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Congressional Record

PROCEEDINGS AND DEBATES OF THE 77th CONGRESS, SECOND SESSION

SENATE

TUESDAY, OCTOBER 20, 1942

(Legislative day of Thursday, October 15, 1942)

The Senate met at 12 o'clock noon, on the expiration of the recess.

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

Our Father God, frail children of earth's fleeting scenes we lift lame hands of prayer to Thee who art from everlasting to everlasting. From the grinding daily schedules which drain our strength and enmesh our hearts and minds we would for these dedicated moments gaze up and out to the eternal principles which give worth and meaning to all that we do or say here. Purge our hearts of unworthy entanglements and shabby motives which may mar and blot the future's broadening way. In a world that has become a neighborhood where we must make it a brotherhood or perish, join us to that increasing legion that across the boundaries of prejudice, intolerance, and hatred, extends the dominion of healing good will. Make our spirits living links to unite the broken life of man in a new depth of understanding friendship. Out of the ruins of our shattered hopes may Thy kingdom come. Thou who through storm and night art still guiding and guarding, to Thee aloud we cry, "God save the state!" We ask it in the Name that is above every name. Amen.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Monday, October 19, 1942, was dispensed with, and the Journal was approved.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries, who also announced that on October 17, 1942, the President had approved and signed the following acts:

S. 1216. An act for the relief of Henry (Heinz) Gabriel;

S. 2275. An act to amend section 10 of Public, No. 360, Seventy-seventh Congress, to grant national service life insurance in the cases of certain Navy or Army flying cadets and aviation students who died as the result of aviation accident in line of duty between October 8, 1940, and June 3, 1941; and

S. 2442. An act to authorize the Secretary of War to approve a standard design for a service flag and a service lapel button.

CALL OF THE ROLL

Mr. HILL. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Gerry	Pepper
Andrews	Gillette	Radcliffe
Austin	Green	Reed
Bailey	Guffey	Reynolds
Ball	Gurney	Rosier
Barbour	Hatch	Russell
Barkley	Hayden	Schwartz
Bilbo	Hill	Shipstead
Bone	Johnson, Calif.	Smathers
Brewster	Kilgore	Spencer
Bulow	La Follette	Thomas, Idaho
Bunker	Langer	Thomas, Okla.
Burton	Lee	Thomas, Utah
Butler	McFarland	Tobey
Capper	McKellar	Tunnell
Caraway	McNary	Tydings
Chandler	Maloney	Vandenberg
Chavez	Maybank	Van Nuys
Connally	Mead	Wagner
Danaher	Murdock	Wallgren
Davis	Norris	Walsh
Downey	Nye	Wheeler
Doxey	O'Daniel	Wiley
Ellender	O'Mahoney	Willis
George	Overton	

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] and the Senator from Delaware [Mr. HUGHES] are absent from the Senate because of illness.

The Senator from Alabama [Mr. BANKHEAD], the Senator from Michigan [Mr. BROWN], the Senator from Virginia [Mr. BYRD], the Senator from Idaho [Mr. CLARK], the Senator from Missouri [Mr. CLARK], the Senator from Iowa [Mr. HERRING], the Senator from Colorado [Mr. JOHNSON] the Senator from Illinois [Mr. LUCAS], the Senator from Nevada [Mr. McCARRAN], the Senator from Montana [Mr. MURRAY], the Senator from South Carolina [Mr. SMITH], the Senator from Tennessee [Mr. STEWART], and the Senator from Missouri [Mr. TRUMAN] are necessariiy absent.

Mr. McNARY. The Senator from New Hampshire [Mr. BRIDGES], the Senator from Illinois [Mr. BROOKS], the Senator from Oregon [Mr. HOLMAN], the Senator from Massachusetts [Mr. LODGE], the Senator from Colorado [Mr. MILLIKIN], and the Senator from Ohio [Mr. TAFT] are necessariiy absent.

The VICE PRESIDENT. Seventy-four Senators have answered to their names. A quorum is present.

DISPOSITION OF EXECUTIVE PAPERS

The VICE PRESIDENT laid before the Senate a letter from the Archivist of the United States, transmitting, pursuant to law, lists of papers and documents on the files of the Departments of War (2) and Agriculture (5), and the Federal Works Agency, which are not needed in the conduct of business and have no permanent value or historical interest, and requesting action looking toward their disposition, which, with the accompanying papers, was referred to the Joint Select Committee on the Disposition of Papers in the Executive Departments.

The VICE PRESIDENT appointed Mr. BARKLEY and Mr. BREWSTER members of the committee on the part of the Senate.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, or presented, and referred as indicated:

By the VICE PRESIDENT:

Telegrams in the nature of memorials from the America All Mothers Clubs of Connersville and Richmond, Ind., remonstrating against the enactment of legislation to reduce the draft age limit; ordered to lie on the table.

By Mr. CAPPER:

A petition, numerously signed, of sundry citizens of McPherson, Kans., praying for the enactment of Senate bill 860, to prohibit the sale of alcoholic liquor and to suppress vice in the vicinity of military camps and naval establishments; ordered to lie on the table.

RELIEF OF OWNERS OF BUSINESSES, ETC.—RESOLUTION OF CITY COUNCIL OF MIAMI BEACH, FLA.

Mr. PEPPER presented a resolution adopted by the City Council of the City of Miami Beach, Fla., which was referred to the Committee on Banking and Currency and ordered to be printed in the RECORD, as follows:

Resolution 5595

Whereas it has been brought to the attention of the city council of the city of Miami Beach, Fla., that on May 18, 1942, there was introduced in the Senate of the United States by Senator PEPPER, of Florida, and Senator DOWNEY, of California, a bill (S. 2540); and

Whereas on September 9, 1942, there was introduced in the House of Representatives of the United States by Congressman GREEN, of Florida, a bill (H. R. 7533); and

Whereas one of the objections of each of said bills is to furnish relief, through the Reconstruction Finance Corporation, to prevent and relieve distress among owners of

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businesses and properties located in resort cities and towns which have lost their earning power by reason of the war effort: Now, therefore, be it

Resolved by the City Council of the City of Miami Beach, Fla., That the objectives of said Senate bill 2540 and said House bill 7533 be, and they are hereby, approved; be it further

Resolved, That certified copies of this resolution be furnished to Senators PEPPER and ANDREWS, of Florida, Senator DOWNEY, of California, and Congressmen GREEN, CANNON, PETERSON, CALDWELL, and HENDRICKS.

Passed and adopted this 7th day of October A. D. 1942.

VAL C. CLEARY, *Mayor*.

Attest:

C. W. TOMLINSON,
City Clerk.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. BURTON, from the Committee on the District of Columbia:

S. 2046. A bill to amend an act entitled "An act to amend the Code of the District of Columbia to provide for the organization and regulation of cooperative associations, and for other purposes," approved June 10, 1940; without amendment (Rept. No. 1647); and

S. 2734. A bill to amend an act entitled "An act to create a board for the condemnation of insanitary buildings in the District of Columbia, and for other purposes," approved May 1, 1906, as amended, and for other purposes; without amendment (Rept. No. 1648).

By Mr. WAGNER, from the Committee on Banking and Currency:

S. 2746. A bill to authorize the Reconstruction Finance Corporation to make loans to those desiring to engage in producing minerals of value to the United States in time of war; without amendment (Rept. No. 1649); and

S. 2783. A bill to amend the act entitled "An act relating to direct loans for industrial purposes by Federal Reserve banks, and for other purposes," as amended, by authorizing loans for mineral development purposes in time of war; without amendment (Rept. No. 1650).

By Mr. THOMAS of Utah (for Mr. MURRAY), from the Committee on Education and Labor:

S. 1666. A bill to coordinate Federal reporting services, to eliminate duplication and reduce the cost of such services, and to minimize the burdens of furnishing reports and information to governmental agencies; with amendments (Rept. No. 1651).

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. VANDENBERG:

S. 2865. A bill to provide for the restoration to active duty of Capt. Walter S. Strange, United States Army, retired; to the Committee on Military Affairs.

By Mr. HATCH:

S. 2866. A bill relating to the functions of the judge of the United States Court for China; to the Committee on the Judiciary.

By Mr. VAN NUYS:

S. 2867. A bill to provide for the appointment of an additional circuit judge for the fifth circuit; to the Committee on the Judiciary.

By Mr. LANGER:

S. 2868. A bill to prohibit Members of Congress from accepting Federal employment; to the Committee on the Judiciary.

By Mr. PEPPER:

S. 2869. A bill for the relief of F. B. Sweat; to the Committee on Claims.

S. 2870. A bill to provide for a method of voting, in time of war, by seamen absent from the place of their residence; to the Committee on Privileges and Elections.

REDUCTION OF DRAFT-AGE LIMIT—AMENDMENT

Mr. THOMAS of Idaho submitted an amendment intended to be proposed by him to the bill (S. 2748) to amend the Selective Training and Service Act of 1940 by providing for the extension of liability, which was ordered to lie on the table and to be printed.

ECONOMIC AND SOCIAL CONDITIONS IN PUERTO RICO

Mr. CHAVEZ submitted the following resolution (S. Res. 309), which was referred to the Committee on Territories and Insular Affairs:

Resolved, That a subcommittee of the Committee on Territories and Insular Affairs, to be composed of five members of such committee appointed by the chairman thereof, is authorized and directed to make a full and complete study and investigation with respect to economic and social conditions in Puerto Rico resulting from the interruption of the normal flow of trade between Puerto Rico and the United States which has been brought about by the war. The subcommittee shall report to the Committee on Territories and Insular Affairs the results of its study and investigation, together with its recommendations, at the earliest practicable date.

For the purposes of this resolution the subcommittee, or any member thereof duly authorized by the chairman of the subcommittee, is authorized to hold such hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Senate in the Seventy-seventh and Seventy-eighth Congresses, to employ and to call upon the executive departments for such experts and such clerical and other assistants, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures, as it or he deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per 100 words. The expenses of the subcommittee, which shall not exceed $5,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the subcommittee.

AMENDMENT OF WOMEN'S ARMY AUXILIARY CORPS ACT—CONFERENCE REPORT

Mr. AUSTIN submitted the following report, which was considered by unanimous consent and agreed to:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 2751) to amend the act entitled "An Act to establish a Women's Army Auxiliary Corps for service with the Army of the United States," approved May 14, 1942, to create the grade of field director in such corps, to provide for enrolled grades in such corps comparable to the enlisted grades in the Regular Army, to provide pay and allowances for all members of such corps at the same rates as those payable to members of the Regular Army in corresponding grades, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its amendment.

ROBT. R. REYNOLDS,
ELBERT D. THOMAS,
ED C. JOHNSON,
WARREN R. AUSTIN,
CHAN GURNEY,
Managers on the part of the Senate.

A. J. MAY,
R. E. THOMASON,
W. G. ANDREWS,
FOREST A. HARNESS,
Managers on the part of the House.

NATIONAL DEFENSE LEGISLATION ENACTED PRIOR TO DECEMBER 7, 1941

[Mr. BARKLEY asked and obtained leave to have printed in the RECORD a compilation of national defense legislation enacted by Congress prior to December 7, 1941, which appears in the Appendix.]

BRITISH-AMERICAN TRADE RELATIONS AFTER THE WAR

[Mr. HILL asked and obtained leave to have printed in the RECORD an address entitled "British-American Trade Relations After the War," delivered by Mr. Harry Hawkins, Chief of the Division of Commercial Policy and Trade Agreements of the Department of State before the National Foreign Trade Convention, in Boston, Mass., on October 9, 1942 which appears in the Appendix.]

BERNARD BARUCH—EDITORIAL FROM RICHMOND TIMES-DISPATCH

[Mr. MAYBANK asked and obtained leave to have printed in the RECORD an editorial entitled "Our Hidden Strength," published in the Richmond Times-Dispatch, which appears in the Appendix.]

CAUGHT IN THE NETWORKS—EDITORIAL FROM THE NATION

[Mr. LA FOLLETTE asked and obtained leave to have printed in the RECORD an editorial from the Nation of October 17, 1942, entitled "Caught in the Networks," which appears in the Appendix.]

ADMISSION OF FILIPINOS INTO THE COAST GUARD RESERVE

Mr. WALSH. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1688, House bill 7455, a bill relating to the enlistment of Filipinos in the Coast Guard Reserve. There is no opposition to the bill. The Navy is much interested in it and has urged and requested early action.

The purpose of the bill is generally as stated in its title. The existing law restricts eligibility for membership in the Coast Guard Reserve to "male citizens of the United States and of its Territories and possessions, except the Philippine Islands." The exclusion of Filipinos from membership at the time of enactment of the original Coast Guard Reserve Act, was based solely on the fact that the independence of the Philippine Islands was considered imminent.

The Navy Department recommends the enactment of the bill and reports that it has been advised by the Bureau of the Budget that there would be no objection to the submission of this recommendation. Furthermore, the Navy Department reports that the enactment of the proposed legislation would involve no additional cost to the Government.

The Navy Department believes that this restriction should now be removed

in view of the changed situation resulting from the war. It has been necessary to reject applications of Filipinos for membership who have suitable boats which could be utilized in the service of the Coast Guard in furtherance of the war effort.

The VICE PRESIDENT. Is there objection to the consideration of the bill?

There being no objection, the bill (H. R. 7455) to amend the Coast Guard Auxiliary and Reserve Act of 1941, as amended, so as to enable Filipinos to qualify for service thereunder, was considered, ordered to a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That sections 3, 202, and 207 of the Coast Guard Auxiliary and Reserve Act of 1941 (55 Stat. 11), as amended (U. S. C., Supp. I, title 14, ch. 9), which define the composition of the Coast Guard Auxiliary and of the Coast Guard Reserve, are hereby amended by changing the phrase "except the Philippine Islands," appearing therein, to the phrase "including the Philippine Islands."

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Swanson, one of its clerks, announced that the House had passed without amendment the following bills of the Senate:

S. 1468. An act to authorize the Secretary of the Navy to establish a fuel depot at Middle and Orchard Points, Wash.;

S. 2327. An act to provide for payment and settlement of mileage accounts of officers and travel allowance of enlisted men of the Navy, Marine Corps, and Coast Guard;

S. 2369. An act for the acquisition of Indian lands required in connection with the construction, operation, and maintenance of electric transmission lines and other works, Parker Dam power project, Arizona-California;

S. 2555. An act to authorize the use of certificates by officers of the Army, Navy, Marine Corps, and Coast Guard of the United States, in connection with pay and allowance accounts of military and civilian personnel under the jurisdiction of the War and Navy Departments; and

S. 2706. An act to amend the act entitled "An act to expedite national defense, and for other purposes," approved June 28, 1940 (54 Stat. 676), and "Title IV of the Naval Appropriation Act for the fiscal year 1941," approved September 9, 1940 (54 Stat. 883).

The message also announced that the House had passed the bill (S. 2381) to provide that certain provisions of law relating to the Navy shall be held applicable to the personnel of the Coast Guard when that service is operating as a part of the Navy, with amendments, in which it requested the concurrence of the Senate.

The message further announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 7378) to provide revenue, and for other purposes.

The message also announced that the House had passed the following bills, in which it requested the concurrence of the Senate:

H. R. 4578. An act to authorize certain corrections in the tribal membership roll of the Puyallup Tribe of Indians in the State of Washington, and for other purposes;

H. R. 5569. An act to amend the Nationality Act of 1940, to preserve the nationality of naturalized veterans of the Spanish-American War and of the World War, and of their wives, minor children, and dependent parents;

H. R. 6165. An act preserving the nationality of a person born in Puerto Rico who resides for 5 years in a foreign state;

H. R. 6839. An act relating to the appointment and retirement in the Naval and Marine Corps Reserve of persons with physical disabilities, and for other purposes;

H. R. 7330. An act to provide for granting to the State of New Mexico the right, title, and interest of the United States in and to certain lands in New Mexico;

H. R. 7424. An act to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes;

H. R. 7491. An act to provide for the granting of rights-of-way for pipe lines for petroleum and petroleum products and for telephone and/or telegraph lines along and across certain parkway lands in the District of Columbia;

H. R. 7573. An act to authorize the Secretary of War, the Secretary of the Navy, the Commissioners of the District of Columbia, and the Director of the Bureau of the Budget to acquire motor-propelled passenger-carrying vehicles necessary for the successful prosecution of the present war;

H. R. 7575. An act to expedite the prosecution of war, and for other purposes;

H. R. 7621. An act to amend the District of Columbia Unemployment Compensation Act;

H. R. 7632. An act to provide that during the present war payments with respect to any crop of sugarbeets or sugarcane shall not be subject to deductions on account of the employment of children;

H. R. 7638. An act to restore and add certain public lands to the Uintah and Ouray Reservation in Utah, and for other purposes; and

H. R. 7661. An act to amend title I of Public Law No. 2, Seventy-third Congress, March 20, 1933, and the Veterans Regulations to provide for rehabilitation of disabled veterans, and for other purposes.

HOUSE BILLS REFERRED

The following bills were severally read twice by their titles and referred as indicated:

H. R. 4578. An act to authorize certain corrections in the tribal membership roll of the Puyallup Tribe of Indians in the State of Washington, and for other purposes; to the Committee on Indian Affairs.

H. R. 5569. An act to amend the Nationality Act of 1940, to preserve the nationality of naturalized veterans of the Spanish-American War and of the World War, and of their wives, minor children, and dependent parents; and

H. R. 6165. An act preserving the nationality of a person born in Puerto Rico who resides for 5 years in a foreign state; to the Committee on Immigration.

H. R 6839. An act relating to the appointment and retirement in the Naval and Marine Corps Reserve of persons with physical disabilities and for other purposes; and

H. R. 7575. An act to expedite the prosecution of war, and for other purposes; to the Committee on Naval Affairs.

H. R. 7330. An act to provide for granting to the State of New Mexico the right, title, and interest of the United States in and to certain lands in New Mexico; and

H. R. 7638. An act to restore and add certain public lands to the Uintah and Ouray Reservation in Utah, and for other purposes; to the Committee on. Public Lands and Surveys.

H. R. 7424. An act to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes; to the Committee on Commerce.

H. R. 7573. An act to authorize the Secretary of War, the Secretary of the Navy, the Commissioners of the District of Columbia, and the Director of the Bureau of the Budget to acquire motor-propelled passenger-carrying vehicles necessary for the successful prosecution of the present war; to the Committee on Appropriations.

H. R. 7491. An act to provide for the granting of rights-of-way for pipe lines for petroleum and petroleum products and for telephone and/or telegraph lines along and across certain parkway lands in the District of Columbia; and

H. R. 7621. An act to amend the District of Columbia Unemployment Compensation Act; to the Committee on the District of Columbia.

H. R. 7632. An act to provide that during the present war payments with respect to any crop of sugar beets or sugarcane shall not be subject to deductions on account of the employment of children; and

H. R. 7661. An act to amend title I of Public Law No. 2, Seventy-third Congress, March 20, 1933, and the Veterans Regulations to provide for rehabilitation of disabled veterans, and for other purposes; to the Committee on Finance.

SUPPLEMENTAL NATIONAL DEFENSE APPROPRIATIONS

The Senate resumed the consideration of the bill (H. R. 7672) making supplemental appropriations for the national defense for the fiscal year ending June 30, 1943, and for other purposes.

Mr. McKELLAR. Mr. President, I hope we can carry out the unanimous-consent agreement and have the bill read for amendment.

The VICE PRESIDENT. The clerk will proceed to state the amendments reported by the Committee on Appropriations.

The first amendment of the Committee on Appropriations was, under the heading "Naval Establishment—Office of the Secretary," on page 2, after line 12, to insert:

Claims for damages by collision with naval vessels: To pay claims for damages adjusted and determined by the Secretary of the Navy under the provisions of the act entitled "An act to amend the act authorizing the Secretary of the Navy to settle claims for damages to private property arising from collisions with naval vessels", approved December 28, 1922, as fully set forth in Senate Document No. 251, Seventy-seventh Congress, $2,266.99.

The amendment was agreed to.

The next amendment was, under the heading "Bureau of Supplies and Accounts—Pay, Subsistence, and Transportation of Naval Personnel, 1943," on page 4, line 3, after the word "to", to strike out "more than 23" and insert "not more than 45."

Mr. WALSH. Mr. President, this amendment would increase the number of admirals who would be entitled to double their base pay because of their service as aviators, in addition to their regular naval service.

Mr. OVERTON. If the Senator will permit, it is one and a half times their base pay.

Mr. WALSH. As is well known, persons in the Aviation Corps, who actually engage in flying, and so certify, and whose service as aviators is certified by

the commanding officer, receive an increase in pay of 50 percent in addition to their base pay, which, of course, is one and a half times their base pay.

The policy of the Committee on Appropriations has been to limit the number of persons beyond the rank of captain who may obtain this increase. Under the present law there are 23 admirals who are entitled to the increased pay.

When the representatives of the Navy Department appeared in reference to naval items in the pending bill they testified that between now and the first of July next they expected to increase the number to 39, and the committee fixed 45 as the maximum number, as is set forth in the pending amendment.

I rose, Mr. President, to call attention to the fact that there is no limitation whatever on the number of generals of the Army with corresponding rank to admirals who may receive the extra pay, and the Navy feels that naval officers are being given a different treatment, which is not exactly fair to the Navy. However, the committee, apparently following its previous policy, has felt that the number should be limited.

I have risen to ask that the limit apply to the Army as well as to the Navy, because I personally believe in a limitation. The Navy would like to have the number unlimited, just as is the case with the Army, and I believe are entitled to the application of the same policy. Of course, there will not be any large number of admirals drawing this increased pay, as the testimony is that the greatest number the Navy expects to have between now and the first of July is 39, even if the number is unlimited, under the appropriation for this extra pay.

Mr. McKELLAR. Would the Senator desire to have a limitation on the number of Army officers entitled to the base pay inserted at this point?

Mr. WALSH. I do not know the numbers, but I do think that both services should be treated alike. I personally feel that the whole matter of extra pay for flying in the aviation service ought to be studied, and perhaps a different policy with respect to it should be adopted. It appears to me that, with the expanding of the Army and Navy into the field of aviation, we will reach a time when more than half the Army and Navy may be in aviation, and the officers of the Army and Navy who are not in aviation and who consider modern warfare on land and sea as dangerous as service in the air will ask for increased pay.

Mr. McKELLAR. Mr. President, I am glad to hear the Senator say that. I have very grave doubt about a provision of this kind. However, we took proof before the committee, heard testimony of officials, and fixed the maximum number at 45. I will say to the Senator that the next time the matter comes up I will appoint a subcommittee to examine into it very carefully, and we will confer with the Senator from Massachusetts before any change is made.

Mr. WALSH. I know the committee of which the able Senator from Tennessee is a member as well as the Committee on Naval Affairs have in the past given the matter much consideration. I think it is a subject that should be studied.

Mr. McKELLAR. I, too, think it should be studied.

Mr. WALSH. Recently, because of the increase of 50 percent in the base pay of aviators, we had to increase the base pay of persons in the submarine service by 50 percent. Their pay was formerly 25 percent higher than the base pay, and is not equal, as it should be, to aviators.

What I have said is preliminary to a request I wish to make, that the number be raised to 60. Officials of the Navy have asked that the limit be removed. I am not predisposed to make such a request, because I think there should be a limit on both the Army and the Navy. However, within the past few weeks, 20 captains in the Aviation Corps were promoted to the rank of admiral, and between now and next July we may need more than the 39 which the Navy has predicted would be needed, and they have called my attention to the situation. I suggest to the Senator that if it is agreeable, the number be increased to 60.

Mr. McKELLAR. Mr. President, there is considerable doubt with respect to what the percentage of increase should be. We have not gotten the facts as to how much more hazardous it is to fly in an airplane than it is to travel in surface naval vessels. It has been suggested that the hazard in flying is not 50 percent greater, and inasmuch as we have given more than was said to be necessary, and inasmuch as it was ascertained in the hearings that no admirals at all had been lost while flying, it seems to me that perhaps the number of 45 is sufficient at this time. I will say to the Senator from Massachusetts, however, that it will not be long before a regular bill will come before our committee, and we will undoubtedly go into this matter with a view of reaching some just conclusion about it and doing the fair and just thing by these officers, also including those in the Army.

Mr. WALSH. Mr. President, of course, flight pay in the past, in times of peace, has been given admirals for the purpose of having them continue to practice flying and to keep their hands in, so to speak. Of course, we are now reaching the situation when admirals may have to lead in air engagements, and to be in the air to direct air and naval operations. That is the reason why an increased number of admirals are being selected from the Air Corps, and also the reason why we ought to be careful with respect to the limitations we make. We ought to let the Navy have every such officer that it needs.

I have not communicated with the officers who appeared before the Senator's committee, but their superiors have communicated with me and indicated that there is some question about the number that may be needed as air admirals. All they ask is that in view of the uncertainties between now and July 1 consideration be given to this matter.

Mr. OVERTON. Mr. President, will the Senator yield?

Mr. WALSH. I yield.

Mr. OVERTON. We had this question up when the last regular Navy Department appropriation bill was before our committee. We went into it very thoroughly, and later we had quite a discussion on the floor with respect to it. We had considerable testimony on the subject in the hearings.

I thoroughly agree with the Senator from Massachusetts that the whole subject matter should be gone into with a view of determining exactly what policy should be adopted. Personally I am of the opinion that there is no justification for an increase in pay to officers in the Navy above the rank of captain who engage in flying. I think the same rule ought to be applied to those in the Army who are engaged in flying. The record shows that there is no increased hazard, at least that no fatalities have occurred to anyone above the rank of captain who is engaged in flying.

In the hearings the specific question was asked if any admiral had lost his life in the last year while flying. The answer was "No." The question was asked if any admiral while flying had lost his life in the last 2 years. Again the answer was "No." Then I asked whether any admiral at any time had lost his life while engaged in flying, and the answer again was "No." So I do not think there is really any justification for the increase, but I agree with the Senator from Massachusetts that——

Mr. WALSH. Pardon me, but I wish to say that I personally feel that those who do the real dangerous flying are the younger officers who are in the air constantly. The officers who lead the squadrons in the air are engaged in the most hazardous service.

Mr. OVERTON. When the regular War Department appropriation bill comes before the committee we will undertake to study the question from the standpoint of the Army and the Navy, and see what can be done.

Mr. WALSH. And treat them both alike; have the same policy with respect to both services.

Mr. OVERTON. Last year we limited the number to 23, and in addition we required that the officer above the rank of captain who engaged in flying should certify that the flight entailed extra hazards. We have eliminated that requirement. The officer can get his additional flight pay without making any certificate that his flying has involved extra hazards.

Mr. WALSH. We are in accord on that point. We are also in accord on the policy that both services should be treated alike.

Mr. McKELLAR. Yes.

Mr. WALSH. And about the proposal to increase the number.

Mr. OVERTON. During the hearings Admiral Davison, representing the Navy Department, testified. I read from the hearings:

> Senator OVERTON. During the next fiscal year, you have in contemplation more than fifty Admirals in the flying service, do you not?
>
> Admiral DAVISON. It will rise to a total of 43 during 1943.
>
> Senator OVERTON. Forty-three?
>
> Admiral DAVISON. Yes, sir.

That was the number of admirals it was contemplated would do any flying in 1943.

Mr. WALSH. That is true.

Mr. OVERTON. We added two more, so as to make it safe. I should like to hold it down to that figure, 45.

Mr. WALSH. I will not press the matter at this time. If it appears that 45 is not a sufficient number as the war progresses, I shall ask for an increase in the numerical limitation.

Mr. McKELLAR. I thank the Senator. We shall attempt to get a uniform rule for both the Army and the Navy.

Mr. WALSH. Yes. Senators can see the Navy's point of view. The Navy asks, "Why are we restricted by the Congress, while the Army has no restriction or check whatever placed upon it?"

Mr. OVERTON. I realize that.

The VICE PRESIDENT. The question is on agreeing to the amendment on page 4, line 3.

The amendment was agreed to.

The next amendment was, under the heading "Coast Guard", on page 6, line 16, after the word "to", to strike out "fifty-five" and insert "one hundred and fifty."

The amendment was agreed to.

The next amendment was, under the subhead "Defense Aid", on page 10, line 9, after the word "this", to strike out "Act" and insert "Title."

The amendment was agreed to.

The next amendment was, under the heading "Title II—General Appropriations—Legislative", after line 13, to insert:

SENATE

Senate restaurants: For payment to the Architect of the Capitol in accordance with the Act approved September 9, 1942 (Public Law 709, 77th Cong.), $20,000.

Mr. McKELLAR. Mr. President, on behalf of the committee I offer an amendment to the committee amendment on page 10, line 17, to strike out "20,000" and insert "$39,950." The purpose of the increase is to institute a cafeteria in the Senate Office Building. It is believed that it will work better and be better all around, and that will take an additional $17,000. Mr. Lynn, the Architect of the Capitol, appeared before the committee and made the request, and the committee has authorized the amendment. I hope it will be agreed to.

The VICE PRESIDENT. The question is on agreeing to the amendment to the committee amendment on page 10, line 17.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. McKELLAR. In that connection it will be necessary to offer an additional amendment on behalf of the committee, which I send to the desk and ask to have stated.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 10, after line 24, it is proposed to insert the following:

ARCHITECT OF THE CAPITOL

CAPITOL BUILDING AND GROUNDS

Senate Office Building: For an additional amount for maintenance, including the same objects specified under this head in the Legislative Branch Appropriation Act, 1943, $7,300.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Tennessee [Mr. McKELLAR].

The amendment was agreed to.

The next amendment was, on page 11, after line 9, to insert:

BOOKS FOR ADULT BLIND

For an additional amount for the maintenance and replacement of the Government-owned reproducers for sound-reproduction records for the blind, $20,000.

The amendment was agreed to.

The next amendment was, on page 11, after line 13, to insert:

THE JUDICIARY

MISCELLANEOUS ITEMS OF EXPENSE

Salaries and expenses, clerks of courts: For an additional amount for salaries and expenses of clerks, United States courts, fiscal year 1943, including the objects specified under this head in the Judiciary Establishment Appropriation Act, 1943, $57,874.

The amendment was agreed to.

The next amendment was, under the heading "Executive Office of the President—Board of Economic Warfare", on page 12, line 10, after the word "payment", to insert "when specifically authorized or approved by the Executive Director of the Board or such other official as he may designate for the purpose, of traveling expenses of employees of the Board, including the transportation of their effects, to their first post of duty in a foreign country or when transferred from one official station in the United States or elsewhere to another in a foreign country, and return to the United States; not to exceed $50,000 for transporting the dependents, including their effects, of such employees; reimbursement to employees of the Board for loss of effects in case of marine or aircraft disaster; payment."

The amendment was agreed to.

The next amendment was, on page 13, line 24, after the words "account of", to strike out "physical."

The amendment was agreed to.

The next amendment was, under the subhead "Office of War Information", on page 15, line 7, after the word "binding", to strike out "in the field" and insert "outside the continental limits of the United States"; and on page 16, line 12, before the word "injury", to strike out "physical."

The amendment was agreed to.

The next amendment was, under the subhead "War Manpower Commission" on page 17, line 12, to strike out $10,117,-680" and insert "$11,117,680."

The amendment was agreed to.

Mr. AUSTIN. Mr. President, at the proper time in the consideration of the bill I wish to discuss this item, not with the view of changing it, but with the view of clarifying the question which arose yesterday in relation to it. I regard it of sufficient public interest and importance to call for a statement.

Mr. McKELLAR. Would not this be the best time for the Senator to proceed, because we have reached it now?

Mr. AUSTIN. Very well. I speak, Mr. President, of the amendment on page 17, line 12, affecting the appropriation for the War Manpower Commission.

Mr. McKELLAR. That is the amendment which increases the appropriation by $1,000,000.

Mr. AUSTIN. Yes. I raised the question yesterday whether the appropriation was necessary, claiming that an occupational survey was already in process, and that it was national in scope, but was being carried out through the Selective Service System, which has local boards in 6,500 districts in the United States. I questioned the wisdom of an appropriation which might create conflicting authority over the same activity, because the record of hearings on this matter raised a question.

Referring to page 464 of the hearings before the subcommittee of the Committee on Appropriations of the House of Representatives, Mr. McNutt, Chairman of the War Manpower Commission, made this statement:

At the request of the Selective Service System, the Employment Service is compiling a Nation-wide occupational inventory of the skills and occupations of this country's manpower. This information is urgently needed by the War Manpower Commission, the Selective Service System, and the War Department for planning effectively the maximum utilization of all our labor resources. In conducting the inventory, it is the responsibility of the Employment Service to interview those selective-service registrants possessing critical skills which are not being used in the furtherance of the war program, and to place these workers in war industries where their services are urgently needed. At the end of August, approximately 17,500,000 of the occupational questionnaires had been received from the Selective Service System. Due to a shortage of funds, the Employment Service has been able to process and classify only 6,500,000 of these questionnaires. Unless the additional funds now requested are provided, it will be impossible for the Employment Service to complete this project during the current fiscal year, especially since an additional 22,000,000 forms are yet to be received in the employment offices, making a total of 39,600,000 in all.

That raised a serious question relating to, What is the fact? Who is responsible for compiling a Nation-wide occupational inventory? Who is doing it? Based upon that statement, is Congress, by this appropriation, changing its policy in a very important matter?

I say "very important matter" because the registration of all men between the ages of 18 and 65, with respect to every vital statistic which bears upon the question of what use can be made of them in the total war, is probably the most important and delicate function that any governmental agency has to perform. I do not hesitate to make the claim that it should not be performed by an agency headed by a person who is interested in a political end. I have no doubt that such a transaction should be as free as possible from interest—even the interest of compensation for the employment. It was the policy of Congress, when the Selective Training and Service Act was passed, to remove the process of registering and selecting men from all adventitious influences and place it in the local boards, which were appointed upon the recommendation of the governors of the States, and which were taken from the community in which the men who were

to be classified lived. Such boards are without any political interest in the judgments which they pass. They do not even have as much interest as compensation gives a person in the performance of the duties of his office, for according to the policy of Congress all of them serve without any compensation as such, and only such reimbursement as amounts to a very small sum for travel and expenses.

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. PEPPER. I am very much interested in what the able Senator is saying. If I understand correctly, the amount proposed to be apportioned for the completion of this selective service inquiry by the War Manpower Commission is $5,000,000?

Mr. AUSTIN. Yes.

Mr. PEPPER. I notice on page 71 of the Senate hearings that the letter from the Chairman of the Manpower Commission to the chairman of the Appropriations Committee indicates that it will be impossible for this important task to be completed during this fiscal year. Does that mean by the end of June 1943?

Mr. AUSTIN. Yes.

Mr. PEPPER. Does the able Senator take that to mean that these data will not be in the hands of the Government before the end of the next fiscal year, that is, June 30, 1943, if these funds are appropriated?

Mr. AUSTIN. Mr. President, that is the logical interpretation of the letter.

Mr. PEPPER. I make the inquiry in view of information which has been developed before a subcommittee of the Senate Committee on Education and Labor of which I have the honor to be chairman. That information came from Mr. J. C. Capt, Director of the Bureau of the Census. Mr. Capt stated that an annual census bringing up-to-date the 1940 census could be made by the Census Bureau in a period of 2 weeks from its initiation. He also stated that he could start such a census in approximately 60 days, with the employment of 8,000 persons, all of whom would be women, and that the total cost would not exceed $4,000,000 or $4,500,000.

It seems to me that it is most desirable that this information be obtained. With all deference to the Chairman of the War Manpower Commission, or any other agency of the Government, I do not know of any bureau or department of the Government better qualified to gain statistical data about the population of the United States than the Bureau of the Census. I believe it is pertinent to consider the facts I have just stated, namely, that such a census could be completed 2 weeks after its initiation, with 8,000 employees, all of whom would be women, that it would not cost more than four and a half million, and that it could be inaugurated in something like 60 days.

Mr. AUSTIN. I thank the Senator for his comments. They fit the picture which I have seen since we had the debate yesterday about this subject. I called upon the Selective Service System to give me information as to what actually has been done by it under the law in carrying out the policy of Congress with respect to a national inventory of occupations. I have that history very briefly before me, and I shall read it. In order to keep clear the application of this history to the remarks of the distinguished Senator from Florida, let me say that in pursuing this policy of Congress the Selective Service System has employed the Census Bureau and paid for its services out of funds appropriated to the Selective Service System for putting into categories the information already being collected and listed by the Selective Service System.

The point is—and that is why I rose—that it is done under the agency of Government which represents the policy of Congress, an agency set up by Congress under a statute, an agency which is close to the people, a democratic agency. It is because of my anxiety to keep the operating function where we placed it that I challenged this appropriation yesterday.

This is the story, and it is authentic:

In the summer of 1941 the Selective Service System decided to substitute a centralized statistical program based on an individual punch-card record of each registrant in place of a decentralized procedure of summary reports for each local board.

Such a program was initiated in the fall of 1941 with the development of plans for processing Report of Physical Examination and Induction (Forms 200 and 221), the only individual record of statistical consequence which was being received in national headquarters at that time. This document was to supply tabulated data for the United States and by States and local boards when necessary, on the physical defects, occupations, marital status, dependents, etc., of registrants selected for physical examination by local board and inductian station physicians.

That was a small group. That did not reach those who had been processed out by deferment. It reached those who were to be examined for induction into the armed forces. So we have the beginning of the work of making a national occupational survey—a small beginning.

The next step was to secure a control record of each of the 18,000,000 men then registered as a result of the first and second registrations; a data record of their occupations, work status, marital status, dependents, education, citizenship, age, race, etc., and an action record of each selective service classification given them. An opportunity for securing the control record was offered in connection with the third registration of 8,000,000, the fourth registration of 14,000,000, and the fifth registration of 3,000,000. A copy of List of Registrants (Form 3), for national headquarters was the medium for this control. Copies were also secured later for the first and second groups.

Now, as will be seen, both of them are tied in.

Along with the entrance of the United States into the war and the registering of groups 3, 4, and 5, there developed an interest by the Selective Service System and other agencies in the problems of industrial as well as military manpower, i. e., in the problems of total manpower.

Mr. President, let me say that I intend to turn back to the CONGRESSIONAL RECORD for the period immediately following our entrance into the war, and to refer to statements of distinguished Senators showing what was the policy of Congress about this subject.

Meantime I continue with the reading:

National headquarters thereupon undertook an inventory of critical and essential skills and professional and scientific qualifications of the 43,000,000 registrants.

Notice in the testimony of Chairman McNutt that he talks about 22,000,000 forms as yet to be received, making a total of 39,600,000 in all. Provision had already been made to cover the 43,000,000 registrants.

This survey started out to be an arrangement whereby the selective-service local boards would require each registrant to prepare an occupational questionnaire (Form 311).

That is the form to which I referred yesterday.

The board would then transmit one copy of the form to local offices of the United States Employment Service. This office would then interview men—

Remember that. I depart from the reading to emphasize the suggestion as to interviewing men, for I believe that is all there is in the activity of the War Manpower Commission for which the $5,000,000 is to provide. We shall come to that later.

This office would then interview men with the selected skills and occupations for the purpose of their better placement with reference to war production. Because of the growing emphasis on working qualifications, however the plan was adapted to require the registrant to fill out the questionnaire in duplicate.

There was some quarrel about that. The Manpower Commission did not want to have the Selective Service have a copy for its own use, but ultimately it was settled that the Selective Service System saved itself to the extent of having a copy for its own use.

Because of the growing emphasis on working qualifications, however, the plan was adapted to require the registrant to fill out the questionnaire in duplicate, the duplicate to remain in his local board file as an aid to his classification. The arrangement was then further changed to require his preparation of a digest or coupon covering the essential information on occupation, marital status, dependents, age, race, etc., from the questionnaire for submission by the local board to national headquarters where it would serve as the basis for tabulated data—

I pause in reading to say that it is this function of tabulating which the Census Bureau, referred to by the distinguished junior Senator from Florida, has done for the Selective Service System at the cost of the Selective Service System—

applicable to the planning and administering of the operations of the Selective Service program and programs of other agencies concerned with either or both military and industrial manpower.

Following the initiation of the occupational inventory, local boards undertook the preparation of Local Board Action Reports (Form 110) after each meeting to supply national headquarters with the classifications assigned to individual registrants at the meeting. This would allow the current classifications of registrants to be tied with the tabulations made from Form 311. Occupational tabulations by industrial area and State are being prepared from Form 311, showing the number of registrants reporting qualifications and employment in selected skills and occupations and their marital status, dependents, race, and age. This is practically completed for the 8,000,000 group 3 registrants, and it is expected to be finished for the remaining groups by January 1, 1943.

Mr. President, I especially invite the attention of the Senator from Florida to the record of the Selective Service Sys-

tem with respect to the particular function which the Census Bureau has been performing for the Selective Service System, and at its expense.

I continue to quote from the record:

This is practically completed—

That is, slotting into categories the information taken from Form 311—

for the 8,000,000 group 3 registrants, and it is expected to be finished for the remaining groups by January 1, 1943.

That statement should reassure the Senator from Florida that under the management of our organization, the Selective Service System, there is no idea of postponing the work until June 1943.

Mr. PEPPER. Mr. President, will the Senator enlighten me a little further as to how comprehensive is the inquiry being made by the Bureau of the Census under the direction of the Selective Service authorities?

Mr. AUSTIN. I shall do so if the Senator will withhold his request until I can finish the reading. Thereupon, I shall turn to one of the actual tabulations and shall point it out. For example, 190 categories of employment are covered.

I now resume the reading:

Upon the completion of the tabulation of these basic occupational data, the classification information on each registrant from form 110 will be placed upon the punch card for form 311 and tabulations of skills and professional qualifications and other characteristics of registrants tabulated for current classification by local board and State and for the country as a whole. This will be utilized in controlling the local board processing of registrants with respect to occupation.

If it becomes necessary, each local board can be supplied with the serial numbers of uninducted registrants possessing specific occupations and other specific qualifications for meeting special industrial or military manpower calls.

In the event that the problems of planning, administering, or special calls require it, the occupational qualifications or other characteristics of registrants can be brought up to date through the medium of form 110 or sample studies which are now in operation between local boards and national headquarters.

That is the end of what I wanted to read. Let me comment that the continuous keeping up to date of the story of the individual is now done all the time in practice by the local board, and if we are to turn the job over to some other bureau, another agency will be set up to repeat, duplicate, and do the same thing over again.

I promised the distinguished junior Senator from Florida that I would show an actual exhibit of information. I hold in my hand an interoffice communication covering such an exhibit. The communication was given to me this morning at my request. It is headed "National Headquarters, Selective Service System." I emphasize that because the organization preparing the document is not the War Manpower Commission.

INTEROFFICE MEMORANDUM

OCTOBER 16, 1942.

To: Colonel Keesling.
From: Mr. McGill.
Subject: Data from Form 311.

That is exactly what the Senator asked about.

The following are items of occupational information which national headquarters is now making available from its Coupon of the Occupational Questionnaire to all of the agencies now concerned with military, industrial, and total manpower problems:

1. Hand count totals on the number of Group 3 and Group 4 registrants reporting qualifications in a selected occupation and employment at this occupation by selected occupation, State, and industrial area. (See exhibit A.)

2. Tabulations of similar information for all registrants by marital status, dependents, age, race, etc. (Exhibit B.)

I do not have exhibit B and do not intend to put it into the RECORD. I will put exhibit A in because that answers the question of the Senator from Florida in detail.

Below are given items of occupational information which it is planned to make available to these agencies if the need arises:

1. Tabulations on the selected occupations, marital status, dependents, age, and race of all registrants by current selective service classification and by State and local board.

2. Listings of all registrants by serial number according to their selected occupation, marital status, dependents, age, race, and current selective service classification by State and local board.

Then comes exhibit A, which, on second thought, I will not weary the Senate by reading, but I will point out the evidentiary significance of it on the question before us, and that is that it is not a document of the War Manpower Commission but is a document of the Selective Service, and it starts right off:

NATIONAL HEADQUARTERS, SELECTIVE SERVICE SYSTEM, WASHINGTON, D. C.

Selective service registrants of the Third Registration reporting qualifications and present employment in 190 selected occupations. (Preliminary.)

Then follows a narrative, and then the tabulation, which, Mr. President, I ask unanimous consent to have printed in the RECORD without reading.

The VICE PRESIDENT. Without objection, it is so ordered.

There was no objection.

