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**TAXATION:
THE PEOPLE'S BUSINESS**



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**TAXATION:
THE PEOPLE'S BUSINESS**

**BY
ANDREW W. MELLON**

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1924

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PREFACE

Many of the views on taxation herein expressed have appeared from time to time in letters to Committees of Congress and to various organizations and individuals. It has seemed worth while to collect these views and publish them in a compact form, to which are appended also various tables and documents of possible interest to students of taxation. I am indebted to *The Forum* magazine, *The Independent*, and others for permission to publish excerpts from articles. I also wish to express my indebtedness to Mr. S. Parker Gilbert, former Under Secretary of the Treasury, and to the Under Secretary of the Treasury, Mr. Garrard B. Winston, for the invaluable assistance which he has rendered not only in the preparation of this book but in the conduct of the public business of the Treasury.

A. W. MELLON.

Washington,
April, 1924.

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APPENDIX A

LETTER FROM THE SECRETARY OF THE TREASURY
TO THE ACTING CHAIRMAN OF THE
COMMITTEE ON WAYS AND MEANS

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, November 10, 1923.

DEAR MR. GREEN:

In accordance with the request which you made shortly after the adjournment of Congress, the Treasury has been engaged for the past few months in considering the possibilities of tax revision and in developing recommendations for the simplification of the law. The situation has developed more favorably than was anticipated, and I am now presenting to you a comprehensive program to which I hope the Committee on Ways and Means will be able to give consideration at the outset of the legislative session.

The fiscal years 1922 and 1923 have each closed with a surplus of about \$310,000,000

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over and above all expenditures chargeable against ordinary receipts, including the sinking fund and other similar retirements of the debt. This has been possible only through the utmost cooperation between the Executive and Congress, as well as among the executive departments and establishments, all of whom have united in a sincere effort to reduce the expenditures of the Government. At the same time there has been a substantial amount of realization upon securities and other assets remaining over from the war, and the Treasury has succeeded in collecting customs and internal revenue taxes in amounts somewhat exceeding original expectations. The result is that the Government of the United States is firmly established on the basis of having balanced its budget each year since the cessation of hostilities, with a reasonable surplus each year after providing for fixed debt charges like the sinking fund, and stands squarely committed to the policy of including these fixed charges on account of the public debt in its ordinary budget each year, thus assuring an orderly reduction of the war debt out of current revenues.

What has been done during the two years since the establishment of the budget system

shows clearly what united effort can accomplish, and gives every reason for hope that the task to which the Administration has set itself for this fiscal year can be successfully performed, namely, the reduction of the ordinary expenditures of the Government to a total of not more than \$3,500,000,000, of which about \$500,000,000 will be fixed charges on account of the sinking fund and other retirements of the debt. To do this means reductions of about \$170,000,000 in the estimates of expenditures submitted by the spending departments and establishments and the exercise of continued pressure all along the line for the utmost economy and efficiency in the operations of the Government.

Having these things in mind, the Treasury has been canvassing the estimates for the present fiscal year and for the succeeding fiscal years with a view to determining on the one hand what further reductions in expenditure it would be safe to count on in developing a tax-revision program, and on the other hand what receipts might reasonably be expected on the basis of existing law, assuming that no changes were to be made in internal taxes. In doing this it has had to keep in mind that under present conditions receipts

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from customs are abnormally high and that surplus war supplies have now been for the most part liquidated, leaving relatively little to expect on this account in the years to come. It has also had to keep in mind that many of the internal revenue taxes, as, for example, the higher brackets of the surtax, are so rapidly becoming unproductive that it is unsafe to assume that even with no changes in the law the revenues from internal taxes would be maintained. After taking into account all these considerations, and making the most conservative estimates about the yield of existing taxes and the possibilities of further reductions in expenditure, it appears that for this year, and for the next four or five years, there should be a surplus of something over \$300,000,000 a year over and above all expenditures chargeable to the ordinary budget, including the fixed debt charges payable out of current revenues. This gives a reasonable margin not merely for tax revision but also for tax reduction.

On this basis the Treasury has the following recommendations to make:

1. *Make a 25 per cent reduction in the tax on earned income.*—The fairness of taxing more lightly income from wages, salaries and

professional services than the income from a business or from investment is beyond question. In the first case, the income is uncertain and limited in duration; sickness or death destroys it and old age diminishes it. In the other, the source of the income continues; it may be disposed of during a man's life and it descends to his heirs. It is estimated that this amendment will mean a loss in revenue of about \$97,500,000 a year, the greater part of which falls in the lower income brackets.

2. *Where the present normal tax is 4 per cent reduce it to 3 per cent, and where the present normal tax is 8 per cent reduce it to 6 per cent.*—This affects all personal incomes and the loss of revenue comes largely from the lower brackets. It is estimated that this will mean a loss in revenue of \$91,600,000 a year.

3. *Reduce the surtax rates by commencing their application at \$10,000 instead of \$6,000, and scaling them progressively upwards to 25 per cent at \$100,000.*—This will readjust the surtax rates all along the line, and the Treasury recommends the readjustment not in order to reduce the revenues but as a means of saving the productivity of the surtaxes. In the long run it will mean higher

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rather than lower revenues from the surtaxes. At the outset it may involve a temporary loss in revenue, but the Government Actuary estimates that even during the first year, if the revision is made early enough, the net loss in revenue from all the changes in the surtaxes would be only about \$100,000,000, and that in all probability the revenue from the reduced rates will soon equal or exceed what would accrue at the present rates, because of the encouragement which the changes will give to productive business.

The readjustment of the surtaxes, moreover, is not in any sense a partisan measure. It has been recommended, on substantially this basis, by every Secretary of the Treasury since the end of the war, irrespective of party. The present system is a failure. It was an emergency measure, adopted under the pressure of war necessity and not to be counted upon as a permanent part of our revenue structure. For a short period the surtaxes yielded much revenue, but their productivity has been constantly shrinking and the Treasury's experience shows that the high rates now in effect are progressively becoming less productive of revenue. See Table II, hereto attached. The high rates put pressure on tax-

payers to reduce their taxable income, tend to destroy individual initiative and enterprise, and seriously impede the development of productive business. Taxpayers subject to the higher rates can not afford, for example, to invest in American railroads or industries or embark upon new enterprises in the face of taxes that will take 50 per cent or more of any return that may be realized. These taxpayers are withdrawing their capital from productive business and investing it instead in tax-exempt securities and adopting other lawful methods of avoiding the realization of taxable income. The result is to stop business transactions that would normally go through, and to discourage men of wealth from taking the risks which are incidental to the development of new business. Ways will always be found to avoid taxes so destructive in their nature, and the only way to save the situation is to put the taxes on a reasonable basis that will permit business to go on and industry to develop. This, I believe, the readjustment herein recommended will accomplish, and it will not only produce larger revenues but at the same time establish industry and trade on a healthier basis throughout the country. The alternative is a gradual break-

down in the system, and a perversion of industry that stifles our progress as a nation.

