

FEDERAL TAX COURT IS HARDING'S IDEA

Radical Revision of Method of Interpreting Laws Near.

PRESENT LOSS IS CITED

Government Declared to Train Experts Only to Have Big Corporations Grab Them.

BY HARDEN COLFAX. (Copyright, 1921, by The Oregonian.) WASHINGTON, D. C., March 5.—(Special)—President Harding and his advisers have under consideration a radical revision of the method of interpreting the federal tax laws. The proposal involves divorcing the entire subject from the bureau of internal revenue and the creation of a new tribunal to be designated the United States court of internal revenue appeals.

To that tribunal would be delegated the task of deciding the numerous disputes between the taxpayers and the government. The internal revenue bureau thus would become, primarily, a collecting and administrative agency. It would be relieved, in a large measure, of the vast and complex duties of interpreting the provisions of existing revenue laws and of the new tax laws when it is enacted.

Tax Court Is Possible. The new revenue law, soon to be framed, probably will include provision for the creation of the tax court. As proposed, the court would consist of seven or nine judges. W. W. Warwick, controller of the treasury, who suggested the idea to former Secretary Houston some time ago, proposed that the judges be paid \$3000 a year each.

Judge Warwick's proposal was submitted in memorandum form to Secretary Houston several months ago, but was not acted upon. Recently the plan came to the attention of Chairman Fordney of the ways and means committee of the house, which will frame the new revenue law. Mr. Fordney obtained a copy of the memorandum. He was so impressed with the soundness of the plan that he had it sent to all members of the committee. It is understood, and placed before Mr. Harding at St. Augustine.

Harding Favor Indicated. While Mr. Harding's attitude toward the proposal has not been declared, it was generally believed that he favors it and that its adoption in some form is a strong possibility.

The new court would accomplish much the same results in federal taxation that the present United States court of customs appeals accomplishes in tariff disputes. The tax court, as proposed by Judge Warwick, would be modified largely after the court of customs appeals. Indeed, Judge Warwick has even suggested that the customs court be enlarged from its present membership of five to seven to permit it to handle both tariff and tax troubles. That, however, is proposed as an alternative to the creation of an independent tax court, the latter having the preference. With the creation of the tax court there would be lifted from the dockets of the federal courts throughout the country approximately 1000 cases, it was estimated, which now help closing congested calendars and delay the other items. These taxes would be transferred to the tax court. The tax court would lay down general principles on disputed points and its rulings would govern in similar cases involving parallel questions.

Bureau Now Needs Cases. As it is now, the bureau of internal revenue decides each case on its own merits, publishing only general administrative regulations once a year and supplementing them from time to time by rulings called for, for want of a better name, treasury decisions. It thus happens that frequently a taxpayer in a practically parallel situation hears nothing of the decided case and has to go all over the same ground and may or may not obtain the same decision.

This method of deciding most tax problems is a necessary evil under the present law which provides for secrecy in all tax matters. The men who administer the law are called upon to exercise the utmost patience and industry, often working long and tedious hours to pass upon cases which, because of this secrecy, involve principles previously laid down and established.

Turn-Over Is Enormous. Because of that situation and the present law the turn-over among competent administrative employees of the bureau during the last four years has been enormous. Men who earn from \$3000 to \$5000 a year pass upon claims involving hundreds of thousands or millions of dollars in single cases. They become expert in the knowledge of the administrative regulations and their very experiences rob the government of their services.

A corporation submitting a case involving, say \$100,000, to a bureau employee earning \$4000 a year, is pretty likely to be tempted to employ that man after the decision is rendered in order to submit correct returns next year and avoid losses and penalties. And so the employee leaves the bureau to accept a salary double or three times what he had received from the government; a new man takes his place and the whole principle has to be studied and assimilated by a new man before he is competent to make a decision in other cases. It takes from six months to a year for the new man to become an expert, even if he has special aptitude. Thus a decision is held up, the taxpayer suffers and in the end the new man is likely to go the way of the old—to a better-paying position.

One Incident Is Cited. The writer knows of one case where an administrative employee left a \$4000 job to take a \$25,000 one after a service of little more than a year.

All that, it is thought, would be corrected by the creation of the tax court. Every taxpayer, in addition,

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would have the benefit of the court's ruling in every other taxpayer's contest. The bureau would be relieved of an immense amount of detail work. Decision would be rendered more promptly (at present 1918 returns are being checked up) and, it is thought, there would be a big increase in efficiency.

Another thing: There would be no more compromises on tax problems. Either a tax is due or it is not due, Judge Warwick holds. A collector now may and does often compromise a most question, rather than submit it to long and vexatious delays. The tax court would settle that.

