

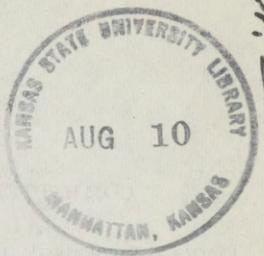
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THE FEDERAL PAPERWORK JUNGLE

PART 2 OF 5—CHICAGO, ILL.

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P 19/5/
PT. 2



HEARING
BEFORE THE
SUBCOMMITTEE ON
S AND GOVERNMENT STATISTICS
OF THE
COMMITTEE ON
OFFICE AND CIVIL SERVICE
USE OF REPRESENTATIVES
EIGHTY-EIGHTH CONGRESS
SECOND SESSION

MAY 8, 1964

Printed for the use of the
Committee on Post Office and Civil Service



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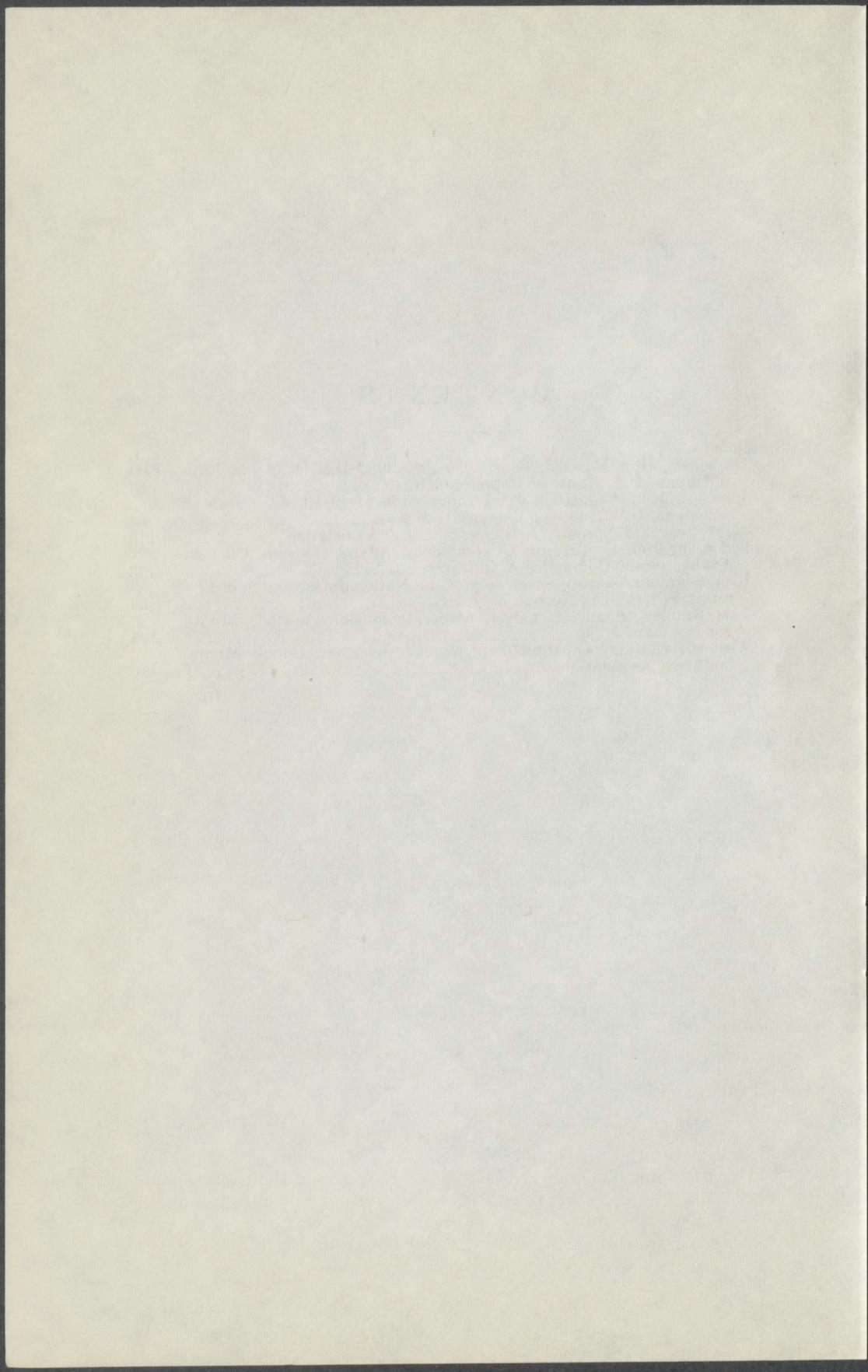
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THE FEDERAL PAPERWORK JUNGLE

FRIDAY, MAY 8, 1964

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CENSUS AND GOVERNMENT STATISTICS
OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Chicago, Ill.

The subcommittee met, pursuant to notice, at 10 a.m., in room 600, U.S. Courthouse, Hon. Arnold Olsen, of Montana (chairman of the subcommittee) presiding.

Mr. OLSEN. The subcommittee will come to order.

Our subcommittee has come to this great commercial city of Chicago to hold a 1-day hearing on the subject of Federal reports and paperwork.

Last Friday, May 1, we visited the city of Albany, N.Y., and took testimony from some 20 persons who appeared before us. We were impressed with the views expressed by these witnesses, several of whom are small businessmen operating retail stores. These merchants told us that they are being strangled by the paperwork requirements of the Federal, State, and local government agencies.

One witness stated that about one-half of his time was taken by government agencies for one reason or another, so that he has to try to make a profit in the time remaining.

Another witness told us that she had to close her small jewelry store because of the heavy demands upon her time by the various agencies.

This proprietor of the jewelry store finds that even now, though she has curtailed all employees except the accountant, she seems to be working for the accountant who is making out her reports on excise taxes and other taxes in the jewelry business.

Another witness testified that it is very difficult to distinguish between compulsory and voluntary reports coming out of Washington and recommended that our subcommittee look into this matter.

It seems that in the Bureau of Census schedules there is often a notation that failure to report is subject to penalties of law, and then in other cases there is language to the effect that the report is authorized by law, and the ordinary citizen groups them as all being required by law, and that there is a penalty for failure to report on all the forms.

Of course, we want to clarify this matter so that people don't feel the heavy hand of the Federal Government requiring, under penalty of law, every kind of report.

Here in Chicago, today, we hope to hear more about this paperwork business directly from representatives of business, industry, and the general public.

If there are small businessmen here today, I hope they will feel free to come up and tell us what they think.

At a recess, they can make themselves acquainted with Mr. Corcoran of our subcommittee staff and we will make room for them on our program so that they can be heard, or for that matter, anyone who hasn't made himself known to us can do so at a recess time and be sure that they get on the program.

Before calling our first witness this morning, I would like to take a few minutes to explain what these hearings are all about and what we hope to accomplish by them.

Let's face it, we are tackling an enormous problem—that of Government reports and paperwork—and we have no delusions about what we are getting into. You may remember that back in 1955, the Hoover Commission estimated the cost of the Federal Government's paperwork at \$4 billion a year. Of this amount, \$2.8 billion went for collecting, compiling, analyzing, and publishing reports of all kinds. The remainder, \$1.2 billion goes for copying, filing, recording, and storing of these reports. Some \$30 million was used for records disposal and destruction.

This \$4 billion figure applied to Federal costs alone. It did not include State and local government paperwork costs. Nor did it include what it costs the public to keep all of these records and to fill in all of these questionnaires. It has been estimated that it can cost a business firm up to 10 times what it costs the Government to handle a questionnaire, especially if the firm's books and accounts do not readily supply the required information.

Is it any wonder then that when a request for voluntary information is sent out by a Federal, State, or local government agency, it often winds up in the wastebasket. Or, is it any wonder that the compulsory reports, like the census, social security, income tax forms, et cetera, are running into increasing public resistance all the time. And, right away, let me say that the average citizen wants to obey the laws, but the Federal agencies in Washington—and some State and local government agencies, as well—are making it increasingly difficult for all of us to be law-abiding citizens.

In a speech on the floor of the House of Representatives last February, in discussing the Internal Revenue Service, I said that many of us are disappointed with recent developments in the tax collection mechanism. We expected, and we had a right to expect, that electronic data processing or EDP, for short, would greatly reduce the paperwork flow, and also result in substantial manpower savings. Instead, we find that the Internal Revenue Service has increased its employment by 13,000 since 1960, and its paperwork load is now over 500 million forms a year. Moreover, the cost of collecting \$100 in taxes has risen more than 30 percent since 1960. So now we begin to see what all the shouting is about and why this subcommittee is conducting these hearings.

The Internal Revenue Service is not the only agency which appears to have gone overboard in the sea of paper. Our staff has listed some 20 other Federal agencies which are also deeply involved in this paperwork game. The activities of these agencies cover everything

from the clearance of vessels in and out of our ports to the economic problems of the Blackfeet and Flathead Indians in my district in Montana.

Our subcommittee recently published a report with a 40-page list of studies and surveys sponsored by the Federal agencies including everything from how to guess your weight to the size of frozen french-fried potatoes and whether they should be straight cut or crinkled.

Beginning on May 19 in Washington, we plan to call in the key Federal agencies responsible for generating most of this paperwork. We will ask them to tell us what controls or clearance procedures they use in the agency to hold down the paperwork and explain to us why these controls are not more effective.

We will want to know how it is that some of these "empire builders" and "paper pushers" in the agencies always seem to come out on top and, if necessary, we will draft remedial legislation to stop some of these abuses. In summary, I can tell you that this subcommittee means business and it looks like a long hot summer in Washington.

I should like also to place in the record at this point, two paragraphs from a release of the White House dated May 2, 1964, titled "Remarks of the President" following a Cabinet meeting.

The paragraphs are as follows, and I am quoting:

Let's continue to cut down on the number of questionnaires and reports of each agency. In less than 2 months we have made a reduction of 98 in the number of questionnaires, service, and other reports. As a result, American citizens will have to fill out 850,000 fewer individual reports for the U.S. Government this year than they filled out last year.

We recently received a complaint from a businessman concerning a questionnaire having to do with the reemployment of veterans. We checked this, and we discovered that the purpose would be just as well served under a completely different procedure which would cut down the number of reports from former employees from 75,000 to 7,500.

I expect each of you in this Cabinet, and independent agencies to look for a similar way to eliminate reports immediately.

Now, for your information, I am Arnold Olsen, Congressman from western Montana, and chairman of this Subcommittee on Census and Government Statistics.

My colleague is August Johansen. He is a ranking member of the House Committee on Post Office and Civil Service, and he is the ranking minority member on this subcommittee. He is by far my superior in service and the Congress and a very able gentleman, and he is sitting on my left.

Before I recognize Mr. Johansen, I want to say that our first witness will be called by our colleague from the House of Representatives, Congressman Edward J. Derwinski, from the Fourth District of the State of Illinois.

Congressman Derwinski is also a member of the full committee, Committee on Post Office and Civil Service of the House of Representatives, and we are very happy to have Congressman Derwinski with us.

We know that he has something to contribute to our work, and we are glad to be here in his home city of Chicago.

**STATEMENT OF HON. EDWARD J. DERWINSKI, CONGRESSMAN FROM
THE FOURTH CONGRESSIONAL DISTRICT OF THE STATE OF
ILLINOIS**

Mr. DERWINSKI. Mr. Chairman, I wish to make a brief comment before you call the first witness.

I welcome you to the Chicago metropolitan area.

I am sure that Mayor Daley, himself, would welcome you, but he is in Rome at the present time, and is not able to be here. We here in the Chicago metropolitan area feel that it is the most thriving economic area of the Nation with all due respect to any other metropolitan area.

We feel that your subcommittee in coming here and hearing the views of the businessmen and organizations is a very welcome thing. We think that you will find the views expressed here are typical and factual comments of the type that we could get from businessmen across the country.

I do note, however, Mr. Chairman, that probably because this meeting was scheduled without lengthy advance notice, the number of organizations in attendance is slight.

However, they are preparing statements for submission later, so that the degree of attendance in no way reflects the general interest due to the considerable expression in views coming in at a later date from this area.

I feel, however, that because Chicago is the railroad center of the world, the views that your committee will obtain here will be a good cross section of the business life. We appreciate your efforts here.

Also Mr. Chairman, in view of your interest in the Blackfeet Indians, it is unfortunate that your schedule is so busy that you cannot visit the active group that we have here in Chicago.

Perhaps next time that you come to Chicago, you can visit with the persons connected with this organization.

Mr. OLSEN. Thank you very much, Mr. Derwinski.

Now, I will call on Mr. Johansen.

**STATEMENT OF HON. AUGUST E. JOHANSEN, CONGRESSMAN FROM
THE THIRD CONGRESSIONAL DISTRICT OF THE STATE OF
MICHIGAN**

Mr. JOHANSEN. Mr. Chairman, this is indeed a pleasure to be here with this Subcommittee on Census and Government Statistics, and I just encountered a statistic that was so staggering that I remember my past history here in Chicago.

It is just 40 years ago this fall that I entered the University of Chicago as a third year student coming from my home State of Michigan which I now have the honor of representing in the Congress. That figure of 40 bothers me, but unfortunately I guess it is accurate. I always feel a sense of homecoming when I return to Chicago, because I spent about 6 years here in undergraduate and graduate work in the University of Chicago.

I appreciate, particularly, the opportunity of enjoying the hospitality of our colleague, Mr. Derwinski, in his home State and home community.

The gentlemen here do not have to sell me on Chicago, and I know that we are going to be beneficiaries of some good testimony here, and of some good additional evidence submitted for the record.

I am sorry to be late. It was not the fault of a very fine taxi driver who brought me from the airport. I suggest that we just proceed with the business.

Mr. OLSEN. Thank you very much, Mr. Johansen.

The first witness will be Mr. Seymour A. Rish, executive secretary of the National Association of Enrolled Federal Tax Accountants.

Mr. Rish, you may proceed.

**STATEMENT OF SEYMOUR A. RISH, EXECUTIVE SECRETARY OF
THE NATIONAL ASSOCIATION OF ENROLLED FEDERAL TAX
ACCOUNTANTS**

Mr. RISH. Thank you.

Mr. OLSEN. Proceed as you wish.

Mr. RISH. Gentlemen, my name is Seymour A. Rish. Although I am executive secretary of the National Association of Enrolled Federal Tax Accountants, the views I am expressing today, May 8, 1964, are solely my own, and are not intended to be the policies of the NAEFTA, since they were not reviewed by our governing council.

I am, at the present time, and since 1947, a full-time practicing tax accountant. I am "Enrolled to practice before the Internal Revenue Service," having received my "Treasury Card" by passing the 2-day written examination which is prepared by, given by, and graded by the Internal Revenue Service each year.

I passed the exam in June 1959. I want to extend my appreciation for the opportunity of appearing before you today.

I sincerely trust that my oral comment will be of assistance to you and hope that I may bring up a point or two that you have not heard before.

I shall be happy to attempt to reply to any questions you may have after I have finished reading my statement.

There is much time and duplication in Federal tax reporting. According to Prentice-Hall, Inc.:

The price tag for business is roughly estimated at \$50 billion a year.

It has been said that the Internal Revenue Service would bear the brunt of your investigative attack as having the most cumbersome and time-consuming reports. Although this is a true statement, please do not place the blame on the Internal Revenue Service, but place it on the tax-writing committees of our Congress.

