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Twenty-Five Years Ago - in the Woman CPA: Current Tax Payment Act of 1943

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All taxpayers adopting the safe haven formula should, therefore, examine this final regulation for possible revision of their present rental charges.

Transfer or Use of Intangible Property

The detailed rules concerning bona fide cost sharing arrangements in connection with the transfer of intangible property between related interests, have been replaced by a statement of the general rules based on arm's length standards. This extremely complex area of the regulations may receive additional relief through submission of cost sharing plans to the Service for prior approval; although the possibility of such a remedial administrative procedure is only being studied at this time.

As stated at the outset, all of the foregoing represents changes effected in the final regulations under Section 482, to be found in the news release accompanying their publication. It is apparent, however, that any taxpayer coming within the purview of this Section must "review the bidding" to ascertain that current requirements are being met; or even with the idea of taking advantage of modifications in the future.

Side Effect

While on the subject of Section 482, your attention is called to certain side effects of its applicability. Social Security Tax Ruling 154 sets forth the various circumstances under which an individual performing services for related companies may be subject to more than one Social Security tax liability. The results are dependent upon the treatment of the individual's compensation, as between companies.

To take one example, if an individual is an employee of one entity, but performs certain administrative duties for related entities, for which a management fee is charged, only the employer company would be liable for Social Security tax on the first \$7,800.00 of his wages. Where, however, the employer company allocates a portion of his salary among the related companies on the basis of services performed for each, dual employment is deemed to exist, and each company would be liable for Social Security taxes on the first \$7,800.00 of compensation so allocated.

Where several such situations exist within one group, Section 482 compliance should be approached in the light of the rules set forth in Social Security Tax Ruling 154.

TWENTY-FIVE YEARS AGO—in THE WOMAN CPA

On June 10, 1943, the President signed the Current Tax Payment Act of 1943, thus marking the end of months of effort on the part of Congress and the Administration to evolve a plan for placing individual taxpayers on a pay-as-you-go basis. The new law is applicable to individuals only and does not extend to corporations, estates or trusts. It imposes no new tax nor does it remove any old ones. It merely provides a means for collecting current taxes, as far as possible, during the year, as in the past.

As is inevitable in shifting from one major tax plan to another affecting some forty-five million taxpayers, the new Act is quite complex in its provisions.

From "The Current Tax Payment Act of 1943" by Mary E. Humphrey, August 1943