The growth of tax-exempt securities, which has resulted directly from the high rates of surtax, is at the same time encouraging extravagance and reckless expenditure on the part of local authorities. These State and local securities will ultimately have to be paid, principal and interest, out of taxes, thus contributing directly to the heavy local taxation which bears so hard on the farmers and small property owners. There is no immediate remedy for this within the power of Congress except the readjustment of the surtaxes on a basis that will permit capital to seek productive employment and keep it from exhausting itself in tax-exempt securities. The productive use of capital in our railroads and industries will also tend to bring lower costs for transportation and manufactured products, thus helping to relieve the farmer from the maladjustment from which he now suffers.

4. *Limit the deduction of capital losses to 12½ per cent of the loss.*—The present revenue law limits the tax on capital gains to 12½ per cent but puts no limit on the capital losses. It is believed it would be sounder

taxation policy generally not to recognize either capital gain or capital loss for purposes of income tax. This is the policy adopted in practically all other countries having income tax laws, but it has not been the policy in the United States. In all probability, more revenue has been lost to the Government by permitting the deduction of capital losses than has been realized by including capital gains as income. So long, however, as our law recognizes capital gains and capital losses for income tax purposes, gain and loss should be placed upon the same basis, and the provision of the 1921 Act taxing capital gains at 12½ per cent should be extended to capital losses, so that the amount by which the tax may be reduced by the capital loss will not exceed 12½ per cent of the loss. It is estimated that this will increase the revenues by about \$25,000,000.

5. *Limit the deductions from gross income for interest paid during the year and for losses not of a business character to the amount the sum of these items exceeds tax-exempt income of the taxpayer.*—The 1921 Act provides that interest on indebtedness to acquire or carry tax-exempt securities is not deductible. This provision is ineffective be-

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cause a taxpayer may purchase tax-exempt securities for cash and borrow money for other purposes. It is felt also that so long as a taxpayer has income which is not reached for taxation, he should not be permitted to deduct his non-business losses from the income which is taxable, but should be restricted in the first instance to a deduction of these losses from his non-taxable income. The estimated increase of revenue from this source is \$35,000,000.

6. *Tax community property income to the spouse having control of the income.*—In some States the income of the husband is a joint income of the husband and wife, and each, therefore, is permitted to file a return for one-half of the income. This gives an unfair advantage to the citizens of those States over the citizens of the other States of this country, and this amendment seeks to restore the equality. It is estimated that it will increase revenues by \$8,000,000.

So much for the income tax recommendations, which should become effective January 1, 1924. In order that you may have before you a clear view of the effect of these recommendations as applied to incomes in the various brackets, I am attaching a table, prepared

by the Government Actuary, showing the estimated results of the proposed changes in the calendar year 1925, on the basis of the taxable year 1924. The schedule shows a loss of revenue of about \$92,000,000 in the brackets under \$6,000, and a further loss of revenue of about \$52,000,000 in the next bracket of \$6,000 to \$10,000. In short, about 70 per cent of the reduction would be in the brackets of \$10,000 or less, and less than 5 per cent would fall in the brackets over \$100,000.

To show the effect of the proposed changes on the income of a typical salaried taxpayer, married and having two children, I call your attention to the following comparative figures:

Income	Present tax	Proposed tax	Saving to taxpayer
\$4,000	\$28.00	\$15.75	\$12.25
5,000	68.00	38.25	29.75
6,000	128.00	72.00	56.00
7,000	186.00	99.00	87.00
8,000	276.00	144.00	132.00
9,000	366.00	189.00	177.00
10,000	456.00	234.00	222.00

7. *Repeal the tax on telegrams, telephones and leased wires.*—This is the last of the transportation taxes established during the war, is a source of inconvenience to every person using the telephone or telegraph, and

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should now be eliminated from the tax system. This would mean a loss in revenue of about \$30,000,000 a year.

8. *Repeal the tax on admissions.*—The greater part of this revenue is derived from the admissions charged by neighborhood moving picture theatres. The tax is, therefore, paid by the great bulk of the people whose main source of recreation is attending the movies in the neighborhood of their homes. This would mean a loss in revenue of about \$70,000,000.

9. *Miscellaneous nuisance taxes.*—Your Committee may wish to consider the elimination of various small miscellaneous taxes which have an inconsiderable bearing on the general revenue of the Government, but which are a source of inconvenience to taxpayers and difficult to collect; and possibly there are some articles of jewelry which according to our standard of living cannot properly be denominated luxuries, such as, for instance, ordinary table silver or watches, which you may wish to exempt from the general tax on jewelry. There is not enough margin of revenue available to permit the repeal of the special taxes which are proving productive, but the law could be revised to

good advantage and some of the nuisance taxes repealed without material loss of revenue.

10. In addition to the specific recommendations which directly affect Government revenues, there should be amendments to strengthen the Act and eliminate methods heretofore used by taxpayers to avoid imposition of the tax. The exact amount of additional revenue to the Government which will be brought in by these amendments cannot be estimated, but certainly the amendments will reach much income that heretofore has escaped taxation.

11. *Establish a Board of Tax Appeals in the Treasury but independent of the Bureau of Internal Revenue, to hear and determine cases involving the assessment of internal revenue taxes.*—This will give an independent administrative tribunal equipped to bear both sides of the controversy, which will sit on appeal from the Bureau of Internal Revenue and whose decision will be conclusive on both the Bureau and the taxpayer on the question of assessment. The taxpayer, in the event that decision is against him, will have to pay the tax according to the assessment and have recourse to the courts, while

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the Government, in case decision should be against it, will likewise have to have recourse to the courts, in order to enforce collection of the tax.

12. Changes should be made in the present law to simplify administration, make the law more easily understood, and permit a prompt determination of liability in a manner more satisfactory to the taxpayer.

