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# *Gold Dust to Dollars*

A HISTORY OF FEDERAL TAX  
ADMINISTRATION IN MONTANA  
1864-1993



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*From Gold Dust  
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Published as part of a continuing series of historical studies to preserve and disseminate the history of the Internal Revenue Service and tax administration in the United States.

Department of the Treasury  
Internal Revenue Service



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# Foreword

I am pleased to present you with this history of the Helena District of the Internal Revenue Service. I think you'll find it interesting.

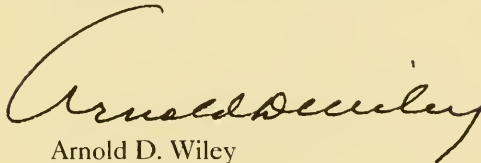
From the wild days of the first territorial collectors through today, the story begins with tales from the Territory's first Collector of Internal Revenue, Nathaniel Langford. You'll read about the dangers of being ambushed by road agents, vigilantes, and miners in 1862 as well as the role the District played in the world heavyweight boxing title between Jack Dempsey and Tommy Gibbons in Shelby, Montana in 1923.

Presented in a chronological format, this history is intended to give IRS employees and the public insight into the role federal tax administration played in Montana. The employees of the Helena District can be proud of their contributions in achieving the mission of the Internal Revenue Service.

Now, as we celebrate our 121st anniversary, we stand poised to enter a new era of change: in philosophy, in technology, and in organization and work processes. Our goal is

to become an organization which consistently achieves excellence in serving the citizens of Montana.

I hope you enjoy reading the history of the Internal Revenue Service in Montana.



Arnold D. Wiley  
*Helena District Director*







# Acknowledgments

The preparation of this history of tax administration in Montana has been an enjoyable experience from start to finish. The tales of tax collection in the early development of this territory and state will provide IRS employees and others with insights into how our federal tax system developed for years to come.

The idea of preparing a history of the Helena District came from Public Affairs Officer Theo Ellery. Without her support, patience, and guidance, this history would not have been completed. Equally important to the success of this project was the unwavering encouragement from District Director Buddy Wiley, who endorsed this project from the start.

These two individuals, more than any others, deserve credit for the existence of this document. Their vision, their persistence, and their belief in the value and utility of a history of the Helena District were essential to bringing the project to completion.

Discovering the stories and background that make the history of tax administration in Montana so fascinating required research in a number of facilities. In each instance the staff was more than helpful in finding references on IRS and taxation in general. The Montana Historical Society, the Montana State Library, and the Lewis and Clark Library in Helena were all more than helpful

as well as friendly environments in which to conduct research. This history is based largely on sources found in these repositories.

Finally, personal interviews with several former directors of the Helena District were helpful in adding perspective to the most recent years of the District's history. The insights of Nelson Seeley, Richard Wintrode, Frederick Nielsen, and John Wendorff added much to this effort.

As always, any errors of fact or interpretation rest with myself as the author of this document.

Shelley L. Davis  
*IRS Historian*





# *Introduction:*

## PRELUDE TO TERRITORIAL STATUS, STATEHOOD, AND TAX COLLECTION

The story of tax collection in Montana is only one small part of the development of this vast area of the western United States. Yet it is a fascinating story. Unlike the metropolitan population centers of the east, the early settlers of Montana were not used to the sometimes rigid rules of a government structure. They were independent men and women, in search of wealth, opportunity, and adventure.

Lewis and Clark first ventured into the land that would eventually be given the name Montana during their exploration of the Louisiana Purchase in 1805 and 1806. They were followed by the fur traders, missionaries, and government surveyors. Eventually, gold seekers and settlers began to stream into this area at the midpoint of the century. By the 1860s the rush was on.

Before its establishment as a United States territory in 1864, the land known today as Montana fell under the jurisdiction of various territorial districts as boundaries were adjusted and population shifted. With the creation of the Oregon Territory in 1849, Montana was placed in this jurisdiction.

From 1853 to 1864 what is now western Montana became a part of the Washington Territory. In 1861 today's eastern Montana became

part of the Dakota Territory. Part of Montana joined the Idaho Territory in 1863. On May 26, 1864, President Lincoln signed the bill creating the Montana Territory.

An interesting aspect of the mining frontier in the United States is that it moved west to east. By the early 1860s, most of productive mining claims had already been staked out in California, Nevada, Colorado, and Idaho. This left Montana as one of few untouched lands of the new American west.

At the same time, settlers from the east continued to stream westward. The intersection of the miners moving east with the settlers heading west brought a fascinating mix of population into the Montana territory. Cosmopolitan settlers from the northeast mingled with rough characters already accustomed to the ways of the west as well as with a large assortment of Confederate veterans of the Civil War.

Transportation had always been difficult, especially in western Montana. The influx of population brought increased pressure to build travel routes before the arrival of the rail lines in the 1870s. The Mullen Road, named for explorer John Mullen, was built between 1858 and 1862 and provided the first wagon road over the northern Rocky



Mountains from Fort Benton to Walla Walla.

The first steamboat successfully navigated from St. Louis to Fort Benton in the spring of 1860, opening a new travel route. But this mode of transportation was slow to develop. For the next five years, less than ten steamboats a year made the trip. But in 1866 over 30 steamboats made it to Montana. The numbers remained high until the arrival of the Union Pacific railroad which offered the fastest and most reliable transportation yet.

This frontier land, with a small population and challenging transportation, was the land into which Montana's first tax collector moved in 1862. It was during this decade that the population of Montana exploded from only a few hundred to over 20,000 by 1870. It is important to remember this context when considering what life as an early tax collector must have been like.



*Nathaniel P. Langford*

AUGUST 10, 1864—NOVEMBER 1, 1868



*For many years, a document known as "The Langford Letter" has circulated inside the IRS. The story passed down is that a high level IRS executive became aware of this lengthy letter in the 1970s, decided it was an excellent example of clear, expository writing, and provided copies of the letter to all IRS managers. In this letter, Langford writes to J. W. Taylor, presumably an official in the Washington, D.C. headquarters of the Bureau of Internal Revenue, detailing his experiences as Collector of Internal Revenue in the Montana Territory. The letter is reproduced in its entirety in Appendix 3.*

As the Civil War raged in the eastern United States in 1864, the birth of Montana as a territory prompted President Lincoln to take a brief respite from the demands of the war and establish an internal revenue collection district in this far off land. On July 15, 1864, less than two months after becoming a United States territory, Montana had its first official internal revenue Collector's Office. A short time later, on August 10, President Lincoln appointed Nathaniel Pitt Langford as the first Collector for the Territory of Montana.

Although he had been in Montana less than two years, Langford was already well known in many of the frontier mining communities. His apparent knack for leadership and a propensity to record his experiences in writing followed him throughout a fascinating life that included stints as Internal Revenue Collector, explorer, bank examiner, and first Superintendent of Yellowstone National Park.

Born in Westmoreland, New York, on August 9, 1832, Langford moved with his family to St. Paul, Minnesota to help in the family banking business. Looking for an escape from the failure of the family bank, Langford came to Montana as a 30-year-old in search of adventure with the Northern Overland Expedition headed by Captain James L. Fisk.

Serving as the Second Assistant to Fisk, Langford left St. Paul with the group on June 16, 1862. At the same time this group was heading westward, miners in Montana struck gold on Grasshopper Creek, a tributary of the Beaverhead River. More and more discoveries of gold followed over the next several years.

Langford was one of two members of the Fisk expedition who decided to stay in Montana rather than return home in the winter of 1862. After looking for work in several locations, he ended up in Bannack, a new town born with the gold discovery on Grasshopper Creek. The population of this mining town expanded from only 400 in late 1862 to over 1,000 by the following spring.

Settling in quickly to his new home, Langford staked claim #39 across the creek from Bannack on October 27, 1862. Barely a month later, on December 1, Langford staked out a lot to build his home. The next year was filled with activity as Langford rapidly established himself as a community leader. For example, with the first natural death of a resident of Bannack, the community turned to Langford to conduct the funeral ceremonies.





This incident demonstrates how many organizations developed spontaneously among the territorial miners in the expanding west. Since the man who died had requested a Masonic funeral, this led to the formation of an informal group of Masons which met periodically in Bannack. Although the miners resisted attempts at organized government, including the establishment of courts and a tax structure, they organized quite willingly among themselves in these small informal groups.

The lack of any formal government structure in these early mining territories meant that crimes often went unpunished. Rapid population growth without any governing body led to a situation characterized by Langford as a "reign of terror". The dangers of travelling with any money or gold dust were becoming too great as "road agents" frequently attacked and robbed the early settlers.

Finally, in December 1863, the citizens responded by finding one man, George Ives, guilty of robbery and murder in Virginia City. Two days before Christmas that year, a group of men gathered together and signed what became known as the Vigilante Oath. Langford was one of these men. He became a leader among the Vigilantes and later in life wrote a comprehensive history of the Vigilante movement in Montana, *Vigilante Days and Ways*.

Part of the difficulty in governing Montana's mining towns was the area's lack of territorial status with the United States government. When Langford arrived in Montana

in 1862, the state was split between two existing territories. Everything west of the Rocky Mountains belonged to the Washington Territory while the land to the east belonged to the Dakota Territory.

On March 3, 1863, the area now known as Montana became part of the new Idaho Territory. In Langford's view, "Our legal condition was not greatly improved by organization of the new territory of Idaho." Throughout 1863 sentiment to establish a separate Montana Territory grew among the mining camps, yet the population was still insufficient to support a territorial structure and government.

Finally, the discovery of a rich silver deposit in Argenta in 1864 combined with more gold discoveries brought enough new settlers to Montana to support organizing the Montana Territory. A man named Sidney Edgerton, Chief Justice of the Idaho Territory, and his nephew, Wilbur F. Sanders, created the prime agitation in Congress to establish the Montana Territory.

While the Civil War raged in the east, President Lincoln signed the Organic Act creating the Montana Territory on May 26, 1864. Lincoln appointed Edgerton as Territorial Governor. Langford became the Collector of Internal Revenue in July.

It is interesting to note that the Collector's Office was established before the first permanent bank in the Montana Territory; before the first newspaper to be published; and before the first meeting of the Territorial Legislature. This does not imply that Montanans welcomed



the federal tax collector gladly into their midst. Rather, the citizens of the newest territory felt the same resentment expressed by other territories towards the far removed government. Taxes in any form were not welcome, especially taxes levied by the federal government.

This sentiment was expressed by an early Montana taxpayer who wrote from Virginia City, "I more than half wish when I see such officers [tax collectors]...going about seeking 'whom they may devour' in the country, that Uncle Samuel would let us severely alone, for it is a fact that miners can make their own laws so as to get along smoothly with each other, better than government laws enforced by such men."

The flip side of this resentment towards paying taxes in general was the lack of federal funds flowing into the new territory. A persistent lack of financial support from Washington, D.C. hampered the early operations of the struggling territory, according to some accounts. One of the main delays was caused by the lack of a disbursing officer to be in charge of doling out federal monies in the Montana territory. It took 16 months to appoint a chief disbursing officer for the Territory.

When Governor Edgerton left Montana in October 1865, he wrote to President Johnson, "Not one dollar of the appropriation made...had ever reached my territory...the expenses of the first Legislative Assembly I had to a large extent borne myself out of my own private funds..." The new Governor,

Thomas F. Meagher, wrote in 1866 that he still had not received "a single dollar" in payment for the expenses of the federal offices in the Montana Territory.

Nonetheless, despite the lack of money flowing into the Territory, Langford took his job as Collector to heart and diligently brought in tax revenues. By mid-1865, Langford's office had collected over \$36,000 in federal receipts. A year later, the Montana Territory recorded federal tax revenues of \$112,864!

In its first few years of operation, Langford's office issued almost 600 warrants against the property of tax delinquents and 400 indictments against those whose property could not be located. In response, irate Montana taxpayers held meetings where they denounced the actions of the revenue officers and threatened any who dared to approach them. Some of Langford's small work force took the threats seriously. His Assistant Assessor, a Mr. Cross, resigned in fear of his life. The United States Marshal advised against collecting taxes in some areas of the Territory.

Langford wrote in 1866, "Miners are the most independent class of people in the world, extremely jealous of the privileges they have always enjoyed and they looked upon this requirement of the law [taxes] as an aggression upon their privileges." This was written in response to a new annual license duty of \$10 placed on the occupation of "miner" on May 1, 1865.

Despite the apparent dangers, Langford reported that he did not





truly feel threatened until the following incident occurred in the early summer of 1866 as he attempted to collect taxes.

Langford explained that his duties "necessitated repeated visits to many of the small gulches and outlying mining camps, accessible only by bridle paths...[After I had] visited all gulches and camps in Deer Lodge County on a collecting trip, [I] arrived in Blackfoot, where one of the deputies was. I had collected about \$12,000, \$5,000 in gold dust. (25 lbs.) Intended to leave for Helena carrying this amount (100 miles across the Rocky Mountains). A friend, Mr. Murphy, happened to be in Blackfoot and we arranged to travel to Deer Lodge together. Night before leaving, Murphy came to my room and informed me he had heard of a plot to rob us."

To confirm his suspicions, Murphy took Langford to a saloon where they watched four men sitting at a corner table. Langford wrote, "Something in their manner, their furtive glances under their broad-brimmed hats, the pauses in their conversation when approached, excited our suspicions."

Murphy and Langford returned to their hotel for the evening. The following morning, Murphy told Langford his fears had been without foundation because the four men had already left town. He reported that the men were merely miners trying to hide the location of their claim. Unfortunately, Murphy was wrong.

Only two miles into their trek away from Blackfoot, the two men came across the men's four horses outside a

roadside saloon. They declined the innkeeper's invitation to come in and Murphy decided to go his own way by catching a coach. Left on his own, Langford rode away slowly to avoid drawing attention to himself.

Shortly thereafter, Langford writes, "I cast a furtive glance backward and saw at the distance of a few hundred yards the 4 ruffians approaching at a gallop." Langford's horse Ned was reputed to be the best "four-mile horse" in the area so he knew that if he could put some distance between himself and his pursuers, he would probably be safe.

At the crest of a hill, Langford said, "It was then that my race for life began. They gained upon me rapidly at the commencement and at one time were so near that I could hear the labored breathing of their horses. So close, indeed, were they that I seized my cantinas with the purpose of casting the 25 pound sack of gold dust into the first sheltered nook I could see by the wayside to lighten the burden of my horse. No opportunity offered, however, that would have escaped the sight of those in pursuit and my gallant horse strove on with unabated speed until I saw that one by one the horses of the robbers were worn out by exhaustion."

One of Langford's deputies was not so lucky. Just appointed to his new Montana post, Frank Angevine had transferred from the Colorado Collector's Office. Before he was able to collect any revenue, Angevine was killed by the Blood Indians at Ophir.

Travel through Montana was extremely hazardous during these years. Explorer John Bozeman



forged a trail across Montana in 1863 providing a diagonal route from the Oregon Trail across Wyoming to the Montana gold camps. In 1866, the Montana Post reported that 90 percent of all overland travel passed over the Bozeman Road. But the following year, this path was virtually closed down because of the hostile Indian menace. Bozeman himself was slain on the road in 1867.

As a result, until the arrival of the railroad, travel by river was considered the safest mode of transportation. Steamboat passage was slow, expensive, and hazardous, but settlers continued to stream into Montana in the 1860s in search of wealth in the gold mines.

Stagecoach passage was another travel alternative in Montana. The first regular line of passenger service by stagecoach opened between Benton and Helena in the spring of 1866, offering bi-weekly service. By September, the stage coaches were running daily operations and had carried 2,500 passengers in the first six months of operations.

The tremendous growth in both population and commercial activities of Montana required the Territorial Legislature to develop its own financial base of support. Thus, in addition, to facing Collector Langford's demands for federal taxes, Montanans soon faced an increasing local tax burden.