The tabulation is as follows:

Selective Service registrants of the third registration reporting qualifications and present employment in 190 selected occupations (preliminary)

NEVADA: APRIL–JUNE 1942

	Total reporting	Reporting present employment	Reporting qualifications but not present employment
Total	9,147		
Reporting no selected occupation	2,764		
Reporting selected occupation	6,383	1,959	4,424
Airplane fabric worker	5	1	4
Airplane mechanic	20	5	15
Airplane pilot	38	4	34
Airplane woodworker			
Airport-control operator	3	1	2
Angle puncher and shearer	3	2	1
Architect	7	3	4
Armorer			
Asbestos worker	1		1
Assembler:			
Aircraft	2	1	1
Electrical equipment	4		4
Instrument			
Machinery	7	1	6
Other	8	2	6

Selective Service registrants of the third registration reporting qualifications and present employment in 190 selected occupations (preliminary)—Continued

	Total reporting	Reporting present employment	Reporting qualifications but not present employment
Automobile mechanic	359	87	272
Babbitter	16		16
Bench hand, metal work	7		7
Bessemer-converter blower	1		1
Blacksmith	48	15	33
Blaster	13	2	11
Blast-furnace operator	1		1
Boatbuilder, wood or steel	1		1
Boiler mechanic	32	15	17
Boring-machine operator, metal	2		2
Boring-mill operator	2	1	1
Bricklayer	26	11	15
Burner, acetylene	29	7	22
Cabinetmaker	21	6	15
Cable splicer	9	1	8
Calker, steel plate	1		1
Canvas worker	3	2	1
Carman, railroad shops	61	23	38
Carpenter	412	138	274
Cement finisher	60	15	45
Chemical operator	23	8	15
Chipper, metal	3		3
Cloth cutter			
Compass man, logging	4		4
Cooper			
Coremaker	5	2	3
Crane operator	51	14	37
Detailer, drafting	4	2	2
Die maker	1	1	
Designer:			
Airplane			
Tool, die, machinery	4	2	2
Diver	11	2	9
Draftsman	44	11	33
Dredgeman	4		4
Drill-press operator	23	3	20
Dynamic balancer			
Electrician	193	72	121
Electric motor repairman	8		8
Emergency man, street railway	2		2
Emergency squad worker, fire or gas company	2		2
Engineer:			
Locomotive	68	42	26
Operating	70	32	38
Professional	62	22	40
Refrigerating	17	3	14
Stationary	52	14	38
Engraver			
Estimator construction	18	6	12
Explosives operator	26	3	23
Farmer:			
Dairy	214	43	171
Other	737	195	542
Farm hand:			
Dairy	72	14	58
Other	598	135	463
Farm machinery repairman	29	5	24
Filer, metal	5	2	3
Filtration plant attendant (water)	5	2	3
Fingerprint expert	6	1	5
Finisher:			
Rolling mill			
Watch manufacturing			
Fire fighter	50	16	34
Fireman, locomotive	103	35	68
First-aid attendant	23	2	21
Fixer, machine	6	3	3
Foreman, factory	34	12	22
Forger			
Forge welder			
Flanging press operator			
Furnace charger, metal	5	4	1
Galvanizer, iron and steel	1	1	
Gas-producer man			
Gear cutter			
Glass blower			
Glazier	4	1	3
Grinder, precision work	1		1
Grooving-machine operator			
Gunsmith	3	2	1
Hammersmith			
Hardener			
Heat treater	1		1
Heater, forge	2		2
Hostler, railroad	14	4	10
Inspector	36	19	17
Inspector, machinery parts	1		1
Instrument maker	1	1	
Instrument repairman	2	1	1
Internal key-seating machine operator			
Interpreter	23	3	20
Keller-machine operator			
Lapping-machine operator			
Lathe operator	24	3	21
Lay-out man	9	4	5

Selective Service registrants of the third registration reporting qualifications and present employment in 190 selected occupations (preliminary)—Continued

	Total reporting	Reporting present employment	Reporting qualifications but not present employment
Lead burner	3	1	2
Leather worker	10	2	8
Lens grinder	4	3	1
Linemen	36	14	22
Loftsman	1	------	1
Loom fixer	------	------	------
Lumber grader	14	5	9
Machine operator, firearms	2	2	------
Machine set-up man	2	------	2
Machinist	134	68	66
Maintenance mechanic	99	43	56
Melter	6	3	3
Metallurgist	16	7	9
Milling-machine operator	28	7	21
Millwright	16	3	13
Miner	710	238	472
Model maker	3	1	2
Molder	12	2	10
Motor analyst	8	3	5
Motorcycle repairman	1	------	1
Motorman, locomotive	12	4	8
Multipurpose-machine operator, metal working	1	------	1
Nurse, registered	4	2	2
Optician	3	------	3
Ornamental-iron worker	2	------	2
Ordnanceman	19	11	8
Painter, ship	55	13	42
Parachute repairer	3	------	3
Patternmaker	3	1	2
Personnel man	106	33	73
Pipe fitter	73	12	61
Pipe man, water or gas main	32	11	21
Planer operator, metal	------	------	------
Plasterer	22	8	14
Plater	1	------	1
Plumber	66	19	47
Policeman	68	33	35
Pourer, foundry	1	------	1
Powerhouse operator	46	20	26
Power shovel operator	51	23	28
Press operator	10	4	6
Press operator, metal	3	------	3
Printer	36	12	24
Profiling-machine operator	1	------	1
Pulpit man, steel mill	------	------	------
Radio operator	26	4	22
Radio repairman	18	7	11
Repairman			
Office machines	11	6	5
Railroad equipment	41	20	21
Rigger	31	10	21
Riveter	12	------	12
Roller, metal	------	------	------
Sawing machine operator, metal	2	------	2
Scarver	------	------	------
Screw machiner operator	4	------	4
Seaman (including river boats)	26	2	24
Shaper operator, metal	2	1	1
Sheet-metal fabricating machine operator	1	------	1
Sheet-metal worker	35	11	24
Ship fitter	5	------	5
Ship's officer or engineer	5	------	5
Steam fitter	11	3	8
Stonemason	9	1	8
Straightener, metal	6	2	4
Structural-steel worker	23	11	12
Surveyor, engineering	78	20	58
Telegraph operator	57	24	33
Telephone man	34	11	23
Template maker	------	------	------
Tester	7	1	6
Textile-machine operator	------	------	------
Thread grinder	------	------	------
Tool dresser	6	2	4
Tool-grinder operator	1	------	1
Tool maker	------	------	------
Tracer, drafting	3	------	3
Trainman	150	72	78
Transformer rebuilder	------	------	------
Tube bender	------	------	------
Upholsterer	11	4	7
Watchmaker	9	5	4
Weaver	2	------	2
Welder	100	37	63
Wheel borer	------	------	------
Wire drawer	1	1	------
Woodworking machine operator	27	6	21

Selective Service System, July 31, 1942.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. McKELLAR. Then, as I understand the Senator, the $5,000,000 included in this item will go to the Selective Service System to be used in completing the work in question?

Mr. AUSTIN. That is just the statement I want; but the bill does not so state; the testimony is not clear about it. Let me read what General Hershey testified to as bearing upon the theory which supports what the Selective Service is now doing, to which I have already called attention. I read from page 474 of the hearings before the House committee. It is not long and it is the whole testimony of General Hershey. It is as follows:

The CHAIRMAN. General Hershey, we should be pleased to have a statement from you on this question of manpower.

General HERSHEY. Mr. Chairman, I come here in two capacities. First, I am a Commissioner of the Manpower Commission; and also the Director of the Selective Service System. As a Commissioner, I am interested in knowing what we have got in this country. We may have something over 60,000,000 or 65,000,000 working units.

That is very important, and if this money will ascertain that information, it will prove the necessity on the part of Congress to do something extremely important and effective to meet the requirements of an army of 7,500,000 men. If it be assumed that the information given to us through the Military Affairs Committee of the Senate is true, that it takes from 15 to 18 civilians in production and in our industries to sustain properly 1 man on the field of battle; 15 times 7,500,000 is one hundred and twelve and a half million, and, if it be true that we have only between 60,000,000 and 65,000,000 working units to perform the service of 112,000,000 units, we face a serious problem.

Excuse me for departing from the reading. I continue to the quotation from General Hershey's testimony:

We have already in our possession material on some thirty-nine to forty-three million of those people.

Our agency has acted to reduce that to writing on a Form No. 311—

That as will be noted, is the same old form—

so that we have that very information. The thing that we are up here for this morning is to try to make that information available, not only nationally but available down in the localities—

The information must be made available—

so that when you are looking for a carpenter or a plumber or a die-setter or something else, you know that man in terms of his name and his street address.

Secondly, as the Director of the Selective Service System, I am interested in the United States Employment Service not only nationally, but locally, in being able to tell whether this man is a die-setter or what is this fellow—

The selection is always by individuals; the law prohibits any other type of selection—

see what he claims to be and whether you need him. Otherwise my boards cannot make an intelligent approach to the problem. I believe that is all, Mr. Chairman.

The CHAIRMAN. Thank you, General Hershey.

Mr. President if it be true—and I am ready to accept the statement of the distinguished Senator from Tennessee—that this appropriation of $5,000,000 is to go to the Selective Service System for carrying on the work so well started, it has all my support. The main thing I want Congress to do is to adhere to this democratic process of dealing with the most vital things affecting the people of this country at a time when they have all volunteered, for all the people of this country who are physically and mentally able to do so are in this war; have no doubt about that. I know, from my recent trips into the country, how deeply they feel, how great is their zeal, how willing they are to sacrifice, all they want is leadership, all they want is direction; and, with it, I assure the Senate that they will go further than we will go.

What I am standing for here, and intend to fight for in the coming few weeks, is to hold up the arms of this agency which we created—we, the people, for that is what we are; we represent the people of this country. When we set up a Selective Service Board, with all its local agencies, we did the one precious thing which afforded to the people the confidence and the certainty that the judgments upon their lives which were being made were without the smell of brimstone and were free from any shade or color of politics or any financial or other interest save the interest of our country. That is what I am for, and that is why I entered into the debate yesterday.

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. PEPPER. I wonder if the able Senator means to say to the Senate, however, that he thinks an Army officer, or an agency the personnel of which is exclusively Army personnel, should be the national agency to determine matters of civilian allocation and occupation, as well as military.

Mr. AUSTIN. That is a very fair question, and an excellent question to consider now. My answer is, No, and when we passed the selective service law, we recognized that. I could turn to the place if I had a moment, but in the act itself we prohibited anyone connected with the Army or Navy serving on the local boards. Mind you, Mr. President, the local boards do the deciding. It is not General Hershey, or anyone else here at national headquarters. Because we believed in the principle to which the Senator from Florida now appeals, we set up that system of due process of law with which we, as Americans, have grown up. We had the first board, the first fact-finding body, a body of our own folks, and we excluded the military from it completely. Then we said, "Now, men are fallible; the infallible man has not been born, so we will provide another bit of home rule; we will create an appeal board, and then we will go still further, we will create other appeal agencies as they may be necessary, and they will also be made up of local people; they will be our own neighbors, in our own States."

Of course, the President is always at the top of any war organization, and he is at the top of the one we are now dis-

cussing, and, if it were necessary, an appeal could be made to the President of the United States. But we have set up an institution which we think is so necessary for the maintenance of justice between Government and its population; namely, a local fact-finding body, and appeal organizations which are free from any other interest except the public interest.

Mr. PEPPER. Mr. President, will the Senator yield again?

Mr. AUSTIN. I yield.

Mr. PEPPER. The able Senator has emphasized the virtue of that system, and undoubtedly pointed out, as he should have done, the fairness of it in dealing with different individuals. My question to the Senator was upon the assumption that the determination of the allocation of our citizens between military and civil needs, including industry and agriculture, of necessity must be made by the National Government. If that be true, then I was asking the Senator whether he would also entrust the decision of that matter of national policy in the allocation of the Nation's manpower purely to a military tribunal.

Mr. AUSTIN. No.

Mr. PEPPER. If the Senator will permit me to complete the question—for example, in a hearing before our Committee on Education and Labor two witnesses appeared. One of them was a contractor, representing a national association engaged in the building of airfields and cantonments, distinctly military establishments. He pointed out the case of a keyman in his organization, who was 34 years of age and single, who had once been deferred by the local draft board, and who was asking for deferment a second time. The mothers and fathers in the community were pointing to that man and saying, "Why was that man left behind when my boy had to go to war?" Thereupon, without any directive from Washington, in spite of the fact that it had a letter and telegram from the United States Engineer Corps requesting that it defer this man because he was essential in the establishment of military training bases, the draft board took the man and sent him into the service.

Let me give one further example. A gentleman named Rodgers appeared here from the Great Nordberg Co. in Milwaukee. That company among other things is manufacturing naval torpedo tubes, and motors which go into merchant ships. He testified to almost similar circumstances, of a draft board being unable to differentiate between a man who was needed as a key man in industry and a man who ought to go into the military service. So I was led to conclude, from these and other cases which have come to my attention, that there must be a national policy in regard to the allocation of the Nation's manpower.

Therefore, I had meant to ask the able Senator, who has given so much thought to this subject, whether or not the making and the formation of a national policy regarding manpower should be left purely to a military tribunal, such as the Selective Service Board.

Mr. AUSTIN. Mr. President, I can answer that question, for I have a very firm conviction about it.

First, we can account for what happens by the absence of a statute which determines the national policy with respect to the maintenance of a proper balance between armed men and producing men. Sometime we will come to the question of maintaining a proper balance among producing men. But in the case of several bills on which hearings will begin tomorrow we are faced by the question of manpower, and the view to which I have referred was expressed in the bill which I have introduced. I am never so married to my own views that they are not subject to change upon consideration of the views of my colleagues.

Therefore I shall enter the hearing tomorrow with a quite open mind, and my judgment as to what I really believe in and fight for will be reserved until the end of the hearings.

My views are represented by the bill which I introduced. It provides that the President shall be authorized to determine the policy. That means, of course, that the President may make the determination through any board he chooses, but probably he would do so through his existing organization for war, consisting of the three joint Chiefs of Staff, the War Production Board, with Mr. Nelson at its head, and the Economic Stabilization Board, with Mr. Justice Byrnes at its head. That is the President's present and most modern war board. The great policies of distribution in order to maintain the balance of which I have spoken must be ascertained by them. Who else can determine the policies? Not the Selective Service System.

Mr. PEPPER. Did the able Senator from Vermont leave out Agriculture?

Mr. AUSTIN. No; that is, of course, included. I am not giving the subdivisions. I am trying to make the statement in a general way. However, the foundation of the whole theory is that the policies shall be settled by the joint action of all those who are interested in, concerned with, and have special knowledge of all the circumstances.

Under the system which I propose, the needs or demands for labor would be classified. The location and requirements would be established; so many men for shipbuilding, so many men for agriculture, and so forth. All of them would be classified according to a national or major plan, a dominating plan for the Nation, which would be handed down to the smallest locality in the Union in order to have it work. The local boards of the Selective Service System could then classify by census and arrange the data so that the authorities could refer to them at once and say, in my town, for instance, "There are John Doe and Richard Roe who can do a certain type of work, which is special, which is important."

Alongside this will go the distribution of the requisitions. According to the major and dominating plan for war to which I have referred, the officials may say to the local board, "We want so many men in your community to perform this work. You get credit for it on your quota."

That is my idea, stating it in a rather imperfect manner. It is a general, overall plan, so well coordinated that it would operate. When it comes to taking my boy and telling him what he ought to do for his country, I want it done by his own folks, his own neighbors. When they say to him, "Son, however much you may want to go into the trenches or into the sky, you can do more for your country if you will stay right here and work in town," the boy will accept it because it is the law of his land, it is the policy of his people, the sentiment of his own neighborhood, and he will not feel as though he were going around wearing a white feather. He will know that he is a part of this total war to save this great country and its principles.

Mr. PEPPER. Mr. President, will the Senator further yield?

The PRESIDING OFFICER (Mr. SPENCER in the chair). Does the Senator from Vermont yield to the Senator from Florida?

Mr. AUSTIN. I yield.

Mr. PEPPER. The Senator has very ably stated the inevitable principles which, it seems to me, must be put into this legislation. The only question I desire to ask is this: In the accumulation of the data relating to all our people who might constitute a source of manpower for the Army, industry, agriculture, or transportation, does not the Senator believe it would be wise to allow the President, or the Bureau of the Budget—preferably the President—if we are going to provide $5,000,000 for collecting this information, to select the agency which is best qualified to perform the work?

I have listened with a great deal of interest to what the able Senator has said about the work now being done by the Selective Service System in the procuring of these data and the use which is being made of the Census Bureau, but in view of the Director of the Census having just last week appeared before our subcommittee, and testifying to the limited nature of the inquiry being made, I am wondering if it might not be possible for us to allow the President at least to make the selection of the agency best qualified to gather the information. My own opinion is that in view of its comprehensive vision of the Nation its experience in obtaining of such data in the past, and considering its facilities, including its building in Washington, as well as the 1940 census material which it has at its finger tips, the Bureau of the Census is the best authority to be appointed to accumulate the data to which the Senator has referred. I was wondering whether, if this item is made to apply to the Selective Service, the Senator would not be willing to allow it to be subject to allocation by the President to the agency best qualified to procure and prepare the information.

Mr. AUSTIN. I have no fear of what the President of the United States might do in such circumstances. I have great faith in his leadership as Commander in Chief in this war, so my answer is

not at all colored by any question in that regard.

I do not think it is necessary to change to some other control during the process of collecting the data. My point is that the policy-making organization exists with the President at its head. The data-gathering organization exists and has performed this work to date. It is our agency, it is the local agency.

I do not want to disturb that arrangement. If the Census Bureau is doing any part of the work, let them continue to do it for the Selective Service System. But they are not needed to go forth and investigate.

We have an over-all inventory which the boys have made themselves by answering questions, and of course they were answered under the penalty of a law which provided a fine of $10,000 or imprisonment for false statements. But I understand that this appropriation contemplates the making of a further and more explicit investigation, going around and interviewing the boys. If the distinguished Senator from Tennessee has struck the right note here by saying that it is really the Selective Service System which is going to do this work, I say amen. All I want to do is save it. I do not want it broken down; I do not want it interrupted. I want it to go on with this work. It has had all these cards made out. They belong to the Selective Service System. What is the use of taking them away and transferring them to another bureau?

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. AUSTIN. I yield.

Mr. PEPPER. If these data are required only from those registered under the selective service, it would be one thing, but the manpower problem is much greater, and deals with the question of skills possessed by individuals, the marital status, the number of children, whether they are dependent or not, and must include information respecting women.

Mr. AUSTIN. That is correct. I contemplate that. Before we get through with the manpower legislation I think we will comprehend women within it.

Mr. PEPPER. Mr. President, will the Senator yield to me?

Mr. AUSTIN. I yield.

Mr. PEPPER. The Director of the Census made it very clear in his testimony—and it was based upon an examination of census material—that the only available sources of manpower which are not now being employed, unless we begin to take persons who are now engaged in some occupations that later we might deem unessential, are composed of boys of high-school age, women from 20 to 44, and men above 55 years of age. He concluded his testimony with this very significant statement:

> Since practically all of the able-bodied men 18 years of age and over are already in the labor force (excluding the armed forces) and since the number of unemployed is rapidly approaching the irreducible minimum of frictional unemployment, it is clear that the 4,000,000 to 7,000,000 workers who must be added to the labor force to reach such a figure must be drawn mainly from women not now in the labor force, including married women with and without young children or other dependents. This obviously poses complex problems with respect to recruitment training, and placement.

That is the concluding portion of the statement of Mr. Capt, Director of the Bureau of the Census, before the subcommittee of the Committee on Education and Labor. I am in favor of acquiring this information and data, but we cannot formulate a national policy unless we have brought up to date the comprehensive census material of 1940. If it be desired to use the Selective Service System as a supervising agency for directing the Bureau of the Census, I have no objection whatever, but I do not want to stop short of getting all the material necessary for the formulation of a sound national manpower policy. If we are simply to have the information that comes in from the draft boards, we will not have information with respect to anyone below the draft age, and we will not have information with respect to anyone above 55 years of age, and all the women will be left out. If the women are to be an essential part of our labor force we must take them into consideration.

The next thing is with respect to getting data concerning the men since they registered. We do not get data with respect to those who registered in the first draft?

Mr. AUSTIN. Yes; they are all comprehended in this order.

Mr. PEPPER. But what I mean is that their records, which remain in the hands of the Selective Service System, are as old as the dates of registration.

Mr. AUSTIN. No; those records are kept up to date, unless the men are in the armed forces. If there have been changes in occupation of the registrants they are kept up to date.

Mr. PEPPER. As to where they are and what they are doing?

Mr. AUSTIN. Yes.

Mr. PEPPER. What I was getting at was bringing full knowledge of the character and distribution of the population to the attention of the Government as immediately as possible. The Bureau of the Census has made a request of the Director of the Budget for authority to undertake this census on an annual basis. It will not be quite so complete, Director Capt thought, as the 1940 census, but he said it would mean a house-to-house canvass, contact with every person in the United States. It would bring to the knowledge of the Government the very latest and most comprehensive data about our population, where it is, what it is doing, what its capacity is, and all that sort of thing, and he said it could be done with a field staff of 8,000, that all of them could be women, that it would not cost over four and a half million dollars; that the Census Bureau has the blueprints already prepared; that it could launch the program within 2 months, and complete it, once it was begun, within 2 weeks. If the Selective Service System is to do it, let us authorize them to have the Bureau of the Census compile complete data regarding our population.

Mr. AUSTIN. Mr. President, I am through. I wish to thank the Senator from Florida [Mr. PEPPER]. What he has last said is of great importance, and I did contemplate, before he spoke of it, the consideration of that idea in connection with the hearings on Senate bill 2805, which is my bill, and I shall be glad to have his help in the further consideration of it.

I wish to place in the RECORD one sentence to which I referred, but did not quote. This is not in the bill. It is in Public Law 360, which is the Selective Training and Service Act of 1940. I read from page 10, as follows:

> No member of any such local board shall be a member of the land or naval forces of the United States, but each member of any such local board shall be a civilian who is a citizen of the United States residing in the county or political subdivision corresponding thereto in which such local board has jurisdiction under rules and regulations prescribed by the President.

Mr. HAYDEN. Mr. President, on behalf of the committee I wish to state, so there may be no misunderstanding as to the purpose of this $5,000,000 appropriation, that there have been made out practically 40,000,000 questionnaires by people called in the selective service. Of that number, on the 15th of August 6,500,000 had been processed. Now approximately 8,000,000 have been processed. It is to carry on that processing in exactly the same way for the remaining number of questionnaires that this money is proposed to be appropriated.

Mr. AUSTIN. Mr. President, I promised the Senator from Florida to call attention to what was said in the Senate on December 18, 1941. I read a brief statement made by the Senator from Alabama [Mr. HILL], as follows:

> Mr. HILL. And the truth of the matter is that neither the Social Security Administration nor the Census Bureau has now in existence any organization similar to that possessed by the Selective Service Administration. The Selective Service Administration has its local boards in almost every town, city, and hamlet throughout the United States. Those boards have their employees and clerks available every day and are ready to do this job.

PERSONNEL OF THE COAST GUARD

The PRESIDING OFFICER (Mr. SPENCER in the chair) laid before the Senate the amendments of the House of Representatives to the bill (S. 2381) to provide that certain provisions of law relating to the Navy shall be held applicable to the personnel of the Coast Guard when that Service is operating as a part of the Navy, which were, in line 4, to strike out "Statutes" and insert "Statutes;"; in line 6, to strike out "622)," and insert "622);"; in line 7, to strike out "756)," and insert "756);"; in line 9, to strike out "1181)," and insert "1181);"; in line 10, to strike out "1274)," and insert "1274);"; and in line 11, to strike out "712)," and insert "712);".

Mr. WALSH. I move that the Senate concur in the amendments of the House.

The motion was agreed to.

REVENUE ACT OF 1942—CONFERENCE REPORT

Mr. GEORGE. Mr. President, I wish to present and have considered the conference report on House bill 7378, the tax bill, but before taking it up I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Gerry	Pepper
Andrews	Gillette	Radcliffe
Austin	Green	Reed
Bailey	Guffey	Reynolds
Ball	Gurney	Rosier
Barbour	Hatch	Russell
Barkley	Hayden	Schwartz
Bilbo	Hill	Shipstead
Bone	Johnson, Calif.	Smathers
Brewster	Kilgore	Spencer
Bulow	La Follette	Thomas, Idaho
Bunker	Langer	Thomas, Okla.
Burton	Lee	Thomas, Utah
Butler	McFarland	Tobey
Capper	McKellar	Tunnell
Caraway	McNary	Tydings
Chandler	Maloney	Vandenberg
Chavez	Maybank	Van Nuys
Connally	Mead	Wagner
Danaher	Murdock	Wallgren
Davis	Norris	Walsh
Downey	Nye	Wheeler
Doxey	O'Daniel	Wiley
Ellender	O'Mahoney	Willis
George	Overton	

The PRESIDING OFFICER. Seventy-four Senators have answered to their names. A quorum is present.

Mr. GEORGE submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 7378) to provide revenue, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 76, 114, 216, 243, 387, 388, 389, 392, 400, 407, 414, 415, 432, 436, 461, 484, 492, and 501.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 72, 73, 74, 75, 79, 80, 82, 84, 85, 87, 89, 90, 91, 94, 95, 96, 97, 98, 99, 100, 101, 102, 108, 109, 113, 118, 119, 120, 121, 122, 123, 126, 128, 129, 132, 133, 134, 135, 136, 138, 139, 140, 141, 142, 143, 144, 145, 146, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 162, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 180, 182, 183, 184, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 198, 199, 200, 201, 202, 207, 209, 210, 211, 212, 213, 214, 218, 222, 223, 225, 226, 227, 228, 229, 230, 231, 232, 233, 235, 236, 237, 238, 239, 240, 241, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 292, 293, 294, 295, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 390, 393, 394, 395, 396, 397, 398, 401, 403, 404, 405, 406, 408, 409, 410, 411, 412, 413, 416, 417, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 433, 434, 437, 439, 440, 441, 442, 443, 444, 445, 446, 447, 450, 451, 452, 453, 454, 455, 456, 457, 458, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 475, 476, 477, 478, 479, 480, 481, 482, 483, 485, 486, 487, 488, 489, 490, 491, 493, 494, 495, 496, and 502, and agree to the same.

Amendment numbered 6: That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "$385"; and the Senate agree to the same.

Amendment numbered 14: That the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"In the case of any corporation computing such tax under section 721 (relating to abnormalities in income in the taxable period), section 726 (relating to corporations completing contracts under the Merchant Marine Act of 1936), section 731 (relating to corporations engaged in mining strategic minerals), or section 736 (b) (relating to corporations with income from long-term contracts), the credit shall be the amount of which the tax imposed by such subchapter is 90 per centum. For the purpose of the preceding sentence, the term 'tax imposed by subchapter E of chapter 2' means the tax computed without regard to the limitation provided in section 710 (a) (1) (B) (the 80 per centum limitation), without regard to the credit provided in section 729 (c) and (d) for foreign taxes paid, and without regard to the adjustments provided in section 734."

And the Senate agree to the same.

Amendment numbered 34: That the House recede from its disagreement to the amendment of the Senate numbered 34, and agree to the same with an amendment, as follows: Omit the matter proposed to be inserted by the Senate amendment, and restore the matter proposed to be stricken out by the Senate, and on page 21, line 18, of the House bill strike out "111" and insert "112"; and the Senate agree to the same.

Amendment numbered 46: That the House recede from its disagreement to the amendment of the Senate numbered 46, and agree to the same with an amendment, as follows: On page 19, line 19, of the Senate engrossed amendments, after "deficiency", insert "but without interest"; and on page 21, line 13, of the Senate engrossed amendments, after "liquidation", insert "or replacement"; and the Senate agree to the same.

Amendment numbered 70: That the House recede from its disagreement to the amendment of the Senate numbered 70, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "169"; and the Senate agree to the same.

Amendment numbered 71: That the House recede from its disagreement to the amendment of the Senate numbered 71, and agree to the same with an amendment, as follows: On page 29, line 21, of the Senate engrossed amendments, after "children" insert "(but in the case of contributions or gifts to a trust, chest, fund, or foundation, payment of which is made within a taxable year beginning after the date of the cessation of hostilities in the present war, as proclaimed by the President, only if such contributions or gifts are to be used within the United States or any of its possessions exclusively for such purposes)."

And the Senate agree to the same.

Amendment numbered 77: That the House recede from its disagreement to the amendment of the Senate numbered 77, and agree to the same with an amendment, as follows: On page 33, line 18, of the Senate engrossed amendments strike out "129" and insert "128"; and the Senate agree to the same.

Amendment numbered 78: That the House recede from its disagreement to the amendment of the Senate numbered 78, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "129"; and the Senate agree to the same.

Amendment numbered 81: That the House recede from its disagreement to the amendment of the Senate numbered 81, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "130"; and the Senate agree to the same.

Amendment numbered 83: That the House recede from its disagreement to the amendment of the Senate numbered 83, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "131"; and the Senate agree to the same.

Amendment numbered 86: That the House recede from its disagreement to the amendment of the Senate numbered 86, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "$350"; and the Senate agree to the same.

Amendment numbered 88: That the House recede from its disagreement to the amendment of the Senate numbered 88, and agree to the same with an amendment, as follows: On page 37, line 21, of the Senate engrossed amendments strike out "$300" and insert the following: "132"; and the Senate agree to the same.

Amendment numbered 92: That the House recede from its disagreement to the amendment of the Senate numbered 92, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 133. Credit for dividends paid on certain preferred stock.

"Section 26 is amended by inserting at the end thereof the following new subsection:

"'(h) Credit for dividends paid on certain preferred stock.—

"'(1) Amount of credit: In the case of a public utility, the amount of dividends paid during the taxable year on its preferred stock. The credit provided in this subsection shall be subtracted from the basic surtax credit provided in section 27.

"'(2) Definitions: As used in this subsection and section 15 (a)—

"'(A) Public utility: The term "public utility" means a corporation engaged in the furnishing of telephone service or in the sale of electric energy, gas, or water, if the rates for such furnishing or sale, as the case may be, have been established or approved by a State or political subdivision thereof or by an agency or instrumentality of the United States or by a public utility or public service commission or other similar body of the District of Columbia or of any State or political subdivision thereof.

"'(B) Preferred stock: The term "preferred stock" means stock issued prior to October 1, 1942, which during the whole of the taxable year (or the part of the taxable year after its issue) was stock the dividends in respect of which were cumulative, limited to the same amount, and payable in preference to the payment of dividends on other stock.'"

And the Senate agree to the same.

Amendment numbered 93: That the House recede from its disagreement to the amendment of the Senate numbered 93, and agree to the same with an amendment, as follows: In lieu of the matter proposed to

be inserted by the Senate amendment insert the following: "134"; and the Senate agree to the same.

Amendment numbered 103: That the House recede from its disagreement to the amendment of the Senate numbered 103, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "135"; and the Senate agree to the same.

Amendment numbered 104: That the House recede from its disagreement to the amendment of the Senate numbered 104, and agree to the same with an amendment, as follows: On page 41, line 9, of the Senate engrossed amendments strike out "137" and insert "136"; and the Senate agree to the same.

Amendment numbered 105: That the House recede from its disagreement to the amendment of the Senate numbered 105, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 137. Exemption of voluntary employees' beneficiary associations.

"(a) Exemption of Voluntary Employees' Beneficiary Association: Section 101 (16) of the Internal Revenue Code, and of the Revenue Acts of 1938, 1936, and 1934, and section 103 (16) of the Revenue Acts of 1932 and 1928, are amended to read as follows:

"'(16) Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents, if (A) no part of their net earnings inures (other than through such payments) to the benefit of any private shareholder or individual, and (B) 85 per centum or more of the income consists of amounts collected from members and amounts contributed to the association by the employer of the members for the sole purpose of making such payments and meeting expenses'."

"(b) Retroactive effect: For the purposes of the Internal Revenue Code and the Revenue Acts of 1928, 1932, 1934, 1936, and 1938, the amendments made to the Internal Revenue Code and those Acts by subsection (a) of this section shall be effective as if they were a part of the Internal Revenue Code and such revenue Acts on the respective dates of their enactment.

"(c) Amendments inapplicable to employment taxes: The amendments made by this section shall not apply to the employment taxes imposed by Subchapters A and C of Chapter 9 of the Internal Revenue Code, or the corresponding provisions of a prior law."

And the Senate agree to the same.

Amendment numbered 106: That the House recede from its disagreement to the amendment of the Senate numbered 106, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "138"; and the Senate agree to the same.

Amendment numbered 107: That the House recede from its disagreement to the amendment of the Senate numbered 107, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "139"; and the Senate agree to the same.

Amendment numbered 110: That the House recede from its disagreement to the amendment of the Senate numbered 110, and agree to the same with the following amendments:

On page 47, line 18, of the Senate engrossed amendments strike out "141" and insert "140";

On page 48 of the Senate engrossed amendments beginning with line 10 strike out down to and including the comma in line 13, and insert "(B) that portion of a tentative tax, computed as if the amendments made by section 105 (a) and the amendments made by sections 105 (b) (other than those relating to dividends on the preferred stock of public utilities) (c), (d), and (e) (1) of the Revenue Act of 1942 were applicable to such taxable year."

And the Senate agree to the same.

Amendment numbered 111: That the House recede from its disagreement to the amendment of the Senate numbered 111, and agree to the same with an amendment, as follows: On page 49, line 16, of the Senate engrossed amendments strike out "142" and insert "141"; and the Senate agree to the same.

Amendment numbered 112: That the House recede from its disagreement to the amendment of the Senate numbered 112, and agree to the same with an amendment, as follows: On page 50, line 13, of the Senate engrossed amendments strike out "143" and insert "142"; and the Senate agree to the same.

Amendment numbered 115: That the House recede from its disagreement to the amendment of the Senate numbered 115, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "143"; and the Senate agree to the same.

Amendment numbered 116: That the House recede from its disagreement to the amendment of the Senate numbered 116, and agree to the same with an amendment, as follows: On page 59, line 3, of the Senate engrossed amendments strike out "146" and insert "144"; and the Senate agree to the same.

Amendment numbered 117: That the House recede from its disagreement to the amendment of the Senate numbered 117, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "145"; and the Senate agree to the same.

Amendment numbered 124: That the House recede from its disagreement to the amendment of the Senate numbered 124, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "146"; and the Senate agree to the same.

Amendment numbered 125: That the House recede from its disagreement to the amendment of the Senate numbered 125, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "147"; and the Senate agree to the same.

Amendment numbered 127: That the House recede from its disagreement to the amendment of the Senate numbered 127, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "148"; and the Senate agree to the same.

Amendment numbered 130: That the House recede from its disagreement to the amendment of the Senate numbered 130, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "149"; and the Senate agree to the same.

Amendment numbered 131: That the House recede from its disagreement to the amendment of the Senate numbered 131, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "150"; and the Senate agree to the same.

Amendment numbered 137: That the House recede from its disagreement to the amendment of the Senate numbered 137, and agree to the same with an amendment, as follows: On page 83, line 15, of the House bill strike out "201,"; and the Senate agree to the same.

Amendment numbered 147: That the House recede from its disagreement to the amendment of the Senate numbered 147, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "151"; and the Senate agree to the same.

Amendment numbered 159: That the House recede from its disagreement to the amendment of the Senate numbered 159, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "152"; and the Senate agree to the same.

Amendment numbered 160: That the House recede from its disagreement to the amendment of the Senate numbered 160, and agree to the same with an amendment, as follows: On page 66, line 12, of the Senate engrossed amendments strike out "155" and insert "153"; and the Senate agree to the same.

Amendment numbered 161: That the House recede from its disagreement to the amendment of the Senate numbered 161, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "154"; and the Senate agree to the same.

Amendment numbered 163: That the House recede from its disagreement to the amendment of the Senate numbered 163, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "155"; and the Senate agree to the same.

Amendment numbered 178: That the House recede from its disagreement to the amendment of the Senate numbered 178, and agree to the same with the following amendments: On page 72, line 2, of the Senate engrossed amendments strike out "158" and insert "156."

On page 74, line 21, of the Senate engrossed amendments after the period insert "Under regulations prescribed by the Commissioner with the approval of the Secretary, a taxpayer which owns 100 per centum (excluding qualifying shares) of each class of stock of a corporation may elect to determine the worthlessness of its interest, described in this paragraph, in or with respect to the property of the corporation, without regard to the amount of the property of such corporation which would be excluded under subsection (e) (2) (A) in determining the adjusted basis of all the assets of the corporation for the purposes of subsection (e), but such amount shall be treated under subsection (b) (1) as a recovery by the taxpayer in the taxable year with respect to such interest."

On page 80, line 6, of the Senate engrossed amendments after "owns" insert "not less than."

On page 80, line 12, of the Senate engrossed amendments after "liquidates" insert "(by distributing all the assets which it is able to distribute and all its rights to assets which it is not able to distribute, including the right to the recovery of the property described in subsection (a) (1) and (2))."

On page 80, line 21, of the Senate engrossed amendments after "stock" insert "or other interest."

On page 80, line 22, of the Senate engrossed amendments after "stock" insert "or other interest."

And the Senate agree to the same.

Amendment numbered 179: That the House recede from its disagreement to the amendment of the Senate numbered 179, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 157. Recovery of unconstitutional Federal taxes.

"(a) In general: Chapter 1 of the Internal Revenue Code is amended by inserting after section 127 the following new section:

"'SEC. 128. Recovery of unconstitutional Federal taxes.

"'Income (excluding interest) attributable to the recovery during the taxable year of a tax imposed by the United States which has

been held unconstitutional, and in respect of which a deduction was allowed in a prior taxable year may be excluded from gross income for the taxable year, and the deduction allowed in respect thereof in such prior taxable year treated as not having been allowable, if—

"'(a) The taxpayer elects in writing (at such time and in such manner as may be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary) to treat such deduction as not having been allowable for such prior taxable year, and

"'(b) The taxpayer consents in writing to the assessment, within such period as may be agreed upon, of any deficiencies resulting from such treatment, even though the statutory period for the assessment of any such deficiency had expired prior to the filing of such consent.'

"(b) Taxable years to which applicable: The amendment made by subsection (a) shall be applicable with respect to taxable years beginning after December 31, 1940."

And the Senate agree to the same.

Amendment numbered 181: That the House recede from its disagreement to the amendment of the Senate numbered 181, and agree to the same with an amendment, as follows: On page 83, line 18, of the Senate engrossed amendments strike out "160" and insert "158"; and the Senate agree to the same.

Amendment numbered 185: That the House recede from its disagreement to the amendment of the Senate numbered 185, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "159"; and the Senate agree to the same.

Amendment numbered 197: That the House recede from its disagreement to the amendment of the Senate numbered 197, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "160"; and the Senate agree to the same.

Amendment numbered 203: That the House recede from its disagreement to the amendment of the Senate numbered 203, and agree to the same with an amendment, as follows: On page 89, line 13, of the Senate engrossed amendments strike out "'163" and insert "161"; and the Senate agree to the same.

Amendment numbered 204: That the House recede from its disagreement to the amendment of the Senate numbered 204, and agree to the same with the following amendments:

On page 90, line 15, of the Senate engrossed amendments strike out "164" and insert "162."

On page 95, line 16, of the Senate engrossed amendments strike out "both the".

On page 95, line 22, of the Senate engrossed amendments strike out "both".

On page 98, lines 5 and 6, of the Senate engrossed amendments strike out "the persons who are made the beneficiaries of the contributions paid by the employer" and insert "all employees".

Beginning with line 16 of page 104 of the Senate engrossed amendments strike out down through and including line 17 on page 105.

And the Senate agree to the same.

Amendment numbered 205: That the House recede from its disagreement to the amendment of the Senate numbered 205, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "163"; and the Senate agree to the same.

Amendment numbered 206: That the House recede from its disagreement to the amendment of the Senate numbered 206, and agree to the same with the following amendments: On page 107, line 11, of the Senate engrossed amendments strike out "which has" and insert "the"; and on page 107, line 14, of the Senate engrossed amendments strike out "comprising" and insert "of which comprise"; and the Senate agree to the same.

Amendment numbered 208: That the House recede from its disagreement to the amendment of the Senate numbered 208, and agree to the same with an amendment, as follows: On page 115, line 9, of the Senate engrossed amendments strike out "166" and insert "164" and the Senate agree to the same.

Amendment numbered 215: That the House recede from its disagreement to the amendment of the Senate numbered 215 and agree to the same with the following amendments:

On page 118, line 8, of the Senate engrossed amendments strike out "167" and insert "165."

Strike out pages 119 and 120, and the first two lines of page 121, of the Senate engrossed amendments and insert in lieu thereof the following: "every mutual insurance company (other than a life or a marine insurance company and other than an interinsurer or reciprocal underwriter) a tax computed under paragraph (1) or paragraph (2) whichever is the greater and upon the income of every mutual insurance company (other than a life or a marine insurance company) which is an interinsurer or reciprocal underwriter, a tax computed under paragraph (3).

"'(1) If the corporation surtax net income is over $3,000 a tax computed as follows:

"'(A) Normal tax: A normal tax on the normal-tax net income, computed at the rates provided in section 13 or section 14 (b), or 30 per centum of the amount by which the normal-tax net income exceeds $3,000, whichever is the lesser; plus

"'(B) Surtax: A surtax on the corporation surtax net income, computed at the rates provided in section 15 (b), or 20 per centum of the amount by which the corporation surtax net income exceeds $3,000, whichever is the lesser.

"'(2) If for the taxable year the gross amount of income from interest, dividends, rents, and net premiums, minus dividends to policy holders, minus the interest which under section 22 (b) (4) is excluded from gross income, exceeds $75,000, a tax equal to the excess of—

"'(A) 1 per centum of the amounts so computed, or 2 per centum of the excess of the amount so computed over $75,000, whichever is the lesser, over

"'(B) the amount of the tax imposed under Subchapter E of Chapter 2.

"'(3) In the case of an interinsurer or reciprocal underwriter, if the corporation surtax net income is over $50,000 a tax computed as follows:

"'(A) Normal tax: A normal tax on the normal-tax net income, computed at the rates provided in section 13 or section 14 (b), or 48 per centum of the amount by which the normal-tax net income exceeds $50,000, whichever is the lesser; plus

"'(B) Surtax: A surtax on the corporation surtax net income, computed at the rates provided in section 15 (b), or 32 per centum of the amount by which the corporation surtax net income exceeds $50,000, whichever is the lesser.

"'(4) Gross amount received over $75,000 but less than $125,000: If the gross amount received during the taxable year from interest, dividends, rents, and premiums (including deposits and assessments) is over $75,000 but less than $125,000, the amount ascertained under paragraph (1), paragraph (2) (A), and paragraph (3) shall be an amount which bears the same proportion to the amount ascertained under such paragraph, computed without reference to this paragraph, as the excess over $75,000 of such gross amount received bears to $50,000.

"'(5) Foreign mutual insurance companies other than life or marine: In the case of a foreign mutual insurance company (other than a life or marine insurance company), the net income shall be the net income from sources within the United States and the gross amount of income from interest, dividends, rents, and net premiums shall be the amount of such income from sources within the United States.

"'(6) No United States insurance business: Foreign mutual insurance companies (other than a life or marine insurance company) not carrying on an insurance business within the United States shall not be taxable under this section but shall be taxable as other foreign corporations.'"

And on page 83, line 15, of the House bill after "207" insert "(a) (1) or (3)."

And the Senate agree to the same.

Amendment numbered 217: That the House recede from its disagreement to the amendment of the Senate numbered 217, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "166"; and the Senate agree to the same.

Amendment numbered 219: That the House recede from its disagreement to the amendment of the Senate numbered 219, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "167"; and the Senate agree to the same.

Amendment numbered 220: That the House recede from its disagreement to the amendment of the Senate numbered 220, and agree to the same with an amendment, as follows: On page 127, line 5, of the Senate engrossed amendments strike out "170" and insert "168"; and the Senate agree to the same.

Amendment numbered 221: That the House recede from its disagreement to the amendment of the Senate numbered 221, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "169"; and the Senate agree to the same.

Amendment numbered 224: That the House recede from its disagreement to the amendment of the Senate numbered 224, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "170"; and the Senate agree to the same.

Amendment numbered 234: That the House recede from its disagreement to the amendment of the Senate numbered 234, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "171"; and the Senate agree to the same.

Amendment numbered 242: That the House recede from its disagreement to the amendment of the Senate numbered 242, and agree to the same with the following amendments:

On page 133, line 19, of the Senate engrossed amendments strike out "174" and insert "172."

On page 134 of the Senate engrossed amendments, strike out lines 8 to 14, inclusive, and insert in lieu thereof the following:

"'(a) Definition: The term "victory tax net income" in the case of any taxable year means (except as provided in subsection (c)) the gross income for such year (not including gain from the sale or exchange of capital assets as defined in section 117, or interest allowed as a credit against net income under section 25 (a) (1) and (2), or amounts received as compensation for injury or sickness which are included in gross income by reason of the exception contained in section 22 (b) (5)) minus the sum of the following deductions:'

On page 138 of the Senate engrossed amendments, line 24, strike out "another"

and insert "one other person"; on page 142 of the Senate engrossed amendments, lines 19 and 23, strike out "(f)" and insert "(e)"; on page 143 of the Senate engrossed amendments, line 7, before "for services" insert "(other than fees paid to a public official)"; on page 144 of the Senate engrossed amendments, strike out lines 6 to 15, inclusive, and insert in lieu thereof the following:

"(d) Employee: The term 'employee' includes an officer, employee, or elected official of the United States, a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing. The term 'employee' also includes an officer of a corporation."

On page 150 of the Senate engrossed amendments, strike out lines 1 to 6; on page 150 of the Senate engrossed amendments, lines 7 and 14, strike out "(e)" and "(f)" and insert "(d)" and "(e)", respectively; on page 151 of the Senate engrossed amendments, lines 1 and 7, strike out "(g)" and "(h)" and insert "(f)" and "(g)", respectively; on page 153 of the Senate engrossed amendments, line 15, after "section" insert "shall be in lieu of the return required to be furnished by the employer with respect to his employee under section 147 and"; on page 156 of the Senate engrossed amendments, line 18, strike out "(f)" and insert "(e)"; on page 157 of the Senate engrossed amendments, line 24, strike out "(g)" and insert "(f)"; and on page 158 of the Senate engrossed amendments, lines 12 and 15, strike out "(f)" and insert "(e)."

And the Senate agree to the same.

Amendment numbered 273: That the House recede from its disagreement to the amendment of the Senate numbered 273, and agree to the same with an amendment, as follows: Strike out the matter proposed to be stricken out by the Senate amendment and insert the following:

"(g) Specific exemption and returns of interinsurers and reciprocal underwriters:

"(1) Specific exemption: Section 710 (b) (1) is amended by inserting before the semicolon at the end thereof a comma and the following: 'and in the case of a mutual insurance company (other than life or marine) which is an interinsurer or reciprocal underwriter a specific exemption of $50,000.'

"(2) Returns: Section 729 (b) (2) is amended by inserting before the period at the end thereof the following: 'or, in the case of a mutual insurance company (other than life or marine) which is an interinsurer or reciprocal underwriter, is not greater than $50,000'."

And the Senate agree to the same.

Amendment numbered 290: That the House recede from its disagreement to the amendment of the Senate numbered 290, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 209. Nontaxable income from exempt excess output of mining and timber operations and from bonus income of mines, etc.

"(a) Income credit: Section 711 (a) (1) (relating to excess profits credit computed under income credit) is amended by inserting at the end thereof the following new subparagraph:

"'(I) Nontaxable income of certain industries with depletable resources: In the case of a producer of minerals, or a producer of logs or lumber from a timber block, as defined in section 735, there shall be excluded nontaxable income from exempt excess output of mines and timber blocks and nontaxable bonus income provided in section 735.'

