SUPPLEMENT TO THE HERALD.

NEW YORK, TUESDAY, JANUARY 30, 1866.

exports of the United States from 1859 to 1865 inclusive:—

Fiscal Year.	Value of Imports.	Value of Exports.	Duties Received.
1859	$338,765,180	$356,789,462	$49,565,824
1860	362,163,041	400,122,296	53,187,512
1861	350,775,835	410,856,818	39,582,126
1862	205,819,823	229,790,280	49,056,398
1863	252,187,587	331,809,459	69,059,642
1864	328,514,559	340,665,580	102,316,153
1865	234,434,167	336,697,123	84,928,260

For the five years prior to and including 1861 the average annual value of imports was in excess of three hundred and fifty millions of dollars; and for the three years next succeeding June 30, 1861, the annual average has been about two hundred and sixty-two millions.

For the five years prior to and including 1861 the average annual value of exports was, including gold, not far from three hundred and seventy-one millions of dollars; and for the three years next succeeding the fiscal year 1861 the annual average was a little over three hundred millions, also including gold.

With the return of at least one and a half million of men from unproductive to productive avocations, and with a renewed demand for cotton and naval stores at greatly enhanced prices, coupled with a renewed ability to supply the same, the Commission think it safe to estimate the average value of our exports for the three years next succeeding June 30, 1866, at not less than four hundred millions of dollars; and as experience has shown that the demand for foreign commodities by the people of the United States is limited mainly by their capacity to purchase the same, we believe that we are further warranted in assuming that the average annual value of importations from abroad for the same period, will not be less than three hundred and fifty millions of dollars.

The commerce of Great Britain is estimated to be increasing at the present time at from eight to ten per cent per annum. With the continuance of peace, and with the expansion of our population to thirty-eight millions in 1868—a number at least one-fifth in excess of that of Great Britain—progression, not retrogression, in American commerce, should be anticipated.

As the average of the present tariff is understood to be upwards of forty per cent upon the invoiced value of those importations upon which duties are levied—the average having been greatly increased during the past few years by the imposition of duties upon tea, coffee and other articles previously on the free list, as well as by some additions to other articles—the Commission, after making all due allowance for a possible reduction of some duties, and an increase of the free list, think it safe to estimate the amount of revenue derivable from customs, for the fiscal year 1867, to be at least one hundred and thirty millions of dollars.

Indeed, in view of the facts developed by the Commission in their investigations, showing the enormous reduction in the consumption of some of the leading articles of importation by reason of the war (see special reports on tea, coffee and sugar), and the almost equally rapid increase in the consumption of the same articles since the war, they think they may safely assign a greater revenue from customs than that above given.

As will be seen by reference to these specific reports the consumption of coffee in the United States decreased from the annual average of 200,000,000 pounds, in 1860, to less than 80,000,000 pounds in 1863. During the same period the consumption of sugar decreased from thirty-one to nineteen pounds *per capita;* and of tea for the whole country about twenty-three per cent. The gain in revenue from the increased consumption of these articles in 1866, as compared with 1863-4, will not probably be less than $20,000,000, while the aggregate revenue for that year from the same three articles will probably exceed $40,000,000. It should also be borne in mind that, by the termination of the Reciprocity treaty, many articles which are now admitted from the British provinces free of duty will hereafter be subjected to duty, and thus form another element of future increase in the customs revenue.

INTERNAL REVENUE—AGGREGATE RECEIPTS.

We come next to the consideration of those sources of revenue referable to the excise, or internal taxation.

The aggregate receipts of internal revenue for the fiscal years 1863, 1864 and 1865 are returned as follows:—

1863	$41,003,192 93
1864	116,850,672 44
1865	211,129,520 17

For the current fiscal year the Commissioner of Internal Revenue, in his report, under date of November 30, 1865, estimated the receipts of internal revenue at $272,000,000. By an estimate, however, submitted to the Commission, January 6, 1866, the Commissioner, from further data obtained since the publication of his report, is of the opinion that the receipts of the current fiscal year will probably reach $300,000,000. The certificates of deposit received at the Internal Revenue Office from June 30 to December 31, 1865, and entered upon books of the cashier, amounted to $175,556,468 02.

DISTILLED SPIRITS.

Of the various sources of revenue included under the internal revenue, that of distilled spirits ranks first in importance. The amount of revenue derived from this source for the several fiscal years during which the Internal Revenue law has been in operation is as follows:—

1863	$2,320,990 79
1864	20,621,991 83
1865	18,606,701 68

During the fiscal year 1863 the tax was uniformly twenty cents per gallon. For the fiscal year 1864 the tax was twenty cents until March 7, after which it was sixty cents. From July 1, 1864, until January 1, 1865, it was $1 50 per gallon, and afterwards $2. Of the receipts from excise on distilled spirits in the year 1865, $14,962,753, or nearly one-fourth of the whole amount, was from spirits previously bonded, and paying the former rate of twenty and sixty cents per gallon.