The Internal Revenue Service is only trying to administer a very technical and cumbersome Internal Revenue Code. However, there are a few ways in which the Internal Revenue Service can help reduce the "paperwork jungle":

1. Schedule A of the employer's quarterly Federal tax return, form 941, could be changed to an annual schedule A, and, if needed, to provide for a quarterly breakdown of "taxable FICA wages." The Federal income withheld from wages and the Federal Insurance Contributions Act tax should still be reported and paid each quarter. It is very seldom that the Social Security Administration needs to know the quarterly wages of employees during the year. When and if it does, it can write to the employer.

According to the annual report of the Commissioner of Internal Revenue for the year ending June 30, 1963, there was a little over 21 million employment tax returns filed. As far as this form 941 that I am holding here, there was almost 15 million copies filed, and if we filed it only once a year, the lower portion, schedule A, which is the time-consuming portion, we would immediately cut this figure down to about 25 percent.

Mr. OLSEN. Let me interrupt you at that point.

Are you including in your totals the 21 million tax returns, this 15 million figure, is that included in the 21 million?

Mr. RISH. Yes. The breakdown of the 21 million is: Form 941, about 15 million; form 942 for household employees, about 4 million; and then there is form 943 for agricultural employees which is less than a million.

Then there are a few other miscellaneous forms. We do have an annual unemployment insurance form 940 which is 1.2 million.

Mr. JOHANSEN. What was the designation that you gave to the total, 21 million?

Mr. RISH. They are called employment tax forms.

Mr. OLSEN. Now, for the record, at this point, we will insert these respective forms in our printed record.

(The tax forms follow:)

FORM 1041 U.S. Treasury Department Internal Revenue Service	U.S. FIDUCIARY INCOME TAX RETURN (FOR ESTATES AND TRUSTS) FOR CALENDAR YEAR or other taxable year beginning....., 1963 and ending....., 19... PLEASE TYPE OR PRINT	<h1 style="margin:0;">1963</h1>
Check whether: <input type="checkbox"/> Estate <input type="checkbox"/> Simple trust <input type="checkbox"/> Complex trust If Trust, check whether: <input type="checkbox"/> Testamentary <input type="checkbox"/> Inter Vivos	Name of estate or trust Name, address, and title of fiduciary Postal ZIP code	Employer Identification Number of Estate or Trust

Simple trusts are not required to fill in Schedules F, G, and H. They need complete only the lines and schedules that apply to them. See page 2 of instructions.

INCOME	1. Dividends (enter full amount before exclusion) 2. Interest on bank deposits, notes, corporation bonds, etc. 3. Interest on tax-free covenant bonds upon which a Federal income tax was paid at source . . 4. Interest on Government obligations, etc. 5. Income from partnerships and other fiduciaries (instruction 5) 6. Gross rents and royalties. 7. Gross profit (or loss) from trade or business. 8. (a) Net gain (or loss) from sale or exchange of capital assets (from line 10, Schedule D) . . (b) Net gain (or loss) from sale or exchange of property other than capital assets (from line 22, Schedule D)..... 9. Other income (state nature of income) 10. Total income (lines 1 to 9, inclusive)	
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DEDUCTIONS	11. Interest (Schedule A) 12. Taxes (Schedule A) 13. Fiduciary's portion of depreciation (Schedule B) and depletion. Explain depletion. 14. Charitable deduction (line 9, Schedule F) 15. Other deductions authorized by law (Schedule A) 16. Total (lines 11 to 15, inclusive) 17. Line 10 minus line 16. (Complex trusts and estates enter this amount on line 1 in Schedule G, also) 18. Deduction for distributions to beneficiaries (instruction 18) 19. Adjustment of dividend exclusion (not to exceed \$50) (instruction 19) 20. Federal estate tax attributable to income in respect of a decedent (Fiduciary's share) ... 21. Long-term capital gain deduction. Enter 50% of line 11(e), Schedule D. 22. Exemption (instruction 22) 23. Total (lines 18 to 22, inclusive) 24. Taxable income of fiduciary (line 17 minus line 23)	
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COMPUTATION OF TAX	25. Tax on amount on line 24 (see tax rate schedule in instruction 25) 26. If alternative tax is applicable, enter the tax from line 17, Schedule D. 27. Fiduciary's share of foreign tax credit (Form 1116) 28. Fiduciary's share of dividends received credit (line 7, Schedule E) 29. Fiduciary's share of investment credit (see instruction 39 and attach Form 3468) ... 30. Total of lines 27, 28, and 29 31. Balance (line 25 or 26, whichever is applicable, less line 30) 32. Tax from recomputing fiduciary's share of prior year investment credit (attach statement) 33. Total of lines 31 and 32 34. Fiduciary's share of credit for tax paid at source on tax-free covenant bond interest. . . 35. Credit from regulated investment companies (attach Form 2439) 36. Tax previously paid, or withheld (see instruction 36 and attach explanation) 37. Total of lines 34, 35, and 36 38. Balance of tax or overpayment (line 33 less line 37)	
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Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

Signature of fiduciary or officer representing fiduciary	Date	
Signature of preparer other than fiduciary	Address	Date

Schedule A.—EXPLANATION OF DEDUCTIONS CLAIMED ON LINES 11, 12, and 15, PAGE 1 (see instruction 37)

Table with 6 columns: Line No., Explanation, Amount, Line No., Explanation, Amount. Includes a shaded area for totals.

Schedule B.—EXPLANATION OF DEDUCTION FOR DEPRECIATION (see instruction 38)

This schedule is designed for taxpayers using the alternative guidelines and administrative procedures described in Revenue Procedure 62-21 as well as for those taxpayers who wish to continue using procedures authorized prior to the revenue procedure.

Table with 8 columns: 1. Group and guideline class, 2. Cost or other basis, 3. Asset additions, 4. Asset retirements, 5. Depreciation allowed, 6. Method of computing depreciation, 7. Class life, 8. Depreciation for this year. Includes summary rows for totals and less elsewhere.

Schedule C.—BENEFICIARIES' SHARES OF INCOME AND CREDITS (estates and complex trusts, see instruction 39)

Table with 3 columns: 1. Name of each beneficiary, 2. Address, 3. Social security number. Includes rows (a) through (d).

Continuation of Schedule C

Table with 4 columns: 4. Amount of income required to be distributed currently, 5. Other amounts paid, credited, or otherwise required to be distributed, 6. Domestic dividends qualifying for credit, 7. Income taxable to beneficiaries.

Continuation of Schedule C

Table with 6 columns: 8. Net short-term capital gain, 9. Net long-term capital gain, 10. Tax-exempt income, 11. Federal income tax paid at source, 12. Income and profits taxes paid to a foreign country, 13. Depreciation and depletion.

ADDITIONAL INFORMATION REQUIRED

- 1. Was a Form 1041 filed for last year?
2. Date trust was created or, if an estate, date of decedent's death.
3. If copy of will or trust instrument and statement required under General Instruction "H" has been filed do not file again but enter date and place where filed.
4. If you had tax-exempt income, have you deducted only that portion of expenses allocable to taxable income?
5. If return is for a trust, enter name and address of grantor.
6. If return is for an estate, has a United States Estate Tax Return been filed?
7. Has final distribution of assets been made during the year?

Schedule D.—GAINS AND LOSSES FROM SALES OR EXCHANGES OF PROPERTY (see instruction 40)

(I) CAPITAL ASSETS

Short-Term Capital Gains and Losses—Assets Held Not More Than 6 Months

a. Kind of property (if necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Depreciation allowed (or allowable) since acquisition or March 1, 1913 (attach schedule)	f. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale	g. Gain or loss (d plus e less f)
1. _____						
2. Enter your share of net short-term gain (or loss) from partnerships and other fiduciaries						
3. Enter unused capital loss carryover from 5 preceding taxable years (attach statement)						
4. Net short-term gain (or loss) from lines 1, 2, and 3. Enter here and on line 8 below						

Long-Term Capital Gains and Losses—Assets Held More Than 6 Months

a. Kind of property (if necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Depreciation allowed (or allowable) since acquisition or March 1, 1913 (attach schedule)	f. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale	g. Gain or loss (d plus e less f)
5. _____						
6. Enter the full amount of your share of net long-term gain (or loss) from partnerships and other fiduciaries						
7. Net long-term gain (or loss) from lines 5 and 6. Enter here and on line 9 below						

CAPITAL GAINS AND LOSSES

	1. Beneficiaries	2. Fiduciary	3. Total
8. Net short-term gain or loss from line 4, above			
9. Net long-term gain or loss from line 7, above			
10. Total net gain or loss			

Enter on line 8(a), page 1, the net gain shown on line 10, column 3, above. If net loss on line 10, column 3, above, enter as loss on line 8(a), page 1, whichever of the following is the smallest amount: (i) the amount of the loss, (ii) taxable income computed without regard to capital gains and losses and the deduction for personal exemption, or (iii) \$1,000.

COMPUTATION OF FIDUCIARY'S CAPITAL GAINS DEDUCTION

11. (a) Long-term capital gain shown on line 9, column 3, above	
(b) Short-term capital loss shown on line 8, column 3, above	
(c) Excess of line 11(a) over line 11(b), above	
(d) Long-term capital gains taxable to beneficiaries. (Total of column 9, Schedule C)	
(e) Balance (line 11(c) minus line 11(d)). (Enter 50% of this amount on line 21, page 1)	

COMPUTATION OF ALTERNATIVE TAX

If fiduciary had a net long-term capital gain or an excess of net long-term capital gain over net short-term capital loss shown in column 2, line 10, above, and line 24, page 1, exceeds \$18,000, he may find it to his advantage to make the alternative tax computation.

12. Income from line 24, page 1	
13. 50% of amount on line 11(e), above	
14. Balance (line 12 minus line 13)	
15. Tax on amount on line 14 (see tax rate schedule in instruction 25)	
16. 50% of amount on line 13, above	
17. Alternative tax (line 15 plus line 16); if less than line 25, page 1, enter this amount on line 26, page 1	

(II) GAIN FROM DISPOSITION OF DEPRECIABLE PROPERTY UNDER SECTION 1245

a. Kind of property (if necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale	
18. _____					
f. Depreciation allowed (or allowable) since acquisition or March 1, 1913 (attach schedule)		g. Adjusted basis (e less sum of f-1 and f-2)	h. Total gain (d less g)	i. Ordinary gain (lesser of f-2 or h)	j. Other gain (n less l)
f-1. Prior to January 1, 1962	f-2. After December 31, 1961				
19. Total ordinary gain. Enter here and in column g, line 21, (III)					
20. Total other gain. Enter here and in column g, line 5, (I), however, if the gains do not exceed the losses when this amount is combined with other gains and losses from section 1231 property enter the total of column j in column g, line 21, (III)					

(III) PROPERTY OTHER THAN CAPITAL ASSETS

a. Kind of property (if necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Depreciation allowed (or allowable) since acquisition or March 1, 1913 (attach schedule)	f. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale	g. Gain or loss (d plus e less f)
21.						

22. Net gain (or loss). Enter here and on line 8(b), page 1.....

Schedule E.—FIDUCIARY'S SHARE OF DIVIDEND CREDIT (see instruction 41)

1. Total domestic corporation dividends qualifying under section 34, before dividend exclusion.....
2. Beneficiaries' share of dividends from column 6, Schedule C.....
3. Adjustment of dividend exclusion for 1963 (line 19, page 1).....
4. Total (line 2 plus line 3).....
5. Fiduciary's share of dividends subject to credit (line 1 minus line 4).....
6. Enter: (a) 4% of line 5.....
- (b) Tax shown on line 25 or 26, page 1, less amount on line 27, page 1.....
- (c) 4% of line 24, page 1.....
7. Enter here and on line 28, page 1, the smallest of the amounts on lines 6(a), 6(b), and 6(c) above.....

Schedule F.—COMPUTATION OF CHARITABLE DEDUCTION (see instruction 42)
(submit statement giving name and address of charitable organization)

1. Amounts paid or permanently set aside for charitable purposes from current year's income.....
2. Tax-exempt interest and foreign income of a foreign trust allocable to charitable distribution.. (Complete lines 3 and 4 below only if gain on line 9, column 2, Schedule D, exceeds loss on line 8, column 2, Schedule D)
3. (a) Long-term capital gain included on line 1..... (Do not complete lines (b) and (c) if such amounts are greater than line (a))
- (b) Enter gain on line 9, column 2, Schedule D, minus loss on line 8, column 2, Schedule D.....
- (c) Enter gain on line 9, column 3, Schedule D, minus loss on line 8, column 3, Schedule D.....
4. Enter 50% of the smallest of line 3(a), line 3(b), or line 3(c).....
5. Enter sum of line 2 and line 4.....
6. Balance (line 1 minus line 5).....
7. Enter short-term capital gains and 50% of the long-term capital gains of the current taxable year allocable to corpus, paid or permanently set aside for charitable purposes.....
8. Amounts paid or permanently set aside for charitable purposes other than from income of the current year.....
9. Total (line 6 plus lines 7 and 8). Enter here and on line 14, page 1.....

Schedule G.—COMPUTATION OF DISTRIBUTABLE NET INCOME (see instruction 43)

1. Enter amount from line 17, page 1.....
2. Add: (a) Tax-exempt interest (as adjusted).....
- (b) Foreign income of a foreign trust (as adjusted).....
- (c) Net gain shown on line 10, column 1, Schedule D. If net loss, enter zero.....
- (d) Lines 4 and 7, Schedule F.....
- (e) Short-term capital gain included on line 1, Schedule F.....
- (f) If amount on line 8(a), page 1, is a loss, enter amount here.....
3. Total (line 1 through line 2(f)).....
4. If amount on line 8(a), page 1, is a gain, enter amount here.....
5. Distributable net income (line 3 minus line 4).....

Schedule H.—COMPUTATION OF DISTRIBUTIONS DEDUCTION (see instruction 44)

1. Total of columns 4 and 5 of Schedule C.....
2. Enter the total of column 10, Schedule C.....
3. Balance (line 1 minus line 2).....
4. Enter distributable net income (line 5, Schedule G).....
5. Enter the total of lines 2(a) and 2(b) of Schedule G.....
6. Balance (line 4 minus line 5).....
7. Distributions deduction. (Enter here and on line 18, page 1, the lesser of line 3 or line 6 above).....

During the taxable year did you make an accumulation distribution as defined in Sec. 665(b)? See general instruction Q.

Yes No. If "Yes," attach Schedule J (Form 1041).

FORM 1065

U.S. Treasury Department Internal Revenue Service

U.S. PARTNERSHIP RETURN OF INCOME

(To be filed also by syndicates, pools, joint ventures, etc.) FOR CALENDAR YEAR 1962

1962

A. Date business commenced
B. County in which located
C. Principal business activity
D. Principal product or service

or other taxable year beginning 1962, and ending 19...
Name
Number and street
City, town, postal zone number, State

E. Employer identification number

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see Instruction R.

