SUPREME COURT HOLDS GIFT TAX LEGALLY LEVIED

Affects Estates—Indian Land Income Taxable—State Segregation Laws Upheld

WASHINGTON (AP)—A tie vote, 4 to 4, by the United States Supreme Court on Nov. 21 sustained the gift tax imposed by the Revenue Act of 1924, by leaving effective, because of the impossibility of breaking the tie due to the absence of Justice Sutherland, the decision of the lower court in the case brought by F. H Mason in the Northern District of Ohio. The decision will affect the settlement of a large number of cases.

The decision was handed down by Justice McReynolds in a case from Michigan brought by John W. Blodgett, who before the act became effective made gifts valued at more than $872,000, of which $842,696 were not charitable or otherwise exempted.

The Government imposed a tax of over $52,000 upon $800,000 of the gifts, which was paid under protest, Blodgett contending that the tax could not be applied to gifts made before it became effective, and that the Federal Government was prohibited from taxing state securities.

The Court divided with Chief Justice Taft and Justices Van Devanter, McReynolds and Butler holding that the provision of the Act applying to gifts made before the passage of the Act was invalid, and Justices Holmes, Brandeis, Sanford and Stone taking the contrary view This left effective the decision of the lower court sustaining the law.

States Upheld on Segregation

State laws requiring race segregation of children in public schools were sustained as valid by the court in a case from Mississippi brought by a Chinese.

Mississippi's constitution provides that "separate schools shall be maintained for children of the white and colored races," and when Martha Lum, the daughter of Gong Lum, an American citizen of Chinese descent was refused admission to a white public school in Mississippi and was assigned to a colored public school the constitutional provision was attacked

The school authorities took the position that children of Chinese birth are not of the white race. State officials declared that should the segregation of races in the public schools in various states be held repugnant to the equal protection clause of the Federal Constitution material harm would be done by the intermingling of children of all races.

The authority of the courts and the Board of Tax Appeals to review settlements made by the Commissioner of Internal Revenue involving war profits and excess profit taxes was upheld by the court.

The case was brought by the Government against the Cesterlein Machine Company of Cincinnati. The lower courts held that the settlements were subject to review, but the Government contended that such a ruling would open the door to a large number of applications and suits for refund, and involved more than $100,000,000, which had been collected.

Indian Land Income Taxable

The Government won its contention that incomes from those holding leases on Indian tribal lands were taxable, under the revenue laws enacted from 1916 to 1921. The loss of this suit, it had been contended, would have necessitated the refunding of $150,000,000 to taxpayers. The suit was brought by Glen I. Braden of Pennsylvania, a holder of Osage Indian leases.

In imposing license fees upon insurance companies for permission to do business within their borders, states were prohibited by the court from using their gross incomes as a measure of the fee when a part of the income was received as interest from Liberty bonds or other tax-exempt United States securities. The decision was handed down in two cases from Wisconsin, brought by the Northwestern Mutual Life Insurance Company.