The average taxable production of distilled spirits per year, from September 1, 1862, to June 30, 1865, as returned to the department, was 40,537,371 gallons.

The amount of distilled spirits produced in the country during the year 1860 was in excess of 90,000,000 gallons. The amount at present required to meet the consumption of the country, under the influence of the high rate of taxation imposed upon this article, is estimated by the Commission at from 42,000,000 to 45,000,000 gallons, and with the continuance of the present rate of excise they have no reason to believe that this amount will, for some years to come, be either largely increased or diminished.

Of the amount at present required to supply the consumption of the country, the Commission estimate that probably about 20,000,000 gallons are required for drinking purposes, leaving from 3,000,000 to 6,000,000 gallons for industrial uses. This estimate does not include the amount of spirits exported, from which, by reason of the drawback, no revenue accrues. The largest amount ever exported in any one year has not, according to the official returns, exceeded 3,000,000 of gallons.

In regard to the rate of tax to be imposed upon spiritous or distilled liquors, the Commission are unanimously of the opinion that the present rate of two dollars per gallon is in excess of the proper revenue standard, and that a reduction will be for the interests both of the revenue and of the country. The reasons which have led to this conclusion are presented in detail in the "Special Report (No. 5) on Distilled Spirits," to which the Commission would respectfully ask attention. They accordingly recommend that the rate of tax on distilled spirits be reduced to one dollar per gallon.

With this rate of duty, and with the increase in the annual consumption for industrial purposes (estimated at not less than 10,000,000 gallons) which must follow, the Commission are of the opinion that, making all allowances for a certain amount of illicit distillation, which, under any circumstances, will take place, an average annual revenue of at least forty millions of dollars from this source may be collected.

But whatever may be the rate of tax agreed upon for the future, it is clearly evident that a far more stringent and effective law than that which now exists is needed, if any fair proportion of the amount which government has a right to expect from this source is to be collected, and protection at the same time extended to the honest distiller as against the competition of his illicit competitor.

The Commission, therefore, present, in connection with their special report upon this subject, a draft of a new law, which they believe will be effectual for the prevention of fraud and the securing of the revenue. This bill, which is necessarily arbitrary and restrictive, does not, in some of its essential features, meet the approval of a portion of the distilling interests of the country, and their opposition to it may be fairly expected.

The Commission have, however, given a great amount of time to the investigation of this subject, and have availed themselves of the judgment of the most experienced revenue officials, distillers and dealers, from various sections of the country, who have also sought to acquaint themselves most thoroughly with the manner in which the subject is treated for revenue in the various States of Europe.

The securing of a large revenue from distilled spirits in the United States is absolutely necessary to insure the successful carrying out of any plan for simplifying the Internal Revenue system and relieving the general industry of the country from a burden of taxation which must inevitably result in disaster. No industrial interest in the country can better sustain the burden of taxation than distilled spirits. The precedents of all other countries are uniform in favor of taxing spirits to the maximum consistent with revenue; and while any relaxation of the law on the one hand does not benefit the consumer, its stringent enforcement with a regulation of the business will not diminish the amount which appetite or industrial necessity demands for consumption. If it be urged that the bill as reported by the Commission is too restrictive and arbitrary in its character, destructive of small private interests, and as imposing large additional restrictions and expenses upon all engaged in the business, it may be replied that the amount of good which must inevitably accrue to the whole country by the course recommended—if the same will insure an enforcement of the law and the collection of the revenue—is sufficient to justify a disregard of the interests of a comparatively small number of individuals. The Commission, therefore, express the hope that Congress will not too readily listen to the appeals of those who are more anxious to subserve their own interests than the interests of the country.

FERMENTED LIQUORS.

The next source of revenue to which the Commission ask attention is that derivable from fermented liquors, which, like distilled spirits, are capable of sustaining, without injury to the country, a heavy taxation. From this source the following revenues have accrued for the fiscal years 1863, 1864 and 1865:—

1863	$1,858,093 41
1864	3,225,719 75
1865	3,695,821 60

From September 1, 1862, to March 3, 1863, the tax was one dollar per barrel, of not more than thirty-one gallons; from that date to April 1, 1864, sixty cents, and since that time one dollar. The number of barrels upon which the tax was received, as nearly as can be ascertained, was 1,790,000 in 1863, 3,450,119 in 1864, and 3,687,183 in 1865.

By the census of 1860 the number of breweries then existing in the United States was returned at 1,269, [illegible] of nearly four million barrels (3,812,346). The Commission, after a careful review of this branch of industry and personal consultation with nearly every leading brewer of both ale and lager beer in the United States, are of the opinion that the number of barrels of beer produced and consumed in the country during the fiscal year 1865 was nearly or quite 6,000,000, and that the annual increase of product at the present time is about ten per cent per annum, mainly of lager beer. If this opinion be correct it is apparent that the government received for the above year but little more than sixty per cent of its just dues from this source.