Line and instruction No. INCOME
1. Gross receipts or gross sales Less: Returns and allowances
2. Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)
3. Gross profit (line 1 less line 2)
4. Income (or loss) from other partnerships, syndicates, etc. (attach statement)
5. Nonqualifying dividends (attach itemized list—see Instruction S)
6. Interest (fully taxable)
7. Rents (Schedule B)
8. Royalties (attach schedule)
9. Net farm profit (or loss) (Schedule F, Form 1040)
10. Net gain (or loss) from sale or exchange of property other than capital assets (from line 13, Separate Schedule D, Form 1065)
11. Other income (attach schedule)
12. Total income (lines 3 through 11)
DEDUCTIONS
13. Salaries and wages (other than to partners)
14. Payments to partners—salaries and interest
15. Rent
16. Interest (explain in Schedule C)
17. Taxes (explain in Schedule C)
18. Losses by fire, storm, shipwreck, or other casualty or theft (attach statement)
19. Bad debts (from Schedule H if reserve method is used)
20. Repairs
21. Depreciation (Schedule I)
22. Amortization (attach schedule)
23. Depletion of mines, oil and gas wells, timber, etc. (attach schedule)
24. Other deductions authorized by law (explain in Schedule J)
25. Total deductions (lines 13 through 24)
26. Ordinary income (or loss) (line 12 less line 25)

ADDITIONAL INFORMATION
F. Is any member of the partnership related by blood or marriage to any other member?
G. Is any member of the partnership a trust for the benefit of any person related by blood or marriage to any other member?
H. Did the partnership, during the taxable year, have any contracts or subcontracts subject to the Renegotiation Act of 1951?
If "Yes," see General Instruction P and enter appropriate amount here \$

I. Did you claim a deduction for expenses connected with: (If answer to any question is "YES," check applicable boxes within that question.)
1. A hunting lodge, working ranch or farm, fishing camp, resort property, pleasure boat or yacht, or other similar facility? (Other than where the operation of the facility was the partnership's principal business.)
2. Vacations for partners or members of their families or employees or members of their families? (Other than vacation pay reported on Form W-2.)
3. The leasing, renting, or ownership of a hotel room or suite, apartment, or other dwelling, which was used by partners, customers, employees, or members of their families? (Other than use by partners or employees while in business travel status.)
4. The attendance of members of partners' families or your employees' families at conventions or business meetings?

I declare under penalties of perjury that I have examined this return (including accompanying schedules and statements) and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

Sign here (Signature of partner or member) (Date)

Sign here (Signature of preparer other than partner or member) (Address) (Date)

ASSETS	Beginning of taxable year		End of taxable year	
	Amount	Total	Amount	Total
1. Cash				
2. Notes and accounts receivable				
(a) Less: Reserve for bad debts				
3. Inventories				
4. Investments in Government obligations				
5. Other current assets (attach schedule)				
6. Other investments (attach schedule)				
Buildings and other fixed depreciable assets				
(a) Less: Accumulated amortization and depreciation				
8. Depletable assets				
(a) Less: Accumulated depletion				
9. Land (net of any amortization)				
10. Intangible assets (amortizable only)				
(a) Less: Accumulated amortization				
11. Other assets (attach schedule)				
12. Total assets				
LIABILITIES AND CAPITAL				
13. Accounts payable				
14. Mortgages, notes, and bonds payable in less than 1 year ..				
15. Other current liabilities (attach schedule)				
16. Mortgages, notes, and bonds payable in 1 year or more ..				
17. Other liabilities (attach schedule)				
18. Partners' capital accounts				
19. Total liabilities and capital				

Schedule M.—RECONCILIATION OF PARTNERS' CAPITAL ACCOUNTS

	1. Capital account at beginning of year	2. Capital contributed during year	3. Income not included in column 4 plus non-taxable income	4. Ordinary income (or loss) from line 26, page 1	5. Losses not included in column 4, plus unallowable deductions	6. Withdrawals and distributions	7. Capital account at end of year
a)							
(b)							
(c)							
(d)							
(e)							
Totals							

Schedule N.—COMPUTATION OF NET EARNINGS FROM SELF-EMPLOYMENT. (See instruction for Schedule N)

1. Ordinary income increased by casualty losses (line 26 plus line 18, page 1). Do not include income received for the performance of services as a doctor of medicine	
2. Add: Payments to partners—salaries and interest (line 14, page 1)	
3. Net loss from sale or exchange of property other than capital assets (line 10, page 1)	
4. Total	
5. Less: Portion of line 4, page 1, which does not constitute net earnings from self-employment	
6. Nonqualifying dividends (from line 5, page 1)	
7. Interest (see instructions)	
8. Net rentals from real estate	
9. Net gain from sale or exchange of property other than capital assets (line 10, page 1)	
10. Net earnings from self-employment. (Enter in column 11, Schedule K)	

FORM 1120 U.S. Treasury Department Internal Revenue Service

U.S. CORPORATION INCOME TAX RETURN—1963

or other taxable year beginning 1963, ending (PLEASE TYPE OR PRINT) 19...

Check if this is a—

- A. Sole proprietorship or partnership electing under sec. 1361 to be taxed as a corporation.
B. Consolidated return.
C. Personal Holding Co.
D. Business Code No. (see instructions)

Name, Number and street, City or town and State, Postal ZIP code, E. Employer Identification No., F. County in which located, G. Enter total assets from line 13 Sch. I.

IMPORTANT—All applicable lines and schedules must be filled in. If the lines on the schedules are not sufficient, see instruction Q.

GROSS INCOME

- 1. Gross receipts or gross sales Less: Returns and allowances
2. Less: Cost of goods sold (Schedule A) and/or operations (attach schedule)
3. Gross profit
4. Dividends (Schedule C)
5. Interest on obligations of the United States and U.S. instrumentalities
6. Other interest
7. Rents
8. Royalties
9. Net gains (losses) (from separate Schedule D)
10. Other income (attach schedule)
11. TOTAL income, lines 3 to 10, inclusive

DEDUCTIONS

- 12. Compensation of officers (Schedule E)
13. Salaries and wages (not deducted elsewhere)
14. Repairs (do not include cost of improvements or capital expenditures)
15. Bad debts (from Schedule F if reserve method is used)
16. Rents
17. Taxes (attach schedule)
18. Interest
19. Contributions or gifts paid (attach schedule—see instructions for limitation)
20. Losses by fire, storm, shipwreck, or other casualty, or theft (attach schedule)
21. Amortization (attach schedule)
22. Depreciation (Schedule G)
23. Depletions (attach schedule)
24. Advertising
25. (a) Pension, profit-sharing, stock bonus, annuity plans (see instructions)
(b) Other employee benefit plans (see instructions)
26. Other deductions (attach schedule)
27. TOTAL deductions in lines 12 to 26, inclusive
28. Taxable income before net operating loss deduction and special deductions (line 11 less line 27)
29. Less: (a) Net operating loss deduction (see instructions) (attach schedule)
(b) Special deductions (Schedule I)
30. Taxable income (line 28 less line 29)

TAX

- 31. TOTAL income tax (from line 10, Tax Computation Schedule, page 3)
32. Credits: (a) Tax paid with Form 7004 application for extension (attach copy)
(b) Payments and credits on 1963 Declaration of Estimated Tax
(c) Credit from regulated investment companies (attach Form 2439)
33. If tax (line 31) is larger than credits (line 32), the balance is TAX DUE. Enter balance here
34. If tax (line 31) is less than credits (line 32) Enter the OVERPAYMENT here
35. Enter amount of line 34 you want: Credited on 1964 estimated tax Refunded

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. If prepared by a person other than taxpayer, his declaration is based on all information of which he has any knowledge.

CORPORATE SEAL, Date, Signature of officer, Title, Date, Individual or firm signature of preparer, Address

Schedule A.—COST OF GOODS SOLD. (See Instruction 2) (Where inventories are an income-determining factor)

Table with 2 columns: Description and Amount. Rows include: 1. Inventory at beginning of year, 2. Merchandise bought for manufacture or sale, 3. Salaries and wages, 4. Other costs per books, 5. Total, 6. Less: Inventory at end of year, 7. Cost of goods sold.

- 1. Was inventory valued at—Cost [] lower of cost or market [] LIFO [] other []? If other, attach explanation.
2. Have write-downs been made to inventory? Yes [] No []. If "Yes," were the write-downs computed on the basis of: (a) Percentage reductions from parts of the inventory, (b) Percentage reductions from the total inventory, (c) Valuation of individual items.
3. Was the inventory verified by physical count during the year? Yes [] No []. If "No," attach explanation of how the closing inventory was determined.
4. Was there any substantial change in the manner of determining quantities, costs or valuations between the opening and closing inventories? Yes [] No []. If "Yes," attach explanation.

Schedule C.—INCOME FROM DIVIDENDS

Table with 5 columns: 1. Name of declaring corporation, 2. Domestic corporations taxable under chapter 1, Internal Revenue Code, 3. Certain preferred stock of public utilities taxable under chapter 1, Internal Revenue Code, 4. Foreign corporations, 5. Other corporations. Includes a Totals row and a section for shareholdings.

Schedule D.—Separate Schedule D (Form 1120) should be used in reporting sales or exchanges of property. (See Instruction 9)

Schedule E.—COMPENSATION OF OFFICERS. (See page 5 of Instructions)

Table with 7 columns: 1. Name and address of officer, 2. Official title, 3. Time devoted to business, 4. Common stock owned, 5. Preferred stock owned, 6. Amount of compensation, 7. Expense account allowances. Includes a Totals row.

Schedule F.—BAD DEBTS—RESERVE METHOD. (See Instruction 15)

Table with 6 columns: 1. Taxable year, 2. Trade notes and accounts receivable outstanding at end of year, 3. Sales on account, 4. Gross amount added to reserve, 5. Amount charged against reserve, 6. Reserve for bad debts at end of year. Rows for years 1960, 1961, 1962, 1963.

NOTE: Securities which are capital assets and which became worthless within the taxable year should be reported in separate Schedule D.

Schedule G.—DEPRECIATION. (See Instruction 22, page 3)

This schedule is designed for taxpayers using the alternative guidelines and administrative procedures described in Revenue Procedure 62-21 as well as for those taxpayers who wish to continue using procedures authorized prior to the Revenue Procedure. Where double headings appear use the first heading for the new procedure and the second heading for the older procedure.

Table with 8 columns: 1. Group and guideline class, 2. Cost or other basis at beginning of year, 3. Asset additions in year, 4. Asset retirements in year, 5. Depreciation allowed or allowable in prior years, 6. Method of computing depreciation, 7. Class life rate or life, 8. Depreciation for this year. Includes a Totals row and a section for balance.

Schedule H.—SUMMARY OF DEPRECIATION AND AMORTIZATION SCHEDULES

DEPRECIATION	Under Rev. Proc. 62-21	Other	AMORTIZATION	
1. Straight line method.....			1. Emergency facilities.....	
2. Declining balance method.....			2. Research or experimental.....	
3. Sum of the years-digits method.....			3. Exploration and development.....	
4. Based on units of production.....			4. Organizational.....	
5. Addl. 1st year (Sec. 179).....			5. Trademark and trade name.....	
6. Other (specify).....			6. Other (specify).....	
7. Total depreciation claimed.....			7. Total amortization claimed.....	

Schedule I.—SPECIAL DEDUCTIONS

1. Dividends-received: (a) 85 percent of column 2, Schedule C.....	
(b) 62.115 percent of column 3, Schedule C.....	
2. Total dividends-received deductions (sum of lines 1(a), (b), and (c) but not to exceed 85 percent of the excess of line 28, page 1 over line 4 of this schedule). (The 85 percent limitation does not apply to a year in which a net operating loss occurs or if the corporation is a small business investment company.).....	
3. Dividends paid on certain preferred stock of public utilities (see instructions in case of net operating loss).....	
4. Western Hemisphere trade corporations (not allowable in year of net operating loss).....	
5. Total special deductions (enter here and on line 29(b), page 1).....	

TAX COMPUTATION SCHEDULE

1. Taxable income (line 30, page 1).....	
2. If amount of line 1 is:	
(a) Not over \$25,000—Enter 30 percent of line 1 (32 percent if a consolidated return).....	
(b) Over \$25,000—Enter 52 percent of line 1 (54 percent if a consolidated return).....	
Subtract \$5,500, and enter difference.....	5,500.00
3. Income tax (line 2, or line 22 of separate Schedule D, whichever is lesser).....	
4. Foreign tax credit (attach Form 1118).....	
5. Balance (line 3 less line 4).....	
6. Investment credit (attach Form 3468).....	
7. Balance of income tax (line 5 less line 6).....	
8. Tax under section 541 of the Internal Revenue Code (from Schedule 1120 PH).....	
9. Tax from recomputing prior year investment credit (attach statement).....	
10. Total tax (sum of lines 7, 8 and 9). Enter here and on line 31, page 1.....	

H. Date incorporated.....

- I. (1)** Did the corporation at the end of the taxable year own directly or indirectly 50 percent or more of the voting stock of a domestic corporation?..... Yes No
- (2)** Did any corporation, individual, partnership, trust, or association at the end of the taxable year own directly or indirectly 50 percent or more of the corporation's voting stock?..... Yes No
(For rules of attribution, see section 267 (c).)
- If the answer to (1) or (2) is "Yes," attach separate schedule showing:
- (a) name, address, and employer identification no.;
 - (b) percentage owned;
 - (c) date acquired; and
 - (d) the District Director's office in which the income tax return of such organization for the last taxable year was filed.
- If the answer to (1) above is "Yes," include the income (or loss) from line 30, page 1, Form 1120 of such corporation for the taxable year ending with or within your taxable year.
- If the answer to (2) above is "Yes," include (a) the amount of cash or stock dividends paid to such individual or organization and (b) identify form of organization.

J. Were Forms 1096 and 1099 filed for the calendar year 1963 in connection with:

 Taxable dividends..... Yes No

 Other payments..... Yes No

K. Did you have any contracts or subcontracts subject to the Renegotiation Act of 1951..... Yes No

If "Yes," see Inst. K. Enter amount here.....

L. Did you at any time during the year own directly or indirectly any stock of a foreign corporation?..... Yes No
If "Yes," attach statement as required by Instruction N.

M. Amount of income (or deficit) for: 1960.....
1961..... 1962.....

N. If a cooperative association, check type:
(1) farmers' purchasing or marketing; (2) consumers', or (3) other.

O. Did you claim a deduction for expenses connected with: (If answer to any question is "Yes," check applicable boxes within that question.)

(1) A hunting lodge , working ranch or farm , fishing camp , resort property , pleasure boat or yacht , or other similar facility ? (Other than where the operation of the facility was the principal business.) Yes No

(2) The leasing, renting, or ownership of a hotel room or suite , apartment , or other dwelling , which was used by customers or employees or members of their families? (Other than use by employees while in business travel status.) Yes No

(3) The attendance of your employees' families at conventions or business meetings? Yes No

(4) Vacations for employees or members of their families? (Other than vacation pay reported on Form W-2.) Yes No

P. Refer to instructions and state the:
Principal business activity.....

Principal product or service.....