In February 1865, the Territorial Legislature passed two tax acts to finance civic development, including building schools and supporting a local government structure. Local levies included a property tax and a

poll tax on all white males between the ages of 21–50. The editor of the Virginia City paper pointed out the inevitability of complaints about such taxes when he stated, "It is the inalienable right of the Anglo Saxon race to grumble at everything and when there is nothing to grumble about they grumble at [taxes]."

Despite the existence of both a federal and a local tax structure, in these early years there seemed to be a vast difference in the enforcement of each. Inequalities and loopholes weakened the local tax base, while the diligence and dedication of Collector Langford in collecting federal revenues ensured that these funds were accounted for.

In 1867, the new Territorial Governor, Green Clay Smith, pointed out that with \$114,000 of assessed federal taxes, Collector Langford had collected more than \$113,000. In contrast, local tax collectors had barely collected 30 percent of the taxes owed. Such inequities led the Territorial Legislature to revamp many of its tax laws in 1867. A new tax on the net proceeds of all mines and mining claims was also added to the tax structure.

The overall success of Langford's tenure as the first Collector of Internal Revenue in Montana is evident in that he successfully collected nearly \$335,000 in federal revenues during four years in office. As late as September 1868, the Deputy Commissioner of the Bureau of Internal Revenue in Washington, D.C. informed Langford that his request for \$16,000 to run the operations of the



Collector's Office in Montana had been approved by the Secretary of the Treasury. This amount would be provided in equal monthly installments, with not more than \$3,500 to be used for Langford's personal compensation.

Towards the end of his service as Collector, Langford became caught up in the drama unfolding around President Johnson and his impeachment by the House of Representatives. At first, President Johnson removed Langford, a Lincoln appointee, from office. He was promptly reinstated by the U.S. Senate. He was again removed by Johnson, only to be reinstated once again by the Senate. Langford finally resigned.

Surprisingly, Johnson nominated him to succeed Green Clay Smith as Governor of the Montana Territory. The Senate refused to act on the confirmation of Langford as well as any other lame-duck Johnson appointees. The election of Ulysses S. Grant to the Presidency brought these plans to a halt and James M. Ashley, a Grant appointee from Ohio, became the next Territorial Governor.

Because of the writings he left behind and his active participation in community affairs, Langford's service as the federal tax collector for the Montana Territory is one of the most well documented. His activities spanned a broad range of interests.

The Helena paper recorded Langford serving as an umpire in a local baseball club game. When Thomas Meagher drowned in the Missouri River in 1867 it was Langford who organized a commit-

tee to raise \$1,000 to recover his body. Langford was also labeled as the "Father of Montana Masonry," being elected as Grand Master of Montana in 1869.

Langford's writings serve as one of the strongest records of early tax collection. This was not the only legacy Langford left behind. When a large fire destroyed the offices of the *Helena Herald* in October 1871 it was Langford who had a complete set of duplicate copies of the paper. It is this set that is today in the Montana Historical Society.

Shortly after leaving the Collector's Office, Langford returned to his exploring roots by participating in the first exploration of the Yellowstone area in 1870. Among the 19 members of the exploring party were Langford; Truman C. Everts, who had been Assessor of Internal Revenue under Langford; and Everts' assistant, Walter Trumbull. Having just been ousted from their federal positions with the arrival of Ulysses Grant as President, these were men looking for adventure. They found it in the Yellowstone expedition.

Following the exploration, Langford presented a series of lectures on the Yellowstone area in Washington, D.C. and New York. It was his Washington address that inspired Congress to fund further exploration and ultimately to create the first national park there on March 1, 1872.

On May 10, 1872, Langford accepted an unsalaried position as Superintendent of Yellowstone National Park.



Langford did not attend to the business of the National Park with the same gusto he brought to the tax collector's job, only entering the park area twice during a two year tenure as Superintendent. In an ironic twist, George Boutwell, who had been the first Commissioner of Internal Revenue during Langford's tenure as Collector, and was now a Massachusetts Senator, was responsible for removing Langford from the Superintendent's position.

Having received a letter of protest concerning Langford's performance, Boutwell forwarded it to Secretary of the Interior Columbus Delano, another former Commissioner of Internal Revenue, who replaced Langford in 1874.

Langford then served for a period as the National Bank Examiner for the Pacific Coast before returning to his roots in St. Paul, Minnesota around 1880. He died there on October 18, 1911.



*Andrew J. Simmons*

NOVEMBER 2, 1868—MARCH 3, 1869





Andrew Jackson Simmons' tenure as Collector was only four months.

Simmons was born in Crown Point, New York in 1834 and moved with his family to Indiana at the age of two. When he reached 19, Simmons departed for California to work in the mines in search of riches.

Simmons later moved on to Nevada and became involved in local politics by serving in the Territorial Legislature for two years, from 1863 to 1865. He then moved on to Montana to work in placer mining. He was appointed as the new Collector for the Montana Territory even before Langford left office, but did not assume his duties until November 1868, upon Langford's departure.

In a letter dated September 30, 1868, the Acting Commissioner of Internal Revenue, Thomas Harland, wrote to Simmons explaining some basic procedures. In order to insure their accountability for the large amount of funds received in collecting taxes, almost all in cash, Collectors were required to pay a bond to the Washington headquarters office. The penalty for the Collector of Montana was set at \$50,000, Simmons was informed.

Upon Simmons' departure from office on March 3, 1869, the Deputy Commissioner requested that he close out his accounts up to and including this date. Any transactions from March 4 onward were to be ascribed to the Acting Collector's account. For three months, from March 4 to June 3, 1869, William B. Judd served as Acting Collector for the Montana Territory while the

Grant administration searched for a suitable appointee.

After serving as revenue Collector in Montana, Simmons worked with the United States Army in gaining land from local Indians for a railroad right-of-way in Montana. He was an Indian agent at the Milk River Agency in 1873. At about this time, Simmons married Kate Elizabeth Coates in Helena and they soon moved to California. While there Simmons worked as a mining engineer.

In the late 1870s, Simmons and his family moved to Rapid City, South Dakota where they settled for many years. Simmons served as mayor and built the Park Hotel in the city. After his wife died in Deadwood, South Dakota, in 1905, Simmons moved to Denver where he died in 1920.



*Samuel L. Watson*

JUNE 4, 1869—JUNE 8, 1873



President Grant's first appointment as Collector of Internal Revenue for the Montana Territory was Samuel L. Watson. Born in 1827, Watson had been a prominent merchant in Helena for many years and was well known in the community. He was reported to have come to Montana from Iowa. Watson died in Philadelphia on October 19, 1874.

By the end of the 1860s, many businesses were beginning to flourish in Montana. A report on business activity recorded the existence of 2 tanneries; 1 foundry; 7 flour mills; 17 saw mills; 15 distilleries and breweries; and 4 furniture factories. Helena was an excellent example of an early mining camp that grew into a city, becoming a supply center for surrounding areas.

The driving of the golden spike at Promontory Point, Utah, brought increased access to Montana by opening rail lines across the state. With the extension of the Union Pacific Railroad to Ogden, Utah, regular freight schedules were established to Helena.

It was during these years that expansion in all areas dominated life in Montana. Economic expansion coupled with increasing population to provide the territory with a sound base for industrial capitalism to flourish. The replacement of individual placer mining techniques with quartz mining, which required corporate organization and financial support, was another significant development of this era. This in turn led to an expansion of the banking industry and need for overland freight transportation.

A key element of this expansion was the necessary federal support provided by the national government. Montanans needed to pump as much federal revenue into building roads, Army posts, waterways, Indian reservations, and government buildings as possible. Yet, even though they gained a great deal from federal funding of such projects, Montanans were no different than other citizens, finding time and opportunity to complain about the taxes they paid.

The territorial status of Montana was one of the key complaints associated with the system of taxation. In 1869, Montana Territorial Delegate James M. Cavanaugh expressed his frustrations to the Secretary of the Treasury in a letter. He stated, "The people of Montana pay more taxes into the Treasury of the Nation than any other Territory belonging to the Government—and add more gold annually to the Country's wealth than any four Territories combined."

Most protests against taxation took one of two forms, either against a certain interest group that was taxed (such as miners) or against the general sense of "territorial bondage" that began to pervade the political environment as Montana moved closer to a viable statehood movement.

Like many other states and the federal government, the Montana Territorial Legislature occasionally used taxes to regulate groups of people or industries. One of the groups unfavorably affected by the local tax structure were Chinese immigrants.





Numbering about 800 in Montana by the end of the 1860s, Chinese were the main group affected by a tax of \$15 per quarter that applied to all male persons engaged in the laundry business. Even the Territorial Governor stated, "It is admitted that this section is oppressive and was intended to compel the Chinamen to pay an unjust tax."

The continuing lack of success in collecting local taxes prompted the Territorial Legislature to overhaul the tax system in 1869. New revenue and license laws enacted this year lowered rates but still prompted an angry reaction from Governor Ashley. Two years later, Montana used the California tax codes as a model for further revisions and again lowered rates with a resulting improvement in both attitudes and collection of the revenue.

Still, resentment to the far away federal government remained a mainstay of frontier life in Montana. Rumors of proposed legislation to create a huge Indian reservation in a large part of Montana and other western territories worried residents as did another proposal that would prohibit any former Confederate from serving in the Territorial Legislature. Although neither proposal became law, the fact that the federal government could interfere so significantly in their lives made many Montanans angry and frightened.





*Thomas P. Fuller*

JUNE 9, 1873—SEPTEMBER 20, 1885



Thomas P. Fuller served the longest tenure, over 12 years, of any Collector of Internal Revenue for the Montana Territory to date. Born in New York on October 23, 1838, Fuller had served in the Civil War, reaching the rank of Captain. In 1865 he worked with the James J. Hill construction firm in building the Minneapolis and Manitoba Railroad along the Red River. Fuller arrived in Helena in 1866 and was appointed Collector by President Grant on June 9, 1873.

An executive order signed on July 10, 1883 dramatically increased the size of the Montana Collection District as part of an overall effort to reduce the number of Internal Revenue collection districts nationwide. Effective August 20, 1883, the Utah and Idaho Territories were added to Montana's jurisdiction for federal tax collection. By executive order, Fuller was appointed Collector of this enlarged district, with the headquarters to remain in Montana.

This arrangement was not long lasting, as less than a year later the Utah Territory was detached from the Montana Collection District and united with the Nevada District on August 1, 1884.

The Montana Advertising Directory of 1883 reported the locations of four field offices of the Collector's Office. The Deputy Collector assigned to the First Division was J. W. Hathaway, located in Glendive. The Second Division was located in Helena, with William H. Armor serving as Deputy Collector. George F. Marsh was in charge of revenue operations in the Third Division in Butte and Joseph

Smith was located with the Fourth Division in Virginia City.

Perhaps the most significant historical event during Fuller's tenure as Collector was Custer's defeat at the Battle of the Little Big Horn. In reaction to the death of over 262 soldiers, Congress quickly appropriated \$200,000 in funds for the construction of two new forts on the Yellowstone River. Built by 1877, Forts Keogh and Custer were to provide some level of protection from Indian attack.

The remote forts lining the rivers in Montana were dependent for supplies and communication with the outside world on steamboat travel, creating a revival of river travel in the 1870s. It was not until the 1880s that railroads began to provide an alternative to steamboat travel. Continuing battles through the 1870s following Custer's defeat broke both the spirit and the power of the Indians. The buffalo population was also all but wiped out by the mid-1880s.

In the midst of the struggles with the Indians, Montanans continued to battle with the federal government. The passage of the Timber and Stone Act and the Free Timber Act in 1878 was seen as another example of the federal government reaching into the activities of the Territory which did not have a voice in Congress. Both acts set controls on timber cutting activities on federal land but were based on a survey that had not been completed. These acts combined to convince many Montanans that the federal government simply did not understand their need for lumber, railroad ties, and other byproducts of the timber business.



As the cumulative result of the growing frustration with tax levies and exertion of control by the federal government with no vote in Congress, the move towards statehood in the Montana Territory gained momentum during the early 1880s. As evidence, the Chief Justice of the Territory, Decius Wade, pointed out the dilemma presented by territorial status in an 1879 statement, "Why should a citizen, when he goes to reside in a Territory, become an exile in the land of his birth? Why should he become a mere foreigner for every purpose save that of taxation?"

In January 1884 a Constitutional Convention was held in which a state constitution was drafted, but no further action was taken for several years. In the meantime, reflecting the growing statehood movements in many states, by 1885 Utah, New Mexico, Dakota, and Washington had presented their cases for statehood to Congress.

The taxation of mines in Montana had also become a major issue by the time of the 1884 Constitutional Convention. Although the Territory had improved its tax collection techniques and was running a revenue surplus by 1883, the political power of mine owners was sufficient to keep taxes on their activities and facilities lower than those placed on other occupations.

By 1879, the system of taxing mines in Montana was based on the net proceeds of the mine plus a minimal tax on patented claims based on the original purchase price from the government. This lenient

arrangement remained the norm throughout the territorial period and left mine operators paying less than their fair share and others, such as cattle farmers, feeling overburdened with taxation.

Fuller died in Helena around 1920.





*Daniel J. Welch*

SEPTEMBER 21, 1885-JUNE 29, 1886



Replacing Thomas Fuller as Collector in 1885 was Daniel J. Welch, who served only nine months in the job. Welch was an Irish immigrant, born in 1836. He arrived in the United States in 1853, first settling in Boston and later in California, having travelled via the isthmus of Panama in 1857.

He migrated to Montana to work in the mines in 1866, living in both Missoula and Butte in different periods. In 1881, Welch was elected County Treasurer for Silver Bow County. He was reelected two years later. Welch became President Grover Cleveland's first appointee as Collector of Internal Revenue in Montana. He returned to his home in Butte following his brief tenure as Collector.





*James Shields*  
JUNE 30, 1886—JUNE 29, 1889



Born in Ireland in 1843, James Shields arrived in Montana after having lived in Utah. Shields was appointed from Silver Bow County, the same location as his predecessor in the Collector's Office. Following three years as Collector of Internal Revenue in Montana, Shields returned to Anaconda where he worked in the mining business with prominent Montanan Marcus Daly, who was also his brother-in-law. He died there on June 2, 1900.

During his service as Collector, the Montana Collection District again gained the Utah Territory within its boundaries. On July 1, 1887, Utah was detached from Nevada and joined Montana and Idaho to form one of the largest internal revenue collection districts in the country.

The most significant event during Shields' tenure as Collector was the approval of Montana's petition for statehood. After years of political maneuvering, Montana finally presented a strong case for statehood before Congress on January 15, 1889. In arguing for statehood, Territorial Delegate James K. Toole argued that Montana was not only out of debt, but carried a surplus of over \$130,000 in its treasury; that four-fifths of the adult male population had been born in the United States; that its mining output totalled one-sixth of the United States total; and that in general, living conditions were good and wages high.

In February 1889, the Conference Committee of the Senate and the House of Representatives voted to admit North Dakota, South Dakota,

Washington, and Montana as states. With this authorization, Montana could form its own state constitution and government structure. Final admission as a state awaited Presidential signature and would happen on the watch of the next Collector.

Development of a strong local tax base became one of the first priorities for the new state. One of the first laws passed after this initial hurdle towards statehood was the County Free High School Law which, through local property taxes, would provide a revenue base for at least one public high school in each county.

Not all political decisions were as simple as this well meaning move by the legislature. In the 15 years following statehood, Montana's internal politics were dominated by a feud between the leading copper titans of the state.

William Andrews Clark and Marcus Daly had led the effort to protect the mining industry from damaging taxation at the Constitutional Convention of 1884. Drawn into local politics by their mining interests, both men continued to hamper state efforts to extract tax revenues from Montana mines for many years.