Upon the announcement of the appointment of this Commission, in the spring of 1865, the National Brewers' Association appointed a committee of three of their most prominent members to visit Europe, and examine, carefully and in detail, the results of the working of the systems of taxation in regard to fermented liquors adopted in those countries of Europe where the demand for such liquors is more general and extensive than in the United States.

The report of that committee, comprising a great amount of information touching this industry, now so rapidly developing itself in the United States, has, by a vote of the Brewers' Association, been placed in the hands of the Commission, and is now at the disposal of Congress for publication if they deem it expedient. The Commission believe that its publication would be of great benefit to the brewing interest of the country, and, indirectly, to the revenue; and they, therefore, recommend it.

As the present rate of tax imposed upon fermented liquors—viz., one dollar per barrel of thirty-one gallons—is in excess of the rate imposed by any of the States of Europe (Austria excepted), and as the present rate, moreover, in the opinion of the Commission, after full consideration, is believed to be fully up to the revenue standard, and as such is all but unanimously acquiesced in by the brewing interest of the country, they would, therefore, recommend that the existing rate be neither increased nor diminished.

The determination of the proper mode of collecting the tax on fermented liquors and preventing the large amount of fraud which has heretofore, undoubtedly, been committed in regard to the same, has been a subject of no little difficulty. By reference to their special report (No. 6) it will be seen that a tax on malt in this country is not practicable; neither is the plan, also investigated by the Commission, of gauging and assessing the liquor, either in the coppers during the process of manufacture, or subsequently while in the fermenting vats. Abandoning both of these methods, therefore, they have, with the full concurrence and assistance of the leading brewers of the country, devised a plan for collecting the tax by means of a stamp, printed on insoluble parchment paper, to be affixed to each barrel sold and removed from the place of its manufacture, with a requirement that the same be cancelled by the retailer or consumer. Specimens of the stamps designed for this purpose have been prepared for submission to Congress, while the full details of the plan for using them are given in the special report referred to. With the adoption of this system, and the retention of the present rate of excise, the Commission estimate that the government may rely upon an immediate annual revenue from fermented liquors of at least five millions of dollars.

COTTON.

The attention of the Commission has been especially give to the cotton product of the United States, as a source of revenue, and they would refer to their special report (No. 3), and also to the testimony accompanying the same, as embodying all the information requisite for the formation of a correct opinion on this subject. As the result of their investigations the committee recommend that a tax of five cents per pound be levied on and after July 1, 1866, upon all cotton, the product of the United States; and that the same be collected of the manufacturer at the place of consumption, and of the merchant or factor at the port of export upon all foreign shipments. Such a plan will not interfere with the growth and cultivation of this staple, or its free movement throughout the country, and will reduce the machinery and the expenses of the collection to their minimum.

The above proposed rate of taxation on cotton, it is believed, will not prove in any degree detrimental to any national interest, and will yield a revenue, at twenty-two dollars per bale, of twenty-two millions of dollars for every million of bales bales produced and sold for consumption. With a crop of three millions of bales, and a tax of five cents per pound, the government might derive an annual revenue of $55,000,000; or of $88,000,000 on a crop of four millions of bales, which would be less than the crop of 1859-60. Of this sum, if the consumption of the United States shall reach, in either of these years, the consumption of 1860, the inhabitants of the United States would pay about $21,000,000; and it is believed that there are few taxes which can be levied which would be so slight a burden to the consumer. The consumption of cotton per head in the United States, at the highest point ever attained to, has not exceeded twelve pounds. A tax of five cents per pound would, therefore, be an average of about sixty cents for each individual per annum. As the crop of the present year, in the opinion of competent persons consulted by the Commission, is not likely to be less than two millions of bales—and if good seed can be obtained, may exceed this figure—the Commission are of the opinion that the government may safely rely for the fiscal year ending June 30, 1867, upon a revenue from this source of at least forty millions of dollars.

With an increase of the crop, in subsequent years, beyond two millions of bales per annum, accompanied by a consequent reduction of the market price of the same, a corresponding reduction of the proposed rate of tax may probably be found expedient; but, in any event, the Commission believe that for the future an average revenue from cotton of at least fifty millions of dollars may undoubtedly be relied upon.

TOBACCO.

In respect to tobacco the Commission, as the result of their investigations, are unanimously of the opinion that the tax should not be laid upon the leaf. The Commission, from lack of time, are not now able to report specially on this subject, but will do so at the earliest practicable moment.

The following tables show the amount of revenue derived from cigars and cheroots, chewing and smoking tobacco and snuff, for the several fiscal years since the internal revenue system has been in operation:—

CIGARS, CHEROOTS, ETC.

1863	$476,589 20
1864	1,255,424 79
1865	3,087,421 81

TOBACCO—CHEWING AND SMOKING.

