

1952

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Repository Citation

Atkeson, Thomas C., "Planning Ahead in Tax Administration" (1952). *Faculty Publications*. Paper 1475.
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*An address given before the Tax Executives Institute, Inc.
Washington, D. C., March 21, 1953*

PLANNING AHEAD in Tax Administration

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Tax administration carries with it the responsibility of continually evolving new and better ways of helping the taxpayers and the Revenue Service to comply with the Congressional intent as expressed in the taxing statutes.

The impetus being given by Commissioner Andrews to stepped-up plans to improve the Service and make life more worthwhile for the taxpayers is opening up new frontiers of thought and effort. The next few years should be highly notable in the course of the Revenue Service's march towards higher levels of tax administration.

During the few moments which it is my pleasure and privilege to speak to you, I can do little more than indicate—by a few illustrations—either the nature and direction of our planning work.

From an overall standpoint we have had to plan ahead as to how we are to carry out the will of Congress in the administration of the tax laws during the fiscal year 1954 and express those plans in terms of budgetary programs for that year.

Briefly stated, our plans call for a stepping-up of the Interpretative and Appellate functions. The Interpretative phase has been singled out for emphasis as we believe that there must be a wider and more timely understanding of the ground rules. Tremendous progress has been made in this field under the able direction of Assistant Commissioner Sugarman. The Appellate work is being spotlighted because we believe there must be more timely service for those who take issue with our examining agents. Our budgetary policies are also keyed to the

objective of saving every dollar possible in our non-enforcement work by operating improvements and applying such savings to our enforcement work.

In the matter of tax return examinations, we have, for the coming year, evolved a totally new method for the selection of individual income tax returns for examination which is based upon the findings of the Audit Control Program which was operated in respect to the tax years 1948, 1949, and 1950. The selection devices will permit more effective and profitable use of our examining agents. The Audit Control Program was not applied to small corporations until the tax year 1950 and as a consequence the results have not as yet been fully analyzed so the planning of our examination program in this field has not as yet crystalized.

On the examination front, too, I think you will be interested in the fact that we are still trying to develop annual auditable excise tax return which can be keyed in with the income tax returns. You may recall that this was initially suggested by the Advisory Group of the Joint Committee on Internal Revenue Taxation in its 1948 report.

Now for a quick run-down on a number of other items which are in our "planning ahead" schedule which may or may not ever be accomplished fact.

(a) Standard deduction for small business — Can small businesses be relieved of tax bookkeeping by means of a "standard deduction" in lieu of deductions for business operating expenses, in a manner similar to the optional standard deduction for individuals? We don't

know, but we are gathering statistics on the point.

(b) Staggered filing dates for returns — A large variety of proposals relating to this problem are being thoroughly explored.

(c) Elimination of 40 million tax returns—Can we find a way to eliminate the need for filing tax returns by some 40 million people whose tax liability is substantially met by the withholding tax? We think so, and are now busily engaged in identifying all the technical handicaps which must be overcome.

(d) Payroll taxes — Isn't there much room for simplification and economy by combining the payroll deductions for income and social security purposes? This passed the Senate in H.R. 6000, but failed in Conference. We think it is worth trying again.

(e) Offer in compromise procedure — Surely this can be shortened and plans for such are well underway.

(f) Technological improvements — Isn't it possible to facilitate the control and issuance of tax stamps through the development of appropriate stamp metering devices? We have one such machine now being tested by the Bureau of Standards.

(g) Decentralization — Following our basic thesis of making the Washington headquarters office an office devoted solely and exclusively to executive direction, policy rulings, and statistical control, have we gone as far as we can in delegating authority over all case work to the field offices? We think not, and are now working on further decentralization proposals.

(h) School program — With an eye to the future we placed in the hands of each of the 28 thousand principals of secondary schools a "teacher's kit" for use during the present filing period in instructing the working students on how to make out tax returns. The reaction of the teachers to this program has been highly gratifying. Our plans call for a thorough study of the effectiveness of this type of information and improvement of it during future filing periods.

(i) Distribution of tax returns — This past year was the first in which we made general use of the "package" type form which saved some \$300,000 in envelope and mailing costs. Further changes are being studied for possible use next year, one of which is the elimination of the name and address label and having the postal service merely drop a return blank in every mail box.

The dozen or so items which I have mentioned are both old and new; the old ones have new angles. The remaining 50 or 60 items which are in our "planning ahead" schedule are of the same general character.

The important thing is not their newness but rather that new life has been injected in them by Commissioner Andrews who has so properly directed that full and adequate research be conducted on each and every idea that holds forth any promise of raising the level of tax administration.

Historically, tax administration has been notable as an industry which tagged along in the wake of problems created by an ever-changing and ever-growing economy, groping for the answer to those problems after their creation.

It was a mark of progress when some tax administrators anticipated the problems and at least had the answers ready when they arose.

"Planning ahead" in a truer sense means more than having the answers ready; it means advance planning with such skill that the problems never arise. What then, may I ask, would you and I do for a living?

The answer is simple — If I know this group, like I think I do, I suspect that you would immediately start raising bigger and better problems and, at the same time, help us to get bigger and better answers. That has been one of your worthwhile past contributions to the cause of better tax administration and I am confident that your advance planning will include a continuation of your good work in this respect.