In order that you may see the effect on Government revenues of the above recommendations, I submit the following figures as to the estimated result of these changes:

	Decrease (in mil- lions of dollars)	Increase (in mil- lions of dollars)
Reduction of 25% in tax on earned income	97	..
Reduction in normal tax.....	92	..
Readjustment of surtax rates.....	102	..
Capital loss limited to 12½%.....	..	25
Interest and capital loss deductions limited	..	35
Community property amendment.....	..	8
Repeal of telegraph and telephone tax.....	30	..
Repeal of admissions tax.....	70	..
TOTAL	<u>391</u>	<u>68</u>
	68	
NET LOSS	<u>323</u>	

The benefits of the reduction will be distributed among all classes of taxpayers, and the revision generally will help to free business and industry of vexatious interference

and encourage in all lines a more healthy development of productive enterprise.

The present burden of taxation is heavy. The revenues of the Government are sufficient to justify substantial reductions and the people of the country should receive the benefits. No program, however, is feasible if the Government is to be committed to new and extraordinary expenditures. The recommendations for tax reduction set forth in this letter are only possible if the Government keeps within the program of expenditure which the Bureau of the Budget has laid down at the direction of the President. New or enlarged expenditures would quickly eat up the margin of revenue which now appears to be available for reducing the burden of taxation, and to embark on any soldiers' bonus such as was considered in the last Congress or any other program calling for similarly large expenditure would make it necessary to drop all consideration of tax reduction and consider instead ways and means for providing additional revenue. A soldiers' bonus would postpone tax reduction not for one but for many years to come. It would mean an increase rather than a decrease in taxes, for in the long run it could

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be paid only out of moneys collected by the Government from the people in the form of taxes. Throughout its consideration of the problem the Treasury has proceeded on the theory that the country would prefer a substantial reduction of taxation to the increased taxes that would necessarily follow from a soldiers' bonus, and I have faith to believe that it is justified in that understanding. Certainly there is nothing better calculated to promote the well-being and happiness of the whole country than a measure that will lift, in some degree, the burden of taxation that now weighs so heavily on all.

Very truly yours,

A. W. MELLON,

Secretary of the Treasury.

Hon. WILLIAM R. GREEN,

*Acting Chairman, Committee on Ways
and Means,*

House of Representatives,

Washington, D. C.

**TABLE I.—ESTIMATED EFFECT UPON THE REVENUE OF THE PROPOSED CHANGES IN THE
INDIVIDUAL INCOME TAX LAW**

INCOME TAX BRACKETS	NUMBER PAYING TAX IN EACH BRACKET	LOSS IN TAX WHEN ALL CHANGES ARE IN FULL EFFECT. ON INCOME FOR CALENDAR YEAR 1924; TAX COLLECTED 1923						
		Normal tax	Surtax	Earned income at 75 per cent of rates	Capital losses provision	Certain deductions limited to nontaxable income	Community property provision	Net reduction in tax collected
		(Loss)	(Loss)	(Loss)	(Gain)	(Gain)	(Gain)	
\$1,000-\$2,000	7,308,200	\$64,500,000	..	\$31,250,000	\$1,000,000	\$2,000,000	..	\$92,750,000
\$2,000-\$4,000	4,658,200		16,100,000	17,500,000	20,000,000	500,000	1,000,000	..
\$4,000-\$6,000	1,158,200	..	..	..	..	..	..	..
\$6,000-\$10,000	358,200	..	..	..	..	..	..	..
\$10,000-\$20,000	228,200	2,000,000	4,400,000	14,000,000	500,000	1,500,000	\$140,000	18,280,000
\$20,000-\$50,000	80,200	1,300,000	10,100,000	25,000,000	1,000,000	2,500,000	2,520,000	20,380,000
\$50,000-\$100,000	16,500	4,500,000	21,100,000	6,375,000	2,000,000	3,000,000	3,820,000	23,045,000
\$100,000-\$150,000	3,320	1,300,000	11,100,000	106,000	4,000,000	6,000,000	1,510,000	996,000
\$150,000-\$200,000	1,430	550,000	6,600,000	69,000	3,000,000	3,500,000	..	719,000
\$200,000-\$300,000	840	450,000	7,400,000	56,000	3,000,000	3,500,000	..	1,408,000
\$300,000-\$500,000	380	400,000	5,100,000	50,000	3,500,000	3,500,000	..	1,550,000
\$500,000-\$1,000,000	150	300,000	7,200,000	44,000	3,000,000	4,000,000	..	844,000
Over \$1,000,000	80	200,000	3,300,000	50,000	3,500,000	4,500,000	..	850,000
Gain	\$25,000,000	7,835,000,000	\$8,000,000	..
Loss	\$91,600,000	\$101,800,000	\$97,500,000	\$222,900,000

APPENDIX A

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This table shows the estimated gain or loss in revenue over that estimated under the present law, due to the proposed changes in the Revenue Act of 1921, and allows for the estimated increase in incomes by reason of the readjustment of taxes.

The figures opposite each income tax bracket cover the total estimated receipts within that bracket.

TABLE II.—TABLE SHOWING DECLINE OF TAXABLE INCOMES OVER \$300,000.

Year	NUMBER OF RETURNS		NET INCOME		DIVIDENDS AND INTEREST ON INVESTMENTS	
	All classes	Incomes over \$300,000	All classes	Incomes over \$300,000	All classes	Incomes over \$300,000
1916	437,036	1,296	\$6,298,577,620	\$992,972,986	\$3,217,348,030	\$706,945,739
1917	3,472,890	1,015	13,652,363,207	731,372,153	3,785,557,956	616,119,892
1918	4,425,114	627	15,924,639,355	401,107,963	3,872,234,935	344,111,461
1919	5,332,780	679	19,859,491,448	440,011,589	3,954,553,925	314,084,884
1920	7,259,944	395	23,735,629,183	246,354,585	4,445,145,223	229,052,039
1921	6,662,176	346	19,577,212,528	153,534,308	4,107,291,294	155,370,228

