

INTERNAL REVENUE INVESTIGATION

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON WAYS AND MEANS HOUSE OF REPRESENTATIVES

EIGHTY-THIRD CONGRESS

FIRST SESSION

ON

ADMINISTRATION OF THE INTERNAL REVENUE LAWS

PART A

FEBRUARY 3, 4, 5, 6, 9, 10, 25, 26, 27, MARCH 2, 3, 4, 5, 6, 10, 11, 12, AND
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THURSDAY, FEBRUARY 3, 1953

HOUSE OF REPRESENTATIVES.
SUBCOMMITTEE ON ADMINISTRATION OF THE INTERNAL
REVENUE LAWS. OF THE COMMITTEE ON WAYS AND
MEANS.

Washington, D. C.

The subcommittee met at 10 a. m., pursuant to call, in the main hearing room of the Committee on Ways and Means, New House Office Building, Hon. Robert W. Kean (chairman of the subcommittee) presiding.

Present: Representatives Kean (presiding), Curtis, Martin, Byrnes, King, O'Brien, and Boggs.

Present also: John E. Tobin, chief counsel to the subcommittee; William P. Hindman, Jr., assistant chief counsel; and Joseph M. F. Ryan, Jr., assistant counsel.

Chairman KEAN. The subcommittee will come to order.

In these hearings it will be the subcommittee's objective to build up rather than tear down. Although we will not hesitate to bring before the public any example of maladministration or corruption in whatever quarter we find it, our purpose in doing so is to find out why such things occurred and to try to make sure that they never occur again.

Our tax-collecting system is, to a large extent, based on honest self-assessment by taxpayers. If the Bureau of Internal Revenue had continued to operate as it did in the last few years, there was great danger that, through lack of confidence by the public, our whole tax-collecting system might have fallen down. This subcommittee, under the able leadership of Mr. King in the last Congress, had cooperation from the Bureau. We know that we will receive like cooperation from those now in charge, for their objective is the same as ours: To assure that in the collection of our taxes there is no taint of corruption, favoritism, or politics. We seek a system of which every American can be proud.

Will you come up, Mr. Avis?

Mr. Avis, will you identify yourself for the record?

STATEMENT OF DWIGHT E. AVIS, HEAD, ALCOHOL AND TOBACCO TAX DIVISION (ACCOMPANIED BY JOHN L. HUNTINGTON, HEAD, BASIC PERMIT AND TRADE PRACTICE BRANCH, ALCOHOL AND TOBACCO TAX DIVISION; HAROLD A. SERR, TECHNICAL ADVISER, ALCOHOL AND TOBACCO TAX DIVISION; AND ROBERT B. RITTER, ASSISTANT HEAD, ALCOHOL AND TOBACCO TAX LEGAL DIVISION, OF THE BUREAU OF INTERNAL REVENUE)

Mr. Avis. Mr. Chairman, my name is Dwight E. Avis.

May I proceed, Mr. Chairman?

Chairman KEAN. And your position?

Mr. Avis. Head, Alcohol and Tobacco Tax Division, Bureau of Internal Revenue.

Chairman KEAN. Will you proceed.

Mr. Avis. Mr. Chairman, since November 13, 1951, first as Deputy Commissioner and more recently as Head of the Alcohol and Tobacco Tax Division, I have been responsible for liquor- and tobacco-tax administration. Prior to that date, as Assistant Deputy Commissioner, for more than 15 years I was in charge of the strictly law-enforcement activities of the Division.

Mr. Chairman, I regret that the committee has found conditions in the Alcohol and Tobacco Tax Division which have necessitated a public hearing. There is an old adage that politics and liquor don't mix. That is just as true of politics and liquor-tax administration. In my judgment, the present ills of the Alcohol and Tobacco Tax Division can be attributed to politics, the wrong kind of appointments. I do not want to interfere with counsel's orderly presentation, but I do want it understood that, if the committee desires, I am prepared to return and discuss this subject.

Chairman KEAN. Do you mean, Mr. Avis, that you feel that politics has interfered substantially with efficient administration in your Division?

Mr. Avis. I do, sir; and I think, in fairness to the persons to whom I would have to refer, that that is a matter on which the committee should first hear me in executive session.

Chairman KEAN. Mr. Avis, as chairman of this subcommittee, I want to commend you for the courage and sincerity which prompted the statement you have just made, and for your offer of cooperation. We certainly want you to discuss with us the matter of politics in the Alcohol and Tobacco Tax Division. I certainly agree with you that we should consider it in executive session first. However, I think now the subcommittee must learn something about your Division and its responsibilities, so that we can better understand the adverse effects of mixing politics and alcohol-tax administration.

After we adjourn today, I will be glad to try to arrange with you and the committee a time when we may pursue these matters further.

Mr. CURTIS. Mr. Chairman, at that point, could I ask a general question?

In reference to this problem of politics, is it confined to the matter of selection of personnel, or did you have in mind some matters that the committee might inquire into dealing with actual tax cases?

One of my assistants refers to policy and personnel, and of course, under this new structure, we are concerned here in Washington, as I pointed out, largely with policy and in administering the industry, rather than directing the personnel. That is left primarily to the district commissioners or, rather, the assistant district commissioners.

Mr. CURTIS. An alcohol tax matter that would go to the Appeals Section—

Mr. AVIS. There is just no such thing. That is where this structure differs.

Let me point this out now: Your income tax is 100 percent voluntary tax, and your liquor tax is 100 percent enforced tax. Now, the situation is as different as day and night. Consequently, your same rules just will not apply, and therefore the alcohol and tobacco tax has been handled here in this reorganization a little differently, because of the very nature of it, than the rest of the over-all tax problem.

Mr. CURTIS. In other words, the alcohol and tobacco tax setup, while it is a part of the Bureau generally, has more or less an autonomy of its own, with the power and authority vested in it; is that right?

Mr. AVIS. I think that is a fair statement; yes, sir, Mr. Curtis.

Chairman KEAN. How about legal matters; does the counsel of the Bureau advise with you?

Mr. AVIS. Well, we have an Alcohol and Tobacco Tax Division counsel, and he reports to the Chief Counsel of the Bureau, and he is part of the general counsel's setup in the Treasury. But for convenience, so that when I get a problem, for example, over the telephone and it is a question of whether a big factory or a plant's operations are to be set up, I can grab my lawyer across the hall and find out what the law is, don't you see; and he, for convenience, is located right in the adjoining suite to me here in Washington. And the same thing applies in the field. In other words, it is a specialized field, and the lawyers that service alcohol tax are generally attached to the assistant district commissioner's office, as far as space is concerned. They still report to their boss, who is the divisional counsel.

Chairman KEAN. There is a lawyer in every one of the 17 areas?

Mr. AVIS. Yes.

Chairman KEAN. He is under the lawyer who deals with you, who is under the man in Mr. Davis' office at the moment, who is under the man in the Treasury Department?

Mr. AVIS. That is Mr. Tuttle; I think he is the new man.

Mr. CURTIS. But your lawyers are confined to problems relating to alcohol tax and tobacco tax?

Mr. AVIS. Yes; because it is so highly specialized, sir.

Mr. Chairman, I think we have covered the rest of my statement, but I will read it.

The reorganization plan abolished the district supervisors and established in their place 17 assistant district commissioners, Alcohol and Tobacco Tax Division, who, subject to the general supervision of the district commissioners, have substantially the same functions, powers, and duties that the former district supervisors had. All tax and regulatory field functions, including the servicing of the industries,