"(b) Invested capital credit: Section 711 (a) (2) (relating to excess profits credit computed under invested capital credit) is amended by inserting at the end thereof the following new subparagraph:

"'(K) Nontaxable income of certain industries with depletable resources: In the case of a producer of minerals, or a producer of logs or lumber from a timber block, as defined in section 735, there shall be excluded nontaxable income from exempt excess output of mines and timber blocks and nontaxable bonus income provided in section 735.

"(c) Nontaxable income: Subchapter E of Chapter 2 is amended by inserting after section 734 the following new section:

"'SEC. 735. Nontaxable income from certain mining and timber operations.

"'(a) Definitions: For the purposes of this section, section 711 (a) (1) (I), and section 711 (a) (2) (K)—

"'(1) Producer: The term "producer" means a corporation which extracts minerals from a mineral property, or cuts logs from a timber block, in which an economic interest is owned by such corporation.

"'(2) Mineral unit: The term "mineral unit" means a unit of metal, coal, or nonmetallic substance in the minerals recovered from the operation of a mineral property.

"'(3) Timber unit: The term "timber unit" means a unit of timber recovered from the operation of a timber block.

"'(4) Excess output: The term "excess output" means the excess of the mineral units or the timber units for the taxable year over the normal output.

"'(5) Normal output: The term "normal output" means the average annual mineral units, or the average annual timber units, as the case may be, recovered in the taxable years beginning after December 31, 1935, and not beginning after December 31, 1939 (hereinafter called "base period"), of the person owning the mineral property of the timber block (whether or not the taxpayer). The average annual mineral units or timber units shall be computed by dividing the aggregate of such mineral units or timber units for the base period by the number of months for which the mineral property or the timber block was in operation during the base period and by multiplying the amount so ascertained by twelve. In any case in which the taxpayer establishes, under regulations prescribed by the Commissioner with the approval of the Secretary, that the operation of any mineral property or any timber block is normally prevented for a specified period each year by physical events outside the control of the taxpayer, the number of months during which such mineral property or timber block is regularly in operation during a taxable year shall be used in computing the average annual mineral units, or timber units, instead of twelve. Any mineral property, or any timber block, which was in operation for less than six months during the base period shall, for the purposes of this section, be deemed not to have been in operation during the base period.

"'(6) Mineral property: The term "mineral property" means a mineral deposit, the development and plant necessary for the extraction of the deposit, and so much of the surface of the land as is necessary for purposes of such extraction.

"'(7) Minerals: The term "minerals" means ores of the metals, coal, and such nonmetallic substances as abrasives, asbestos, asphaltum, barytes, borax, building stone, cement rock, clay, crushed stone, feldspar, fluorspar, fuller's earth, graphite, gravel, gypsum, limestone, magnesite, marl, mica, mineral pigments, peat, potash, precious stones, refractories, rock phosphate, salt, sand, silica, slate, soapstone, soda, sulphur, and talc.

"'(8) Timber block: The term "timber block" means an operation unit existing as of December 31, 1941, which includes all the taxpayer's timber which would logically go to a single given point of manufacture, but shall not include any operation unit acquired after December 31, 1941.

"'(9) Normal unit profit: The term "normal unit profit" means the average profit for the base period per mineral unit for such period, determined by dividing the net income with respect to minerals recovered from the mineral property (computed with the allowance for depletion computed in accordance with the basis for depletion applicable to the current taxable year) during the base period by the number of mineral units recovered from the mineral property during the base period.

"'(10) Estimated recoverable units: The term "estimated recoverable units" means the estimated number of units of metal, coal, or nonmetallic substances in the estimated recoverable minerals from the minerals property at the end of the taxable year plus the excess output for such year. All estimates shall be subject to the approval of the Commissioner, the determinations of whom, for the purposes of this section, shall be final and conclusive.

"'(11) Exempt excess output: The term "exempt excess output" for any taxable year means a number of units equal to the following percentages of the excess output for such year:

"'100 per centum if the excess output exceeds 50 per centum of the estimated recoverable units;

"'95 per centum if the excess output exceeds 33⅓ but not 50 per centum of the estimated recoverable units;

"'90 per centum if the excess output exceeds 25 but not 33⅓ per centum of the estimated recoverable units;

"'85 per centum of the excess output exceeds 20 but not 25 per centum of the estimated recoverable units;

"'80 per centum if the excess output exceeds 16⅔ but not 20 per centum of the estimated recoverable units;

"'60 per centum of the excess output exceeds 14⅔ but not 16⅔ per centum of the estimated recoverable units;

"'40 per centum if the excess output exceeds 12½ but not 14⅔ per centum of the estimated recoverable units;

"'30 per centum if the excess output exceeds 10 but not 12½ per centum of the estimated recoverable units;

"'20 per centum if the excess output exceeds 5 but not 10 per centum of the estimated recoverable units.

"'(12) Unit net income: The term "unit net income" means the amount ascertained by dividing the net income (computed with the allowance for depletion) from the coal or iron ore or the timber recovered from the coal mining property, iron mining property, or timber block, as the case may be, during the taxable year by the number of units of coal or iron ore, or timber, recovered from such property in such year.

"'(b) Nontaxable income from exempt excess output.—

"'(1) General rule: For any taxable year for which the excess output of mineral property which was in operation during the base period exceeds 5 per centum of the estimated recoverable units from such property, the nontaxable income from exempt excess output for such year shall be an amount equal to the exempt excess output for such year multiplied by the normal unit profit, but such amount shall not exceed the net income (computed with the allowance for depletion) attributable to the excess output for such year.

"'(2) Coal and iron mines: For any taxable year, the nontaxable income from exempt excess output of a coal mining or iron mining property which was in operation during the base period shall be an amount equal to the excess output of such property for such year multiplied by one-half of the unit net income from such property for such year, or an amount determined under paragraph (1),

whichever the taxpayer elects in accordance with regulations prescribed by the Commissioner with the approval of the Secretary.

"'(3) Timber properties: For any taxable year, the nontaxable income from exempt excess output of a timber block which was in operation during the base period shall be an amount equal to the excess output of such property for such year multiplied by one-half of the unit net income from such property for such year.

"'(c) Nontaxable bonus income: The term "nontaxable bonus in income" means the amount of the income derived from bonus payments made by any agency of the United States Government on account of the production in excess of a specified quota of a mineral product or of timber the exhaustion of which gives rise to an allowance for depletion under section 23 (m), but such amount shall not exceed the net income (computed with the allowance for depletion) attributable to the output in excess of such quota.

"'(d) Rule in case income from excess output includes bonus payment: In any case in which the income attributable to the excess output includes bonus payments (as provided in subsection (c)), the taxpayer may elect, under regulations prescribed by the Commissioner with the approval of the Secretary, to receive either the benefits of subsection (b) or subsection (c) with respect to such income as is attributable to excess output above the specified quota.'

"(d) Retroactive exclusion of nontaxable bonus income: The amendments made by this section inserting section 711 (a) (1) (I), section 711 (a) (2) (K), and section 735 (c), to the extent that they relate to nontaxable bonus income, shall be applicable to taxable years beginning after December 31, 1940."

And the Senate agree to the same.

Amendment numbered 291: That the House recede from its disagreement to the amendment of the Senate numbered 291, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 210. Net operating loss deduction adjustment.

"(a) Section 711 (a) (1) (relating to the excess profits credit computed under income credit) is amended by adding at the end thereof the following new subparagraph:

"'(J) Net operating loss deduction adjustment: The net operating loss deduction shall be adjusted as follows:

"'(i) In computing the net operating loss for any taxable year under section 122 (a), and the net income for any taxable year under section 122 (b), no deduction shall be allowed for any excess profits tax imposed by this subchapter, and, if the excess profits credit for such taxable year was computed under section 714, the deduction for interest shall be reduced by the amount of any reduction under paragraph (2) (B) for such taxable year; and

"'(ii) In lieu of the reduction provided in section 122 (c), such reduction shall be in the amount by which the excess profits net income computed with the exceptions and limitations specified in section 122 (d) (1), (2), (3), and (4) and computed without regard to subparagraph (B), without regard to any credit for dividends received, and without regard to any credit for interest received provided in section 26 (a) exceeds the excess profits net income (computed without the net operating loss deduction).

"(b) Section 711 (a) (2) (relating to the excess profits credit computed under invested capital credit) is amended by adding at the end thereof the following new subparagraph:

"'(L) Net operating loss deduction adjustment.—The net operating loss deduction shall be adjusted as follows:

"'(i) In computing the net operating loss for any taxable year under section 122 (a), and the net income for any taxable year under section 122 (b), no deduction shall be allowed for any excess profits tax imposed by this subchapter, and, if the excess profits credit for such taxable year was computed under section 714, the deduction for interest shall be reduced by the amount of any reduction under subparagraph (B) of this paragraph for such taxable year; and

"'(ii) In lieu of the reduction provided in section 122 (c), such reduction shall be in the amount by which the excess profits net income computed with the exceptions and limitations provided in section 122 (d) (1), (2), (3), and (4) and computed without regard to subparagraph (D), without regard to any credit for dividends received, and without regard to any credit for interest received provided in section 26 (a) exceeds the excess profits net income (computed without the net operating loss deduction).'

"(c) The amendments made by this section shall be effective as of the date of enactment of the Excess Profits Tax Act of 1940."

And the Senate agree to the same.

Amendment numbered 296: That the House recede from its disagreement to the amendment of the Senate numbered 296, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "228"; and the Senate agree to the same.

Amendment numbered 309: That the House recede from its disagreement to the amendment of the Senate numbered 309, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "5"; and the Senate agree to the same.

Amendment numbered 325: That the House recede from its disagreement to the amendment of the Senate numbered 325, and agree to the same with an amendment, as follows: On page 196, line 2, of the Senate engrossed amendments strike out "average" and insert "amount"; and the Senate agree to the same.

Amendment numbered 385: That the House recede from its disagreement to the amendment of the Senate numbered 385, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(d) Optional retroactivity of amendments to 1940 and 1941: The amendments made by this section, inserting section 760 and section 761, shall also be applicable in the computation of the tax for all taxable years beginning after December 31, 1939, if the taxpayer, within the time and in the manner and subject to such regulations as the Commissioner, with the approval of the Secretary, prescribes, elects to have either or both of such amendments apply. For any taxable year for which the provisions of section 760 are applied retroactively, the amendment made by subsection (b) (2) of this section to section 719 (a) (1) shall also apply. In case the provisions of section 761 are applied retroactively, the provisions of section 718 (a) (5), section 718 (b) (4), and section 718 (c) (4) shall not apply in such computations."

And the Senate agree to the same.

Amendment numbered 386: That the House recede from its disagreement to the amendment of the Senate numbered 386, and agree to the same with the following amendments:

On page 230, line 6, of the Senate engrossed amendments after "1941" insert "(except in the case of a taxable year beginning in 1941 and ending before July 1, 1942)."

On page 230, beginning with "In" in line 9, of the Senate engrossed amendments strike out down to and including the period in line 12 and insert "For the purposes of this part, in the case of a taxpayer whose tax is determined under section 710 (a) (3), the term 'tax imposed under this subchapter' means the excess of the tax imposed by such section 710 (a) (3) over the tax that would be imposed if such section 710 (a) (3) were not applicable."

On page 231, of the Senate engrossed amendments, in the table appearing on such page strike out "Within the calendar year 1942" and insert "Within the calendar year 1941 or 1942."

On page 235, line 14, of the Senate engrossed amendments after "shall" insert ", at the election of the taxpayer made in its return for such year."

On page 235, of the Senate engrossed amendments strike out lines 20 to 23 inclusive, and insert:

"(1) An amount equal to 10 per centum of the tax imposed under this subchapter for the taxable year."

On page 236, of the Senate engrossed amendments strike out lines 11 and 12 and insert:

"(4) In case such taxable year begins in 1941 or ends before September 1, 1942, zero."

And the Senate agree to the same.

Amendment numbered 391: That the House recede from its disagreement to the amendment of the Senate numbered 391, and agree to the same with an amendment, as follows: On page 249, line 6, of the House bill after "months" insert "on account of a change in the accounting period of the taxpayer"; and the Senate agree to the same.

Amendment numbered 399: That the House recede from its disagreement to the amendment of the Senate numbered 399, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(d) Powers with respect to which amendments not applicable:

"(1) The amendments made by this section shall not apply with respect to a power to appoint, created on or before the date of the enactment of this Act, which is other than a power exercisable in favor of the decedent, his estate, his creditors, or the creditors of his estate, unless such power is exercised after the date of the enactment of this Act.

"(2) The amendments made by this section shall not become applicable with respect to a power to appoint created on or before the date of enactment of this Act, which is exercisable in favor of the decedent, his estate, his creditors, or the creditors of his estate, if at such date the donee of such power is under a legal disability to release such power, until six months after the termination of such legal disability. For the purposes of the preceding sentence, an individual in the military or naval forces of the United States shall, until the termination of the present war, be considered under a legal disability to release a power to appoint.

"(3) The amendments made by this section shall not apply with respect to any power to appoint created on or before the date of the enactment of this Act if it is released before January 1, 1943, or within the time limited by paragraph (2) in cases to which such paragraph is applicable; or if the decedent dies before January 1, 1943, or within the time limited by paragraph (2) in cases to which such paragraph is applicable, and such power is not exercised."

And the Senate agree to the same.

Amendment numbered 402: That the House recede from its disagreement to the amendment of the Senate numbered 402, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted

by the Senate amendment insert the following:

"(b) Liability of Life Insurance Beneficiaries: Section 826 (c) (relating to apportionment of liability of beneficiaries) is amended to read as follows:

"'(c) Liability of Life Insurance Beneficiaries: Unless the decedent directs otherwise in his will, if any part of the gross estate upon which tax has been paid consists of proceeds of policies of insurance upon the life of the decedent receivable by a beneficiary other than the executor, the executor shall be entitled to recover from such beneficiary such portion of the total tax paid as the proceeds of such policies bear to the sum of the net estate and the amount of the exemption allowed in computing the net estate, determined under section 935 (c). If there is more than one such beneficiary the executor shall be entitled to recover from such beneficiaries in the same ratio.'"

And the Senate agree to the same.

Amendment numbered 418: That the House recede from its disagreement to the amendment of the Senate numbered 418, and agree to the same with an amendment, as follows: Omit the matter proposed to be inserted by the Senate amendment and on page 249, of the Senate engrossed amendments after line 23, insert:

"(c) Release on or before January 1, 1943:

"(1) A release of a power to appoint before January 1, 1943, shall not be deemed a transfer of property by the individual possessing such power.

"(2) This subsection shall apply to all calendar years prior to 1943."

And the Senate agree to the same.

Amendment numbered 435: That the House recede from its disagreement to the amendment of the Senate numbered 435, and agree to the same with an amendment, as follows: Restore the matter proposed to be stricken out by the Senate amendment and strike out wherever appearing therein the term "United States Tax Court" and insert "The Tax Court of the United States"; and the Senate agree to the same.

Amendment numbered 438: That the House recede from its disagreement to the amendment of the Senate numbered 438, and agree to the same with an amendment, as follows: On page 253, line 16, of the Senate engrossed amendments strike out "505" and insert "506"; and the Senate agree to the same.

Amendment numbered 448: That the House recede from its disagreement to the amendment of the Senate numbered 448, and agree to the same with an amendment, as follows: On page 262, line 7, of the Senate engrossed amendments strike out "December 31, 1941" and insert "the date of the enactment of this Act"; and the Senate agree to the same.

Amendment numbered 449: That the House recede from its disagreement to the amendment of the Senate numbered 449, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "507"; and the Senate agree to the same.

Amendment numbered 459: That the House recede from its disagreement to the amendment of the Senate numbered 459, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 508. Mitigation of effect of renegotiation of war contracts or disallowance of reimbursement.

"Chapter 38 is amended by inserting at the end thereof the following new section:

"'SEC. 3806. Mitigation of effect of renegotiation of war contracts or disallowance of reimbursement.

"'(a) Reduction for prior taxable year:

"'(1) Excessive profits eliminated for prior taxable year: In the case of a contract with the United States or any agency thereof, or any subcontract thereunder, which is made by the taxpayer, if a renegotiation is made in respect of such contract or subcontract and an amount of excessive profits received or accrued under such contract or subcontract for taxable year ending after December 31, 1941, "prior taxable year" is eliminated and, in a taxable year ending after December 31, 1941, the taxpayer is required to pay or repay to the United States or any agency thereof the amount of excessive profits eliminated or the amount of excessive profits eliminated is applied as an offset against other amounts due the taxpayer, the part of the contract or subcontract price which was received or was accrued for the prior taxable year shall be reduced by the amount of excessive profits eliminated. For the purposes of this section—

"'(A) The term "renegotiation" includes any transaction which is a renegotiation within the meaning of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong., 2d Sess.) or such section, as amended, any modification of one or more contracts with the United States or any agency thereof, and any agreement with the United States or any agency thereof in respect of one or more such contracts or subcontracts thereunder.

"'(B) The term "excessive profits" includes any amount which constitutes excessive profits within the meaning assigned to such term by subsection (a) of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong., 2d Sess.), as amended by the Revenue Act of 1942, any part of the contract price of a contract with the United States or any agency thereof, any part of the subcontract price of a subcontract under such a contract, and any profits derived from one or more such contracts or subcontracts.

"'(C) The term "subcontract" includes any purchase order or agreement which is a subcontract within the meaning assigned to such term by subsection (a) of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong., 2d Sess.), as amended by the Revenue Act of 1942.

"'(2) Reduction of reimbursement for prior taxable year: In the case of a cost-plus-a-fixed-fee contract between the United States or any agency thereof and the taxpayer, if an item for which the taxpayer has been reimbursed is disallowed as an item of cost chargeable to such contract and, in a taxable year beginning after December 31, 1941, the taxpayer is required to repay the United States or any agency thereof the amount disallowed or the amount disallowed is applied as an offset against other amounts due the taxpayer, the amount of the reimbursement of the taxpayer under the contract for the taxable year in which the reimbursement for such item was received or was accrued (hereinafter referred to as "prior taxable year") shall be reduced by the amount disallowed.

"'(3) Deduction disallowed: The amount of the payment, repayment, or offset described in paragraph (1) or paragraph (2) shall not constitute a deduction for the year in which paid or incurred.

"'(4) Exception: The foregoing provisions of this subsection shall not apply in respect of any contract if the taxpayer shows to the satisfaction of the Commissioner that a different method of accounting for the amount of the payment, repayment, or disallowance clearly reflects income, and in such case the payment, repayment, or disallowance shall be accounted for with respect to the taxable year provided for under such method, which for the purposes of subsections (b) and (c) shall be considered a prior taxable year.

"'(b) Credit against repayment on account of renegotiation or allowance:

"'(1) General rule: There shall be credited against the amount of excessive profits eliminated the amount by which the tax for the prior taxable year under Chapter 1, Chapter 2A, Chapter 2D, and Chapter 2E, is decreased by reason of the application of paragraph (1) of subsection (a); and there shall be credited against the amount disallowed the amount by which the tax for the prior taxable year under Chapter 1, Chapter 2A, Chapter 2D, and Chapter 2E, is decreased by reason of the application of paragraph (2) of subsection (a).

"'(2) Credit for barred year: If at the time of the payment, repayment, or offset described in paragraph (1) or paragraph (2) of subsection (a), refund or credit of tax under Chapter 1, Chapter 2A, Chapter 2D, or Chapter 2E, for the prior taxable year, is prevented (except for the provisions of section 3801) by any provision of the internal-revenue laws other than section 3761, or by rule of law, the amount by which the tax for such year under such chapters is decreased by the application of paragraph (1) or paragraph (2) of subsection (a) shall be computed under this paragraph. There shall first be ascertained the tax previously determined for the prior taxable year. The amount of the tax previously determined shall be (A) the tax shown by the taxpayer upon his return for such taxable year, increased by the amounts previously assessed (or collected without assessment) as deficiencies, and decreased by the amounts previously abated, credited, refunded, or otherwise repaid in respect of such tax; or (B) if no amount was shown as the tax by such taxpayer upon his return, or if no return was made by such taxpayer, then the amounts previously assessed (or collected without assessment) as deficiencies, but such amounts previously assessed, or collected without assessment, shall be decreased by the amounts previously abated, credited, refunded, or otherwise repaid in respect of such tax. There shall then be ascertained the decrease in tax previously determined which results solely from the application of paragraph (1) or paragraph (2) of subsection (a) to the prior taxable year. The amount so ascertained, together with any amounts collected as additions to the tax or interest, as a result of paragraph (1) or paragraph (2) of subsection (a) not having been applied to the prior taxable year shall be the amount by which such tax is decreased.

"'(3) Interest: In determining the amount of the credit under this subsection no interest shall be allowed with respect to the amount ascertained under paragraph (1) or paragraph (2); except that if interest is charged by the United States or the agency thereof on account of the disallowance for any period before the date of the payment, repayment, or offset, the credit shall be increased by an amount equal to interest on the amount ascertained under either such paragraph at the same rate and for the period (prior to the date of the payment, repayment, or offset) as interest is so charged.

"'(c) Credit in lieu of other credit or refund: If a credit is allowed under subsection (b) with respect to a prior taxable year no other credit or refund under the internal-revenue laws founded on the application of subsection (a) shall be made on account of the amount allowed with respect to such taxable year. If the amount allowable as a credit under subsection (b) exceeds the amount allowed under such subsection, the excess shall, for the purposes of the internal-revenue laws relating to credit or refund of tax, be treated as an overpayment for the prior taxable year which was made at the time the payment, repayment, or offset was made.'"

And the Senate agree to the same.

Amendment numbered 460: That the House recede from its disagreement to the amendment of the Senate numbered 460, and agree to the same with an amendment, as follows: On page 273, line 2, of the Senate engrossed amendments strike out "508" and insert "509"; and the Senate agree to the same.

Amendment numbered 474: That the House recede from its disagreement to the amendment of the Senate numbered 474, and agree to the same with an amendment, as follows: On page 290, line 8, of the Senate engrossed amendments strike out "$2.00" and insert "$2.50"; and the Senate agree to the same.

Amendment numbered 497: That the House recede from its disagreement to the amendment of the Senate numbered 497, and agree to the same with an amendment, as follows: Restore the matter proposed to be stricken out by the Senate amendment and on page 317, line 11, of the House bill strike out "621" and insert "620", and beginning in line 16 strike out the following:

"(a) Tax: There shall be imposed upon the amount paid within the United States after the effective date of this section for the transportation, on or after such effective date, of property by rail, motor vehicle, water, or air from one point in the United States to another, a tax equal to 5 per centum of the amount so paid, except that, in the case of coal, the rate of tax shall be 5 cents per long ton", and insert in lieu thereof:

"'(a) Tax: There shall be imposed upon the amount paid within the United States after the effective date of this section for the transportation, on or after such effective date, of property by rail, motor vehicle, water, or air from one point in the United States to another, a tax equal to 3 per centum of the amount so paid, except that, in the case of coal, the rate of tax shall be 4 cents per short ton.'"

And the Senate agree to the same.

Amendment numbered 498: That the House recede from its disagreement to the amendment of the Senate numbered 498, and agree to the same with an amendment, as follows: On page 295, line 8, of the Senate engrossed amendments strike out "620" and insert "621"; and the Senate agree to the same.

Amendment numbered 499: That the House recede from its disagreement to the amendment of the Senate numbered 499, and agree to the same with an amendment, as follows: On page 296, line 2, of the Senate engrossed amendments strike out "621" and insert "622"; and the Senate agree to the same.

Amendment numbered 500: That the House recede from its disagreement to the amendment of the Senate numbered 500, and agree to the same with an amendment, as follows: On page 297, line 2, of the Senate engrossed amendments strike out "622" and insert "623"; and the Senate agree to the same.

Amendment numbered 503: That the House recede from its disagreement to the amendment of the Senate numbered 503, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

"TITLE VIII—RENEGOTIATION OF WAR CONTRACTS

"SEC. 801. RENEGOTIATION OF WAR CONTRACTS

"(a) Subsections (a), (b), and (c) of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public, 528, 77th Cong., 2d Sess.), are amended to read as follows:

"'Sec. 403. (a) For the purposes of this section—

"'(1) The term "Department" means the War Department, the Navy Department, the Treasury Department, and the Maritime Commission, respectively.

"'(2) In the case of the Maritime Commission, the term "Secretary" means the Chairman of such Commission.

"'(3) The terms "renegotiate" and "renegotiation" include the refixing by the Secretary of the Department of the contract price.

"'(4) The term "excessive profits" means any amount of a contract or subcontract price which is found as a result of renegotiation to represent excessive profits.

"'(5) The term "subcontract" means any purchase order or agreement to perform all or any part of the work, or to make or furnish any article, required for the performance of another contract or subcontract. The term "article" includes any material, part, assembly, machinery, equipment, or other personal property.

"'For the purposes of subsections (d) and (e) of this section, the term "contract" includes a subcontract and the term "contractor" includes a subcontractor.

"'(b) Subject to subsection (i), the Secretary of each Department is authorized and directed to insert in any contract for an amount in excess of $100,000 hereafter made by such Department—

"'(1) a provision for the renegotiation of the contract price at a period or periods when, in the judgment of the Secretary, the profits can be determined with reasonable certainty;

"'(2) a provision for the retention by the United States from amounts otherwise due the contractor, or for the repayment by him to the United States, if paid to him, of any excessive profits not eliminated through reductions in the contract price, or otherwise, as the Secretary may direct;

"'(3) a provision requiring the contractor to insert in each subcontract for an amount in excess of $100,000 made by him under such contract (i) a provision for the renegotiation by such Secretary and the subcontractor of the contract price of the subcontract at a period or periods when, in the judgment of the Secretary, the profits can be determined with reasonable certainty, (ii) a provision for the retention by the contractor for the United States of the amount of any reduction in the contract price of any subcontract pursuant to its renegotiation hereunder, or for the repayment by the subcontractor to the United States of any excessive profits from such subcontract paid to him and not eliminated through reductions in the contract price or otherwise, as the Secretary may direct, and (iii) a provision for relieving the contractor from any liability to the subcontractor on account of any amount so retained by the contractor or repaid by the subcontractor to the United States, and (iv) in the discretion of the Secretary, a provision requiring any subcontractor to insert in any subcontract made by him under such subcontract, provisions corresponding to those of subparagraphs (3) and (4) of this subsection (b); and

"'(4) a provision for the retention by the United States from amounts otherwise due the contractor, or for repayment by him to the United States, as the Secretary may direct, of the amount of any reduction in the contract price of any subcontract under such contract, which the contractor is directed, pursuant to clause (3) of this subsection, to withhold from payments otherwise due the subcontractor and actually unpaid at the time the contractor receives such direction.

"'The provision for the renegotiation of the contract price, in the discretion of the Secretary, (i) may fix the period or periods when or within which renegotiation shall be had; and (ii) if in the opinion of the Secretary the provisions of the contract or subcontract are otherwise adequate to prevent excessive profits, may provide that renegotiation shall apply only to a portion of the contract or subcontract or shall not apply to performance during a specified period or periods and may also provide that the contract price in effect during any such period or periods shall not be subject to renegotiation.

"'(c) (1) Whenever, in the opinion of the Secretary of a Department, the profits realized or likely to be realized from any contract with such Department, or from any subcontract thereunder whether or not made by the contractor, may be excessive, the Secretary is authorized and directed to require the contractor or subcontractor to renegotiate the contract price. When the contractor or subcontractor holds two or more contracts or subcontracts the Secretary in his discretion, may renegotiate to eliminate excessive profits on some or all of such contracts and subcontracts as a group without separately renegotiating the contract price of each contract or subcontract.

"'(2) Upon renegotiation, the Secretary is authorized and directed to eliminate any excessive profits under such contract or subcontract (i) by reductions in the contract price of the contract or subcontract, or by other revision in its terms; or (ii) by withholding, from amounts otherwise due to the contractor or subcontractor, any amount of such excessive profits; or (iii) by directing a contractor to withhold for the account of the United States, from amounts otherwise due to the subcontractor, any amount of such excessive profits under the subcontract; or (iv) by recovery from the contractor or subcontractor, through repayment, credit or suit, of any amount of such excessive profits actually paid to him; or (v) by any combination of these methods, as the Secretary deems desirable. The Secretary may bring actions on behalf of the United States in the appropriate courts of the United States to recover from such contractor or subcontractor, any amount of such excessive profits actually paid to him and not withheld or eliminated by some other method under this subsection. The surety under a contract or subcontract shall not be liable for the repayment of any excessive profits thereon. All money recovered by way of repayment or suit under this subsection shall be covered into the Treasury as miscellaneous receipts.

"'(3) In determining the excessiveness of profits realized or likely to be realized from any contract or subcontract, the Secretary shall recognize the properly applicable exclusions and deductions of the character which the contractor or subcontractor is allowed under Chapter 1 and Chapter 2E of the Internal Revenue Code. In determining the amount of any excessive profits to be eliminated hereunder the Secretary shall allow the contractor or subcontractor credit for Federal income and excess profits taxes as provided in section 3806 of the Internal Revenue Code.

"'(4) Upon renegotiation pursuant to this section, the Secretary may make such final or other agreements with a contractor or subcontractor for the elimination of excessive profits and for the discharge of any liability for excessive profits under this section, as the Secretary deems desirable. Such agreements may cover such past and future period or periods, may apply to such contract or contracts of the contractor or subcontractor, and may contain such terms and conditions, as the Secretary deems advisable. Any such agreement shall be final and conclusive according to its terms; and except upon a showing of fraud or malfeasance or a wilful misrepresentation of a material fact, (i) such agreement shall not be reopened as to the matters agreed upon, and shall not be modified by any officer, employee, or agent of the United States; and (ii) such agreement and any determination made in accordance therewith shall not be annulled, modified, set aside, or disregarded in any suit, action, or proceeding.

"'(5) Any contractor or subcontractor who holds contracts or subcontracts, to which the provisions of this section are applicable, may file with the Secretaries of all the Departments concerned statements of actual costs of production and such other financial statements for any prior fiscal year or years of such contractor or subcontractor, in such form and detail, as the Secretaries shall prescribe by joint regulation. Within one year after the filing of such statements, or within such shorter period as may be prescribed by such

joint regulation, the Secretary of a Department may give the contractor or subcontractor written notice, in form and manner to be prescribed in such joint regulation, that the Secretary is of the opinion that the profits realized from some or all of such contracts or subcontracts may be excessive, and fixing a date and place for an initial conference to be held within sixty days thereafter. If such notice is not given and renegotiation commenced by the Secretary within such sixty days the contractor or subcontractor shall not thereafter be required to renegotiate to eliminate excessive profits realized from any such contract or subcontract during such fiscal year or years and any liabilities of the contractor or subcontractor for excessive profits realized during such period shall be thereby discharged.

"'(6) This subsection (c) shall be applicable to all contracts and subcontracts hereafter made and to all contracts and subcontracts heretofore made, whether or not such contracts or subcontracts contain a renegotiation of recapture clause, unless (i) final payment pursuant to such contract or subcontract was made prior to April 28, 1942, or (ii) the contract or subcontract provides otherwise pursuant to subsection (b) or (i), or is exempted under subsection (i), of this section 403, or (iii) the aggregate sales by the contractor or subcontractor, and by all persons under the control of or controlling or under common control with the contractor or subcontractor, under contracts with the Departments and subcontracts thereunder do not exceed, or in the opinion of the Secretary concerned will not exceed, $100,000 for the fiscal year of such contractor or subcontractor.

"'No renegotiation of the contract price pursuant to any provision therefor, or otherwise, shall be commenced by the Secretary more than one year after the close of the fiscal year of the contractor or subcontractor within which completion or termination of the contract or subcontract, as determined by the Secretary, occurs.'

"(b) Subsection (f) of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong., 2d Sess.), is amended to read as follows:

"'(f) Subject to any regulations which the President may prescribe for the protection of the interests of the Government, the authority and discretion herein conferred upon the Secretary of each Department may be delegated in whole or in part by him to such individuals or agencies as he may designate in his Department, or in any other Department with the consent of the Secretary of that Department, and he may authorize such individuals or agencies to make further delegations of such authority and discretion.'

"(c) Section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong. 2d sess.), is amended by adding at the end thereof the following subsections:

"'(i) (1) The provisions of this section shall not apply to—

"'(i) any contract by a Department with any other department, bureau, agency, or governmental corporation of the United States or with any Territory, possession, or State or any agency thereof or with any foreign government or any agency thereof; or

"'(ii) any contract or subcontract for the product of a mine, oil or gas well, or other mineral or natural deposit, or timber, which has not been processed, refined, or treated beyond the first form or state suitable for industrial use; and the Secretaries are authorized by joint regulation, to define, interpret, and apply this exemption.

"'(2) The Secretary of a Department is authorized, in his discretion, to exempt from some or all of the provisions of this section—

"'(i) any contract or subcontract to be performed outside of the territorial limits of the continental United States or in Alaska;

"'(ii) any contracts or subcontracts under which, in the opinion of the Secretary, the profits can be determined with reasonable certainty when the contract price is established, such as certain classes of agreements for personal services, for the purchase of real property, perishable goods, or commodities the minimum price for the sale of which has been fixed by a public regulatory body, of leases and license agreements, and of agreements where the period of performance under such contract or subcontract will not be in excess of thirty days; and

"'(iii) a portion of any contract or subcontract or performance thereunder during a specified period or periods, if in the opinion of the Secretary, the provisions of the contract are otherwise adequate to prevent excessive profits.'"

The Secretary may so exempt contracts and subcontracts both individually and by general classes or types.

"'(j) Nothing in sections 109 and 113 of the Criminal Code (U. S. C., title 18, secs. 198 and 203) or in section 190 of the Revised Statutes (U. S. C., title 5, sec. 99) shall be deemed to prevent any person appointed by the Secretary of a Department for intermittent and temporary employment in such Department, from acting as counsel, agent, or attorney for prosecuting any claim against the United States: *Provided*, That such person shall not prosecute any claim against the United States (1) which arises from any matter directly connected with which such person is employed, or (2) during the period such person is engaged in intermittent and temporary employment in a Department.'"

"(d) The amendments made by this section shall be effective as of April 28, 1942."

And the Senate agree to the same.

Amendment numbered 504.

Amend the table of contents to read as follows:

"TITLE I—INDIVIDUAL AND CORPORATION INCOME TAXES

"PART I—AMENDMENTS TO CHAPTER 1

"Sec. 101. Taxable years to which amendments applicable.

"Sec. 102. Normal tax on individuals (sec. 11).

"Sec. 103. Surtax on individuals (sec. 12 (b)).

"Sec. 104. Optional tax on individuals with gross income from certain sources of $3,000 or less (sec. 400).

"Sec. 105. Tax on corporations (sec. 15).

"Sec. 106. Tax on nonresident alien individuals (sec. 211).

"Sec. 107. Tax on foreign corporations (sec. 231 (a)).

"Sec. 108. Withholding of tax at source (secs. 143 and 144).

"Sec. 109. Treaty obligations.

"Sec. 110. Transfers of life insurance contracts, etc. (sec. 22 (b) (2)).

"Sec. 111. Income received from estates, etc., under gifts, bequests, etc. (sec. 22 (b) (3)).

"Sec. 112. Amendments to conform Internal Revenue Code with Public Debt Act of 1941 (sec. 22 (b) (4)).

"Sec. 113. Exclusion of pensions, annuities, etc., for disability resulting from military service (sec. 22 (b) (5)).

"Sec. 114. Exclusion of income from discharge of indebtedness (sec. 22 (b) (9)).

"Sec. 115. Improvements by lessee (sec. 22 (b)).

"Sec. 116. Recovery of bad debts, prior taxes, and delinquency amounts (sec. 22 (b)).

"Sec. 117. Additional allowance for military and naval personnel (sec. 22 (b)).

"Sec. 118. Report requirement in connection with inventory methods (sec. 22 (d) (2)).

"Sec. 119. Last-in first-out inventory (sec. 22 (d)).

"Sec. 120. Alimony and separate maintenance payments (sec. 22).

"Sec. 121. Non-trade or non-business deductions (sec. 23 (a)).

"Sec. 122. Deduction allowable to purchasers for State and local retail sales taxes (sec. 23 (c)).

"Sec. 123. Deduction for stock and bond losses on securities in affiliated corporations (sec. 23 (g)).

"Sec. 124. Deduction for bad debts etc. (sec. 23 (k)).

"Sec. 125. Corporate contributions to United States, etc., or for charitable use outside United States deductible (sec. 23 (q)).

"Sec. 126. Amortizable bond premium (sec. 23).

"Sec. 127. Deduction for medical, dental, etc., expenses (sec. 23).

"Sec. 128. Deduction of certain amounts paid to cooperative apartment corporation (sec. 23).

"Sec. 129. Deduction denied if proceeds used to pay for insurance (sec. 24 (a)).

"Sec. 130. Taxes and other charges chargeable to capital account not deductible but treated as capital items (sec. 24 (a)).

"Sec. 131. Reduction of personal exemption and credit for dependents—requirement for return (sec. 25 (b) (1)).

"Sec. 132. Computation of net operating loss credit and dividends paid credit (sec. 26 (c) (1)).

"Sec. 133. Credit for dividends paid on certain preferred stock (sec. 26).

"Sec. 134. Income in respect of decedents (sec. 42 (a)).

"Sec. 135. Returns for a period of less than twelve months (sec. 47).

"Sec. 136. Declaration that return made under penalties for perjury in lieu of oath (sec. 51).

"Sec. 137. Exemption of employees' voluntary beneficiary associations (sec. 101).

"Sec. 138. Denial of capital loss carry-over to section 102 companies (sec. 102 (d) (1)).

"Sec. 139. Compensation for services rendered for a period of thirty-six months or more (sec. 107).

"Sec. 140. Certain fiscal year taxpayer (sec. 108).

"Sec. 141. Western Hemisphere trade corporations (sec. 109).

"Sec. 142. Nonrecognition of loss and determination of basis in case of certain railroad reorganizations (sec. 112 (b)).

"Sec. 143. Basis of gifts (sec. 113 (a)).

"Sec. 144. Basis of property in case of optional value for estate tax purposes (sec. 113 (a) (5)).

"Sec. 145. Percentage depletion for coal, fluorspar, ball and sagger clay, rock asphalt, and metal mines and sulphur (sec. 114 (b) (4)).

"Sec. 146. Effect on earnings and profits of wash sale losses (sec. 115 (l)).

"Sec. 147. Distributions in liquidation (sec. 115 (c)).

"Sec. 148. Income from sources without United States in certain cases (sec. 116 (a)).

"Sec. 149. Reciprocal exemption of compensation of employees of the Commonwealth of the Philippines (sec. 116 (h)).

"Sec. 150. Capital gains and losses (sec. 117).

"Sec. 151. Real property; involuntary conversions; etc. (sec. 117).

"Sec. 152. Holding period of stock acquired through exercise of rights (sec. 117 (h)).

"Sec. 153. Two-year carry-back of net operating losses (sec. 122 (b)).

"Sec. 154. Commodity credit loans (sec. 123).

"Sec. 155. Extension of deduction for amortization of emergency facilities (sec. 124).

"Sec. 156. War losses.

"Sec. 157. Recovery of unconstitutional Federal taxes.

"Sec. 158. Foreign tax credit (sec. 131).

"Sec. 159. Extension of consolidated returns privilege to certain corporations (sec. 141).

"Sec. 160. Aliens and foreign corporations treated as nonresidents (secs. 143 and 144).

"Sec. 161. Deductions for estate tax and income tax of estate (sec. 162).

"Sec. 162. Pension trusts (sec. 165).

"Sec. 163. Life insurance companies (sec. 201).

"Sec. 164. Insurance companies other than life or mutual and mutual marine insurance companies (sec. 204).

"Sec. 165. Mutual insurance companies other than life or marine (sec. 207).

"Sec. 166. Technical amendment to definition of 'dividend' (sec. 115 (a)).

"Sec. 167. Transactions in stocks, securities, and commodities not considered engaging in trade or business in certain cases (sec. 211 (b)).

"Sec. 168. Period for filing petition extended in certain cases (sec. 272 (a)).

"Sec. 169. Statute of limitations on refunds and credits (sec. 322).

"Sec. 170. Regulated investment companies (Supplement Q).

"Sec. 171. Amendments to Supplement R (sec. 371).

"Sec. 172. Temporary income tax on individuals.

"PART II—PERSONAL HOLDING COMPANIES

"Sec. 181. Rates of personal holding company tax (sec. 500).

"Sec. 182. Exemption of certain corporations from personal holding company tax (sec. 501 (b)).

"Sec. 183. Consolidated income (sec. 501 (c)).

"Sec. 184. Computation of undistributed Subchapter A net income (sec. 504).

"Sec. 185. Deficiency dividends of personal holding companies (sec. 506).

"Sec. 186. Distributions by personal holding companies (sec. 115 (a)).

"TITLE II—EXCESS PROFITS TAX

"PART I—EXCESS PROFITS TAX AMENDMENTS

"Sec. 201. Taxable years to which amendments applicable.

"Sec. 202. Rate of excess profits tax (sec. 710 (a)).

"Sec. 203. Certain fiscal year taxpayers (sec. 710 (a)).

"Sec. 204. Two-year carry-back of unused excess profits credit (sec. 710 (c)).

"Sec. 205. Computation of excess profits and invested capital of insurance companies (sec. 711 (a)).

"Sec. 206. Technical amendments made necessary by change in base for corporation tax (sec. 711 (a)).

"Sec. 207. Capital gains and losses in the computation of excess profits net income (sec. 711 (a)).

"Sec. 208. Retroactive treatment of involuntary conversions as capital transactions (sec. 711 (a) (1)).

"Sec. 209. Nontaxable income from certain mining and timber operations (sec. 711 (a) (1)).

"Sec. 210. Net operating loss deduction adjustment (sec. 711 (a) (1)).

"Sec. 211. Credit for dividends received in computation of excess profits net income in connection with invested capital credit (sec. 711 (a) (2)).

"Sec. 212. Application of excess profits tax to certain foreign corporations (sec. 712 (b)).

"Sec. 213. Excess profits net income placed on annual basis (sec. 711 (a) (3)).

"Sec. 214. Interest on certain Federal obligations (sec. 713 (c)).

"Sec. 215. Base period net income of lowest year in base period (sec. 713 (e) (1)).

"Sec. 216. Capital reduction in case of members of controlled group (sec. 713 (g)).

"Sec. 217. Invested capital credit (sec. 714).

"Sec. 218. Basis of property paid in (sec. 718 (a) (2)).

"Sec. 219. Deficit in earnings and profits of another corporation (sec. 718).

"Sec. 220. Amortizable bond premium on certain Government obligations (sec. 720 (d)).

"Sec. 221. Abnormalities in income in taxable period (sec. 721).

"Sec. 222. Relief provisions (sec. 722).

"Sec. 223. Exempt corporations (sec. 727).

"Sec. 224. Excess profits tax returns (sec. 729 (b))

"Sec. 225. Consolidated returns (sec. 730).

"Sec. 226. Exemption from tax of mining of certain strategic minerals (sec. 731).

"Sec. 227. Amendments to section 734.

"Sec. 228. Rules for income credit in connection with certain exchanges (Supplement A).

"Sec. 229. Termination of Supplement B.

"Sec. 230. Invested capital in connection with certain exchanges and liquidations (Chapter 2E).

"PART II—POST-WAR REFUND OF EXCESS PROFITS TAX

"Sec. 250. Post-war refund of excess profits tax.

"TITLE III—CAPITAL STOCK AND DECLARED VALUE EXCESS PROFITS TAXES

"Sec. 301. Capital stock tax (sec. 1200).

"Sec. 302. Declared value excess profits tax (sec. 600).

"Sec. 303. Declared value excess profits tax for taxable years of less than twelve months (sec. 601).

"Sec. 304. Technical amendments made necessary by change in base for corporation tax (sec. 602).

"TITLE IV—ESTATE AND GIFT TAXES

"PART I—ESTATE TAX

"Sec. 401. Estates to which amendments applicable.

"Sec. 402. Community interests (sec. 811 (e)).

"Sec. 403. Powers of appointment (sec. 811 (f)).

"Sec. 404. Proceeds of life insurance (sec. 811 (g)).

"Sec. 405. Deductions not allowable in excess of certain property of estate (sec. 812 (b)).

"Sec. 406. Charitable pledges (sec. 812 (b)).

"Sec. 407. Deduction on account of property previously taxed (sec. 812 (c)).

"Sec. 408. Deduction for disclaimed legacies passing to charities (sec. 812 (d)).

"Sec. 409. Denial of deduction on bequests to certain propaganda organizations (sec. 812 (d)).

"Sec. 410. Priority of credit for local death taxes (sec. 813 (a)).

"Sec. 411. Liability of certain transferees (sec. 827 (b)).

"Sec. 412. Exemption of estates of nonresidents not citizens (sec. 861 (a)).

"Sec. 413. Period for filing petition extended in certain cases (sec. 871 (a)).

"Sec. 414. Specific exemption (sec. 935 (c)).

"Sec. 415. Overpayment found by Board (sec. 912).

"PART II—GIFT TAX

"Sec. 451. Gifts to which amendments applicable.

"Sec. 452. Powers of appointment (sec. 1000).

"Sec. 453. Gifts of community property (sec. 1000).

"Sec. 454. Exclusion from net gifts reduced (sec. 1003 (b)).

"Sec. 455. Specific exemption of gifts reduced (sec. 1004).

"Sec. 456. Period for filing petition extended in certain cases (sec. 1012 (a)).

"Sec. 457. Overpayment found by Board (sec. 1027 (d)).

"Sec. 458. Definition of property in United States (sec. 1030 (b)).

"TITLE V—AMENDMENTS TO PRIOR REVENUE ACTS AND MISCELLANEOUS PROVISIONS

"Sec. 501. Additional credits for undistributed profits tax.

"Sec. 502. Stamp tax on certain insurance policies (sec. 1804).