DEFENSE FUND IS SENT

ATTORNEY FOR WOULD-BE CAPTORS PROVIDED.

Stars and Stripes Circulates Petitions Calling for Extradition of Rich Evader.

THE OREGONIAN NEWS BUREAU, Washington, D. C., March 5.—Three hundred dollars were forwarded today to Paris, France, as a first installment of the sergeants' defense fund being raised by the Stars and Stripes, veterans' newspapers, among ex-service men for the defense of Sergeants Frank Zimmer and Carl Naef, veterans of the American expeditionary forces, who are held in jail at Badstube, Germany, on charges of kidnaping of Grover C. Bergdoll, another millionaire draft-dodger.

Commander Francis E. Drake of the American Legion, president of the Stars and Stripes, accepting its offer to raise a defense fund and pledging the legion's aid to administer the money, the cable said that a lawyer has been engaged to defend the sergeants. Drake asked for 4000 francs at once, which is more than covered by today's remittance. The fund is being raised by donations of \$1 each from ex-service men through the soldier paper.

The Stars and Stripes also started on March 4 at Washington to circulate petitions to President Harding, asking that the full force of this government be placed back of a demand that Germany turn the sergeants over to the American army on the Rhine and return Bergdoll to the custody of this country to serve out his sentence. The American Legion recently got a resolution to this end, which were laid before Mr. Harding in person by Thomas W. Miller of Delaware, member of the legion executive committee, at St. Augustine three days ago.

Th trial of Zimmer and Naef was originally set for this week and the success of an attempt to postpone it has been received. Frank Zimmer was born in Denver 27 years ago, his parents having come from the Grand Duchy of Luxembourg. He enlisted in the national guard at Seattle when the Mexican border trouble started, served on the border and again enlisted in the regular army at Camp Lewis, Wash. When war was declared with Germany, he served in France from July, 1918, until the close of the war as supply sergeant with the 361st infantry on the Belgian front. He returned to serve with the American army on the Rhine, in the military intelligence.

Charles Naef was born in Switzerland and his record is incomplete because his service record is with the Rhine forces. He served during the war with the 75th field artillery of 2d (Marne) division, and later enlisted to remain with the army of occupation. He was discharged last July in Coblenz and remained as a civilian connected with the American army intelligence system. Both men speak French and German.

MONEY TEST IS RAISED

Immigrants Into Canada Must Show \$250 to Pass Border.

MONTREAL.—The money test of immigrants of the Britian or laborer class into Canada has now been raised to \$250, and this amount the applicant for entry must be possessed or in addition to full fare to his destination within the time limit.

When an adult emigrant is accompanied by his family he must have in addition \$125 for each member under 18 years of age, and \$50 for each child between the ages of 6 and 18. The new regulations are now in effect along the international boundary.

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GREAT PROBLEMS AWAIT SOLUTION

President to Work at Once on Legislation Programme.

WILL CONSULT LEADERS

Cancellation at All Times Will Be Watchword at White House; Congressional Harmony Sought.

BY ROBERT T. SMALL. (Copyright, 1921, by The Oregonian.) WASHINGTON, D. C., March 5.—(Special).—Free at last from the formalities of the inauguration President Harding purposes during the coming week to arrange the constructive legislative programme by which the early months of his administration will be judged. The new president hesitated to express his own wishes in his inaugural address. In his own language he thought it more becoming that he should postpone any announcements in this respect until he had opportunity to consult with the leaders of congress and could work out with them the problem as to what should and what should not be done.

Mr. Harding does not intend at any time during his administration to coerce congress or to spring any sudden recommendation upon the legislative branch with the idea of raying public opinion on his side. Conciliation will at all times be the watchword at the White House, and when Mr. Harding desires anything of congress he will send for the congressmen most concerned in the matter and reach a working agreement with them before taking the public into his confidence. The new chief executive expects this policy to bring about a better feeling between the capitol and the White House than has existed for many years past. In other words, Mr. Harding is passionately desirous of working in complete harmony with congress, and, if there is any failure in this respect—if there can be any failure—the circumstances the fault will rest entirely at the capitol.

Appropriation Bills First Wish.

A considerable part of Mr. Harding's immediate legislative programme was dependent upon the condition in which the congress Friday left the public business. Naturally he will be concerned in clearing up first of all the two appropriation bills which failed—the navy bill through lack of agreement and the army bill through the veto of Woodrow Wilson. The new session of congress, according to indications, will be called April 4. During the intervening four weeks the president believes he can adjust matters so that these two bills will be disposed of easily when congress resumes.

