

INDEX—EXCESS PROFITS TAXATION

ACCOUNTING PROBLEMS

(under excess profits tax) difficulty in adjusting legislative requirements to, 103-4; in determining invested capital, 104-5, and "accumulated earnings," 105; in determining base-period income, 106; in reconstructing income under §722, 106; need for reasonable administration to minimize, 107.

Alabama v. King and Boozer, 162.

AMORTIZATION OF WARTIME PLANTS

need for provisions for, shown by World War I experience, 150; mechanics for securing, 150-1; problem created by requirement of certificate of non-reimbursement, 151-2; use of, in connection with "fixed-price" and "cost-plus" supply contracts, 152, and contracts for government purchase at "depreciated cost," 152-3; standards used in certifying for, 153-4, in case of land, 155; effect on certification for, of transfer of assets, 154-5; of replacements, 155; definition for purposes of "facility," 156-7, of "beginning of construction," 157, of "date of acquisition" and "completion," 157-8; cost basis for, 158-9; retroactive extension of provisions for, 159; under Emergency Plant Facilities contract, 160; denied for plants acquired from Government, 164.

AVERAGE EARNINGS CREDIT

as provided in original bill, 6, as modified in Senate, 7, as expanded in 1942 Act, 8-9; as affected by "growth formula" in 1941 Amendments, 33; summary of provisions for, 10-11, 79-80; emphasis on normality of experience of particular corporations, 29-34, 44, 80-1; as affected by provisions of §713 relating to corporate split-ups, 81-3, of Supplement A relating to determination of base-period experience of combined corporations, 83-91, of §742 relating to duplication in credit where component is acquired for assets, 91-6, and of §740 where component survives, 96-9; accounting problems in determining, 106; provisions for, criticized, 146. See CORPORATE READJUSTMENTS; RELIEF PROVISIONS.

BORROWED CAPITAL

treatment of, in determining invested capital credit, 6, 15, 37.

CAPITAL GAINS AND LOSSES

exclusion of long-term, from excess profits net income, 16.

Commissioner v. Sansome, 68.

CONSOLIDATED RETURNS

permission to file, granted by 1940 Act, 26; difficulties in regulations governing, 27.

CORPORATE READJUSTMENTS

(in relation to excess profits credit), ramifications of problems, 62-3; rules determining major ele-

ments of equity invested capital, 63-4, and when acquisitions are valued on basis antedating transfer, 64-5; provisions of §760 relating to "exchanges" in: scope and purposes of, 66-7, treatment of transferor's earned surplus or deficit, 68, treatment of conversion of transferor's equity invested capital to transferee's borrowed capital, and *vice versa*, 68-9; provisions of §718 relating to "identity" reorganizations: treatment of transferor's earnings deficits, 70-1, situations where applicable, 71-2, rules criticized, 72; provisions of §761 relating to intercorporate liquidations: applicability of, 72-3, concepts of "plus" and "minus adjustments" used in, 73-4, rules for making such adjustments in basis of liquidated stock, 74-7, examples illustrating defects in, 77-9; provisions of §713 relating to corporate split-ups: purpose of, 81, language of, quoted, 82, defects in, 82-3; Supplement A relating to coalescence of base-period income experience of several corporations construed into one: generally, 83, types of transactions included, 83-6, general operation of, 86-7, major defect in, 87-8, special problems in computing base period income for purposes of, fiscal years, 88-9, "short" years, 89, "vacant" years, 89-90, relation of such computations to general relief provisions in §722, 90-1; provisions of §742 relating to prevention of duplication where component corporation is acquired in exchange for assets: terms of, quoted, 91, basic theory of regulations issued under, 92-3, rules involving multiple Supplement A transactions, 93-4, extension of regulations to cases not involving duplication, 94-5, need for greater administrative flexibility, 95-6; provisions of §740 relating to prevention of duplication where component survives: defects in law before 1942 Act, 96-7, rules established by 1942 Act, 97-9, need for relief to surviving component, 99; extreme complexity of provisions relating to, 99-100, 145, as affected by artificiality of income tax rules for "reorganizations," 100-1; lack of provision for reorganization by recapitalization, 101-2, effect of, on certification for amortization, 154.

CORPORATE TAXATION

proportion of, in federal revenues, 108; relation of, to corporate revenues, 121-2; problems of, antedating war period: measurement of business income, 109-10, interrelationship of, with individual income taxation, 110-11, as aggravated by war, 112-3; distinction between peacetime and wartime problems of, 113-4; problems of, in wartime: need for additional revenue, 114, prevention and recapture of excessive war profits, 114-6, promotion of war production, by giving incentive to efficiency, 116-7, 124-5, 134-5, by providing for amortization of war facilities, 117-8,

control of inflation, 118-9, 126-8, 135-6; problems in, of post-war period: facilitation of reconversion, by carry-back of losses, 119-20, variations in corporate liquidity, 120, 148, control of monopoly profits, 137-8, need to reduce emphasis on business taxes, 139, 148. See EXCESS PROFITS TAX: ECONOMIC EFFECTS.