*James H. Mills*

JUNE 30, 1889—FEBRUARY 28, 1893



James Mills brought a distinguished record as a Civil War veteran with him to Montana when he arrived in the territory in 1866. Born in New Lisbon, Ohio on December 21, 1837, Mills enlisted in the Army of the Potomac on April 27, 1861 at age 24. He joined Company G, 11th Pennsylvania Reserves as a private. During the war years, Mills participated in 27 military engagements, including the Battle of the Wilderness.

Mills mustered out of the Army in Pittsburgh on June 13, 1864, where he stayed for a few years working in a wholesale leather business. After arriving in Montana in 1866, Mills lost all his money when he entrusted it to an acquaintance to purchase supplies in Bozeman. He never saw the man again. With 10 cents in his pocket, Mills arrived in Virginia City and accepted a position as a book-keeper.

Shortly thereafter, Mills became editor of the *Montana Post*. Still restless, he moved on to Deer Lodge, where he established the *New Northwest*, which he edited and published until 1891, even during his tenure as Collector of Internal Revenue. Mills was active in local civic affairs, having been a member of the first Constitutional Convention and the first President of the Montana Press Association.

President Rutherford Hayes appointed Mills as Territorial Secretary prior to his appointment as Collector of Internal Revenue by President William Henry Harrison. After serving in the Collector's position for nearly four years, he became

Commissioner of the State Bureau of Agriculture, Labor, and Industry, where he served until January 1897. After this, he returned to newspaper work in both Missoula and Deer Lodge, ultimately settling in Deer Lodge until his death in about 1918.

Four days after his appointment as Collector, the Montana Constitutional Convention met to draw up the legal parameters of the new state. The only issue that jarred the participants involved the sensitive subject of taxing mining interests, a controversy which remained contentious and unresolved until 1924 when the state constitution was amended.

The issue revolved around whether the state should tax the minerals in the ground or only the net proceeds from mining the ore. Ultimately, the Convention's Committee on Taxation recommended that only the surface machinery and net proceeds be taxed.

On November 8, 1889, Montana finally became a state in its own right. The long struggle for statehood culminated in a unique political combination of events. The enabling legislation was passed by a Democratic House of Representatives, a Republican Senate, and signed by Democratic President Cleveland. Republican President Harrison actually admitted Montana as a state by Proclamation.



*John Moffitt (Acting)*

MARCH 1—APRIL 30, 1893



John Moffitt arrived in the United States from Ireland in 1851. Born in Dublin in 1836, Moffitt attended the Royal Hibernian Military School located there. Between 1851 and the outbreak of the Civil War, Moffitt lived in Ohio, Iowa, and Kansas, travelling by wagon train. He enlisted as a private in Company A, Second Kansas Infantry in 1861 and served in Missouri, Arkansas, and the Indian Territory. He resigned in 1863 as a first lieutenant.

Moffitt arrived in Montana with a four-horse wagon on July 10, 1864 and began to work in the mines, settling in Last Chance Gulch. In 1872, Moffitt became Helena's Deputy Postmaster. A decade later found him working in the harness business at Fort Benton. Shortly thereafter, in 1883, Moffitt was appointed Chief Deputy Collector of the Revenue under Collector Thomas Fuller.

Moffitt remained an employee of the Bureau of Internal Revenue for the remainder of his career, serving as Acting Collector for two months in 1893, five months in 1897, and during other shorter periods when the Collector was unavailable. He resigned from the Montana Collection District in 1900 due to failing health and died on November 4, 1901 in Helena.



*Ambrose W. Lyman*

MAY 1, 1893—JANUARY 31, 1897





Lyman was the second newspaperman to serve as Collector of Internal Revenue for the Montana District. Born about 1860, Lyman worked as a reporter and Washington correspondent for the *New York Sun* before moving to Montana in 1889. Once settled, he became editor and part owner of the *Helena Independent*.

Appointed as Collector during the second Presidential term of Grover Cleveland, Lyman served during this single term and then returned to New York. It was during Lyman's tenure that Congress once again passed an income tax law. Although passed in 1894, immediate court challenges resulted in the Supreme Court declaring the income tax unconstitutional the following year.

As a result, the Bureau of Internal Revenue maintained its regular duties of collecting the myriad of excise taxes and license fees. Alcohol and tobacco remained the mainstays of revenue collection. After leaving office on January 31, 1897, John Moffitt again served as Acting Collector until June 30 of that year.

Lyman resumed his journalism career, serving as a foreign correspondent during the Spanish-American War, where he contracted tuberculosis. He returned to Montana where he died in Butte around 1902.





*Charles M. Webster*

JULY 1, 1897—JULY 11, 1901



Born in Zumbrota, Minnesota in 1858, Webster arrived in Great Falls in 1886 and worked in the newspaper and banking business. Very active in local Republican politics, Webster was an unsuccessful candidate for State Treasurer in 1896. Following this, President McKinley appointed him as Montana's Collector of Internal Revenue.

During his service as Collector, Webster's name was put before the state convention in 1900 as a candidate for Governor. Again unsuccessful, Webster remained in his position as Collector until he was appointed as Collector of Customs for the districts of Montana and Idaho, with headquarters at Great Falls. He remained in this position until his death in 1909.



*Edward H. Callister*

JULY 12, 1901—NOVEMBER 16, 1913



Callister's tenure as Collector broke the previous record for longevity in office set by Thomas Fuller. He also carried the distinction of serving as Collector for the Montana District from his home base in Utah. A native of Salt Lake City, Callister was born on December 29, 1862. In 1878, he began working in the printing business. He served on the Salt Lake City City Council from 1896 to 1900. He also served as Chairman of the Republican State Central Committee and in 1913 became General Manager of the Herald-Republican Publishing Company.

Because of his Utah roots and the combined Collection District of Montana, Idaho, and Utah throughout his tenure, Callister was able to serve from Salt Lake City. Callister's son followed his footsteps, becoming the Chief Field Deputy for the Bureau of Internal Revenue in Utah. Callister died on November 23, 1917.

The years of Callister's tenure as Collector saw tremendous expansion of both the banking and farming industries in Montana. The completion of transcontinental rail lines through the state in 1908 fueled the settlement of new areas and many farmers migrated from midwestern states to homestead new lands. Banks sprang up in small towns along the rail lines to serve the homesteaders. By 1914, Montana recorded 287 commercial banks operating in the state.

A major event during this period was the fire of 1910. In June of that year, the forests of Montana and Idaho were dry and vulnerable. Fire broke out and spread rapidly. The situation became so severe that

President Taft ordered the Army to assist in fighting the fires.

By mid-August, over 3,000 fires raged out of control in the two states. High winds only worsened the trouble and smoke was reported to have darkened the sky in Denver and Kansas City, 1,200 miles away. In the end, 80 firefighters died in the blazes while over three million acres of timber was destroyed. The legacy of this tragedy was that it served as a turning point in public attitudes towards the need for fire control.

The subject of taxation had not gone away for Montanans, nor for the nation at large. On a local level, Montana's per capita tax levy of \$26.83 was the highest in the country in 1912. The following year saw the passage of the Sixteenth Amendment, adding the income tax to the stable of federal taxes. This followed a lengthy political struggle and debate that spanned the first decade of the twentieth century.

Congress finally passed a proposed constitutional amendment to reverse the 1895 Supreme Court ruling in 1909. It took four years for the required three-fourths of the states to ratify the amendment. Montana ratified the Sixteenth Amendment in 1911. Levied only on very wealthy citizens, the income tax affected very few Montanans in its first years of existence. Callister resigned from his position as Collector just as the federal income tax laws were taking hold.

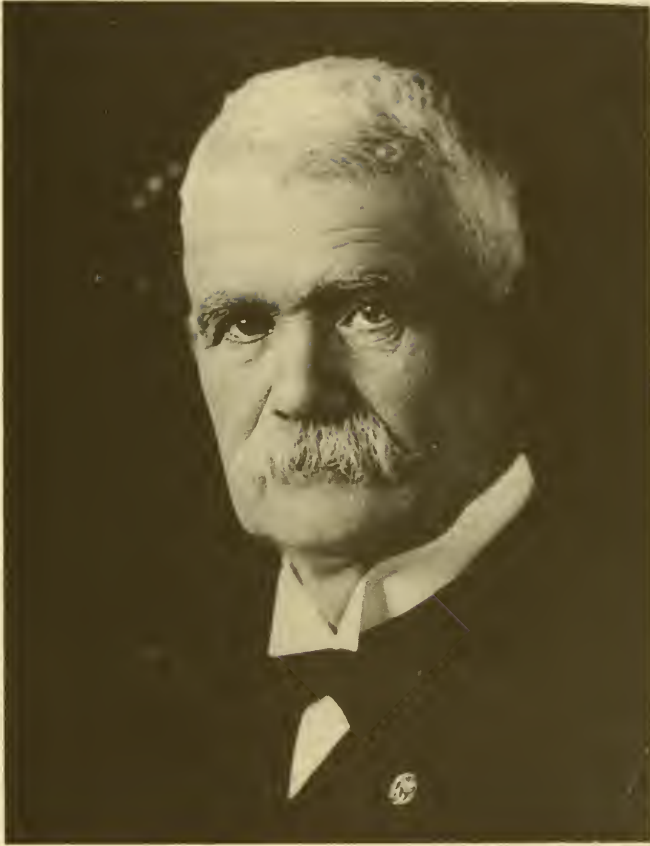
The local press did not let the initiation of the income tax pass without comment. In an editorial published on September 13, 1913, the *Great*



*Falls Tribune* stated, "The predictions made by the Tribune that the income tax principle, once established, would not long remain at the modest figures first proposed is finding rapid confirmation... We are not casting any reflections on the income tax. It is all right under present circumstances.

"But it is a little amusing to note the enthusiasm of the man with one thousand a year and two thousand a year for this tax, feeling pretty sure, as we do, that his present grin will change to a frown when the limit reaches him. Just now he feels safe, but he is working splendidly with his little saw on the limb that holds him up and he will be so surprised and grieved when it gives way and dumps him into the tax soup kettle."





*William T. Whaley*

NOVEMBER 17, 1913—JANUARY 31, 1920





Appointed by President Woodrow Wilson as Collector of Internal Revenue in Montana, William Whaley was born in Hastings, Minnesota in 1857. He migrated to the Montana territory with his parents at age six, living in various locations until the family settled in Broadwater County around 1885.

Whaley became involved in local politics and was elected to the Montana House in the first, second, eleventh, and twelfth Legislative Assemblies. After completing just over six years as Collector, Whaley returned to Townsend to work as a local businessman. He ultimately settled in Helena. During his tenure as Collector, Montana once again became its own Collection District as Idaho and Utah became separate districts on their own. This took effect October 1, 1919.

Taxation continued to be a major issue for the state of Montana. In 1913, the Legislature established a permanent tax commission with the initial mission of preparing a comprehensive report on the state's tax situation. Although the Commission completed its report in the fall of 1914, rather than acting on any of the report's recommendations, the Legislature repealed the law creating the Commission, disbanding this "permanent" organization.

Once again, in 1917, the Legislature established a state tax commission, although this time it was to be a temporary organization. Charles R. Leonard was appointed Chairman. Actually, the establishment of local tax commissions was a part of a nationwide movement. By

1918, 24 states had permanent tax commissions and Leonard suggested that Montana follow suit by making their commission permanent. Two members of the Montana Tax Commission attended the annual convention of the National Tax Association in Atlanta that year.

Leonard summed up his views on taxation in the following quote, "The power to tax is the one great power upon which the whole national fabric is based. It is as necessary to the existence and property of a nation as is the air he breathes to the natural man. It is not only the power to destroy, but the power to keep alive... Notwithstanding the fact that schools are erected with taxes; that our children are educated in that way; that all our institutions are supported by taxes; that our poor are taken care of; that the insane are looked after; and that all the blessings of our republic here are vouchsafed to us by the payment of taxes... we still have the idea that taxes are a great burden and no man ever refers to the subject of taxes that he does not speak of the same as a burden."

In an effort to look into the area of taxation causing the most local distress—the taxation of mining interests—the Chancellor of the University of Montana requested that economics professor Louis Levine prepare a study of the state tax structure. Without warning, in 1919, the Chancellor requested that Levine drop the study. When Levine refused, he was suspended from his teaching position at the University.

Yet Levine had completed sufficient research to be dedicated to fin-



ishing his work and refused to put the study aside. Although he was suspended from the University for his persistence, Levine's study, "The Taxation of Mines in Montana," was published in 1919 and demonstrated that the mining industry was paying a disproportionately small share of taxes compared to other state industries.

Ironically, the suspension of Levine and its resulting furor in the academic community brought so much publicity to this case that thousands of citizens who would otherwise have never heard of his dry tome on taxation became aware of tax reform issues. Ultimately, the University Service Committee prepared a report exonerating Levine, calling the University's action "a horrible example of narrow-mindedness, bigotry, and intolerance." Levine was reinstated with back pay but left the University shortly thereafter.

Reflecting the growing concern of citizens over the tax situation, a group of farmers gathered in Lewiston in March 1918 for a Farmer's Tax Conference. The report of the proceedings contains some fascinating insights into the attitudes and concerns of Montana farmers during this era. The farmers saw their gathering as symptomatic of growing awareness of the ability to influence policy through gathering and organizing. They saw their desire for a more equitable tax structure as similar to other movements of the time, such as the temperance movement, the spread of women's suffrage and the demands of labor unions for better working conditions.

Lewis and Clark County Tax Assessor Charles Martien summed up the situation when he stated, "The rapid increase in the public expenditures for things that a progressive people demand has thrown a burden on the taxpayers, national, state, and locally, under which they are becoming restive."

In presenting the case for the farmers, a Mr. Duncan stood and gave personal testimony to the difficulties he faced in meeting his expenses, including his tax bill. He ended his remarks with a surprising twist. "It is a mighty hard matter to pay taxes when you spend \$400 for seed potatoes and get a crop that yields you only \$125, which mine did this year. \$275 for seed wheat and only yielded \$225 and had to pay the thrashing bill out of that. 85 acres of oats and speltz in order that my cattle might live, I had to pasture it and I had to pay \$103 taxes. Now the only just tax I could ever conceive of is an income tax. When a man has got an income he can pay a tax."

Because the income tax rates still remained relatively low during these years, most of the farmers attending this conference did not have to pay them. The taxes they were agonizing over were primarily indirect taxes, such as real estate property taxes, excises and license fees.





*James A. Walsh*

FEBRUARY 1, 1920—JANUARY 15, 1922



Born near Minneapolis on April 19, 1869, James A. Walsh came to Montana at the age of 21. He spent the next 30 years working in the lumber and mercantile business in the Missoula area. In 1919, he entered local Democratic politics and was elected to represent Missoula County in the Montana House of Representatives in the 16th legislative session. The following year, he was appointed Collector of Internal Revenue, serving for two years.

The impact of poor local economic conditions was seen in the dramatic rise in Montana's debt structure during these years. By 1913, Montana had lost the surplus that helped win it statehood less than 25 years earlier and was carrying a debt of \$16 million. By 1921, the debt had multiplied to \$60 million.

Most of the "Roaring Twenties" passed Montana by as the state struggled with a sagging economy that was overly dependent on mining and agriculture. Years of drought compounded the problems. Because the state tax system had developed a dependence on property taxes, farm foreclosures and declining assessment values wrecked havoc on tax revenues.

In the 1920s, Montana's rate of tax foreclosure ranked second in the nation, only behind Mississippi. The issues raised by the farmers in their 1918 tax conference became more pronounced as the decade progressed.

One of the results of these growing frustrations was the birth of the Montana Taxpayers' Association during this period. As local communities struggled with establishing

their own systems of taxation, citizens groups such as this began springing up around the country, primarily in the western United States.