It is not the present purpose of Mr. Harding to burden the extra session of congress with a heavy programme. If all goes well, it is the general assumption that the extra session will have adjourned by the 15th of July. With machinery working smoothly, it is expected that three months and a half of the extra session should suffice.

Legislative Programme Outlined.

This is the legislative programme the president will suggest to the congressional directors: First—The passage of the amplified Knox resolution declaring peace with Germany and Austria, carrying with it the resumption of friendly and diplomatic relations with the peoples of the former central empire.

Second—The passage of an emergency tariff bill, based largely upon the Fordney bill, which congress failed to pass over Mr. Wilson's veto. The emergency bill may be the only tariff measure passed at the special session, the general tariff revision waiting for the regular session beginning next December.

Third—A general tax revision, looking to the lightening of the present tax burdens. Mr. Harding has given much thought to the subject of taxation during the last three months but has reached no conclusions in his own mind as to just what should be done. He expects to formulate a policy within three or four weeks, after his own cabinet shall have been organized and after the needs

of the government have been canvassed.

It is apparent now that the new tariff law will do but little to lighten the tax burden of the people at large. Mr. Harding has promised that government expenditures will be cut to the bone, but the best efforts of congress in this direction thus far, have not brought about the possibility of lifting the burden of taxation to the extent the people have expected.

Fourth—it will rest largely with the congressional direction as to whether or not there shall be a re-enactment of the immigration bill, which Mr. Wilson allowed to die without approval. This measure, designed to restrict the entry of aliens into the country for a period of years, was passed by an overwhelming vote in congress but Mr. Wilson did not approve of it and was enabled to give it a death blow in the last moments of the session. Mr. Harding would approve the measure if enacted during his administration.

President Harding is committed to many more undertakings, but he does not intend to burden the extra-session

with all of the policies promised by his administration.

His plans for an association of nations, for instance, will not be ready for the extra session. The president is waiting to learn what the reaction has been throughout Europe, including Germany, before a definite casting aside of the existing league of nations. It will be his purpose during the next few months to discover through diplomatic channels whether or not the nations of Europe desire to abandon the "alliances" of the existing league in favor of an association "for conference and counsel" in which the United States would be a member. The nations of the world would be invited further to a conference initiated by the United States, looking to an approximate disarmament of the world and to the establishment of an international court which might be permitted to decide disputes of a justifiable character, but which have nothing to do with matter of national honor or vital import.

Mr. Harding will endeavor, as time and conditions permit, to carry out

the other definite promises of his administration, which include:

The repeal of the pan-American canal tolls bill and the granting of free use of the isthmian waterway to American vessels, despite the claim that such action would violate a treaty with Great Britain.

The rebuilding of the American merchant marine so as to enhance the foreign trade of the United States.

The reorganization of the government departments, including the amalgamation of the naval, military and air services under a single head to be known as the secretary of national defense.

The establishment of Liberty and Victory bonds on a new basis which would make them worth "all that patriotic citizens paid in purchasing them."

The stamping out of lynching by the federal government so as to remove this stain from the fair name of America.

The clearing out of the federal departments in Washington "so that they may be made more businesslike and may send back to productive effort thousands of federal employes who are either duplicating work or are not essential at all."

The enactment of legislation which will guarantee to the negro citizen of America the enjoyment of all their rights, "if believe," said Mr. Harding in this connection, "that they have earned the full measure of citizenship bestowed; that their sacrifice in blood on the battlefields of the republic have entitled them to all of freedom and opportunity, all of sympathy and aid that the American spirit of fairness and justice demands."

Mexico and Japan Are Worried. Mr. Harding faces also the task of reconciling or repudiating the present government of Mexico. He is surrounded by several public officials who believe in a strong policy toward Mexico, and his decision in Mexican matters are awaited with unusual interest.

The enforcement of the 18th, or prohibition, amendment to the full extent of the law.

later with the vexatious Japanese question. He believes it far more pressing than any entrance of America into an association of nations, and undoubtedly will ask Secretary of State Hughes to give his most earnest consideration to the matter. Mr. Harding, it may be stated in conclusion, will not rush to any hasty decisions. He believes in making haste slowly and establishing his position firmly as he goes along. As he goes further and further into the presidency he will find the tasks which confront him almost overwhelming.

Lodge Honors Harding.

WATERBURY, Conn., March 5.—President Harding was elected to membership in the Tall Cedars of Lebanon, an order to which Masons alone are eligible, last night.

Colony Cables Greetings.

CONSTANTINOPLE, March 4.—Several hundred members of the American colony today cabled a message of felicitation to President Harding.



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