DEFENSE PLANT CORPORATION

tax effects of contracts by, and other contracts for government ownership of plants, 162-4. See AMORTIZATION OF WARTIME PLANTS.

Delaware Terminal Corporation v. Commissioner, 45.
Detroit Edison Co. v. Commissioner, 162.

Edwards v. Cuba Railroad Co., 161.

EMERGENCY PLANT FACILITIES

contracts for Government reimbursement of cost of, 159-60; treasury rule treating reimbursements for, as gross income, 160, questioned, 161-2. See AMORTIZATION OF WARTIME PLANTS.

EXCESS PROFITS CONCEPT

conflict in policy between concepts of excess profits as unreasonable profits and as wartime profits, 5, 28, 43; shift in emphasis to concept of excess profits as wartime profits, 5, 7-8; emphasis on experience of particular corporation in, 29-34; as reflected in concept of invested capital, 35-39; as reflected in scope of tax, 39, in use of carry-backs and carry forwards, 39-40, in relation of excess profits tax to corporate income tax, 40-41; summary statement of, 41-42.

EXCESS PROFITS NET INCOME

adjustments in, for interest, 15, for income from "inadmissible assets," 15; elimination of non-recurrent items, 16, including capital gains and losses, 16, 35, income gained by retirement of bonds, 17, 35, or by debt recoveries, 17, intercompany dividends, 17, casualty losses, 17, 35, repayments of processing taxes, 18. See AVERAGE EARNINGS CREDIT.

EXCESS PROFITS TAX: ECONOMIC EFFECTS

on costs, generally, 123-4, by affecting productive efficiency, 124-5, by affecting costs of labor and materials, 125-6; on prices, 126-8; on corporate dividends, 128-30, 148, as affected by postwar credit, 129; on level of production, 130-32, 134-5; from political standpoint, 134; as source of revenue, 122; on governmental war contract policies, 136; uneven, resulting from difficulties in application, 136-7; unsatisfactory as control over monopolistic gains, 137-8. See CORPORATE TAXATION.

EXCESS PROFITS TAX: EXEMPTIONS

of income derived from mining strategic minerals, 25, 131-2; of income derived from "excess output" of wasting asset industries, 25; of personal service corporations where shareholders elect to be taxed personally, 25-26, 39; of specified types of corporations, 26; of individuals and partnerships, 39.

EXCESS PROFITS TAX: FIRST WORLD WAR EXPERIENCE
excessiveness of profits determined by relation to pre-war profits and invested capital, 115; generally use of, by belligerents, 133, 140; unpopularity in United States, 133; repeal urged by four Secretaries of the Treasury, 140-1; criticism by Prof. T. S. Adams, 141, by Tax Committee of Nat. Ass'n of Mfrs., 141-2; need for amortization provisions shown by, 150, 155.

EXCESS PROFITS TAX: LEGISLATIVE HISTORY

pre-war discussion of problem, 115-6, 142; adoption of 1940 Act, 3-4, 142-3; Vinson-Trammell Act of 1934, 3-4, 116, 142; development of concept of excess profits, generally, 4-5, in original Treasury proposals, 5-6, as modified in Senate, 6-7, under 1941 Amendments, 7-8, under 1942 Act, 8-9; development of rates, as originally reported, 11, in House Bill, 11-12, in Senate Bill, 11-12, under 1941 Amendments, 12, under 1942 Act, 12-13; relation of excess profits tax and income tax, under original Act, 13, under 1941 Amendments, 13, under 1942 Act, 14; development of method of computing excess profits net income, adjustments in credit, 15, elimination of non-recurrent items, under 1940 Act, 16, provision for other adjustments, 16-8; development of relief provisions under original act, 18-9, under 1941 Amendments, 19, under 1942 Act, 19; development of relief provisions as to: carry-over and carry-back, 19-20, income related to other years, 20-1, installment income, 21, abnormal deductions, 21-2, reconstructed base period experience, under original act, 22, under 1941 Act, 22-3, under 1942 Act, 23-4; development of provisions for treatment of special types of corporations, mining companies, 24-5, personal service companies, 25-6, exempt corporations, 26, consolidated returns, 26-7.