Established on December 19, 1921, the Montana Taxpayers' Association was the third local taxpayer association in the country, following the creation of similar groups in Arizona and New Mexico. The impetus for this organization actually began around 1919 when a number of local county taxpayers' groups were formed to address the growing fiscal problems of local government. The Montana Taxpayers' Association consisted of representatives from 19 Montana counties and concerned itself with state and local tax issues.

Another incident of this era was the election of former Congressman and Senator Joseph Dixon as a one-term Governor of Montana in 1920. Dixon ran his campaign on a platform aimed at tax reform and his belief that the mining companies, oil producers and wealthy were not paying their fair share in state taxes.

Dixon introduced a far reaching and controversial program of state tax reform that included higher mining taxes, an income tax, and an inheritance tax. A special legislative session called in March 1921 passed only the inheritance tax and created a new tax commission.



*Charles A. Rasmussen*

JANUARY 16, 1922—JULY 5, 1933





Charles A. Rasmussen was born in Slesvig, Denmark on January 17, 1876 and emigrated to the United States with his family when he was only two years old. His father had been a Danish soldier, as had his grandfather, who had served under Napoleon in 1812. His family initially settled in Iowa and later moved west. Rasmussen arrived in Montana in 1907.

Prior to moving to Montana, Rasmussen had worked in the railroad business and for the St. Louis *Globe-Democrat* newspaper. Although he volunteered for service in the Spanish-American War, to follow in his father's and grandfather's footsteps, his regiment was not called for service. Once he arrived in Montana, Rasmussen worked in the real estate business in Glendive.

Becoming involved in local Dawson County politics, Rasmussen served three consecutive terms in the Montana House of Representatives, in the 14th, 15th, and 16th state assemblies, beginning in 1914. During his final term, Rasmussen served as Chairman of the House Committee on Ways and Means and the Committee on Taxation and Revenues. In this capacity, Rasmussen had overseen the passage of many of Montana's tax laws.

Rasmussen had also been a member of the Republican State Central Committee since 1917 and was owner and editor of the *Dawson County Review* prior to his appointment as Collector. Appointed by President Warren G. Harding on December 22, 1921, Rasmussen assumed his new duties on January

16, 1922, at an annual salary of \$5,500. His tenure spanned the service of three presidents, including Harding, Coolidge, and Hoover.

Upon assuming office the *Helena Independent Record* quoted Rasmussen as saying that his official policy would be a "cold-blooded business administration... The highest possible maximum of efficiency in the field and office forces will be maintained in the interest of the government and the public."

Rasmussen left office with the election of Franklin D. Roosevelt as President. After leaving the Collector's Office, Rasmussen became the Parole and Probation Officer for the U.S. District Court under Judge Charles N. Pary. He remained in this position until his death on December 12, 1939 in Billings.

The foreclosures of farms and ranches continued unabated during Rasmussen's tenure and was coupled with many bank failures. The decline in values began in 1920 and continued uninterrupted until the early 1930s. In the period between 1921 and 1925, nearly half of all Montana's banks closed due to foreclosure.

On January 2, 1923, Governor Dixon opened the Montana legislature by bringing to the forefront the continuing problem of mine taxation. Finally the state would have to confront this issue. Dixon pointed out that the production of metal mines in 1922 was \$20 million, while the tax revenues generated by this industry amounted to a paltry \$13,559. In contrast, oil production produced less than \$3 million, with





tax payments of \$28,000; the coal industry produced \$9 million, with taxes of \$147,000.

The Governor recommended a series of taxes, including a license tax on the gross tonnage of ore produced; a tax on inheritances; an income tax based on the same structure as the federal income tax; and a license tax on the gross proceeds of hydro-electric power companies.

In the 1924 campaign for governor, Dixon took the issue of mine taxation directly to the voters. He pointed out that farmers were paying 32 percent of the state's total revenue, while the mines paid only 9 percent. Dixon devised "Initiative 28" to put this issue directly before the voters in the election.

This proposal called for a repeal of the section of the 1889 state constitution which called for taxing the net proceeds of mines, exempting mines with annual gross production below \$100,000, and establishing a graduated tax on production with rates from one-fourth of one percent to one percent. Unfortunately for Dixon, Montana voters passed Initiative 28, but voted him out of office in the 1924 election.

Montana politics in 1924 took some interesting twists. One of the States' Senators, Burton K. Wheeler ran as the Vice Presidential candidate on the Progressive ticket with Robert LaFollette of Wisconsin that year. Another Montanan and champion of the Prohibition movement, Tom Walsh, received 123 votes for the Presidential nomination on the 102nd ballot at the Democratic National Convention in 1924.

The decade of the 1920s was also the era of Prohibition and Montana was a land ripe for bootlegging. Montana passed a state prohibition law in 1918, a year before the nationwide Prohibition law took effect. Despite the law, the increasing availability of automobile travel coupled with the nearby Canadian border meant that smuggling illegal alcohol was risky yet highly profitable business.

On a national level, enforcement of Prohibition was given to the Bureau of Internal Revenue and local revenue offices established prohibition offices staffed with special agents. A federal crackdown on illegal alcohol smuggling in Montana reduced the number of smugglers from an estimated 300 in 1921 to only 30 three years later. Still, the isolation of much of Montana made the state an ideal location for hiding local stills. During the 1920s, Butte carried the reputation of having the highest per capita consumption of illegal liquor.

Realizing that Prohibition simply was not meeting its goals, Montana repealed its state prohibition law in 1928, five years before the federal government repealed national Prohibition. In a related area in 1919, the Bureau of Internal Revenue created an Intelligence operation, the forerunner of the modern Criminal Investigation function.

During these years, federal revenue activities in each area of the country were comprised of three distinct operations. From the 1920s through the early 1950s, the work of the federal Collector's Office was



complemented by the work of an Agent-in-Charge and a Special Agent-in-Charge. The Collector's Office carried the primary responsibility for assessing and collecting federal taxes and remained the primary point of contact for taxpayers. The Agent-in-Charge was responsible for auditing and examining tax returns, while the Special Agent-in-Charge pursued criminal violations of the tax law.

One historical highlight of this era was the fight for the world heavy-weight boxing title between Jack Dempsey and Tommy Gibbons held in Shelby, Montana on July 4, 1923. Gibbons was an unranked boxer with a strong reputation looking for a way to challenge the current champion. Shelby was a small town that wanted to put its name on the map.

Dempsey agreed to fight Gibbons for a \$300,000 fee, to be raised by a group of Shelby businessmen. Gibbons would fight for nothing but the opportunity to challenge Dempsey. The fight became a major event, with 26 special trains reserved to bring spectators to the unknown Montana town. By two weeks before the fight, \$500,000 in reservations had been received. An arena seating 40,000 was built in Shelby.

A few days before the fight, sponsors realized they could not make the final \$100,000 payment to Dempsey. Upon hearing this news, Dempsey's manager canceled the fight. When an agreement was struck to pay the remaining balance straight out of gate receipts Dempsey agreed to fight. Nonetheless, the troubles plaguing the match continued to mount. The

trains had already been cancelled and could not be rescheduled. Heavy rains added to the turmoil by making local roads almost impassable.

In the end, somewhere between 7,000 and 8,000 spectators paid admission at the gates and 4,000 more crashed through the gates without paying. The fight itself was a challenge for Dempsey, lasting 15 long rounds before he was awarded the decision in the end. The promoters lost \$150,000 and the experience left Shelby nearly bankrupt.

Internal Revenue agents from the Collector's Office became involved in this event because they had to be on hand to collect an admissions tax which applied to public events such as boxing matches. The presence of tax collectors was required to insure that the tax was collected.

One of the revenue agents present for the fight was Mark Farris who eventually retired to Portland, Oregon. In 1974 he wrote a fascinating account of his experiences as a tax collector at the Dempsey-Gibbons fight. This is found in Appendix 4.



*Lewis Penwell*

JULY 6, 1933—JUNE 1947



Lewis Penwell was the first native Montanan to become Collector of Internal Revenue for the state. He was also the first lawyer to serve in this position. Penwell also broke all previous records for longevity in office, serving for 14 years.

Penwell's father arrived in Montana in 1864 and built the first flour mill in the Gallatin Valley. Penwell was born in Diamond City on July 26, 1869 and after being educated in Montana public schools left the state to attend college in Racine, Wisconsin.

After completing his undergraduate studies, Penwell spent a year exploring Europe. He then enrolled in Columbia University's School of Law in New York, graduating in 1892. He was admitted to the bar in Illinois that same year, but returned to Montana in January 1893. Penwell also received a post graduate degree from New York Law School.

After clerking for Judge Bacon in Helena, Penwell developed a law partnership with ex-Chief Justice Blake of the Montana Supreme Court. Eventually, Penwell established an independent law practice. He also maintained extensive sheep and ranching real estate holdings in Montana and became involved in local Democratic politics.

In 1897, Penwell was elected to serve in the lower house of the Montana Legislature and in 1901 he became Assistant Prosecuting Attorney for Lewis and Clark County. He also served as Chairman of the Democratic County Committee and was actively involved in the campaign to make Helena the

capital of Montana. As his political involvement increased, Penwell also became involved in issues of taxation, becoming a leader in the progressive movement and founder of the Montana Taxpayer's League.

Another of Penwell's interests was journalism. As President of the Western Progressive Publishing Company, Penwell began publishing the *Western Progressive* in January 1932, a liberal tabloid that espoused across its masthead, "Man over money, Human rights over property rights." The paper also advocated the "equalization of taxes."

In 1932, the paper quoted Penwell before a meeting of the Gallatin County Taxpayers Association as saying, "Relief from the oppressive tax burdens of the present may only be obtained by organized effort of the people." By May of that year, the Montana Taxpayer's League had endorsed Penwell as their candidate for the Democratic nomination for governor.

On May 29, 1932, Penwell filed as a candidate for governor, asking that his basic position be placed on the ballot—"Slash government expenses, reduce taxes, force corporation control from politics and press."

In supporting Penwell's candidacy, the *Western Progressive* stated the following in the spring of 1932, "As the organizer and leaders of the progressive taxpayers' movement in the state, the full strength of the political machine developed by the corporate interest to control the government of the state is pitted against him. Never before has their privileged position been threatened as it is now by an



organization of the people under the leadership of Mr. Penwell.”

Unfortunately for Penwell, the entrance of two other progressive candidates on the ballot before the primary split the opposition vote to the benefit of the leading candidate, Erickson. Erickson went on to win the primary as well as the general election.

Just a year later, newly inaugurated President Franklin D. Roosevelt nominated Penwell to be Collector of Internal Revenue in Montana. Penwell was appointed Collector on June 14, 1933 and was sworn in on July 6 with the oath of office administered by Governor Frank H. Cooney. His annual salary was set at \$5,600.

The ceremony was attended by the State Attorney General, the Secretary of State, the State Treasurer, and Democratic members of the State Supreme Court. Following the swearing in, guests were invited to explore the new internal revenue offices in the federal building. The Collector's Offices were located on the second and third floors of the federal building, which had been built in 1904.

Following a long-established precedent, as part of the transition from Collector Rasmussen to Penwell, Rasmussen provided an accounting for all cash, revenue stamps, and assessment lists for the District as far back as 1892. Once completed, the doors of the vault were sealed, awaiting arrival of the new Collector.

Although Penwell offered words of praise for Rasmussen upon assuming office, he immediately set about improving the performance of

the Montana Collector's Office. Each month the headquarters of the Bureau of Internal Revenue in Washington, D.C. ranked its 65 field offices on both the number of cases handled and the amount of taxes collected.

When Penwell took over in July 1933, Montana ranked 50th in the nation in the amount of collections. Two months later, the rank rose to 20; by October it reached 9th; and amazingly, by November, it ranked 3rd in the nation, lagging only behind Oklahoma and Ohio. By January 1934, the Montana District ranked first in the nation in the number of cases handled.

This amazing success was attributed to the hard work of Penwell and his two chief deputies, Assistant to the Collector, Thomas M. Robinson and Chief of the Field Division, L.C. Burns, in reorganizing and inspiring the work force. Tax collections during this period rose from a low of \$870 thousand in 1932 to a high of \$6.1 million in 1935.

Penwell made local news when he began travelling around the huge Montana District by airplane. On April 6, 1934, the *Helena Independent Record* noted that Penwell had just returned from a trip to eastern Montana in a Northwest Airways plane, a Lockheed single-motor, five-passenger aircraft. Penwell explained that the plane flew from Helena to Billings in 50 minutes and from Billings to Glendive in an hour and a half.

It was during Penwell's period as Collector that the dramatic expansion of the income tax base during





the World War II years took place throughout the nation. As a critical source of revenue to finance the war effort, the income tax was transformed from a “class tax” to a “mass tax” during the war years.

The implementation of withholding, first known as the “pay-as-you-go” system, accompanied by a massive public relations and education program facilitated this expansion. Public support of the war effort and a high level of patriotism also contributed to the successful expansion of the income tax in this decade.

Tax collections in Montana rose from only \$6.8 million in 1940 to a high of \$61.6 million in 1945, a nearly ten-fold increase. Although tax revenues declined briefly immediately following the end of World War II, as the Cold War dawned tax revenues again began an upward climb.

By 1940, Penwell’s annual salary had risen to \$6,200 and by 1944, his salary had reached \$6,400. Penwell died in Tempe, Arizona on March 20, 1948 at age 78.



*Thomas M. Robinson*

JULY 1, 1947—JANUARY 1957





Thomas Miller Robinson became the first career employee of the Bureau of Internal Revenue to rise to the top position in the Montana Collection District. The selection of a career civil servant as Collector in Montana was unique in an era when nearly all appointments to this position were still dominated by the local political standing of the appointee.

This set Montana apart and in some ways above the rest of the country in its selection of Collectors in that Robinson's sterling record as an administrator with the Revenue Service left him unblemished as scandals rocked the Bureau of Internal Revenue during the late 1940s and early 1950s.

In fact, Robinson was one of very few Collectors to remain in his position when the Bureau of Internal Revenue underwent a total reorganization in 1952. Most politically appointed Collectors were removed from office while the Bureau rebuilt itself as a depoliticized and professional organization. For the first time in its history, the Bureau of Internal Revenue staffed its field offices with professionally educated men rather than political appointees. Only the position of Commissioner of Internal Revenue in Washington, D.C., remained a political appointment.

Born in Kemper County, Mississippi on September 12, 1891, Robinson attended accounting school there. His father, James Robinson, practiced law and operated a plantation in Mississippi. When he was 20 years old, Robinson visited his uncle Jeremiah in Montana, fell in love

with the state, and decided to settle there.

He worked initially in mining and other businesses until March 1, 1917 when he was hired by the Collector's Office in Helena as a clerk. Because nearly all employees of Collector's Offices at this time were political appointees, Robinson carried the title Deputy Collector.

He worked there until September 4, 1917, when he enlisted in the Army as a private for World War I service. During his two years of military experience, Robinson served in France with the 32nd Engineering Pioneer Regiment. He returned as a sergeant and was honorably discharged at Hoboken, New Jersey on August 18, 1919. He immediately returned to his old job as a clerk in the Income Tax Division of the Montana Collector's Office.

In just three years Robinson was promoted to Chief of this Division, where he remained for six years. He then became a Special Zone Auditor in Great Falls. He spent five years there followed by one in Butte after which he returned to Helena. When Louis Penwell was appointed Collector, he selected Robinson as his Assistant.

Robinson served in this position throughout Penwell's lengthy tenure of over 14 years. With Penwell's recommendation of Robinson to Montana Senator James E. Murray, who passed it along to President Truman, Robinson was appointed Collector on June 11, 1947. He entered duty on July 1 with an annual salary of \$8,808.75.