1863	$2,576,886 67
1864	7,066,064 74
1865	8,017,020 63

SNUFF.

1865	$283,359 00

The total amount received in 1865 from tobacco and its manufactures was $11,387,799. The amount received from tobacco for 1866 would, undoubtedly, have been much greater had it been possible to prescribe effective revenue regulations respecting the immense stock of tobacco held in the Southern States at the close of the rebellion.

The average annual taxable production of the different kinds of manufactured tobacco from September 1, 1862, to June 30, 1865, was 42,809,168 pounds. This amount, at the present rate of excise, would return an annual revenue of $15,706,793. With some amendment of the present law, and with the exhaustion of the stock in the country made in anticipation of the tax, which is now nearly effected, the Commission believe that the government may safely rely upon an annual revenue from this source for the immediate future of at least $18,000,000.

INCOME.

In respect to the income tax, the Commission have not, from want of time, been able to give to this subject the attention which its importance demands. Although, in many respects, an obnoxious tax, yet falling as it does mainly on accumulation, it will probably be sustained with less detriment to the country than any other form of taxation—the excise on spirituous and fermented liquors and tobacco excepted. The discrimination at present in the rate levied on incomes under and in excess of $5,000 is, however, unjust, being, in fact, a tax on the results of successful industry and business enterprise; and the Commission recommend that this discrimination be abrogated and the rate be equalized.

When the tax upon income was first imposed, an exemption of six hundred dollars upon the annual gains, profits or earnings of every person was allowed. This was deemed sufficient at that time to enable a small family to procure the bare necessaries of life; but with the large increase in the cost of living, there has not a corresponding advance in the receipts of those receiving but small incomes. As the purchasing power of six hundred dollars will fully [illegible] at that time to one thousand dollars now, it would be, in the opinion of the Commission, an act of justice, as well as sound public policy, to extend the limit of the sum exempted. They therefore recommend that in the future assessment of incomes one thousand dollars be exempted from taxation.

The Commission furthermore believe that in exempting one thousand dollars from liability to assessment under the income tax the ends of public policy have been fully subserved; and they would therefore recommend that in assessing the income tax no allowance whatever be made for house rent, or at least that the amount allowed to be deducted for rental shall not in any case be allowed to exceed three hundred dollars.*

As the law now stands, rentals of an excessive and unreasonable amount are often deducted; and the gain to the revenue in the city of New York alone, from the repeal of that part of the act authorizing the deduction of rental, would, in the opinion of revenue officials, amount to over two millions of dollars per annum.

In view of the necessity for the speedy removal of other forms of taxes which tend to check the development of the industry of the country, the Commission would recommend no further change, for the present, in respect to the income tax.

The total receipts from this source since and including 1863 are as follows:—

Fiscal year 1863	$655,741
Fiscal year 1864	14,607,279
Fiscal year 1865	20,607,360

It should, however, be observed that the tax on the incomes of 1862, assessed in 1863, is mainly included in the receipts of the fiscal year 1864, less than half a million of dollars having been collected in 1863; and the receipts for 1865 consist almost entirely of the tax assessed in 1864 upon the income of 1863. The receipts, therefore, from the income tax assessed in 1865, do not appear in the report of the Commissioner for that year, made November 30, 1865.

By a report, however, of the Commissioner to the Revenue Commission, it appears that the total receipts from the tax upon incomes from July 1 to December 1, 1865, were $34,540,128. A small part of the income tax of 1864, assessed in 1865, was collected prior to July 1, but how much cannot be readily determined, and a small part, moreover, remained uncollected on December 1, 1865. The additional collections made or to be made since that period, will, in the opinion of the Commissioner, further augment the receipts for the income tax of 1864 to at least fifty-eight millions of dollars.

For the future, with the changes above recommended, the Commission believe that the government may safely rely on an annual revenue from this source of about fifty millions of dollars.

BANKS.

From the excise on banks and railroads the amount received during the fiscal year 1865 was $12,579,594; and the Commission assume the collection of a similar amount for the immediate future.

PETROLEUM.

The receipts from refined petroleum and coal oil since 1863 have been as follows:—

1863	$649,962 09
1864	2,255,328 80
1865	3,047,212 77

For the first quarter of the fiscal year ending June 30, 1865, the internal revenue receipts from the tax on refined petroleum and coal oil were $302,411 63; for the corresponding quarter of 1866, the receipts were $810,056 09, showing a gain of $507,644 46.

The tax upon petroleum was ten cents per gallon, and upon oil distilled from coal exclusively, eight cents, until June 30, 1864, after which the rates were twenty and fifteen cents respectively.

By the amended act of March 3, 1865, a duty was imposed of one dollar on each barrel of crude petroleum of forty-five gallons. The amount received from the time the tax went into effect until the close of the fiscal year, ending June 30, 1865, was $229,546 10. For reasons which will be found in detail in the special report (No. 7) on this subject, the Commission recommend that the tax as thus imposed on crude petroleum be repealed, and that the rates of tax on refined coal oil, petroleum, naphtha, benzole, &c., be retained as at present.