APPENDIX A

APPENDIX B

INCOME TAX ON EARNED INCOMES FROM \$1,200 TO \$6,000

Net Income	SINGLE PERSON		MARRIED PERSON WITH TWO DEPENDENT CHILDREN	
	Present law	Proposed	Present law	Proposed
\$1,200	\$3	\$4.50	..	..
1,400	16	9.00	..	..
1,600	24	13.50	..	..
1,800	32	18.00	..	..
2,000	40	22.50	..	..
2,200	48	27.00	..	..
2,400	56	31.50	..	..
2,600	64	36.00	..	..
2,800	72	40.50	..	..
3,000	80	45.00	..	..
3,200	88	49.50	..	..
3,400	96	54.00	\$4	\$2.25
3,600	104	58.50	12	6.75
3,800	112	63.00	20	11.25
4,000	120	67.50	28	15.75
4,200	128	72.00	36	20.25
4,400	136	76.50	44	24.75
4,600	144	81.00	52	29.25
4,800	152	85.50	60	33.75
5,000	160	90.00	68	38.25
5,200	176	99.00	96	54.00
5,400	192	108.00	104	58.50
5,600	208	117.00	112	63.00
5,800	224	126.00	120	67.50
6,000	240	135.00	128	72.00

APPENDIX B

INCOME TAX ON EARNED INCOMES FROM \$1,200 TO \$6,000

Net Income	SINGLE PERSON		MARRIED PERSON WITHOUT DEPENDENT CHILDREN	
	Present law	Proposed	Present law	Proposed
\$1,200	\$3	\$4.50	..	..
1,400	16	9.00	..	..
1,600	24	13.50	..	..
1,800	32	18.00	..	..
2,000	40	22.50	..	..
2,200	48	27.00	..	..
2,400	56	31.50	..	..
2,600	64	36.00	\$4	\$2.25
2,800	72	40.50	12	6.75
3,000	80	45.00	20	11.25
3,200	88	49.50	28	15.75
3,400	96	54.00	36	20.25
3,600	104	58.50	44	24.75
3,800	112	63.00	52	29.25
4,000	120	67.50	60	33.75
4,200	128	72.00	68	38.25
4,400	136	76.50	76	42.75
4,600	144	81.00	84	47.25
4,800	152	85.50	92	51.75
5,000	160	90.00	100	56.25
5,200	176	99.00	128	72.00
5,400	192	108.00	136	76.50
5,600	208	117.00	144	81.00
5,800	224	126.00	152	85.50
6,000	240	135.00	160	90.00

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INCOME TAX PAYABLE UPON CERTAIN EARNED NET INCOMES

NET INCOME	SINGLE PERSON		HEAD OF FAMILY WITH TWO DEPENDENT CHILDREN	
	Present law	Proposed	Present law	Proposed
\$1,000	\$0.00	\$0.00	\$0.00	\$0.00
2,000	40.00	22.50	0.00	0.00
3,000	80.00	45.00	0.00	0.00
4,000	120.00	67.50	28.00	15.75
5,000	160.00	90.00	68.00	38.25
6,000	240.00	135.00	128.00	72.00
7,000	330.00	180.00	186.00	99.00
8,000	420.00	225.00	276.00	144.00
9,000	510.00	270.00	366.00	189.00
10,000	600.00	315.00	456.00	234.00
11,000	700.00	367.50	556.00	286.50
12,000	800.00	420.00	656.00	339.00
13,000	910.00	480.00	766.00	399.00
14,000	1,020.00	540.00	876.00	459.00
15,000	1,140.00	607.50	996.00	526.50
16,000	1,260.00	675.00	1,116.00	594.00
17,000	1,390.00	750.00	1,246.00	669.00
18,000	1,520.00	825.00	1,376.00	744.00
19,000	1,660.00	907.50	1,516.00	826.50
20,000	1,800.00	990.00	1,656.00	909.00
21,000	1,960.00	1,080.00	1,816.00	999.00
22,000	2,120.00	1,170.00	1,976.00	1,089.00
23,000	2,290.00	1,267.50	2,146.00	1,186.50
24,000	2,460.00	1,365.00	2,316.00	1,284.00
25,000	2,640.00	1,470.00	2,496.00	1,389.00

TABLE SHOWING THE TOTAL TAX PAYABLE UPON CERTAIN INCOMES UNDER THE RATES OF THE PRESENT LAW AND UNDER THE SUGGESTED RATES

NET INCOME	SINGLE PERSON UNEARNED INCOME		MARRIED MAN WITH TWO DEPENDENTS UNEARNED INCOME	
	Present law	Proposed law	Present law	Proposed law
\$30,000	\$3,600	\$2,720	\$3,456	\$2,612
40,000	5,920	4,600	5,776	4,492
50,000	8,720	6,740	8,576	6,632
100,000	30,220	19,900	30,076	19,792
150,000	58,220	35,400	58,076	35,292
200,000	86,720	50,900	86,576	50,792
250,000	115,720	66,400	115,576	66,292
300,000	144,720	81,900	144,576	81,792
400,000	202,720	112,900	202,576	112,792
500,000	260,720	143,900	260,576	143,792
1,000,000	550,720	298,900	550,576	298,792

APPENDIX C

Treasury Department
April 5, 1924.

ESTIMATED AMOUNT OF WHOLLY TAX-EXEMPT SECURITIES OUTSTANDING FEBRUARY 29, 1924

(Revised basis) ¹

ISSUED BY	GROSS AMOUNT	AMOUNT HELD IN TREASURY OR IN SINKING FUNDS	AMOUNT HELD OUTSIDE OF TREASURY AND SINKING FUNDS
States, counties, cities, etc.	\$11,378,000,000	\$1,707,000,000 ²	\$9,671,000,000
Territories, insular possessions, and District of Co- lumbia	125,000,000	20,000,000 ³	105,000,000
United States Gov- ernment	2,294,000,000	755,000,000 ⁴	1,539,000,000
Federal land banks, intermediate credit banks, and joint stock land banks	1,310,000,000	104,000,000 ⁵	1,206,000,000
Total Feb. 29, 1924	\$15,107,000,000	\$2,586,000,000	\$12,521,000,000
Comparative totals:			
December 31, 1923	\$14,885,000,000	\$2,564,000,000	\$12,321,000,000
December 31, 1922	13,652,000,000	2,331,000,000	11,321,000,000
December 31, 1918	9,506,000,000	1,799,000,000	7,707,000,000
December 31, 1912	8,554,000,000	1,463,000,000	4,091,000,000

¹ Since issuing the estimate of January 1, 1924, the method of estimating has been revised and as a result both the gross amount of securities outstanding and the amount held in sinking funds have been substantially increased but the net amount outstanding except for the normal growth has been changed but slightly.

² Total amount of State and local sinking funds.

³ Total amount of sinking funds and amount held in trust by the Treasurer of the United States.

⁴ Amount held in trust by the Treasurer of the United States.

⁵ See Note (4), also partly owned by the United States Government.

