

Income-Tax Records as Sources for Economic History

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IN the recent past the writer has been engaged by the Great Smoky Mountains National Park to do historical research. One of the studies undertaken, a phase of the larger subject of land use, concerned the effects of logging on the forest in the Great Smoky Mountains.

A most important source of information on such a topic should be the records of the firms that logged in the area between 1900 and 1930. Unfortunately, most of these companies are no longer in business, or they have disposed of their records with the passage of time. An accountant for one of the existing firms did recall, however, that commencing in 1913 lumber companies had to file special data to support their claims for depletion allowances under the provisions of the Federal income-tax laws.

On the basis of this lead the writer requested that a search of the records of the Internal Revenue Service be made. Under the law such requests may be made to the Secretary of the Treasury by the head of the executive department that, for official reasons, wishes to inspect the records.¹ The permission was granted, and the documents were inspected by two officials of the National Park Service, who found them to be worthy of further investigation. Arrangements were then made by which the writer received a temporary appointment to the position of collaborator in the employ of the Great Smoky Mountains National Park in order to draw such information from the records as bore on the topic under consideration.

The records were of two principal classes: returns and forest industries' schedules. The returns did not yield much information

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¹ The conditions under which other Government agencies may inspect income-tax returns for official reasons are found in Treasury Decision 4929, subpart D, section 463.33, promulgated by Executive Order of Aug. 28, 1939, based on Section 55(a) of the Internal Revenue Code (53 Stat. 29). Persons other than employees of the Federal Government who may inspect returns under specified procedures include State officers and tax officials, shareholders, and parties in litigation.

on the species of timber cut or the methods employed in logging operations, and like individual income-tax returns showed only figures derived from detailed supplementary information.

The most important of the forest industries' schedules was the one initially filed for the years before 1919. Called the General Forest Industries' Schedule, it sought information on the status of the timber from the beginning of operations until the income-tax law became effective on March 1, 1913, and for each subsequent year through 1918. Detailed maps were required to illustrate the stages through which each block of timber had passed. Data were produced for the quantity and value of each species of timber manufactured into lumber and for the utilization of byproducts. In a number of cases there was included an inventory of the firm's logging, mill, and railroad equipment, complete with dates, value, and expected life. Some schedules gave information about the pattern of wages, the hours to the shift, and the days the mill operated each year; the purchase and sale of timberlands; and fire and safety precautions. From 1919 a schedule was filed each year in order that changes from the base period could be shown annually as they occurred. Unfortunately there were large gaps in these records because of loss or disposal.

These documents proved, in part, to be most valuable for the study. The existence of this class of records raises the question of their greater significance to a much broader study, perhaps of the logging industry in western North Carolina or in the southern Appalachians. If similar information has been required of other resource-using corporations engaged in mining and in oil and natural gas production, would it not offer an opportunity for the detailed study of production methods, wages and working conditions, financing and taxation, as well as resource use?

The conditions necessary to obtain access to these documents have been mentioned. There are further restrictions. Under the law it is "a misdemeanor, punishable by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both . . . for any person to print or publish in any manner whatever not provided by law information contained in any income return." Violation of this provision by a Government employee or officer leads to his discharge or dismissal.²

² Treasury Decision 4945, Sept. 20, 1939, section 463D.7, under section 55(f) (1) of the Internal Revenue Code. The writer applied for permission to use material from the forest industries' schedules (pertaining only to the cutting of timber) in prospective articles on logging. The law is explicit, however, and such permission could not be granted to anyone for use other than in his official capacity. Harold A. Snyder, Assistant Director, Collections Division, Internal Revenue Service, to the writer, Oct. 12, 1960.

Thus the law is designed to insure a most worthy objective, maximum privacy for the taxpayer. To permit promiscuous prying either by civil servants or private citizens would undermine the confidence of taxpayers in their relations with the Government. Taxpayers, of necessity, reveal very private and personal information. The preparation of a tax return is an involuntary act, and proper enforcement of the tax laws will depend upon the willingness of the taxpayer to offer accurate data.

This is no plea to throw open tax records to the view of unqualified persons. But these records do have distinct worth as historical sources for economic enterprises dating back nearly 50 years, and many of these resource-using industries are basic to all economic activity. Certainly one can go to existing producers for permission to use their records. If a company refuses to open its records to qualified investigators, it is questionable whether the Government should permit research use of its copies of the same records.

If the company has disposed of its papers, however, the significance of the Government file as a historical source is greater than when duplicates exist. And suppose the company is defunct? A study of the *successful* lumber, copper, coal, or oil firms would yield only part of the data on total operations in those industries. For example, of the firms that logged in the Great Smokies only two are still in business. They accounted for a bare 15 percent of the timber cut from the area in their period of operations, and one of them has disposed of its papers. Tax records yielded valuable information on the missing part—but only after the writer obtained the status of a Government employee to procure information for another Government agency.³

There is also the problem of the preservation of such records. They are too bulky to be retained indefinitely in their original form on the mere chance that students of economic history will seek them out. It does appear, however, that some arrangement should be made for their use by competent researchers who are not Government employees. Perhaps the tax records of defunct private companies, after the passage of a certain period of time, could be turned over to the National Archives or another carefully selected depository. It might be possible to adopt a key by which the answers on the standard form could be condensed, and which, when coupled with the special supporting data, could be preserved on film.

Most certainly the effort must be continued to impress existing

³ It should be noted that the employees charged with making the returns available provided the writer with every assistance in his work.

private companies with the importance of their records. They should be encouraged to preserve them or make them available through the facilities of public and private agencies experienced in handling such records.

Meanwhile, as the volume of records mounts relentlessly, it impinges upon the space and patience that the agencies of the Federal Government can devote to them, and the records disposal programs go on. What shall be kept? What shall be thrown away? Here is one vote for retaining, somewhere, in some form, the information supplementary to tax returns, and for making it available to competent scholars.⁴

⁴ *Editor's note:* The *American Archivist* has been informed that at present the National Archives and Records Service and the Internal Revenue Service are considering whether or not it will be possible to fix a retention period of perhaps 40 or 50 years for corporate tax returns. This can be done only if IRS determines that the returns will have no administrative value after that period. Should such a period be agreed upon this would not mean the destruction of schedules such as Professor Lambert has referred to. In the course of auditing returns it has been the practice in IRS to incorporate schedules showing depreciation and depletion into technical valuation case files containing also appraisal reports, rulings, and related papers pertaining to valuations of property and equipment. Cases showing the details of how valuations are arrived at are being retained as of value to the Service indefinitely. They are, however, as Professor Lambert explains, not open to the public since they contain private company data that IRS is obligated to protect. A Timber Section and later a Natural Resources Section of IRS has been concerned with the evaluation of forest industries. Similar work is done with mining, oil and gas production, and other natural resource industries.

Source Notes for a Glossary: Indenture

Where a deed begins, *This indenture*, it must actually be indented, that is to say, cut or scalloped at the top, otherwise it will be a deed poll: for it is not the words, *This indenture*, but the indenting of the parchment or paper, that makes it an indenture.

—*The Young Clerk's Magazine: or, English Law-Repository* . . . , p. 131 (Philadelphia, 1795).

Civil War Documentation—A Point of View

Jan. 10 [1863]—O how is to be pitied the future historian of this bloody tragedy! Through what a loathsome cesspool of documentary evidence, preserved in the various State Archives, the unhappy historian will have to wade, and wade deep to his chin. Original works of Lincoln, Seward, etc.

—Adam Gurowski, *Diary*, 2: 82 (New York, 1864).