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Federal Income Taxation--1931 Cumulative Supplement (Book Review)

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as the scholarly accomplishment of what must have appeared at the outset insuperable.

That the authors had a proper background and adequate understanding of their subject is evident in their discussion in Part I of the nature of income and realization of income. That the work is thorough is evident from the fact that the authors do not limit their discussions merely to the reorganization provisions of the law, but devote a major section of the book, Part III, to a discussion of the basis for subsequent gain or loss after the transfer or exchange has taken place. Included in the latter discussion it is noted that the authors do not omit comment on Involuntary Conversions,⁷ Losses on Wash Sales,⁸ and miscellaneous related topics,⁹ such as Filing Returns, Book Entries, Tax Board Petitions, Changing from Accrual to Instalment Basis, etc. Appendix A presents five Illustrative Reorganization Problems and Appendix C quotes important excerpts from the unofficial Gregg statement.

When the book first came to the writer's attention, there was not a little disappointment over the fact that the collaborators did not include a trained accountant. In the administration of the income tax law the debt to the science of accounting has been pretty well established and acknowledged, and in the writer's opinion a proper understanding of the reorganization provisions of the tax law is almost impossible without a thorough knowledge of the principles of accounting. That the authors of this book have succeeded so well without the collaboration of an accountant is further evidence of the excellence of their efforts. It is the hope of the writer that the next effort in this direction will be made by the accountancy profession (working either alone or in collaboration with the lawyer). The accountant certainly has much to offer towards the clarification of income tax laws.

In the meantime, the tax practitioner is fortunate in having the able work of Messrs. Miller, Hendricks, and Everett to guide him through the mazes of the Reorganization Provisions.

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FEDERAL INCOME TAXATION—1931 CUMULATIVE SUPPLEMENT.

In a sense it is no longer necessary to review Dr. Klein's book on "Federal Income Taxation." The long awaited major work appeared in 1929 and was well received both by the legal and accounting professions. Today no tax library is without this book.

The reception accorded the basic text undoubtedly encouraged the author to continue his labors and the result was the 1930 Supplement, which brought

⁷ Chapter 14.

⁸ Chapter 15.

⁹ Chapter 22.

the basic text down to date. Apparently Dr. Klein has been conscripted to do an annual job for the tax community. Witness the 1931 Supplement, which not only brings the tax law and its administration down to date, but also consolidates the tax rulings and decisions for both years since the publication of the basic text.

Because the tax law is still in a state of flux, the tax practitioner cannot depend entirely upon a statement of the law or decisions promulgated two years ago. Each day brings some new decision of the Board of Tax Appeals or the courts, and with it some new uncertainty as to the present state of the law or frequently a clarification of past uncertainties. The chapter headings and paragraphs of the 1931 supplement are conveniently arranged according to the classifications in the basic text so that any research work on any topic can be done with the complete information available at one time.

If the practitioner were concerned with the problem of whether the liquidation of a subsidiary corporation, in the case of affiliated corporations, resulted in a profit or loss, he would learn¹ that according to the Bureau² and the Board of Tax Appeals³ such a liquidation is an intercompany transaction resulting in neither profit nor loss. Referring immediately to the 1931 Supplement,⁴ the practitioner would learn that the position of the Board was overruled by the Circuit Court of Appeals,⁵ which held that such a transaction was not an intercompany transaction since a purchase of the stock of a subsidiary creating an affiliation or the sale terminating an affiliation, occurs outside the affiliated period. The problem is not set at rest, however, for the Board⁶ adheres to its original view where the sale does not result in the termination of the affiliation.

The 1931 Supplement is valuable for the further reason that it contains in the index a table⁷ indicating the action since 1928 on Board of Tax Appeals cases that were cited in the basic text, and a similar table⁸ indicating any subsequent action on court cases.

It has frequently been stated that the value of a work of this type can be revealed in the appendices and indices contained in the book. No tax practitioner could possibly overlook the valuable material contained in the painstaking tabulations in the appendices and indices of the supplement, particularly the bibliography in Appendix F covering a wealth of material that has appeared on the subject of taxation during the past two years.

The same clarity and scholarship that marked the basic text is clearly evident throughout the cumulative supplement.

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¹ KLEIN, FEDERAL INCOME TAXATION (1929) 1072, par. 31:18.

² General Consul's Memorandum 1501, CUM. BULL., VI—1, 260.

³ U. S. Trust Co., 1 B. T. A. 901 (1925); H. S. Crocher, 5 B. T. A. 537 (1926); Baker, Vawter Co., 7 B. T. A. 594 (1927).

⁴ P. 281 (p. 1072) par. 31:18.

⁵ Remington, Rand, Inc. v. Com'r, 33 F. (2d) 77 (C. C. A. 2d, 1929); *certiorari* denied 280 U. S. 545, 50 Sup. Ct. 39 (1931).

⁶ Scowcroft & Sons Co., 18 B. T. A. 532 (1929).

⁷ *Supra* note 1, p. 494.

⁸ *Ibid.* p. 538.