They are also of the opinion that when the uses of all the elements of petroleum, and of the distillates of oil-yielding coal and shale have been more fully developed, that it will be possible for the government to derive a much larger revenue from these articles, with a much lower rate of excise than is now imposed.

For the next fiscal year, the Commission believe that a revenue in excess of $3,000,000 may be relied on from refined coal oil and petroleum.

NAVAL STORES.

Under the present excise law, a tax of twenty-four cents per gallon is imposed upon spirits of turpentine, and six per cent ad valorem on rosin. Owing to the fact that the principal portion of these productions are manufactured in sections of the country over which the revenue laws have not, until recently, been enforced, the revenue derived from the same has been inconsiderable; that from spirits of turpentine for the fiscal year 1865 having been but $8,461 48.

It is represented to the Commission that the tax, as at present imposed upon rosin and distilled turpentine, is unequal and oppressive; but as the supply of these articles from the United States, to a great extent, controls the prices of the world, they are of the opinion that the tax on spirits of turpentine and rosin should not be wholly remitted, and that no drawback on their export to foreign countries be allowed.

The product of turpentine distilled in 1860 was returned by the census as 12,174,851 gallons, and of rosin at 1,126,569 barrels. At the present rate of twenty-four cents per gallon, the turpentine product of 1860 would yield a revenue of about three millions of dollars ($2,921,964); and assuming the valuation of the rosin product of 1860 to be (at least) two dollars per barrel, the revenue from this source at six per cent ad valorem would yield over $135,000. It is evident, therefore, that the revenue from these products, in view of the large domestic and foreign demand, is likely to be very considerable, and will fall in part upon the foreign consumer. For the future, the Commission estimate the revenue from these articles at two millions of dollars.

LICENSES.

The receipts from licenses for the several years during which the internal revenue system has been in operation, have been as follows:—

1863	$6,524,178 42
1864	7,145,388 71
1865	12,963,418 67

With the extension of the revenue laws over a large section of our country, where they were before inoperative, and as the result of some changes which the commission will recommend hereafter in regard to the levying and collecting of the excise upon clothing and other articles of wearing apparel, the amount likely to be received from this source will undoubtedly be much augmented; and the Commission assume fifteen millions of dollars as the receipts for the fiscal year, ending June 30, 1867. The receipts of revenue in Great Britain during the year 1865, from the same source, were £2,159,804 ($10,799,020).

STAMPS.

No part of the revenue is probably collected so easily, with such small expense, and with comparatively so little fraud, and which in the future can be augmented so readily, without detriment to the industry of the country, as that derivable from stamps. The following are the receipts which have hitherto accrued from this source:—

Fiscal year 1863	$4,140,175 29
Fiscal year 1864	8,594,945 14
Fiscal year 1865	11,162,392 14

Our adhesive revenue stamps now embrace eight different classes or sizes, and thirty-two denominations, varying from one cent to two hundred dollars. They are engraved on steel in an elaborate manner, and are believed to possess every guarantee against counterfeiting which the best skill and knowledge can afford. To this security are to be added the safeguards of gumming and especially perforation, processes necessary to perfect every stamp and requiring costly and peculiar machinery. Thus the revenue stamps test the counterfeiter's skill quite as effectually as the engraved currency, while little or no facilities whatever of utterance are afforded him; their use, furthermore, is specific, and their value bears no comparison with the gains which may be made by a fraudulent issue of the national currency. These statements find practical exemplification in the fact that we have yet to hear of the first successful counterfeit of an adhesive revenue stamp.

The rapid increase in the revenue receipts from stamps is owing in a considerable degree to the recent requirements of law, whereby receipts of money (over twenty dollars) and of property, watches, photographs, &c., are required to be stamped; but at the same time the natural advance in business throughout the country, the greater familiarity of the people with the law, and its more rigid enforcement by the government, have powerfully contributed to swell the receipts from this source.

Of the stamps thus far consumed, it appears from a report made to the commission by the government contractors for the manufacture of stamps, that six-sevenths of the entire Consumption consist of the two cent bank check and receipt stamps; the various proprietory stamps, and of the one cent stamps required to be affixed to matches.

The most important results, in this department of the revenue, therefore, flow from the smallest stamp taxes universally diffused. Thus one-third of the revenue received from stamps in the fiscal year 1865, were derived from the three items of "bank check," "receipt," and "match stamps;" and from the first two (bank check and receipt stamps) the receipts for the fiscal year 1865 averaged about $200,000 per month.

Considering the small actual tax imposed on each bunch of matches—one cent—and the insignificance of the business, as contrasted with many others, this product of industry probably affords the largest comparative revenue accruing under the excise. The law as at present happily framed, imposes a penalty on the manufacturer of matches, as well as upon the retailer, who sells them without the requisite stamps affixed; so that the public are thus, as it were, constituted a general corps of detectives, while the amount of gain likely to accrue to the retailer from the evasion of the law is too small, in any one instance, to tempt to the commission of fraud.