Schedule L.—BALANCE SHEETS. (See Instructions)

ASSETS	Beginning of taxable year		End of taxable year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
1. Cash				
2. Notes and accounts receivable				
(a) Less: Reserve for bad debts				
3. Inventories				
4. Investments in Government obligations				
5. Other current assets (attach schedule)				
6. Loans to stockholders				
7. Other investments (attach schedule)				
8. Buildings and other fixed depreciable assets				
(a) Less: Accumulated amortization and depreciation				
9. Depletable assets				
(a) Less: Accumulated depletion				
10. Land (net of any amortization)				
11. Intangible assets (amortizable only)				
(a) Less: Accumulated amortization				
12. Other assets (attach schedule)				
13. Total assets				
LIABILITIES AND CAPITAL				
14. Accounts payable				
15. Mortgages, notes, and bonds payable in less than 1 year				
16. Other current liabilities (attach schedule)				
17. Loans from stockholders				
18. Mortgages, notes, and bonds payable in 1 year or more				
19. Other liabilities (attach schedule)				
20. Capital stock: (a) Preferred stock				
(b) Common stock				
21. Paid-in or capital surplus (attach reconciliation)				
22. Surplus reserve (attach schedule)				
23. Earned surplus and undivided profits				
24. Total liabilities and capital				

ENTRIES MADE BELOW MUST BE IDENTIFIED BY ACCOUNT

Schedule M-1.—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1. Net income per books		7. Income recorded on books this year not included in this return (itemize)	
2. Federal income tax			
3. Excess of capital losses over capital gains			
4. Taxable income not recorded on books this year (itemize)			
		8. Deductions in this tax return not charged against book income this year (itemize)	
5. Expenses recorded on books this year not deducted in this return (itemize)			
		9. Total of lines 7 and 8	
6. Total of lines 1 through 5		10. Income (line 28, page 1)—line 6 less 9	

Schedule M-2.—ANALYSIS OF EARNED SURPLUS AND UNDIVIDED PROFITS PER BOOKS (line 23, page 4)

1. Balance at beginning of year		5. Distributions: (a) Cash	
2. Net income per books		(b) Stock	
3. Other increases (itemize)		(c) Property	
		6. Other decreases (itemize)	
		7. Total of lines 5 and 6	
4. Total of lines 1, 2, and 3		8. Balance end of year (line 4 less 7)	

Mr. RISH. A second suggestion that I have here is the U.S. Partnership Return of Income Form 1065 and the U.S. Fiduciary Income Tax Return Form 1041 when used by simple trusts only, merely serve as information returns.

Thus, the information concerning partners' share of income, credits, and deductions could be placed on a much simpler information form, perhaps form 1099, which is now being used mainly for reporting dividends and interest income.

(Form 1099 is printed in Albany hearing, p. 18.)

Mr. OLSEN. Before we go on to so many of them, I want to dwell on form 941 for just a minute.

Just what information does form 941 require?

Mr. RISH. Form 941 requires the employer every 3 months to report the amount of income tax withheld from his employees, the total taxable wages paid to his employees up to \$4,800 per year for each employee, and the amount of FICA tax due, which at the present time is 7.25 percent of the taxable wages. Most businesses who withhold from their employees in excess of \$100 a month of these taxes now pay these taxes on a monthly basis to their bank or the Federal Reserve bank, and when they file this return, normally, they are paying only one-third of the taxes with the return, because two-thirds of the taxes have been paid in the 2 previous months by Federal depository receipt cards.

Mr. OLSEN. Just to make that distinction clear, your recommendation is that the information on form 941 be required annually only?

This doesn't alter the requirement that the taxes be paid monthly?

Mr. RISH. Not at all. I think it is very important that the employer continue to pay the withholding and social security taxes monthly because, although I haven't actually checked into the statistics, it has been my experience that most delinquent tax accounts, especially if businesses go bad, are social security and withholding taxes of employees.

And unfortunately, it is a double loss to the U.S. Government, because the employees who have had income taxes withheld from their wages are entitled to a form W-2 which they attach to their form 1040 at the end of the year.

They take a credit for taxes that were withheld by their employer even though the employer has never turned this money over to the Internal Revenue Service.

Mr. JOHANSEN. This form 941 is the report that is filed quarterly, is that correct?

Mr. RISH. Yes, every 3 months.

Mr. JOHANSEN. You recommend that it be annually?

Mr. RISH. I recommend, at least, the list of the social security number, name of employee, and taxable wages paid for the quarter be filed on an annual basis.

Mr. OLSEN. What would be the paperwork saving to the taxpayer if your recommendations were followed?

Mr. RISH. The paperwork savings mean that they would fill out one Federal payroll tax return instead of four Federal tax returns. So there would be a 75-percent saving.

Mr. OLSEN. A 75-percent saving insofar as this particular reporting form is concerned?

Mr. RISH. Yes. And according to the Commissioner's report, you have almost 15 million of these returns being filed. If it were 16 million, you would eliminate 12 million and would only have 4 million.

Mr. CORCORAN. Mr. Chairman, we have a study on this Treasury 941 form. In our figures, it indicates that the savings to the public would be as high as \$25 million a year if this conversion from quarterly to annually were made, and there would be no loss of significant information.

Mr. JOHANSEN. May I ask, has there been anything developed in hearings, or in oral conferences, by way of objections to those recommendations so far as Internal Revenue Service is concerned?

Mr. CORCORAN. I really cannot answer in such terms except to say that there is an agreement within the agencies that this is a fruitful area to explore.

On the other hand, there is some statistical use made of the data, particularly the employment data on a quarterly basis.

However, since the employment data is not tabulated for a year or so later, it has no current use, according to our studies.

Mr. RISH. I think I could perhaps give you a little information on that point.

The Internal Revenue Service itself could not object, because there would be no loss of revenue. They would have the information they need every 3 months.

Perhaps the Social Security Administration would find some objections to not having wages reported to them on a quarterly basis, because when persons become eligible for social security benefits, it is based on whether or not they had earnings in a certain number of calendar quarters. But those are things that could be easily overcome by providing for that type of information in the annual return, and as I have already stated, where, for example, an employee, in the middle of the year files a claim for benefits and the Social Security Administration must know the current quarterly wages in order to see if they are eligible, all they would have to do is write to the employer and they would get that information on that one particular employee.

Mr. JOHANSEN. I must confess ignorance on one point, and possibly the witnesses or Mr. Corcoran could answer this: Is this quarterly reporting now a statutory requirement or is it under the regulations?

Mr. RISH. It is a statutory requirement insofar as I know.

Mr. OLSEN. I might say for the record at this point, as we have in the past announced, the agencies involved with these respective forms and recommendations to curtail them, those agencies are going to be heard in Washington later this month and early next month.

Thank you. Proceed.

Mr. DERWINSKI. Form 1065, the partnership form, that is purely an informational return?

Mr. RISH. Yes; no tax to be paid with these returns.

Mr. DERWINSKI. The tax is to be paid by the individual who incorporates his income from a partnership onto his form 1040?

Mr. RISH. Yes. His distributive share of the net income of the partnership. The same situation exists with a trust, but only a simple trust, where the net income of the simple trust is distributed

in full to the beneficiaries. There, again, that information could be put on a very simple—this, incidentally, that I am holding has three forms of 1099.

So, actually, one would end up on a form this size, and a copy would go to the beneficiary or partner, and then he would have the information to place it on his annual Federal form 1040.

Mr. OLSEN. So that you are recommending in these examples that you have given that form 1099 be substituted for forms 1065 and 1041.

Mr. RISH. And 1041 only so far as it applies to simple trusts.

Mr. OLSEN. Thank you.

Mr. RISH. My third point concerns the U.S. Corporation Income Tax Return on Form 1120. This could be drastically simplified if the suggestion of the Commissioner, Mortimer M. Caplin, which he made on February 15, 1962, was to be carried out. This suggestion was not given very much publicity. It is only really known, mostly, among accountants. He spoke in Fort Worth, Tex., and he said, in part:

As part of the Service's goal of doing everything possible to strengthen voluntary compliance, we are studying the question of whether return preparers should assume more responsibility in the filing of Federal tax returns. This would involve full or partial acceptance of Internal Revenue Service, without examination, of the returns prepared by persons approved to perform such services.

There are many steps needed to determine what procedures are to be used by the Internal Revenue Service so that they could agree to accept in full or part, returns prepared by "enrolled tax practitioners," but I believe the possible benefits to the Internal Revenue Service and to the "enrolled tax practitioners" and their clients are sufficiently great to attempt to reach solutions.

May I add here for your information, in case you are not aware, there are over 70,000 persons who have been issued "Treasury cards" by the U.S. Treasury.

These Treasury cards mean that the holders are enrolled agents of the Internal Revenue Service, and are entitled to practice before all levels of the Internal Revenue Service.

The mere preparation of a tax return is not considered practice before the Internal Revenue Service. Therefore, anyone who feels they are qualified should and can prepare their own tax return. I am not suggesting in any way that any changes be made in this extent, but what my suggestion is that since they have such a rigid procedure before you are issued your Treasury card, since it is so apparent that you are a person of high competence and high integrity, that the Internal Revenue Service should make better use of the holder of these cards. There are over 70,000 enrolled tax practitioners.

More than 2 years have gone by since Mr. Caplin made his suggestion, but very little, if any, progress has been made to put any part of his suggestion into effect.

Although form 1120 starts out as a 4-page tax form, there are at least 10 places on page 1, and 6 places on page 4 which state: "Attach schedule."

Thus, this simple 4-page return can end up as a 20-or-more-page booklet. By having the return preparers assume more responsibility

then the return could be shortened, and resulting controversies with Internal Revenue Service agents reduced.

Are there any questions in connection with my suggestions?

Mr. OLSEN. Thank you, Mr. Rish.

Mr. JOHANSEN. I have one question which I think is relevant to your testimony, and this question is not asked in defensive spirit. None of the Members of Congress here today are members of the Committee on Ways and Means, and so we are not springing to their defense, but I am interested in a comment that you made at the outset that some of this voluminous paperwork is attributable not to the Internal Revenue Service but to the complexities of the legislative product of the Congress.

Mr. RISH. Right.

Mr. JOHANSEN. Have you, by any chance, had an opportunity to testify before either the Committee on Ways and Means of the House, or the Senate Finance Committee with respect to tax legislation?

Mr. RISH. No, sir; I have not, but I testified before the Internal Revenue Service just about a month ago on proposed amendments to existing regulations.

You see, unfortunately, when Congress passes a tax law, and they do so after much deliberation and thought, it is found that it is very difficult to put into writing everything that will take care of all the situations.

So, Congress has given the Commissioner of Internal Revenue Service the right to issue regulations which actually is the Commissioner's interpretation of the intent of Congress.

Right at this point is where controversy arises. Because the taxpayer reads the tax laws, and he says, "I don't see where Congress attempted to do certain things, and here we have the Internal Revenue Service, on the other hand, giving their interpretation of the law, and the result is that a taxpayer and the Internal Revenue Service have to go into court, and then the court has to try to make a determination as to what was really the intent of the Congress.

That usually will happen in the Federal district court. Then the Internal Revenue Service will look over this decision and if they feel that perhaps it does not safeguard the revenue of the United States, they will take it upon themselves to say, "We will not acquiesce to this decision. It is true that this particular taxpayer may have won a victory, but we will not use it for a precedent for other taxpayers," or they will take another stand and say "We will go to the U.S. court of appeals," and then, of course, after that, perhaps they will go to the U.S. Supreme Court.

In fact, I have had tax controversies where I have shown revenue agents lower Federal court decisions, and the revenue agents say, "There is absolutely nothing I can do because it is contrary to the Commissioner's regulations, and the only way you can win out is by getting a U.S. Supreme Court decision, because that we recognize as the law of the land, but lower court decisions, it depends on how we feel about it, whether or not we are going to recognize them."

Mr. JOHANSEN. Now, the forms themselves and the paperwork resultant from those forms represent the efforts of the Internal Revenue Service to transmit into a reporting vehicle what the Internal Revenue Service feels the law requires?

Mr. RISH. Right. Absolutely.

But unfortunately, we have too many special interest gimmicks in our tax laws. You have various industries that want certain privileges and somehow they get them, and that requires a separate schedule.

A simple thing, for example, on our individual tax returns, is just the deductions for the cost of medicines and drugs.

At one time it was so simple you just listed the drugs and the medicines that you had incurred and that was it. Now, it will take you a good 15 or 20 minutes to figure out how this thing works. Because first of all, the first 1 percent of medical drug expenses, is not deductible, but the excess of 1 percent of drugs purchased is deductible, but it has to be added to the excess over 3 percent of your medical bills.

So, rather than having a rather simple computation, they have made it very difficult.

Mr. JOHANSEN. May I interrupt you right there and say that I can testify to that myself, because we had some substantial expenses, medical expenses in the family within the last year, and I encountered the very points the witness is making.

Mr. RISH. And then they go one step forward and they say that if your wife or you are 65 or over, either have a dependent of 65 or over, "See page 8 of instructions for possible larger deductions."

Mr. JOHANSEN. Unfortunately, I could skip that one for a few years.

Mr. RISH. That is a special-interest type of situation.

Now, we have this dividend credit setup which has been changed in the 1964 law, but I still think it is very complicated.

We have the pension and annuity income, which is quite difficult. There is no way to make this form more simple with the laws that we have.

They make it look like it is a two-page return, the form 1040, and then instead of calling this page 3 and page 4, they call page 2 schedule B.

What is schedule B? Schedule B lists the type of income that occurs to most taxpayers—income from dividends, interest income, rental income, and partnership, and trust income.

So, they do not want to call it page 3, because it will sound like a longer tax return. Then, we get to what really should be called page 4, and you have explanations of depreciation, you have the retirement income credit, now, each of these things was a result of some pressure being put on the tax-writing committees and they felt they had to give some special group some special interest in the laws. The result is that the tax return becomes more and more burdensome.

Mr. DERWINSKI. Mr. Rish, you stated at the outset of your statement that even though you were an official of the association, you are speaking entirely as an individual?

Mr. RISH. Right, since my statement was not reviewed by our governing council.

Mr. DERWINSKI. However, you did refer to the practical use of people of your profession by the Internal Revenue?

Mr. RISH. Right.

Mr. DERWINSKI. At that point, were you stating your own views and the views of the association? Are you stating the views of the association?

Mr. RISH. I would say those are probably the views of the majority of all tax practitioners who are enrolled to practice before the Internal Revenue Service.

They would be very happy to have some sort of a setup that would make these tax returns more simple. I don't think there is any practicing tax accountant who doesn't have enough work to keep busy. He would like very much to figure out a way to cut down on his workload so he won't have to ask for extensions.

And incidentally, when you ask for extensions, 9 times out of 10 the Internal Revenue Service will refuse to give you the extension because you are not half dead at the time you ask for the extension.

In other words, they just take it upon themselves to dictate to the tax practitioners that perhaps he is carrying too much of a workload, and they don't take into consideration that there could be various reasons as to why you cannot get these returns prepared on time.

Now, as far as the Internal Revenue Service and deadlines are concerned, they give a lot of deadlines to taxpayers and tax practitioners. But when it comes to themselves, they don't act too fast.

You can have an examination by Internal Revenue Service, and you can come to an agreement as to what additional assessments, perhaps, has been agreed upon between the Internal Revenue Service and their representative, and it will take, literally, months before you receive that report, and even longer before you receive the bill for the additional taxes, but when it comes time for you to file the original tax return, you have got a deadline which, in itself, brings in errors in preparing the tax returns.

Because, after all, we cannot be perfect—we accountants are just humans—and when we are working under pressure, undoubtedly errors creep in.

Mr. DERWINSKI. Mr. Rish, are you implying that the Internal Revenue Service, in discussing the matter of excessive forms and excessive details with you, passed the buck to the Congress, is this the point you are making?

Mr. RISH. No, I don't think so. And in defense of Internal Revenue Service, I think they are doing just about as good a job as they possibly can except for these few suggestions that I have made.

They are dealing with a law that, No. 1, many of the lawmakers themselves don't fully understand.

No. 2, the Internal Revenue Service Commissioner's technical staff doesn't fully understand because it takes them months and months before they come out with their interpretation of the law, and then later they come out with amendments to their regulations.

This was the situation when I was in Washington early in March concerned with what was called the Dr. Kintner regulations concerning professional service organizations.

Now, in your State, Congressman Olsen, of Montana, that is where Dr. Kintner is from. I don't know if you have heard of him.

Mr. OLSEN. I know him.

Mr. RISH. He is the doctor who decided that since, by law, physicians cannot operate as a corporation, he would try to operate his

practice in such a way that the Internal Revenue Service would say that although you are not a corporation, in fact, we will consider you more or less of a de facto corporation and tax you as a corporation.