In addition to his work with



Internal Revenue, Robinson was President of the Lions Club of Helena, President of the National Federation of Federal Employees in Montana, and a member of the Montana Club of Helena. During his tenure as Collector, one of his employees, Cashier John Thomas, was elected President of the Montana Club.

As part of the field reorganization of the Bureau of Internal Revenue, the Montana Collector's Office was redesignated as the Helena District on July 1, 1953. The functions of the Agent-In-Charge and the Special Agent-In-Charge were consolidated with the new District Office. On July 9, 1953, the name of the Bureau of Internal Revenue was officially changed to Internal Revenue Service.

By the mid-1950s, the IRS was trying to consolidate as many field offices as possible. Montana fell in line with national objectives by closing five offices that had been staffed with only one employee. The closures were explained as an attempt to save money and to have increased supervision over field activities.

The closed offices included locations in Anaconda, Livingston, Glendive, Plentyweed, and Cur Bank. The work of Anaconda was combined with the zone office in Butte; Livingston was to be taken care of by the Bozeman office; with similar arrangements for the remaining three closed offices. In preparing for the closures, Robinson made personal visits to the Chambers of Commerce in the cities and in his words, "met with no special objection to the arrangement after it was

fully explained."

Another initiative of the 1950s was the institution of a nationwide taxpayer assistance program. The expansion of the income tax during the World War II years had added millions of new taxpayers to the federal tax system. For the first time, citizens with average incomes paid income taxes. The initiation of tax withholding from wages simplified the payment of taxes, but the overall tax system still mystified many new taxpayers. Thus, the implementation of taxpayer assistance programs was considered critical to the success of the income tax collection process.

Taxpayers were also given an extra month to file returns in 1955, when the filing date was pushed back from March 15 to April 15. In a letter to Montana Congressman Lee Metcalf in November 1955, Robinson explained the changes in taxpayer assistance to be implemented during the 1956 filing period. Rather than offering to prepare returns for any taxpayer who walked through the door requesting such assistance, the new policy of the IRS would be to provide taxpayer assistance "designed to make available by every reasonable method the information necessary to enable the taxpayers to prepare their own returns."

Robinson explained that IRS studies had dramatically shown that if the revenue agents diverted to prepare tax returns in previous years could have focused on their primary duties of auditing and collecting unpaid taxes, an estimated \$22 million in additional taxes could

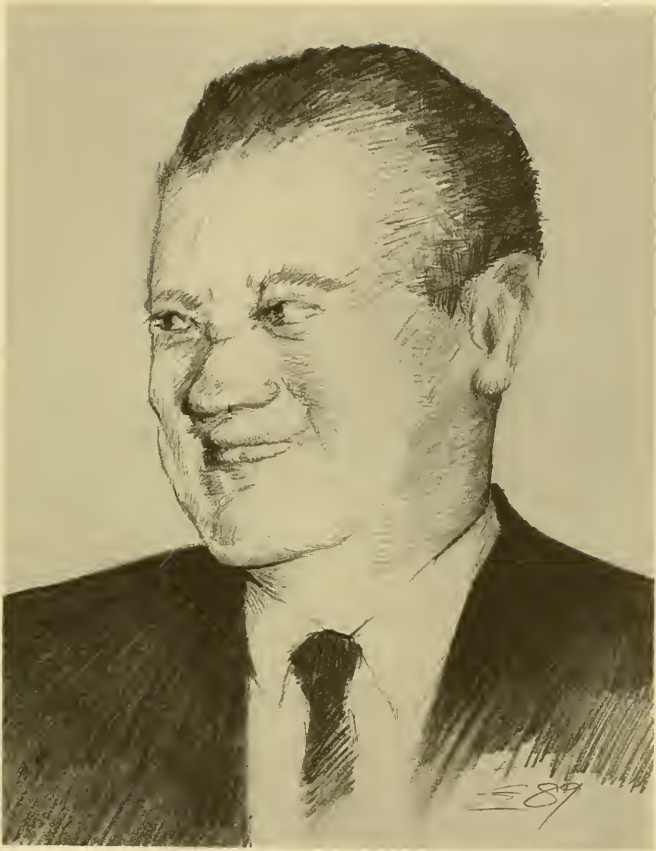


have been collected.

He pointed out a study showing that in 1955 the San Francisco Region (to which the Helena District was assigned) spent over 373,000 staff hours assisting taxpayers at a cost of over \$800,000. Robinson quoted the study as demonstrating that "there is an alarming lack of effort by taxpayers who seek assistance. Many failed to even read the instructions or make an attempt to prepare their returns." He also explained that many of the taxpayers surveyed indicated that they had received assistance in previous years and intended to keep returning to the IRS for help.

Reflecting a sense of being taken advantage of, the IRS announced that instead of continuing this policy, each district would designate certain days as "Taxpayer Assistance Days". IRS representatives would be available only on these days to assist taxpayers with questions. Robinson announced that Monday would be "Taxpayer Assistance Day" in Montana.

On January 4, 1957, Robinson announced plans to retire on February 1, after 40 years of service with the IRS. An elaborate retirement dinner was held at the Elks Club on February 1 with over 300 guests. Robinson received the Treasury Department's prestigious Albert Gallatin Award. In return, Robinson presented the District with a framed collection of photographs of his predecessors in the position of Collector and District Director. Robinson noted that it had taken three years of research for him to complete this project.



*Frank J. Healey*

FEBRUARY 1957—AUGUST 1965



Upon Robinson's retirement, Frank Healey, the Assistant District Director, was elevated to the Director's position. Prior to coming to the Helena District, Healey had worked for the Bureau of Internal Revenue as a Deputy Collector on the west coast and rose to the level of Chief Field Deputy in the Tacoma, Washington Collector's Office.

Information relating to Healey's time as District Director in Helena is difficult to find. He had a reputation of remaining somewhat distant from the activities and people of the district during his tenure. Healey retired from the IRS in 1965.



*Nelson L. Seeley*

AUGUST 16, 1965-DECEMBER 31, 1974





Nelson Seeley was born in Chalk Butte, South Dakota in 1921 but moved to Montana with his family at the age of two. Raised in the small town of Baker, Seeley graduated from high school and moved to Chicago just before the outbreak of World War II. He served on Iwo Jima and Saipan with the Army Air Forces during the war and went on to graduate from Loyola University in 1948. He received a law degree from De Paul University in 1955.

Although he began his career working as a CPA for the Federal Reserve Bank in Chicago, Seeley joined the IRS as a special agent in 1948. Seeley was appointed Chief of Intelligence in the Helena District 1958 and served in this position until 1962.

At that point, Seeley was selected for the IRS Executive Selection and Development Program, a program designed in the wake of the 1952 reorganization to select and train an executive cadre for the IRS. Seeley graduated in 1962 and was sent to Los Angeles as an Assistant to the Director. In September 1963, he was assigned as Assistant Director of the Phoenix District. In 1965, he returned to Montana as Director. Harold Hawkins, the San Francisco Regional Commissioner, swore Seeley in on August 16, 1965.

It was during Seeley's tenure as District Director that the Helena District underwent a dramatic transformation in its work. Until the 1960s, all IRS district offices served as processing centers for the tax returns filed within their boundaries. The advent of the computer age meant

that the IRS could experiment with new and faster ways of processing the millions of tax returns filed each year.

In the late 1950s the IRS began to look into ways to consolidate tax return filing using centralized computer systems. A large computer center was built in West Virginia to house what would become known as the "master file"—a file with records on all returns filed throughout the United States. A series of "service centers" would be established around the country to receive and process the returns.

This meant that the tax processing work traditionally performed by local district offices would no longer be necessary. The corollary was that the large number of employees required to perform the manual tasks of opening mail, coding tax returns, checking for errors, and final processing, would no longer be necessary. Thus, the 1960s were years of a massive redeployment of IRS workers around the country as many employees were shifted from local district offices to the new service centers. Expanded roles in collection, auditing, and taxpayer service were created for the district offices.

The transition to this new advanced era of tax processing began in Montana in 1966. That year, taxpayers remained basically unaware of the dramatic changes underway at the tax agency. They continued to mail their tax returns directly to the Helena District Office, but once received, the employees of the District worked frantically to open the envelopes, extract any checks or cash enclosed





with the returns for immediate deposit, and then rush the returns to the new Western Service Center in Ogden, Utah where the information from the return would be key-punched into new computers.

The following year Montana taxpayers could send their 1040s and other tax forms directly to Ogden, Utah, eliminating the double handling of returns. For a few transitional years, taxpayers were given a choice of filing in their home district, if they included their tax payment, or with the new service center, if they expected a refund.

The phase-in of processing with the service center meant that about one-fourth of the office staff in the Helena District would become surplus. This meant phasing out about 24 jobs, a task to be completed by 1967. About 70 employees would remain in Helena.

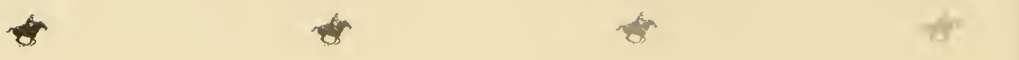
Seeley was responsible for “selling” this new arrangement to local business leaders as well as working with other federal offices to find displaced employees new jobs. Seeley made it a point to discuss options with each individual employee eligible for transfer or retirement. His success is demonstrated by the fact that he was elected President of the Helena Chamber of Commerce in 1968.

Several personnel accomplishments occurred with Seeley at the helm. The first female revenue agents joined the Helena District in 1971 with the addition of Deanna Peterson and Jeannie Sabo from Billings; the Chief of the Audit Division, Charles E. Roddy, was

selected to participate in the Executive Selection and Development Program in 1970; and Guy M. Hanson was selected for the first Montana IRS scholarship position in 1973—a nationwide program providing accounting majors with tuition assistance in exchange for working with the IRS.

Seeley himself garnered numerous awards and accolades while serving as Director. In 1967, local radio station KCAP selected him as “Man of the Year.” Two years later, he was honored as the Federal Employee of the Year in Helena. In 1973, Seeley was the Helena Legal Secretaries’ Boss of the Year and the following year he was selected by the Jaycees as the Boss of the Year.

In summarizing his successful tenure as District Director, Seeley recalled, “We had some very capable people. That’s why the District worked so well. We didn’t have any of those fancy names—we just worked together.” Seeley retired on December 31, 1974 after 26 years of federal service.





*Frederick C. Nielsen*

MARCH 1975–AUGUST 1981



Born in Coulee Dam, Washington, Frederick Nielsen began his IRS career in 1961 as a revenue agent for the Los Angeles District after graduating from San Jose State University that same year with a degree in accounting and business administration. The following year, Nielsen accepted a position as a special agent with the IRS.

In 1969, Nielsen moved to the Greensboro District to become Assistant Division Chief for Criminal Investigation. He remained in this position until 1979 when he moved to the Birmingham District as Chief of the Criminal Investigation Division. Nielsen graduated from the Executive Development Program in 1973.

His first assignment as an IRS executive was as the Assistant District Director of the Denver District. He moved to the Helena District as Director in March 1975. Tax clinics for small businesses in Montana began under Nielsen's direction in 1975. Clinics were held in 13 cities to familiarize the business community with filing and record keeping requirements. This outreach program was the result of a joint effort between the IRS, the Montana Departments of Revenue and Labor, the Small Business Administration, and local Chambers of Commerce.

In another area of outreach, the Helena District initiated its own Volunteer Income Tax Assistance (VITA) program in the 1970s. By 1977, nine VITA centers in the state assisted over 1,500 taxpayers. A year later, 15 VITA centers were in operation. Another event was the arrival of

the first female special agent in the Helena District in 1979. Helen Tucci Nielsen gained this distinction.

It was during Nielsen's tenure that the IRS moved into the new federal building in Helena, occupying space on the second and third floors in July 1979. The Billings Office also moved to new quarters during this period, locating on the third floor of the Security Federal Savings and Loan Building just after the close of the 1978 filing season.

Nielsen characterized his years in the Helena District as a pleasant experience. When compared with his later assignment as Director of the sprawling Los Angeles District Nielsen explained, "You can work towards more humanistic management principles in a place like Montana. Los Angeles is one brush fire after another. Helena was just a nice job," he said.

Another major event while Nielsen was Director was the "streamlining" of small IRS districts. In this program, small district offices lost some personnel positions as support functions such as resources management, budget, and facilities were consolidated with similar functions in larger offices. In the Helena District, these support functions would now be provided by the Ogden Service Center.

Upon his departure from Montana in 1981, Nielsen became Director of the Greensboro, North Carolina District. In 1986, he moved to Los Angeles, where he began his IRS career 25 years earlier, as District Director. Nielsen retired from the IRS on June 3, 1989.



*Richard S. Wintrode*

AUGUST 1981–NOVEMBER 1983



Richard Wintrode was a native of Huntington, Indiana and received an accounting degree from the Detroit Institute of Technology. He began his IRS career in 1956 as a revenue agent in Detroit and worked in this capacity for 15 years. Wintrode went on to work in the Audit Division of the National Office of the IRS in Washington, D.C., beginning in 1972.

With the creation of a new organization to oversee employee plans and exempt organizations in the IRS, Wintrode became head of field operations for the Employee Plans Division in 1974. In 1980, Wintrode became Assistant Director of the Employee Plans Division. In October of that year, he entered the Executive Development Program as an incumbent and graduated in 1981.

Wintrode's first assignment out of the Executive Development program was as Director of the Helena District. He recalled that he was pleased with the assignment because it brought him back into district IRS operations which he had left in 1972 when he moved to Washington, D.C. He served just over two years as District Director.

Wintrode enjoyed his years with the Helena District as the organization settled into its new role as a streamlined district. His tenure as Director was relatively calm, with no major organizational, personnel, or tax administration changes or challenges during this period. Wintrode did succeed in reestablishing the Chief of Collection and Taxpayer Service positions for the Helena District by adding a third field col-

lection group in Missoula. Under streamlining, a district could not have a "chief" position unless there were at least three field groups in the district.

When he left the Director's position, Charles G. Hoyle served as Acting Director from November 1983 through January 1984. Hoyle had previously been Assistant District Director of the New Orleans District. Wintrode moved on to a position as Assistant Regional Commissioner, Examination for the Western Region in San Francisco from 1983 to 1987. This was followed by service as District Director in Chicago from 1987 until 1992 when he retired from the IRS in November of that year.



*John C. Wendorff*

FEBRUARY 1984—OCTOBER 1987





John Wendorff was born in Hannibal, Missouri but lived in Barry, Illinois as a young child. He soon moved to Jacksonville, Illinois where he graduated from high school and college. Wendorff is a graduate of Illinois College with a degree in business administration.

He was selected to participate in the 1981 Executive Selection and Development Program as an "outside the IRS" candidate, coming from his position as Deputy Director of the Audit and Collection Bureau of the Illinois Department of Revenue.

His first assignment was as Assistant District Director in Springfield, Illinois. He then became Assistant District Director in St. Paul, Minnesota, and arrived as the Helena District Director in 1984.

During his tenure, the Helena District was transferred from the Western Region in San Francisco to the Midwest Region, based in Chicago. This was part of a larger realignment of IRS districts among the seven regional offices throughout the country. The transfer required that employees of the Helena District develop new working relationships with the Central Region.

Wendorff explained that this made the transfer somewhat difficult for the employees of the Helena District, many of whom had close working ties and familiar relationships with the San Francisco Regional Office employees. But, he said, "As with any change, the adjustment to the new arrangement just took some time."

As part of this realignment, the administrative support function for

the Helena District moved from the Ogden Service Center, where it had been placed when the District was streamlined, to the St. Paul District. This change was accomplished smoothly partially because Wendorff had most recently served as Assistant Director of the St. Paul District and was familiar with many of the individuals working in the administrative area in that office.