"Sec. 503. Suit against collector bar in other suits (sec. 3772).

"Sec. 504. Change of name of Board of Tax Appeals (sec. 1100).

"Sec. 505. Requirement of filing notice of lien (sec. 3672).

"Sec. 506. Miscellaneous amendments to stamp tax provisions (sec. 1801, etc.).

"Sec. 507. Time for performing certain acts postponed by reason of war.

"Sec. 508. Mitigation of effect of renegotiation of war contracts or disallowance of reimbursement.

"Sec. 509. Amendment to the Public Salary Tax Act of 1939.

"Sec. 510. Abolition of Board of Review and transfer of jurisdiction to Board of Tax Appeals.

"Sec. 511. Definition of military or naval forces of the United States (sec. 3797 (a)).

"Sec. 512. Joint Committee on Internal Revenue Taxation—Power to obtain data (Chap. 48).

"TITLE VI—EXCISE TAXES

"Sec. 601. Effective date of this title.

"Sec. 602. Distilled spirits (sec. 2800).

"Sec. 603. Fermented malt liquors (sec. 3150).

"Sec. 604. Wines (sec. 3030).

"Sec. 605. Cigars and cigarettes (sec. 2000).

"Sec. 606. Telephone, telegraph, etc. (sec. 3465).

"Sec. 607. Photographic apparatus (sec. 3406 (a) (4)).

"Sec. 608. Lubricating oils (sec. 3413).

"Sec. 609. Transportation of persons (sec. 3469).

"Sec. 610. Organs under contract before October 1, 1941 (sec. 3404 (d)).

"Sec. 611. Termination of certain excise taxes (sec. 3406 (a) (5), (7), (8), and (9)).

"Sec. 612. Affixing of cigarette stamps in foreign countries (sec. 2112 (c)).

"Sec. 613. Exemption of insignia, etc., used in connection with uniforms of the armed forces from jewelry tax (sec. 2400).

"Sec. 614. Refrigerators, refrigerating apparatus, and air-conditioners (sec. 3405).

"Sec. 615. Exemption of certain cash registers (sec. 3406 (a) (6)).

"Sec. 616. Exempt transportation of oil by pipe line (sec. 3460).

"Sec. 617. Coin-operated amusement and gaming devices (sec. 3267).

"Sec. 618. Sale under chattel mortgage (sec. 2405 and sec. 3441).

"Sec. 619. Repeal of certain provisions relating to mixed flour (Chapter 18, Chapter 27).

"Sec. 620. Transportation of property.

"Sec. 621. Exemption from processing tax of palm oil used in manufacture of iron or steel products (sec. 2477).

"Sec. 622. Cabaret tax (sec. 1700 (e)).

"Sec. 623. Sale and use of toilet preparations by beauty parlors, etc. (sec. 2402 (b)).

"TITLE VII—SOCIAL SECURITY TAXES

"Sec. 701. Automatic increase in 1943 rate not to apply (secs. 1400 and 1410).

"TITLE VIII—RENEGOTIATION OF WAR CONTRACTS

"Sec. 801. Renegotiation of war contracts."

WALTER F. GEORGE,
DAVID I. WALSH,
ALBEN W. BARKLEY,
TOM CONNALLY,
ROBERT M. LA FOLLETTE, Jr.,
ARTHUR CAPPER,
A. H. VANDENBERG,
Managers on the part of the Senate.

R. L. DOUGHTON,
JERE COOPER,
JOHN W. BOEHNE, Jr.,
WESLEY E. DISNEY,
ALLEN T. TREADWAY,
HAROLD KNUTSON,
DANIEL A. REED,
Managers on the part of the House.

The PRESIDING OFFICER. Is there objection to the present consideration of the conference report?

There being no objection, the Senate proceeded to consider the report.

Mr. GEORGE. Mr. President, I propose to make only a brief statement with respect to some of the material things which were done in conference.

The total net yield under the Senate provisions, as estimated by the joint committee staff, is $7,886,500,000. The gross yield is $9,659,200,000. Under the conference agreement the total net yield amounts to $7,951,500,000, and the gross yield was increased to $9,724,200,000. The House bill was estimated by the Treasury to yield $6,291,300,000.

The principal amendment made by the Senate to bring the Senate version over the House bill was the Victory tax, which, according to the estimates of the joint committee staff, will yield $3,600,000,000 on a gross basis, with a net basis of $2,500,000,000. The House conferees accepted this amendment with some minor amendments.

Of the 503 amendments placed in the bill, the House conferees accepted all but 19. Of this number, however, it is proper to note that 215 of the amendments were technical or clerical. I shall point out a few of the Senate amendments in which the House conferees concurred.

First, the House conferees agreed to the amendment allowing corporations to deduct dividends paid on preferred stock for surtax purposes only.

The House conferees agreed to the so-called Tydings amendment, providing a differential in rates for alcohol used for medicinal and other nonbeverage purposes.

The amendment allowing percentage depletion for ball and sagger clay and rock asphalt was agreed to.

The corporate rates, with a total normal and surtax of 40 percent, and the excess-profits tax, with an excess-profits tax of 90 percent and a post-war credit of 10 percent of the excess-profits tax, and its current debt relief provision, were agreed to.

The House conferees also agreed to the Senate method of taxing mutual insurance companies, with an amendment raising the exemption in the case of inter-insurers and reciprocal underwriters from $3,000 to $50,000 with respect to their net investment income.

The Senate provisions with respect to the net loss carry-over and carry-back, the unused excess-profits credit carry-over and carry-back, and the 80 percent over-all limitation on corporations' normal, surtax, and excess-profits tax were agreed to.

It will be recalled that the Senate reduced the credit for dependents from $400 to $300. The House continued the $400 credit allowed under existing law. A compromise was reached resulting in fixing the credit at $350.

The Senate amendments dealing with mining corporations and logs were agreed to, with the exception that logs were given the same treatment as coal and iron under the Guffey amendment.

The House conferees agreed to the Senate amendments dealing with American citizens who are bona fide nonresidents of the United States.

The House conferees agreed to the Senate amendments with respect to capital gains, the most important of which was the shortening of the holding period on long-term capital gains to 6 months.

In the case of the tax on cigars the House conferees agreed to the Senate amendments, except that the rate on the two-for-5-cent cigars was raised from $2 to $2.50 a thousand. The House strongly insisted upon the retention of the $2.50 a thousand tax on the two-for-5-cent cigars.

The House agreed to the Senate amendment continuing the rates of existing law as to smoking tobacco, cigarette papers, and tubes. The House placed a tax of 24 cents a pound on smoking tobacco. It will be recalled that the tax was reduced to 18 cents in the Senate, 18 cents being the rate provided by existing law.

The Senate war-loss provisions, which constituted an important section in the bill, were agreed to, as were the Senate provisions dealing with pension plans.

The Senate relief provisions further broadening the splendid work of the House on section 722 were agreed to.

Of the amendments as to which we were compelled to yield to the House I shall mention a few. We were compelled to yield on the amendment offered by the Senior Senator from South Carolina [Mr. SMITH] exempting stock accident-insurance and health-insurance companies engaged in the business of issuing cancelable accident insurance and life-insurance contracts if the gross amount received during the taxable year from interest, dividends, rents, and premiums did not exceed $200,000. The Senate conferees were forced to yield on the Senate amendments repealing the capital-stock tax and declared-value excess-profits tax, in favor of the House provision permitting an annual declaration.

We were also forced to yield on the Senate amendment striking out the transportation tax. However, the rate of the tax was reduced from 5 percent of the amount paid to 3 percent of the amount paid, and, in the case of coal, the rate was reduced from 5 cents a long ton to 4 cents a ton. The coal producers themselves had asked for a change from the long-ton basis to the short-ton basis.

The amendment offered by the junior Senator from Connecticut [Mr. DANAHER] limiting deductions to individuals in certain cases of continuous loss over a period of 5 years was not agreed to, the House having declined to accept it.

On the estate tax, the Senate conferees were forced to agree to the House provision of one $60,000 exemption, instead of the Senate provision of a $40,000 specific exemption and a $40,000 insurance exemption. We were also forced to agree to the House provision changing the name of the Board of Tax Appeals.

The provision creating a Joint Committee on Compulsory Savings was not agreed to by the House conferees, and the Senate conferees receded. It was contended on the part of the House conferees that the work could be performed by the Joint Committee on Internal Revenue Taxation and the other regular tax committees of the House and Senate.

We also yielded to the House as to the tax on photographic apparatus.

In the case of the tax on coin-operated devices, the Senate conferees yielded, and eliminated the amendment offered by the junior Senator from California [Mr. DOWNEY] providing for special treatment of trade stimulator machines, and removing them from the category of gaming devices.

The Senate provisions relating to the freezing of social-security taxes were agreed to by the House, as well as the amendments offered by the senior Senator from Massachusetts [Mr. WALSH], as chairman of the subcommittee, relating to the renegotiation of contracts.

I may say that the amendments offered by the Senator from Massachusetts in the Senate, and agreed to in the Senate, were accepted without any change, as I now recall, by the House conferees—certainly without any substantial change. There were, perhaps, certain technical amendments offered by the House conferees, and concurrence was had as to those technical amendments. However, it was stressed in conference that the whole subject matter of contract renegotiations was before the Ways and Means Committee of the House at this time in connection with a bill introduced, and that the committee would go into the question at a convenient date.

I read from the statement submitted by the managers of the conference on the part of the House:

> The committee of conference does not feel that the amendments which were made by the bill to the renegotiation law contain all the changes and improvements which it might be desirable to make. No attempt has been made to study and reexamine all the possible methods for dealing with excessive profits realized on war contracts. The bill merely attempts to remove some of the more pressing objections to the present law, and to make the law administratively workable. It is anticipated that the Ways and Means Committee will study section 403 in connection with matters now pending before the committee, with an eye to a more general revision than is contained in the 1942 revenue bill.

Mr. McNARY. Mr. President, will the Senator yield?

Mr. GEORGE. I am glad to yield to the Senator from Oregon.

Mr. McNARY. I do not want to interrupt the Senator.

Mr. GEORGE. No; I am glad to yield. I have finished my statement.

Mr. McNARY. Mr. President, I simply wanted to take a minute of the Senate's time in order to express my displeasure that the Senate conferees felt they should recede from amendment No. 497 with respect to transportation. In the bill as it passed the House there was a tax of 5 percent on transportation. Looking at the matter from a very wide point of view, the Senate committee removed that discrimination, as I am pleased to

call it, as to the shippers in the West. From the conference report I observe that before the committee the Senate conferees receded from the Senate's very substantial and fair attitude, and accepted a compromise of 3 percent.

Mr. GEORGE. The Senator is correct.

Mr. McNARY. I am sorry that the Senate conferees receded. I am more sorry that the House conferees insisted upon the recession. It will work a very great hardship upon the western timber owners and converters of timber and forest products, because their market is in the East, and they are in a very unfair position so far as the trade is concerned and so far as the marketing of their products is concerned, because they are removed from the market, as against owners and converters in the South, the Great Lakes States, and the East.

I simply desire to express my disapproval. That does not mean that I disapprove of the report, but I think it is unfair.

At this point I desire to read a telegram which reached my desk a few moments ago. It expresses the views of the western lumbermen of the States, I should say, of Oregon, Washington, Montana, Idaho, and California. The telegram is from Col. W. B. Greely, former Federal Forester, now manager of the West Coast Lumbermen's Association. The telegram reads as follows:

> The 3-percent transportation tax as accepted by revenue bill conference report is grossly unjust and discriminatory against all western products.

That is the brief telegram, and it covers the subject matter.

I realize that in a conference there often is a question of a compromise in order to come to an agreement; and I shall accept the conference report with very good grace, because I know that the committee was impressed with the unfairness of the tax, and I am willing to assume that they went as far as they could go to maintain their position. However, I am disappointed.

Mr. GEORGE. Mr. President, the Senator from Oregon has exactly described the situation. All the Senate conferees were agreed that the tax should not be imposed. However, the House conferees very strongly insisted on their position. We did not dispose of the issue until late in the conference. At that time we finally reached an agreement, not on the 5-percent tax as provided for in the House bill, but on a 3-percent tax, which, I may say, was the tax in World War No. 1.

I, too, regret that the tax was not entirely eliminated, because I believe it to be an unwise tax, and that it bears unjustly on the shippers of raw materials such as lumber, and on the shippers of bulky farm products.

However, I know that the Senator from Oregon understands that in a long conference with so many amendments, we find it difficult to prevail on the other conferees to accept our views in full.

Mr. McNARY. Yes; I understand that.

Mr. THOMAS of Idaho. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. THOMAS of Idaho. I desire to concur in the statements made by the Senator from Oregon, and also I wish to say that I appreciate the attitude of the chairman of the Committee in the handling of the freight tax.

Idaho is so situated that the freight paid by its residents on raw materials probably is higher than that paid by the residents of any other State in the Union; and when it comes to the matter of shipping bulky products, and then arriving at a tax on a percentage basis, Senators can readily understand what that does to our State.

Our people are very much disappointed that the Senate committee found it necessary to recede on this particular amendment. I make the prediction that when we write another tax bill we shall find so great a reaction against this particular form of taxation that there will be a decided effort again to eliminate this particular tax. I know that Mr. Henderson was opposed to it. I think Secretary Morgenthau was opposed to it. Yet it has been accepted; and, naturally, I myself am inclined to accept it, although with a great deal of regret.

I appreciate the attitude of the Senate Finance Committee and the Senate conferees, and the work they have done and the time they have spent on this matter, and the effort they have made to work out everything in a satisfactory manner. I simply wanted to take this opportunity to express my regret and disappointment in the handling of this particular tax.

Mr. GEORGE. Mr. President, the lower rate will, of course, be of some considerable help. The original House rate is cut by two-fifths, and, of course, that will be helpful, but I, too, again express regret that we were not able to prevail on this particular point.

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Georgia yield to the Senator from Wisconsin?

Mr. GEORGE. I am glad to yield.

Mr. LA FOLLETTE. I wish to say in behalf of the Senate conferees that I think a sincere and valiant effort was made to secure the consent of the House to recede and to accept the Senate amendment to strike out the transportation tax. If my recollection serves me correctly, it was one of the last items disposed of in the bill.

Mr. GEORGE. I am sure it was.

Mr. LA FOLLETTE. We had a long discussion over it, and I can assure Senators who are interested that we presented every possible argument with all the force at our command in our effort to secure the consent of the House to strike out the provision for a transportation tax; but, as the Senators who have heard the report of the able chairman of the Finance Committee, the Senator from Georgia [Mr. GEORGE], will realize the Senate really cannot complain as to the outcome of the conference, if everything is taken as a whole, for the Senate was, I believe, quite successful in retaining many of the major provisions which it had placed in the bill when it was under consideration by the Senate.

If the Senator from Georgia will bear with me for a moment further, I should like to call attention for the RECORD to the fact that this, the largest tax bill in all history, is about to pass the Senate in final form just 2 weeks from the day when it was taken up for consideration after being reported from the Senate Finance Committee. My attitude toward many of the provisions of this bill will appear in the record of the debate during the days when the bill was under consideration, but I cannot refrain from expressing my wholehearted appreciation and admiration for the statesmanlike attitude which was taken by the conferees representing the House of Representatives and by my colleagues on the conference committee representing the Senate. In all the experience I have had with conferences, I have never seen one in which there was manifested a greater desire to secure a speedy and proper determination of the issues which were involved in controversy.

I also desire to express my public appreciation to the members of the joint committee staff, to the members of the Treasury staff, to the draftsmen who worked on this measure under the greatest pressure and with a terrific load upon them, which lasted night and day for a month. They have rendered invaluable service to the two committees and to the Congress. I only wish, without burdening the RECORD, I could place all their names in the RECORD, for they deserve the appreciation of the Congress and the country for the splendid work they have done.

Mr. DANAHER. Mr. President——

The PRESIDING OFFICER. Does the Senator from Georgia yield to the Senator from Connecticut?

Mr. GEORGE. I should be glad if the Senator would permit me strongly to emphasize every statement made by the distinguished senior Senator from Wisconsin [Mr. LA FOLLETTE], and especially to note the very fine spirit of cooperation and statesmanship with which the House conferees approached this very difficult task. I should like also especially to express my appreciation of the very hearty cooperation of the conferees on the part of the Senate and of all the officials, including the draftsmen, the Joint Committee staff, and the Treasury staff, for their splendid cooperation in carrying through this bill in what is, undoubtedly, record time for a bill of this size.

Now I yield to the Senator from Connecticut.

Mr. DANAHER. I thank the Senator. The Senator from Georgia will recall that both in the Finance Committee and in the Senate there were many of us of a mind that we should cause a special study made of the possibilities of a compulsory savings program, and also to consider such matters as the Ruml plan and similar and substantially related possible programs. Does the Senator choose to make any comment to us as to just what situation developed in conference with reference to that study committee?

Mr. GEORGE. I have already referred to that amendment, and I can add but a few words to what I had to say. The Senate conferees earnestly insisted on the retention of the amendment offered by the distinguished Senator from Ohio [Mr. TAFT] in the Committe on Finance and approved by the Senate; but the House conferees very strongly resisted it. They were unanimous on this particular question. Their position was that since we have a Joint Committee on Internal Revenue Taxation, and since the Committee on Ways and Means of the House of Representatives and the Finance Committee of the Senate are ready to function at any and all times, they regarded it as unnecessary to appoint a sepecial committee. They were very insistent upon their position, and the Senate conferees finally yielded, although I can say to the Senator in all sincerity that there was a strong insistance on the part of the Senate conferees with respect to that amendment. We were not able, however, to make any headway.

Mr. DANAHER. Mr. President, will the Senator yield further?

Mr. GEORGE. I am glad to yield.

Mr. DANAHER. There is one other point I wish to have something said about. I notice that the Senate conferees accepted the House language which provides that henceforth the Board of Tax Appeals shall be called a court. The fact that it is to be called a court does not make it one, does it?

Mr. GEORGE. Oh, no. The text of the bill expressly declares that the functions and powers and duties, and so forth, of the Board shall remain the same, although the Board has now taken a new name.

Mr. DANAHER. It is not a part of the judicial system of the country?

Mr. GEORGE. It is not a part of the judicial system.

Mr. DANAHER. We do not even have to call the members judges if we do not wish to do so?

Mr. GEORGE. No; but if we should have cases before them after we leave the Senate we probably would want to call them judges.

Mr. DANAHER. Probably it would be wise to do so.

Mr. GEORGE. Mr. President, if there are no other questions, I desire to make a brief statement on the bill as a whole.

Under this tax bill the excess-profits tax is fixed at 90 percent. Excess profits will now be computed on exactly the same basis as they were computed under the Excess Profits Tax Act of World War No. 1, with, of course, certain exceptions which I shall not undertake to mention. So far, however, as the principle of the reversal of credits goes it will be found in the World War excess-profits tax. Under that act the excess-profits tax was allowed in computing income subject to normal tax. The normal tax was not allowed in computing income subject to the excess-profits tax.

Upon that point I think it is proper for the country to know that while the excess-profits tax imposed by Canada and Great Britain is 100 percent, a tax credit of 20 percent is allowed in both Canada and in Great Britain. The rate imposed under our revenue law is now 90 percent, with a tax credit of 10 percent. So the excess-profits tax the American corporation is called upon to pay is, in fact, the same tax that is paid by the corporate taxpayer in Canada and Great Britain.

Just a word now about our corporate rates as compared with the rates in both Canada and Great Britain. The rate on the British corporation is 50 percent, but the corporation is entitled to recoup this tax out of dividends declared to the shareholder, and that is not true in the case of the American corporations. The British tax is thus in effect paid by the shareholder. The corporate normal and surtax rate under our revenue law, if this bill shall be approved by the President, will be 40 percent. But our shareholders must pay full normal and surtax on the entire dividends received by them, even though the 40-percent tax has already been collected from the corporation.

The tax system of Canada, our neighbor in many respects, with conditions somewhat akin to ours, has a normal corporate tax of 40 percent only where there is no excess-profits tax assessed against the taxpayer, and a 30-percent normal tax where the taxpayer pays both the normal and the excess-profits tax. No surtax is imposed upon corporations in either Great Britain or Canada.

Under our revenue law, let me repeat, the American corporation will pay a 40-percent normal and surtax, and the same effective excess-profits tax rate which is paid by the Canadian corporation.

Mr. President, much has been said about the back-breaking and unbearable rates which are placed upon individuals in the United States who pay income taxes. I do not wish to tire the Senate, but I do desire to have the figures which I have before me made a part of the public record.

On a gross income of $2,400, reduced by 10 percent, which, on the basis of experience, is the amount which should be taken to arrive at the net taxable income—on a gross income of $2,400 a year, $200 a month, or $2,160 net, a single person in the United States without dependents will pay $391.24 on his 1943 income. A married person with no dependents will pay a tax of $258.24 on his 1943 income. Included in this tax is also the Victory tax, which will not go into effect until January 1, 1943.

Let me repeat, on a gross income of $2,400, the total tax, including the Victory tax, which a single individual in the United States, without dependents, will pay, is $391.24. A married person with no dependents will pay $258.24.

In Canada the same individual, with the same income, if single, would pay a tax of $692, against $391.24 in the United States. A married individual in Canada with no dependents would pay $518, against $258.24 in the United States.

In Great Britain the same individual, single, without dependents, would pay $696.50, against $391.24 in the United States. If married and without dependents he would pay $576.50, against $258.24 in the United States.

On a $3,000 gross income, reduced by 10 percent to $2,700, in the United States an unmarried person with no dependents will pay $526.60, including the Victory tax. A married person with no dependents will pay $387.60.

In Canada the same person, unmarried and without dependents, will pay $941.40 and the same person, married, but without dependents, will pay $761.40.

In Great Britain the same person, single and without dependents, would pay $939.50. If married with no dependents he would pay $819.50.

Let us take a $15,000 income, reduced by 10 percent to $13,500. In the United States the tax, including the Victory tax, will be $4,437.80 on a single person with no dependents. It will be $4,143.80 on a married person with no dependents.

Comparing that with Canada, the single person without dependents, who would pay $4,437.80 in the United States, would pay $7,487 in Canada. Married and without dependents he would pay $7,037.

In Great Britain the same person who paid $4,437.80 in the United States, a single person without dependents, will pay $6,843.25, and a married person drawing that income in Great Britain, without dependents, will pay $6,723.25, as against $4,143.80 he will pay under our revenue law.

Whatever may be said, the individual taxpayers in America are not paying as much as the British and the Canadians are paying. It is true that in Canada and in Great Britain there is a post-war credit. In Canada the post-war credit may be partially taken up, as in the case of the United States, by payments upon life insurance and debts. It is also true that a post-war credit is given against the Victory tax, but it is fair to note that the post-war credit in the United States is not so great as it is in Great Britain or in Canada, yet while the comparative figures given are on a gross basis in each instance the net tax in Canada and in Great Britain is in excess of the net tax in the United States.

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. LA FOLLETTE. I believe that no one would contend that our taxpayers are paying as much as is being paid by the people in Great Britain or in Canada. However, is it not fair to point out that in Canada, for example, the Provinces have abandoned the provincial income tax, and have yielded it up to the national Government, and that in Great Britain the only remaining taxes which are paid are certain license taxes and fees of certain kinds, whereas in this country many States have very stiff income tax laws, and if the taxpayers own real property they are required to pay a local and, in some States, a State real estate tax? So we do not really get quite a fair picture of the total burden under which the American taxpayer is laboring if we merely make a comparison of what might be termed the Federal, or central Government's tax.

Mr. GEORGE. I was about to point that out. I am glad the Senator brought it to my attention. There is a tax in Britain comparable to our real property taxes, also in Canada. It is fair to note the facts brought out by the able Senator from Wisconsin, and it is also fair to emphasize what I have just said, that the post-war credit in Great Britain and in Canada is greater than it is in the United States.

When it is considered that in the United States the individual is paying a tax upon his income in 34 of our States of from 1 percent to 15 percent, as well as other local taxes, and when it is also remembered that the total tax paid by the American people to the States and local governments will aggregate at least $10,000,000,000, or slightly in excess of $10,000,000,000, I think it will be seen that while the individual taxpayers of the United States are now paying less in income taxes, they are paying substantially as much in the way of total taxes as the individuals in Britain and in Canada. In this connection, it should be pointed out that State income taxes are allowed as a deduction in computing our ordinary normal and surtaxes.

Mr. LA FOLLETTE. If the Senator will suffer one more interruption, I will say that it also occurs to me that it might be well to point out that, even insofar as Federal taxes are concerned, a very substantial part of our tax revenue is derived from excise taxes, which are not taken into account in the individual's income tax comparisons which the Senator has just given, and which have to be paid, of course, by the taxpayer in the increased prices of the goods he buys.

Mr. GEORGE. The Senator is correct. I did not note the fact that excise taxes are likewise paid by individuals in both Canada and Great Britain. In addition Canada has an 8-percent manufacturers' sales tax and Great Britain a sales or purchase tax.

The point I wish to emphasize is that the burden on the American taxpayer is very heavy now, and yet in all fairness it must be thought of as a bearable burden, because as individual taxpayers we are bearing a lighter burden than that borne by individuals in both Canada and Great Britain.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. WALSH. It seems to me the Senator's comparison invites another observation because of the direction in which we are moving and the necessity for additional increase in our taxes. Great Britain and Canada have been at war 2 years longer than we have been. Therefore it is to be expected that their taxes would be higher than our taxes. It seems to me that serves the purpose of indicating that as the war continues we must approach more and more to the taxes paid in those countries. Does the Senator agree to that statement?

Mr. GEORGE. Yes. I thank the Senator for his observation.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

SUPPLEMENTAL NATIONAL DEFENSE APPROPRIATIONS

The Senate resumed the consideration of the bill (H. R. 7672) making supplemental appropriations for the National defense for the fiscal year ending June 30, 1943, and for other purposes.

The PRESIDING OFFICER. The clerk will state the next amendment of the Committee on Appropriations.

The next amendment was, on page 17, in line 13, after the word "exceed", to strike out "$8,304,618" and insert "$9,304,618."

The amendment was agreed to.

The next amendment was on the same page, in line 19, after the word "station", to insert a colon and the following: "*Provided further*, That no part of this appropriation shall be available to pay the salary of any person at the rate of $4,500 per annum or more unless such person shall have been appointed by the President, by and with the advice and consent of the Senate."

Mr. BARKLEY. Mr. President, I do not desire to detain the Senate very long, but I feel it my duty to discuss this amendment before it is acted on by the Senate. It is the usual amendment providing that no part of a given appropriation shall be expended to pay the salary of any person within the given departments drawing certain sums of money or more unless he shall have been appointed by the President and confirmed by the Senate. I regret that I find it necessary in the performance of my duty and in accordance with my convictions to oppose an amendment reported by the Committee on Appropriations for all of whose members I entertain the highest respect and for whose acting chairman, the Senator from Tennessee [Mr. McKELLAR], as he knows well, I entertain not only the highest respect but an affectionate regard.

Mr. President, no Member of the Senate is more jealous than I am of senatorial privileges and prerogatives and senatorial rights, and I hope that no one is more zealous in the preservation of our constitutional powers and restrictions and prerogatives than I am. I do not think there is any constitutional question involved in the controversy over this amendment.

In order that I may emphasize what I have just stated, I will read the provision of the Constitution referred to yesterday by the Senator from Tennessee, and upon which he relies, seemingly, as a mandatory direction to Congress and to the Senate with respect to appointments and confirmations. The second paragraph of section 2 of article II of the Constitution, referring to the powers of the President, is as follows:

> He shall have power, by and with the advice and consent of the Senate, to make treaties, provided two-thirds of the Senators present concur; and he shall nominate, and by and with the advise and consent of the Senate, shall appoint ambassadors, other public ministers and consuls, judges of the Supreme Court, and all other officers of the United States, whose appointments are not herein otherwise provided for, and which shall be established by law; but the Congress may by law vest the appointment of such inferior officers, as they think proper, in the President alone, in the courts of law, or in the heads of departments.

So, while the Constitution provides that the President may nominate, and by and with the advice and consent of the Senate, shall appoint certain officers, it provides that Congress may by law provide for the appointment of these officers by the President alone, or by the courts, or by the heads of executive departments. I interpolate the word "executive," because the word is not in the Constitution.

From time to time Congress has exercised the right and power which it has, under that constitutional provision, of requiring senatorial confirmation with respect to offices created by act of Congress. Undoubtedly Congress has the right, if it sees fit to exercise it by law, to require the confirmation by the Senate of all Federal officers, but Congress has not by any means uniformly exercised such right.

I have before me a list of offices created by the Congress under acts of Congress as to which senatorial confirmation has not been required, and is not now required. There are 46 different agencies and departments of the Federal Government set up by act of Congress as to which senatorial confirmation is not required. So it is obviously not a mandatory constitutional provision, and it is no violation of the Constitution, but on the contrary is in harmony with the Constitution, for the Congress to forego in the law the right to confirm appointments made by the President of the United States. The list of agencies to which I referred is as follows:

Board of Economic Warfare; Office of Censorship; Office of Liaison Officer; Office of Emergency Management; Division of Central Administrative Service of the O. E. M.; Office of Coordinator of Inter-American Affairs, O. E. M.; Office of Defense Health and Welfare Services; Office of Defense Transportation; National War Labor Board; Office of Scientific Research and Development; War Manpower Commission; War Production Board.

Mr. HATCH. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. HATCH. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Downey	Maybank
Andrews	Doxey	Mead
Austin	Ellender	Murdock
Bailey	George	Norris
Ball	Gerry	Nye
Barbour	Gillette	O'Daniel
Barkley	Green	O'Mahoney
Bilbo	Guffey	Overton
Bone	Gurney	Pepper
Brewster	Hatch	Radcliffe
Bulow	Hayden	Reed
Bunker	Hill	Reynolds
Burton	Johnson, Calif.	Rosier
Butler	Kilgore	Russell
Capper	La Follette	Schwartz
Caraway	Langer	Shipstead
Chandler	Lee	Smathers
Chavez	McFarland	Spencer
Connally	McKellar	Thomas, Idaho
Danaher	McNary	Thomas, Okla.
Davis	Maloney	Thomas, Utah

Tobey	Van Nuys	Wheeler
Tunnell	Wagner	Wiley
Tydings	Wallgren	Willis
Vandenberg	Walsh	

The PRESIDING OFFICER (Mr. BUNKER in the chair). Seventy-four Senators have answered to their names. A quorum is present.

Mr. BARKLEY. Mr. President, I was in the midst of reading a list of agencies with respect to which Congress has not required senatorial confirmation. I shall not comment on each of them, but I should like to have Members of the Senate contemplate the large number of agencies which are in existence, and for which appropriations have been made, but with respect to which senatorial confirmation is not required—in many cases not required at all, and in other cases not required for appointments below the head of the agency involved. I mentioned the War Production Board, the War Relocation Authority, War Shipping Administration, Board of Investigation and Research—Transportation.

Civil Service Commission. While of course we are required to confirm the appointments of members of the Civil Service Commission, we are not required to confirm the appointment of anybody below the grade of member of the Commission.

The same situation applies to the Federal Communications Commission.

Library of Congress. We are required to confirm the nomination of the Librarian of Congress, but we are not required to confirm the appointment of anybody below the grade of Librarian.

Government Printing Office. We confirm the appointment of the Public Printer, who is in charge of the Government Printing Office, but we do not confirm the appointments of employees below him.

The Smaller War Plants Corporation was created by an act of Congress sponsored by the Committee on Small Business, of which the Senator from Montana [Mr. MURRAY] is chairman. For that agency, which was set up in the War Production Board, we appropriated $150,000,000, and did not require senatorial confirmation of the appointments of members of that Corporation. They have been appointed by the head of the War Production Board without confirmation on the part of the Senate.

The Bureau of the Budget.

The National Resources Planning Board.

The American Battle Monuments Commission.

The Bituminous Coal Consumers' Counsel.

Board of Tax Appeals.

Alley Dwelling Authority.

Federal Power Commission. The appointments of members of the Federal Power Commission are confirmed by the Senate, but the Senate is not required to confirm the appointment of anyone below the grade of Commissioner.

The same situation prevails with respect to the Federal Trade Commission.

With respect to the General Accounting Office, we confirm the nomination of the Comptroller General, who is in charge of the General Accounting Office, but we do not confirm appointments in the General Accounting Office itself.

In the case of the Interstate Commerce Commission, we confirm the appointments of Commissioners, but we do not have to confirm the appointments of employees of the Commission.

National Advisory Committee for Aeronautics.

In the case of The National Archives, we confirm the appointment of the Archivist, who has a life tenure, but the appointments of employees below the Archivist himself are not required to be confirmed by the Senate.

National Capital Park and Planning Commission.

Securities and Exchange Commission.

Smithsonian Institution.

United States Tariff Commission.

In the case of the Tennessee Valley Authority, we confirm the appointments of members of the Board of Directors. The same is true with respect to members of the Tariff Commission. However, we do not confirm appointments made by those agencies.

The United States Maritime Commission; the Veteran's Administration; the National Housing Agency, including the Federal Home Loan Bank Administration, the Federal Home Loan Bank System, the Federal Savings and Loan Insurance Corporation, the Home Owners' Loan Corporation, the Federal Housing Administration, the Federal Public Housing Authority, and the Office of the Administrator; the Federal Security Agency, including the Social Security Board, Office of Education, National Youth Administration, Public Health Service, Food and Drug Administration, and several smaller agencies; the Department of Agriculture—we confirm the appointment of the Secretary, of course, as a member of the President's Cabinet—but in the vast setup of the Department of Agriculture where nearly every appointee is under the civil service, the Senate does not exercise, and has never required, senatorial confirmation in the appointment of such persons.

I continue to read the list:

Federal Works Agency, including the Public Buildings Administration, Public Roads Administration, Public Works Administration, and Office of the Administrator; Department of Commerce, including the Civil Aeronautics Administration, and including the following agencies formerly under the Federal Loan Agency, but now under the direction and supervision of the Department of Commerce: the Reconstruction Finance Corporation, the R. F. C. Mortgage Company, the Export-Import Bank of Washington, and the Electric Home and Farm Authority; the Department of the Interior; and the Department of Labor.

Therefore, Mr. President, it cannot be said that there is any mandatory requirement on the part of the Constitution that the Senate confirm the appointment or nomination of inferior officers appointed either by the President or by the heads of departments.

Mr. OVERTON. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. BUNKER in the chair). Does the Senator from Kentucky yield to the Senator from Louisiana?

Mr. BARKLEY. I yield.

Mr. OVERTON. The Constitution provides that the Congress may by law vest the power of appointment of inferior officers in the President or in the heads of the various departments or in the courts. The Senator from Kentucky has just now read a list of various agencies which have been created by acts of Congress or perhaps through Executive order, but acting under the authority conferred by the Congress. In all those cases has the Congress vested in the President or in the heads of the departments authority to nominate and appoint the subordinate officers; or does the Congress simply not insist on its rights, and permit the President or the heads of departments to make the appointments?

Mr. BARKLEY. Some of the agencies have been set up by acts of Congress specifying the creation of the agencies and emphasizing the appointments under them, without requiring senatorial confirmation. In the cases in which Congress has not authorized the appointment of the officers by the President or the head of the department concerned, and has not required senatorial confirmation, it has been regarded as consenting by law to the appointment of the employees without requiring senatorial confirmation.

Some of the agencies which I have just mentioned have been set up by Executive order, as a result of the war, under general authority conferred upon the President by Congress to set up agencies or to take steps necessary to the successful conduct of the war; but in no case I have mentioned has Congress required that appointments made by the President or by the heads of agencies set up by the President should be reported to the Senate for confirmation.

So, either by affirmative law authorizing appointments without requiring senatorial confirmation or by a general law authorizing the President to exercise the powers as a result of the war, we have foregone the constitutional privilege which we might have exercised in requiring senatorial confirmation.

Mr. OVERTON. I should like to ask one other question, if the Senator will permit an interruption.

Mr. BARKLEY. I yield.

Mr. OVERTON. Under a strict interpretation of the constitutional provision the Congress must act affirmatively by expressly vesting the power of appointment, without requiring confirmation by it, in either the President or the heads of the various departments or the courts. Silence is not an express delegation of that power. It may be that we have never raised any objection and have permitted some of the heads of departments to appoint subordinate officers without raising objection on constitutional grounds, but the constitutional provision is rather clear:

* * * but the Congress may by law vest the appointment of such inferior officers as

they think proper in the President alone, in the courts of law, or in the heads of departments.

Mr. BARKLEY. I think it would require an affirmative act of Congress to vest in a court the power to appoint inferior officers, but when Congress enacts a general law giving general authority to the President—for instance, in a war emergency such as the one in which we now find ourselves—to create specific agencies set out in the law, or giving the President general authority to create such agencies as he may find necessary to set up for the successful prosecution of the war, the absence of any requirement that appointments should be confirmed by the Senate is the establishment by law on the part of Congress of the office, subject to the will of the President, in setting up the agency or in making appointments, without the requirement for senatorial confirmation.

Mr. OVERTON. In the instances to which the able Senator has referred the Congress does vest in the President the power to make the appointments, and thereby the Congress complies with the constitutional provision.

Mr. BARKLEY. Yes; that is correct. It is my contention that when Congress, without specifically mentioning the question of senatorial confirmation, vests in the President the power to set up an agency or to make appointments, even though the category of officers to be appointed is not set out in the law, that is a compliance with the Constitution, by the enactment of legislation authorizing the President alone to make the appointments, as the Constitution says.

Mr. OVERTON. I agree with the Senator from Kentucky that from the reading of the law it is clear that the intention of the Constitution is to vest in the President alone the power to make the appointments.

Mr. BARKLEY. I appreciate that statement on the part of the Senator from Louisiana, for whose legal opinion and for whose legislative ability, as he knows, I have profound respect.

I have read a list of 46 agencies in order to refresh our minds on the fact that the constitutional provision relative to senatorial confirmation is not at all mandatory. The last part of the provision specifically authorizes Congress to provide that the President or the courts or the heads of departments may appoint officers inferior to themselves, without the necessity for confirmation on the part of the Senate.

Ordinarily, I think it is true that there is a safeguard in senatorial confirmation. In peacetimes, when emergencies do not exist, and when we are not dealing with the great problems of industrial mobilization, rather than at a time such as the present when we must go out in search of the best possible material in order to do a job in a great war crisis, there is much force in the argument that the Senate should be allowed to look over the appointments. As we know, most of the appointments go through as a matter of routine, unless some Senator arises to object to an appointment either on the ground that the appointee is not qualified or on the ground that he has some personal objection to him because of the fact that he may be obnoxious to him. Otherwise, all the appointments go through as a matter of routine.

Mr. HATCH. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield to the Senator from New Mexico.

Mr. HATCH. On that point the Senator has said that the appointments usually go through as a matter of routine. With that statement I quite agree. However, is it not true, as a practical matter, and speaking frankly, that before a nomination is made for appointment to an office—a nomination which must be confirmed by the Senate—9 times out of 10 the Senators from the particular State first agree to the nomination?

Mr. BARKLEY. Yes; and I should say that in 99 cases out of 100 that is true.

Mr. HATCH. That is a subject on which I may elaborate later; I do not know yet.

When Senators from the States must first agree before a nomination is made, is not the Senate itself violating the Constitutional provision which reposes in the President the sole power to nominate?

Mr. BARKLEY. Probably so. That is a custom and a courtesy which has grown up.

Mr. HATCH. Mr. President, will the Senator yield again?

Mr. BARKLEY. I shall yield in a moment. First let me say that the practice to which reference has just been made is something of a courtesy which has grown up over a long period of years. When an appointee is to be named, and when the jurisdiction in regard to a Federal office applies only to a State the appointing authority—out of courtesy, I presume, and to assure that no serious objection will arise on the floor of the Senate to the confirmation—calls upon the Senator or consults him in some way to ascertain if the appointment is satisfactory.

Mr. HATCH. And if the Senators object, 99 times out of 100 the nomination is not made; and so, as a practical matter, the Senators are nominating.

Mr. BARKLEY. That is correct. The Senator does the appointing in cases of that sort.

Mr. HATCH. Yes—and clearly violates the spirit of the Constitution.

Mr. MALONEY. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield to the Senator from Connecticut.

Mr. MALONEY. The Senator from New Mexico has endeavored to point out that by the practice which he has described the Constitution is violated. I wonder if he wants us to believe that he is so naive as to suppose for a moment that the President himself actually makes the appointment of the appointees to inferior positions.

Mr. HATCH. Mr. President, certainly I hope I am not naive in the respect which the Senator has mentioned; but I was endeavoring to point out a condition which began with the first administration of this country, under President Washington. In drawing up the Constitution the intent was—and I can support the argument by quoting the statements of those who wrote the Constitution—that the President should have the sole power to nominate. After nomination, there comes into play advice and consent by the Senate.

However, since the first administration we have reversed the process; and the Senate is actually nominating, advising, and consenting.

Mr. BARKLEY. Whether that is a violation of the Constitution in terms may be open to debate. It is not such a case as the founding fathers had in mind when they wrote the provision that nominations should be submitted to the whole Senate and should be acted on by the Senate as a Senate. However, since that provision was inserted in the Constitution it has become customary, and it may have been a matter of some foresight and discretion on the part of appointing officers, to consult the Senators from the State concerned in order to ascertain whether the appointee contemplated was satisfactory to them and would not be objected to or rejected on the ground of dissatisfaction on the part of the Senators from the State.

Mr. MALONEY. Mr. President, will the Senator further yield?

Mr. BARKLEY. I yield to the Senator from Connecticut.

Mr. MALONEY. Mr. President, in the minds of some persons, a discussion such as the present one is likely to create the impression that Senators are primarily concerned from the standpoint of patronage; and there are many people who are anxious to add impetus to that thought; but the Senator from New Mexico must know that insofar as the kind of appointments to which we now refer are concerned, the President is really an instrument in the hands of officials in the bureaus and departments, who make the appointments, and that, in fact, the President does not make the appointments at all.

So, as I see it, the argument made by the able Senator from New Mexico is that the Senate should not be considered because it trespasses upon the rights of the President, but, on the other hand for agencies and bureaus to appoint inferior officers—and sometimes I think the appointments are made by inferior or mediocre men—is perfectly all right.

If the Senator from Kentucky will yield to me for a moment further, I should like to say another word or two in this connection. I think that if this amendment should do nothing more than compel the nominees to pass in review it would do a splendid thing, and we would thereby render a fine service to the Government.

I fail to find much self-restraint on the part of the new departments of government in the matter of keeping down appointments. It seems to me that they are anxious to make them, and I have long entertained the thought, and have on many occasions expressed it on the Senate floor that an amendment of this

kind might, instead of hampering the departments, help them a little. I am among those who believe that if the war agencies, or most of them, sent half their employees home the Government would function with a much improved efficiency.

Mr. HATCH. Mr. President, will the Senator from Kentucky yield to me, since the Senator from Connecticut has referred to what I said?

Mr. BARKLEY. I yield.

Mr. HATCH. I am not arguing against what the Senator from Connecticut has said at all. The point I was making was simply that the theory of the Constitution—and I have ample authority to sustain my view—is that nominations, in the first instance, should be made by the Executive. If made by some subordinate of his, it would still be by the Executive. The Senator speaks about the right of the Senate to review. That is guaranteed by the Constitution. As the Senator from Kentucky said, nominations are sent to the whole Senate. Suppose the Executive, where confirmation is required, sends to the Senate the nomination of a man whom the Senator from Connecticut does not like, he would have the right to oppose him. I am not now arguing the question whether there should be confirmation or not. I am trying to point out that, in the first instance, the nomination is with the Executive and throughout the course of the entire history of the country, since the first administration of President Washington, the Senate has reversed the process and has itself chosen to nominate.

Mr. MALONEY. Mr. President, will the Senator from Kentucky yield to me for a moment?

Mr. BARKLEY. Yes; I yield.

Mr. MALONEY. I should like to ask the Senator from New Mexico a question. Does he not understand that these nominations are actually made by heads of bureaus and not by the President?

Mr. HATCH. I suppose that is quite true.

Mr. BARKLEY. Of course, so far as that goes, the President is the instrumentality of the people to do everything he is required to do under the Constitution. It would manifestly be an impossibility, it would be a superhuman task for any President, however wise, however industrious, however well acquainted he might be with the country as a whole, to know everybody who ought to be appointed to a Government office, from a Cabinet officer all the way down to the various departments and agencies all over the country. Of course, he must accept the advice, for instance, of the Attorney General in making appointments of district attorneys and United States marshals all over the country. The President does not know the individuals; he must accept the recommendations of the Attorney General in regard to such appointments.

Mr. MALONEY. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. MALONEY. I think that is entirely true, and that is a part of the argument I made. I am sorry to have to say it again, but I am not concerned with patronage. I have advised the departments that they need not, and I should prefer that they would not, consult me in connection with appointments in my State. But I want to have the appointments passed in review here so that the Congress of the United States and the people of the United States may know how many are being appointed, and may have a chance to know what kind of people are being appointed, and how much they are being paid.

Mr. BARKLEY. I have no doubt of the sincerity of the Senator from Connecticut on that score, and yet if we rise here, as if in a Methodist "experience meeting," and proclaim loudly that we are not interested in patronage, the country is going to think the contrary, and the press will carry to the country the contrary opinion. We had that question before us in regard to the Office of Price Administrator. I well recall it because I was in the middle of the contest and many Senators wept on my shoulders about appointments made in their States by Leon Henderson, the Price Administrator. When the O. P. A. appropriation was before the Senate, and also when the last legislation with regard to the Price Administration was before the Senate, there was considerable discussion about offering a similar amendment to the price control bill or to the appropriation bill. Fortunately, it was not offered. I felt at that time, as I feel now, that we are in war, that the integrity and public esteem of the United States Senate is at stake, and I do not want the country to get the impression that the United States Senate, in the midst of a great war, when we have all that we can attend to in considering matters of importance and fundamental legislation, are fooling around in order that we may pass upon some appointments in our States, either in the Office of Price Administration or any other agency.

Mr. MALONEY. Mr. President——

Mr. BARKLEY. I yield to the Senator from Connecticut.