*The Growth of Tax-Exempt Securities in the
United States*

The amount of State and local securities outstanding in the United States has increased with greater rapidity than the amount of corporate and other securities (exclusive of United States Government securities) during the past few years, as shown in the following tables:

TABLE I.—TOTAL SECURITIES FLOATED IN THE UNITED STATES, TOTAL STATE AND LOCAL SECURITIES, AND PER CENT OF STATE AND LOCAL TO TOTAL 1912-1923

(000,000 omitted)

YEAR	TOTAL SECURITIES FLOATED IN THE UNITED STATES (EXCLUSIVE OF U. S. GOV'T OBLIGATIONS)	TOTAL STATE AND LOCAL SECURITIES FLOATED IN THE UNITED STATES	PER CENT OF STATE AND LOCAL TO TOTAL
1912	\$3,952 ¹	\$387	9.79
1913	2,952 ¹	403	13.65
1914	2,998 ¹	474	15.81
1915	3,998 ¹	499	12.48
1916	5,433 ¹	457	8.40
1917	3,641 ¹	451	12.39
1918	2,877 ¹	297	10.32
1919	4,286	692	16.15
1920	4,010	683	17.03
1921	4,204	1,209	28.76
1922	5,245	1,102	21.01
1923	4,986	1,032	20.70

¹ The figures of total securities floated in the United States 1912-1918 are estimates made by the Harvard University Committee on Economic Research based upon data from various sources. They are supposed to include both foreign and domestic securities, new and refunding, floated in the United States during the period in question. All other figures are taken from the *Commercial and Financial Chronicle*.

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TABLE II. — NEW CAPITAL ISSUES OF CORPORATIONS AND STATES AND MUNICIPALITIES IN THE UNITED STATES 1913-1923

YEAR	AMOUNTS		INDEX NUMBERS (1919 BASIS)	
	Corporate Securities	State and Local Securities	Corporate Securities	State and Local Securities
1913	\$1,646,000,000	\$376,234,691	71	55
1914	1,437,000,000	464,727,871	62	69
1915	1,435,000,000	466,433,730	62	69
1916	2,187,000,000	433,735,031	95	64
1917	1,530,000,000	435,873,593	66	64
1918	1,345,000,000	236,831,077	58	42
1919	2,303,328,636	678,187,262	100	100
1920	2,710,011,386	671,765,574	118	99
1921	1,823,004,851	1,199,396,561	79	177
1922	2,335,734,207	1,070,901,057	101	158
1923	2,730,796,155	1,013,786,164	119	149

Corporate issues 1913-1918 from *Review of Economic Statistics* (Harvard University Press), May 25, 1921, p. 98. Includes both new and refunding issues; these figures include only those which have been reported and not additional estimates. All other figures from the *Commercial and Financial Chronicle*.

Table I shows that State and local securities have constituted a much larger proportion of the securities floated in the United States since 1919 than they did in earlier years. Table II differs from Table I in that only corporate securities have been used in the first column and that refunding issues have been omitted wherever possible. In the eleven years shown the amount of State

and local securities issued annually has increased with greater rapidity than the amount of corporate securities. The index numbers show that the great increase in the State and local securities issued in the last three years has not been paralleled by issues of corporate securities.

TABLE III. — ESTIMATED AMOUNT OF WHOLLY TAX-EXEMPT SECURITIES IN THE UNITED STATES, EXCLUSIVE OF THOSE HELD IN TREASURY, SINKING AND TRUST FUNDS. 1912-1923¹

DECEMBER 31	TAX EXEMPT-SECURITIES
1912	\$4,086,000,000
1913	4,338,000,000
1914	4,789,000,000
1915	5,188,000,000
1916	5,623,000,000
1917	7,994,000,000
1918	7,707,000,000 ²
1919	8,506,000,000 ³
1920	9,804,000,000
1921	10,586,000,000
1922	11,321,000,000
1923	12,309,000,000

¹ The figures for State and local debt for 1912 and 1922 are based on the Census compilations. For the intermediate year interpolations have been made on the basis of annual issues. The actual amounts of Federal Government and Farm loan tax-exempt issues have been added to the estimates for each year.

² The decline in 1918 was due to the fact that very few State and local bonds were issued, and over half a billion of wholly tax-exempt First Liberty 3½ per cent bonds were converted during the year to 4's or 4½'s which are not wholly tax exempt.

³ This does not include the Victory 3½ per cent notes outstanding, as separate figures for the Victory 3½'s and 4½'s were not available for 1919. The Victory 3½'s are included in 1920 and 1921, but not in 1922, as they matured before the end of the year.

Table III includes all wholly tax-exempt securities outstanding except those in the

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United States Treasury, sinking funds and trust funds. Both in 1912 and in 1922 the State and local securities composed about three-fourths of the total tax-exempt securities outstanding. Reliable figures as to the amounts of all other securities outstanding are not available.

APPENDIX D

LETTER FROM MR. A. W. GREGG, ASSISTANT TO
THE SECRETARY OF THE TREASURY,
TO THE HON. W. R. GREEN

The letter from Mr. A. W. Gregg, Assistant to the Secretary of the Treasury, is, in part, as follows:

January 4, 1924.

Hon. W. R. GREEN,
*Chairman Ways and Means Committee,
House of Representatives.*

MY DEAR MR. CHAIRMAN: Prior to its adjournment before the holidays the committee requested that I prepare for the assistance of the committee a digest of the decisions and arguments affecting the question of whether Congress has the power to levy a tax upon the income from securities issued by States or political subdivisions thereof. In accordance with that request the following is submitted.

Two questions will be considered, (1) whether the Federal Government has the gen-

eral power to lay a tax upon income derived from securities issued by States or political subdivisions thereof; (2) in the event that Congress may not lay a tax upon income from all such securities, whether the income from any obligation issued by States or political subdivisions thereof may be taxed by the Federal Government.

The earliest decision of the Supreme Court upon the question of the power of the United States to tax State instrumentalities is *The Collector v. Day* (1870), 11 Wall. 113. Under the Civil War income tax acts a tax was assessed on the salary of Hay, a probate judge in Massachusetts. He paid the tax under protest and brought action to recover it. It was held by the Supreme Court that Congress had no power to impose a tax upon the salary of a State judicial officer. The court cited *Dobbins v. Commissioners* (1842), 16 Pet. 435; *McCulloch v. Maryland* (1819), 4 Wheat. 316; and *Weston v. Charleston* (1829), 2 Pet. 449, as establishing the proposition "that the State governments can not lay a tax upon the constitutional means employed by the Government of the Union to execute its constitutional powers," and concluded that, on the same principle, the United

States cannot tax the means and instrumentalities employed by the States for carrying on their governmental operations. The court's reasoning is indicated in the following passage (pp. 125, 187):

It is admitted that there is no express provision in the Constitution that prohibits the General Government from taxing the means and instrumentalities of the States, nor is there any prohibiting the States from taxing the means and instrumentalities of that Government. In both cases the exemption rests upon necessary implication and is upheld by the great law of self-preservation; as any government, whose means are employed in conducting its operations, if subject to the control of another and distinct government, can exist only at the mercy of that government.

