands) Items or sets (4)	Fiscal year 1973 Quantity (thousands) Packages (5)	Fiscal year 1973 Cost (thousand dollars) (6)
I. Tax Packages (1972):						
Package 1 (Form 1040, Form 4875 Instructions, Schedules A & B—32 pages)				116,580	23,316	654
Package 2 (Form 1040, Form 4875, Schedules A & B, D, E & R, and Instructions—44 pages)				117,981	13,109	443
Package 3 (Form 1040, Schedules A & B, C, D, E & R, SE, Form 4875 and Instructions—52 pages)				98,358	7,566	282
Package 4 (Form 1040, Schedules A & B, C, D, E & R, F, SE, Form 4136, Form 4875 and Instructions—60 pages)				47,872	2,816	108
Package 1040A-72 (Form 1040A, Form 4875 and Instructions—20 pages)				88,455	29,485	361
[1] Package 1040A-73 (Form 1040A and Instructions—16 pages)				46,980	23,490	110
Package 1065 (Form 1065, Schedules D and Instructions—20 pages)				17,250	1,725	83
Package 1120 (Form 1120, Schedules D, Forms 1120-W, 3468, 4626 and Instructions for Form 1120 and Schedule D—32 pages)				30,000	2,000	106
II. Tax Packages (1971):						
Package 1 (Form 1040 Instructions, Schedules A & B—28 pages)	249,700	49,940	966			
Package 2 (Form 1040 Schedules A & B D, E & R, and Instructions—40 pages)	114,525	12,725	433			
Package 3 (Form 1040 Schedules A & B, C, D, E & R, F, SE, Form 4136 and Instructions—56 pages)	157,335	9,255	513			
Package 1065 (Form 1065, Schedule D and Instructions—20 pages)	136,000	1,700	70			
Package 1120 (Form 1120, Schedule D, Forms 1120-W, 3468, 4626 and instructions for Form 1120 and Schedule D—32 pages)	220,000	2,000	92			
III. Employment Tax Package:						
Pub. 393 (Forms 7018, 941C, W-2, 941A, W-4, W-4E, Schedule A for W-4, Pub. 213, and unemployment tax schedule)	91,010	4,790	194			
Tax returns and instructions for major mailing to taxpayer—Total	968,570	80,410	2,268	563,476	103,507	2,147
IV. Other Tax Returns, Instructions, Public-Use Forms, and Pamphlets	2,374,629		10,208	2,447,963		10,807
V. Administrative Forms and Pamphlets	537,635		3,900	745,451		4,710
VI. Field Printing	507,618		1,716	281,084		1,571
VII.[2] Excise Tax Stamps	2,626,987		1,361			
VIII. All Printing to support the Economic Stabilization Program	41,219		499	17,396		468
GRAND TOTAL			19,952			19,703

[1] Note that this entry covers a package for calendar year 1973. Due to the need for procurement lead time the money was expended in FY-73.
[2] Excise Tax Stamps, primarily alcohol, have been transferred to the Bureau of Alcohol, Tobacco, and Firearms.

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