Mr. MALONEY. A part of my feeling in the matter is because of the fact that we are at war. I do not think that it will be won by appointing fraternity brothers, corporate politicians, and industrial refugees. It is because we are at war that I am principally concerned about the kind of people who are asked to direct the conduct of the war, and we are late, in my judgment, in meeting the responsibility with which we are charged.

Mr. BARKLEY. I do not know how many fraternity brothers have been appointed by the head of any department or the head of any agency; there might, conceivably, be a case where the head of a department or an agency who happened to know somebody in whom he had confidence would not turn him down if he happened to be a fraternity brother; but I would be unable to point out, if I were required to do it, any men who have been appointed to responsible office because they belonged to the same fraternity to which the man who made the appointment belonged; and I doubt very much if that is a fair assessment of the situation.

Mr. MALONEY. Mr. President, if the Senator will permit me, I should like to say that I used that language in a broad sense.

Mr. BARKLEY. I understand that, but it is the Senator's language, and it goes into the CONGRESSIONAL RECORD as a permanent part of the history of the United States.

Mr. MALONEY. I consider the Democratic Party a great fraternity. [Laughter.]

Mr. BARKLEY. Yes; though sometimes it does not act like a great fraternity, either in the Senate Chamber or outside the Senate Chamber.

Mr. OVERTON. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. MURDOCK in the chair). Does the Senator from Kentucky yield to the Senator from Louisiana?

Mr. BARKLEY. I yield.

Mr. OVERTON. Conceding for the sake of the argument that this is a scramble for patronage, the question that presents itself to me is, Is it a scramble for patronage by the 96 Senators of the United States, or is it a scramble for patronage by the heads of the different departments or agencies?

Mr. BARKLEY. I cannot tell the Senator to what extent in anybody's mind, whether he is a Senator or the head of a department, there is a scramble for patronage.

Mr. OVERTON. The able Senator from Kentucky said it was a scramble for patronage.

Mr. BARKLEY. I did not say that, but I said the country will get that opinion of it, and that is the view that will go out to the country.

Mr. OVERTON. Let us take the contrary view of it. Will the country think that it is a scramble for patronage by the Senate, by Senators, or that it is a scramble for patronage by department and agency heads?

Mr. BARKLEY. I will say that when a similar proposal was under consideration with respect to the Office of Price Administration the country thought it was a scramble for patronage, and there was such a protest against it the amendment was not even offered on the floor of the Senate.

Mr. OVERTON. If it is to be regarded as a scramble for patronage, shall we follow the Constitution, the makers of which vested that patronage, if it be called patronage, in the Senate of the United States, or shall we put it in control of the heads of departments and agencies?

Mr. BARKLEY. The Senator from Louisiana agreed with me that this provision of the Constitution was not mandatory.

Mr. OVERTON. I agree to that.

Mr. BARKLEY. And that we have the power, so that when we exercise it we are complying with the Constitution, just as if we required confirmation.

Mr. OVERTON. The primary obligation, under the Constitution, rests upon the Senate to give advice and consent with reference to these appointments, but we can vest the power exclusively in the heads of departments and in the President.

Mr. BARKLEY. Yes; I say we have the power to do it, and I thought the Senator had agreed with me.

Mr. OVERTON. I do agree with the Senator constitutionally, but I say if we get the agrument down to the basis of a scramble for patronage, then, I point out that the Constitution does vest the primary obligation in the Senate of the United States to give advice to the appointing power when it comes to making appointments, and we should not shirk that obligation simply because we might be subjected to criticism for discharging our constitutional duty. It does not become the duty of the President or the courts or anyone else to act without the advice of the Senate unless by law we vest that power elsewhere.

Mr. BARKLEY. Of course, the Senator from Louisiana is perfectly sincere in the entertainment of that view, and I would not hope that I could change his view if I talked until doomsday on the subject. I realize that probably what I am saying here will make no impression upon anyone in the Senate.

So far as I am concerned, the Senate is at liberty to do as it pleases with the amendment. I am not affected one way or the other. I have not requested any appointments under the O. P. A. or the O. E. M. or the W. P. B. or the W. X. Y., or any other war agency which has been set up. I washed my hands of it when the whole thing started and announced to my friends in Kentucky that I would make no recommendations, and I have not made any recommendations for any jobs under any of these agencies. I wish to say, further, that I have had more peace of mind since I made that announcement than I have had in a long time as a United States Senator.

Mr. OVERTON. Let me say that I am not concerned with the question as a matter of patronage. I was merely undertaking to answer an issue raised by the Senator from Kentucky. So far as patronage is concerned, I find myself in the same position as the Senator from Kentucky.

Mr. BARKLEY. I appreciate that. Of course, I would not doubt anything the Senator from Louisiana said about it.

Mr. McKELLAR. Mr. President, will the Senator from Kentucky yield?

Mr. BARKLEY. I yield.

Mr. McKELLAR. The Senator named a number of acts and stated that the officials provided for in the acts did not have to be confirmed by the Senate. The language of the Constitution is:

> But the Congress may by law vest the appointment of such inferior officers, as they think proper, in the President alone, in the courts of law, or in the heads of departments.

Will the Senator point to which one of the many acts he mentioned which vests the appointment of the officers in the President, or in the courts of law, or in the heads of departments?

Mr. BARKLEY. I would not go into the matter of courts of law——

Mr. McKELLAR. There is not——

Mr. BARKLEY. Let me answer the Senator's question. If he wants to answer it himself, what is the use of my attempting to do so? The Senator asked me a question and then answered it, and I am certain that his answer will be more satisfactory to him than mine will be. Nevertheless, my contention is that whenever Congress passes a law creating an agency, and authorizing the President to make appointments in that agency, and does not require senatorial confirmation, Congress by law vests the power in the President alone, and when Congress passes a general law, especially as we have been enacting laws during the war, authorizing the President to take such action as may be necessary, and the President sets up an agency under the general authority which he possesses, which Congress has not mentioned specifically, he has the power to make the appointments alone, without senatorial confirmation, and Congress has given its consent in advance to that course of action.

Mr. President, we are at war. We know that it has been necessary for agencies of the Government, the War Production Board, the War Labor Board, and others, to proceed in many cases to search the country for equipped and qualified men to do a given job. In order to find such men, the agencies have had to go beyond the category of those who have been active in politics; they have been required to go beyond what we term political applicants for jobs.

It would be easy to fill these places with men who are applicants for positions, because in every day's mail there come to us numerous applications for all kinds of appointments by men who, either because they have a bent for politics or because they need some sort of employment, are making application for political endorsements on the part of Senators, and for political influence, in order to get positions. It would be easy to fill all these positions with men who are active applicants, but in order to get the right kind of men, in order to take advantage of the professional and industrial experience of citizens of our country in private enterprise, it has been necessary to go out into the highways and byways and search out men, and persuade them, in many cases, to take positions under the Government, many of them without compensation, and in many cases with compensation out of all comparison with the compensation they receive in private enterprise.

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. PEPPER. I was wondering whether it is not a rather severe indictment of the Senate, which the Constitution vests with the power to advise and consent to appointments, to assume that even in time of war Senators could not take into consideration the merits of the recommendations made by the executive department, as they take into consideration the merits of recommendations made by the President as to appointments in the armed services of the country.

Mr. BARKLEY. Of course, I do not assume, and I would not assume, that if any Senator were directly and personally charged with the responsibility of selecting officials, he could not do a conscientious job of making the selections. But if we are to interpret the Constitution as meaning that every Senator from every State should be given the power of appointment, then we should change the Constitution, and provide that the President shall not nominate and the Senate confirm, but that each Senator from each State shall make appointments to Federal offices in his State.

It is my belief that that was not what the Constitution meant or means. If I were to go into a broad discussion of the combination of legislative and executive powers, there would be a fertile field for discussion in the question whether, under such a system, we maintain the three independent branches of our Government as established in the Constitution by the framers. But I do not, in saying that, of course, in any way impugn either the ability or the good faith or the patriotism of any Senator who might be called upon, as a matter of advice to recommend some person from his State for a Federal appointment, or who might be consulted as a matter of precaution and discretion on the part of the appointive power.

Mr. PEPPER. Mr. President, what I intended to advert to was that every few days in the Senate we pass on the confirmation of nominations of officers of the armed services, the Coast Guard, the Navy, and the Army. There is no charge that the recommendations of the President and the military chiefs are not made upon merit, and that they are not recognized by the Senate upon the basis of merit; and they are not interfered with by the Senate. Yet the Senate reserves the power, through its Committee on Military Affairs and its Committee on Naval Affairs, to scrutinize these nominations of officers in the Army, the Navy, the Air Corps, and the Coast Guard.

A short time ago, because a question arose as to whether the military authorities were violating a policy which the Senate might approve, a subcommittee was appointed, of which the distinguished junior Senator from Kentucky [Mr. CHANDLER] is the chairman, specifically to examine in great detail into the nominations of officers for the military services. There is perhaps power in the committee to repudiate an Executive recommendation, but in the course of war, and with respect to men recommended upon merit, no one would intimate that Senators would be so unworthy as to try to put political considerations above merit. That is one case where the power is preserved and not abused.

Mr. BARKLEY. I grant that, but I am not so certain of what would happen if Army officers were stationed permanently in our States and were engaged in politics. If they were attempting to exercise political influence—as they are not, and as they cannot, and which is a thing they should not be allowed to do—if Army officers could be placed in the category of ordinary political applicants for jobs, or men engaged in local politics who were indulging in trying to influence elections, I am not so certain that their nominations would go through as a matter of routine, as they do now.

Mr. PEPPER. Mr. President, the Senator, of course, is not going to condemn the judiciary of the United States, and yet the Senator knows that, as a practical matter, every Federal judge is recommended by the two Senators of the State in which he is to function.

Mr. BARKLEY. Yes.

Mr. PEPPER. However, if the Senator will allow me to continue the suggestion, no two Senators can compel the President to appoint the person whom they recommend, or compel the Department of Justice to admit that he has qualifications greater than he actually possesses.

Mr. BARKLEY. No; but any two Senators can prevent the Senate from confirming an appointee by rising in their places and saying that the appointment is obnoxious to them.

Mr. PEPPER. I know the Senator would not condemn the judiciary of the United States because of the existence or exercise of such power. It shows that we can have unanimity in public office by the combination of executive and legislative functions with respect to appointments.

Mr. BARKLEY. I am not denying that possibility, and have not denied it at any point. I am talking about an amendment, and I was trying to lay a basis for what I was coming to. We now have before us an amendment affecting the Manpower Commission, a commission which is nonpartisan, notwithstanding the animadversions of the Senator from Indiana yesterday, who intimated that, because this agency happens to be headed by Mr. Paul V. McNutt, who was at one time connected with some sort of a 2-percent political club in Indiana which was interested in levying and collecting a percentage of the salaries and wages of the employees of that State, under his wider authority he is likely to use this agency to build up a Nation-wide, if not a world-wide, 2-percent club designed to elevate him to the chief magistracy of the Nation.

I never approved of the 2-percent club in Indiana. I have never approved of any such club anywhere in the United States, and I have never approved of the levying and collection of tribute from employees of any State, or of the United States itself, in order to raise campaign funds in behalf of anybody.

All the appointments which come under the Manpower Commission, now headed by Mr. McNutt, must clear through the Civil Service Commission, and neither he nor anyone under him could levy 1 cent on any employee of the Manpower Commission without violating the act which was fostered and sponsored by the Senator from New Mexico [Mr. HATCH]. Therefore, we need not bother ourselves about the fact that Mr. McNutt, who was once Governor of Indiana, and was purported to be connected with a 2-percent club as a political organization of Indiana, is now head of the Manpower Commission, because, as I have said, all the appointments must be made and cleared through the Civil Service Commission, and no tribute could be levied upon a single one of them without an obvious and open violation of the Hatch Act.

Mr. HATCH. And not one of them could participate actively in politics.

Mr. BARKLEY. No.

Mr. HATCH. That is one of the things I had in mind, the encroachment of the governmental bureaus into political affairs. I wanted to stop it, and I think I have thrown a few chunks in the way. I should like to put in some more.

Mr. BARKLEY. I appreciate what the Senator has said. I helped the Senator throw in some of the chunks, and I do not intend to help remove any of them.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. DANAHER. All I wanted to know, although it is somewhat irrelevant to the War Manpower Commission, is whether or not the Senator's denunciation extends, insofar as he makes reference to the Army and the Navy taking part in politics, to the Under Secretary of War, Mr. Patterson, and the Under Secretary of the Navy, Mr. Forrestal, coincidentally making speeches in the midst of the campaign?

Mr. BARKLEY. I have not been advised of any political speeches made by either of these distinguished gentlemen. One is a Republican, I know, and if he made a political speech it would be a Republican speech.

Mr. DANAHER. The Senator would expect and hope that in the interest——

Mr. BARKLEY. I have no expectation or hope about it one way or the other. I do not care whether he makes a political speech or not. I have not heard of him making one.

Mr. DANAHER. Well, if he did, would the Senator's denunciation extend to such speech?

Mr. BARKLEY. It would.

Mr. DANAHER. That is the way it struck me, and I would expect the Senator to say it would.

Mr. BARKLEY. Yes. I do not mean by that that we must all forego either the pleasure or duty of voting. We have an election coming on, and all of us are trying to urge people to vote, no matter whether they vote against us or not. We are urging them to vote, and that is a privilege and a right which we all ought to exercise. I presume everyone is still free in this country to exercise that right according to his or her own conscientious views. The Under Secretary of War, Judge Patterson, is a Republican, and I believe him to be one of the ablest and finest and most conscientious public servants in this country. I do not know of anyone who has established himself more completely in the confidence of the Congress and the country than has Judge Patterson. I would say the same thing about Mr. Forrestal, Under Secretary of the Navy, who worked his way through Princeton University by washing dishes, and graduated there with high honors, and was taken from a great business occupation and brought here to do his job in connection with the war.

Mr. DANAHER. Mr. President, will the Senator again yield?

Mr. BARKLEY. I yield.

Mr. DANAHER. The Senator will understand that I detract in no way from the status or stature of either of these gentlemen. All I was saying was that the Senator, in my judgment, properly had condemned and would condemn Army officers who sought to exercise the power and the might of some official position of theirs on people who were under them, and perhaps the families of those who were under them, and it might even be that the superiors of such officers would be brought within the scope of critcism on the same account.

Mr. BARKLEY. I certainly would include them if they were guilty of any such conduct. But I would say largely that my remarks are applicable to everyone to whom they apply.

Mr. DANAHER. And, of course, the Senator will understand that what I assert upon the record at this time is an equal degree of high principle, and I, too, call for the application of those very same abstract and pure theories which we all seek to have enacted in our daily lives, particularly in our political lives, and at a time like this when the country is going through stress and strain.

Mr. BARKLEY. I appreciate that, and I appreciate the sincerity of the Senator's observations on that subject.

Mr. CHANDLER. Mr. President, will my colleague yield?

Mr. BARKLEY. I yield to my colleague.

Mr. CHANDLER. I think that if my colleague were in possession of all the facts he would have made a different answer. My colleague had no objection, I am sure, when Mr. Stimson, Secretary of War, wrote a letter setting forth the fine qualities of the able Senator from Massachusetts [Mr. LODGE] before the primaries. Mr. Stimson is a civilian. What my friend, the Senator from Connecticut, now refers to is a statement by Under Secretary of the Navy, Mr. Forrestal, and Judge Patterson, Under Secretary of War, both civilians, who live in Representative FISH's district in New York. Both of them said the other day that they were not going to vote for Mr. FISH; that they were going to vote for his opponent, because in their opinion Mr. FISH's opponent was much better qualified and had a better idea of what was going on in the world than did Mr. FISH. So far as I heard, no objection was made to the Secretary of War, Mr. Stimson, setting forth the fine qualities possessed by the Republican Senator from Massachusetts. I do not object to a fine Republican like Judge Patterson calling attention to the fact that the candidate in New York who is trying to unseat Representative FISH has a better idea of what is going on in the world, what it takes to win the war, what it takes to support our leadership. The Under Secretary of War and the Under Secretary of the Navy are civilians. I think what they did was an obligation and a duty which they should perform. I do not think they should be censured for doing what they did. I know my colleague does not want to do so.

Mr. BARKLEY. Mr. President, I had for the moment lost sight of the fact that they had made statements with respect to Mr. HAMILTON FISH.

Mr. CHANDLER. Both gentlemen live in Mr. FISH's district.

Mr. BARKLEY. If the Under Secretary of War and the Under Secretary of the Navy should be condemned for a comment of that sort, then the Republican candidate for Governor of New York should likewise be condemned, for he has openly stated that he was opposed to Mr. FISH, and also the last Republican candidate for President of the United States, Mr. Wendell Willkie, should be condemned, because he has openly opposed the nomination of Mr. FISH, and has opposed his election in November. So I do not suppose that either Judge Patterson or Mr. Forrestal have departed from the path of rectitude to any greater extent than have Mr. Dewey and Mr. Willkie.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. DANAHER. I had not denounced either of the gentlemen mentioned by the Senator from Kentucky. I said that I would not detract in any way from the status or stature of either of these gentlemen when I referred to Messrs. Patterson and Forrestal. Does not the Senator from Kentucky recall that I made that statement?

Mr. BARKLEY. Yes.

Mr. DANAHER. And I should like to point out that neither of the gentlemen referred to by the Senator from Kentucky is an official of the Army or the Navy or an official of the War Department or the Navy Department.

Mr. BARKLEY. Neither is such an official, but they are anxiously waiting the time when they may become public officials.

Mr. President, I have consumed more time than I had intended to. I wish to say that the War Manpower Commission, which has been set up by the President, is functioning in regard to the difficult problem of manpower, one of the most important questions that faces the American people today. Very soon, in all likelihood, we shall be called upon to legislate on that subject, and partisan politics is of all things one which should not enter into the administration of any law with respect to the distribution of manpower.

Mr. President, I happen to know that the Manpower Commission is making a diligent effort to select the best men it can find in some 15 or 20 industrial areas of the country, and to get them to serve, regardless of politics, because of their wide experience and their long experience in dealing with the subject which they will have to deal with in the matter of manpower. I happen to know also that in many cases it is difficult to get such men to serve because they say, "If I have got to be dragged into politics, if I have got to have everything I have ever done or said or thought in my life paraded before a senatorial committee, I am not that much interested in the job."

Most of them are being asked to take these positions at a great financial sacrifice. That being true, it seems to me that we ought not to hobble or handicap the chairman of the War Manpower Commission, or any other agency that Congress may set up in their attempt to find, without regard to politics, men who have not been in politics, men who have not run for any office or applied for any office, who have been content to lead their lives in quiet and sequestered avenues of industry or professional life, without the glare and the glamor of the political life.

Mr. President, I certainly should hate to see any amendment offered, or any policy adopted by the Senate which would shoo away from public service outstanding men of that quality, who are now under consideration, and who may be induced as a matter of patriotic duty to serve the people of the United States in this capacity.

Mr. President, in conclusion I wish to read a letter which was addressed to me yesterday by the Chairman of the War Manpower Commission:

OFFICE FOR EMERGENCY MANAGEMENT,
WAR MANPOWER COMMISSION,
Washington, D. C., October 19, 1942.

Hon. ALBEN W. BARKLEY,
United States Senate,
Washington, D. C.

DEAR SENATOR BARKLEY: I regret that it is necessary to call your attention to the clause in the second supplemental national defense appropriation bill, which provides that no part of the appropriation for the War Manpower Commission "shall be available to pay the salary of any person at the rate of $4,500 per annum or more unless such person shall have been appointed by the President, by and with the advice and consent of the Senate."

The War Manpower Commission is in the process of recruiting field representatives to administer the entire manpower program in concentrated industrial areas. This is being done in accordance with the rules and regulations of the United States Civil Service Commission. It is our hope that we will be able to enlist the services of outstanding leaders in the ranks of industry and labor to assume the heavy responsibilities involved in this work. I greatly fear that the clause to which I have referred will unduly impede and delay the recruitment of the type of personnel we are trying to enlist in the Government service. I regard it as a matter of the utmost necessity that those responsible for the administration of a program which so affects the lives and welfare of millions of our people, be selected with a view to nothing except their technical ability, experience, and impartiality.

I sincerely hope that the clause in question will be deleted before the bill is enacted.

Sincerely yours,
PAUL V. MCNUTT, *Chairman.*

Mr. President, that is all I have to say upon this subject. I have done what I regard as my duty to the Government of the United States—to the people of the United States. The duties in this matter which are necessary to be performed by the War Manpower Commission in the months which are ahead of us may be infinitely more vital and may affect more intimately the lives of our people, the war effort, and production on farms and in industries and everywhere else, than they are now. The Senate of course is at liberty, as I said awhile ago, to act as it sees fit upon this amendment.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 17, after line 19.

Mr. HATCH obtained the floor.

Mr. NORRIS. Mr. President——

Mr. HATCH. I yield to the Senator from Nebraska.

Mr. NORRIS. Mr. President, I shall try to view this question from a practical standpoint. It seems to me that Senators and Members of the House of Representatives who have been in Congress for years cannot close their eyes to this important step. I realize that, in theory at least, those on both sides of this question have very good grounds for their beliefs, and I do not criticize any Senator for his beliefs; but, as a matter of experience, I believe we cannot close our eyes to the fact that if we adopt this amendment, which I understand is to give to the Senate the right of confirmation with respect to all appointed officials of the Manpower Commission who receive $4,500 a year or more, in practical effect by that action we shall be turning the appointments over to patronage.

I have heard Senators—among the number my good friend from Connecticut—say that they did not want this patronage, but wanted to stay away from it. That sentiment has been voiced and confirmed by many other Senators, including the Senator from Kentucky. However, if we require confirmation by the Senate of appointments to the thousands of offices which will be created we shall take upon ourselves the duty of looking into the appointments, and we shall consume a vast amount of time. In making recommendations we shall follow the natural inclination to put our own friends into office.

In effect the amendment would turn over appointments to these offices to Members of Congress. I do not believe that anybody desires that to be done. It would become the duty of a Senator who wished to get out from under the patronage yoke to take that yoke upon his unwilling neck. He could not escape it. It would become a part of his duty. In the main, Members of the Senate would decide who the nominees should be. Nominations in the various States would undoubtedly be referred to Senators from the States. That is but natural. It has always been so. The result would be that, instead of referring appointments to the President, to the heads of departments, or to the courts, we should be referring them to ourselves. We should be called upon to make recommendations; and if our recommendations were not followed the Senate would be called upon to reject them, regardless of the qualifications or experience of the appointees.

Mr. President, it seems to me that if we wish to relieve Members of Congress from the yoke of patronage the only way to do so—or at least one way, and I know of no other way—is not to require confirmation of the many appointments with respect to which we should be called upon to make recommendations.

As I said before, we cannot escape the effect. We shall be doing the same thing in practice as though we amended the Constitution by providing that the appointments should be made by Members of the Senate and of the House. I do not believe anyone wants that done. The President cannot look into each and all of the appointments. Everyone knows that to be so. Of course, I realize that in many cases the President will be advised

by men who are not able to give him the proper advice, and there will be a great many cases in which the result will be as bad, perhaps, as it would have been if the nomination had come to the Senate. However, we should be a legislative body. We should not, it seems to me, be interested in patronage. I have lived so many years without it that I think I can speak from my own experience. I believe that in the end the bill as written without the amendment will be better for the country. It comes nearer to having the appointments made on the basis of merit and efficiency than would be the case if we adopted the amendment.

Mr. President, as I am about to leave the Chamber temporarily, I desire to thank the Senator from New Mexico for yielding to me so that I might make these few remarks.

Mr. HATCH. Mr. President, I shall detain the Senate for only a few moments while I discuss some of my theories about the constitutional powers with respect to appointment and confirmation. Before doing so I wish to say that I agree with the majority leader in what he has just said, that it would be most unfortunate if the Senate by its action today should give the impression to the public, rightly or wrongly, that we are more concerned with securing unto ourselves the power of appointing men to office than we are with the great war program.

I grant, Mr. President, that that would be the wrong impression. If the Senate should adopt this amendment—which it probably will—I am sure, as a Member of the Senate, that no such motive would inspire any Member of this body; but I am equally sure that the country would arrive at no other conclusion than that which I have suggested. I do not want the country to believe that of the Senate. That is my main reason for opposing this particular amendment.

Senators may argue the Constitution if they so desire; and I grant that the Constitution does give the Senate the power and the right to confirm the appointment of certain officials. I grant more than that. As the Senator from Louisiana pointed out, affirmative action on the part of the Senate may be required to divest itself of that right and power; but there are times when men, bodies, and institutions should forego their own particular prerogatives and rights in the interest of the common good.

Differences between the Senate and the Executive over nominations, appointments and confirmations, began with the administration of President George Washington. I have some attachment for the Constitution and constitutional processes, which caused me some years ago to make a study of this particular question. In a history of the appointing power of the President, Lucy M. Salmon writing for the American Historical Association, said that the framers of the Constitution were led by three considerations to give the appointing power the form it took in the Philadelphia Convention.

> First, by the observation of the English method. Second, by their own experience under the Articles of Confederation. Third, by the principles in operation in the individual States.

The question before the Convention, says this author, was how to embody all the excellencies and avoid all the evils of the various systems with which they were familiar. The author discusses three plans which were submitted for the consideration of the Convention, and a fourth, which was not formally presented, and, in substance, says that the Virginia resolutions drawn by Mr. Randolph provided that the Executive and the judiciary should be chosen by the National Legislature, but made no specific provision for appointment of officers except that the President was to enjoy the executive rights vested in Congress by the Confederation.

The New Jersey plan offered by Mr. Patterson provided that the executive office should be held by two or more persons who should be given power to appoint all Federal officers. These persons were to be elected by Congress. Mr. Charles Pinckney's plan provided that the executive power was to be vested in a single person who was to appoint all officers of the United States except ambassadors, other ministers, and judges of the Supreme Court. His nominations were to be with the consent of the Senate, and the Senate was to have executive power to appoint the excepted officers. Members of the Senate were to be ineligible to office during their terms of service and for 1 year thereafter. The fourth plan, Mr. Hamilton's, gave to the Executive the sole appointment of heads of departments of finance, war, and foreign affairs, and the nomination of all other officers, including ambassadors, subject to the approbation or disapproval of the Senate.

The difference in the plans and the discussion which followed revolved largely around the point as to whether the appointing power should be given exclusively to the President, to the legislative branches of Government, or to both, one acting as a check or restraint on the other. The question was not settled.

In the first draft of the Constitution, the power was given to the President to appoint officers in all cases not otherwise provided by the Constitution. No advice or consent from the Senate was required. But in that draft the power to appoint ambassadors and judges of the Supreme Court was vested in the Senate. Finally, section 2 of article 2 of our Constitution was adopted as an amendment.

> He shall have power, by and with the advice and consent of the Senate, to make treaties, provided two-thirds of the Senators present concur; and he shall nominate, and by and with the advice and consent of the Senate, shall appoint ambassadors, other public ministers and consuls, judges of the Supreme Court, and all other officers of the United States, whose appointments are not herein otherwise provided for, and which shall be established by law; but the Congress may by law vest the appointment of such inferior officers, as they think proper, in the President alone, in the courts of law, or in the heads of departments.

Without question, the framers of the Constitution believed that they had selected the best plan, and one which would avoid the evils of previous systems with which they were familiar, although the plan adopted did not meet with unqualified approval of those responsible for our Constitution. Mr. Madison was a strong believer in sole Executive authority. John Adams vigorously opposed giving the Senate any voice in appointments. Very early after the adoption of the Constitution, questions surrounding the appointing power began to arise; questions involving the right of removal, where such right was vested, the right to create offices by appointing officials, the right of Congress to prescribe the tenure or duration of office, and other questions, all growing out of the constitutional provision relating to the appointment of officers.

Mr. President, the Senator from Nebraska has said much better than I could have said many of the things which have gone through my mind concerning this question.

I assure Senators that I shall not read at great length from the many authorities which I have before me on the subject, but I should like to present briefly to the Senate what I believe to have been the real theory of those who wrote the Constitution. I know of no better words to express it than those of Alexander Hamilton, who, in discussing this very clause of the Constitution, said:

> It has been observed in a former paper that "the true test of a good government is its aptitude and tendency to produce a good administration." If the justness of this observation be admitted, the mode of appointing the officers of the United States contained in the foregoing clauses must, when examined, be allowed to be entitled to particular commendation. It is not easy to conceive a plan better calculated than this to promote a judicious choice of men for filling the offices of the Union, and it will not need proof that on this point must essentially depend the character of its administration.

In arguing the wisdom of placing the nominating power in the President—and I call attention to that argument—Hamilton stressed the point that sole and undivided responsibility of one man would beget a livelier sense of duty, that one man would have fewer personal attachments to gratify than a body of men and would be less likely to be misled by sentiments of freindship and of affection.

On the other hand, he said that, in the exercise of an appointing power by an assembly of men, there would be displayed private and party likings and dislikings, partialities and antipathies, attachments and animosities.

I ask the Senate to listen to the reasoning and to observe whether Hamilton was not foreseeing exactly what has taken place by having appointments discussed by a body of men:

In an assembly of men, he urged, the intrinsic merit of the candidate would be too often out of sight and "the qualifications best adapted to uniting the suffrages of the party will be more considered than those which fit the person for the station. In the last, the coalition will commonly turn upon some interested equivalent. 'Give us the man we wish for this office, and you shall have the one you wish for that.'"

Those were the observations of Alexander Hamilton in stating why the ap-

pointive power should not be vested in an assembly of men.

I continue the quotation:

This will be the usual condition of the bargain, and it will rarely happen that the advancement of the public service will be the primary object either of party victories or of party negotiations.

It was contended by many, Hamilton says, that the President alone should have been authorized to make appointments under the Federal Government, to avoid the difficulties and the tendencies which would come with appointments by an assembly of men. Pointing out that several disadvantages might attend the absolute power of appointment in the hands of the Executive alone, he argued that in the act of nomination, the power conferred by the Constitution, the advantages of sole Executive authority would be retained in that the act of nominating would be the judgment of the Executive alone. It would be his sole duty to point out the man who, with the approbation of the Senate, should fill the office. His responsibility would be as complete as if he were to make the final appointment.

Thus, Hamilton contended, the best features of executive authority alone would be retained. Even though, he points out, the person nominated should be rejected by the Senate, the President would only be required to nominate another person. Eventually, the person ultimately appointed would be the choice of the President, perhaps not in the first degree, but, nevertheless, the preference of the Executive.

He continues with much interesting argument along the same line as that of the arguments which Justice Story and other writers and commentators on the Constitution noted, all of whom pointed out the fact that the power of nomination is in the President, vested in him by the Constitution, and that the power to confirm is in the Senate.

Mr. President, if that theory of the Constitution had been followed, if that theory existed today, I should be on the floor of the Senate supporting the amendment offered by the Senator from Tennessee. If the President were permitted to make the choices as the Constitution contemplated, and if the Senate confined itself to the real act of consenting and advising as to the merits and the fitness of the persons chosen by the Executive, I should not say a word.

However, Mr. President, I know something about the history of the matter and about how political appointments, which are required to be confirmed by the Senate, are made. I reveal no secret when I say that persons so nominated are not nominated by the President. When their appointments have to be confirmed by the Senate, the Senators from the States concerned actually nominate. If their choice is not accepted, what happens? The Senate does not confirm the appointment. That is the practical situation which exists today.

I am as particular about and as jealous of the prerogatives of the Senate as is any other Member of this body, but I should like to confine the Senate to its prerogatives. If the Senator from Tennessee will write into his amendment a provision that the nomination shall be made by the President, and by him alone, and that the Senate shall confine itself to the real act of confirmation, I shall not have a word to say. However, I know that cannot be done. I know that it will not be done. I know that if the proposed amendment is written into the bill the Senators will, in effect, nominate and will appoint every official who receives more than $4,500.

I do not know why the mystic number $4,500 is chosen. If the proposal is right as to one, it should be right as to all.

I return to my first statement: Mr. President, more than anything else I am concerned with upholding the prestige and the dignity of the Senate before the people of the United States. I am opposed to the amendment because I know that if it be agreed to, the people of the country will believe that we as Senators are more concerned with jobs we can get for our constituents, perhaps to help to perpetuate ourselves in office, than we are with the war effort. That would be a wrong conclusion, as I said before, and I repeat the statement; but, wrong though it may be, that is what the people of the country will believe if the amendment be agreed to.

Mr. CHAVEZ. Mr. President, I shall have very little to say with respect to the pending amendment. I dislike very much to disagree with my colleague regarding the reasons for the amendment and the results which will follow if the amendment is agreed to.

My colleague read some excerpts from articles written by Alexander Hamilton in the early days of the Republic. Any one who knows history understands that very few of the theories of Alexander Hamilton were followed or adopted as a matter of policy by the people of the country. I, for one, prefer to follow the political philosophy of Thomas Jefferson. Certainly his philosophy has been written into the history of our country.

Irrespective of political philosophy, I call attention to only one statement which was made by my colleague. Toward the conclusion of his remarks he said that if the amendment were agreed to the country would feel that the Senate was interested in politics. I, for one, disagree with my colleague.

It was only 2 or 3 days ago that the Senator from Kentucky, our beloved majority leader, arose in his place and defended the Senate from abuse and attack which had appeared in a national magazine. To my mind, more is involved in the amendment than the mere fact that the Senate would pass upon the qualifications of persons who might be appointed by some departmental head. I think that the dignity of the Senate is involved.

The reason why the Senate has lost face with the country is because it does not dare express its desires in matters as to which it knows it should express them, for just so soon as a newspaper or magazine makes some comment, we become scared and do not defend the dignity of the body. Why should the head of any department in Washington insist that he is more competent to pass judgment upon the capabilities of an individual who might be appointed to an office than is a Senator? Why is it that just so soon as the committee reports an amendment such as this, immediately the Senate is accused of being dishonest and of attempting to play politics? Why should the Senate be accused of playing politics when it does its duty, while when the head of a department, even though he might be running for the office of President of the United States, makes appointments he is honest and is not playing politics? What makes the head of a department different from Senators? At least, Senators have gone before the people of their States; they have faced the electorate and have been passed upon. The people of their States sent them here after passing judgment as to whether or not they were capable of discharging the responsibilities of the office to which they were elected.

What I complain of is that just so soon as the Senate undertakes to perform its constitutional duty immediately the cry of "patronage" is raised, but if the head of a department makes appointments he is not accused of using patronage in order to get votes, say, for 1944. The accusation could as well be made against him.

It is taken for granted that the head of a department, if the law says he shall do the appointing, will use his best judgment and will act honestly, but just so soon as a Senator is called upon to pass upon such a matter, he is playing politics and is dishonest and cannot tell an honest and capable man as well as can a two-by-four clerk in a particular department.

Mr. President, I shall vote for the amendment.

Mr. McKELLAR. Mr. President, I shall take but a few moments, because the pending question has been amply and ably discussed on both sides.

I wish again to call attention to the constitutional provision.

He—

Meaning the President—

shall nominate, and by and with the advice and consent of the Senate, shall appoint ambassadors, other public ministers and consuls, judges of the Supreme Court, and all other officers of the United States, whose appointments are not herein otherwise provided for, and which shall be established by law—

Then, there is a semicolon and the following language:

But the Congress may by law vest the appointment of such inferior officers, as they think proper, in the President alone, in the courts of law, or in the heads of departments.

That, however, is not all.

I have the greatest respect for the opinions on constitutional law of my good friend the Senator from Louisiana [Mr. OVERTON]. He said he thought that this was not a mandatory provision. I wish to call his attention to the next paragraph:

The President shall have power to fill up vacancies that may happen during the recess

of the Senate, by granting commissions which shall expire at the end of their next session.

So careful was the Constitutional Convention to hedge the appointment of officers of the Government by officials of other departments, except where Congress alone vested the power in the hands of the President, the courts of law and the heads of departments, so careful was it that appointments should be made by and with the advice of the Senate that it provided that an officer who is appointed by the President during a recess of the Senate should continue to hold office only until the expiration of its next session.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. McKELLAR. I yield.

Mr. MAYBANK. Mr. President, I wish to state that as a member of the Appropriations Committee I voted for the amendment in committee and propose to vote for it in the Senate today. I desire, however, to call the attention of the distinguished Senator from Tennessee to a statement appearing on page 59 of the Senate hearings on Senate bill 2748. General Hershey was asked if there were not needless employees in Government offices which were not defense agencies and if he could not draw on that reservoir. His reply was:

> I am a very bold soul when I get into this. I think there are something like 5,500,000 in the United States, in the Federal, the State, county, city, and township that are employed by these different agencies, and I say that is a luxury that we cannot afford in the war. I am not an expert on government, I do not know just how you are going to squeeze them out, but I am afraid you are going to have to.

Mr. President, like the Senator from Tennessee, I am not interested in patronage and I hope that the Selective Service System will be called upon to do the necessary work as the Senator from Vermont [Mr. AUSTIN] stated this morning.

I am certain that if a survey is made it will be found that men now in the Government service can carry on the work and in this way not increase the number of Government employees, which General Hershey says is now far too great and not add to the Federal pay roll.

I am not interested in any political appointments for any war positions, and I am certain that if a survey is made it will not be necessary to send to the Senate any names for confirmation except those now in the employ of the Government.

Mr. McKELLAR. I thank the Senator.

This proviso applies only to officers whose compensation is more than $4,500 a year. I have taken the trouble to look up what members of the Cabinet received immediately after the provision of the Constitution was framed by the constitutional forefathers and the Government was established. I find that none of them received quite $4,500 a year. At that time the Secretary of State was paid $3,500; the Secretary of War $3,000, the Secretary of the Treasury $3,500. It was not until 1873 that the head of the Post Office Department received $3,500. The Department of Justice, presided over by the distinguished Edmund Randolph, received only $1,500. The Chief Justice of the United States got only $4,000, and the Associate Justices at first received $3,500 and later on their compensation was increased by $1,000.

So we can see what our forefathers determined.

I was rather struck by a statement made by my distinguished friend from Kentucky [Mr. BARKLEY], whom I admire very much, when he said the Senate ought to be allowed some voice in naming certain officers. Mr. President, the Senate is not only allowed to have a voice but is directed to do so. We get our authority as does every other person connected with the Government, from the Constitution, and we get it from nowhere else.

Mr. OVERTON. Mr. President, will the Senator yield?

Mr. McKELLAR. I yield.

Mr. OVERTON. The able Senator from Tennessee has referred to an observation I made in a colloquy with the Senator from Kentucky.

Mr. McKELLAR. Yes.

Mr. OVERTON. I do not think the Senator from Tennessee and I are apart on the interpretation of the Constitution.

Mr. McKELLAR. I am sure we are not.

Mr. OVERTON. And I do not think the Senator from Kentucky and I are apart on it. I think the constitutional provision is amply clear.

Mr. McKELLAR. It is not only clear but is mandatory.

Mr. OVERTON. I said the primary obligation devolves upon the Senate to give advice and consent. It can waive it, but it must do so by law.

Mr. McKELLAR. Yes, by law.

Mr. OVERTON. And vest the power in someone else, to wit, the President alone, or the heads of departments, or the courts.

Mr. McKELLAR. I was about to come to that.

Mr. OVERTON. Constitutionally, we can give the power of appointment.

Mr. McKELLAR. Oh, yes; as to inferior officers.

Mr. OVERTON. In that sense there is no constitutional question involved. We can exercise the power or we can surrender the power.

Mr. McKELLAR. The distinguished Senator From Kentucky I think cited 46 acts in which there was no provision requiring confirmation. That is true, but in none of those acts, I am informed—I cannot say with accuracy, because I have not examined them all—is there a vesting of power by act of Congress either in the President, or in the courts of law, or in the heads of departments. Without such provision the appointments would come within the provision requiring confirmation by the Senate. In my judgment, if the point were ever made, all those appointments would have to come before the Senate for confirmation.

Mr. President, let us look at the particular set-up about which we are debating, the War Manpower Commission. I happen to be looking at the junior Senator from Texas [Mr. O'DANIEL], away over on the other side of the Chamber. So far as the officials who are to serve in the State of Texas are concerned, the head of the War Manpower Commission might make the appointments from the State of Illinois, from the District of Columbia, from the State of Tennessee, or from any other State. I cannot say that it would be under the law, but under his interpretation, he appoints whom he pleases, from where he pleases, to what he pleases, paying such salary as he pleases, and asking no one.

I ask, is that good government? Would Senators like to have their private affairs conducted in that manner? Is it possible that the Senate of the United States at this time, particularly, in the condition in which our country finds itself, desires to turn over to one man, without let or hindrance, without opportunity for anyone to review his judgment, such power of appointment? Of course, we all know that our good President does not have the time to look into such matters. I doubt if he knows who will be Mr. McNutt's appointees. He may make the appointments from anywhere in the world, and send the appointees to any State whatever. There is no let or hindrance about it. Is that good government?

Is that going to lead us to disregard what I believe to be our duty under the Constitution? The Constitution is specific and perfectly clear. There cannot be any doubt about what it means. It means that we have a duty. Otherwise, we will have to give the President, or the courts of law, or the heads of departments, the power.

Let us take the instant case. Mr. McNutt is not the head of a department. The term "head of a department" has a distinct meaning. Heads of departments are members of the Cabinet. We all know that to be so. However, Mr. McNutt, head of the Manpower Commission, was appointed during the war under a peculiar set-up. He is not the head of a department, he is not a member of a court, and he is not the President of the United States. Under those circumstances how could any one merely turn the authority over to him?

I am not reflecting on Mr. McNutt. So far as I know he is a very fine gentleman. I have no criticism to make of him. I imagine he wants to do his duty just as we want to do ours. But under the Constitution we have no power to give him authority even if we provided for it in the pending measure. We could not give him the authority because the law limits it to the President of the United States, the courts of law, and the heads of departments. Mr. McNutt is not any one of them.

Mr. President, under those circumstances it seems to me that there can be but one answer to the question. The Committee has gone over this matter very carefully. It has studied it time and again. We are responsible if we do not do our duty under the law, as I look at the matter, and I hope the proposed amendment will be agreed to.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Gerry	Pepper
Andrews	Gillette	Radcliffe
Austin	Green	Reed
Bailey	Guffey	Reynolds
Ball	Gurney	Rosier
Barbour	Hatch	Russell
Barkley	Hayden	Schwartz
Bilbo	Hill	Shipstead
Bone	Johnson, Calif.	Smathers
Brewster	Kilgore	Spencer
Bulow	La Follette	Thomas, Idaho
Bunker	Langer	Thomas, Okla.
Burton	Lee	Thomas, Utah
Butler	McFarland	Tobey
Capper	McKellar	Tunnell
Caraway	McNary	Tydings
Chandler	Maloney	Vandenberg
Chavez	Maybank	Van Nuys
Connally	Mead	Wagner
Danaher	Murdock	Wallgren
Davis	Norris	Walsh
Downey	Nye	Wheeler
Doxey	O'Daniel	Wiley
Ellender	O'Mahoney	Willis
George	Overton	

The PRESIDING OFFICER. Seventy-four Senators having answered to their names, a quorum is present.

The question is on agreeing to the committee amendment on page 17, line 20.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next amendment of the committee.

The next amendment was, under the heading "Independent Executive Agencies—Federal Security Agency," on page 19, after line 1, to insert:

COLUMBIA INSTITUTION FOR THE DEAF

For an additional amount for the Columbia Institution for the Deaf, fiscal year 1943, including the objects specified under this head in the Labor-Federal Security Appropriation Act, 1943, $4,500.

The amendment was agreed to.

The next amendment was, under the subhead "Interstate Commerce Commission", on page 22, after line 17, to insert:

The limitation of $5,000 on the amount which may be expended from appropriations made to the Interstate Commerce Commission for transfer of household goods and effects appearing under this head in the Independent Offices Appropriation Act, 1943, is hereby increased to $20,000.

The amendment was agreed to.

The next amendment was, under the subhead "National Housing Agency," on page 23, line 3, after "(54 Stat. 1115)", to strike out "$500,000,000" and insert "$600,000,000."

The amendment was agreed to.

The next amendment was, on page 23, after line 10, to insert:

THOMAS JEFFERSON BICENTENNIAL COMMISSION

For carrying out the provisions of the act entitled "An act to enable the United States Commission for the Celebration of the Two-hundredth Anniversary of the Birth of Thomas Jefferson to carry out and give effect to certain approved plans," approved July 30, 1942, $50,000, to remain available until expended.

The amendment was agreed to.

The next amendment was, under the heading "Department of Agriculture", on page 25, after line 12, to insert:

FOREST SERVICE

SALARIES AND EXPENSES

Forest products: Not to exceed $30,000 of the appropriation for experiments, investigations, and tests of forest products at the Forest Products Laboratory, or elsewhere, contained in the Department of Agriculture Appropriation Act, 1943, shall be available for the acquisition of additional land adjacent to the present site of said laboratory at Madison, Wis.

Mr. LA FOLLETTE. Mr. President, my only reason for detaining the Senate a moment before the amendment is disposed of is to place in the RECORD a statement indicating the urgent necessity for its adoption. It was included by the Senate in the first supplemental appropriation bill on a Budget estimate, but it was disagreed to in conference.

The amendment proposes only to permit the Forest Products Laboratory at Madison, Wisconsin, to utilize $30,000 of its existing appropriation for the purpose of acquiring certain land which is absolutely essential in carrying forward the programs which have been assigned to the laboratory by the War and Navy Departments, as well as various defense agencies. The situation is such at the present time that they cannot accommodate the persons who are being sent there by the Army and the Navy for training.

Mr. President, I wish to make perfectly clear that the pending amendment does not involve any increased appropriation for the Laboratory, but simply the right to use $30,000 of the money already appropriated to purchase this land. If permission is granted in the statute, then they will be able to move some of the Civilian Conservation Corps buildings which are now vacant to land adjacent to the laboratory, and there house the persons who have been sent by the Army and Navy to be trained by the laboratory for this type of training, which it is particularly qualified to give.

Mr. President, I hope that the conferees will be successful in holding this amendment in the bill.