Naturally, he was very happy, because he wanted all the fringe benefits that every corporation executive has.

As a result of his planning, the Internal Revenue Service came out with these regulations and they stated with examples showing just how an association of professional servicemen, such as physicians, lawyers, accountants, architects, and pharmacists, could operate as an association and still get the fringe benefits of a corporation.

This went on for about 4 years. Then, all of a sudden, out of the blue, last December, they decided to amend these regulations that for these number of years were more or less considered the law of the land, because they were the Commissioner's interpretation, and now they still haven't come out with their final regulations.

We don't know what is going to happen, but they are trying to upset this whole setup.

Mr. DERWINSKI. May I interrupt at this point?

You are now making the point that it is the review by the Internal Revenue Service of its own regulations, rather than any act of Congress, that is causing confusion?

Mr. RISH. Right.

I think, perhaps, what prompted the Internal Revenue Service to amend their regulations is because Congress had a bill pending concerning the self-employed businessman retirement plan.

I think it is the Keogh Act, and in that bill, H.R. 10, they passed a bill that most sole proprietors cannot even use. They have made it so cumbersome that if you want these benefits, there is such a limitation on them.

So, when they saw what Congress did, they felt, "Well, that was a mandate by Congress to amend our regulation."

That is their stand, but the thing is, that they just have added confusion to the situation.

As I say, we still don't know what decision is going to be made on this one. But that holds true with many parts of the Internal Revenue Code.

Mr. OLSEN. Now, you are in an area, though, and I must preface this line, because our area is strictly the paperwork, and the area you are moving into, the area that you are moving into is that of the Committee on Ways and Means, and Internal Revenue.

Mr. RISH. Sure.

Mr. OLSEN. You certainly have made your point, Mr. Rish.

Mr. RISH. Yes, and also, what I am trying to bring out is, that although the laws are cumbersome, they are technical, they are hard to understand, the corporation tax form could be simplified if the Internal Revenue Service placed more reliance on the people that they have pointed the finger at and say: "You are technically competent, you are of high integrity," and gentlemen, it takes about 4 to 6 months of investigative reports before you get your Treasury card, so they make quite an investigation.

In fact, right now, before the Senate Judiciary Committee, there are some aggrieved attorneys who were denied Treasury cards, who

are trying to get the law changed, so that if you are an attorney at law, you automatically get your Treasury card, and, of course, the Treasury is correctly against this proposed law.

So, I say that the Internal Revenue should make more use of we who do hold Treasury cards. That would simplify the tax return, simplify the paperwork on this corporation tax return, and make it easier for the small- and medium-sized corporations.

Mr. OLSEN. All right. Thank you very much, Mr. Rish.

You have given us very valuable testimony and suggestions, and we are very grateful.

Mr. RISH. Thank you for the opportunity.

Mr. OLSEN. Our next witness is Mr. Harry Westerfield of the Illinois Manufacturers' Association.

Mr. Westerfield, please.

STATEMENT OF HARRY G. WESTERFIELD, DIRECTOR OF MEMBER RELATIONS, ILLINOIS MANUFACTURERS' ASSOCIATION

Mr. WESTERFIELD. Thank you, Mr. Chairman.

On my left is Mr. Joseph Hodges, of Chematron Corp., and on my right is Mr. Joseph Kratville, of Link Belt Co., members of the Illinois Manufacturers' Association. My name is Harry G. Westerfield. I am director of member relations for the Illinois Manufacturers' Association, with offices in Chicago and Springfield, Ill.

The Illinois Manufacturers' Association embraces in its membership 5,000 manufacturing firms in Illinois—large, small, and medium sized—engaged in a wide variety of industrial fields who produce approximately 95 percent of the goods manufactured in this State.

We greatly appreciate this opportunity to help this subcommittee develop information to additionally clarify the continuing burden of Federal paperwork requirements on American industry.

As you gentlemen are undoubtedly well aware, industry is charged with providing the jobs that are the lifeblood of the American economy. It is on industrial effort that the entire employment picture in the United States rests.

Recent estimates are that 100 new industrial workers in productive jobs bring a given community \$710,000 more personal income per year—3 more retail establishments—65 more jobs in nonmanufacturing businesses or services—\$229,000 more in bank deposits and \$331,000 more retail sales per year.

Paperwork required to comply with the ever-increasing flood of Federal laws and regulations detracts from time and effort spent in actual creative production and has a tendency to cut down on expansion plans which could produce new jobs.

Parenthetically, manpower required to handle this stream of paperwork could well be more productive in expansion efforts.

The cumulative hundreds of millions of dollars that business and industrial firms have been forced to spend on paper handling for the Government enter into the cost of every item the customer—no matter who he may be—buys. Paperwork is a hidden cost, but every cost, must be reflected in price. That hits everybody's pocketbook.

In 1963, it was estimated that the Federal Government had approximately 5,300 forms in use for regular reporting, not including reports

to the Internal Revenue Service, certain other agencies of the Treasury Department and many banking authorities which are exempted from the Federal Reports' Act.

In 1959, the House Subcommittee on Census and Government Statistics noted in a report that one Midwestern manufacturer during a single year—

handled 173 different Federal forms ranging in frequency of filing from daily to annual, and involved the filing of 37,683 reports.

The subcommittee report continued:

The workload amounted to 48,285 hours. In addition, the company received a number of other Federal forms, presumably voluntary, which it did not respond to because it objected to the apparent duplication, felt that the data requested was confidential, or for other reasons—requests from State agencies which were complied with, including 63 different forms, involving the filing of 1,145 reports at a cost of 3,266 hours.

Another Midwest company last year reported it had 24 members of its tax department devoting full time to the filing of several hundred thousand information reports to the tax authorities every year. This huge burden keeps growing every year, constantly increasing the cost of producing our goods and services.

In addition to the hidden costs he is paying as a consumer, the American taxpayer is paying a tremendous sum for paper handling at the Federal level.

As early as 1955 the second Hoover Commission estimated that paperwork within the Federal Government cost \$4 billion a year, consumed 25 billion sheets of paper, required office space equal to 36 Empire State buildings and storage space equal to seven Pentagons. These figures undoubtedly are even more astronomical now.

We have made a quick, limited survey, based on two questions:

(1) What percentage of your administrative, clerical, and accounting payroll is consumed in Government accounting and reporting?

(2) What is the dollar expense to your company, including outside legal accounting and other service expenses?

The answers to the first question range from 4 percent to 15 percent of the administrative, clerical, and accounting payroll.

In there, it did mention the workload of one company, and I would like to mention another Midwest company last year which reported that it has 24 members of its tax department devoting full time to the filing of forms each year.

Mr. OLSEN. What class of business has as high as 15 percent?

Mr. WESTERFIELD. That 15 percent was a manufacturer of heavy equipment. They are quite varied in their products, and they do have plants not only in Illinois, where their home office is located, but in other areas, particularly, including our neighboring State of Indiana. I am not sure if this company has plants in Michigan.

Mr. OLSEN. Thank you. Then, the second question: What is the percentage?

Mr. WESTERFIELD. I have a dollar figure there, rather than percent. The dollar expense question ranged from a low of \$1,500 to \$2,000 per annum to a high of \$500,000 with varying intermediate figures averaging about \$150,000.

Gentlemen, may we emphasize that this is the Government cost over and above direct taxation, Federal, State, county, and local. We hasten

to add that the figures quoted above are estimates, but define as accurately as possible.

One member firm answered our request for information with:

While we would like to cooperate, our cost accounting system does not permit us, even on an estimated basis to complete this form in the short time available.

Our questionnaire included a space for "Remarks" which was most fruitful. A heavy industrial manufacturer wrote:

This request is another piece of Federal paperwork—too many Government requests for information for various statistics which we are unable to fill in the time allotted. Census Bureau reports alone require one man's time for 3 months out of the year.

Another quote:

I do believe the estimate is necessarily liked because of unfamiliarity with all the part-time facets of Federal reporting that our Government is involved in.

One answer dealt with a continuing aspect of Government contracts, renegotiation. This respondent said:

The above figures—\$16,500, in this case—do not include renegotiation. If renegotiation is involved, the above figures would very well be doubled.

Definite complaints came in against "unrealistic" time schedules, particularly by the Bureau of the Census and Federal Trade Commission. The statement was made that:

They require figures before they are available and spend considerable sums sending followup requests—

and so forth.

In some cases we have to alter our accounting at added costs to make available information which only the Federal Government requires.

After sending in the form with figures only, a small company called in with the suggestion that social security and withholding reports be submitted on an annual basis only, but that deposits to these accounts continue to be made on a quarterly basis according to present practices.

The same company felt that the census of manufacturers should be revised completely echoing a previous answer in stating that much of the information called for in Federal forms is not readily available from the normal accounting figures of most companies but must be compiled "to order" for a particular return or returns. After this single use, the figures obtained by this expensive method are of no additional value to the company that has gone to the expense of such preparation.

This is a larger firm again with plants in States other than Illinois.

Mr. OLSEN. I wonder if that \$500,000 figure would be a class of business that has a lot of Government contracts which, of course, would require reporting as any owner who was expecting contract money?

Mr. WESTERFIELD. Such industries could have some of that additional reporting. They are in a field where they might have a considerable number of forms.

Mr. OLSEN. I understand.

Mr. JOHANSEN. Let me interrupt right there.

These persons and figures you are now citing relate to Federal paperwork exclusively, is that correct; not State or municipal?

Mr. WESTERFIELD. That is the way our question was phrased; yes, sir.

Mr. JOHANSEN. So, whatever there is in the area of State and local government is on top of these figures?

Mr. WESTERFIELD. Yes, sir.

Mr. KRATVILLE. I would like to add that our figures approximate those just quoted, and they do not relate to extensive Government contracts.

Mr. OLSEN. You are speaking of the Link Belt Co.?

Mr. KRATVILLE. Yes, sir.

Mr. WESTERFIELD. These examples of Federal paperwork problems are added to the onerous taxload that industry carries. Put them on top of State, county, and local burdens of similar nature, and they add up toward that last straw that puts the camel out of action. And, gentlemen, we probably all agree that we never want to see that final straw added to the already heavy burden.

The two basic needs seem to be a simplification of forms and a complete review of all genuine information that the Government needs to acquire from industry.

There are much too many figures required that have no place in normal accounting or research procedures in business and industry, and which have no significance to the operations of the individual corporation.

Mr. JOHANSEN. To what extent are organizations, such as the Illinois Manufacturers' Association, invited to make recommendations to the Bureau of the Census? To what extent, on the other hand, do they solicit the cooperation of the Bureau of the Census as to the types of information that these associations want to gather?

Mr. WESTERFIELD. I wouldn't be able to give you particularly a percentage figure, but from time to time we do get requests from organizations of that type.

We have a close liaison with the Department of Commerce here in the State of Illinois, and they transmit requests to us, and we in turn call on them for information in many cases.

I don't believe there is a good figure that we could give, but at least there is an interchange particularly with the Department of Commerce.

There is not much interchange from places like the Bureau of the Census.

Mr. JOHANSEN. The reason I asked the question, particularly was because we have had occasions in which, I believe, Mr. Chairman, representatives of trade associations and various other groups have indicated their interest in, for example, adding categories of questions and data gathering, and we get the story from the Bureau.

They sometimes would have the problem of fighting off these requests or reducing them to a minimum out of sheer self-defense which, in turn, goes to their effort to try to police the paperwork and keep it in hand.

Mr. WESTERFIELD. I think a proper answer, there, sir, would be that when we want figures, we go to our own people directly and do not pass the job off on somebody else.

Mr. JOHANSEN. I would say my own personal reaction, more power to you in that kind of approach.

Mr. OLSEN. However, I want to say again, though, that the only reason that the Bureau of the Census has a business census is because

the business in the Nation is represented by its various business organizations, and they have requested very strongly this kind of activity, and I doubt that there is much creation of paperwork on the part of the Bureau of the Census without a great deal of urging from the various trade organizations.

I am not finding fault with anybody, but I want to say in response to you and to other business organizations which feel the burden of reporting to the Bureau of the Census, that we are going to have exhaustive hearings involving the Bureau of the Census and their various forms, and we are going to find out the basis upon which various kinds of information have been included in the questionnaires.

Mr. WESTERFIELD. Yes.

Figures that are useful for business or industrial organizations in their normal accounting procedures are available quickly to them and do not take extensive investigation for the single purpose to serve someone else and not be useful in the organization itself after they have been developed.

That is our particular point there.

Mr. OLSEN. Thank you.

Mr. WESTERFIELD. Industry in Illinois is quite willing to cooperate in furnishing pertinent, useful statistics to help the Federal Government operate efficiently and effectively, but a thorough screening of methods and types of questionnaires is in order. Unfortunately, this will not come by just pushing a button, or a whole battery of buttons.

We would suggest that a "task force operation" calling upon the talents of executives familiar with accounting practices of businesses and industries of all types and sizes be enlisted to refine and systematize all Federal Government information gathering.

This would call for separate groups to concentrate upon each department's forms and figures to relate these operations to those actually involved in sound business practice. With the completion of the task in each department, a final refining process would be necessary through either an overall "task force" chosen from representatives of each of the original groups or a supervisory committee of additional qualified individuals of particularly high caliber.

Mr. JOHANSEN. I wonder, incidentally, one of the areas in which there are pressures on the Bureau of the Census is data which apparently businesses and trading associations feel will be helpful to the marketing operations and the sales operations of corporations. I think there is an area in which the need for very close liaison between the trade associations, manufacturing associations, businessmen on the one hand, and the Department of Commerce and the Census Bureau on the other is important.

Mr. WESTERFIELD. Very much so. And I think, Mr. Johansen, that is a problem that is developed particularly by the trade associations which cover a particular type of industry nationwide. I think that is where many of the requests, because of the nature of the organizations, would be channeled. I believe liaison there could take some of the stringent requirements out of the picture.

Mr. HODGES. May I interrupt to say that in our company we have quite a number of locations, and one of our great problems is that the Bureau of the Census manufacturing reports are directed toward the

marketing phase of business whereas those who have to prepare the forms are those who are oriented in accounting and financial affairs, and the forms, themselves, do not fit the accounting concept that has been installed by the corporation to account for its financial operations and costs.

Consequently, you have great difficulty finding anything in your records without considerable effort to break down figures that you already have to prepare one of these manufacturing reports.

I think it is marketing orientated, basically, and consequently, our accounting does not build up data on that basis.

We have sales figures, of course, but not broken down necessarily by product or categories that are desired by a marketing man who wants to research a new market, or an old market to see what can be done to improve or expand it.

I do know the marketing people go to the Bureau of the Census extensively for this kind of information.

Undoubtedly, the forms which we try to fill out are influenced by this type of request for information.

I think that is one of the basic problem.

Mr. OLSEN. How about your company? Of all the forms and reports that are required to make out, would you rate—which ones would you rate are the most difficult and the most onerous and expensive?

Mr. HODGES. Well, if I can gage by the complaints that I hear from our division personnel, the manufactures census forms, required by the Bureau of Census, Department of Commerce, give them the greatest difficulty, and simply because they cannot go to any of their accounting data and have the information available immediately. They have to recast information or break it out of existing data.

And, of course, having a large number of locations across the country, we have a large number of Bureau of Census forms that we must fill out.

Mr. OLSEN. What areas, specifically?

Mr. HODGES. Well, we are in welding fittings. We have areas in chemical products, intermediates of various kinds.