As has already been stated, the quantity of matches manufactured in anticipation of the tax (which took effect August 1, 1864) was so large that up to the present time (January, 1866) the government has failed to derive from this article its legitimate revenue. For the fiscal year 1866 the revenue received from matches was probably about one million of dollars; but since then, as the stock manufactured in anticipation of the tax has diminished by consumption, the business of the match manufacturers, and consequently the revenue to the government, have correspondingly increased. This rapidity of increase is strikingly exemplified by reference to the following return,* made to the Commission, of the stamps (of one cent denomination) purchased by one of the leading match manufacturers of the country. Thus, for the five months from January, 1865, to May inclusive, the number used monthly was 600,000; in June and July, 1,150,000 each; in August and September, 1,700,000 each; and in each of the months of October and November 2,000,000, making an increase from May to October of 1,450,000, or over 216 per cent in five months. During the last six months the manufacturer referred to purchased no less than 10,950,000 one cent stamps, which were affixed to the same number of bunches of matches, and paid the government for the same a tax of $109,950.

From the returns submitted to the Commission, of the match manufacture of the United States, it appears that there are now in the country about fifty large establishments, and that from the present demand for the consumption of matches they anticipate it will require for the next fiscal year a production of 2,400,000 gross, or 345,600,000 bunches, which will yield a revenue of $3,456,000.

The revenue derived from the stamp excise in Great Britain for the year ending March 31, 1865, was £9,531,947 ($47,658,735). This, however, includes legacy and succession duties, the taxes on insurance, gold and silver plate, and on newspapers, which under the United States excise system, are included in other departments. Excluding the receipts from these sources, the amount returned from stamps under the British excise was £3,831,717 ($17,658,585), showing an excess of more than six millions of dollars as compared with the receipts from the same source in the United States for the last fiscal year. The Commission, however, from such examination as they have been able to give to the subject, are inclined to the opinion that the capacity of this source of revenue in the United States will prove very much greater than the results of the experience of Great Britain. In proof of this they have but to call attention to the facts before cited in reference to matches.

Another illustration to the same effect may also be found in playing cards. In Great Britain the amount received in the year ending March 31, 1865, from a stamp duty of three pence (six cents) per pack on cards was £0,591 ($28,000), indicating a manufacture of 700,000 packs. In 1860 the average number of packs of cards manufactured in the United States was believed to be in excess of six hundred gross per week, or about four and a half millions of packs per annum. This, with a stamp duty corresponding with that levied in Great Britain, would have yielded a revenue of $269,563. The high prices of paper, colors, and other materials, have considerably reduced the demand for cards within the last four years; but it is the opinion of a committee of card manufacturers, as presented to the Commission, that, with a uniform stamp tax of five cents per pack, an annual revenue of least two hundred thousand dollars may be derived from this source.*

With these and some other amendments relating to proprietory medicines, and similar stamped articles, the Commissioners of the opinion that a revenue of at least twenty millions of dollars may be hereafter collected from stamps.

LEGACY AND SUCCESSION DUTIES.

When it is considered that the entire property of the country probably changes hands once in thirty-two years (the lifetime of a generation), it is evident that a small rate of tax, in the form of legacy and succession duties, must be productive of a large revenue. As such taxes, moreover, unless excessive, have little influence in checking the development of industry, their adoption and enforcement as a part of the present revenue policy of the country is to be strongly recommended. Thus far—by reason, probably, of some imperfections—the law relative to this subject in the United States has been practically a dead letter, as is proved by the very inconsiderable amount ($8,703) which accrued from it during the last fiscal year. From the corresponding fiscal year the amount received from the same source in Great Britain was £2,33794 ($11,689,970).

The Commission submit in the form of a bill intended to render the execution of the present law more effectual, and they are of the opinion that, with its adoption, or by the enactment of some equivalent provisions, a revenue of at least two millions of dollars may be secured from this source.

By an estimate made for the commission by a gentleman connected with the Surrogate's Office of the city of New York, the amount of property annually passing in that city, by will or inheritance by kin, is about thirty-one millions of dollars, which, if assessed at the present lowest rate of legacy duty—one per cent—would have yielded a amount in excess of one-half the receipts from this source for the whole country during the last fiscal year.

TAX ON GROSS RECEIPTS.

From gross receipts the revenue for the fiscal year 1865, was 1,627,586. Under this head are included, mainly, the taxes levied on transportation and intercommunication, and as the majority of them, railroads excepted, yield but inconsiderable amounts, and are in opposition to the general system of revenue which the Commission recommend, sound policy requires that they should be repealed as soon as practicable.

Thus the receipts from bridges and toll gates for the fiscal year 185, was $75,209; from canals $92,421; from ferries $120,135; from stage coaches, wagons, &c., $459,185; and from railroads $5,917,293.