EXCESS PROFITS TAX: RATES

as originally proposed, 11, as modified by House, 11, by Senate, 11-2, by 1941 Amendments, 12, by 1942 Act, 12-3; post-war credit provided in connection with, 12-3; concessions to small corporations in, 11, 13; as affected by question whether regular corporate income tax is deductible, 13-4; effect of, on need for refinements in determining tax base, 34, 113; as proposed by Nat. Ass'n of Mfrs., 143-4.

FOREIGN WAR LOSSES

(tax treatment for) provisions of §127 relating to, summarized, 166, legislative history of, 167, major problems to be solved by, 167-8; conclusive presumption in §127 that property in enemy nation is seized as of date of declaration of war, 168, as applied to stocks, bonds, etc., 169-70; application of presumption in cases where enemy seized control of situs of property after declaration of war, 171-2; classification of war losses due to destruction or seizure as casualty losses, 172-3; use of carry-back to avoid hardship where corpor-

ations no longer can operate, 173; use of consolidated return privilege by corporations whose subsidiaries held foreign assets, 173-4; relation of, to foreign tax credit in §131, 174-5; effect on of §23(k) changing rule as to charging off bad debts, 175; adjusted basis rule used in determining amount of, 175; election to reduce amount of, by amount of liabilities satisfied out of property, 176; treatment of recoveries of property previously deducted as, 176-8; limited allowance of deduction based on partial worthlessness of stock because of, 178-9.

Helvering v. Alabama Asphaltic Limestone Co., 101.

Helvering v. Southwest Consolidated Corp., 101.

INFLATION

control of, as factor in wartime corporate taxation, 118-9; effect of excess profits taxation on wartime costs, 123-6, on wartime prices, 126-8, 135-6. See CORPORATE TAXATION; EXCESS PROFITS TAX; ECONOMIC EFFECTS.

INTERNAL REVENUE CODE

references in text to sections of:

Section 13(a)(1), 15.
 Section 17(c), 179.
 Section 22(b)(4), 15, 82.
 Section 23(g)(2), 169, 175; §23(k), 175; §23(k)(2), 169, 175; §23(l), 155; §23(m), 155.
 Section 26(a), 15.
 Section 101, 26.
 Section 112, 101; §112(b)(4), 66; §112(b)(5), 64, 66, 84; §112(b)(6), 72, 73; §112(b)(7), 73; §112(b)(9), 66, 73; §112(b)(10), 73; §112(c), 84; §112(e), 84; §112(f), 177; §112(g), 63, 64; §112(g)(1), 85.
 Section 113, 101; §113(a), 158; §113(a)(2), 162; §113(a)(7), 64; §113(a)(8), 162; §113(a)(8)(A), 64; §113(a)(8)(B), 64; §113(a)(20), 66; §113(a)(21), 66; §113(b), 158, 159; §113(b)(1)(A), 162; §113(b)(2), 67.
 Section 115(i), 63, 65, 67.
 Section 117, 16; §117(j), 16, 177.
 Section 119, 174.
 Section 121, 175.
 Section 122, 172, 173.
 Section 124, 149, 150, 151, 153, 156.
 Section 127, 165, 166, 167, 168, 172, 173, 174, 175, 176, 177, 179; §127(a)(1), 168, 171, 173, 178; §127(a)(2), 168, 170, 178; §127(a)(3), 169, 170, 171, 175, 178; §127(b), 176; §127(b)(1), 175; §127(b)(2), 176; §127(c), 176, 177; §127(c)(2), 176, 179; §127(c)(3), 179; §127(e), 169, 170, 178, 179; §127(e)(2)(A), 178.
 Section 131, 174, §131(a), 175.
 Section 141(b), 174.
 Section 142(b), 174.
 Section 156, 167.
 Section 322(b)(5), 175.

Section 711(b)(1)(J), 35.

Section 713, 8, 44, 58, 60, 84, 86, 87; §713(a)(1)(B), 57; §713(d)(2), 32, 80, 99; §713(c), 60, 86; §713(e)(1), 59, 60, 80; §713(f), 59, 60, 80, 87; §713(f)(7), 89; §713(g), 36; §713(g)(5), 80, 81.

Section 714, 8.

Section 718, 18, 58, 63, 64, 100, 101; §718(a), 66, 67, 74, 78; §718(a)(1), 63; §718(a)(2), 63, 66, 67; §718(a)(4), 63; §718(a)(5), 72, 73, 74, 75, 76, 77; §718(b), 74; §718(b)(4), 72, 73, 74, 75, 76, 77.

Section 719, 63.

Section 721, 17, 19, 21, 32.