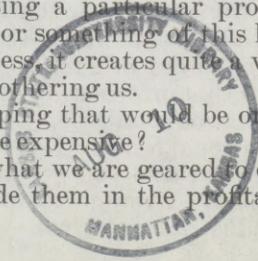
Mr. OLSEN. Intermediates?

Mr. HODGES. They are not a completed product, but are a component of something that would be completed by another manufacturer, for example. Organic and inorganic, you might say. Such as paint, for instance, or paint pigments. We produce custom forgings, and we have a large operation in industrial gases, compressed industrial gases, and the welding and cutting equipment that implements the use of it. We are in the oil well servicing industry, so we have quite a diverse operation, and therefore, many of the lesser Bureau of Census reports come to us because we are using a particular product like aluminum, for instance, or iron ingots, or something of this kind, and we endeavor to cooperate, but, nevertheless, it creates quite a workload.

So, this is one area that is constantly bothering us.

Mr. OLSEN. And if you had bookkeeping that would be oriented to reveal that information, it would be more expensive?

Mr. HODGES. Yes. Simply because what we are geared to do is give management financial figures that guide them in the profitability of



products, not necessarily how much of a market it covers. They don't care how many units, but how many dollars are represented by such units.

We do have categories that tell management what products are profitable and what is not, but they do not go much further than that. This is where we run into problems.

Mr. OLSEN. Thank you.

Mr. WESTERFIELD. I might say further that I feel that much of our problem is in the hands of this subcommittee who are proceeding in a manner that will, I believe, eventually clear up a lot of this picture.

But the suggestion is, again, to bring in people who are oriented to accounting procedures, department by department, if necessary. People who know business accounting procedures, so that we can keep the focus on related figures, rather than custommade figures for single use only.

I think this would cover that subject. I think this will come rather completely after this investigation is completed.

Mr. JOHANSEN. Let me just ask one thing, Mr. Chairman. Would it be your thought that these task forces would work primarily with the executive agencies of Government which are producing and requiring these reports and forms?

Mr. WESTERFIELD. Yes. However, with liaison with Congress, I think this definitely would help keep the whole picture in focus.

Mr. JOHANSEN. It seems to me much of the actual mechanics would be evolved to that directly relating to that liaison with operating Federal agents.

Mr. OLSEN. I would like to direct my question to the Link Belt Co., if you will, please.

Tell us of all the reports that are required by the Federal Government of your company, which forms or reports do you find to be the most onerous or difficult or expensive?

Mr. KRATVILLE. I believe that, without question, the most detailed is the MA-100.

That is the annual census report as well as the 5-year census which goes along with the MA-100.

I think that report more or less stands in a class by itself. But it is difficult to give you an answer other than that, because we have such a diversification of requests, and I just listed a few at random this morning, and this list certainly is not complete.

The prolificness of reports in recent years has been amazing. I have been involved in this type of reporting now for 15 or 16 years, and I am constantly amazed at the growth of the different types of requests for information and reports in areas as Mr. Hodges has indicated.

For example, the fact that we operate foundries throughout the United States, at three or four locations, and in fact may, on occasion, use nickel alloy somewhere—such information is requested—we may be reporting only 1 or 2 tons in a monthly report. We are continually picking up this information and we have to be so organized to make this information available.

Your National Science Foundation research information is a rather complex form; also you get into some of those unusual areas that I don't think the average company would compile information, such as your industrial water use.

The wood used by manufacturing industries survey is another example. We are in the metalworking industry. It is a rather unusual report in that the only wood that would be used would be in blocking shipments on railroad cars or trucks, for example. That would be its only use, yet we are required to file reports on wood.

Those are just brief examples consumed.

Mr. OLSEN. You have made a list, have you not?

Mr. KRATVILLE. I have just picked some at random. I may have 30 or 40 on this list. It is far from complete, but merely to give you an idea of the diversity of the type of information requested.

Mr. OLSEN. Will you submit this list for the record?

Mr. KRATVILLE. You certainly may have it.

Mr. OLSEN. It will be inserted at this point in the record.

(The list referred to follows:)

FILED PERIODICALLY

U.S. Department of Labor—BLS 473: Information for wholesale price index.
 Department of Commerce—MD-D-12: Census of manufactures, supplementary inquiries.
 Department of Commerce—CB-51C-1: Census of business sales offices.
 Department of Commerce—BDSAF-540: Agricultural machinery and equipment, report of shipments.
 Department of Commerce—MC-D2: Expenditures for plant and equipment for manufacturing establishments under construction.
 Department of Commerce—MC-D-9M: Industrial water use.
 Department of Commerce—TS-D1: Survey of the distribution of manufactured products for the seven establishments.

FILED ANNUALLY

Department of Commerce—BE-93: International receipts and payments royalties licensing fees, rentals, etc.
 Department of Commerce—BE-133: Sources and uses of funds of United States direct.
 Department of Commerce—Form MA-35F: Bureau of the Census—Mining machinery.
 Department of Labor—BLS 790: Statement of activities.
 Department of Labor—BLS 2716-A: Survey of scientific and technical personnel in industry.
 Department of Commerce—MA-100: Survey of manufactures reports.
 Department of Commerce—MC-151: Listing of manufacturing establishments.
 Department of Commerce—WUM-60: Bureau of Census survey—wood used by manufacturing industries.
 Department of the Interior—Nickel—form 6-1106-A: Metals and ferroalloys—form 61-1109-M.
 Department of Commerce—RD-1: National Science Foundation (Survey of Industrial Research and Development).
 Department of Commerce—MA-161: Exports of manufactured products.
 Department of Commerce—BE-600: Special survey of foreign subsidiary operations.
 Department of Commerce—MA-36N: Selected electronic and associated products.
 Department of Commerce—BDSAF-634: Annual survey of production capabilities for electronic parts.

FILED SEMIANNUALLY

Department of Commerce—BDSAF-68: Antifriction bearings, units shipped.

FILED QUARTERLY

Department of Commerce—BE-577: Transactions with foreign subsidiaries or affiliated corporations.
 Treasury Department—Foreign exchange form c-1/2: Liabilities to and claims on foreigners report.

Quarterly Financial Reports: R-1 and R-3 section form 9-K.

Department of Commerce—BE-500: Inventory and sales expectations survey.

Department of Commerce—MA-131.16: Consumption of materials, parts, containers, and supplies.

FILED MONTHLY

Department of Commerce—Form M33H: Steel usage report.

Department of Commerce—M3-2: Inventories by month.

Department of Commerce—M3-1: Sales and orders by month.

Department of Commerce—M-33A: Monthly survey of iron and steel foundries.

Mr. JOHANSEN. And it is clear in the record that this is not an exhaustive or complete list.

Mr. KRATVILLE. I have not so indicated on this list. It is just a listing of forms and it is certainly far from complete. I want that understood.

Mr. OLSEN. We thank you very much.

I am sure that this information is going to be valuable to this committee and valuable to our country.

I think we are going to make some progress in the elimination of some of this paperwork and thus a reduction in the cost of business. We certainly hope so. We are going to give every effort in this direction.

Mr. WESTERFIELD. We thank you for the opportunity.

Mr. OLSEN. Thank you.

Mr. WESTERFIELD. We appreciate this, and Godspeed in your good work.

Mr. OLSEN. Our next witness is Mr. Joseph T. Meek, president of the Illinois Retail Merchants Association.

STATEMENT OF JOSEPH T. MEEK, PRESIDENT, ILLINOIS RETAIL MERCHANTS ASSOCIATION

Mr. MEEK. Mr. Chairman, first of all, for the record, I represent the Illinois Retail Merchants Association.

Secondly, Congressman Derwinski is my own Congressman, and I should like to note for the record that we are extremely well satisfied with Mr. Derwinski's work.

Finally, I am very much concerned that what I have to say is a generality and not too germane to the immediate task. For this, I ask your indulgence.

It is a simple one-page, double-spaced statement I have given to Mr. Corcoran, your staff member.

To begin with, to underscore the way in which we may stop this flood of paperwork, we simply must stop passing laws which require the paper necessary to make the laws work. Paper is the greatest weapon for continuation of the work of too many bureaucrats.

I have about 4,000 extremely small merchants in the State of Illinois who are members of ours. I think I can say that the savings that would be derived from paperwork required of them might well be the difference between the loss of or the continuation of many of the fine small businessmen in the United States of America.

We find in the handling of our own sales tax, that it costs us approximately \$6 for every \$100 we pay the State of Illinois in taxes just to compute it.

That gives you some idea of the cost of paperwork in an area which is not covered by your committee. It is a guide, however, to the enormity of paper costs—an enormity too often overlooked by the one who prepares this material.

Now, as for the official statement itself: It will take a miracle to stop the onrush of forms, ink, paper, and questionnaires, as well as directives, which Government now uses to confound the citizenry and make the bureaucrat happy.

The essential thing is to stop that great flood of paperwork and much useless, costly nonsense from developing any further.

To this end, we earnestly petition the U.S. Congress not to give bureau, much less Cabinet status, to some such a post and bureaucracy as Director of Consumer Relations, or Director of Consumer Education.

Thus far, we have applauded the procedures of the President's Council for Consumers as long as it holds to an advisory, educational, and informative basis with a few people helping to direct the agencies now working in behalf of the consumer—such as the Food and Drug Administration and the Federal Trade Commission.

Were the "interests of the consumer" to be elevated to Cabinet status with a mandate to develop controls, pass laws, circumscribe and abridge the rights of the consumer to his or her own free choice in a spirited, competitive market, we could expect the flow of paperwork to assume the dimensions of the Amazon, the Nile, and the Mississippi combined.

We could even expect State, county, city, and township consumer bureaus, each manned with a staff mailing out directives and surveys and in ever overlapping stream to employ "caddies" or "advisers" to the consumers of the country, aiding them in figuring out costs of credit in terms of simple annual interest, weighing packages; dehydrating meat, and deciphering the content of every item of merchandise on the store shelves.

Others may tell you now to slow up the flow of paperwork. We urge the Congress to use every power to keep it from becoming wider and deeper.

And I should like to add in closing, and expressing my appreciation, that I heard some comments of the gentleman from Michigan with reference to trade associations and the predilection for economy for the other fellow, but not for themselves.

The Illinois Retail Merchants Association has never asked the Federal Government for anything. The retail organizations at the national level use, I believe, the Harvard Research Bureau, and other sources, who do a commendable private job. I don't believe we are guilty of going to the Department of Commerce and all of those other agencies and asking them to bail us out when there are private agencies of information available. There are things we need to compete fairly without costly forms to tell us how to compete. The climate must be right, first.

That is my testimony, and I appreciate the opportunity of giving it.

Mr. OLSEN. Mr. Meek, I appreciate that observation, and it is something that we have required of the Census Bureau time and again.

They have always responded that the many private research organizations do a commendable job by gathering the information, but they claim that the Bureau of the Census is the largest gatherer of information for the various organizations, and that whether it be Harvard University, or Brookings Institute, they get their basic information from the Bureau of the Census.

Now, we are going to find out in some detail just how much of the Bureau of the Census information is used out in the various trade organizations.

We are going to give some publicity to it, and we are going to ask the trade associations to acknowledge it to their business people, because I think that if it is true that the business people get some value out of the work of the Bureau of the Census, then they would not feel so badly about filling in some of the papers.

But if, as they might justifiably think, the Bureau of the Census is giving them no service, then, of course, their anger at filling in the form is very well justified.

Mr. MEEK. We have that today in Illinois. In January we urged the legislature to pass a bill requiring an information return from State sales-tax payers showing the amount of people employed and other data. The only idea we had was to try to determine the sales tax return in relation to the number of employees; the amount of sales he has to do to pay such taxes. The returns are essential to provide a guide to check the cheat.

We have had about seven resignations from members who think this is another element of the gestapo. Yet, in this instance, we are trying to protect them from fraudulent competition and get all of the money we can to prevent any increase in the sales tax.

I would applaud the efforts of this subcommittee to determine the basic strength of the Department of Census and then to try to figure out what they are doing, which, in essence, is very good. In other words, to be very selective as to the real essentiality of any form or survey.

If you wish specifics, Mr. Congressman, whenever the U.S. Government extends the Federal wage-hour law, whenever it extends the unemployment compensation coverage, down to small business, inundating small merchants with the myriad forms required thereunder, then I think it shall have combined both the huge new cost of selling based on nonproductive wage boosts and the costs of the paperwork to kill off a great many businessmen who otherwise might be able to survive.

The extension of the coverage of Federal legislation to small people who do not have the statisticians and experts to command, is a dangerous thing and makes a mockery of congressional efforts to help small business. This is pretty tough going so far as my members are concerned. They hire, fire, sweep out, buy, sell, and worry, without any funds to pay for experts and no allowance from the Government to cover it.

Mr. OLSEN. I think that is correct, and a very good observation, and I am glad to have it in the record.

I don't wish to burden you in the way of paperwork any further, but I would say this, that if, in the future, the near future, there are some specific statements from your members that you would like to submit to our committee, our record will be open for a couple of weeks.

But I am not asking you to go to any further paperwork.

Mr. MEEK. The danger involved here was that when Congressman Derwinski very nicely asked us if we would like to testify, my first thought was, "Well, I had better send a survey out to my people to find out what is wrong. I would have to ask them what they didn't like, and that would be another survey." So, I thought I would make a general observation.

Mr. OLSEN. Really, by coincidence, in Albany, a merchant who was in the pawnshop business came to our hearings because he saw a notice in the paper that morning and his business was very near at hand, within walking distance, and he listened during the morning, and it aroused and inspired him with enough courage to come forward and make a statement later in the afternoon. It was most interesting.

It was from a point of view of a man who only had one or two employees, and he is the bookkeeper, and he has to work night shifts to get the figures ready so that an accountant can make reports for him.

Mr. MEEK. Well, my father was a small merchant in Iowa, around the courthouse square. I have lived with him for 35 years in Illinois, and I can speak for the fellow up and down Main Street in the courthouse square. This paperwork is a nightmare. The merchant has to fire, he has to employ, he has to buy, he has to sell, he has to sweep out the store, and he doesn't have the experts to do his paperwork. This is pretty rough going.

Mr. DERWINSKI. I was going to make the explanation on behalf of Mr. Meek, that he, basically, represents the small businessman, the smallest businessman who is in business, and as the chairman has indicated in his example, Mr. Meek's members are their own bookkeeper, own internal accountant, own public relations man. He doesn't have that type of operation he can expand to decentralize—to expand or decentralize—and have his departments to help with the huge operating problem and still meet all of the paperwork requirements.

So, the paperwork burden is really felt heavily on the type of man that is represented by the retail merchants.

For the record, Mr. Chairman, may I read the telegram which Mr. Meek received from the National Retail Merchants Association:

House Commerce Committee today approved H.R. 4994 which provides that all labels must bear country in which label was made. This is label on label. Would create consumer confusion to maximum. Hope you can generate some mail.

Regards,

JOHN C. HAZEN,
National Retail Merchants Association.

This is obviously outside the jurisdiction of our committee. This is another of our important House committee's jurisdiction, but it certainly adds to the degree of confusion, and in this case, paperwork, labor work that we require.

Mr. MEEK. What they are talking about is the labels on garments which have all this content which we are supposed to decipher.

Now, the label must have the label on where the label was made in the beginning. I think it is tragic as well as a little funny. I hope the Congress does, too, and kills this costly, useless measure.

Mr. OLSEN. It certainly is. I think it is appropriate to have it in the record at this point, and we are very glad to have had the information.