As a part of my remarks, I ask unanimous consent to have the communication from the President of the United States in connection with this amendment incorporated in the RECORD at this point.

There being no objection, the communication was ordered to be printed in the RECORD, as follows:

THE WHITE HOUSE,
Washington, October 10, 1942.

The PRESIDENT OF THE SENATE.

SIR: I have the honor to transmit herewith for the consideration of Congress a draft of a proposed provision affecting an appropriation for the fiscal year 1943.

The details of the proposed provision, the necessity therefor, and the reason for its transmission at this time are set forth in the letter of the Director of the Bureau of the Budget, transmitted herewith, with whose comments and observations thereon I concur.

Respectfully,

FRANKLIN D. ROOSEVELT.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., October 10, 1942.

The PRESIDENT,
The White House.

SIR: I have the honor to transmit herewith for your consideration a draft of a proposed provision to authorize the acquisition, by the Forest Service of the Department of Agriculture, of additional land for the forest-products laboratory at Madison, Wis. The item is as follows:

"FOREST SERVICE

"SALARIES AND EXPENSES

"Forest products: Not to exceed $30,000 of the appropriation for experiments, investigations, and tests of forest products at the forest-products laboratory, or elsewhere, contained in the Department of Agriculture Appropriation Act, 1943, shall be available for the acquisition of additional land adjacent to the present site of said laboratory at Madison, Wis."

This provision was included among several supplemental estimates of appropriations transmitted to you under date of June 2, 1942, and by you to Congress on June 3, 1942 (H. Doc. No. 764). Although considered in connection with the first supplemental national defense appropriation bill, 1943, it was not included therein when the bill was enacted.

The requested authorization is again submitted because of the more critical situation which has developed at the Madison laboratory during the past few months. The facts upon which the first submission was based still exist, and in addition thereto, the laboratory has been called upon to provide space for 150 to 160 inspectors detailed from various branches of the Army and Navy for training at the laboratory. Under plans proposed by the Army and Navy this number will reach 200 to 300 in the near future. Classroom space for these trainees is available neither at the laboratory nor at the University of Wisconsin. Nor is there hotel space in Madison to accommodate the additional numbers who will come to the laboratory for these courses. Provision will be made to have abandoned Civilian Conservation Corps buildings moved to the land to be acquired to serve for quarters and classrooms and to provide for needed additional storage facilities.

Acquisition of the property proposed for purchase is urgently necessary to meet the present critical situation caused by the expanded war program and, I am informed, is strongly recommended by the War Department. It will provide, also, for the future land requirements of the research program at this laboratory.

The foregoing proposed provision is made necessary by reason of contingencies which have arisen since the transmission of the Budget for the fiscal year 1943. I recommend that it be transmitted to Congress.

Very respectfully,

HAROLD D. SMITH,
Director of the Bureau of the Budget.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 25, after line 12.

The amendment was agreed to.

The next amendment was, under the heading "Department of Commerce", on page 27, after line 1, to insert:

The appropriations of the Civil Aeronatics Administration and the Weather Bureau contained in the Department of Commerce Appropriation Act, 1943, available for travel, shall be available for the travel expenses of appointees of said agencies from the point of engagement in the United States to their posts of duty at any point outside the continental limits of the United States or in Alaska.

The amendment was agreed to.

The next amendment was, under the heading "Department of the Interior", at the top of page 28, to insert:

GOVERNMENT OF THE TERRITORIES

TERRITORY OF ALASKA

Care and custody of insane, Alaska: For an additional amount for care and custody of

persons legally adjudged insane in Alaska, fiscal year 1942, including the objects specified under this head in the Interior Department Appropriation Act, 1942, $1,500.

The amendment was agreed to.

The next amendment was, on page 28, after line 7, to insert:

Construction of Palmer-Richardson Road, Alaska (national defense): For an additional amount to complete construction of the Palmer-Richardson Road, Alaska, $500,000, to remain available until expended, and the limitation of $1,800,000 upon the total cost of such work contained in the Third Supplemental National Defense Appropriation Act, 1942, is hereby increased to $2,300,000.

The amendment was agreed to.

The next amendment was, under the heading "Department of Justice," on page 28, after line 15, to insert:

OFFICE OF THE ATTORNEY GENERAL

Printing and binding: For an additional amount for printing and binding for the Department of Justice, $225,000.

The amendment was agreed to.

The next amendment was, under the heading "Treasury Department—Office of the Secretary," on page 29, after line 11, to insert:

Expenses of absentee voting by members of the land and naval forces: To enable the Secretary of the Treasury to make payments to States as provided by Public Law 712, approved September 16, 1942, entitled "An act to provide for a method of voting, in time of war, by members of the land and naval forces absent from the place of their residence," the checks in payment thereof to be drawn in such form as may be requested by the Secretary of State or other duly authorized official of each State, $1,200,000, of which not to exceed $5,820 may be expended for all salaries and expenses of the Treasury Department in the District of Columbia necessary therefor.

The amendment was agreed to.

The next amendment was, under the heading "War Department," on page 32, after line 18, to insert:

MILITARY ACTIVITIES

OFFICE OF THE SECRETARY OF WAR

Claims for damages to and loss of private property: To pay claims for damages adjusted and determined by the Secretary of War under the provisions of an act entitled "An act making appropriations for the support of the Army for the fiscal year ending June 30, 1913, and for other purposes," approved August 24, 1912, as fully set forth in Senate Document No. 252, Seventy-seventh Congress, $1,567.

The amendment was agreed to.

The next amendment was, under the subhead "Civil Functions—Corps of Engineers," on page 33, line 14, after the word "the" where it occurs the first time, to strike out "work of enlargement of the present Intracoastal Waterway from the vicinity of Apalachee Bay to Corpus Christi, Tex., in accordance with the provisions of" and insert "navigation projects authorized by."

Mr. OVERTON. Mr. President, I regret that yesterday, when this particular amendment came up for some discussion on the floor of the Senate, I was not present. I was here during most of the afternoon, but I happened not to be here when the Senator from Michigan [Mr. VANDENBERG] asked for some information with respect to the amendment, and I was not here just before the close of the session when the Senator from Florida [Mr. PEPPER] discussed it.

I wish to say as a Senator from Louisiana that I have no particular interest in this amendment, except to see that the existing Intracoastal Coastal Canal between Corpus Christi and Apalachee Bay is developed by increasing its depth and increasing its width.

Mr. President, I had occasion not long ago to traverse a portion of this intracoastal canal from New Orleans to the Vermillion River, and I was agreeably surprised to see the vast amount of traffic upon the canal. I think I can say without exaggeration that not 15 minutes elapsed, on an average, between the passage of tows carrying freight. Most of the freight was oil from the oil fields of Texas, winding its way along the intracoastal canal to the Mississippi River, and then on up the Mississippi River to the Baton Rouge refinery, and from there going on up to the Ohio River, where the oil is transported to relieve the situation in the East. So what I am interested in is seeing that this intracoastal canal is properly developed to take care of this increasingly tremendous traffic.

Mr. President, there are abrupt bends in the intracoastal canal, as it now exists, which should be to some extent eliminated. The canal itself is somewhat too narrow to take care of the present traffic, so there is a slowing up of traffic because of its increased volume, and because of the bends and the narrowness of the waterway.

I make these observations because I want to say that no one could be more zealous in his efforts to further the development of the intracoastal canal between Corpus Christi and Apalachee Bay than is the senior Senator from Louisiana. But when the question came up as to how the appropriation should be worded, I took the position, which I think is correct, that the appropriation should be made toward the project. The project is one unit. It was recently approved by the Congress of the United States in an act passed in July of this year. The project consists of the development of this intracoastal canal from the Rio Grande on the border of Texas eastward to St. Johns River in Florida, so that it may be connected with the intracoastal canal along the Atlantic seaboard, and thus afford a continuous navigation channel extending from Mexico to Trenton, N. J. So I thought the proper thing to do was to follow the act of Congress authorizing this project. That is what we are making the appropriation for, and that is the customary method of making appropriations for rivers and harbors and for flood control. When we make appropriations for rivers and harbors we do not break down the appropriation project by project. We appropriate a lump sum for rivers and harbors.

The Army engineers in support of the appropriation appear before the committees of Congress and submit a break-down as to how the money is to be expended, and as closely as possible the break-down is followed. In fact, it is followed whenever and wherever it is practical to do so. The Army engineers consider themselves bound to adhere to the program of distribution of the fund which is appropriated by the Congress as they submit it to the Congress.

The same thing is true with reference to appropriations for flood control. There are only two appropriations made in flood-control appropriation bills. One item is for the lower Mississippi Valley, for which a lump sum is appropriated; and again the Chief of Engineers, or some representative of the Chief of Engineers, submits a break-down of the appropriation. The other item is an appropriation for all other projects carried in what is known as the omnibus flood control bill, and again that appropriation is made in a lump sum. So I think that legislatively what ought to be done with this project recently authorized by the Congress is to make the appropriation for the project as authorized.

The Chief of Engineers, or a representative of his, has appeared before the House Appropriations Committee and before the Senate Appropriations Committee and has advised us what the Corps of Engineers expects to do with this appropriation. They intend to utilize it for the development of the intracoastal canal between Corpus Christi and Apalachee Bay.

That is the break-down they give us. There will be expended, according to the testimony in the record, between six and seven million dollars. It is to be used for the purpose of widening and deepening the existing channel.

Mr. President, it has been suggested by the Senator from Michigan that this appropriation would include the barge canal or ship canal, as he called it, across Florida. The language of the appropriation does include the project, just as the language of all appropriations in flood control and rivers and harbors bills includes the projects in lump sum; the break-down is adhered to. I think it is essential to do so in these appropriation measures. I do not think we ought to undertake legislatively to divide up any particular project and say that so much money should go to this phase of it and so much should go to that phase of it. We make the appropriation for the entire project, and we rely upon the statements made by the engineers as to how the money will be allocated.

Mr. President, out of an abundance of precaution the Committee on Appropriations, in suggesting the amendment, made the following recommendation, which I myself drafted, so as to assure beyond peradventure of doubt that the funds will be used as I have indicated:

The committee recommends this amendment with the understanding that priority will be given to the project named in the House bill, namely, the enlargement of the present Intracoastal Waterway from the vicinity of Apalachee Bay to Corpus Christi, Tex.

That report of the committee will be binding upon the Army engineers, and the money will be so expended. The Army engineers so testified.

Mr. President, my only interest in the language submitted with the Senate amendment is that we may adhere to the customary method of making appropriations for projects. We appropriate for the whole project, and then rely upon the break-down given to us by the Corps of Engineers. I have no other interest in it.

I wanted to make this statement and explanation. I think the Senator from Michigan can rely on it that this money will be utilized for widening and deepening the existing channel, and will not be used either to extend the canal from Corpus Christi down to Brownsville, or to build the barge canal. There is not nearly enough money for that purpose. The barge canal would cost between $44,000,000 and $55,000,000, according to the various estimates which have been made of its cost. At any rate, it would cost in excess of $44,000,000. According to the testimony in the record the unobligated balances proposed to be appropriated for this project are between $6,000,000 and $7,000,000. Consequently, there would not be any money to be used on the $44,000,000 barge canal project.

The cost of enlarging the Intracoastal Waterway from Corpus Christi to Apalachee Bay would be $15,000,000. Therefore the amount of unobligated balances proposed to be appropriated would not be nearly enough fully to develop the existing inland waterway.

Mr. President, that is all I have to say. It is a matter of indifference to me which way the Senate votes on the amendment. I merely wished to make this explanation. I think it is a proper way to make the appropriation.

Mr. VANDENBERG. Mr. President, I have great respect for the able Senator from Louisiana. Of course, I accept his statement at its face value. However, in spite of his persuasive, mollifying, and anesthetizing observations, I wish to observe that the pending amendment is the first appropriation to start the Florida barge canal, so far as the language upon which we are to vote is concerned. One would never guess it from the language of the bill. One would never guess it from a single line in the committee report. That is what I was complaining about yesterday when I suggested that this is a rather curious way to approach a controversial subject of this nature. There is not a hint in the language itself that this is the issue. There is not a suggestion in the committee report; but the fact remains that this is the first act of appropriation to start the Florida barge canal.

Mr. President, the issue becomes very simple. Maj. Gen. T. M. Robins, Assistant Chief of Engineers, testified on September 29, 1942, before the House Appropriations Committee. This is what was said upon that subject:

General ROBINS. The canal it is not intended to start at this time on account of the critical materials situation and the equipment and the manpower that would be required.

The CHAIRMAN. It is not likely to be started during the war, then?

General ROBINS. I would not think so; not unless the materials and equipment situation greatly improve.

The CHAIRMAN. And you do not anticipate that they will?

General ROBINS. There is nothing like that in sight now, sir.

In other words, Mr. President, the testimony of the Board of Rivers and Harbors Engineers is that there is no intention, and can be no intention, to start the Florida barge canal during the war. We have the previous testimony of the Board of Engineers that 3½ years would be required to complete the project after beginning it. We confront the simple proposition that we are asked, in terms, to make an appropriation for a project which cannot start until the war is ended—and we are told upon all sides that it is to be a long war. We are asked, in terms, to make an appropriation to start a project which cannot be undertaken until the war is ended, and which cannot be finished until 3½ years after the war is ended.

Mr. President, I submit that on the day when we have voted a $8,000,000,000 tax burden upon the people of the United States, which will drive many of them to the very subsistence level of existence, at a time when we already confront a deficit of $50,000,000,000 in this year's governmental operations and a $70,000,000,000 deficit in the year immediately to follow, at such a time as this, if there is anything save sheer lip loyalty in the Senate to the cause of economy in nondefense activities, there can be no justification on earth for appropriating textually a single penny for any project, no matter how meritorious, which cannot be undertaken until the war is finished, and cannot be completed for 3½ years after the war is ended.

Mr. President, that is the very simple issue. I must turn aside to correct the RECORD of yesterday. Yesterday I made some observations in the Senate on this matter. The able Senator from Florida [Mr. PEPPER] subsequently challenged my statements. He said they were grossly in error at one point and grievously untrue at another point.

Mr. President, I do not think they were either. I said that this amendment involves just one new project, namely, the Florida barge canal. The difference between the able Senator from Florida and myself in these constructions is that he now insists upon considering the intracoastal canal as a unit project. He then divides it into its sectors; and because the pending amendment would permit the use of unexpended balances on another final sector of the intracoastal canal, he takes the position—which I can quite understand from his point of view—that there is involved in this amendment not only the Florida Canal, but also an extension of the intracoastal canal. I take the position that the intracoastal stands by itself as a unit.

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. VANDENBERG. I shall yield in a moment.

On that basis I submit that I was totally justified when I said that the only new project in this amendment is the appropriation of unexpended balances to start the Florida barge canal.

I now yield to my able friend from Florida.

Mr. PEPPER. Mr. President, the language of the committee amendment is an amendment to Public Law 675, approved July 23, 1942.

Mr. VANDENBERG. That is correct.

Mr. PEPPER. It merely appropriates the unobligated balances to the navigation projects in that law.

Mr. VANDENBERG. That is correct.

Mr. PEPPER. I have before me a copy of Public Law 675.

Mr. VANDENBERG. So have I.

Mr. PEPPER. As the Senator will recall, Public Law 675 provides for three items. The first enumerated is:

a high-level lock barge canal from the St. Johns River across Florida to the Gulf of Mexico in accordance with the plans set forth in the letter of the Chief of Engineers, dated June 15, 1942; and that there is also authorized the enlargement of the present Intracoastal Waterway from the vicinity of Apalachee Bay to Corpus Christi, Tex., and its extension to the vicinity of the Mexican border, so as to provide throughout the entire length of the canal a channel 12 feet deep and 125 feet wide.

Public Law 675 describes a completed project running from the Mexican border to the St. Johns River in Florida. Between the two ends there is an existing intracoastal waterway, 9 feet deep, which is the middle part of the project described in Public Law 675.

My able friend from Michigan committed an error yesterday in saying that the only part of this whole channel which could benefit from the proposed appropriation is the eastern end of the project. By reference to the law I have pointed out that he was in error, because the western end of the project, which is greater in distance than the Florida end, is also eligible for this appropriation. That is the reason I stated that the able Senator was in error in emphasizing only the eligibility of the eastern end of the project.

Mr. VANDENBERG. Mr. President, I have no objection to the Senator's construction of the law. Neither have I any objection to his observations of yesterday. So far as I am concerned, if he thought that I was impugning any motives or attributing any sinister purposes to anybody, he was certainly quite mistaken. I insist that so far as the facts are concerned, only two projects are covered by the pending language. One is the intracoastal canal, as we have always understood it, by itself. The other is the Florida barge canal. So I submit that when I said that the only new project for which appropriations were being started by the pending amendment was the Florida barge canal. I was wholly within the facts, the truth, and my rights.

Mr. President, I wish to say again, as I have said annually, I believe, during the past 7 years, that I have great respect for the incorrigible tenacity of both Senators from Florida. Seven years ago they decided to build this canal, and they have never deviated from that line, regardless of setbacks and obstacles, and, if I may say so, regardless of the Treasury's anemia or the counsels of ordinary prudence and common sense. Here they are again today. They have found a new

way to approach the subject. It is a most delightfully insidious approach.

Again I submit that it is not fair to the Senate to have brought up in this fashion a subject of such fundamental nature, and one which has been a matter of such controversial division. Indeed, I remind the Senate that it voted 30 to 30, and a Vice Presidential vote was required to break the tie, on the question even of authorizing the expenditure in the first instance. I submit to the Senate that it is not fair to bring the matter to the floor, as it was brought yesterday, in an appropriation bill amendment which no one would have dreamed involved that issue, and with a report which very carefully declined to point it out. If there were any doubt about the fact that the subject was at least somewhat in a predetermined fog, I suggest that the doubt is dissipated by the fact that the distinguished chairman of the subcommittee of the Appropriations Committee, who has had long experience in these matters, and is more than ordinarily acute in his perceptions, conceded on the floor that although he had heard the presentation of the matter before the Appropriations Committee he did not know that he had voted to appropriate the unexpended balances to start the Florida barge canal.

I submit that is not the way to deal with the Senate of the United States in respect to matters of this nature. That is the chief thing against which I was complaining yesterday. However, that is neither here nor there. Now we are concerned with the naked issue itself.

The issue is whether we shall here and now make the first little, dribbling appropriation which can be used under the language of the pending amendment to start the Florida barge canal, in spite of the fact that the testimony of the Army engineers is that the work itself probably could not be commenced until the end of the war, and could not be completed until 3½ years thereafter. Obviously, it cannot have anything to do with alleviating the eastern oil shortage which has been used as the chief excuse for the project at the moment. So far as the oil shortage is concerned, the connecting link across Florida is a pipe line which I cordially supported, a pipe line which is being constructed, and through which oil will start to flow in December 1942. That is the connecting link so far as the present national defense necessities are concerned. That is the connecting link so far as any contemporary justification is concerned.

So, Mr. President, we confront this issue: How are we going to pretend any longer that we have any fidelity whatsoever to the cause of economy in nondefense expenditures if here and now we authorize the first expenditure on a controversial project which cannot be undertaken until the war is over, and which cannot be finished until 3½ years thereafter? Have we money enough to allow ourselves the prodigal privilege of involving ourselves in prospective expenditures of such a nature? Mr. President, we have not, in the face of the tax bill passed today which puts $8,000,000,000 on the backs of the American people, and still leaves $50,000,000,000 waiting to be financed somehow in the course of the remaining 9 months of the present fiscal year.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. AIKEN. I simply arise to remind the Senator from Michigan that the people of the country are paying approximately $500,000,000 a year in order to get to the northeastern section of the United States two-thirds of the amount of petroleum products needed there in order to keep the industries going, to keep the people in that section operating their factories, and to enable them to heat their homes. I do not know whether the Florida Canal is more feasible than the pipe line. I do not know what will be the capacity of the pipe line which the Senator says will bring us the oil across Florida by the end of next year.

Mr. VANDENBERG. I said by the end of the present year—that is, by December 1942.

Mr. AIKEN. It seems to me that if we can get the oil across Florida by pipe line better and quicker than we can by barge canal, I should be for the pipe line; but I want to remind the Senator that we want the oil. We observed in yesterday's newspapers a statement that the flow of oil from the petroleum fields to New England is diminishing. At the present time we are receiving only about two-thirds of the amount of petroleum products we need. If it is a matter of expense we should take into consideration the fact that we are spending almost $500,000,000 a year in order to get two-thirds of the amount of petroleum we need by means of the railroads which show every indication of being heavily overburdened at the present time.

Mr. VANDENBERG. Mr. President, apparently I have utterly failed to penetrate the understanding of the able junior Senator from Vermont by what I have said. I completely sympathize with him as to the oil shortage in his section of the country and in the eastern sector of the United States; but I hope and pray that he will not have to wait until 3½ years after the end of the war to get the first oil. The facility on which he is about to vote theoretically will deliver oil to him 3½ years after the termination of the war. If that is of any consolation to the Senator from Vermont, I am afraid that it is a cold consolation—and that is not a pun.

Mr. AIKEN. The opinion stated by the Senator from Michigan as to the length of time required does not seem to agree with other opinions which I have heard expressed.

Mr. VANDENBERG. Mr. President, whose opinion are we to take? The Chief of Army engineers is the officer of the Government upon whom we have to rely for information of this kind. We cannot rely upon the self-serving claims and expectations of lobbyists or of the promoters of special legislation.

The Chief of Engineers repeatedly has stated before the Commerce Committee—and he has refused to be driven from his position—that it would take a minimum of 3 years to build the canal. At the hearings within the last 30 days the representatives of the Board of Engineers for Rivers and Harbors stated that, because of the lack of strategic materials, undoubtedly the construction could not even be started before the end of the war. So we can add 3½ years to the year when the war ends; and if the Senator from Vermont has to wait that long before he can get oil brought to the northeastern section of the country, he certainly will have to go through a snowstorm.

Mr. President, the Senator from Louisiana said that this was a perfectly normal way to approach the subject. I repeat that he was exceedingly persuasive about the matter.

Let us see what the normal way is. In August I wrote to the Board of Engineers and asked them what they intended to do about the canal authorization. Major General Reybold wrote to me under date of August 17. I read what he said:

> The funds appropriated and presently available to the Department for the prosecution of river and harbor works may be allotted only to projects authorized by Congress prior to the appropriation of such funds. Accordingly, the Department has at the present time no funds which could be used for initiation of the construction of the Florida barge canal authorized by act of Congress approved June 23, 1942.

Listen; this is General Reybold speaking:

> As you know, the normal method—

That is what the able senior Senator from Louisiana was talking about—

> of financing authorized Federal river and harbor improvements is by the appropriation of funds in War Department civil appropriation acts. It would appear, therefore, that initiation of work upon the canal is dependent upon future appropriations of funds by Congress.

Appropriations of funds by Congress in the normal way, which is in the regular appropriation bills for that purpose—not hidden at the tail end of a $6,000,000,000 national defense measure which carries the flag at the front of its parade.

Mr. OVERTON. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. OVERTON. Certainly that is the normal way. The normal way to make an appropriation for river and harbor projects and flood-control projects is to make it in an appropriation which usually comes up in a War Department civil functions appropriation bill. I said that the normal way to proceed is to make an appropriation for the project, and then the engineers make statements before the committees of Congress as to how the money would be expended—to which proposal they adhere. They do not break the project into a number of smaller projects, and say "I will ask for an appropriation for this small part, and another appropriation for that small part, and another appropriation for the project itself, and that is the normal, usual, and customary way."

One other word: Nothing at all is hidden at the tail end of the bill.

Mr. VANDENBERG. Mr. President, I want to comment on what the Senator

has just said, and then I shall yield to him again. I do not want to get too many large guns pointed at me all at once.

As to what the Senator has just said, I assert that the Florida Barge Canal and the Intracoastal Waterway System have never heretofore been considered by Congress as one unified undertaking.

On the contrary, the canal has always stood upon its own feet, it has always been the subject of independent controversy, and while in ultimate operation the Senator is quite correct that the whole thing is painted as an integrated whole by its promoters, and perhaps that is what it will utimately prove to be, yet at the moment, and on the record, there has never been a minute when the Florida Canal and the intracoastal canal have either been considered or voted upon by the Senate as anything except separate undertakings.

Now, what is the next question the Senator wishes to submit?

Mr. OVERTON. Let me answer the Senator's statement, and I will then submit the next question.

The answer to what the Senator has said is found in the act of Congress of July 23, 1942, Public Law 675, when the Congress of the United States took the intracoastal canal from the Rio Grande to St. Johns River, Florida, and made it one project, and I think that hereafter, whenever an appropriation is made for that project, it should be made for the project in its entirety, with a breakdown as to how the money will be allocated in the construction of any work that is to be done, and reported by the Army engineers to the Congress. I think we can rely on the report of the engineers, and that they will adhere to it. They have reported in respect to this particular appropriation that they expect to use the money in broadening and deepening the existing channel.

There was nothing hidden about the amendment in the Senate Committee on Appropriations, just as there is nothing hidden about it here before the Senate as a whole.

Mr. VANDENBERG. Mr. President——

Mr. OVERTON. Pardon me, but let me say something about that, since the Senator charges the Committee on Appropriations with undertaking to hide something.

Mr. VANDENBERG. I did not charge them with hiding anything. If "hidden" is the wrong word, very well, let us change it. Let me give the Senator something else to talk about which will be more accurate. When this subject was presented to the Committee on Appropriations in such a manner that the distinguished chairman of the subcommittee did not know what the committee was voting on, I suggest that it was at least befuddled.

Mr. OVERTON. I regret that the chairman of the subcommittee made the statement he did make. I think he made it inadvertently.

Mr. VANDENBERG. The Senator will have to quarrel with him about it.

Mr. OVERTON. I shall not quarrel with anyone about it. I simply wish to state, because I think it is rather a serious charge the Senator from Michigan is making against the members of the Senate Committee on Appropriations, that the matter was thoroughly discussed. I know the Senator from Michigan has read the report of the hearing.

Mr. VANDENBERG. Yes; I read it last night. I did not know a thing about it, however, until I stumbled on it by accident yesterday afternoon.

Mr. OVERTON. The Chief of Engineers could not appear, and he sent as his representative, Colonel Reber, who appeared before the committee and made a statement and subjected himself to examination. In addition to that, the Senator from Florida made a statement, and in addition to that, the whole matter was thoroughly discussed, not only before the subcommittee, but before the full committee, and it was when the full committee was acting on it that I made the suggestion that there should be included, so that there would be no doubt whatsoever as to where the money would be expended, the express recommendation of the committee that the amendment be adopted with the understanding that priority would be given to the project provided for in the House bill, namely, enlargement of the present Intracoastal Waterway from Apalachee Bay to Corpus Christi, Tex. There was no subterfuge about it, and there never has been. It was open and aboveboard, and it is open and aboveboard in the bill, and anyone who runs may read.

Mr. McKELLAR. Mr. President, will the Senator from Michigan yield?

Mr. VANDENBERG. I yield, if the Senator wants to read while he runs.

Mr. McKELLAR. Since I have been referred to, I wish to make a statement. As I stated yesterday, I thought the appropriation for this canal covered the distance from Corpus Christi to Apalachee Bay on the west coast of Florida, but I was not sure at the time what it included. It was my understanding that it connected with the pipe line on the west coast of Florida. Evidently I was mistaken about it.

I wish to acquit the two Senators from Florida and members of the committee of anything improper. The Senator from Florida appeared before the committee, and Colonel Reber, one of the finest men I ever knew, appeared and testified about it. But I am frank to say, as I stated yesterday, I did not understand the full scope of the proposal. I was honest about the statement, as I try to be honest about everything that comes before me at any time. I made a statement yesterday about the matter, and I repeat it now. But my statement does not reflect on the openness and the fairness and the justice of the committee, because the Senator from Louisiana [Mr. OVERTON] and various other Senators took a very active part in the matter, and there was evidently a misunderstanding on my part. I looked at the record very carefully to see how I could have been misled.

Mr. OVERTON. Not only did the subcommittee act on it, but when it came to the full committee, did I not make an explanation of the matter?

Mr. McKELLAR. I presume that is true.

Mr. OVERTON. And did I not make the suggestion that the amendment be adopted and recommended to the Senate?

Mr. McKELLAR. Yes. It was no doubt my dullness of wit that prevented my understanding the situation.

Mr. VANDENBERG. I thank the able Senator from Tennessee for his candor. It is quite characteristic of him.

Let us eliminate all discussion about what happened in the committee, let us take out of the record everything about it.

Mr. McKELLAR. Everything was perfectly fair and aboveboard.

Mr. VANDENBERG. Let us take out of the record any imputation which might have been read into my observations, that I was criticizing anyone's motives. I am doing nothing of the kind. I have the greatest respect in the world for the Senator from Louisiana. Of course, he would not be a party to any such undertaking. I also have the greatest respect for the senior and junior Senators from Florida. We have been the friendliest kind of enemies on this subject, ever since it first arose back in the days of Adam and Eve.

Let us eliminate all that. Let us face the naked issue upon which we are about to vote and let us confine the challenge to the issue, which is simply this: The requested appropriation is the first appropriation to start construction of the Florida barge canal, so far as the textual authority is concerned. Construction probably cannot be even undertaken, according to the testimony of the river and harbor engineers, until the end of this war. It then cannot be concluded within 3½ years.

All I ask is a roll call, to determine whether or not Senators feel that, on the same day when they have voted $8,000,000,000 of back-breaking taxes upon the American people, they are willing to make an appropriation of this nature for this far-distant Florida barge canal.

The PRESIDING OFFICER. The question is on agreeing to the amendment on page 33, line 14.

Mr. VANDENBERG. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. ANDREWS. Mr. President, I had not intended speaking on the subject, but there is a moral obligation back of the proposition which I feel should be explained again. A part of it has not been explained.

We know that the Intracoastal Waterway of the Gulf, 1,200 miles or more in length, and the inland waterway of the Atlantic coast, cannot function properly with a dead end in the middle. Construction of the barge canal would remove that dead end. If the canal had been started 3 or 4 years ago, as provided for in a bill before this body, which was lost by about five votes, the construction of it could have already been completed before Pearl Harbor. If the canal had been built we would today have several tankers for use which have been sunk while trying to make the perilous trip along the Gulf coast, around Florida and along the east coast. More than a thousand of the bravest of men have lost their lives in

that undertaking, sailing ships and tankers which were sunk by German submarines on our coasts.

Three and a half years ago some Members of the Senate considered it foolish to build a canal across the State of Florida. It is still so considered in some quarters.

But as a Senator from Florida and a member of the Committee on Naval Affairs I have been through some trying experiences when scores of our tankers and ships were torpedoed before our very eyes. I have stacks of letters on my desk from mothers and fathers whose boys and whose husbands went down with those tankers off the coast of Florida. I was down there when three of those ships were sunk in sight of land. We saw them. I saw nine men, fine men, who had been boiled in oil, brought out of that mess on to the shore dead. They undertook to identify them and send their bodies home. It cannot be denied that men who refused to vote for this project 4 years ago are partly responsible for that situation.

Mr. President, it is not merely a Florida canal. It is called that because it is designed to pass across Florida. It is an interstate canal or interstate waterway. Florida perhaps does not need it half so much as those who live in other States. The Mississippi Valley Waterways Improvement Association has voted year by year for the past 10 years at all its conventions for the construction of this canal. The Gulf Coast Waterways Associations have likewise voted for the construction of this canal. They knew what might happen if it were not constructed and we should face an all-out war—now upon us.

Mr. President, I could go back in the Senate records and show a speech I made on this floor 4 years ago in which I said that we might expect the very situation which we are now facing. Scores of great tankers have been sunk. There was valuable critical material on them which went down, and brave men died when those tankers went down. If the construction had been started at that time we would not now be obliged to ration gasoline and oil in all the eastern seaboard States, because there would have been a string of barges, one behind the other, going through the intracoastal and barge canal, and on to the eastern coast of the United States, to connect up with inland waterways on north to Trenton, N. J.

Mr. President, this is not just a Florida canal. I wish to go back a little, and I should like to have Senators who have been criticizing the efforts of Army engineers, listen to me for some few minutes. I hardly ever speak on the Senate floor, but when I feel an injustice about to be done I shall not hesitate to rise and tell the Senate about it. Back in President Hoover's administration—a Republican administration, if you please—the Congress asked that an investigation be made looking to the construction of a navigable waterway from the Atlantic across the northern part of the Florida Peninsula. President Hoover was supposed to have been the greatest engineer ever to have been President of the United States, perhaps, with the lone exception of George Washington.

The results were followed by the recommendation of an appropriation of $500,000 for the purpose of making a complete survey. Fifteen different surveys were made, and every single aspect of the proposition was looked into, even the effects upon underground water supply of the peninsula. The question with respect to the water supply was settled. Even if the question was respect to possible injury to the underground water supply had not been settled as to a sea-level ship canal, certainly construction of the lock barge canal we are now advocating necessarily could not injure the water supply within 100 yards of the canal, because part of the canal would be above the ground water level. The $500,000 appropriated for the purpose of making surveys was cautiously spent in a complete survey.

When Franklin D. Roosevelt soon thereafter became President of the United States he asked the State of Florida to pass an act authorizing the canal to go through the State of Florida. The legislature of the State passed such an act in compliance with that request. Route 13-B was recommended and the same route involved in the pending bill was chosen. That is the route along which the cross-State canal is going, according to the Army engineers, and under the terms of the authorization act already passed. After the passage of the act by the Florida Legislature authorizing the construction of this canal, the Government called for a mile-wide strip of land 80 miles long from the mouth of the Withlacoochee River to Palatka on the St Johns River. That land has been or is being purchased and furnished free to the Government.

The seven Florida counties through which the route 13-B passes bonded themselves for $2,500,000. The bond issue is in effect today with principal and interest on it being paid by Florida realty holders. The mile-wide strip of land passes through some of the choice land we have in the State of Florida most of which has been turned over to the Federal Government for the purpose of this canal.

What happened? The President of the United States, who had asked that that be done immediately as a work relief proposition, authorized the beginning of the canal across the State. It is only 38 miles across low country from the river bed of the Oklawaha River, which joins the St. Johns River, to the river bed of the Withlacoochee, which goes into the Gulf of Mexico. Through that portion of 38 miles of dry land, 14,000,000 square yards of soil was removed, at a cost of $5,400,000. That will form part of the present proposed canal. At least one-seventh of the Army engineers' estimate of the yardage to be removed has already been removed. The people of seven counties of the State of Florida have bonded themselves for $2,500,000, the Government has spent $5,400,000, which makes nearly $8,000,000 which has already been expended on this project. All of it would be lost if the project is not completed. Some of the highway bridge piers can be seen along the main Dixie highway now unfinished. It is often called down there "Roosevelt's folly" by those from other parts of the country who oppose it.

Mr. President, I want to say that the Congress of the United States and the Government itself ought to have sufficient honesty to keep its part of the obligation and to see that the project is carried through. The people of Florida have done what they were requested to do by the President.

The Mississippi Valley Improvement Association, with memberships from the States of up to the Missouri Valley, have asked that this project be carried through. Florida has kept faith at great expense.

Mr. President, I am going to appeal to Senators here this afternoon to vote for the amendment. I do not know whether adoption of the amendment will result in "beginning" construction of the cross-State barge canal, but we have already passed an act authorizing the appropriation of $44,000,000 for that purpose. All the present amendment does is to ask the President to use any money unexpended in his emergency fund after the construction of this $6,200,000 of work from New Orleans to the Apalachee Bay for the starting of this project on its way.

Mr. President, of course the Chief of Army Engineers is conservative. He has to be. All officials have to be conservative in making any promises. One does not always know when one can promise a man to support him for a certain office, for he does not know what is going to happen before tomorrow. Of course engineers must be and they are conservative in estimating time and costs necessary to complete a project. But we have had good engineers say that they could build the barge canal in 13 months.

Mr. President, I was in Florida the other day and I saw a great deal of machinery down there. The 25 or 30 airports down there are nearly completed and that machinery can be used for this or other important projects. The great dredging trucks called turnos can carry 12 cubic yards of dirt at one time. If they were turned loose, under the direction of the right kind of engineers, the project might be built within a year. But the project can be put off if high officials desire to continue putting it off.

Mr. President, we do not know how long the war is going to last. I shall be on the floor to tell Senators again that we missed our chance 4 years ago when we then did not start the project and had it completed by now. If the project had been begun 4 years ago we would not now have this rationing of gasoline and fuel oil which constitutes the very lifeblood of our civilization, of our Air Force, our Navy, our transportation, and even our homes. We must pass through this winter with a home temperature not exceeding 65 degrees. I wish to say to the Senate that people cannot live in homes heated to a temperature not above 65 degrees throughout the year.

Mr. LANGER. Mr. President, will the Senator yield?

Mr. ANDREWS. I yield.

Mr. LANGER. I was called away to attend a funeral this afternoon, and just came back a moment or two ago. I did not hear what the Senator from Michigan [Mr. VANDENBERG] had to say, but I am informed that he said the project could not be begun until after the war is ended, and that then it would take four and a half years to complete. Is that correct?

Mr. ANDREWS. That is what the Senator would like to see happen, but if the amendment is agreed to the project may be started by the President through an allocation of any funds that are not needed for the completion or the carrying on of what has already been authorized from this special fund.

In other words, this project has already been authorized by Congress. The appropriations have been authorized, but the allocation must be made by the President of the United States. This amendment would permit the beginning of the project. My judgment is that if the project is allowed to begin, it will develop that it can be completed very easily and soon. It will be like the airport at Corpus Christi, Tex. The senior Senator from Texas [Mr. CONNALLY] will bear me out when I say that the engineers stated that 3 years would be required to build the great naval air base at Corpus Christi. It was completed within 1 year. Practically the same thing was done at Jacksonville, where there is an airport twice as large as the one originally planned. Americans can do anything when they decide to do it.

The VICE PRESIDENT. The question is on agreeing to the committee amendment on page 33, commencing in line 14. On this question the yeas and nays have been demanded and ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. CHANDLER (when his name was called). I have a general pair with the Senator from Pennsylvania [Mr. DAVIS], who is unavoidably detained from the Senate. If he were present, he would vote "nay." If I were at liberty to vote, I should vote "yea."

The roll call was concluded.

Mr. REED (after having voted in the negative). I have a general pair with the Senator from New York [Mr. WAGNER]. A moment ago I voted in the negative because I had seen the Senator from New York in the Chamber this afternoon. I understand that he is not now present. I transfer the general pair which I have with the Senator from New York to the Senator from Ohio [Mr. TAFT], who, I understand, if present would vote as I have voted. Therefore, I will allow my vote to stand.

Mr. THOMAS of Utah (after having voted in the affirmative). I have a general pair with the Senator from New Hampshire [Mr. BRIDGES]. I transfer that pair to the Senator from New York [Mr. MEAD], and allow my vote to stand.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] and the Senator from Delaware [Mr. HUGHES] are absent from the Senate because of illness.

The Senators from North Carolina [Mr. BAILEY and Mr. REYNOLDS], the Senator from Alabama [Mr. BANKHEAD], the Senator from Washington [Mr. BONE], the Senator from Michigan [Mr. BROWN], the Senator from South Dakota [Mr. BULOW], the Senator from Virginia [Mr. BYRD], the Senator from Idaho [Mr. CLARK], the Senators from Missouri [Mr. CLARK and Mr. TRUMAN], the Senator from Georgia [Mr. GEORGE], the Senator from Iowa [Mr. HERRING], the Senator from Colorado [Mr. JOHNSON], the Senator from Illinois [Mr. LUCAS], the Senator from Nevada [Mr. MCCARRAN], the Senators from New York [Mr. MEAD and Mr. WAGNER], the Senators from Montana [Mr. MURRAY and Mr. WHEELER], the Senator from Texas [Mr. O'DANIEL], the Senators from Maryland [Mr. RADCLIFFE and Mr. TYDINGS], the Senator from West Virginia [Mr. ROSIER], the Senator from Wyoming [Mr. SCHWARTZ], the Senator from South Carolina [Mr. SMITH], the Senator from Tennessee [Mr. STEWART], the Senator from Oklahoma [Mr. THOMAS], and the Senator from Delaware [Mr. TUNNELL] are necessarily absent.

Mr. MCNARY. My colleague [Mr. HOLMAN] has a general pair with the Senator from Tennessee [Mr. STEWART].

The Senator from New Hampshire [Mr. BRIDGES], the Senator from Illinois [Mr. BROOKS], the Senator from Colorado [Mr. MILLIKIN], and the Senator from Massachusetts [Mr. LODGE] are necessarily absent.

The Senator from Ohio [Mr. TAFT] is necessarily absent. If present he would vote "nay."

The result was announced—yeas 32, nays 25, as follows:

YEAS—32

Aiken	Gillette	McKellar
Andrews	Green	Maybank
Barkley	Guffey	Murdock
Bilbo	Hatch	Norris
Bunker	Hayden	Overton
Caraway	Hill	Pepper
Chavez	Kilgore	Russell
Connally	La Follette	Smathers
Downey	Langer	Thomas, Utah
Doxey	Lee	Wallgren
Ellender	McFarland	

NAYS—25

Austin	Gurney	Thomas, Idaho
Ball	Johnson, Calif.	Tobey
Barbour	McNary	Vandenberg
Brewster	Maloney	Van Nuys
Burton	Nye	Walsh
Butler	O'Mahoney	Wiley
Capper	Reed	Willis
Danaher	Shipstead	
Gerry	Spencer	

NOT VOTING—39

Bailey	Glass	Reynolds
Bankhead	Herring	Rosier
Bone	Holman	Schwartz
Bridges	Hughes	Smith
Brooks	Johnson, Colo.	Stewart
Brown	Lodge	Taft
Bulow	Lucas	Thomas, Okla.
Byrd	McCarran	Truman
Chandler	Mead	Tunnell
Clark, Idaho	Millikin	Tydings
Clark, Mo.	Murray	Wagner
Davis	O'Daniel	Wheeler
George	Radcliffe	White

So the committee amendment was agreed to.

The VICE PRESIDENT. The clerk will state the next amendment of the committee.

The next amendment was, on page 33, after line 18, to strike out:

SEC. 201. This act may be cited as the "Second Supplemental National Defense Appropriation Act, 1943."

Mr. MCKELLAR. Mr. President, I ask unanimous consent that the judgments and authorized claims under title III be agreed to en bloc.

The VICE PRESIDENT. Is there objection to the request of the Senator from Tennessee? The Chair hears none, and it is so ordered.

The amendments agreed to en bloc are as follows:

On page 33, after line 20, to insert:

TITLE III—JUDGMENTS AND AUTHORIZED CLAIMS

PROPERTY DAMAGE CLAIMS

SEC. 301. For the payment of claims for damages to or losses of privately owned property adjusted and determined by the following respective departments and independent offices, under the provisions of the act entitled "An act to provide a method for the settlement of claims arising against the Government of the United States in the sums not exceeding $1,000 in any one case", approved December 28, 1922 (31 U. S. C. 215), as fully set forth in Senate Documents Nos. 253 and 265, Seventy-seventh Congress, as follows:

Executive Office of the President:
Office for Emergency Management, $308.33;
Office of Strategic Services, $25.60;
Federal Communications Commission, $35;
Federal Works Agency, $1,940.04;
National Housing Agency, $26.65;
Department of Agriculture, $2,426.95;
Department of Commerce, $1,671.45;
Department of the Interior, $2,065.21;
Department of Justice, $214.05;
Navy Department, $5,439.75;
Treasury Department, $408.66;
War Department, $69,937.18;
Post Office Department (payable from postal revenues), $19.40;
In all, $84,518.27.

At the top of page 35, to insert:

JUDGMENTS, UNITED STATES COURTS

SEC. 302. (a) For the payment of the final judgments, including costs of suits, which have been rendered under the provisions of the act of March 3, 1887, entitled "An act to provide for the bringing of suits against the Government of the United States," as amended by section 297 of the act of March 3, 1911 (28 U. S. C. 761), and which have been certified to the Seventy-seventh Congress in Senate Document No. 254, under the following department and establishment.

War Department, $3,476.27;

Federal Works Agency, Work Projects Administration, $8,024.40;

In all, $11,500.67, together with such additional sum as may be necessary to pay costs and interest as specified in such judgments or as provided by law.

(b) None of the judgments contained under this caption shall be paid until the right of appeal shall have expired except such as have become final and conclusive against the United States by failure of the parties to appeal or otherwise.

(c) Payment of interest wherever provided for judgment contained in this act shall not in any case continue for more than 30 days after the date of approval of this act.

At the top of page 36, to insert:

JUDGMENTS, UNITED STATES COURT OF CLAIMS

SEC. 303. (a) For payment of the judgments rendered by the Court of Claims and reported to the Seventy-seventh Congress in Senate Documents Nos. 255 and 267, under the following departments and establishments, namely:

Executive departments:
Interior: Civil, $5,200; Indians, $5,622.06.
Navy, $152,450.85.
Treasury, $1,743.37.
War, $196,050.79.
Independent Office:
Federal Works Agency: Public Buildings Administration, $48,167.89.

In all, $409,234.96, together with such additional sum as may be necessary to pay interest as and where specified in such judgments.

(b) None of the judgments contained under this caption shall be paid until the right of appeal shall have expired, except such as have become final and conclusive against the United States by failure of the parties to appeal or otherwise.

On page 36, after line 22, to insert:

AUDITED CLAIMS

SEC. 304. For the payment of the following claims, certified to be due by the General Accounting Office under appropriations the balances of which have been carried to the surplus fund under the provisions of section 5 of the act of June 20, 1874 (31 U. S. C. 713), and under appropriations heretofore treated as permanent, being for the service of the fiscal year 1940 and prior years, unless otherwise stated, and which have been certified to Congress under section 2 of the act of July 7, 1884 (5 U. S. C. 266), as fully set forth in Senate Document No. 258, Seventy-seventh Congress there is appropriated as follows:

Independent Offices: For Federal Emergency Relief Administration, $1.49.

For Interstate Commerce Commission, $90.34.

For Civil Service Commission, $12.

For National Mediation Board, $1.61.

For Railroad Retirement Board, $8.58.