It was also during this period that the Helena District acquired its first computers for use in day-to-day operations and hired its first computer specialists.

Wendorff left Montana after three and one-half years to become Director of the New Orleans District. John Monaco served as Acting Director from December 1987 until the arrival the new Director in January 1988.



*Arnold D. Wiley*

JANUARY 12, 1988–JANUARY 28, 1994



Arnold Wiley was born in Stockdale, Texas and graduated from Columbia Christian College and St. Edwards University in Austin, Texas with a degree in management. He also received a Master's Degree in Public Administration from Syracuse University. From 1965 to 1973, Wiley worked as a revenue officer out of the Austin District. In 1973, he was promoted to a group manager position in San Antonio, followed by serving as Chief of the Office Branch in the Greensboro, North Carolina District.

From there, Wiley moved to Little Rock where he was the Chief of the Field Branch from 1975 to 1977. This was followed by a year in Houston as the Chief of the Office Branch and two years in the Collection Division in Pittsburgh. Next, Wiley spent four years, from 1981 to 1985, as Chief of the Collection Division in Newark, New Jersey after which he was selected for the IRS Executive Selection and Development Program. After graduation Wiley became Assistant to the District Director in Manhattan from 1985 to 1986 and Assistant District Director in Indianapolis from March 1986 to December 1987 after which he became District Director in Montana.

Wiley was sworn in as Director by the Honorable Charles C. Lovell in Courtroom 551 of the Helena Federal Building. After being sworn in, Wiley addressed the guests by stating, "I am mindful of the mission of the Service and my responsibilities to encourage and assist the citizens of Montana to voluntarily comply with

the tax laws—and—to ensure that their tax burden is a fair one."

In 1988 the quality improvement movement arrived in the Helena District. Quality Improvement Teams were established to explore several specific areas, including the Special Procedures Function, the Zilog computer system, and the District security system. By 1990, the Helena District Joint Quality Council received a Joint National Quality Council Award. The Helena District's Quality Council was one of only five such councils honored nationwide this year.

Towards the end of 1988, the Helena District completed a new taxpayer assistance area in the Federal Building. This new area allowed the District to assist taxpayers every day of the week. In addition to this service at the Helena Office, the Billings, Great Falls, Missoula, Kalispell, and Bozeman Offices offered taxpayer assistance each day of the week.

In 1989 the Helena District offered electronic filing as an option to Montana taxpayers who expected to receive a refund with their federal taxes. The electronic filing program continued the next year, with free filing offered to IRS employees, Department of Revenue employees from the state of Montana, and soldiers involved in Operation Desert Storm.

Recognizing the community spirit of the employees of the Helena District, Governor Stan Stephens declared the week of February 5, 1990 as "Montana IRS-Sponsored Volunteer Week." Special honor



went to IRS employees who offered free federal and state tax assistance. In a ceremony held in the Governor's Reception Room, Lieutenant-Governor Allen Kolstad presented the proclamation to Director Wiley.

Also in 1990 the Criminal Investigation function of the Helena District was streamlined with the Division Chief now located out of the Omaha District. This individual would serve as the Chief for Criminal Investigation functions in Montana, South Dakota, and Nebraska.

In mid-1992 the Helena District took a leap into the future when it received video conferencing communications equipment. As the only district in the Midwest Region to be equipped with this new technology as part of a pilot program, Helena would now be able to link its employees in Billings, Great Falls, Missoula, and Helena without having to leave their home offices.

In 1992, under Wiley's direction and in concert with National Treasury Employees Union Local Chapter 42, the Helena District embarked on a journey to reinvent itself. In a unique approach, managers, employees, and NTEU officials worked together to re-engineer work processes and redesign the organizational structure of the District.

They sought to improve voluntary compliance, reduce taxpayer burden, and improve quality-driven productivity and customer satisfaction while reducing operating costs and reducing layers of management within the organization. In 1993, the Helena District began testing many of the management and operational

concepts the Internal Revenue Service envisioned would move it into the next century.

The major goals included implementing a streamlined management structure; empowering employees; providing one-stop service for taxpayers; and implementing a multi-functional approach to enforcement. The Helena District has been on the frontier of management change with its own employees developing a new employee evaluation and organizational measurement process.

During 1993, with the publication of Vice President Gore's National Performance Review report which followed a lengthy evaluation of how to reinvent the federal government, the Helena District was selected to be a Treasury Reinventing Government Laboratory. In this capacity, the District would serve as a testing ground for the multitude of initiatives put forward by the Treasury Reinventing Government team to make the tax administration system more responsive and effective. Helena was also selected by the IRS National Office to prototype a variation of the District Office Study recommendations regarding blended compliance operations.

There is no question that the future of the Helena District will be as exciting as its past.





# *Appendix 1: Organizational History of the Helena District*



President Lincoln signed the bill establishing the Montana Territory on May 26, 1864.



The Montana Collection District originated on July 15, 1864 by proclamation of President Lincoln.



On August 20, 1883, the Districts of Utah and Idaho were consolidated with the Montana District.



On August 1, 1884, the Utah District was detached from the Montana District.



On July 1, 1887, Utah again joined the Montana District.



President Harrison signed the bill establishing the new state of Montana on November 8, 1889.



On October 1, 1919, the Districts of Utah and Idaho were separated from Montana and became independent districts. The Montana District became an independent district again.



On July 1, 1953, the Montana Collection District was redesignated the Internal Revenue District of Helena.





# *Appendix 2: Total Revenue Collections*

## HELENA DISTRICT AND MONTANA COLLECTION OFFICE

<i>Year</i>	<i>Total Collections</i>		
1865	\$ 36,022.93	1895	\$ 175,432.53
1866	113,280.00	1896	194,447.94
1867	77,431.14	1897	226,221.25
1868	108,284.36	1898	257,081.18
1869	64,336.33	1899	681,097.21
1870	103,555.55	1900	718,365.33
1871	82,104.98	1901	755,673.70
1872	28,955.04	1902	792,657.23
1873	24,018.11	1903	436,378.93
1874	29,027.76	1904	442,019.78
1875	23,666.10	1905	486,970.40
1876	20,982.80	1906	552,524.42
1877	20,729.58	1907	616,074.76
1878	27,103.88	1908	644,864.66
1879	30,084.53	1909	675,629.84
1880	33,714.17	1910	813,385.05
1881	44,881.67	1911	816,860.41
1882	68,001.31	1912	746,179.50
1883	75,542.81	1913	861,958.74
1884	6,986.55	1914	1,115,446.51
1884	118,383.13 <sup>1</sup>	1915	1,537,634.24
1885	8,272.09 <sup>2</sup>	1916	2,233,339.47
1885	82,293.11 <sup>2</sup>	1917	4,036,409.02
1886	90,840.37	1918	16,478,978.25
1887	101,158.38	1919	19,282,202.16
1888	145,835.38 <sup>3</sup>	1920	6,770,257.06 <sup>4</sup>
1889	162,642.81	1921	5,446,565.52
1890	179,464.22	1922	3,432,162.06
1891	152,605.48	1923	3,280,297.68
1892	195,751.86	1924	2,958,039.08
1893	196,249.86	1925	2,449,568.15
1894	150,257.41	1926	9,100,561.41 <sup>5</sup>





1927	\$ 4,331,630.75	1971	\$ 290,754,000.00
1928	2,978,439.40	1972	316,082,000.00
1929	4,427,782.50	1973	366,459,000.00
1930	2,610,739.32	1974	445,823,000.00
1931	1,792,532.17	1975	514,893,000.00
1932	870,601.55	1976	517,858,000.00
1933	1,142,328.06	1977	638,703,000.00
1934	2,295,465.71	1978	708,673,000.00
1935	6,165,173.65	1979	828,363,000.00
1936	4,449,831.79	1980	1,065,294,000.00
1937	5,222,314.71	1981	934,038,000.00
1938	6,000,459.32	1982	1,227,943,000.00
1939	5,922,295.11	1983	1,140,291,000.00
1940	6,829,074.96	1984	1,138,328,000.00
1941	9,535,501.95	1985	1,203,999,000.00
1942	17,332,333.44	1986	1,182,949,000.00
1943	40,414,409.81	1987	1,536,786,000.00
1944	56,834,470.47	1988	1,582,305,000.00
1945	61,653,136.69	1989	1,615,343,000.00
1946	59,328,960.24	1990	1,703,283,000.00
1947	68,532,698.34	1991	1,773,449,000.00
1948	85,184,256.65	1992	1,905,814,000.00
1949	78,913,772.92		
1950	74,864,365.34		
1951	91,691,016.00		
1952	116,003,770.00		
1953	122,724,817.00		
1954	117,374,000.00		
1955	119,955,000.00		
1956	128,991,000.00		
1957	136,374,000.00		
1958	138,940,000.00		
1959	144,973,000.00		
1960	154,128,000.00		
1961	157,249,000.00		
1962	162,892,000.00		
1963	174,675,000.00		
1964	187,267,000.00		
1965	180,188,000.00		
1966	188,753,000.00		
1967	210,293,000.00		
1968	244,276,000.00		
1969	273,162,000.00		
1970	287,396,000.00		

1. August 20, 1883—The Montana, Idaho, and Utah territories were consolidated into the Montana Collection District. Amounts are based on fiscal years which ran from July 1—June 30.

2. August 1, 1884—Utah was separated from the Montana Collection District, leaving Montana and Idaho. Amounts are based on fiscal years which ran from July 1—June 30.

3. July 1, 1887—Utah was once again consolidated with the Montana Collection District.

4. October 1, 1919—Utah and Idaho were separated from the Montana District. The Montana District became an independent district covering only the state of Montana.

5. Includes over \$6,000,000 in estate taxes collected this year.



## Appendix 3: The Langford Letter



*Nathaniel Pitt Langford was Montana's first federal tax collector. In this letter, written mid-way through his tenure as Collector, Langford describes his working conditions to a superior in the Washington, D.C. headquarters of the Bureau of Internal Revenue. While he makes no specific request for assistance or additional money, Langford appears to be driven by the need to make the far removed bureaucrats in the nation's capital understand the immense difficulties under which he labored in the Montana Territory. The result is a fascinating portrayal of life on the mining frontier as well as of early tax collection efforts. The letter appears just as Langford wrote it, including his original punctuation and spelling.*

*Virginia City, Mont.  
May 20th 1866*

J.W. Taylor, Esq.

Dear Sir:

I have often been minded to write to you, giving you some idea of what I have been doing in Montana:—the difficulties I have had to contend with, and annoyances to bear with, in organizing this collection District:—and while I do not claim any undue credit for what I have accomplished,—for I have done no more than faithfully discharged my official duties,—I nevertheless feel a pride in the fact, that a greater success has been attained, than the most sanguine could have anticipated:—and I am convinced that few men would have undertaken what I have, in such a community as this—and I am equally well satisfied that I owe much of my success in enforcing the revenue law, to my previous acquaintance with men and manners in Montana, as well as the knowledge, by those with whom I came in contact, that their threats of personal violence would not prevent me from doing my duty.

The curse of new Territories, is the inefficiency of officials. Positions are sought by, and given to men,



whose only purpose in obtaining them, is to use them as stepping stones for higher positions:—and with this ulterior object in view, official duty is neglected. The desire to court popular favor is almost the absorbing one in officials, and however honest or conscientious a man may be in the discharge of his duty, the man does not live who can impartially discharge that duty, and not be influenced or swayed by the popular feeling concerning it, if he is in the least degree dependent upon the people for the preferment to which he is looking forward.

Especially does this fact apply to two classes of officers:—the judicial, and the financial. The same sound maxims of political economy, while recognizing the necessity of official purity, fill the supreme Judgeships by appointment, instead of by election, forbid that any man, while wearing the judicial ermine, should aspire to any position in the gift of the people.

Hardly less important is it that those upon whom the financial affairs of a nation rest, should be equally free from the prejudices, the hopes, the aspirations, or the fears of the politician:—for the man whose primary object in taking an office is to “go up higher”, cannot fail to lean to the popular side of a question of difficult solution:—a leaning that may most seriously affect the Revenue returns,—and with the experience of a year and a half, I unhesitatingly say that if the officers of Revenue are what are known as “politicians” or even if they are looking forward with but the vague hope of nearly all officials,

of having something better, they will assess and collect ten (10) per cent, less than officers who are free from these influences.

Considerations such as these determined me to give up all thought of anything else, and devote myself solely to the duties of my office, ignoring all political prospects, so far as they related to myself, although they were flattering:—probably more so than those of any union man in Montana:—for reasons connected solely with law and order:—to maintain which I ran many risks of life. The “History of the Vigilantes” details these facts fully and I need not further refer to them.

When I first entered upon the duties of my office, I had neither blanks nor a copy of the Rev. Law:—the only book of service to me being Boutwells Manual.

The Assessor had a copy of the law, but lived 65 miles away. My knowledge of the law, therefore, was confined to what I remembered of it, after having read it one day in Washington. After the lapse of six weeks I borrowed a copy of the law from a “pilgrim”. Then I had no blanks. Twenty (20) blank licenses were received from the Department and these were all. I borrowed four hundred of the Collector in Utah:—but with economy in their use issuing but one blank for several occupations, these were not sufficient, and I was forced to get blanks printed here or suspend Collections.

Upon receiving my first list, I gave notice in our city paper of the time when the duties would be due:—and posted about two hundred notices in



this county. Within two or three days after posting these notices some twelve or fifteen men came into my office to talk with me about the collection revenue. They generally went over about the same ground—said they were “loyal and believed in paying their taxes” but there were many who didn’t believe in it, and wouldn’t pay. They wanted to know what would be done with delinquents:—if I’d try to enforce the law:—if I thought I could do it without the aid of a Regiment of soldiers and other such questions. I told them that I should enforce the law, after giving full notice to all persons, and that I didn’t think that I’d need any military force, but if I did I’d get it. They advised me not to “press the matter” on the start, for fear of trouble. They came they said, “to advise with me as friends”. These men did not all come together, but in parties two or three at a time, and at first I thought nothing of it”—but the questions asked by different parties were so similar, my suspicions were aroused, and I plainly saw that it was a preconcerted plan. Sometimes a man was more violent than the others, and would say that he owed no allegiance to any government, but that of Jeff Davis, and that I need not expect to collect a tax from him, for he wouldn’t pay it.

Well, the advertised time passed, and there were over 100 delinquents. I immediately gave each one a personal notice, (as I had no department blanks for that purpose) that I’d seize and distrain within 10 days, if the duties were not paid. This brought in about fifty more, and at the expira-

tion of ten days, I issued warrants for the remainder and seized property. But many of the warrants were returned unsatisfied, although I knew the parties had money.

I then gave public notice that every delinquent would be indicted at the next term of the court (U.S.). This produced no effect, but loud talking and threats, and some of my friends advised me, for fear of trouble, to let the Collection of duties pass by “for this time.”

I told them all, that all who violated the law inadvertently would be favored more than the law required me to favor them, but that wilful offenders should be punished:—that I was sent here to Collect U.S. Taxes, and I’d do it or resign.

As the time for the sitting of the Court drew near, I had some stormy times in my office:—and to tell the truth, I was not without anxiety, at times concerning the results. I was in a Territory more disloyal as a whole, than Tennessee or Kentucky ever were. Four-fifths of our citizens were *openly declared* Secessionists. Virginia City, was first called *Varina*, in honor of Mrs. Jeff Davis. Then we had Jeff Davis Gulch, and Confederate Gulch.

At Bannack, I had seen a Secesh flag flying, and men standing near by with revolvers, daring any bystander to say that he didn’t like to see that flag, or that he didn’t support Jeff Davis. Only two months before these assessments were made, our Delegate in Congress McLane, discussed the issues of the campaign, under a *white* flag, on which was embroidered an olive branch.