Mr. JOHANSEN. Mr. Chairman, I just want to say for the record that as a resident and Member of Congress from the Midwest, I have known Mr. Meek by reputation and most favorably for a long time.

I think it is not improper to say that I do occasionally, at least once a day, read the Chicago Tribune, and I have read of his activities in many areas.

I have acquired a great respect for him, and I am delighted to have him here.

I think the substance of the testimony, if I construe it correctly, was spoken in a rather blunt midwestern way, and this is one way to effectively operate birth control on paperwork, is to effectively operate birth control on more and more Federal agencies; is that a correct statement?

Mr. MEEK. I think so. You tempt me to put something in the record that has to do with all sorts of birth control.

You just don't do things and you have no trouble with birth control. I think that is what you mean.

Thank you very much. I thought you were going to mention something else, Mr. Johansen, that I didn't particularly want to mention, going to my efforts in politics; I thought that was what you were going to do.

Ten years ago I happened to take on Senator Douglas in the U.S. Senate, and I didn't quite make it. Enough people know that already.

Mr. OLSEN. All right. Thank you very much.

Mr. OLSEN. We will now recess until 2:30 this afternoon.

(Whereupon, at 12:15 p.m., the hearing was adjourned until 2:30 p.m. of the same day.)

AFTERNOON SESSION

Mr. OLSEN. Gentlemen, the subcommittee will come to order.

This afternoon, we will hear from representatives of Montgomery Ward & Co.

Mr. Tarr and Mr. Barnhill, please.

We appreciate your cooperation in coming here on short notice and helping us with the kind of information we are trying to acquire regarding excessive or oppressive paperwork required by the Federal Government.

We invite your comments. I think without exception, the agencies of the Federal Government want to know, insofar as they can be advised where are they wrong in this paperwork requirement.

We all know that there has to be some paperwork in order for human beings to register their accomplishments, and, indeed, in order for them to conduct transactions.

Now, we will ask you, Mr. Tarr, to proceed, just as you will, and then if the gentleman here beside you wishes to comment, he may do so.

And also, the gentlemen who are flanking me, if they wish to ask you questions, they are not a bit bashful, and they will interrupt you and help you clarify the record.

Proceed, Mr. Tarr.

STATEMENT OF STANLEY TARR, CORPORATE CONTROLLER'S
STAFF OF MONTGOMERY WARD & CO.

Mr. TARR. First of all, I would like to state that we don't have a prepared statement to make. We knew of this meeting, of course, just yesterday.

Mr. CORCORAN. Could you identify yourself for the record, and also your colleague?

Mr. TARR. My name is Stanley Tarr. I am financial analyst with the corporate controller's staff of Montgomery Ward & Co., and Mr. Charles Barnhill is secretary and general counsel of Montgomery Ward & Co.

As I was saying, we have no prepared statement to make, but we would be very happy to report to you on a recent survey that our company made concerning the amount of governmental reporting that we do.

This was not a complete survey, but we attempted to contact those areas of our business where most of the reporting to governmental agencies occurs.

Many of the reports that we make are not made centrally, but in various branches of our company.

We conducted this survey, and found that approximately 2,700 different kinds of forms are prepared. I should qualify that by saying that these forms are not just Federal Government forms, but include reporting to the State and local governments.

These forms are prepared on weekly, monthly, quarterly, semianual, and annual basis.

Now, of these 2,700 returns or forms that we fill out we prepare 500,000 different copies.

Now, when I say copy, I mean the original of the form and not—in some cases like the W-2 forms, we prepare several copies, but the aggregate total is 500,000 before counting individual copies of the form.

We, as I stated, have included reports which go to the State and local governments. If you would like to talk about these forms, I will be glad to go into this briefly.

There are about four or five areas of the Federal Government that we report to; the Securities and Exchange Commission, the Department of Commerce, through the Bureau of Census; the Department of Labor through the Bureau of Labor Statistics; and, of course, the treasury Department, primarily the Internal Revenue Service.

Of the 500,000 copies that I referred to, a great many of them are W-2 forms; 270,000 of them, in fact.

The other larger report and requirement we have is the 1099 informational returns, and we prepare 120,000 of those each year.

Mr. OLSEN. Let me interrupt you. If those 1099's were done on an annual basis instead of a quarterly basis, would you be able to make a savings?

Mr. TARR. I believe the 1099's are annual reports.

Mr. OLSEN. Oh, these are annual?

Mr. TARR. Yes, sir.

And the W-2's of course, withholding tax statements, are annual.

Mr. DERWINSKI. Form 1099 is the form reporting the dividends?

Mr. TARR. It is in the dividends as well as any payment over \$600 to individuals.

Mr. DERWINSKI. Under the laws passed a couple of years ago, in which the reporting requirements were strengthened—that is to the manner in which dividends and interest payments were reported by corporations to the Federal Government—did that increase your paper load any, or had you been reporting all dividends without any regard for a minimum amount?

Mr. TARR. To the best of my knowledge, there was no requirement to report dividends paid to individuals at that point. I think that we were engaged in reporting some dividend information. For example, I think there has been a reporting requirement on dividends paid to individuals living in foreign countries. We, of course, had to report that.

Mr. DERWINSKI. My question, specifically, is that as a result of recent changes in the law has your paperwork been increased?

Mr. TARR. I think without a doubt we have to say that it has.

Mr. BARNHILL. I might supplement that just a moment. We have approximately 100,000 stockholders, and you can see that on the face of it to report dividends paid to them over \$10, as I recall, obviously increased our paperwork in a substantial degree since we had previously not done that.

I do not know the actual number that we sent out for the dividends, but with 100,000 stockholders you start with a large bulk to begin with.

Mr. DERWINSKI. Thank you.

Mr. OLSEN. Am I anticipating you if I ask about Form 941; Information on Employment?

Mr. TARR. Well, I have included that in our count, and 941 requires substantial reporting on our part. We report actually 28,171 separate items to you. This, of course, is done quarterly, and it involves not only Montgomery Ward & Co., but wholly owned subsidiaries.

Mr. OLSEN. That figure could be cut to 7 or 8,000, if it were required annually instead of quarterly?

Mr. TARR. I imagine that that would certainly reduce it substantially.

Mr. OLSEN. Proceed.

Mr. TARR. I will briefly go through some of the kinds of reports that we do prepare.

Mr. OLSEN. Do you have a list of them?

Mr. TARR. Yes, I have some of the detail behind the 2,700 different kinds of forms that I spoke of.

Mr. OLSEN. Go ahead and list them. We would like to have them in the record.

Mr. TARR. We cooperate with the Bureau of Census on a number of reports, some of them which are presented weekly to them.

Mr. OLSEN. Weekly? Let's hear about them.

Mr. TARR. Weekly we report the mail-order house apparel sales in general merchandise sales. Weekly we report retail net sales.

Mr. JOHANSEN. Let me interrupt, now. When you say report weekly, you mean you file the report weekly, or it's a report based on a weekly showing?

Mr. TARR. This is reported to them weekly because we are cooperating with them to help them prepare various indexes and reports on retail trade. Most of this information is telephoned to them. The retail net sales report is developed especially for them on a calendar week basis. We don't keep our records on a calendar week. We have a fiscal week; we locally, here in the home office, here in Chicago, prepare the information which requires receiving it from our own four or five regions, counting the local fair group.

We must obtain information from them in order to report this, and then develop the retail sales on a calendar week basis for them. This, in turn, goes into a retail sales report which the Bureau of Census publishes weekly.

Right now we are engaged in preparing the 5-year census, and for Montgomery Ward & Co., that requires the completion of 1,350 forms.

There are as many as 100 questions on each form. This is a major reporting job for us; some of the information which they are requesting is not prepared by our company through its formal records. Some of it has required us using computers and various electronic equipment in order to prepare the information required.

Mr. OLSEN. Some of it you would ordinarily gather for your own business, for your own benefit, would you not?

Mr. TARR. Well, certainly we are interested in gathering sales information.

However, because they are preparing reports on a national basis, the basis which we have to report to them is different than what Montgomery Ward would normally develop for their own use.

Mr. OLSEN. Invariably that is the observation that other businesses make.

Mr. TARR. That's true, and we can, of course, see their point of wanting consistently prepared information.

Mr. JOHANSEN. Let me interrupt, and I don't want to detract from your train of thought in this development here, but who are the principal beneficiaries of the digested and accumulated and presumably published data for which you provide through these weekly reports, the necessary raw materials? Is Montgomery Ward—or who are the principal beneficiaries and users of the data?

Mr. TARR. I don't know as I am qualified to speak for Montgomery Ward. I am in the reporting business, on the controller's staff. We ourselves are reporters of this information.

Mr. OLSEN. Don't you have some idea?

Mr. TARR. I might suggest, though, that in our various planning of new stores and other activities, market studies, we would probably use this information.

Mr. OLSEN. Doesn't this information help you determine what you will buy and have as a stock of merchandise?

Mr. TARR. Well, once again, this is possible; maybe they do.

Mr. OLSEN. It is a fact that we would like to learn something about it because the Census Bureau insists that this is why they do it, that they are a great aid to marketing companies.

I know they don't want to tell us a falsehood. We would like to know, and we are going to ask them in detail who uses this information.

Mr. TARR. The 1963 Business Census will be used by Montgomery

Ward for various reasons. I don't know whether we would be able to use it to its fullest extent. I would say that it would be a year or so before the information is available.

Mr. OLSEN. It is a year old.

Mr. JOHANSEN. It looks to me, and I am not saying this critically of the Bureau of the Census, but it looks to me that they have maximum speed in gathering the data and maybe not maximum delay, but minimum speed in dispensing the finished product.

I am open to correction, but I don't quite see the necessity of weekly reports. I am differentiating between reports which are on a weekly basis as to the data provided, but why they have got to be telephoned in or transmitted weekly is a point I am interested in. You may not be in a position to answer that.

Mr. TARR. Well, I don't know as I am in a position to answer that.

Mr. JOHANSEN. Well, I certainly will ask the Bureau of the Census that.

Mr. TARR. I think they would be in a better position to extend this information to you.

Mr. JOHANSEN. When you say you telephone this information in, to whom do you telephone?

Mr. TARR. To the local field office of the Bureau of the Census.

Mr. CORCORAN. I wonder if I could help you there, Mr. Johansen.

These sales figures compiled by the Bureau of the Census are compiled monthly and a little over a year ago a weekly supplement was added.

There was a great deal of support not only in private business—among private business people, marketers, the users of economic information, private sources—but also from the official Government sources, such as the Council of Economic Advisers, the Bureau of the Budget, and others who felt that monthly retail rates statistics were too slow in coming out. Too much happens within a month. So, therefore, they urged the Census Bureau, and Congress appropriated the funds, to add the weekly supplement.

Mr. JOHANSEN. When counsel says "too slow in coming out," I want to clear up my mind; do they come out a year later, or do they come out relatively current?

Mr. CORCORAN. They come out within a week—they come out on Thursday of the following week to which the data relate.

In other words, this is why the telephone is used, because if they waited for the mails in all cases, the results would be too slow in coming out.

Mr. JOHANSEN. So, the thing that you are referring to as coming out a year later may be an overall recap for the full year?

Mr. TARR. That is right; yes.

Mr. JOHANSEN. But there is a more immediate use. I think it is important to understand that.

Mr. OLSEN. Yes; definitely.

Mr. CORCORAN. Just one added thought, Mr. Johansen. You can realize how important it would be to the statistics to have a large retail firm like Montgomery Ward included in the totals.

Mr. OLSEN. We just wanted to know if the statistics were important.

Mr. JOHANSEN. We are not questioning what you are doing by any manner or means; we are questioning, and want to be sure, why the Bureau of the Census is asking you to do it.

Mr. TARR. I might also say, as far as the weekly reporting we also report to the Federal Reserve banks.

Mr. JOHANSEN. To the what?

Mr. TARR. Federal Reserve banks on selected retail stores, so that there is somewhat a duplication of our weekly report.

Mr. JOHANSEN. Are you able to use the same material in essentially the same form, or do you have to convert it into other forms?

Mr. TARR. Unfortunately, it has to be reported separately. The weekly report to the Federal Reserve must not be done on a national basis, but as reported at the district level.

Mr. OLSEN. Now, does this entail extraordinary labor on your part, or is it something revealed easily from your bookkeeping?

Mr. TARR. It is obtained from the bookkeeping. However, it does require reporting, time and effort that is required. I believe the Federal Reserve is reported directly from our records. It is the Bureau of the Census where we have to go to their calendar week in order to report it.

We also report on a monthly basis to both the Census Bureau and Federal Reserve on retail and mail order sales.

It is not all complete duplication, but there is some duplication. What I am trying to say that it is not complete duplication, but there is some duplication.

Then we report to the Department of Labor; we report monthly the number of catalog employees, nonsupervisory employees, the number of hours worked, and information on salary and wages.

We make a monthly report to the Bureau of Labor Statistics on labor turnover. We make an annual report on the Welfare and Pension Disclosure Act. And, in this respect, we have to report on the retirement plan, the savings plan, the group insurance plan, and the accident insurance plan.

I think you probably are all familiar with the SEC reports, our requirements are the same as most companies.

Quarterly we report the R-2 and the R-3, which deal with working capital and capital expenditures. Semiannually we report sales and earnings on 8-K. Annually, we report the 10-K, which is a detailed financial statement. Annually, we report on the R-4, which is the retirement fund form.

And then, periodically, we make special report on the A-K form on various kinds of activities.

Then we have to supply the SEC with annual reports, proxy, proxy statements, proxy solicitation material. I think that is largely our reporting requirement for the SEC.

In relation to the Internal Revenue Service, in order to file the income tax returns of Montgomery Ward & Co., and the subsidiaries, we file a total of 128 separate forms and schedules including the basic forms provided by Internal Revenue Service.

Then there are other activities that we report quarterly—we talked a little bit about form 941 and the W-2's.

We report monthly on forms 1041 and 1042, which is the payroll depository report. We report on the State unemployment, that is a

State requirement. We have to file 10 Federal amusement returns annually—

Mr. OLSEN. Before you pass over that area, what did you say, State unemployment report?

Mr. TARR. Yes.

Mr. OLSEN. Would that be the same information that you have given the Bureau of Labor Statistics?

Mr. TARR. No, this requires the filing of returns related to payroll amounts which are subject to State unemployment tax.

Mr. OLSEN. The reason I asked that is that we have learned, for instance, in the State of New York on income taxes, the State has passed laws that permit the reliance upon the Federal return to calculate the State tax, thus eliminating a lot of paperwork in New York, for the New York income tax.

Related to that, I wonder if in reporting any labor statistics or payrolls to Illinois, if it would not be advantageous if there were some real working coordination between the Federal reporting and the State reporting?

Mr. TARR. Of course, I believe that the States' requirements are quite different among States. We filed a total of 28,155 returns last year.

Mr. OLSEN. That is W-2's?

Mr. TARR. No, this is the State unemployment returns and schedules.

Mr. JOHANSEN. In how many States?

Mr. TARR. We operate in almost every State, do we not?

Mr. BARNHILL. Forty-nine States.

Mr. TARR. Forty-nine States, and the District of Columbia.

Mr. OLSEN. What State do you miss?

Mr. TARR. Well, there must be a few. I am afraid I cannot tell you precisely.

Mr. BARNHILL. It is Hawaii.

Mr. TARR. In Hawaii, we have no store.

Mr. JOHANSEN. You started to say something before the chairman raised a question there. What was this last subject matter of reports that you mentioned?

Mr. TARR. We were talking about the State's unemployment.

Mr. JOHANSEN. No, after that you read something.