• • • the means and instrumentalities employed for carrying on the operations of their governments, for preserving their existence, and fulfilling the high and responsible duties assigned to them in the Constitution, should be left free and unimpaired, should not be liable to be crip-

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pled, much less defeated, by the taxing power of another government * * *

This decision was followed in the cases of a judge of the superior court of New York City (*Freedman v. Sigel* (1875), Fed. Cas. No. 5989) and of a State's attorney in Maryland (*U. S. v. Ritchie* (1872), Fed. Cas. No. 16163).

In the case of *Pollock v. Farmer's Loan & Trust Co.* (1895), 157 U. S. 429, a bill by a stockholder to enjoin the defendant corporation from paying an income tax under the act of August 15, 1894 (23 Stat. 309), it was urged that the act was unconstitutional on the grounds, (1) that in imposing a tax on the income or rents of real and personal property, it imposed a direct tax upon the property itself, which was void because not apportioned among the States; (2) that in imposing indirect taxes, it violated the constitutional requirement of uniformity; (3) that in imposing a tax upon income received from State and municipal bonds, it exceeded the constitutional powers of the Federal Government. With reference to this third point, Chief Justice Fuller said (p. 585):

It is contended that although the property or revenues of the States or their in-

strumentalities cannot be taxed, nevertheless the income derived from State, county and municipal securities can be taxed. But we think the same want of power to tax the property or revenues of the States or their instrumentalities exists in relation to a tax on the income from their securities, and for the same reason, and that reason is given by Chief Justice Marshall in *Weston v. Charleston*, 2 Pet. 449, 468, where he said: "The right to tax the contract to any extent, when made, must operate upon the power to borrow before it is exercised, and have a sensible influence on the contract. The extent of this influence depends on the will of a distinct government. To any extent, however inconsiderable, it is a burden on the operations of government. It may be carried to an extent which shall arrest them entirely. * * * The tax on Government stock is thought by this court to be a tax on the contract, a tax on the power to borrow money on the credit of the United States, and consequently to be repugnant to the Constitution." Applying this language to these municipal securities, it is obvious that

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taxation on the interest therefrom would operate on the power to borrow before it is exercised, and would have a sensible influence on the contract, and that the tax in question is a tax on the power of the States and their instrumentalities to borrow money, and consequently repugnant to the Constitution.

It is clear, therefore, that prior to the adoption of the sixteenth amendment Congress had no power to levy a tax, directly or indirectly, upon securities issued by States or a political subdivision thereof. There remains to be considered the effect of the sixteenth amendment.

The sixteenth amendment provides that: "The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States and without regard to any census or enumeration."

At the time the sixteenth amendment was being considered by the legislatures of the several States it was urged by various writers and public men that the proposed amendment gave Congress the power to tax the salaries of officers and employees of the States and

the income from State and municipal securities. (See Foster, *Income Tax*, p. 78 et seq.; Miner, *The Proposed Income Tax Amendment*, 15 Va. L. Reg. 737, 753; Hubbard, *The Sixteenth Amendment*, 33 *Harvard Law Review*, 794.) The contrary view was urged with equal strength. (See *Cong. Rec.*, vol. 45, pp. 1694-1699, 2245-2247, 2539-2540, and Ritchie, *Power of Congress to Tax State Securities*, 5 *Am. Bar Assoc. Journal*, 602.)

In the first case which arose under the sixteenth amendment, the case of *Brushaber v. Union Pacific R. R. Co.*, 240 U. S. 1, the Supreme Court committed itself on the question of whether or not the sixteenth amendment gave to Congress any new power of taxation. This case was a suit by a stockholder to restrain the defendant corporation from paying an income tax imposed by the tariff act of 1913, on the ground that it was unconstitutional. Chief Justice White, in the course of upholding the validity of the act, said (pp. 17, 18, 19):

It is clear on the face of this text that it (the amendment) does not purport to confer power to levy income taxes in a generic sense—an authority already pos-

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essed and never questioned—or to limit and distinguish between one kind of income taxes and another, but that the whole purpose of the amendment was to relieve all income taxes when imposed from apportionment from a consideration of the source whence the income was derived. Indeed, in the light of the history which we have given and of the decision in the Pollock case and the ground upon which the ruling in that case was based, there is no escape from the conclusion that the amendment was drawn for the purpose of doing away for the future with the principle upon which the Pollock case was decided; that is, of determining whether a tax on income was direct, not by a consideration of the burden placed on the taxed income upon which it directly operated, but by taking into view the burden which resulted on the property from which the income was derived, since in express terms the amendment provides that income taxes, from whatever source the income may be derived, shall not be subjected to the regulation of apportionment. * * *

Indeed, from another point of view, the

amendment demonstrates that no such purpose was intended and on the contrary shows that it was drawn with the object of maintaining the limitations of the Constitution and harmonizing their operation. * * *

* * * The purpose was not to change the existing interpretation except to the extent necessary to accomplish the result intended; that is, the prevention of the resort to the sources from which a taxed income was derived in order to cause a direct tax on the income to be a direct tax on the source itself and thereby to take an income tax out of the class of excises, duties and imposts and place it in the class of direct taxes.

Again, in *Stanton v. Baltic Mining Co.* (1916), 240 U. S. 103, an action in form similar to the *Brushaber* case, Chief Justice White said, in upholding the constitutionality of the same act (p. 112):

* * * But aside from the obvious error of the proposition intrinsically considered, it manifestly disregards the fact that by the previous ruling it was settled that the provisions of the sixteenth

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amendment conferred no new power of taxation, but simply prohibited the previous complete and plenary power of income taxation possessed by Congress from the beginning from being taken out of the category of indirect taxation to which it inherently belonged and being placed in the category of direct taxation, subject to apportionment by a consideration of the sources from which the income was derived; that is, by testing the tax not by what it was—a tax on income, but by a mistaken theory deduced from the origin or source of the income taxed. Hark, of course, in saying this we are not here considering a tax not within the provisions of the sixteenth amendment; that is, one in which the regulation of apportionment or the rule of uniformity is wholly negligible, because the tax is one entirely beyond the scope of the taxing power of Congress and where consequently no authority to impose a burden either direct or indirect exists.

