Miles Vs. Graham

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Court : US Supreme Court

Decided On : Jun-01-1925

Appeal No. : 268 U.S. 501

Appellant : Miles

Respondent : Graham

Judgement :

Miles v. Graham - 268 U.S. 501 (1925)
U.S. Supreme Court Miles v. Graham, 268 U.S. 501 (1925)

Miles v. Graham

No. 53

Argued March 16, 1925

Decided June 1, 1925

268 U.S. 501

ERROR TO THE DISTRICT COURT OF THE UNITED STATES

FOR THE DISTRICT OF MARYLAND

SYLLABUS

1. Under Art. III, 1, of the Constitution it is the duty of Congress definitely to declare the amount which a federal judge shall receive from time to time out of the public funds, and the times of payment, and the amount thus specified becomes his compensation, which is protected against diminution during his continuance in office. *Evans v. Gore,* 253 U. S. 245 . P. 268 U. S. 506 .

2. So *held* where the salary of a judge of the Court of Claims was fixed and the appointment was made after enactment of the "Revenue Act of 1918," which prescribed that the official compensation of all the federal judges should be included in their gross income in computing their income taxes.

3. This provision of the Revenue Act for taxation of income cannot be treated as reducing the salaries of the judges of the Court of Claims specifically fixed by later enactment. P. 268 U. S. 509 .

284 F. 878 affirmed.

Error to a judgment of the district court. against an internal revenue collector in an action by a judge of the Court of Claims to recover a sum which the defendant had exacted of him as an income tax.

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MR. JUSTICE Mc REYNOLDS delivered the opinion of the Court.

The defendant in error is a judge of the Court of Claims. He assumed the duties of that office September 1, 1919, when the statute (Act Feb. 25, 1919, c. 29, 40 Stat. 1156 1157) declared that judges of that court should be entitled to receive "an annual salary of $7,500, payable monthly from the treasury." He was required to pay to plaintiff in error, Collector of Internal Revenue, the income taxes for 1919 and 1920 prescribed by "An act to provide revenue, and for other purposes," approved February 24, 1919 (the Revenue Act of 1918), c. 18, 40 Stat. 1057. In computing these, his judicial salary was treated as part of his "gross income."

"Sec. 213. That, for the purposes of this title (except as otherwise provided in 233) the term 'gross income'--"

"(a) Includes gains, profits, and income derived from salaries, wages, or compensation for personal service (*including in the case of the President of the United States, the judges of the Supreme and inferior courts of the United States,* and all other officers and employees, whether elected or appointed, of the United States, Alaska, Hawaii, or any political subdivision thereof, or the District of Columbia, the compensation received as such), of whatever kind and in whatever form paid, or from professions, vocations, trades, businesses, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in such property;

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also from interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, or gains or profits and income derived from any source whatever. . . ."

After payment and the necessary preliminary steps, he instituted this proceeding to recover, upon the ground that the exactions on account of his salary were without authority of law. Judgment went for him in the trial court. It was there said:

"Unless he was taxable under the [Revenue] Act of 1918 [approved February 24, 1919], he was not taxable at all. If he is taxable under the statute, he is so by virtue of a clause which applies to all the federal judges, irrespective of the time they came upon the bench. That clause as written has been held invalid. . . . When the clause which has been declared invalid is out of the Act, no other imposes the tax. What the court here is asked to do is to rewrite the pertinent portion of the statute in question so that it will read as did the provisions of the Acts of 1913 and 1916 relative to this general subject. But that would be for the court to do what Congress expressly decided not to do. With its eyes wide open to the possible consequences, it made up its mind to seek uniformity by imposing the tax upon all judges. Whether it would or would not have been willing to tax the minority, if the

majority were immune, nobody knows, perhaps not even the members of that Congress itself, for upon that question they never were called upon to make up their minds."

Plaintiff in error now insists that, although the challenged provision of the Act of February 24, 1919, has been adjudged invalid as to all judges who took office prior to that date, it is obligatory upon those thereafter appointed.

Sec. 1, Art. III, of the Constitution provides:

"The judicial power of the United States, shall be vested in one Supreme Court, and in such inferior courts

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as the Congress may from time to time ordain and establish. The judges, both of the supreme and inferior courts shall hold their offices during good behavior, and shall at stated times receive for their services a compensation, which shall not be diminished during their continuance in office."