In our local matters, we were completely under the rebel rules:—the rule of what if familiarly known here as “the *left wing* of Prices Army”:—that is the wing that left his army. So you see that I had not the support of one-fourth of our people, and threats of violence were the rule, and not the exception.

I often thought of your counsel while I was east:—that it was not expected by the Department that I would place myself in jeopardy in the discharge of my duties. But I determined that I would at once settle the question whether I should yield to them, or they to the law:—and at the session of the Court, I had every delinquent indicted:—60 or 70 in all. This really astonished them, and they concluded that Montana was in the United States, instead of Secessia.

I deemed it to be a matter of the most imperative necessity, that an example should be made of these wilful offenders, and they ate supremacy of the law should be maintained; and having shown them that I would enforce the law, I asked the Judge to fine them but five cents and costs. This satisfied them that I did not care for the moiety of fines, (which I might have had put at \$100,000 each), but only that the law should be observed.

Two only were abusive:—and after bearing all I could from them, I stepped in front of my counter, and told them not to speak another word in my office, or I’d thrash them as they had never been thrashed before. This quieted them, and they soon left.

“Let no man despise thee”, is the advise of St. Paul to Titus, and the

time may come, when forbearance ceases to be even a Christian virtue. The rebels may hate me, but they shall not despise me. I will have their respect, even if I have to flog it out of them.

In April 1865, occurred the flour riots. The miners of Nevada City to the number of several hundred, came up to Virginia City, and for two days had every thing their own way. They took all the flour in the City, and distributed it among themselves, paying the prices ruling before the scarcity. The mob was well organized and swept everything before it. They expected to have found a large quantity of flour secreted, but there was none to find:—and in their disappointment, they threatened to “confiscate” what money they could find in the Banks and Collectors office:—but hearing of this, I cashed my collections.

About a week after the riots, I caught a man tearing down one of my official posters, and arrested him and brought him into Court, and he was fined for hindering a Revenue Officer.

He turned out to be a Captain of 100 of the rioters:—very brave at their head, and believing himself to be equally brave when alone by himself, but he was terribly frightened on being brought into court.

But not more annoyances occurred till the first of May 1865. During the month of April many “stampedes” had taken place, and rumors of thriving towns coming into existence, reached us from all directions. These “stampedes” are to an inexperienced man, singular

affairs. A few prospectors discover a rich Gulch, and after securing claims for themselves and their friends, they give the alarm, and within an hour, perhaps five hundred miners "stampede" to the new Gulch, and a thousand more are on the ground in a few days. The Gulch is perhaps rich enough to furnish employment to 2000 miners, and, of course, merchants flock in and build a town.

Hewed timber houses are erected, and within three weeks, a dozen merchants of Virginia City may have moved their entire stock of good to the "new diggings"; where each one sells more goods in a day, than he did here in a week. But before the merchants get moved, some enterprising man,—a miner, perhaps,—seeing an opportunity to make money, hired 10 or 12 cayuse horses or mules, and packing upon their backs about 300 lbs. of the staple

articles of a mining camp starts for the new diggings, and pitching a tent, opens a wholesale and retail liquor store, making an enormous profit on his investment. There are hundreds of these transient dealers in every new mining camp:—men who a month previous had never sold a dollars worth of goods, an who will not again engage in the business till they can treble their money in a month, when another "stampede" takes place.

The collection of a license duty from these transient traders has been no easy task, and my deputies have been obliged to employ assistants in nearly all the mining camps. In order to remove every cause for complaint among the city merchants, of whom taxes could be easily collected, I found it necessary to attend closely to the collections from these temporary dealers, and from

*Bannack, Montana Territory in the 1860s*





others who sold goods from wagons, even if the expenses of collection exceeded the provisions therefor:—trusting to the liberality of the Department for re-imbusement. In the adjustment of my accounts, the Hon. Commissioner of Internal Revenue, has allowed me for these expenses, doubtless appreciating as fully as I do the necessity of so doing, in order to bring about a harmonious working of the system in this District.

The amendment of March 3, 1865, imposing a license duty of Ten Dollars on Miners, went into effect the first day of May, and the miners were notified to comply with this provision of the law. Miners are the most independent class of people in the world:—extremely jealous of the privileges they have always enjoyed—and they looked upon this requirement of the law as an aggres-

sion upon their privileges.

I was told that the miners in the lower part of the gulch would refuse to take license. I posted notices in the gulch setting forth the requirements of the law, and a few days thereafter, five gentlemen came into my office, and told me that they were a committee appointed to inform me that the miners did not believe it was right to be required to take licenses, and that it would lead to bloodshed if I persisted.

I told them that it was useless to talk of resistance:—that the law must be enforced and that I would enforce it. They urged me to consider it well, before acting & c. Our conversation occupied about an hour during which not an angry or excitable word was spoken on either side. They were gentlemen:—Secesh of course:—and I really feared the result of the advice of







these men, more than the threats of a hundred loud talkers. It was just a few days after we had received the intelligence of Lee's surrender:—and as the Committee rose to go, one of them said "I am in favor of paying these duties, but was put on the committee and had to act". I replied that I supposed that he was forced into it by his neighbors, as Gen. Lee was into the rebellion. He said "I suppose so". I responded, "I don't think you can hope for greater success in resisting the law, than Gen'l Lee attained". The conference ended here, and they went their way;—and the miners came up and took licenses a few days after.

I was also notified that a miners meeting had been held at German Gulch at which it was resolved that no taxes should be collected from miners. At the next term of the U.S. Court, in the second judicial district, I went over and had a large number indicted. They made many threats especially against Mr. Cross, the Asst. Assessor, and myself, and they so thoroughly frightened Mr. Cross, that he resigned. One of the delinquents was so abusive that the U.S. Marshall handcuffed him, and sent him over to Madison Co., Jail, 75 miles. For want of newspapers, I had posted several hundred notices in the mining gulches, setting forth the requirements of the law:—but these notices were for the most part torn down or defaced, yet I couldn't find out who did it, such was the disposition, to screen each other, and oppose the law. At "Last Chance" gulch, a large number were indicted.

In Confederate Gulch, the Revenue officers were threatened with personal violence if they came there:—and the U.S. Marshal (Pinney) who was there at the time, advised me not to go there alone, on account of those threats:—but I'd have gone, and ben glad to have done so, if I'd had the time to spare, but it was 165 miles from my office, and I could not well go over:—so I notified them that if they didn't come to Helena, and get their licenses of my deputy, (Helena being in the same Division) I'd have them all indicted. They "saw the point", and came over.

But these criminal prosecutions are about ended now. Nearly 600 Distress warrants have been issued against the property of delinquents, and about 400 indictments found against those whose property could not be found.

Hon. R.W. Taylor, Comptroller, advised me that it was not the design of the law to have criminal prosecutions instituted for duties. I wrote him that it had been necessary to pursue this course in order to compel a respect for the law. Many persons advised open resistance, but in most cases they had themselves previously procured their licenses.

The District of Montana is one of the largest in the United States:—that portion of it containing settlements, and over which I have repeatedly traveled, and which my Deputies occupy, being as large as the State of New York. The circuit of the mining camps at the present time, is about 1400 miles, of which about 300 may be traveled by



coach, the balance 1100 miles on horseback, and this distance cannot be travelled over, at best, in less time than 15 days, for a constant ride, day after day, of 75 miles each day, is all a man can bear. To organize this vast District, was no easy task, and I ran the risk of losing my scalp on two different occasions. One of my first Deputy, Frank Angevine, formerly in the Collectors Office in Colorado, was killed at Ophir by the Blood Indians. His death necessitated a journey by me to his Division, which I did not especially desire to take in view of the continued hostility of the Bloods. Mr. Angevine had made no collections, as he was just entering upon his duties, yet he would have made a most efficient officer. I lost \$40 Revenue Stamps that I had given him.

It has been necessary that I should have thorough, and brave men as Deputies:—men who can take care of themselves if trouble arises.

In the States a Collector advertises that he will be at A—on Monday, at B—, on Tuesday, and so on. Now suppose that I were to adopt this course here:—that I were to notify the public that I'd be at Blackfoot on the 10th and at Hell Gate, on the 12th of May, to receive taxes. Such an advertisement would be a notice to all the "Road Agents" (highwaymen) in the country that a man with some money would be travelling the road from Blackfoot to Hell Gate on May 11th, and it is not probably that the Collector would ever get to Hell Gate. Deputy Collectors cannot be found, who

will take such risks. Neither is it practicable here, to pursue the old round about system of making returns, adopted in the States. There Assistant Assessors make their returns to the Assessor,—the Assessor to the Collector—and the Collector to his Deputies in the various Divisions. To do this here would involve a delay of from four to eight weeks:—for that time would elapse after the assessments, before Deputy Collectors would receive the lists, and in the mean time, many of the assessed persons would have "stampeded".

In Montana, each assistant Assessor delivers to the Deputy Collector of that Division daily, a list of assessments, and the Deputy makes immediate demand, I think the same plan might be advantageously pursued in the States also. My experience is, that a large share of taxpayers, are as ready to pay when first assessed, as a month later:—and a courteous suggestion that a Deputy Collector was ready to receive the tax at the time of assessment, would ensure the payment of a large portion of the tax at least a month before an imperative demand could be legally made.

I have felt anxious, at times, concerning the safety of money in the hands of my Deputies, of that was being transmitted to me, or in my own possession. My safe is but a small one, but is the best one I can get in Montana, without purchasing one:—and as I have not the fullest confidence in its burglar-proof qualities, I sleep near it, and the office is very rarely left alone. Up to this



time no Depository has been created for Montana, and some difficulty has been experienced in sending my Collections to a Depository in the States. Early in the Spring parties could be found, by whom money could safely be sent:—but after the robbery of the Coach on the Salt Lake road, last June, in the Port Neeef Canon, of \$60,000, and the murder of the passengers who carried it, it has been difficult to find persons willing to take the risk for any pay. In the States you have some guaranty of protection while traveling;—but not so here. This coach was driven into the ambush, by the regular driver, who was suspected a few months later, was arrested, confessed his crime, and was hanged by the Vigilantes. He said there were thirteen of the robbers.

In order to secure the services of competent Deputies, I have been forced to pay them well, and trust to the liberality of the Department for reimbursement. The Hon. Secretary of the Treasury, while Comptroller of the Currency, issued a pamphlet containing suggestions of great value to the managers of National Banks:—and I find among them the sound advice: “Pay your officers such salaries as will enable them to live comfortably and respectably, without stealing”. The necessity of having faithful Deputies, and of paying them as well as other men are paid, is doubtless as apparent to the Hon. Commissioner of Internal Revenue as to myself; and as the result of his liberal recommendations for allowances to defray necessary

expenses the Treasury of the U.S. has received at least \$30,000; more than it otherwise would have done.

My District is now thoroughly organized, and it is not without a feeling of satisfaction that I look upon the result of what has been the severest labor of my life. At times, I have been almost discouraged, as it seemed as if everything was working against me, and but for a determination to do thoroughly what I set about doing, I'd have given up my position a long time ago. I can get the same salary (\$4,000) in occupations carrying with them no such responsibilities as those which attach to my office; but I have the vanity to believe that I can collect 10 percent more revenue in Montana than any one else can. I have collected, under all my difficulties, 96 percent, of the assessments. The remaining 4 percent, for peculiar reasons existing here,—as they do not in the States,—is not collectible. Thus:—a laboring man has earned \$6.00 per day for 300 days; total \$1,800. His family have expended every cent of it, and he has not a dollar in the world; for a laboring man earning six dollars per day here is not better off than he who earns \$1.25 per day, in the States. This man makes an honest return of an income of \$1,800,—of which \$1,200 is taxable. His tax is \$60, but it can never be collected. If it were not for these peculiar cases I'd collect 98 percent, of all the assessments.

There is still much opposition to the law, and to its enforcement;—but the refractory have learned



from experience, that I will not be trifled with. Still they improve every opportunity to find fault, or escape the payment of duties.

Another class of men are constantly endeavoring to stir up strife, that will lead some one to kill me because of some insults which they assert they have received from me. As an example of this, I send the following copy of a letter written to the Chief of the Vigilantes, by one of his friends and which the Chief showed me—

*Deer Lodge,  
April 2, 1866*

*Sir:—*

*Today I heard a respectable stranger say, that he arrived in Blackfoot last July, in company with a party of men from Walla-Walla,—that Mr. Langford was there, on a tour of inspection with Genl. Ashley, and Judge Hosmer, and appeared to be a very nice gentleman; that Mr. Brown who came with them introduced them to Mr. Langford's party, and they thought the introduction a good recommendation;—but were greatly surprised in two weeks from that time, to see the Montana Post, containing an article written by Mr. Langford, giving a sketch of his tour, and among other things saying that he had met or seen a party from Walla-Walla and that from their hangdog looks, he thought that out of the party, there ought about 60 men to be hung. "Now" said he, "I will wager a small amount, that if Mr. Langford comes to this Valley this summer, he will never get out of it a live man." This is the first mention of that article I ever heard, but this statement I heard today, from a man in his sober*

*senses. Those men were all total strangers to Mr. Langford. The cause of his name being mentioned, was an argument about the Revenue Law.*

*I have taken the liberty of giving you these items, believing that whether they are worthy of notice or not, the intention—that of putting Mr. Langford on his guard, will be appreciated.*

*Yours Truly,*

-----”

Such is the letter. The facts are these. Gen. Ashley, Judge Hosmer and I went to Blackfoot, and met a party from Walla-Walla, and I was most favorable impressed with them all. Judge Hosmer wrote to the Montana Post, the letter in Question, and I knew nothing about it, whatever:—but the opportunity to saddle an obnoxious document upon a Revenue Collector, was too good to be allowed to pass by unimproved.

My official duties called me over to Deer Lodge, just after the foregoing letter was written:—and I saw the writer, hunted up the Walla Walla man with whom he had the conversation, and satisfied him about the facts. He said that these were men in the valley that believed that I wrote the Article, and would kill me if they saw me. I have no fear of this, for I have too many friends there.

The Vigilantes are the main stay of the Country, and we all trust in that body for safety. The only murderer ever tried by a Court in Montana was sentenced to 4 years imprisonment for manslaughter. Genl. Meagher, acting as Governor, reprieved (?) him until the will of the President could be made known;





Virginia City, Montana, 1866

and ordered him set at liberty. The U.S. Judge, ordered him to be re-arrested;—but before that could be done the criminal returned to Helena where the murder was committed, and was immediately taken by the Vigilantes and hung. If it were not for the Vigilantes no man's life would be secure. Even with them it is far better to "keep a close mouth" and not express an opinion concerning the character of the men we meet here.

The seizure of liquors and coal oil in January, was the occasion of much unpleasantness, and my acts were severely criticized. In all my action, I followed the advice of the District Attorney, and the instructions of the Department, as the Dist. Atty. interpreted them.

The Hon. Commissioner of Int. Rev. has decided that rectified whiskey requires no branding.

Under this view of the case, the law is clearly open to fraud.

Our U.S. Judge, Munson, is of a different opinion, holding that all Revenue Laws must be *construed* to prevent the mischief they are designed to prohibit:—and he therefore holds that while a forfeiture should not be enforced against the innocent holders of unbranded rectified whiskey, still, a *prima-facia* case exists against them, which may be dismissed upon their showing their innocence, and paying all costs.