Under this head are also included telegraph and express companies, the former of which pay five per cent and the latter but three per cent on the gross amount of their receipts. For this discrimination the Commission can see no good reason. Express companies, as at present constituted, are, for the most part, monopolies, and the average rate of profits paid by them is believed to far exceed the ratio of profits in almost any legitimate business. The Commission, therefore, recommend that the tax on the gross receipts of telegraph and express companies be equalized, and are inclined to be of opinion that the tax on receipts of express companies might be well advanced to a higher figure than five per cent. An increased revenue from such an advanced rate will compensate in some degree for any reductions that may be made on the taxes now levied on bridges, toll roads, ferries, ships, &c.

The receipts from telegraph companies for the fiscal year 185 were $215,000 62, and from express companies $5,702,292 86.

Under the present law (section 120) the dividends and interest upon the bonds of certain corporations therein enumerated are made liable to the income tax, which is payable by the proper officer of such corporations. The Commission are unable to discover any valid reason why the moderate dividends of banks and railroad companies should be thus taxed, while the larger profits of express companies, manufacturing and other corporations, are omitted. All these returns are invariably made by an officer who has no pecuniary interest therein, it is believed that they are uniformly more nearly correct than the average returns of income made by individuals; and they, therefore, recommend an amendment of the law, which will include in the provisions of the above section all unpaid dividends, incorporated companies, for whatever purpose organized.

The Commission assume that the revenue derivable from gross receipts for the fiscal year ending June 30, 1867, will continue as at present, about $9,000,000.

TAX ON SALES.

Under this head are included the sales by auction, by merchandise, stock and gold brokers, &c.; the whole affording a net revenue of $4,062,243 54.

The present rate of tax upon the sales of stockbrokers is one-twentieth of one per cent, or five dollars on the sale of ten thousand dollars of the par value of the stock sold. The testimony of the leading brokers in New York, dealing in stocks, as sworn to before the Commission, seems to establish the fact that the above rate is far too heavy to be levied from the whole amount of business transacted. The business is not able to pay it, and in consequence of this there can be no doubt that the tax, as now imposed, is largely evaded. By the regular members of the stock exchange of New York and other cities, the tax is probably regularly paid, but the business done at these centres, forms but an inconsiderable part of the great daily transactions in stocks, bonds and other securities. Of the remainder of the business, a very large part, undoubtedly, escapes taxation altogether. As an illustration of this, it may be stated that there are a large number of dealers who employ brokers to sell stocks, and then deliver them themselves, paying to the broker simply his commission for selling. The broker does not follow up such a transaction, cannot control it and cannot enforce the payment of the tax.

It is the opinion of experienced men in Wall street, that if, during the last twenty years, the present rate of taxation had been paid on all their transactions, the revenue received by the government would far exceed what those engaged in the business during that time are now worth.

It should also be borne in mind that the stock brokerage business is taxed otherwise most frequently, a tax being imposed on every certificate of stock taken and on every contract for the delivery of stock. The rate of stock brokerage is, on the average, one-eighth of one per cent; the ordinary commission of merchants is two and a half per cent—twenty times as large as the commission of brokers. To reach the same result at the end of the year a broker must do twenty times as much business as a merchant does, hence twenty times as many checks must be passed, which checks all bear stamps; thus showing that the stamp duty upon checks in brokerage is twenty times as much as it is on the general mercantile business of New York.

It is the opinion, further, of those most conversant with the stockbrokers' business of New York, that if it were possible to absolutely enforce the law as it at present stands, the brokerage business for the sale of stocks would be nearly or completely extinguished.

From a review of the whole subject, in which they have been aided by the judgment of the leading members of the New York stock exchange (one of them having formerly been a prominent member of the Committee of Ways and Means that drafted the Internal Revenue law), the Commission would recommend that the present law imposing a tax of five dollars on every ten thousand dollars, or one-twentieth of one per cent on the par value of all stocks sold, be repealed, and in lieu thereof a tax of one dollar on ten thousand dollars, or the one hundredth (1-100) of one per cent on the par value of the stock be substituted, and collected in the following manner:—

That each sale of stock be accompanied by a bill or memorandum of sale, with necessary stamp attached, and in default of affixing the necessary and required stamp on such bill of sale, the parties selling the stock and receiving the money shall be liable to a penalty, one-half to go to the informer and the remainder to the government; the same to be recoverable at any time prior to the expiration of twelve months from the date of the transaction.

Such a tax thus levied can, in the opinion of the commission, be collected almost universally, will fall equally on all, be oppressive to none, and will afford to the government an increase of revenue.

