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Correspondence; Mr. Eisner Explains; Interest Rate of Investments

Mark Eisner

D. N. Lehmer

Correspondence

Mr. Eisner Explains

Editor, The Journal of Accountancy:

SIR: I have before me an editorial published in your valuable periodical under the heading "As We Advance," in which you quote certain remarks published by the Brooklyn *Daily Eagle* and purporting to have been uttered by me at a meeting of the bar association.

I very much regret that you did not inquire of me first to ascertain whether I had been accurately quoted because I would have saved you the necessity of making any reply and would not have occasioned surprise to the many accountants who favor me with close professional relationship. Whatever may have been the impression which the reporter for the *Eagle* obtained, I think I can state rather precisely the tenor of my remarks for which I am sure no apology need be expected or should be offered.

I stated that originally the regulations under the income-tax law and the forms were worked out principally by accountants; that the forms, particularly those under the 1918 law, were admirable in their self-auditing design and that the regulations went far in the direction of clarifying a statute which was very difficult of interpretation.

What I did then say about the accountancy features and what probably confused the reporter was this:

In the framing of the regulations there were included a number of propositions which, while excellent accounting theory, were not necessarily within the language or the spirit of the statute. One of these is the rule which requires the amount of taxes for the previous year paid out of the earnings for the taxable year and charged against them to be considered in reduction of the surplus of the previous year. I repeat that it is good accounting theory to charge the taxes against the earnings which gave rise to the taxes rather than against the earnings from which the taxes were paid, but there is no legal reason why, if the corporation as a fact paid its last year's taxes out of this year's earnings and this year's profits were sufficient, without impairment of the surplus, to pay the taxes, that this *fact* should be ignored to satisfy a *theory* which was not embraced within the statute.

I know that the committee on appeals and review has twice confirmed the position taken in the regulations, but I feel that I may fairly disagree with the income-tax unit, which is the accounting end of the department, in this and other regards quite as strenuously as I disagree with the solicitor's office, which is the legal end, in holding that a taxpayer has even a right to waive effectually the three-year limitation within which to assess imposed on the commissioner of internal revenue by congress and thus give to the commissioner a right to make an assessment which congress, for reasons of its own, has withheld from him.

I did dwell upon the rising growth and importance of the solicitor's office and stated that I believed this to be an extremely healthy feature because it would tend to liberalize many of the constructions placed upon the statute by the income-tax unit; and this has in fact been the case.

I do not share the disregard of professional accountancy which seems to be characteristic of some members of my own profession and others. I fully appreciate that there is a distinct field for both professions in connection with the income tax. I see too often the sad effect of a lawyer's essay into the field of accountancy and I likewise have read weird legal briefs in tax cases prepared by accountants. This venture into strange fields by members of either profession is futile and the taxpayer suffers.

I trust that you will favor me by setting forth my position as herein related before your readers. Very truly yours,

MARK EISNER.

"Interest Rate of Investments"

Editor, The Journal of Accountancy.

SIR: My attention has been called by Mr. E. S. Thomas of Cincinnati to a misunderstanding which accounts for the discrepancy between my results and those published in Sprague's *Accountancy of Investment* referred to in my paper in the July number of the JOURNAL. In a preceding problem on page 219 he specifies a semi-annual bond, and I must have made the inference that if any other sort of bond than an annual bond were under discussion its character would be specifically indicated. No such indication was made in the problem in question, but if the bond is assumed to be a semi-annual bond the results given in the book are quite correct.

Yours truly,

Berkeley, August 29th, 1921. D. N. LEHMER.

Leon Williams, John F. Fitzgerald and Arthur A. Ashton announce the formation of a partnership under the firm name of Williams, Fitzgerald, Ashton & Co., with offices at 76 Dorrance street, Providence, Rhode Island.

Haskins & Sells and Hollis, Tilton & Porte announce the consolidation of their practices as of August 1, 1921, under the name of Haskins & Sells, with offices in the Penobscot building, Detroit.

Litle, Schietinger & Co. announce the opening of offices in Boston and Springfield, Massachusetts, under the direction of William H. Mannix.

Gano & Co. announce the opening of an office at 104 Central block, Pueblo, Colorado.

Stewart, Watts & Bollong announce the removal of their offices to 50 State street, Boston, Massachusetts.

Arthur Young & Co. announce that Richard Wilson has been admitted as a partner in their Chicago office.

Arthur Young & Co. announce the removal of their New York office to 82 Beaver street.