Similar dicta occur in *Eisner v. Macomber* (1920), 252 U. S. 189, 204, and in *Peck & Co. v. Lowe* (1915), 247 U. S. 165.

Although it appears that in none of these cases was it necessary to pass upon the issue, it is significant that the court saw fit to announce in each of them that the amendment did not extend the taxing power of Congress to cover any new subjects.

The opinion of *Evans v. Gore* (1920), 253 U. S. 245, throws a more direct light upon the views of the Supreme Court regarding the scope of the sixteenth amendment. The action therein was brought by a United States district judge, appointed in 1899, to recover a tax paid upon his salary under the revenue act of 1918 (40 Stat. 1062). His chief contention was that the effect of the act, in imposing a tax on his salary, was to diminish his compensation, and that to this extent was repugnant to the third article of the Constitution, providing that his salary should not be diminished during his continuance in office. The court came to the conclusion that the prohibition prevented diminution by taxation, and the court, after reciting the history of the adoption of the sixteenth amendment, concluded:

True, Governor Hughes, of New York, in a message laying the amendment before

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the legislature of that State for ratification or rejection, expressed some apprehension lest it might be construed as extending the taxing power to income not taxable before; but his message promptly brought forth from statesmen who participated in proposing the amendment such convincing expositions of its purpose, as here stated, that the apprehension was effectively dispelled and ratification followed.

Thus the genesis and words of the amendment unite in showing that it does not extend the taxing power to new and excepted subjects, but merely removes all occasion otherwise existing for an apportionment among the States of taxes laid on income, whether derived from one source or another. And we have so held in other cases.

In conclusion, then, it is evident that, since the ratification of the sixteenth amendment, the Supreme Court of the United States, in dicta and decision, has consistently adhered to the view that the amendment does not extend the taxing power of Congress to new or excepted subjects. Prior to the adoption

of the sixteenth amendment, it was established that, in general, income from State and municipal bonds was exempt from taxation by the Federal Government. In view of these two lines of decisions it appears evident to me that, in the absence of a constitutional amendment, a tax upon the income derived from State and municipal securities would be held by the Supreme Court to be beyond the constitutional powers of Congress.

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Respectfully,

A. W. GREGG.

APPENDIX E

ADDRESS OF THE PRESIDENT OF THE UNITED
STATES BEFORE THE NATIONAL REPUBLICAN
CLUB AT THE WALDORF-ASTORIA,
NEW YORK, FEBRUARY 12, 1924

The President said, in part, as follows:

Out of an income of about \$60,000,000,000 a year the people of this country pay nearly \$7,500,000,000 in taxes, which is over \$68 for every inhabitant of the land. Of this amount the National Government collects about \$3,200,000,000, and the State and local governments about \$4,300,000,000. As a direct burden this is a stupendous sum, but when it is realized that in the course of our economic life it is greatly augmented when it reaches the consumer in the form of the high cost of living, its real significance begins to be appreciated. The national and local governments ought to be unremitting in their efforts to reduce expenditures and pay their debts. This the National Government is earnestly seeking to do. The war cost of more than

\$40,000,000,000 is already nearly half paid. Amid the disordered currencies of the warring nations our money is, and has been maintained, at the gold standard. Our budget has long since been balanced, and our debt-paying program is at the rate of \$500,000,000 each year. In spite of all these expenditures, the next fiscal year has an estimated surplus revenue of over \$300,000,000.

This represents a great financial achievement in the past three years. In the first place, it was necessary to provide for more than \$7,000,000,000 of short-term securities. These have all either been paid or refunded, so that they will become due in the future at orderly intervals, when they can be retired or further extended. When it is realized that such large loans were made in a way that not only left business undisturbed, but was scarcely perceptible to the public, the skill with which Secretary Mellon managed them can well be appreciated.

Coincident with this was the even greater task of reducing national expenditures. Through legislative enactment and executive effort this has gone steadily forward, and is now proceeding from day to day. Under the watchful care of the Budget Bureau every

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department is constantly striving to eliminate all waste and discard every unnecessary expense.

Every reasonable effort has been made to secure the liquidation of our international debts. The largest, which was that of Great Britain, and which amounted with accumulated interest to \$4,600,000,000, has been settled on terms that provide for its payment over a period of 62 years. Interest runs at 3 per cent until 1933, and after that 3½ per cent. This calls for payments in the immediate future of \$160,000,000 and more a year. They have the option to pay us in our own bonds, and in its practical working this agreement does not involve cash payments to this country, but simply a mutual cancellation of debts. The funding of the British debt was one of the greatest of international financial transactions. It had its effect on business confidence, which was world wide. It demonstrated the determination of a great empire faithfully to discharge its international obligations. In this respect it was much more than a financial transaction, it was an exhibition of the highest type of international honor. It showed that the moral standards of the world were going to be maintained.

All of this has laid the foundation for national tax reduction and reform. In time of war finances, like all else, must yield to national defense and preservation. In time of peace finances, like all else, should minister to the general welfare. Immediately upon my taking office it was determined after conference with Secretary Mellon that the Treasury Department should study the possibility of tax reduction for the purpose of securing relief to all taxpayers of the country and emancipating business from unreasonable and hampering exactions. The result was the proposed bill, which is now pending before the Congress. It is doubtful if any measure ever received more generous testimony of approval. Opposition has appeared to some of its details, but to the policy of immediate and drastic reduction of taxes, so arranged as to benefit all classes and all kinds of business, there has been the most general approbation. These recommendations have been made by the Treasury as the expert financial adviser of the Government. They follow, in their main principle of a decrease in high surtaxes, which is only another name for war taxes, the views of the two preceding Secretaries of the Treasury, both of them Demo-

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crats of pronounced ability. They are non-partisan, well thought out, and sound. They carry out the policy of reducing the taxes of everybody, especially people of moderate income. They give to the country almost a million dollars every working day.

