

# Rising Taxes Result in Increased Fraud and Deteriorating Morality

BY RAYMOND MOLEY

A rule of group behavior, which our sociologists and psychologists may be sure is valid, concerns taxation. As taxes rise, there is a steep increase of fraud.

They may call this a behavioral reflex stimulated by resentments and anxieties. They may say that in its acute form its symptoms are restlessness and severe antagonism. To be sure, it is an indication of a serious deterioration of society's moral fiber.

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This unfailing rule has been proven from the time of Pericles' Athens, when tax liability was regarded as a mark of bondage and men squirmed under the tributes or fled them. In our own time, free men recognize the paying of taxes as a citizen's obligation and are taught to co-operate in their collection. Yet in France, a democracy, a bookseller, Jean Poujade, shook the republic four years ago with a violent anti-taxing political movement. Both the United States and Britain have serious difficulties with high taxes based on income.

This fact is reflected in the need for steadily strengthened tax law enforcement. H. Allan Long, who heads Internal Revenue's intelligence division, makes this clear in the current FBI Law Enforcement Bulletin.

Back in 1913 Congress imposed a modest tax of 1% on net incomes and a surtax, graduated from 1 to 6% on incomes exceeding \$20,000.

Evasion and avoidance commenced immediately. Serious complaints of tax frauds and dishonest employees brought about the transfer of six post office inspectors to the bureau to form a nucleus for an intelligence division. Over the years, as the income tax rose, the numbers of agents needed to apprehend those who would defraud increased until today the division has 1,500 trained technical employees, most of whom are either accountants, attorneys, or both.

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Director Long says that this is not the entire story: "Actually, when we take into consideration the many Internal Revenue agents (audit division), revenue officers (collection division), and representatives of the international operations division, both here and abroad, we have about 18,000 trained men who co-operate and coordinate their examinations."

Who does the defrauding? A minority, but a growing minority. Membership in the club is open and on the rise. There are those with Park Ave. addresses and those with less desirable addresses,

those with an Ivy League background and those with something less than an elementary school education who qualify. The dishonest are to be found among frequenters of pool-rooms as well as among country club members.

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In fiscal 1959 the division's agents investigated more than 25,000 cases, resulting in 1,640 prosecution recommendations, 1,187 indictments and 931 convictions. These covered the spectrum of American life. A Bronx porter drew three years on probation when he pleaded guilty to listing his pet dog, Duchess, as a dependent, "Doris, daughter."

Tax experts were convicted for aiding in the preparation of false and fraudulent returns. Those apprehended included labor leaders and corporation executives, gamblers and public officials, doctors and lawyers, little men and big men.

Since morality is indivisible, this decay of honesty in paying taxes will weaken all decent dealings among men. As Commissioner Dana Latham pointed out, "Any time it becomes 'fair game' to defraud the government of taxes due, then our voluntary assessment system breaks down and as a nation we are in trouble."