For salaries and expenses, Veterans' Bureau, $16.67.

For salaries and expenses, Veterans' Administration, $310.99.

Federal Security Agency: For pay of personnel and maintenance of hospitals, Public Health Service, $22.25.

For expenses, Division of Mental Hygiene, Public Health Service, $13.85.

For Quarantine Service, $1.01.

Federal Works Agency: For administrative expenses, Federal Emergency Administration of Public Works, $428.36.

For administrative expenses, Public Works Administration, $393.67.

For general administrative expenses, Public Works Branch, Procurement Division, $37.05.

For repair, preservation, and equipment, public buildings, Procurement Division, $4.28.

National Housing Agency: For salaries and expenses, Federal Housing Administration, $1.10.

For administrative expenses, Federal Housing Administration, $11.65.

For administrative expenses, United States Housing Authority, Federal Public Housing Authority, $85.75.

Department of Agriculture: For conservation and use of agricultural land resources, Department of Agriculture, $3,810.31.

For exportation and domestic consumption of agricultural commodities, Department of Agriculture, $215.15.

For exportation and domestic consumption of agricultural commodities, Department of Agriculture (transfer to Federal Surplus Commodities Corporation), $2,520.09.

For exportation and domestic consumption of agricultural commodities, Department of Agriculture (transfer to Federal Surplus Commodities Corporation, Act June 28, 1937), $37.14.

For administration of Sugar Act of 1937, Department of Agriculture, $194.91.

For retirement of cotton pool participation trust certificates, Department of Agriculture, $10.87.

For submarginal land program, Farm Tenant Act, Department of Agriculture, $1,795.

For salaries and expenses, Bureau of Animal Industry, $445.81.

For salaries and expenses, Forest Service, $8.57.

For land utilization and retirement of submarginal land, Department of Agriculture, $3,819.71.

For National Industrial Recovery, Resettlement Administration, submarginal lands (transfer to Agriculture), $105.17.

For acquisition of lands for protection of watersheds of navigable streams, $2,855.42.

For special research fund, Department of Agriculture, $10.28.

For salaries and expenses, Soil Conservation Service, $208.45.

For control of emergency outbreaks of insect pests and plant diseases, $73.90.

For National Industrial Recovery, Interior, soil erosion prevention (transfer to Agriculture), $6.50.

For miscellaneous expenses, Department of Agriculture, $24.60.

For emergency conservation fund (transfer from War to Agriculture, act March 31, 1933), $5.

For salaries and expenses, Bureau of Entomology and Plant Quarantine, $4.20.

For salaries and expenses, Bureau of Plant Industry, $77.39.

For administration of Federal Crop Insurance Act, Department of Agriculture, $1.30.

For loans to farmers in drought- and storm-stricken areas, emergency relief, $41.20.

Department of Commerce: For maintenance of air-navigation facilities, Civil Aeronautics Authority, $26.64.

For salaries and expenses, Weather Bureau, $47.51.

For establishment of air-navigation facilities, Civil Aeronautics Authority, $292.80.

For Civil Aeronautics Authority fund, $18.

For salaries and expenses, Civil Aeronautics Authority, $301.59.

Department of the Interior: For education of natives of Alaska, $259.69.

For George Rogers Clark Sesquicentennial Commission, Department of the Interior, $393.10.

For medical relief of natives of Alaska, $15.31.

For National Park Service, $9.85.

For payment to Middle Rio Grande Conservancy District, New Mexico (reimbursable), $12,659.86.

For salaries and expenses, Bureau of Biological Survey, $4.14.

For salaries and expenses, National Bituminous Coal Commission, Department of the Interior, $7.50.

For National Industrial Recovery, Interior, National Park Service, recreational demonstration projects, $4.40.

For agriculture and stock raising among Indians, $15.40.

For conservation of health among Indians, $113.55.

For general expenses, Indian Service, $200.

For Indian boarding schools, $7.62.

For Indian school support, $64.94.

For purchase and transportation of Indian supplies, $231.85.

For support of Indians and administration of Indian property, $36.63.

For Civilian Conservation Corps (transfer to Interior, Indians), $105.56.

District of Columbia: For National Capital Park and Planning Commission, salaries and expenses, District of Columbia, $10.

Department of Justice: For Federal jails and correctional institutions, maintenance, $8.91.

For general expenses, Immigration and Naturalization Service, $45.85.

For salaries and expenses, Federal Bureau of Investigation, $2.40.

For contingent expenses, Department of Justice, $6.58.

For traveling expenses, Department of Justice, $32.14.

For salaries and expenses of marshals, and so forth, Department of Justice, $1,265.94.

For fees of witnesses, Department of Justice, $1.60.

For miscellaneous expenses, United States courts (transfer to Justice), $15.

The Judiciary: For fees of jurors and witnesses, United States courts, $139.50.

For miscellaneous expenses, United States courts, $13.16.

For fees of commissioners, United States courts, $96.65.

For fees and expenses of conciliation commissioners, United States courts (certified claims), $50.

Navy Department: For engineering, Navy, $130,625.95.

For engineering, Bureau of Engineering, $40,439.71.

For maintenance, Bureau of Supplies and Accounts, $11,358.81.

For contingent expenses, Coast Guard (Navy), $120.56.

For contingent expenses, Coast Guard, 82 cents.

For salaries, Hydrographic Office, $1.74.

For foreign-service pay adjustment, appreciation of foreign currencies (Navy), $91.40.

For salaries and expenses, Bureau of Marine Inspection and Navigation, $26.64.

For general expenses, Marine Corps, $258.58.

For increase of compensation, Naval Establishment, $403.66.

For aviation, Navy, $312,362.37.

For pay and allowances, Coast Guard (Navy), $307.31.

For pay and allowances, Coast Guard, $3.01.

For ordnance and ordnance stores, Bureau of Ordnance, $36,583.52.

For pay, subsistence, and transportation, Navy, $2,063.32.

For organizing the Naval Reserve, $5,231.60.

For Naval Reserve, $53.05.

For pay, Marine Corps, $16.81.

For miscellaneous expenses, Navy, $1.10.

For ordnance and ordnance stores, Navy, $343.68.

For general expenses, Lighthouse Service, 90 cents.

Department of State: For lower Rio Grande flood control, Department of State, $2,400.

Treasury Department: For collecting the revenue from customs, $3.40.

For collecting the internal revenue, $4,827.09.

For contingent expenses, Treasury Department, $2.58.

For Foreign Service pay adjustment, appreciation of foreign currencies (Treasury), $160.16.

War Department: For Air Corps, Army, $77.58.

For ordnance service and supplies, Army, $3,364.45.

For general appropriations, Quartermaster Corps, $7.93.

For Organized Reserves, $1.36.

For Reserve Officers' Training Corps, $11.52.

For expenses, camps of instruction, and so forth, National Guard, $15.75.

For medical and hospital department, Army, $70.

For travel of the Army, $85.28.

For subsistence of the Army, $42.12.

For pay of the Army, $206.70.

For pay, and so forth, of the Army, $58.93.

For National Guard, $35.41.

For clothing and equipage, Army, $316.18.

For barracks and quarters, Army, $176.26.

For increase of compensation, Military Establishment, $41.37.

For Signal Service of the Army, $33,651.82.

For Army transportation, $1,288.19.

For travel, military and civil personnel, War Department, $153.73.

For medical and hospital department, $17.63.

For Civilian Conservation Corps (transfer to War), $10,070.36.

For emergency conservation work (transfer to War, Act June 22, 1936), $10.26.

For cemeterial expenses, War Department, $17.70.

Post Office Department—Postal Service (out of the postal revenues): For clerks, first- and second-class post offices, $430.02.

For indemnities, domestic mail, $244.14.

For transportation of equipment and supplies, $3.83.

Total, audited claims, section 304, $632,301.58, together with such additional sum due to increases in rates of exchange as may be necessary to pay claims in the foreign currency and interest as specified in certain of the settlements of the General Accounting Office.

The VICE PRESIDENT. The next amendment reported by the committee will be stated.

The next amendment was, on page 45, after line 18, to insert:

SEC. 305 For the payment of claims allowed by the General Accounting Office pursuant to the act entitled "An act for the relief of officers and soldiers of the Volunteer Service of the United States mustered into service for the War with Spain, and who were held in service in the Philippine Islands after the ratification of the treaty of peace, April 11, 1899", approved May 2, 1940 (Public Act No. 505, 76th Cong.), and which have been certified to Congress under section 2 of the act of July 7, 1884 (U. S. C., title 5, sec. 266), under the War Department in Senate Documents Nos. 257 and 266 of the Seventy-seventh Congress, $19,999.34.

The amendment was agreed to.

The next amendment was, on page 46, after line 6, to insert:

SEC. 306. For payment of the claim allowed by the General Accounting Office for payment of prize money to captors, Spanish War, provided under sections 3689, 4613, and 4652 of the Revised Statutes, as amended by the Permanent Appropriation Repeal Act, June 26, 1934 (31 U. S. C. 725f), and which has been certified to Congress in Senate Document No. 256 of the Seventy-seventh Congress, $3.85.

The amendment was agreed to.

The next amendment was, on page 46, after line 14, to insert:

SEC. 307. This act may be cited as the "Second Supplemental National Defense Appropriation Act, 1943."

The amendment was agreed to.

The VICE PRESIDENT. That completes the committee amendments.

Mr. McKELLAR. Mr. President, I am authorized by the committee to offer sundry amendments. I have given notice for the consideration of these amendments, as required by the rule. I send the first one to the desk and ask that it be stated.

The VICE PRESIDENT. The amendment offered by the Senator from Tennessee will be stated.

The CHIEF CLERK. On page 14, after line 7, it is proposed to insert:

OFFICE OF PRICE ADMINISTRATION

The second proviso clause under the head "Office of Price Administration" in the First Supplemental National Defense Appropriation Act, 1943, is hereby amended by deleting therefrom the words: "shall be so administered during the fiscal year 1943 as to constitute the total amount that will be furnished to such Administration during such fiscal year for the purposes set forth in this paragraph and."

Mr. LA FOLLETTE. Mr. President, what is the purpose of the amendment?

Mr. McKELLAR. Mr. President, in the appropriation bill for the Office of Price Administration there was a provision which limited to $120,000,000 the amount to be spent until next July. Since that time Congress has passed several bills which add to the duties and require additional compensation. The amendment merely removes the inhibition, so that hereafter they may ask for appropriations to perform the additional duties which have devolved upon them from the Congress itself. For that reason, we offer the amendment, which is legislation, repealing the provision referred to.

Mr. LA FOLLETTE. It has nothing to do with the question of subsidy, has it?

Mr. McKELLAR. Oh, no.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Tennessee [Mr. McKELLAR].

The amendment was agreed to.

REDUCTION OF DRAFT-AGE LIMIT

Mr. BARKLEY. Mr. President, will the Senator yield to me?

Mr. McKELLAR. I yield.

Mr. BARKLEY. At this time I wish to announce that it is proposed that the first thing on Thursday the Senate will take up the bill proposing modification of the draft law. I desire to obtain an agreement to make that bill the unfinished business following the disposition of the pending appropriation bill, and if we finish consideration of the pending bill within the next few minutes, which I hope will be the case, I propose that the Senate recess until Thursday.

Mr. McNARY. Mr. President, a few days ago I conferred with the Senator from Kentucky. Personally I favor the proposition the Senator has stated.

Mr. BARKLEY. I appreciate that. The Senator from Oregon was very cooperative in arranging about the matter, and in fairness to him and to his colleagues it should be said that while some Senators wished to take up the bill at once, in view of what occurred on the floor of the Senate 2 or 3 weeks ago, I thought it would be only fair to give Senators who are absent an opportunity to return.

Therefore, if the Senator will further yield to me, I ask unanimous consent that, following conclusion of the consideration of the appropriation bill now before the Senate, the bill (S. 2748) to amend the Selective Training and Service Act of 1940 by providing for extension of liability, reported by the Committee on Military Affairs, modifying the draft law by reducing the limit to 18 years of age, be made the unfinished business, to be taken up on Thursday next.

The VICE PRESIDENT. Is there objection? The chair hears none, and it is so ordered.

AUTHORIZATION FOR SIGNING TAX BILL, ETC.

Mr. BARKLEY. If the Senator will further yield to me, while I am on my feet I ask unanimous consent that during recess of the Senate following today's session the Vice President be authorized to affix his signature to the tax bill or to any other bill ready for his signature.

The VICE PRESIDENT. Without objection, it is so ordered.

SUPPLEMENTAL NATIONAL DEFENSE APPROPRIATIONS

The Senate resumed the consideration of the bill (H. R. 7672) making supplemental appropriations for the national defense for the fiscal year ending June 30, 1943, and for other purposes.

Mr. McKELLAR. Mr. President, I send to the desk another amendment, which I offer and ask to have stated.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 24, after line 15, it is proposed to insert:

UNITED STATES MARITIME COMMISSION

On and after November 1, 1942, section 2 of the Independent Offices Appropriation Act, 1943, approved June 27, 1942, shall not apply to the position of Vice Chairman of the United States Maritime Commission so long as the office is held by the present incumbent.

Mr. McKELLAR. Mr. President, the amendment was proposed by the Senator from Oregon, and the committee has authorized me to offer it. I ask that the amendment be agreed to.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Tennessee [Mr. McKELLAR].

The amendment was agreed to.

Mr. McKELLAR. I send to the desk another amendment, which I offer and ask to have stated.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 27, after line 25, it is proposed to insert:

BUREAU OF MINES

Construction and equipment of helium plants: For an additional amount, fiscal years 1943 and 1944, for "Construction and equipment of helium plants", to constitute one fund with the appropriation under this head in the Interior Department Appropriation Act, 1943, such fund to be available for all the objects for which said appropriation is available, including transportation of personnel engaged in work authorized thereunder between helium plants and related facilities and communities that provide adequate living accommodations when specifically authorized by the Secretary of the Interior after a determination by the Office of Defense Transportation that existing private and other facilities are not and cannot be rendered adequate by other means and that the exercise of this authority will result in the most efficient method of supplying transportation to the personnel concerned, and the purchase and exchange of passenger-carrying trucks, trailers, and busses used for such purposes without charge against the limitation on the purchase of passenger-carrying automobiles hereinafter specified, $11,000,000: *Provided*, That the limitation of $16,600 on expenditures for purchase (including exchange) of passenger-carrying automobiles is hereby increased to $33,250, and the limitation of $30,000 on expenditures for personal services in the District of Columbia is hereby increased to $80,000.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Tennessee.

The amendment was agreed to.

Mr. McKELLAR. I send to the desk another amendment, which I offer and ask to have stated.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 27, after line 25, it is proposed to insert:

The authority granted by the Interior Department Appropriation Act, 1943, to the Secretary of the Interior, or any official to whom he may delegate such authority, for the duration of the war and 6 months thereafter, to appoint skilled and unskilled laborers, mechanics, and other persons engaged in a recognized trade or craft, including foremen of such groups, employed at experimental plants and laboratories of the Bureau of Mines without regard to the Classification Act of 1923, as amended, is hereby extended to include appointment of such employees at helium plants and properties related thereto.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Tennessee.

The amendment was agreed to.

Mr. McKELLAR. I send to the desk another amendment, which I offer and ask to have stated.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 33, after line 20, it is proposed to insert:

SEC. 201. The limitation of $925 specified in section 405 of the Sixth Supplemental National Defense Appropriation Act, 1942, and any similar limitation specified in any other appropriation act for the fiscal year 1943 may be exceeded by such amount as the Secretary of War, in the case of the War Department, the Secretary of the Navy, in the case of the Navy Department, the Commissioners, in the case of the government of the District of Columbia, and the Director of the Bureau of the Budget, in the case of other essential governmental needs, may determine necessary to obtain satisfactory lightweight and medium-weight motor-propelled passenger-carrying vehicles, but in no event shall the price so paid for any such vehicle exceed the maximum price for such vehicle established by the Office of Price Administration and in no event more than $1,500.

Mr. LA FOLLETTE. Mr. President, I ask for an explanation of the amendment.

Mr. HAYDEN. Mr. President, I shall be very glad to give the Senator an explanation. The present limitation on the amount which may be spent for the purchase of automobiles is $925. The committee provided in the amendment, as submitted to the Senate, that the amount shall not exceed the maximum price established by the Office of Price Administration—in no event more than $1,500. I desire to amend the amendment by adding the words—

which amount shall be in addition to amounts allowed for transportation.

When the original limitation of $925 was imposed the price referred to was the price at the factory. The cars which are to be purchased are located in various parts of the country, where they must be purchased from dealers. For that reason the amount of the limitation is proposed to be increased, and of course the dealers must be compensated for the freight paid on the cars. On the Pacific coast it amounts to at least $150.

Therefore, Mr. President, I send to the desk the amendment, which I offer to the amendment, and ask to have it stated.

The VICE PRESIDENT. The amendment to the amendment will be stated.

The CHIEF CLERK. At the end of the amendment on page 33, after line 20, submitted by Mr. McKELLAR, it is proposed to insert "which amount shall be in addition to amounts allowed for transportation."

Mr. DANAHER. Mr. President, let me ask where that language is to be inserted. Can the Senator from Arizona give me the information?

Mr. HAYDEN. On page 33, after line 20, at the end of the proposed section 201.

Mr. DANAHER. How does the limitation relate in amount to the $1,250 limitation which we have already placed on the Bureau of Yards and Docks with reference to their acquisition of 2,000 automobiles?

Mr. HAYDEN. They can buy the automobiles for that price. The Army buys them from dealers all over the country. So we put a double limitation: First, the price shall not be higher than the price established by the Office of Price Administration; and, second, in no event shall it be more than $1,500 plus the freight.

The idea was that we did not want the Army to be buying Cadillacs and Packards and other high-priced cars; therefore, those limitations were proposed.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. HAYDEN. I yield.

Mr. DANAHER. When we were considering the amendment on page 4, lines 16 to 19, I asked the Senator from Tennessee why the $925 limitation contained in existing law was being raised to $1,250. He then told us precisely what we are being told by the Senator from Arizona is the basis for an increase in price for yet another type of automobile, apparently, to $1,500, plus transportation costs. The Senator from Tennessee told us that we had to increase the amount paid per car $325 in order to take care of all the extra costs, to take care of dealers' carrying charges and the 1-percent-a-month increase in cost over and above the frozen price, if I may use the term, fixed by the Office of Price Administration. I should like to reconcile the two amendments.

Mr. HAYDEN. The first amendment referred to related to a few cars to be purchased by the Navy. The pending amendment relates to a large number of cars to be purchased at locations all over the country by the Army.

Mr. DANAHER. How many automobiles?

Mr. HAYDEN. I should say at least 2,000.

Mr. DANAHER. On page 4, the purchase of 2,000 automobiles is provided for. We are talking about 2,000 additional motor-propelled passenger-carrying vehicles, to be purchased at a price not to exceed $1,250. I do not see how we reconcile the two amendments.

Mr. HAYDEN. In the bill itself we are simply placing a limitation on the total price which may be paid for the automobiles which the Army can buy; we are not limiting the number, but we are placing a limitation on the price.

Mr. DANAHER. But the proposed limit is $250 higher than the limit which previously existed, which had been increased by $325.

Mr. HAYDEN. As was explained in great detail the other day, that is because the automobiles have passed from the ownership of the factories into the hands of dealers. The dealer is allowed by the Office of Price Administration to add to the price of the car the amount allowed each month for carrying charges, and in addition to that we have to allow for the freight charges incurred in hauling the cars all over the country.

The maximum of $1,500 is proposed simply to make sure that no Army officers will ride around in Packards, Cadillacs, or Rolls-Royces.

Mr. DANAHER. That does not follow at all; that is a non sequitur if there ever was one. I was passed this morning by a Packard 160, in which there were some Army officers, and I envied them. But that is not the point. Let me digress to say to the Vice President, who smiled as I spoke, that I have noticed that he gave up his beautiful Packard in recognition of the situation, for which I applaud him.

On page 4, lines 16 to 19, the bill provides that the Navy may buy 2,000 automobiles, at a cost per unit of $1,250. We were told that the increase of $325 was to take care of the very items which the Senator from Arizona now says justify an increase to $1,500 a unit. Does the Senator try to reconcile the two matters, or is the Senator amending the general, all-over unit price for a car, and raising it to $1,500 a car?

Mr. HAYDEN. We are trying to comply in each case with the request of the department affected. In one case the Navy Department wanted the price fixed at $1,250. They can get along with that limit. The Army said they could not. We have to provide them with the cars, and they cannot get them except from dealers.

Mr. DANAHER. I see. So that, as the Senator from Massachusetts explained when he told us that if we were going to transport workers to yards and docks, the Navy can get along with a $925 car, increased by $325, but the Army cannot, and therefore the Senator from Arizona would increase the allowance to $1,500.

Mr. HAYDEN. The bill is open to amendment, and the Senator can offer an amendment changing the $1,250 to $1,500 if he desires to protect the Navy.

Mr. WALSH. Mr. President, I should like to inquire of the Senator from Arizona whether these cars are to be used for transporting passengers or workers from their homes.

Mr. HAYDEN. No.

Mr. WALSH. That is what the Navy cars are for. They say they are going to buy cars for $1,200, and use them as busses. I cannot understand why an ordinary passenger car to carry workers should cost more than a bus, such as those the Navy is going to use, would cost.

Mr. DANAHER. It seems to me to be an extraordinary allowance, I say to the Senator from Massachusetts, and I think the explanation he offered a day or so ago with reference to the Navy's need was very satisfactory.

Mr. WALSH. It may be that the Army, which has the same authority as

the Navy to transport its workers, has in mind busses also, but is not able to get them at the same price at which the Navy gets them. Is that the situation?

Mr. HAYDEN. I do not know about that. All I know is that according to the testimony the various cars run up in price to above $1,400, and in order to be on the safe side the committee made the allowance $1,500. The language as submitted to the committee contained no definite amount, but simply said the price should be as the Office of Price Administration suggested, and out of precaution the committee put it at $1,500.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Arizona [Mr. HAYDEN], to the amendment of the Senator from Tennessee [Mr. MCKELLAR].

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. MCKELLAR. Mr. President, I offer another amendment on behalf of the committee, which I ask to have stated.

The CHIEF CLERK. On page 28, after line 23, it is proposed to insert:

SEC. 202. Section 301 of the Second Supplemental National Defense Appropriation Act, 1941 (act of September 9, 1940, 54 Stat. 884), be, and it hereby is, amended to read as follows:

"SEC. 301. That during the period of the national emergency declared by the President on September 8, 1939, to exist, so much of section 6 of the act approved May 6, 1939 (53 Stat. 683), as amended by section 2 of the act approved June 30, 1939 (53 Stat. 989), as requires the head of each executive department and independent establishment (other than the Post Office Department) to submit to the Postmaster General quarterly reports relating to mail matter which has been transmitted free of postage, is hereby suspended."

Mr. DANAHER. Mr. President, what is the reason for the amendment?

Mr. MCKELLAR. Mr. President, I have a letter from the Attorney General, addressed to the senior Senator from Virginia [Mr. GLASS], which explains the whole situation. The Attorney General's letter is as follows:

OFFICE OF THE ATTORNEY GENERAL,
Washington, D. C., October 5, 1942.

Hon. CARTER GLASS,
Chairman, Committee on Appropriations, United States Senate, Washington, D. C.

MY DEAR SENATOR: I desire to call your attention to a provision of law which seems to impose an unnecessary burden on the executive departments and independent agencies of the Government and from which they should be relieved, at least for the duration of the present emergency.

Pursuant to the provisions of section 2 of the Urgency Deficiency Act of 1939–40 (act of June 30, 1939, 53 Stat 989, U. S. C. 39, sec. 321b), the head of each executive department and independent establishment, other than the Post Office Department, was required to submit to the Postmaster General quarterly reports relating to the amount of mail matter transmitted free of postage during the preceding 3 months.

This requirement imposes a considerable administrative burden on the various departments and the preparation of the reports consumes much time, which during the national emergency could be spent more advantageously on other more urgent matters. For example, the full time of about 20 employees of the Department of Justice is consumed in preparing these reports, covering the seat of government and all field offices.

Section 301 of the Second Suplemental National Defense Appropriation Act, 1941 (act of September 9, 1940, 54 Stat. 884), expressly suspended the foregoing requirement so far as the War and Navy Departments are concerned, during the period of the national emergency declared by the President on September 8, 1939.

Accordingly, I recommend the enactment of legislation which would likewise relieve the other departments of the Government during the period of the national emergency of the duty of furnishing to the Postmaster General quarterly reports of the amount of mail transmitted by it free of postage. This purpose may be effected by inserting the words "and independent establishment" after the words "head of each executive department" in section 301 of the Second Supplemental National Defense Appropriation Act, 1941, and by striking out the clause "insofar as the War and Navy Departments are concerned" at the end of that section.

A draft of a proposed bill to effectuate this purpose is enclosed herewith.

I have been informed by the Director of the Bureau of the Budget that the proposed legislation is in accord with the program of the President.

Sincerely yours,

FRANCIS BIDDLE,
Attorney General.

A bill to exempt the Government agencies from furnishing reports relating to the transmission of postage-free mail

Be it enacted, etc., That section 301 of the Second Supplemental National Defense Appropriation Act, 1941 (act of September 9, 1940, 54 Stat. 884), be, and it hereby is, amended to read as follows:

"SEC. 301. That during the period of the national emergency declared by the President on September 8, 1939, to exist, so much of section 6 of the act approved May 6, 1939 (53 Stat. 683), as amended by section 2 of the act approved June 30, 1939 (53 Stat. 989), as requires the head of each executive department and independent establishment (other than the Post Office Department) to submit to the Postmaster General quarterly reports relating to mail matter which has been transmitted free of postage, is hereby suspended, insofar as the War and Navy Departments are concerned."

Mr. DANAHER. I am satisfied, but I should like to ask one question. Does the relinquishment of the requirement mean that no one will have to keep track of how much it costs to handle this mail?

Mr. MCKELLAR. It will mean that for the duration of the emergency, but not longer.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Tennessee.

The amendment was agreed to.

Mr. MCKELLAR. Mr. President, I offer another amendment, which I send to the desk, and ask to have stated.

The VICE PRESIDENT. The clerk will state the amendment.

The CHIEF CLERK. On page 10, after line 21, it is proposed to insert:

DEFENSE AID

The funds appropriated in section 1 (d) of the Defense Aid Supplemental Appropriation Act, 1941 (Public Law 23), in section 101 (c) of the Defense Aid Supplemental Appropriation Act, 1942 (Public Law 282), and in section 301 (c) of the Second Defense Aid Supplemental Appropriation Act, 1942 (Public Law 474), shall be deemed to be available retroactively as well as prospectively for the procurement, disposition, or furnishing of any defense information or defense service under the act entitled "An act to promote the defense of the United States", approved March 11, 1941 (Public Law 11), whether or not such information or service is necessary to or connected with the procurement or disposition of any defense article, and the authority to dispose of defense articles granted in section 102 of the Third Supplemental National Defense Appropriation Act, 1942 (Public Law 353), in section 102 of the Fourth Supplemental National Defense Appropriation Act, 1942 (Public Law 422) in section 301 of the act of February 7, 1942 (Public Law 441), in sections 102 and 303 of the Fifth Supplemental National Defense Appropriation Act, 1942 (Public Law 474), in section 201 of the Sixth Supplemental National Defense Appropriation Act, 1942 (Public Law 528), in section 103 of this act, and in any other appropriation act for the same purpose, shall be deemed to include the authority to procure, dispose of, or furnish the defense information or defense service under said act of March 11, 1941, whether or not such information or service is necessary to or connected with the procurement or disposition of any defense article.

Mr. MCKELLAR. I can explain the proposal in a word. Under the Lease-Lend Act a ruling by the Comptroller in regard to the use of fund was such that it prevented doing what the act required. The amendment I am offering is merely to change the language so as to conform to the ruling of the Comptroller.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. MCKELLAR. I ask unanimous consent to have printed in the RECORD a letter relating to the amendment just agreed to.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

OFFICE OF LEND-LEASE ADMINISTRATION,
Washington, D. C.

Hon. KENNETH MCKELLAR,
United States Senate, Washington, D. C.

MY DEAR SENATOR MCKELLAR: As you know, Mr. George Ball, Assistant General Counsel of the Lend-Lease Administration, appeared before the Senate Appropriations Committee to urge the inclusion of a provision (attached) in the Second Supplemental National Defense Appropriation Act of 1943, which would clarify the authority of the Lend-Lease Administration to utilize funds already appropriated for the purpose of providing to our Allies services and information not necessarily related to the transfer of any defense article. Mr. Ball in his statement, a copy of which is attached, pointed out that the appropriations to the War and Navy Departments which are available for lend-lease purposes contain this authority, but that the Comptroller General has raised a question as to the availability for similar purposes of funds appropriated directly to the President.

Unless this authority is clarified in the pending appropriation bill, the lend-lease program will be seriously impeded. When the Army and Navy requested funds for the current fiscal year, it was on the assumption that expenses for the transfer of services and information would be borne in large part out of funds appropriated directly to the President and allocated by the Lend-Lease Administration to the various procurement agencies. There are now pending a number of requests by foreign nations to provide for the payment of the dollar costs

of certain services. Examples of such requests are the transportation of New Zealand air-force personnel from New Zealand to San Francisco, and the hospitalization of British personnel injured in this country while undergoing pilot training. I am confident that the Congress has no intention of preventing the Lend-Lease Administration from providing such services, and I trust that you will find it possible to include the authority which we have requested in the pending bill.

The War and Navy Departments, and the Bureau of the Budget, have approved the request for this authority.

Sincerely yours,

OSCAR COX,
General Counsel.

Mr. McKELLAR. I have one other amendment, which will explain itself.

The VICE PRESIDENT. The clerk will state the amendment.

The CHIEF CLERK. On page 11, after line 13, under the caption "Legislation", it is proposed to insert the following:

COMMITTEE ON FEDERAL EXPENDITURES

For an additional amount, which is hereby authorized, to enable the Committee to Investigate Federal Expenditures to carry out the duties imposed upon it by section 601 of the Revenue Act of 1941, to remain available during the existence of the committee, $10,000, one-half to be disbursed by the Secretary of the Senate and the other half by the Clerk of the House upon vouchers approved by the chairman of the committee.

Mr. McKELLAR. I can explain the amendment in a word. It refers to the Byrd committee. That committee took the lead last year in reducing nonwar expenditures of the Government. As a matter of fact, our appropriations were lower than those of the preceding year by $1,313,000,000, and that was in large measure the result of the action of the Byrd committee in regard to various matters. We think the committee should be continued. The amendment would appropriate $5,000 for the use of the House members of the committee and $5,000 for the use of the Senate members.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. McKELLAR. Mr. President, that is all the amendments I have to offer.

Mr. DOWNEY. Mr. President, I wish to offer an amendment to the pending bill which I have discussed with the Senator who is sponsoring the measure. The amendment is on page 8, line 17, after the word "law", to add the words "for the pay of commissioned medical officers who are graduates of reputable schools of osteopathy."

I may say, in relation to the amendment, that there is at the present time no provision in the law by which payment can be made by the Navy to commissioned medical officers who are graduates of schools of osteopathy. The Navy is of the opinion, I understand, that some time during this year it may desire to commission officers who are graduates of schools of osteopathy. The provision is merely permissive, and in case the Navy should desire to make such appointments, this amendment would permit that to be done.

Mr. President, I understand the distinguished Senator from Tennessee [Mr. McKELLAR] is willing to take the amendment to conference.

Mr. McKELLAR. Yes. I have no objection to doing so.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from California [Mr. DOWNEY].

The amendment was agreed to.

Mr. MALONEY. Mr. President, I call up an amendment which lies on the table and ask that it be stated.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. At the proper place in the bill it is proposed to insert the following new section:

SEC. —. Any money which, under the provisions of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public, 528, 77th Cong.), as amended (relating to the renegotiation of contracts), is retained by the United States or withheld by the United States from a contractor or subcontractor, and which would be or would have been payable to a contractor or subcontractor except for the renegotiation of a contract under such section, shall be returned to the Treasury and covered into the Treasury as miscellaneous receipts.

Mr. McKELLAR. Mr. President, I will say to the Senator from Connecticut that after talking to him the other day I called up the Under Secretary of War, Mr. Patterson. I do not want to read the letter which he sent me, but I should like to have the letter placed in the RECORD.

The VICE PRESIDENT. Without objection, it is so ordered.

The letter is as follows:

WAR DEPARTMENT,
OFFICE OF THE UNDER SECRETARY,
Washington, D. C., October 13, 1942.

The Honorable KENNETH McKELLAR,
United States Senate, Capitol Building,
Washington, D. C.

MY DEAR SENATOR McKELLAR: You have asked me whether the War Department would oppose legislation designed to require the covering into the Treasury as miscellaneous receipts of all savings effected as a result of renegotiation of contracts, even where such savings are effected by withholding sums otherwise due to the contractor or by revision of the contract price. The War Department believes that such legislation would serve no useful purpose and would result in a substantial increase in administrative work of the Department.

Prior to the enactment of the renegotiation law contract prices were frequently revised by agreement. Sometimes these revisions resulted in increases, but more often substantial savings to the Government were effected. I do not believe that it ever occurred to anyone that savings resulting from such contract revisions should be paid into the Treasury. I can see no reason why a different view should be taken of similar savings effected since the passage of the renegotiation statute.

The proponents of this legislation seem to be proceeding upon the assumption that the appropriations for the War Department are based on precise estimates of the cost of specific items and that the reduction of any contract price results in an augmentation of the funds available for military purposes. This assumption, however, is not borne out by the facts

The estimates of appropriations required for military and departmental activities follow established procedures required by the Bureau of the Budget and the committees of Congress. In preparing these estimates various items required are grouped together into categories and the total estimated cost of the items within the category are stated. The number of items of any particular category is determined by the strength of the Army which limits the quantity to be procured.

It cannot be determined whether or not the sum estimated or appropriated for any particular category is sufficient or excessive, until the program is completed. One gun may cost more and another less than the amount estimated: one contract may be renegotiated at a lesser price but the next item may absorb all or a part of this reduction. It would be a grave error to assume that if by virtue of the renegotiation of contract prices the cost of the first portion of the total requirements in any given category is less than estimated, that the remainder of the requirements will cost no more than the balance in the appropriation.

Under the established procedure, if there remains at the completion of an authorized procurement period, an unobligated balance of the appropriation for any particular category, this will be reported to Congress and taken into consideration in future appropriations.

The method of accounting to Congress for unobligated balances has the additional advantage that it avoids inflation of appropriations. Furthermore, the procedure which the War Department is required to follow is simple and well understood. On the other hand, to obtain the specific data with respect to each individual contract which would be called for by the proposed legislation would require the setting up of elaborate new systems of bookkeeping.

For these reasons I hope that no action will be taken to require the recovery into the Treasury of any savings effected by renegotiation unless such renegotiation results in the refund or recovery of money actually paid to a contractor.

Sincerely yours,

ROBERT P. PATTERSON,
Under Secretary of War.

Mr. McKELLAR. Mr. President, Mr. Patterson felt that at this time it would be better to administer the bill under the amendments which have already been adopted. He is not unreasonable about the matter at all, but he thought the subject would require more investigation. However, if the Senator feels that it ought to go to conference and see if we can work out something there, I shall not quarrel with him.

Mr. MALONEY. That is very generous. Of course, I want it to go to conference, but I do not want it to go to conference under any shadow of doubt or with the impression that the Senator from Connecticut is shadow boxing about the matter. I want a vote on it. I think the majority of the Senate will be in accord with the amendment and I am prepared to go ahead and discuss it.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. MALONEY. I yield.

Mr. BARKLEY. I do not want to delay the Senator's discussion. I am compelled to leave the Chamber. As I understand the amendment, it means that even in cases where there has been no money paid out of the Treasury—and all money must be paid out by the Treasury, no matter who makes the contract—even in cases where no money has been paid out of the Treasury, but where by renegotiation of a contract what would be paid out later has been reduced, that the amount which the War Department, or the Maritime Commis-

sion, or the Navy Department, would save on the original contract, though not paid out, would have to go back into the miscellaneous funds of the Treasury, so that it would have to be reappropriated by Congress. Is that the object of the Senator?

Mr. MALONEY. That is very definitely the object.

Mr. BARKLEY. I think the Senator, with all due respect to his feelings on the subject is unduly alarmed about that situation. What happens is that until the money is actually paid out by the Treasury, it is in the Treasury. It does not have to be returned to the Treasury.

Mr. MALONEY. May I interrupt the Senator there?

Mr. BARKLEY. Yes.

Mr. MALONEY. Of course, it is in the Treasury, but I hope the distinguished and very able majority leader realizes that though it is in the Treasury, the Army or the Navy or the Maritime Commission may spend it as they please up to the extent that they have those balances, and let me add that during the period of this war it might very well amount to billions of dollars, and let me further add that they might be able to run those departments for a long time after the war without coming to Congress to ask for money.

Mr. BARKLEY. I think the Senator has a fantastic imagination on that subject. Let us take a situation where this might happen. We will say, for example, that we appropriate $25,000,000,000 to the Navy Department for warships.

Mr. MALONEY. I hope I do not forget the Senator's observation about my fantastic imagination, because I am going to come back to that.

Mr. BARKLEY. All right. I have no objection to the Senator coming back to it. Suppose we appropriate $25,000,000,000 to the Navy Department for warships without saying how many of a particular type of ship they should build. They make contracts for the whole $25,000,000,000. Then they renegotiate those contracts, and for $20,000,000,000 they could build the same number of warships for which they had originally contracted, which would have taken up the entire $25,000,000,000. It was an indefinite appropriation in the beginning, so far as the number of ships were concerned. They could not use the money saved out of the funds we had appropriated to the Navy for warships, for the building of an additional warship, without coming back to Congress and getting authority to build another warship out of the money they had saved under the contracts they had entered into under the original appropriation. Is that what the Senator from Connecticut is seeking to arrive at?

Mr. MALONEY. The Senator has selected a very desirable case. Let me clarify it, if I may, because I am afraid there might be some misunderstanding. Let us take the case of guns because they are easier to handle than battleships.

Mr. BARKLEY. There are more of them, too.

Mr. MALONEY. Let us assume that the War Department gets an appropriation of $10,000,000 for guns. As a result of a renegotiation of a contract or contracts it saves $5,000,000. That money remains, although it has never been expended insofar as actual passage of money is concerned, within the control of the War Department, to spend, as I understand it, about as it pleases.

Mr. BARKLEY. No; the Senator from Connecticut is wrong in that respect. It remains in the control of the War Department to spend for the original purpose for which we appropriated it when we appropriated the original amount. They cannot shift it.

Mr. MALONEY. They do not have to shift it. The Senator from Kentucky knows that the appropriations for military purposes are now made in a blanket appropriation.

Mr. BARKLEY. Yes, that is true; and it remains blanket. It does not become unblanketed merely because they make a contract by which, after they have renegotiated it, they save some money. It is still blanketed, and it is still to be spent for the purposes for which we appropriated it.

Mr. MALONEY. For war purposes.

Mr. BARKLEY. Just as if the original contract had been for the new sum to which they had reduced it after a renegotiation.

Mr. MALONEY. I do not follow the Senator at all. If we make a blanket appropriation in the beginning, and the department saves $5,000,000 on a $10,000,000 contract, the $5,000,000, as the Senator points out, is still blanketed, within a blanket appropriation. Does the Senator deny that they can spend that for balloons?

Mr. BARKLEY. Yes; I do. I deny that they can spend it for anything except for what Congress originally appropriated the $10,000,000.

Mr. MALONEY. The Senator knows we make blanket appropriations now.

Mr. BARKLEY. It is blanket for certain specific purposes.

Mr. MALONEY. War purposes.

Mr. BARKLEY. War purposes; but it is not any more blanket after they renegotiate the contract than it was before.

Mr. MALONEY. It gives them the $5,000,000 to do with as they please.

Mr. BARKLEY. Within the limitations of the original $10,000,000 appropriation.

Mr. MALONEY. For the prosecution of the war.

Mr. BARKLEY. For the same purposes for which we appropriated it. Now we trusted the War Department, we will say, in the first instance, and appropriated $10,000,000 to let them spend, as the Senator says, as they pleased. It is a blanket appropriation.

Mr. MALONEY. Only because, if the Senator will permit the interruption, they told us they needed $10,000,000 for guns.

Mr. BARKLEY. They, of course, estimated that they needed $10,000,000 for guns, and that it would cost so much to buy those guns. They make a contract, we will say, which absorbs the whole $10,000,000 for guns. But after they have made the contract, in a hurry, as we know they have to do, and they set in motion the process of renegotiation, they save $2,000,000 on the contract before the money is ever paid out. If the money is paid out, and the contract is renegotiated, and the money comes back to the Treasury, then it automatically goes there.

Mr. MALONEY. I cannot see the difference.

Mr. BARKLEY. Well, the difference is that money has gone out of the Treasury, and goes back in one case, and in the other it has never gone out.

Mr. MALONEY. So the matter of the day on which the negotiation is carried out makes all this great difference?

Mr. BARKLEY. How is that?

Mr. MALONEY. The Senator from Kentucky believes that the day on which we renegotiate makes all this difference.

Mr. BARKLEY. No.

Mr. MALONEY. The Senator from Kentucky seems to believe that if we save $6,000,000 over here, it is all right to put that in the Treasury; but if we save $6,000,000 over there, it is not all right to put it in the Treasury.

Mr. BARKLEY. When money is once paid out of the Treasury it cannot go back into the Treasury for any purpose except into the miscellaneous funds of the Treasury, to be reappropriated by Congress. But when we appropriate money to the War Department, or any of the other agencies involved, upon their recommendation, after they have gone into the question and determined that $10,000,000 is required to buy guns, we will say, they cannot say how many guns they can buy for $10,000,000, because they do not know what the contract will be.

Mr. MALONEY. I do not agree with the Senator; but I shall not interrupt him too long on that question. They do know the price of the gun. That is why they ask for a specific amount.

Mr. BARKLEY. They do not know what the price of the guns will be until they have entered into a contract. They may have an idea; but until a contract is entered into they cannot tell what the price of the guns may be.

The point I make is that we may appropriate $10,000,000 for guns, and a contract may be entered into absorbing the whole $10,000,000. Later the contract may be renegotiated, and the same amount of guns may be obtained for $8,000,000. No money has yet been paid out. The $2,000,000 is still within the Treasury, allocated to the War Department for guns, if the whole $10,000,000 was appropriated for guns at the outset. The Department may buy $2,000,000 more worth of guns, but it may not transfer the $2,000,000 over to something else.

Mr. MALONEY. That would be interesting if the situation which the Senator describes existed; but in the Appropriations Committee we do not appropriate $10,000,000 for guns in this sort of an appropriation bill. We appropriate for blanket purposes. Sometimes we appropriate as much as $1,000,000,000, or even $2,000,000,000, for a single purpose. In some instances we cannot even debate it. In the case of construction we cannot debate it without disclosing our plans to

the enemy. Congress is thereby hampered.

Mr. BARKLEY. I understand.

Mr. MALONEY. So we make a blanket appropriation. I do not think it would be wise—as a matter of fact, I think it would be exceedingly unwise—to do that throughout what might conceivably be a long war. Several times today it has been pointed out that this may be a long war. If we are to spend many billions of dollars during that long period of time the Army, the Navy, and the Maritime Commission may renegotiate and build up tremendous sums. I refer to the possibility of a couple of billion dollars over all.

The Senator from Kentucky says that my notion is fantastic. Let me remind him that we have in the neighborhood of $100,000,000,000 lying around now that has not been spent. We have billions of dollars in the lend-lease fund which have not been spent. I am sorry I do not have the exact figures. Nothing is any longer fantastic in connection with our financial program.

Mr. BARKLEY. The effect of the Senator's amendment, as I see it, would be this: We trusted the War Department, the Navy, and the Maritime Commission with these appropriations in the beginning. We gave them blanket authority to use this much money in the prosecution of the war. The adoption of this amendment in effect would mean that while we trusted the War Department in the full amount we appropriated in the beginning, we do not trust it in the use of what it may save.

Mr. MALONEY. That is not a fair argument, although it is made time and time again. I trust them; but I do not want to pay a premium of billions of dollars on their mistakes or on their good fortune.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. MALONEY. I yield.

Mr. McKELLAR. As the Senator knows, I have a great deal of sympathy with what he is undertaking to do. The question before us now is whether we might not make a mistake in our management of it. Let me read from the letter of Mr. Patterson——

Mr. MALONEY. I read the letter. I am familiar with it.

Mr. McKELLAR. I should like to read it for the RECORD:

> It cannot be determined whether or not the sum estimated or appropriated for any particular category is sufficient or excessive, until the program is complete. One gun may cost more and another less than the amount estimated; one contract may be renegotiated at a lesser price and the next item may absorb all or a part of this reduction. It would be a grave error to assume that if by virtue of the renegotiation of contract prices the cost of the first portion of the total requirements in any given category is less than estimated that the remainder of the requirements will cost no more than the balance in the appropriation.

I am told that the House now has a committee to look into this very matter. That is why I was rather inclined to let the matter go to conference and see if something could be worked out along the lines of the Senator's suggestion, which would not interfere with the department's established order of business. For that reason I was willing to take it to conference to see if we could not work out something.

Mr. MALONEY. I think there is a possibility of getting it to conference with a little more hope and promise than is offered by the language of the Senator, although I may be in error. However, I do not want to have it go to conference with the almost certain feeling that in conference it is going out the first door to the right.

Mr. HAYDEN. Mr. President, will the Senator yield?

Mr. MALONEY. I yield.

Mr. HAYDEN. I have no desire to discuss the merits of the Senator's proposal, but I do wish to discuss the question for a moment and plead with the Senator not to offer his amendment on this appropriation bill. It is legislation.

Mr. MALONEY. The Senator understands that.

