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RECENT BOOKS

CREATION OF INCOME BY TAXATION. By Joshua C. Hubbard.
Harvard University Press, pp. 236, 1950. \$4.00.

Mr. Hubbard presents in this book a detailed and highly technical discussion or argument for taxation as a means of increasing income and to be taken into consideration during periods of under employment. It is generally conceded that taxation reduces income and as a result heretofore, the government has resorted to deficit spending in order to increase the national income and thereby decrease unemployment through increased investment and consumption.

It is argued that taxation takes an additional bite out of the taxpayers' income and if this is spent by the government in consumption and investment that the result will be to increase the national income which will in turn give rise to increased consumption and investment. The increased investment would also increase consumption, but, probably a few income periods later. "Thus, the higher the marginal propensity of individuals to consume, the greater is the ultimate income creation."

According to the theory proposed, it doesn't make any difference whether the consumption tax is a direct tax or hidden tax. The consumer, if rational and consistent, will adjust his spending pattern to the tax the same way that he would in the case of any other price increase; and as a result, income increment is diminished. The individual will go ahead and adjust the tax or will find that savings are in excess of those intended. The application of this theory would not necessarily be to a tax on land and property; and if so, at a much slower rate. It would be devoted more to durable consumer goods like autos, houses, furniture, etc.

It does not seem that there is a recommendation for a fiscal policy of increasing income by taxation as a regular diet but more to be used with deficit spending according to a well planned program during periods of high unemployment and when economic consumption is at a low ebb.

Mr. Hubbard has crystallized his thinking on an old subject in an intelligent and brilliant presentment that should be interesting to those who are students of economics, taxation and fiscal policy.

FURMAN E. CANNON*

PROCEDURE BEFORE THE BUREAU OF INTERNAL REVENUE. By Edgar J. Goodrich¹ and Lipman Redman.² Published by the Committee on Continuing Legal Education of the American Law Institute collaborating with the American Bar Association, 133 South 36th Street, Philadelphia 4, Pennsylvania, pp. 157, 1951. \$2.00.

This book deals with procedure in a tax case. It is a step-by-step guide as to how to handle a tax case before the Bureau of Internal Revenue. It begins with the situation when a tax return is first questioned and carries through until the case is either settled or earmarked for litigation.

Significance is given to the book because tax men have stated that this material has never before been collated in one place, particularly as concisely as is here done. It therefore meets a need in two respects. The general practitioner, for whom it is primarily written, will find here an easy-to-understand manual. But because the material, so important in the practice of both lawyers and accountants, is succinctly presented in so short a space, it will be helpful even to these experts.

Incidentally, the material is the second of a trilogy in the increasing list of publications of the Committee on Continuing Legal Education of the American Law Institute collaborating with the American Bar Association. First is the previously published LEGAL PROBLEMS IN TAX RETURNS, and in preparation is the LITIGATION OF TAX CASES. The three combined will cover a tax case from beginning to end.

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1. Edgar J. Goodrich is a member of the District of Columbia, Iowa, Minnesota and West Virginia Bars.

2. Lipman Redman is a member of the District of Columbia and Pennsylvania Bars.

The reader is first oriented with a concise picture of the overall organizational structure of the Bureau and with specific instructions for his admission to practice before it. He is then initiated into the matter of some basic Bureau procedures, such as the issuance of rulings and other administrative announcements, which are often more important than court decisions in the disposition of matters before the Bureau and which are equally often confusing to the uninitiated.

With this broad framework as background, the book then picks up the ordinary income tax return about to be filed and traces it, in detailed fashion, through its various and devious steps, stops, turns, and about-faces, through the collectors' and agents' offices and the Technical Staff. It treats every procedural twist to be met on the way, discussing the origins of different types of problems, their possible disposition, arguments for and against settlement at the various stages, and the several alternatives in the event of no agreement. The trail stops as the issue is about to be litigated.

The same treatment is then accorded to the processing of fraud cases involving potential criminal prosecution. That area of Bureau practice involves basically different considerations and procedures. Suggestions for dealing with special agents, the Penal Division and the Department of Justice are therefore separately handled.

Included also is extensive discussion of a number of miscellaneous but highly important procedures. This covers such topics as special rulings, closing agreements, offers in compromise, refund claims, assessment and collection, and computation of interest. It comes as a surprise to the general practitioner, for example, that in many instances, the Bureau will give what amounts to an advisory opinion of the tax consequences of a proposed business transaction, so that the transaction can be altered or abandoned if the tax impact proves burdensome.

All of these practical, procedural problems are thoroughly covered in a practical, down-to-earth fashion. The book tells the general practitioner what he must and can—and sometimes should—do at the various key points, not only to protect the taxpayer's rights, but also to present his position most effectively in dealing with different Bureau representatives. It should be in the library of every lawyer.