Mr. TARR. Federal amusement return?

Mr. JOHANSEN. That word "amusement" caught me. Will you elucidate? What is this about?

Mr. TARR. This must be entertainment taxes for various reasons that we have to file.

Mr. JOHANSEN. I see. The word "amusement" in that connotation interested me, and I wondered if you couldn't even have respectable fun without having to report it to the Federal Government.

Mr. DERWINSKI. Mr. Chairman, may I ask a question. As a matter of company policy, the W-2 forms must be supplied by every employee prior to his filing his own income tax return. Now, if an employee retires or his service is terminated early in the calendar year, do you then send out a W-2 form or do you just do this massive operation at the end of the calendar year?

Mr. TARR. I believe that is done just once a year. In our case we have this programmed on our computers, and it is a mechanical operation at this point.

Mr. DERWINSKI. The reason I asked the question, I was wondering if it would lighten the workload by spreading out the volume. But, I suppose if you have a mechanical operation—

Mr. TARR. In some cases payroll is not computed by mechanical means. And, in those instances, it might make it easier to thin it out during the year.

On company policy, I cannot answer, I am not familiar with that particular phase of it.

Mr. BARNHILL. While we are on the W-2's, I would like to correct a statement made very early here—that we file approximately 270,000 W-2 forms. Now, we only average about 85,000 employees a year. The 270,000 really includes our comparable forms for State and local government on income taxes, this is what was referred to. We don't file that many W-2 forms. We do have several employees, though, for whom we file more than one W-2 form a year when he is transferred from one branch to another.

We will get, at the end of the year, two separate W-2 forms. So, there is sometimes more than one form filed.

Mr. DERWINSKI. However, your internal auditing machine obviously catches up with the social security if you should exceed?

Mr. BARNHILL. Yes, sir. Sometimes they must file for refunds on that basis.

Mr. OLSEN. I wonder, without going to a lot of trouble of being very burdensome if we could request from Montgomery Ward that we get some statement on the value of the Bureau of the Census information. That is made available to marketing organizations, this information. I know that the Bureau of the Census will be very grateful to have that kind of testimony submitted to the committee, and also there is no hurry with it, if you can get it within the next month. We only need one copy.

Mr. JOHANSEN. I might comment right there, Mr. Chairman, that I think with your very remarkable and splendid organization, we have a perfect example of a problem of striking a balance between providing and this relates to the Bureau of the Census operations primarily, between providing to the Bureau of Census, statistical data that is desired, and valuable to your organization, and at the same time avoiding burdening private enterprise which you are a part, with an unreasonable excess of Census Bureau questionnaires and paperwork. And I think the chairman is very proper in making this request, emphasizing the other side of the matter.

Mr. TARR. I would say that the census, the requirement that we obtain from the census, of course, are minor in relationship to the total reporting that the company does.

Mr. OLSEN. Well, for instance, perhaps your marketing service could advise us on this specific question. Are the census weekly sales analyses useful to Montgomery Ward?

Mr. BARNHILL. We will try to determine that and write you on it, on the general questions.

Mr. OLSEN. Certainly someone in your organization is in communication with the Bureau of the Census, they could even have a discussion with them before telling us what your specific need might be in this area.

Mr. TARR. I do know that we receive these reports from the Census Bureau here in the home office, like, for example, the corporate research department, where we do receive them, and I assume they take advantage of the information.

Mr. OLSEN. Some of the Bureau of Census information is valuable to your company when you determine what kind of sales organization you will have in Missoula, Mont., and whether you will stay there. Do you have any idea how many employees are working on Government reports?

Mr. TARR. No, I am sorry, I do not.

Mr. DERWINSKI. It is your usual bookkeeping staff, and that may be larger because of Government reporting?

Mr. TARR. It is not done centrally, and that is why it is a little hard to measure it. Certain reports are done centrally, and others are not.

Mr. OLSEN. Has anyone in your organization ever made an estimate of the cost of Government reporting?

Mr. TARR. Not to my knowledge.

Mr. BARNHILL. Nor to mine.

Mr. OLSEN. I don't want to put you to that expense. I just thought it might have been determined.

Mr. JOHANSEN. Did I understand you correctly, and I don't want to belabor the point, but I think it is very pertinent to this whole hearing. That it was your impression that the yield to the company, and I believe you were referring to Census Bureau reports, that the yield to your company was not exactly proportionate to the amount of work that you have to put out to turn in reports to the Bureau of the Census, is that a fair interpretation of what you said?

Mr. TARR. Well, it might be a fair interpretation of what I said. I would like to retract it if I said it. Merely because I don't really feel that I would be in a position to answer that for the company, due to the fact that I am primarily concerned with reporting, rather than using the material.

Mr. JOHANSEN. I wasn't attempting to put you on the spot. I had no such thought.

Mr. TARR. I realize that. Rather than to be unfair about it, I would prefer not to really commit myself. I don't know. Naturally, the person who is asked to put the material together is less enthusiastic in its use than those who are using it.

Mr. OLSEN. Off the record.

(Discussion off the record.)

Mr. JOHANSEN. May I ask you, on the record again, without going to specifics, what is your general feeling as to possible curtailment or restriction or combinings of reports that might reduce the volume of paperwork and the hours of labor and expense incident to it?

Mr. TARR. I think that anything that could be done to lessen the reporting requirement and the detail asked for would be highly desirable. That I may make an observation which may not be based so much on fact as I would like it to be, but it seems to me that we are receiving more requests for governmental information, and that the information that we are being requested is more detailed than it used to be.

Mr. OLSEN. In that connection, I think it is right in line with your question, Mr. Johansen, we would be interested to know whether the request of the Bureau of the Census could conform better to your book-

keeping, if that would not help, if by the same token by conference with the Bureau of the Census, as an example, if your bookkeeping could not conform more to their needs? I mean, isn't there some compromise in this area that would make it a great deal easier?

Mr. JOHANSEN. For both parties.

Mr. TARR. This may be true. It would be, I think, rather difficult, though. What you are really referring to is probably reporting standards by, say, all retailers, for example, and this would be a very difficult thing to do, because various kinds of retailers and various sizes require different kinds of reports to operate their businesses. And I think that this would be a very difficult task. We do work with the Bureau of the Census as much as possible, and they do cooperate with us and do talk over with us what we have to do to meet their requirement, for example, on the census of business.

Mr. JOHANSEN. In that connection, to what extent does the Bureau approach you and consult you and solicit your views and counsel when they are in the formative stage of setting up reporting programs, recordkeeping programs?

Mr. TARR. I would say that they do certainly approach us, and that we were approached on the 1963 census before the forms were prepared. I would say that approaching us, they found out our problems.

I also would say that I don't think that we must have influenced them very much, because the information that is required on the census of business cannot be obtained directly from the information we have available in most cases.

Mr. JOHANSEN. You cannot?

Mr. TARR. Cannot.

Mr. OLSEN. Out of all the reports you make out, which reports are the most expensive or troublesome or onerous to you and Montgomery Ward?

Mr. TARR. You must realize that a company our size, that this is a very difficult thing to say. I would imagine that the tax requirements are about as difficult and as expensive to comply with.

They require a large staff of highly trained individuals, and that it would just be my observation that probably the reporting requirements of the internal revenue laws would be the most difficult and most expensive to comply with.

Mr. OLSEN. I have the same trouble. I mean this, now, and this is just a personal problem. I think it is not only the Internal Revenue Service but the Congress and the law. It is the whole involved subject of tax payments to the Federal Government which gives people the most trouble.

Mr. JOHANSEN. You mentioned the Securities and Exchange Commission reports. What other Federal regulatory bodies have reporting requirements that affect Montgomery Ward?

Mr. TARR. It is largely the Treasury Department—the Internal Revenue Service.

The Bureau of Labor Statistics, for example, the Welfare and Pension Disclosure Act—

Mr. JOHANSEN. You don't get into Interstate Commerce and Pure Food and Drug and those areas?

Mr. TARR. Not to a great extent.

Mr. BARNHILL. Of course, we are subject to those acts such as the Federal Trade Commission—

Mr. JOHANSEN. I mean reportingwise.

Mr. BARNHILL. I don't know of any reports made under that.

Mr. TARR. There are very few things that we are required there.

Mr. BARNHILL. I cannot think of anything, offhand.

Mr. OLSEN. How about the Federal Trade Commission?

Mr. BARNHILL. Well, the Federal Trade Commission, usually that is on the basis of specific cases of inquiry about some advertising, or that sort of thing. This is not a regular reporting situation.

Mr. JOHANSEN. Yes.

Mr. OLSEN. I see. It is on a case basis?

Mr. BARNHILL. Yes, on a case basis.

Mr. DERWINSKI. How about your volume of paperwork with the Post Office?

Mr. TARR. I don't think that is any greater problem for us—that is not any great problem for us.

Mr. BARNHILL. We are a big customer with the Post Office.

Mr. OLSEN. You generate a lot of customers. It is the recipient of your product that is your customer.

Mr. BARNHILL. Well, we, too, in mailing out the catalogs. That is a substantial expense to us each year.

Mr. OLSEN. I should say so.

Mr. JOHANSEN. In the development of your retail outlets, are you still in the mail order business, substantially?

Mr. BARNHILL. Yes, sir.

One-third of our business, roughly, is mail order. And while we expect that that proportion will diminish as we open more retail stores—

Mr. JOHANSEN. That makes you substantial parcel post users?

Mr. BARNHILL. Oh, yes.

Mr. JOHANSEN. I might inject a question irrelevant to this hearing, but not to our full committee. Are you experiencing any upswing on complaints on parcel post service, particularly with respect to damage? I have reason to ask that, because of some comments that have been made on the problem nationally.

Mr. BARNHILL. I have heard of none. That doesn't mean that we would have them or we would not have them, but I don't believe that Mr. Tarr or I would hear of those.

Mr. OLSEN. Any Questions, Mr. Derwinski?

Mr. DERWINSKI. No questions.

Mr. OLSEN. We are glad that you gentlemen took the time and effort to come and help us. I assure you that your efforts will not be futile.

The committee is going to pursue this matter. We are going to give some relief for John Q. Citizen regarding the Federal Government's requirement in filling out papers and forms.

It may be that some of the agencies of the Government will come to you, and I think they would like to have some assistance in curbing this paperwork.

Are there any other witnesses in the room?

(No response.)

Mr. DERWINSKI. Mr. Chairman, earlier this morning Mr. Preston E. Peden, director, Governmental Affairs Division, Chicago Association of Commerce & Industry, was here, and he said that they didn't have the opportunity to prepare testimony.

They have, however, asked permission to forward to us letters that they are soliciting from their members regarding this general subject matter. I have one letter to place in the record at this point, and others will be forthcoming.

Mr. OLSEN. We are certainly glad to have that statement, and without objection, it will be placed in the record.

(The letters follow:)

CHICAGO ASSOCIATION OF COMMERCE & INDUSTRY,
Chicago, Ill., May 6, 1964.

HON. ARNOLD OLSEN,
House Post Office and Civil Service Committee,
Washington, D.C.

DEAR MR. OLSEN: Thanks for your invitation to participate in the committee hearings in Chicago May 8.

Unfortunately time does not permit our development of positive recommendations regarding the ever-increasing report and paperwork requirements of the Federal Government.

We applaud the efforts of the committee to find ways and means of reducing these reporting requirements.

Our association magazine, *Commerce*, in an editorial in the March 1964 issue states " * * * No industry objects to necessary and reasonable regulation. But is there anything reasonable about an 8,000-page application for a new drug, or a 10-pound questionnaire as a basis for setting the price of gas? * * * "

Our efforts will be to develop specific recommendations for consideration of the committee which will be submitted at a later date if this is permissible. Again let me say thanks to you for the invitation.

With kindest personal regards.

Sincerely,

PRESTON E. PEDEN,
Director, Governmental Affairs Division.

UNITED STATES GYPSUM Co.,
Chicago, Ill., May 6, 1964.

Mr. DEVER SHOLES,
Chicago Association of Commerce & Industry,
Chicago, Ill.

DEAR DEVER: Confirming our recent telephone conversation, the Bureau of the Census of the Federal Government still appears to be missing an opportunity to streamline some of the industry reporting via mechanical processes. We are now in the process of issuing our company report for the quadrennial census of manufactures covering the year 1963 and find ourselves, as in previous census reporting, obtaining tabulated data and posting it manually to census forms which are then eventually summarized in tabulated form by the Government.

Large companies go to considerable amounts of time in summarizing and classifying mechanically tabulated information on sales by products and destination, all of which is then posted to the census forms and sent to Washington, where it is key punched by the Bureau of the Census for summarization and census statistics. For future census reporting, it would seem that there should be some way for industry to provide the census with the cards or tapes containing the necessary information, without actually transcribing the data onto census forms, in accordance with rigid specifications worked out with the manufacturers. This should permit both industry and the Bureau to save considerable man-hours. I appreciate the potential dangers in a particular company just sending in a group of cards purporting to represent a certain group of census data, but perhaps some arrangements could be worked out whereby cards

would be printed on a prearranged form and then both the cards and the form relayed on to the Bureau of the Census.

I have been concerned with this problem ever since the 1958 Census of Manufactures and had correspondence with Mr. Robert W. Burgess, Director of the Bureau of the Census in 1960. I also had a committee of the Financial Executives Institute and also one of the Advisory Council on Federal Reports working on this problem. In all cases, however, the conclusion seemed to be pretty much that the Bureau of the Census thought there was some potential here but they had neither the time nor the talent to develop procedures on their own. If some outside interested party wanted to come up with a well-thought-out recommendation, they would be happy to give it due consideration.

Perhaps if you could get this letter into the hands of a representative of the proper congressional committee, there might be some appreciation of the opportunity present for savings to Government, taxpayers, and industry.

Yours very truly,

C. F. AXELSON,
Controller and Assistant Treasurer.

ILLINOIS MANUFACTURERS' ASSOCIATION,
Chicago, Ill., May 8, 1964.

COSTLY GOVERNMENT PAPERWORK HAMPERS INDUSTRY, IMA SAYS

The increasing burden of Government paperwork requirements on American industry is costing Illinois manufacturing firms from \$1,500 to \$500,000 annually depending on the size of the company and nature of its activities, a spokesman for the Illinois Manufacturers' Association told a congressional subcommittee in Chicago today (Friday, May 8).

Harry G. Westerfield, director of member relations for IMA, told the Subcommittee on Census and Government Statistics of the House Committee on Post Office and Civil Service that paperwork required to comply with the ever-increasing flood of laws and regulations hampers creative production and holds back expansion which could produce new jobs.

He said an IMA survey conducted earlier this year reveals that member firms are required to divert 4 to 15 percent of their administrative, clerical and accounting payrolls to government accounting and reporting.

"One member firm says it require one man's time for 3 months out of each year answering census reports alone," Westerfield testified.

"Another midwestern firm reported it had 24 members of its tax department devoting full time to the filing of several hundred thousand information reports to the tax authorities every year," he said.

The growing paperwork burden is not only hampering industry but is resulting in a hidden cost borne by the consumer on all products, Westerfield said.

IMA's witness suggested the subcommittee act to simplify Government forms and to bring about a complete review to determine what information from industry is absolutely essential to Government operations.

He said IMA favors setting up a "task force" of executives familiar with accounting practices in industries of all types and sizes to refine and systematize all Government information gathering.

GORDON STRACHAN.

Mr. OLSEN. The hearing is now adjourned.

(Whereupon, at 3:30 p.m. Friday, May 8, 1964, the hearing was adjourned.)