It should also be stated that the bulk of the transactions in government securities at present is done according to the statements made to the Commission) at about one-sixteenth of one per cent profit, which is $6 25 on $10,000. If the present tax of $5 on $10,000 be deducted from this ($6 25), it does not afford sufficient profit to continue the business. Furthermore, as the business of the great cities increases, the transactions become more concentrated, and much larger business is done at a smaller rate of profit than formerly. The large dry goods jobbers of New York, who, a few years ago, sold goods to the value of one million dollars per annum, at from ten to fifteen per cent profit, now sell from thirty to forty millions per annum, at from two to five per cent profit; and what is thus true of the dry goods business, is more strikingly true of the transactions of the stock brokers.

In adopting, therefore, the principle of subjecting large and frequent business transactions, turning on small profits, to the minimum specific tax, the government will but follow a long recognized and sound commercial policy.

There is at present no tax imposed on government securities, but they are included in the phrase "stocks, bonds or other securities" of the section (ninety-nine) which subjects brokers' sales to taxation. The Commission believe, however, that it would be a sound and wise policy to extend all transactions for the sale and purchase of national securities from every form of internal taxation.

The Commission also recommend that the rate of tax levied on the sales of exchange and gold brokers be made to correspond with that proposed in reference to sales of stock brokers, and they submit a form of bill to that effect.

From the aggregate tax on sales, the Commission assume, for the future, an annual revenue of a least four millions of dollars.

MISCELLANEOUS.

For the fiscal year ending June 30, 1866, the revenue receipts of the United States from miscellaneous and incidental sources were $32,978,954 67.

For the year ending June 30, 1867, the Secretary of the Treasury estimates the receipts from lands and miscellaneous sources (premium on gold, confiscated property, penalties, &c.) at twenty-one millions of dollars.

For the future, although it is to be expected (and hoped) that a large part of the revenue now included under the head of miscellaneous (viz: all derived from the premium on gold) will be diminished; yet it is altogether probable that, under any circumstances, a considerable amount of revenue will always be derived from miscellaneous sources.

For the fiscal year 1867, the Commission adopt the estimates of the Secretary of the Treasury, viz: twenty-one millions of dollars; and they are of the opinion that in subsequent years an equivalent amount will accrue from incidental sources—sales of land, fines and penalties, new forms of taxation, or unexpected increments of old ones.

AGGREGATE ESTIMATES.

A recapitulation of the foregoing estimates give us the following aggregate results for the fiscal year ending June 30, 1867:—

From customs		$130,000,000
From excise, viz:—		
Distilled spirits	$40,000,000	
Fermented liquors	5,000,000	
Tobacco and its manufactures	18,000,000	
Cotton (raw)	40,000,000	
Coal oil, refined petroleum, &c.	3,000,000	
Spirits of turpentine and rosin	2,000,000	
		108,000,000
Licenses	15,000,000	
Incomes	40,000,000	
Salaries	2,000,000	
Banks	15,000,000	
Stamps	20,000,000	
Gross receipts	9,000,000	
Sales	4,000,000	
Legacies and successions	3,000,000	
		108,000,000
Miscellaneous receipts, 1866-67		21,000,000
Aggregate		$367,000,000

GREAT SOURCES OF WEALTH.

Adding to the above sum the amount received in the fiscal year 1865, from the various direct and indirect taxes on industry, which, excepting the amounts derived from the excise on spirits, beer, tobacco, cotton, petroleum, and naval stores, the commission estimate at about sixty-eight millions of dollars, we have as the gross revenue possible to be derived from all sources, under the present rates, with the amendments above proposed, four hundred and thirty-five millions of dollars ($435,000,000).

The estimates of the Secretary of the Treasury for the expenditures of the fiscal year ending June 30, 1867, including interest on the public debt, are, as already stated, two hundred and eighty-four millions of dollars. Allowing the annual expenditures to be increased sixteen millions of dollars above these estimates (making an aggregate of three hundred millions of dollars), and setting aside fifty millions additional for the reduction of the principal of the public debt, a surplus will remain, (assuming the correctness of the estimates of the Commission) applicable for the reduction of taxation, of eighty-five millions of dollars ($85,000,000).

These estimates of revenue, as above submitted, are less in the aggregate than what the Commission believe will actually be realized, without some unlooked-for interruption of the trade and industry of the country; and the results of their continued investigations and enlarged experience deepens their convictions that the capacity of all the great sources of revenue have been under rather than over estimated.

It was the opinion of the late Commissioner of Internal Revenue, founded upon his large experience, that if the excise law, as it stands, were thoroughly and exactly enforced, the revenue from the excise alone would equal or exceed five hundred millions of dollars ($500,000,000) per annum; and in this opinion the Commission, from their own observation, fully concur. It need therefore, be no matter of surprise that with an increased efficiency and experience on the part of the revenue officers, the average monthly and quarterly receipts of internal revenue also continue progressively to increase.

Accepting, then, the results indicated as substantially correct, the possibility of adopting and carrying out the revenue policy advocated by the Commission, viz:—of concentrating the sources of revenue, and of relieving industry of all burdens which tend to check its development