The proposed bill maintains the fixed policy of rates graduated in proportion to ability to pay. That policy has received almost universal sanction. It is sustained by sound arguments based on economic, social, and moral grounds. But in taxation, like everything else, it is necessary to test a theory by practical results. The first object of taxation is to secure revenue. When the taxation of large incomes is approached with that in view, the problem is to find a rate which will produce the largest returns. Experience does not show that the higher rate produces the larger revenue. Experience is all in the other way. When the surtax rate on incomes of \$300,000 and over was but 10 per cent, the revenue was about the same as when it was at 65 per cent. There is no escaping the fact that when the taxation of large incomes is excessive, they tend to disappear. In 1916 there were 206 incomes of \$1,000,000 or more. Then the high tax rate went into effect.

The next year there were only 141, and in 1918 but 67. In 1919 the number declined to 65. In 1920 it fell to 33, and in 1921 it was further reduced to 21. I am not making any argument with the man who believes that 55 per cent ought to be taken away from the man with \$1,000,000 income, or 68 per cent from a \$5,000,000 income; but when it is considered that in the effort to get these amounts we are rapidly approaching the point of getting nothing at all, it is necessary to look for a more practical method. That can be done only by a reduction of the high surtaxes when viewed solely as a revenue proposition, to about 25 per cent.

I agree perfectly with those who wish to relieve the small taxpayer by getting the largest possible contribution from the people with large incomes. But if the rates on large incomes are so high that they disappear, the small taxpayer will be left to bear the entire burden. If, on the other hand, the rates are placed where they will produce the most revenue from large incomes, then the small taxpayer will be relieved. The experience of the Treasury Department and the opinion of the best experts place the rate which will collect

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most from the people of great wealth, thus giving the largest relief to people of moderate wealth, at not over 25 per cent.

A very important social and economic question is also involved in high rates. That is the result taxation has upon national development. Our progress in that direction depends upon two factors—personal ability and surplus income. An expanding prosperity requires that the largest possible amount of surplus income should be invested in productive enterprise under the direction of the best personal ability. This will not be done if the rewards of such action are very largely taken away by taxation. If we had a tax whereby on the first working day the Government took 5 per cent of your wages, on the second day 10 per cent, on the third day 20 per cent, on the fourth day 30 per cent, on the fifth day 50 per cent, and on the sixth day 60 per cent, how many of you would continue to work on the last two days of the week? It is the same with capital. Surplus income will go into tax-exempt securities. It will refuse to take the risk incidental to embarking in business. This will raise the rate which established business will have to pay for new capital, and result in a marked

increase in the cost of living. If new capital will not flow into competing enterprise the present concerns tend toward monopoly, increasing again the prices which the people must pay.

The high prices paid and low prices received on the farm are directly due to our unsound method of taxation. I shall illustrate this by a simple example: A farmer ships a steer to Chicago. His tax, the tax on the railroad transporting the animal, and of the yards where the animal is sold, go into the price of the animal to the packer. The packer's tax goes into the price of the hide to the New England shoe manufacturer. The manufacturer's tax goes into the price to the wholesaler, and the wholesaler's tax goes into the price to the retailer, who in turn adds his tax in the price to the purchaser. So it may be said that if the farmer ultimately wears the shoes he pays everybody's taxes from the farm to his feet. It is for these reasons that high taxes mean a high price level, and a high price level in its turn means difficulty in meeting world competition. Most of all, the farmer suffers from the effect of this high price level. In what he buys he meets domestic costs of high taxes

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and the high price level. In what he sells he meets world competition with a low price level. It is essential, therefore, for the good of the people as a whole that we pay not so much attention to the tax paid directly by a certain number of taxpayers, but we must devote our efforts to relieving the tax paid indirectly by the whole people.

Taken altogether, I think it is easy enough to see that I wish to include in the program a reduction in the high surtax rates, not that small incomes may be required to pay more and large incomes be required to pay less, but that more revenue may be secured from large incomes and taxes on small incomes may be reduced; not because I wish to relieve the wealthy, but because I wish to relieve the country.

The practical working out of the proposed schedules is best summarized by the Treasury experts, who find that \$92,000,000 a year will be saved to those who have incomes under \$6,000; \$52,000,000 to those who have incomes between \$6,000 and \$10,000; and that less than 3 per cent of the proposed reduction would accrue to those who have incomes of \$100,000 or more. A married man with two children, having an income of \$4,000,

would have his tax reduced from \$28 to \$15.75; having \$5,000, from \$68 to \$38.25; having \$6,000, from \$128 to \$72; having \$8,000, from \$276 to \$144; and having \$10,000, from \$456 to \$234.

In order to secure these results, the administration bill proposes to reduce the tax on earned income 25 per cent, and the normal tax on unearned income also 25 per cent. This would apply to all incomes alike, great and small, and would provide general and extensive relief. Further reductions would be secured by increasing the amount of income, exempt from surtaxes, from \$6,000 to \$10,000. Such surtaxes increase progressively until on incomes of \$100,000 or more they reach the maximum of 25 per cent which, with the normal tax of 6 per cent, make large incomes pay in all 31 per cent. It is also proposed to repeal many troublesome and annoying rates, such as admission taxes and sales taxes, the existence of which is reflected in the increased cost of doing business and the higher prices required from the people.

That is the tax measure which has been proposed, and which has my support. Because I wish to give to all the people all the

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relief which it contains, I am opposed to material alteration or to compromise. It is about as far removed as anything could be from any kind of partisanship. At least, I do not charge that there is any party or any responsible party leadership that admits it is opposed to making taxes low and in favor of keeping taxes high. But the actions and proposals of some are liable to have just that result. I stand on the simple proposition that the country is entitled to all the relief from the burden of taxation that it is possible to give. The proposed measure gives such relief. Other measures which have been brought forward do not meet this requirement. They have the appearance of an indirect attempt to defeat a good measure with a bad measure. You have heard much of the Garner plan. Brought forward to have something different, it purported to relieve the greatest number of taxpayers. It gave not the slightest heed to the indirect effect of high taxes, or to the approaching drying up of the source of revenue and consequent failure of the progressive income tax, or to the destruction of business initiative. It is political in theory. When the effect of its provisions was estimated, it

meant a loss of revenue beyond the expected surplus. It is impossible in practice. The people will not be misled by such proposals. It is entirely possible to have a first-class bill. I want the country to have the best there is. I am for it because it will reduce taxes on all classes of income. I am for it because it will encourage business. I am for it because it will decrease the cost of living. I am for it because it is economically, socially, and morally sound.

But the people of the Nation must understand that this is their fight. They alone can win it. Unless they make their wishes known to the Congress without regard to party this bill will not pass. I urge them to renewed efforts.