Section 722, 21, 22, 23, 24, 26, 27, 29, 43, 44, 47, 52, 56, 57, 59, 60, 61, 80, 90, 98, 103, 106, 147; §722(b), 44, 55, 59; §722(b)(1), 30, 44, 53, 60; §722(b)(2), 30, 46, 47, 50, 57, 60; §722(b)(3), 32, 48, 49, 51; §722(b)(3)(A), 30, 48, 50, 51, 52; §722(b)(3)(B), 30, 48, 51; §722(b)(4), 30, 34, 44, 45, 52, 55, 57, 58; §722(b)(5), 51, 57, 58; §722(c), 58, 59, 61; §722(c)(2), 39; §722(c)(3), 32; §722(c)(2), 90.

Section 723, 18.

Section 725, 26, 58.

Section 731, 25.

Section 734, 104.

Section 735, 25.

Section 736(a), 21.

Section 740(a), 84, 85; §740(a)(1)(A), 84, 96; §740(a)(1)(B), 84; §740(a)(1)(C), 84; §740(a)(1)(D), 84; §740(a)(2), 84; §740(a)(3), 84; §740(a)(4), 84; §740(c), 87, 96, 98; §740(c)(1), 97; §740(f)(1), 87; §740(g), 145; §740(h), 84.

Section 742, 86; §742(b), 86; §742(d), 87; §742(d)(1), 145; §742(d)(2), 145; §742(e), 99; §742(f)(1), 90, 91, 92, 93, 94, 95, 96, 102; §742(f)(2), 98; §742(h), 87; §742(h)(2), 89.

Section 743, 87; §743(a)(1), 145; §743(a)(2), 145; §743(a)(3), 145.

Section 750, 66, 67.

Section 751, 66, 70.

Section 760, 66, 67, 68, 70, 71, 75, 78, 100; §760(a)(2), 67.

Section 761, 10, 72, 73, 74, 75, 76, 77, 78, 101; §761(b)(1), 73; §761(b)(2), 73; §761(b)(3), 73; §761(c), 74, 76; §761(c)(3), 75; §761(d), 74; §761(e), 74, 76, 78.

INVESTED CAPITAL CREDIT

as proposed by Treasury, 5-6, as modified in Senate, 6, as changed by 1941 Amendments, 8; use of "tax basis" rule in computing, 9; summary of provisions for, 10, 36; inclusion in, of borrowed capital up to 50%, 6, 15, 37; "inadmissible assets" excluded from, 15; as a method of relief to taxpayer, 29, 32-3, 43-4; use of historic cost in computing, 36; effect of, on transfers of corporate assets and reorganizations, 38; rules determining

major elements of, 63-4, and when acquisitions are valued on basis antedating transfer, 64-5; provisions relating to effect on, of intercorporate exchanges, 66-9, of "identity" reorganizations, 70-2, of intercorporate liquidations, 72-9; accounting problems in determining, 104-5; discrimination against larger corporations in 146. See CORPORATE READJUSTMENTS.

NATIONAL ASS'N OF MANUFACTURERS

repeal of excess profits tax after World War I urged by committee of, 141-2; suggestions of committees of, concerning present excess profits tax, 143-4.

PRICES

see CORPORATE TAXATION; EXCESS PROFITS TAX: ECONOMIC EFFECTS.

RELIEF PROVISIONS

reasons for limited relief provisions in 1940 Act, 18-19; carry-over and carry-back as means of, 19-20, 39, 40; privilege of reallocation of income attributable to other than taxable year, 20-1, 40; adjustment permitted in installment income, 21; provision for eliminating abnormal deductions, 21-2, 34-5; provision for reconstructing base-period experience: development of plan for, 22-3, statutory criteria determining availability of, 23-4,

44, 46, 48, 52, 57, in case of new corporations, 24, examples of, 30-1, 58-9; reasons for emphasis on reconstruction of base-period experience, 29, 32-4; reconstruction of base-period income where: production interrupted or diminished by unusual event, 44-6, business depressed by unusual, temporary economic circumstances, 46-8, business depressed by variant profits cycle, 48-51, or sporadic production peaks not duly represented in base period, 51-2, change in character of business just before or during base period, 52-7, other factors rendering base period inadequate standard ("catch-all" provision), 57-8, new business in which invested capital inadequate standard for determining excess profits, 58-9, where component corporations are involved, 90-7; relation of various relief provisions to each other, 59-60; administrative problem presented by Section 722, 61, 147.

REVENUE ACT OF 1942

Section 142, 66; §156, 165; §159(a), 174; §216, 81; §218, 67; §219, 70; §222, 23; §229(b), 66; §230(a), 66; §361, 26; §361(b)(4), 26.

United States v. White Dental Mfg. Co., 168, 176.

VINSON-TRAMMELL ACT

inadequacy of, to meet needs of defense program, 3-4; limitations imposed by, 3-4, 116, 142.