In the report of the Hon. Commissioner of Internal Revenue for 1865, the population of Montana is estimated at 30,000. This estimate is much too large. There were 6,230 votes cast last fall for Delegate to Congress. Over two thirds of our entire population are voters, and last fall the voting was very general. Our



population cannot exceed 18,000 persons. Accepting even this estimate as correct, if our gold fields produced enough gold to support this population at the most economical rate of living the yield could not have been less than \$22,500,000:—for the more necessities of life cannot be procured at a less average cost, than \$1,500. gold, for each person, old and young. If therefore, our population exceeds 15,000 and if our gold yield was less than \$20,000,000, Montana did not sustain itself last year. I do not think that the yield of our mines last year, exceeded \$18,000,000—and our citizens are as well off as they were a year ago,—which is a further evidence that our population cannot exceed 18,000 persons.

With this basis of population, the Revenue returns of Montana are creditable to her;—and in the future will be much increased. My District is now well organized,—our citizens are becoming familiarized with the operations of the law, and to feel that the surest method of reducing the present high rates of taxation, is to require every man to pay his just dues, that none by making false returns, or through negligence of duty in officials may throw upon their neighbors the share of the burden which they themselves ought to bear.

When I think of the labors of the past 18 months, and the annoyances I have had to submit to, I have reason to congratulate myself that the affairs of this District are in so prosperous a condition. My labors have been most severe, and the compensation, (\$4,000 per Annum) no more than I can obtain in positions of

much less responsibility than this:—but I have felt a pride in demonstrating that the establishment of this District was desirable—and having done this, I have less desire to hold the position now, than I have ever before had. It is an unpopular position at best, and no where more so than here;—and the salary affords me no more than a decent support. I sometimes resolve to give up the office, and may do so the coming summer. This will depend upon whether my official expenses will be allowed, or not, my duties are now sufficiently laborious, even with the payment of all my expenses. If these expenses are not allowed as I have incurred them, I cannot hold the office with credit to the Government, without loss to myself;—and I shall then give it up.

I have endeavored to give you some idea of the situation of affairs here, as I found them, and as they now are. Perhaps it may interest you. In this Godless country, this country of lawlessness, highway robberies, and Vigilance Committees,—this country where nearly 200 murders have been committed but no man convicted by the Courts,—this country where a U.S. Grand Jury, recommended that the court turn over all criminal business: into the hands of the Vigilantes,—this country where every man takes his life into his own hands wherever he goes,—it is but a record of a common experience;—very tame in comparison with my experience during the two previous years, when, for upholding law, and publicly denouncing a gang of despera-

does, with our sheriff, their secret Chief, a price was set by them upon my head.

These former experiences were terrible; and having passed through them as I did, and twice so miraculously escaped unharmed, when every conceivable human preparation had been completed to compass my death by violence, I cannot doubt, if ever I did, that I was preserved by the overruling and all-directing power of the Almighty, who disposes, while man proposes. And I rejoice that He, from whom all power comes, gave me the courage to do right even when swift destruction threatened.

But these scenes of violence, and threatened violence, are fast passing away. The millennium is dawning. The reign of Peace is drawing nigh;—and without fertile agricultural vallies, and rich resources in mineral wealth, when throughout our Territory shall rise those twin-pioneers of civilization, the Church, and the School House, this land will be the fairest of the fair.

Sincerely yours,  
*N.P. Langford*





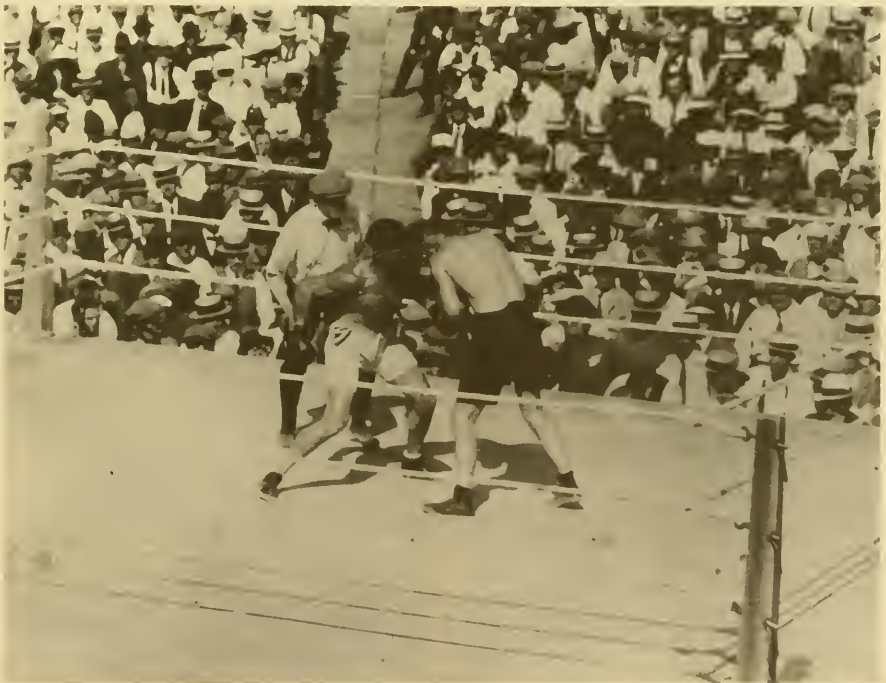
# Appendix 4: “I Was There”

## THE 1923 DEMPSEY-GIBBONS FIGHT

*In 1923, Revenue Agent Mark Farris was assigned to work the gates at the fight between Jack Dempsey and Tommy Gibbons for the world heavyweight boxing championship. A relative newcomer, Gibbons had challenged Dempsey to fight in the small town of Shelby, Montana. Revenue agents from the Montana Collection District were assigned to col-*

*lect the tax on admissions as spectators passed through the gates. In an event that spiraled out of control, Dempsey ultimately won the match by decision after 15 long rounds. Mr. Farris wrote this account of his experience from his home in Portland, Oregon on February 10, 1974.*

*The Dempsey-Gibbons fight, Shelby, MT, July 4, 1923*





My hitch as a Deputy Collector of Internal Revenue occurred during the Dempsey-Gibbons fight for world heavy weight championship on July 4, 1923, in Shelby, Montana. Rumors of mishandling of ticket sales reached the ears of Montana Collector of Revenue, Charles A. Rasmussen. He, of course was desirous of collecting the admissions tax which was then in effect, and certainly it was his duty to do so. Accordingly, he called his force of deputies together, to meet in Great Falls where Dempsey had his training camp. We deputies were quartered in a Pullman Car in the Great Northern Railway yards at Great Falls, which is some ninety miles from the arena of the big fight in Shelby. On the evening of July 2 some of us deputies roamed the streets of Great Falls, seeking out the scuttlebutt about the impending event. Many rumors were afloat, one that Jack Kearns, manager of Jack Dempsey would not permit the fight to go on until he had his pound of flesh. His demands stretched the imagination. Another was to the effect that there had been five managers of the ticket sales and no one had a record of how many and where the tickets had been distributed for advance sale. "The fight's on!" "The fight's off!" These were the reports which ran rampant on the streets. Finally we heard that the newsmen representing the Associated Press, and others, had persuaded Jack Kearns to go along, even in the face of odds that he would not collect his guarantee.

The next day our Pullman car was

hooked onto the train which usually left Great Falls, early in the morning, to make connections with the main line trains at Shelby. We were switched on to a siding, on this "high line" town and soon the yards were full of Pullmans from the West and the East.

At that time Shelby was a town with a few hundreds in population, and it was less than a decade before oil was discovered a few miles north. Hotel and restaurant accommodations were ample to take care of the traveling public, such as salesmen who stopped overnight, or between the two trains per day. The city's mayor \_\_\_\_\_ Johnson (?) was also a local banker. He had some enthusiastic backers in the American Legion who opted for the championship fight to be held in this enterprising cow town on the main line of the Great Northern Railway.

Collector Rasmussen had the foresight to seek advice from John L. Slattery, Federal District Attorney, who accompanied our group on the train. The two of them sized up the situation and discovered that no record had been kept of the numbers and kinds of tickets that had been sent out for sale, to all parts of the country. This produced the dilemma of collection of the proper admissions tax. As a last ditch move, the Collector, on advice of the District Attorney, issued a Warrant for Distrain, which empowered him to seize the tickets then on sale in Shelby.

We then became ticket sellers at the place of the previous promoters. Tickets were in denominations from



\$50.00 down to \$10.00, depending upon how close they were to ring-side. A huge amphitheater type of arena, composed entirely of lumber had been built, and the entire ground were enclosed by a barbed wire fence seven or eight feet high. The main gate was on the south side, just a few feet away from a rising terrain. Ramps led up from the ground level to the highest level of seats, on several sides.

Ticket selling went on all day on the Third, up until ten o'clock in the evening. Business was not too brisk so we had time to listen to the gossip of the referee's staff. One of them remarked how excited he had been as a timekeeper in a previous bout, and hoped he would not repeat, in the historic fight on the morrow. He thought he might prepare slips of paper to remind him of the rounds. I suggested that I had some poker chips he could use, and he immediately took me up on it. I usually carried poker chips with me for use in keeping track of scoring in pinochle. The timekeepers took these chips, and on the following day, one of them would shove over chip number one at the end of the first minute, and so on, so that when all three of his chips had been transferred, the round was over, at which time he signalled for the ball.

The Fourth of July was a warm day, not a cloud in the big blue sky. After lunch, which took hours of waiting for, several of us deputies went up to the arena to take tickets from early fans. Floyd Earhart, of Missoula, and I were stationed at the main gate. We didn't expect an

extraordinarily large admission, as we were told that whole trainloads of fight fans were canceled by people in New York, Los Angeles, and other big cities.

While standing there in that hot sun, we had several sub rosa proposals for cut rate admissions, such as one fellow who held up five fingers and arched his eyebrows in question. We did not go for the five dollar entry, so he upped his price by a few more fingers, until he discovered that we were not going to let him in at any price, without a ticket.

At one time the crowd started milling around outside the gate. A deputy sheriff came to our gate and asked them to settle down. They didn't, so he fired a couple shots up into the air, and immediately order was restored.

When it was apparent that there was not going to be a good gate, and upon observing the crowd standing outside, Jack Kearns propositioned the Collector to sell tickets at reduced prices. He was told that he could sell them for anything he wished, or give them away, just so Uncle Sam would get the full admissions tax indicated on each ticket. Not too many cut rate tickets were sold.

We had instructions to let no one through the gate unless he had a ticket or permission from Jack Kearns. A doctor came to our gate and said he had a crew of twelve people who were qualified in first aid, and should be a necessary adjunct to the fight. We called Kearns by messenger, and he finally showed up. The doctor convinced Kearns that a first aid crew would be



worth while. Jack said, "OK. Let twelve people go through." He stood there while we counted twelve people through and put down the bar. Lo, here was the doctor still standing outside after he had pushed his twelve helpers through!

About half an hour before starting time a couple of Revenue Agents came to our gate to see how things were going. You must understand that the Agents at that time were the epitome of the Internal Revenue Service. They did not deign to handle the mill run of taxpayers, but stayed on the sidelines, waiting for juicy tax returns to be audited,—including corporations. Just what they were doing at this prize fight, I could not imagine. Floyd and I suddenly got thirsty, so we suggested that the two Agents take our place while we slaked our thirst over at that lemon aid stand at the foot of the arena. We then thought it would be a good idea to walk up the ramp and see what the gladiators pit looked like. We had been standing quite a long time, and those seats looked so enticing, we sat down for a mite of rest. Within a short time, we heard a terrible racket, like a bunch of wild animals tramping on a wooden floor. Here came a bunch of people, and we realized that they were the men and boys who had been standing outside the gates. We learned later they had broken down the barbed wire fence and got free admission. At any rate, when we saw these people streaming into the arena, Floyd and I moved quickly to get a ring side seat, before they were all gone, as everybody else was mov-

ing down, too. Neither the ushers nor any one else challenged us, or any one else that I know of, so we sat there during the fight in ringside seats, for which we had not paid a dime. (Please don't tell the IRS!).

We observed that whenever Jack Dempsey and Tommie Gibbons clinched, the referee broke from Dempsey's left, i.e., on Gibbon's right. Let's give the Champ a slight advantage over the challenger!

That night,—after a retarded meal we started to count the money. This was done in an old closed bank, because it had a vault. The tellers' cages and counters as well as other furniture were still in place, but there were no chairs. This was an iron clad building about twenty five feet wide, a one story building located two doors from a rooming house (or hotel.) The hotel building was two stories high, and a person could climb out of the window on the second story and walk on the roof across to the bank building, the top of which emerged a few feet above the floor intervening between the bank and hotel. The only source of fresh air we had was the front door,—obviously locked, and a window on the west which opened out only the roof between buildings, —that is, between us and the hotel. Kearns' men were in the counting room with us IRS people. All hands fell to and counted the money into hundred dollar stacks, which were passed back and forth for verification. It seemed that the IRS men discovered a few deficient stacks, i.e., they were not quite one hundred dollars full.

The Collector had prearranged to





deposit his tax money with American Railway Express, but they declined to handle it, and for good reason, as there were long trains of Pullmans in the rail yards, and a lot of strange people in and out of the cars.

Therefore the Collector asked for volunteers who would stand guard over the money during the night, after it had been locked in the vault. Four of us fellows volunteered, and the Collector handed me his automatic. Jack Kearns then spoke up and said he had a pretty good chunk of currency too, and asked if we would include it in the lot of the IRS money, to which the Collector agreed. Then Kearns said he would bring us some cots so we could sleep part of the time while the other half stood guard. He also said he would bring us some sandwiches and Canadian beer. Remember this was in prohibition days, and it was common practice to take a train up to Sweet Grass, cross the border into Coumts, and enjoy that good old-time beer in the local pub. Some folks even brought sandwiches and had a lunch or dinner with their suds, served in the big Boston schooners. I recall that about midnight we got some chicken salad sandwiches, — but no cots, no beer. One half of our crew slept on the hard wooden counters. The sheriff had posted two men outside the door, sitting in a model A Ford automobile, the whole night, right in front of the bank building entrance.

While counting the money, I ran across a check for several thousand dollars which had been endorsed by a reliable person. Upon inquiry I

found it belonged to Jack Kearns, and he said he should take it to help make up some of the loss they had encountered by letting the fight go on. The night proved to be routine, except during the wee hours of morning. I had been sleeping on a counter, and felt a tug on my arm. I heard, in a whisper, that some one was going to try to break in through the window, which was wide open. All at once there were four deputy collectors standing under the window with guns at ready, to plug anybody who had so carelessly walked across the roof to break into our fort. Whoever it was apparently thought better and receded, which saved us the ignominy of shooting a person who might have stuck his head through that open window,— whether he was innocent or guilty. While passing the time away on guard, I rummaged around through the drawers in the counters and found this check which I had given to Kearns before he had left in the evening. When he showed up next morning I asked him whether he wanted it or didn't he. He reached out and grabbed it from me, with nary a thank you. He got his suit case of money and left. We watched him. He did not—as some reports have it, run for the train. He sauntered down the street, and at the next corner met some one he wanted to talk to. He set the suit case up on end, put one foot on it and went on with a conversation.

The Great Northern Railway had provided Jack Dempsey and his cohorts with a Pullman, attached to an engine, which brought them from



Great Falls and returned them. The engine was under steam all the time. We were told that a Cadillac was kept running during the fight, to whisk Dempsey into Canada, some fifty miles to the north, if the going got tough.

The Dempsey-Gibbons fight which had been destined to put Montana on the map, left in its wake repercussions of financial woe. Some personal fortunes dried up; a local bank went broke; a correspondent bank in Great Falls closed its doors. Shelby gradually recovered its normal stride before oil, discovered nearby, rewarded its calamitous fight episode with wealth that accompanies any discovery of mineral wealth.



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Historical documentation of tax administration is scarce, making a study such as this one quite challenging. In searching for information on the main events during the tenure of each Collector and Director of Internal Revenue in Montana, research was conducted at the Montana Historical Society, the State Library of Montana, and the Lewis and Clark Library in Helena.

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