Evans v. Gore, 253 U. S. 245 , arose out of the claim that Judge Evans was liable for the tax upon his salary as prescribed by the Act now under consideration, although appointed before its enactment. We there gave much consideration to the purpose, history, and meaning of the above-quoted section of the Constitution, and, among other things, said:

"These considerations make it very plain, as we think, that the primary purpose of the prohibition against diminution was not to benefit the judges, but, like the clause in respect of tenure, to attract good and competent men to the bench and to promote that independence of action and judgment which is essential to the maintenance of the guaranties, limitations, and pervading principles of the Constitution and to the administration of justice without respect to persons and with equal concern for the poor and the rich. Such being its purpose, it is to be construed not as a private grant, but as a limitation imposed in the public interest; in other words, not restrictively, but in accord with its spirit and the principle on

which it proceeds."

"Obviously, diminution may be effected in more ways than one. Some may be direct and others indirect, or even evasive, as Mr. Hamilton suggested. But all which by their necessary operation and effect withhold or take from the judge a part of that which has been promised by law for his services must be regarded as within the prohibition. . . ."

"The prohibition is general, contains no excepting words, and appears to be directed against all diminution,

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whether for one purpose or another, and the reasons for its adoption, as publicly assigned at the time and commonly accepted ever since, make with impelling force for the conclusion that the fathers of the Constitution intended to prohibit diminution by taxation as well as otherwise -- that they regarded the independence of the judges as of far greater importance than any revenue that could come from taxing their salaries. . . ."

"For the common good to render him [the judge], in the words of John Marshall, 'perfectly and completely independent, with nothing to influence or control him but God and his conscience' -- his compensation is protected from diminution in any form, whether by a tax or otherwise, and is assured to him in its entirety for his support. . . ."

"Here, the Constitution expressly forbids diminution of the judge's compensation, meaning, as we have shown, diminution by taxation as well as otherwise. The taxing Act directs that the compensation -- the full sum, with no deduction for expenses -- be included in computing the net income, on which the tax is laid. If the compensation be the only income, the tax falls on it alone, and if there be other income, the inclusion of the compensation augments the tax accordingly. In either event, the compensation suffers a diminution to the extent that it is taxed."

"We conclude that the tax was imposed contrary to the constitutional prohibition, and so must be adjudged invalid."

Does the circumstance that defendant in error's appointment came after the taxing Act require a different view concerning his right to exemption? The answer depends upon the import of the word "compensation" in the constitutional provision.

The words and history of the clause indicate that the purpose was to impose upon Congress the duty definitely to declare what sum shall be received by each judge out

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of the public funds and the times for payment. When this duty has been complied with, the amount specified become the compensation which is protected against diminution during his continuance in office.

On September 1, 1919, the applicable statute declared:

"The Chief Justice [of the Court of Claims] shall be entitled to receive an annual salary of $8,000, and each of the other judges an annual salary of $7,500, payable monthly."

The compensation fixed by law when defendant in error assumed his official duties was $7,500 per annum, and to exact a tax in respect of this would diminish it within the plain rule of *Evans v. Gore.*

The taxing Act became a law prior to the statute prescribing salaries for judges of the Court of Claims, but if the dates were reversed, it would be impossible to construe the former as an amendment which reduced salaries by the amount of the tax imposed. No judge is required to pay a definite percentage of his salary, but all are commanded to return, as a part of "gross income," "the compensation received as such" from the United States. From the "gross income," various deductions and credits are allowed, as for interest paid, contributions or gifts made, personal exemptions varying with family relations, etc., and upon the net

result assessment is made. The plain purpose was to require all judges to return their compensation as an item of "gross income," and to tax this as other salaries. This is forbidden by the Constitution.

The power of Congress definitely to fix the compensation to be received at stated intervals by judges thereafter appointed is clear. It is equally clear, we think, that there is no power to tax a judge of a court of the United States on account of the salary prescribed for him by law.

The judgment of the court below is affirmed.

MR. JUSTICE BRANDEIS dissents.