Mr. HAYDEN. The Senate can suspend the rule by a two-thirds vote and legislate on an appropriation bill. Often we must do that, because situations arise in which it is unavoidable. However, in this instance we have had this legislation under consideration by two great legislative committees—the Ways and Means Committee of the House and the Finance Committee of the Senate. Today the Senator from Georgia [Mr. GEORGE] reported to the Senate that the House had agreed to legislation of this kind. He stated frankly that it was temporary legislation, and that the House Committee on Ways and Means intends to go fully into the entire subject of renegotiation of contracts. I am a member of the Senate Committee on Appropriations. I do not wish to have that committee lose its standing in the Senate by enacting, on bills which it sponsors, legislation which is not necessary. It is not necessary at this moment. In my judgment there is no urgent need to take action today against the advice of the War Department, when a legislative committee competent to handle the subject has it under consideration in the House. For that reason, to protect the good name of the Senate Committee on Appropriations, I hope that at least one-third of the Senators will not vote to suspend the rule.

Mr. BARKLEY. Mr. President, the whole question raised by this amendment was gone into thoroughly by the Finance Committee and discussed in that committee. A subcommittee was appointed to consider renegotiation. The Senator from Massachusetts [Mr. WALSH] was chairman of the subcommittee. The whole question involved in this amendment was thrashed out, and amendments were agreed on which were acceptable to the contractors, to the War Department, the Navy Department, and the Maritime Commission. It seems to me that to upset legislation which we have just been through today, and which the President has not yet signed, would largely upset the work which has been done in bringing about acceptable amendments to the renegotiation law. The amendments are acceptable to the departments and also to the contractors who are involved.

Mr. MALONEY. Mr. President, I have great appreciation as well as great admiration for the Senator from Kentucky and his views; but I think he is in error. I do not believe that this particular feature of the renegotiation of contracts question was studied by the special subcommittee of the Committee on Finance.

Mr. BARKLEY. If the Senator will read the hearings he will find that it was gone into, and that representatives of the War Department testified on that subject.

Mr. MALONEY. On the subject of renegotiation of contracts?

Mr. BARKLEY. Yes.

Mr. MALONEY. The Senator from Connecticut has read those hearings. He knows that a very great deal of time was devoted to the question of renegotiation of contracts, but not this phase of the question.

Mr. BARKLEY. Yes. The difference between money which has been paid out of the Treasury and that which has been contracted for but not paid out was gone into. The process was shown in the hearings. There is a committee which renegotiates contracts, and that subject was gone into.

Mr. MALONEY. I know that. I am talking about the particular phase of it referring to the recapture of money.

Mr. BARKLEY. We went into it.

Mr. MALONEY. That was not specially studied by the subcommittee.

Mr. BARKLEY. The Senator is mistaken. We went into the question.

Mr. DANAHER. Mr. President, simply because I have at hand figures which my colleague said he lacked with reference to lend-lease funds, I read from the President's message transmitted to us on September 14, in which he stated that from March 1941 down to September 1 the total amount of lend-lease aid was $6,489,000,000, actually spent, delivered, or in process, but that the total amount available, and appropriations actually made—and this is the point my colleague was emphasizing—aggregates $62,944,650,000.

Mr. MALONEY. It would seem to me that that would dissipate the suggestion that I was dealing in the realm of fantasy.

Mr. President, because I know how late the hour is, and because I know that Senators are anxious to get away, I have no desire to prolong the discussion, although I am prepared to discuss the matter at considerable length. Rather than do that I desire to suit the convenience of the Senate. I have offered the amendment, and I ask that it be agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Connecticut [Mr. MALONEY] (putting the question).

Mr. MALONEY. Mr. President, I ask for a division.

Mr. BARKLEY. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. BARKLEY. Does the Senator have to do anything relative to suspension of the rule?

The VICE PRESIDENT. Does the Senator wish to raise a point of order?

Mr. BARKLEY. I am prepared to raise a point of order; but out of my great respect for the Senator, and since it is not my duty to make such a point of order, I hesitate to do so.

Mr. MALONEY. A point of order has not been made.

Mr. BARKLEY. It is usually the duty of the committee to make it.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Connecticut. On this question a division has been requested.

On a division the amendment was rejected.

Mr. MALONEY. Mr. President, I send to the desk another amendment which I offer. It applies only to the pending bill, and I doubt whether it raises any question as to the legislative right to offer it. I ask that the amendment be stated.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. At the proper place in the bill it is proposed to insert the following new subsection:

SEC. —. No money appropriated by this act which, as the result of renegotiation of a contract under section 403 of the Sixth Supplemental National Defense Appropriation Act (Public, 528, 77th Cong.), as amended, is retained by the United States or withheld by the United States from a contractor or subcontractor, and which would be or would have been payable to a contractor or subcontractor except for the renegotiation of such contract, shall be available for expenditure, and all such moneys so retained or withheld shall be returned to the Treasury and covered into the Treasury as miscellaneous receipts.

Mr. MALONEY. Mr. President, let me briefly explain to the Senate that this amendment would do exactly what the other amendment would do, except that it would apply only to the pending appropriation bill. Argument has been made that there is no immediate need for such legislation. I should like to say in that connection that I think it better to take action before there is need than to wait until after the need has passed and the harm is done. I do not think the question of germaneness can arise as to the amendment. I do not think it is what we call legislation on an appropriation bill. I am very hopeful that the amendment will be agreed to.

Mr. McKELLAR. Mr. President, I simply wish to say that the amendment would affect the production of airplanes whose construction is authorized in the bill. Would it not? We would not want to affect the construction of those airplanes.

Mr. MALONEY. I cannot understand the Senator.

Mr. McKELLAR. One of the largest items in the bill is for the construction of airplanes, and I understand that the amendment would affect their construction.

Mr. MALONEY. How would this amendment affect their construction?

Mr. McKELLAR. Perhaps I did not understand the Senator.

Mr. MALONEY. The amendment is identically the same as the other amendment, except that it applies to the pending bill.

Mr. McKELLAR. That is the very point. If it applies to the production of airplanes as provided for in the pending bill, I should not want the amendment to be agreed to.

Mr. MALONEY. I am afraid my time has been wasted. The amendment does not apply at all to airplanes. It does nothing to interfere with the production of airplanes.

Mr. McKELLAR. Suppose that under the bill contracts were let for the production of airplanes, and suppose there were a renegotiation as to the contracts, and that the department got back, let us say, one of the billions of dollars which is proposed to be spent under the bill for the construction of airplanes. The amendment would make the $1,000,000,000 inactive.

Mr. MALONEY. Not under my proposal. My amendment would put the billion dollars back into the Treasury Department, where it belongs.

Mr. McKELLAR. It would put it back into the Treasury, and we could pass another bill providing for the construction of more airplanes, of course. However, without the Senator's amendment we could spend the entire amount for the construction of airplanes.

Mr. MALONEY. If the Senator from Tennessee expresses the views of a majority, and if it is not the intention or desire of Congress to keep the purse-strings in hand and to retain control of Government money—and now we are dealing in billions—of course my proposal is out of place.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. MALONEY. I yield.

Mr. BARKLEY. The Senator's amendment proposes a limitation on the appropriation; otherwise it would not be in order, as it would be regarded as legislation on an appropriation bill. I presume that the Senator's theory is that he can offer the amendment without having the rule suspended because the amendment is a limitation on the appropriation. If it is a limitation on the appropriation it is also a limitation on the department in making contracts under the appropriation bill, because, instead of making contracts hastily, as the departments were required to do in many cases—contracts which they could renegotiate later, and thus could save whatever could be saved from contracts which were hastily let because of the necessities of the moment—the War Department would be required by the amendment to sit down for perhaps weeks to haggle over the terms of a contract, because under the terms of the Senator's amendment they could not renegotiate it without having to have the money saved as a result of the renegotiation go right back into the Treasury. That would be a part of the money which we are now appropriating, money which would not be paid out but which we are appropriating. By the renegotiation they would save a certain amount of the money, but they could not spend it for airplanes without coming back to Congress and obtaining another appropriation.

Mr. MALONEY. I do not like to appear to be disrespectful, but that argument seems to me to be a terribly weak one. We have given them all the money they have asked of us for airplanes.

Mr. BARKLEY. Yes; we have. Can the Senator from Tennessee tell us the exact amount?

Mr. McKELLAR. Approximately $3,800,000,000.

Mr. BARKLEY. The Senator uses airplane contracts as an illustration. Of course, the whole appropriation carries $6,300,000,000, and the largest amount appropriated is for airplanes.

Mr. McKELLAR. It amounts to $3,800,000,000.

Mr. BARKLEY. Yes; $3,800,000,000 is appropriated for airplanes.

Under the terms of the bill the Department will proceed to let contracts for the construction of $3,800,000,000 worth of airplanes. Then later they can renegotiate some of the contracts, and perhaps save $800,000,000. If the Senator's amendment be agreed to, they would not be able to order any more airplanes with the $800,000,000, and they would not be able to let new contracts for the expenditure of the $800,000,000 for the construction of airplanes, without coming back to Congress and obtaining more authority to do exactly what we are doing now.

Mr. MALONEY. That is exactly right, and if the amendment be agreed to, neither could they spend the $800,000,000 for any one of a thousand things which might come to their minds.

Mr. BARKLEY. They could not do that anyway. They have to spend the money for the purposes for which we have appropriated it.

Therefore, the amendment, if agreed to, would handicap the War Department or whatever department is involved in making contracts in the first instance, because the departments would be deprived of the leeway which, without the amendment, they would have.

Without the amendment, they would be able to buy more airplanes with whatever money they might be able to save, but the Senator's amendment would prevent the purchase of any airplanes with such money.

Mr. MALONEY. I hope that the Army and the Navy have asked for all the money they need at this time for the building of airplanes. I feel confident that the Navy has done so. The Senator from Kentucky would have us believe that the Navy anticipates, in the immediate future, the purchase of many more airplanes with the money it will save under renegotiation of the contracts let under the pending appropriation bill. I do not understand that to be so. I do not want to hamper the Navy, but I do not want to have scattered through the various departments hundreds of millions, and perhaps billions of dollars, that will be expended at the will and whim of the people within the departments. Without stretching my imagination too far, I can conceive that at the end of the

war, if we maintain our financial structure in the interim, the departments will be able to go on for years without having to come to Congress and ask for any money; and the money that lies there now is pretty fair proof of that statement.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. MALONEY. I yield.

Mr. McKELLAR. Let me say to the Senator and to the Senate that the renegotiation of contracts law was the result of many conferences between the Department and our committee. I refer to the original law, the one which was passed and became the law on the 28th of April. I never took more interest in a thing in my life. I think it is the best work I have ever done since I have been in Congress. Let me state to the Senator that the several departments told me that by the 1st of January over $2,000,000,000 will have been saved—one company already having returned approximately $293,000,000—and that many other sums smaller than that will be saved—sums amounting at this time to more than $1,000,000,000, and which will amount to $2,000,000,000 by the 1st of January, so these gentlemen say.

It can be imagined that I have a good deal of interest in it. I take much pride in it. I do not want to make a mistake. Judge Patterson created a very fine impression upon me. He is in charge of the matter for the Army, and the Army is more concerned in these savings than is any other department. I think the savings the first few months were something like $556,000,000 in that one department. For that reason, when Judge Patterson comes and tells me and also writes me, as he did in the letter from which I read a moment ago, that he does not think the amendments requiring all sums to be paid back into the Treasury is a workable measure, I am somewhat afraid to go along with the amendment. I think that wherever possible the money should be paid back. I think we should provide that reports be made as to what is done with these savings, probably every 60 days or every 3 months, or something of the sort. The House committee has undertaken to prepare an amendment along that line. We have not done anything about it, because that part of it was turned down by the committee over which the Senator from Massachusetts [Mr. WALSH] presides.

Mr. MALONEY. Mr. President, I should like to say that I doubt that that last statement is accurate.

Mr. McKELLAR. What does the Senator mean by that?

Mr. MALONEY. That that part of the matter was turned down by the committee of which the Senator from Massachusetts is chairman.

Mr. McKELLAR. I was present when it was turned down.

Mr. MALONEY. Perhaps I am mistaken, but we discussed the matter at length here last Saturday with the Senator from Massachusetts, and that did not develop during the course of the conference.

Mr. McKELLAR. This matter was brought up before the committee, and my understanding was the committee turned it down. It did not report it. I felt a great deal of sympathy with the desire to have the money paid back to the Treasury wherever possible. I think it should be covered in as general receipts.

Mr. WALSH. It is paid back into the Treasury if the renegotiated contract is completed. If the price is paid and a renegotiation takes place, the money refunded is sent back into the Treasury.

Mr. McKELLAR. That is my understanding of it.

Mr. WALSH. As I understand, the theory is that a contract is not completed, finished, and charged to the Army or the Navy when it is renegotiated before the last dollar is paid, and they claim that they ought to have in their account credit for the contract that is temporary in the beginning, and finally becomes permanent.

Mr. McKELLAR. I will ask the Senator, while he is on the floor, whether the committee did not take the view presented by Mr. Patterson about the matter, and for that reason turned that matter down? I so understood.

Mr. WALSH. I wish to say to the Senator from Connecticut that the question of whether the money should go to the Treasury or be credited to the Department was not gone into very fully. It was assumed by all of us that the renegotiation of a contract before the price is paid over is a departmental matter, that a department has a right to renegotiate, and should not be charged with the amount of money that it invests until the contract renegotiation has been accomplished.

Mr. McKELLAR. I made one mistake, in connection with the pending bill, in my understanding of what was being done in the committee, but as I understood it, what I have stated about the action in this regard is accurate.

Mr. WALSH. Yes; the fact that we agreed that recaptured money, after a contract was completed, should go to the Treasury, was tantamount to saying that the other money should remain in the Department.

Mr. McKELLAR. That was my understanding.

Mr. MALONEY. Mr. President, I am certain that all Senators understand the question, and I shall not delay the Senate longer.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Connecticut [putting the question]. The "noes" appear to have it.

Mr. MALONEY. I ask for a division.

The Senate divided.

The VICE PRESIDENT. The amendment is rejected.

Mr. MALONEY. I know the Vice President is correct about the result but would he have any objection to telling us what the numbers were?

The VICE PRESIDENT. It seems to be against the custom to do that.

Mr. MALONEY. I withdraw the request.

The VICE PRESIDENT. When the Chair reached the number of "ayes" when counting the "noes," he stopped counting. He did not count the rest.

Mr. MALONEY. I was not familiar with the rule on the subject, and as a matter of fact I was attempting to do just what the rules do not permit. I was attempting to show the number of Senators present, and I realize it was a mistake.

The VICE PRESIDENT. The question is on the engrossment of the amendments, and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill (H. R. 7672) was read the third time and passed.

Mr. McKELLAR. I move that the Senate insist upon its amendments, request a conference with the House thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Vice President appointed Mr. McKELLAR, Mr. GLASS, Mr. HAYDEN, Mr. TYDINGS, Mr. RUSSELL, Mr. NYE, and Mr. LODGE conferees on the part of the Senate.

ORDER FOR RECESS TO THURSDAY

Mr. BARKLEY. Mr. President, I ask unanimous consent that when the Senate concludes its business today it stand in recess until 11 o'clock a. m. Thursday next.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

RENEGOTIATING WAR CONTRACTS

Mr. WALSH. Mr. President, there has been so much interest in the amendments made to the renegotiation of war contracts laws in the new tax bill, H. R. 7378, that I think two drafting changes made on Saturday by the committee of conference, and the reasons therefor, should be printed in the CONGRESSIONAL RECORD, together with the portion of the Finance Committee report on this subject which explains the other amendments now incorporated in H. R. 7378, and which in all probability will become law by the signing of the bill by the President.

I therefore ask that the letter I send to the desk, together with the appropriate part of the report, be printed in the RECORD.

There being no objection, the matters were ordered to be printed in the RECORD, as follows:

TREASURY DEPARTMENT,
Washington, October 19, 1942.

Hon. DAVID I. WALSH,
United States Senate, Washington, D. C.

MY DEAR SENATOR: You have requested a description of the amendments to the Senate bill with respect to renegotiation of war contracts which were adopted by the Committee of Conference on H. R. 7378.

Most of the amendments were purely drafting changes designed to clarify the language of the Senate amendment. Two matters of substance are, however, included.

1. In cases in which a contractor holds contracts with more than one of the renegotiating agencies, it is the present administrative practice to have the agency with which the contractor has his major contracts renegotiate all of the contractor's contracts. This procedure is designed to obviate the necessity of forcing the contractor to renegotiate with several agencies which may have slightly different standards. The present law contains no express authority for the Secretary of one

Department to sign a renegotiation agreement respecting contracts held by another Department and it has been thought desirable that such authority be granted in order to confirm the administrative practice above described. The amendment agreed to in conference accordingly amends subsection (f) of section 403 along these lines.

2. As you will recall, the Senate bill provided that where income and excess profits taxes were paid or payable with respect to excessive profits eliminated pursuant to renegotiation, the amount of such taxes should be credited against the excessive profits so eliminated. If the amount of such taxes were in dispute between the contractor and the Commissioner of Internal Revenue, the language of the Senate bill would permit no credit for the benefit of the contractor unless he agreed to the Commissioner's determination. The contractor might, therefore, be forced to repay the full amount of excessive profits required to be recaptured under section 403 and then be forced to sue the Commissioner for a refund of all taxes paid or payable with respect to the excessive profits recaptured. This procedure was felt to be unduly burdensome to the contractors. It has, therefore, been provided, in the amendments agreed to in conference, that credit should be allowed for the amount of taxes which the Commissioner determines to be attributable to the excessive profits eliminated under section 403 and, as to any balance which may have been claimed by the contractor as so attributable, the contractor may file a claim for refund with the Commissioner. As a matter of drafting convenience, this provision has been incorporated in section 508 of H. R. 7378, which in the Senate bill adds a new section 3805 to the Internal Revenue Code respecting disallowance by the Comptroller General of reimbursement for costs in connection with cost-plus-a-fixed-fee contracts. It was felt that this matter properly belonged in the Internal Revenue Code rather than in the renegotiation statute.

An example will illustrate the operation of this amendment. Assume that in 1944 a renegotiation agreement requires the repayment by the contractor of $100,000 which the contractor had included in gross income in his tax return for the year 1942. The Commissioner of Internal Revenue asserts that $60,000 is the amount of tax paid by the contractor for the year 1942 which is attributable to this $100,000 item. The contractor, however, contends that $70,000 is the amount of tax properly attributable to such item. Under the provisions of the Senate bill, the Secretary was not required to allow credit for taxes paid unless the contractor and the Commissioner were in agreement. In this case, unless the contractor were willing to accept the Commissioner's determination of $60,000 as final, he would be forced under the Senate bill to repay $100,000 to the Government pursuant to section 403 and file with the Commissioner a claim for refund of $70,000. Under the amendments agreed to in conference, the Secretary must allow the contractor a credit of $60,000. The contractor will thus repay to the Government $40,000 and file with the Commissioner a claim for refund of $10,000.

Sincerely yours,

ROBERT B. EICHHOLZ,
Assistant Tax Legislative Counsel.

AMENDMENTS

1. Section 403 (a) (1) of Public, 528, defines the term "department" to include War Department, Navy Department, and Maritime Commission. This new amendment will include the Treasury Department. The Treasury Department embraces the Procurement Division of the Government which does much contracting for lend-lease materials. It is therefore deemed desirable that the effort to prevent excessive profits should be applicable to the Department of the Government.

2. Subsection (a) (4) merely defines the term "excessive profits," there being no clear definition of what this term means in the original law.

3. Subsection (a) (5) defines the term "subcontract." Originally there was a difference of opinion between the Army, on the one hand, and the Navy and Maritime Commission on the other, as to the extent and scope of the definition of "subcontract." A final agreement has been reached between these departments of the Government and the term "subcontract" is now defined as meaning—

"any purchase order or agreement to perform all or any part of the work, or to make or furnish any article, required for the performance of another contract or subcontract. The term 'article' includes any material, part, assembly, machinery, equipment, or other personal property."

The original difference between the Army definition and the definition proposed by the Navy and Maritime Commission was whether or not the negotiators should have authority in the matter of redetermining the prices of ordinary commercial articles. The Army felt there was no reason for renegotiation in the case of articles to which price ceilings were applicable, as they are in the case of nearly all commercial articles. The Maritime Commission and the Navy Department pointed out that price ceilings were fixed on the basis of unit price. The Government and contractors purchase these units of given commercial articles, but their purchases are in such large volume that they are able to obtain a much lower price than the price ceiling. The Navy and the Maritime Commission believed they should have the right to inquire and to determine whether or not even the cost, when at a lower-than-ceiling price, does not embrace excessive profits. The Maritime Commission also pointed out that the component parts of merchant ships might well be considered to be commercial articles and that, furthermore, exclusions of such articles might interfere with the recapture provisions of the Merchant Marine Act of 1936. The language of the amendment finally agreed to includes the commercial articles named.

4. Subsection (b) (2) and (3) makes it clear that no contractor will be compelled to reimburse the Treasury for excessive profits determined until he has received his contract price from the Government. Of course there was no doubt that if excess profits were found to exist before the contract price was paid, a deduction could be made from the contract price.

5. The amendments to subsection (b) (3) have two additional purposes: (i) While the present statute appears to require the Government to withhold money from a subcontractor, such withholding is normally impossible because the Government owes nothing to the subcontractor. The amendment therefore requires the prime contractor to withhold sums for the account of the Government in subcontract cases. (ii) The present law only permits the insertion in the subcontracts made by the prime contractors of provisions similar to those required by the statute in the case of prime contracts. The amendment would permit the insertion of such contract provisions in any subcontract at the discretion of the Secretary.

6. The first part of subsection (b) (4) makes it clear that prime contractors are only liable for reductions in the contract prices of their subcontracts where the prime contractor receives the benefit of the price reduction.

7. The second part of subsection (b) (4) permits the Secretary to fix the period or periods for renegotiation and in this way prescribe a statute of limitations. If he believes the provisions of the contract are otherwise adequate to prevent excessive profits, he may restrict renegotiation to a portion of the contracts or he may make the contract price firm during a specified period or periods, and he may provide that the contract price in effect during such period or periods shall not be subject to renegotiation. The inflexible provisions of the present law make it difficult, if not impossible, to make firm prices for limited periods. It is felt that the power to make firm prices for very limited periods is essential in negotiating target prices which afford the contractor an incentive to reduce his costs.

8. A new sentence has been added at the end of subsection (c) (1) which expressly permits renegotiation of some or all of a contractor's contracts as a group. This procedure has been found to be more administratively practical where a contractor holds a very large number of contracts.

9. Subsection (c) (2) has been revised to relieve a surety under a contract from liability for excessive profits thereon, as was done under the Vinson-Trammel Act.

10. Subsection (c) (3) has been revised expressly to authorize the offset of excess-profits taxes paid against the excessive profits covered by the renegotiation statute. Although such offset has been in effect, administratively, it has been thought desirable to write it into the law. Contractors will thus be assured that there will be no possibility of a double penalty for excess profits; once through the excess-profits tax and again through renegotiation. It is also provided that the Secretary shall give due recognition, in the ascertainment of whether profits are excessive, to be properly applicable exclusions and deductions, which are allowed for tax purposes.

11. Subsection (c) (4) authorizes the making of final agreements between the Government and a contractor or subcontractor, which will be binding upon both parties and will preclude reopening or renegotiation at a later date. This provision should remove fears which have been expressed that the present law authorizes an infinite number of renegotiations with respect to the same fiscal period, and that contractors are thus precluded from learning with certainty of their financial position until long after the war.

12. Subsection (c) (5) enables a contractor or subcontractor of his own motion, to obtain a clearance from liability for excessive profits under the statute. It is provided that he may file financial statements for any prior fiscal year or years, and unless within 1 year thereafter, or within such shorter period as may be prescribed, renegotiation has been commenced, the contractor or subcontractor will automatically be relieved of liability for excessive profits in respect of such fiscal year or years.

13. Subsection (c) (6) limits the time within which renegotiation of any particular contract or subcontract may be commenced to 1 year after the close of the fiscal year within which a contract or subcontract is completed. No such provision is contained in the present law and as a result a contract already completed may be renegotiated at any time before 3 years after the end of the war. This amendment will enable contractors to ascertain their final liabilities as rapidly as possible.

The subsection, in the interests of good administration, also limits renegotiation to cases in which the aggregate sales to the Government by the contractor or subcontractor exceed $100,000 for his fiscal year.

14. A new subsection (i) has been added to the present statute permitting exemption from renegotiation in the case of certain limited types of contracts.

(a) Government contracts: Contracts between the War, Navy, and Treasury Departments and the Maritime Commission, and

any other Federal or local agency or any foreign government, are completely exempted.

(b) Raw materials: Any contract or subcontract for raw materials is also completely exempted. Raw materials are defined as "the product of a mine, oil or gas well, or other mineral or natural deposit, or timber which has not been processed, refined, or treated beyond the first form or stage suitable for industrial use." All the departments concerned agreed, on the grounds of administrative simplicity, that contracts and subcontracts for raw materials should be exempted.

(c) Contracts or subcontracts to be performed outside the continental United States or Alaska, may be exempted in the discretion of the department concerned: It would obviously be extremely difficult to require renegotiation in the case of a foreign contractor performing work in a foreign territory.

(d) Contracts where the profits can be determined with reasonable certainty when the price is established: The secretary of the department concerned is authorized, in his discretion, to exempt such contracts. Examples of the types of contracts covered by this provision are agreements for personal services, for the purchase of real property, perishable goods, or commodities (the minimum price for the sale of which has been fixed by a public regulatory body), leases and license agreements, and agreements, the period of performance of which will not exceed 30 days.

(e) Target price contracts: If, in the opinion of the secretary, the provisions of the contract are otherwise adequate to prevent excessive profits, a portion of the contract may be exempted from renegotiation during a specified period or periods.

15. Subsection (j) clarifies present provisions of the law to assure those temporarily and intermittently employed by any department concerned, that they are not precluded from prosecuting a claim against the United States in their private capacity if such a claim does not arise from any matter directly connected with the governmental employment of such person, and if such claim is not prosecuted during the period such person is employed by the Government.

MOBILIZATION OF THE TECHNOLOGICAL RESOURCES

Mr. HAYDEN. Mr. President, from the Committee to Audit and Control the Contingent Expenses of the Senate, I report favorably Senate Resolution 303, and ask unanimous consent for its present consideration.

The VICE PRESIDENT. Is there objection?

There being no objection the Senate proceeded to consider the resolution (S. Res. 303), which had previously been reported from the Committee on Military Affairs, with an amendment, on page 1, line 12, after the words "Seventy-seventh", to strike out "and succeeding Congresses", and to insert "Congress", so as to read:

Resolved, That the subcommittee on technological mobilization of the Military Affairs Committee is authorized and directed to study the possibilities of better mobilizing the technological resources of the United States, for the more efficient prosecution of the war. The subcommittee shall report to the Military Affairs Committee at the earliest practicable date the results of its investigation, together with its recommendations, if any, for necessary legislation

For the purpose of this resolution, the subcommittee is authorized to hold such hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Seventy-seventh Congress, to employ such clerical and other assistants, to borrow from Government agencies and departments such special assistants, to require by suppena or otherwise the attendance of such witnesses and the production of such correspondence, books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed $2,500, in addition to the cost of stenographic services to report such hearings, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

The amendment was agreed to.

The resolution as amended was agreed to.

EXECUTIVE SESSION

Mr. McKELLAR. I move that the Senate proceed to the consideration of Executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGE REFERRED

The VICE PRESIDENT laid before the Senate a message from the President of the United States nominating Capt. Edward L. Cochrane to be Chief of the Bureau of Ships in the Department of the Navy, with the rank of rear admiral, for a term of 4 years, from the 1st day of November 1942, which was referred to the Committee on Naval Affairs.

EXECUTIVE REPORTS OF A COMMITTEE

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nominations of sundry postmasters.

The VICE PRESIDENT. If there be no further reports of committees, the clerk will state the nominations on the Executive Calendar.

POSTMASTERS

The Chief Clerk proceeded to read sundry nominations of postmasters.

Mr. McKELLAR. I ask unanimous consent that the postmaster nominations be confirmed en bloc.

The VICE PRESIDENT. Without objection, the nominations are confirmed en bloc.

THE ARMY

The Chief Clerk proceeded to read sundry nominations in the Army.

The VICE PRESIDENT. Without objection, the Army nominations are confirmed en bloc.

THE NAVY

The Chief Clerk read the nomination of Oliver M. Read to be rear admiral in the Navy, for temporary service.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

THE MARINE CORPS

The Chief Clerk proceeded to read sundry nominations in the Marine Corps.

Mr. WALSH. I ask unanimous consent that the nominations in the Marine Corps be confirmed en bloc.

The VICE PRESIDENT. Without objection, the nominations are confirmed en bloc.

Mr. WALSH. I ask unanimous consent that the President be immediately notified of all confirmations of today.

The VICE PRESIDENT. Without objection, the President will be notified forthwith of all confirmations made today.

RECESS TO THURSDAY

Mr. McKELLAR. Mr. President, as in legislative session, in conformity with the unanimous consent already given, I move that the Senate take a recess until Thursday next at 11 o'clock a. m.

The motion was agreed to; and (at 6 o'clock and 29 minutes p. m.) the Senate took a recess, the recess being, under the order previously entered, until Thursday, October 22, 1942, at 11 o'clock a. m.

NOMINATIONS

Executive nominations received by the Senate October 20 (legislative day of October 15), 1942:

IN THE NAVY

Capt. Edward L. Cochrane, to be Chief of the Bureau of Ships in the Department of the Navy, with the rank of rear admiral, for a term of 4 years, from the 1st day of November 1942.

CONFIRMATIONS

Executive nominations confirmed by the Senate October 20 (legislative day, October 15), 1942:

IN THE ARMY

TEMPORARY APPOINTMENTS IN THE ARMY OF THE UNITED STATES

To be lieutenant generals

Robert Lawrence Eichelberger
George Churchill Kenny

To be brigadier general

Neal Creighton Johnson.

IN THE NAVY

PROMOTION FOR TEMPORARY SERVICE

To be a rear admiral in the Navy, for temporary service, to rank from May 9, 1942

Oliver M. Read

IN THE MARINE CORPS

PROMOTIONS IN THE REGULAR SERVICE

To be colonel

William T. Clement

To be first lieutenant

Russell Duncan

To be second lieutenants

Gordon R. Lockard	James C. Fetters
Thomas T. Grady	Donald R. France
Leonard G. Lawton	Robert H. Venn
Victor R. Bisceglia	William B. Onley, Jr.
Robert W. Dyer	Edgar L. Allen
Robert F. Thompson	Charles H. LeClaire
John D. Mattox	Edwin H. Klein
Richard W. Schutt	George W. Ellis, Jr.
James P. Wilson	Alfred J. McCourtney.
Alfred E. Holland	David W. Bridges
Monson J. McCarty	Burdette A. Ogle
Robert L. Raclin	William K. Gillespie
Wyman W. Trotti	Robert D. Mellin
Charles S. Robertson	Jefferson D. Smith, Jr.

POSTMASTERS

ALABAMA

Olis O. Goode, Rogersville.
Marguerite Noles Skinner, Thomaston.

ALASKA

Hollis Henrichs, Cordova.

CALIFORNIA

Mary Ella Dow, Anderson.
Frederick A. Dickinson, Ben Lomon
John G. Carroll, Calexico.
Harry B. Hooper, Capitola.
Harold E. Rogers, Chowchilla.
Frank J. Roche, Concord.
Alice D. Scanlon, Colfax.
Robert A. Clothier, Cotati.
L. Belle Morgan, Encanto.
Faith I. Wyckoff, Firebaugh.
Mary B. Bradford, Galt.
Ralph W. Dunham, Greenfield.
Frederick N. Blanchard, Laton.
Bert A. Wilson, Los Banos.

GEORGIA

George B. McIntyre, Ailey.
William H. Wood, Jr., Loganville.
Hugh L. Johnston, Woodstock.

KANSAS

Harriet Pearl Hinshaw, Arlington.
Sophia Kesselring, Atwood.
Charles Ward Smull, Bird City.
Jane Waters, Bonner Springs.
Charles A. Hegarty, Effingham.
Page Manley, Elk City.
Walter S. Davis, Florence.
Rosa J. Munger, Hanover.
Warren D. Gilmore, Highland.
Ivan R. Mort, Hill City.
William A. B. Murray, Holyrood.
Robert E. Deveney, Meriden.
Grace E. Wilson, Milford.
Eunice E. Buche, Miltonvale.
Perry S. Kozel, Morrowville.
Edison Brack, Otis.
Lawrence W. Leisure, Pleasanton.
Ralph L. Hinnen, Potwin.
George J. Smith, Summerfield.

OHIO

Walter T. Ault, Findlay.
Harry A. Higgins, Xenia.

PENNSYLVANIA

Charles T. Bonner, Glen Riddle.
Cornelius McCullough, Lansdowne.
Marea Stover, Shrewsbury.

HOUSE OF REPRESENTATIVES

TUESDAY, OCTOBER 20, 1942

The House met at 11 o'clock a. m., and was called to order by the Speaker.

Hon. CHARLES A. EATON, of New Jersey, offered the following prayer:

Unto the Eternal King, Our Father, we lift our hearts in humble gratitude for His divine mercy. In confession of our sins, and in petition for His help in facing the great duties that confront us, we bow in thanksgiving for all His goodness, and dedicate our lives afresh to His service.

In the name of Jesus, our Divine Redeemer. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had agreed to the reports of the committees of conference on the disagreeing votes of the two Houses on the amendments of the House to bills of the Senate of the following titles:

S. 2471. An act to amend the act entitled "An act to prevent pernicious political activities," approved August 2, 1939, as amended, with respect to its application to officers and employees of educational, religious, eleemosynary, philanthropic, and cultural institutions, establishments, and agencies, commonly known as the Hatch Act; and

S. 2751. An act to amend the act entitled "An act to establish a Women's Army Auxiliary Corps for service with the Army of the United States," approved May 14, 1942, to create the grade of field director in such corps, to provide for the enrolled grades in such corps comparable to the enlisted grades in the Regular Army, to provide pay and allowances for all members of such corps at the same rates as those payable to members of the Regular Army in corresponding grades, and for other purposes.

VISIT OF MEMBERS OF APPROPRIATIONS COMMITTEE TO RIO DE JANEIRO

The SPEAKER laid before the House the following communications:

DEPARTMENT OF STATE,
Washington, October 16, 1942.

MY DEAR MR. SPEAKER: I take pleasure in transmitting, at the request of the Brazilian Ambassador, a communication expressing the appreciation of the President of Brazil for the congressional motion of February 2, 1942, regarding the visit of five members of the subcommittee of the House Committee on Appropriations to Rio de Janeiro.

Sincerely yours,

SUMNER WELLES,
Acting Secretary.

[Translation]

EMBASSY OF THE UNITED STATES OF BRAZIL,
Washington, October 8, 1942.

No. 449/501.48.

MR. SECRETARY OF STATE: I have the honor to address Your Excellency to request you to have the kindness to transmit to the House of Representatives of the United States of America the thanks of His Excellency the President of the Republic of Brazil for the motion of February 2, of the current year, expressing to His Excellency and the people of Brazil the deep appreciation for the cordial demonstration of friendship for the Congress and the people of the United States of America on the occasion of the visit to Rio de Janeiro of five members of the Budget Committee.

2. His Excellency was deeply moved by the above-mentioned motion and the expressions of solidarity and friendship therein contained, which are so characteristic of the relations between the two friendly countries.

I avail (etc.) * * *

CARLOS MARTINS PEREIRA E SOUSA.

His Excellency Mr. CORDELL HULL,
Secretary of State of the United States of America.

CONFERENCE REPORT ON THE REVENUE BILL

Mr. DOUGHTON. Mr. Speaker, I call up the conference report on the bill (H. R. 7378) to provide revenue, and for other purposes, and ask unanimous consent that the statement may be read in lieu of the report.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 7378) to provide revenue, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 76, 114, 216, 243, 387, 388, 389, 392, 400 407, 414, 415, 432, 436, 461, 484, 492, and 501.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 72, 73, 74, 75, 79, 80, 82, 84, 85, 87, 89, 90, 91, 94, 95, 96, 97, 98, 99, 100, 101, 102, 108, 109, 113, 118, 119, 120, 121, 122, 123, 126, 128, 129, 132, 133, 134, 135, 136, 138, 139, 140, 141, 142, 143, 144, 145, 146, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 162, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 180, 182, 183, 184, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 198, 199, 200, 201, 202, 207, 209, 210, 211, 212, 213, 214, 218, 222, 223, 225, 226, 227, 228, 229, 230, 231, 232, 233, 235, 236, 237, 238, 239, 240, 241, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 292, 293, 294, 295, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 390, 393, 394, 395, 396, 397, 398, 401, 403, 404, 405, 406, 408, 409, 410, 411, 412, 413, 416, 417, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 433, 434, 437, 439, 440, 441, 442, 443, 444, 445, 446, 447, 450, 451, 452, 453, 454, 455, 456, 457, 458, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 475, 476, 477, 478, 479, 480, 481, 482, 483, 485, 486, 487, 488, 489, 490, 491, 493, 494, 495, 496, and 502, and agree to the same.

Amendment numbered 6: That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "$385"; and the Senate agree to the same.

Amendment numbered 14: That the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"In the case of any corporation computing such tax under section 721 (relating to abnormalities in income in the taxable period), section 726 (relating to corporations completing contracts under the Merchant Marine Act of 1936), section 731 (relating to corporations engaged in mining strategic minerals), or section 736 (b) (relating to corporations with income from long-term contracts), the credit shall be the amount of which the tax imposed by such subchapter is 90 per centum. For the purpose of the preceding sentence, the term 'tax imposed by subchapter E of chapter 2' means the tax computed without regard to the limitation provided in section 710 (a) (1) (B) (the 80 per centum limitation), without regard to the credit provided in section 729 (c) and (d) for foreign taxes paid, and without regard to the adjustments provided in section 734."

And the Senate agree to the same.

Amendment numbered 34: That the House recede from its disagreement to the amendment of the Senate numbered 34, and agree to the same with an amendment, as follows: Omit the matter proposed to be inserted by

the Senate amendment, and restore the matter proposed to be stricken out by the Senate, and on page 21, line 18, of the House bill strike out "111" and insert "112"; and the Senate agree to the same.

Amendment numbered 46: That the House recede from its disagreement to the amendment of the Senate numbered 46, and agree to the same with an amendment, as follows: On page 19, line 19, of the Senate engrossed amendments, after "deficiency", insert "but without interest"; and on page 21, line 13, of the Senate engrossed amendments, after "liquidation", insert "or replacement"; and the Senate agree to the same.

Amendment numbered 70: That the House recede from its disagreement to the amendment of the Senate numbered 70, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "169"; and the Senate agree to the same.

Amendment numbered 71: That the House recede from its disagreement to the amendment of the Senate numbered 71, and agree to the same with an amendment, as follows: On page 29, line 21, of the Senate engrossed amendments, after "children" insert "(but in the case of contributions or gifts to a trust, chest, fund, or foundation, payment of which is made within a taxable year beginning after the date of the cessation of hostilities in the present war, as proclaimed by the President, only if such contributions or gifts are to be used within the United States or any of its possessions exclusively for such purposes)."

And the Senate agree to the same.

Amendment numbered 77: That the House recede from its disagreement to the amendment of the Senate numbered 77, and agree to the same with an amendment, as follows: On page 33, line 18, of the Senate engrossed amendments strike out "129" and insert "128"; and the Senate agree to the same.

Amendment numbered 78: That the House recede from its disagreement to the amendment of the Senate numbered 78, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "129"; and the Senate agree to the same.

Amendment numbered 81: That the House recede from its disagreement to the amendment of the Senate numbered 81, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "130"; and the Senate agree to the same.

Amendment numbered 83: That the House recede from its disagreement to the amendment of the Senate numbered 83, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "131"; and the Senate agree to the same.

Amendment numbered 86: That the House recede from its disagreement to the amendment of the Senate numbered 86, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "$350"; and the Senate agree to the same.

Amendment numbered 88: That the House recede from its disagreement to the amendment of the Senate numbered 88, and agree to the same with an amendment, as follows: On page 37, line 21, of the Senate engrossed amendments strike out "$300" and insert the following: "132"; and the Senate agree to the same.

Amendment numbered 92: That the House recede from its disagreement to the amendment of the Senate numbered 92, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 133. Credit for dividends paid on certain preferred stock.

"Section 26 is amended by inserting at the end thereof the following new subsection:

"'(h) Credit for dividends paid on certain preferred stock.—

"'(1) Amount of credit: In the case of a public utility, the amount of dividends paid during the taxable year on its preferred stock. The credit provided in this subsection shall be subtracted from the basic surtax credit provided in section 27.

"'(2) Definitions: As used in this subsection and section 15 (a)—

"'(A) Public utility: The term "public utility" means a corporation engaged in the furnishing of telephone service or in the sale of electric energy, gas, or water, if the rates for such furnishing or sale, as the case may be, have been established or approved by a State or political subdivision thereof or by an agency or instrumentality of the United States or by a public utility or public service commission or other similar body of the District of Columbia or of any State or political subdivision thereof.

"'(B) Preferred stock: The term "preferred stock" means stock issued prior to October 1, 1942, which during the whole of the taxable year (or the part of the taxable year after its issue) was stock the dividends in respect of which were cumulative, limited to the same amount, and payable in preference to the payment of dividends on other stock.'"

And the Senate agree to the same.

Amendment numbered 93: That the House recede from its disagreement to the amendment of the Senate numbered 93, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "134"; and the Senate agree to the same.

Amendment numbered 103: That the House recede from its disagreement to the amendment of the Senate numbered 103, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "135"; and the Senate agree to the same.

Amendment numbered 104: That the House recede from its disagreement to the amendment of the Senate numbered 104, and agree to the same with an amendment, as follows: On page 41, line 9, of the Senate engrossed amendments strike out "137" and insert "136"; and the Senate agree to the same.

Amendment numbered 105: That the House recede from its disagreement to the amendment of the Senate numbered 105, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 137. Exemption of voluntary employees' beneficiary associations.

"(a) Exemption of Voluntary Employees' Beneficiary Association: Section 101 (16) of the Internal Revenue Code, and of the Revenue Acts of 1938, 1936, and 1934, and section 103 (16) of the Revenue Acts of 1932 and 1928, are amended to read as follows:

"'(16) Voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents, if (A) no part of their net earnings inures (other than through such payments) to the benefit of any private shareholder or individual, and (B) 85 per centum or more of the income consists of amounts collected from members and amounts contributed to the association by the employer of the members for the sole purpose of making such payments and meeting expenses'."

"(b) Retroactive effect: For the purposes of the Internal Revenue Code and the Revenue Acts of 1928, 1932, 1934, 1936, and 1938, the amendments made to the Internal Revenue Code and those Acts by subsection (a) of this section shall be effective as if they were a part of the Internal Revenue Code and such revenue Acts on the respective dates of their enactment.

"(c) Amendments inapplicable to employment taxes: The amendments made by this section shall not apply to the employment taxes imposed by Subchapters A and C of Chapter 9 of the Internal Revenue Code, or the corresponding provisions of a prior law."

And the Senate agree to the same.

Amendment numbered 106: That the House recede from its disagreement to the amendment of the Senate numbered 106, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "138"; and the Senate agree to the same.

Amendment numbered 107: That the House recede from its disagreement to the amendment of the Senate numbered 107, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "139"; and the Senate agree to the same.

Amendment numbered 110: That the House recede from its disagreement to the amendment of the Senate numbered 110, and agree to the same with the following amendments:

On page 47, line 18, of the Senate engrossed amendments strike out "141" and insert "140";

On page 48 of the Senate engrossed amendments beginning with line 10 strike out down to and including the comma in line 13, and insert "(B) that portion of a tentative tax, computed as if the amendments made by section 105 (a) and the amendments made by sections 105 (b) (other than those relating to dividends on the preferred stock of public utilities) (c), (d), and (e) (1) of the Revenue Act of 1942 were applicable to such taxable year."

And the Senate agree to the same.

Amendment numbered 111: That the House recede from its disagreement to the amendment of the Senate numbered 111, and agree to the same with an amendment, as follows: On page 49, line 16, of the Senate engrossed amendments strike out "142" and insert "141"; and the Senate agree to the same.

Amendment numbered 112: That the House recede from its disagreement to the amendment of the Senate numbered 112, and agree to the same with an amendment, as follows: On page 50, line 13, of the Senate engrossed amendments strike out "143" and insert "142"; and the Senate agree to the same.

Amendment numbered 115: That the House recede from its disagreement to the amendment of the Senate numbered 115, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "143"; and the Senate agree to the same.

Amendment numbered 116: That the House recede from its disagreement to the amendment of the Senate numbered 116, and agree to the same with an amendment, as follows: On page 59, line 3, of the Senate engrossed amendments strike out "146" and insert "144"; and the Senate agree to the same.

Amendment numbered 117: That the House recede from its disagreement to the amendment of the Senate numbered 117, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "145"; and the Senate agree to the same.

Amendment numbered 124: That the House recede from its disagreement to the amendment of the Senate numbered 124, and agree to the same with an amendment, as follows: In lieu of the matter proposed

to be inserted by the Senate amendment insert the following: "146"; and the Senate agree to the same.

Amendment numbered 125: That the House recede from its disagreement to the amendment of the Senate numbered 125, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "147"; and the Senate agree to the same.

Amendment numbered 127: That the House recede from its disagreement to the amendment of the Senate numbered 130, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "149"; and the Senate agree to the same.

Amendment numbered 130: That the House recede from its disagreement to the amendment of the Senate numbered 130, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "149"; and the Senate agree to the same.

Amendment numbered 131: That the House recede from its disagreement to the amendment of the Senate numbered 131, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "150"; and the Senate agree to the same.

Amendment numbered 137: That the House recede from its disagreement to the amendment of the Senate numbered 137, and agree to the same with an amendment, as follows: On page 83, line 15, of the House bill strike out "201,"; and the Senate agree to the same.

Amendment numbered 147: That the House recede from its disagreement to the amendment of the Senate numbered 147, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "151"; and the Senate agree to the same.

Amendment numbered 159: That the House recede from its disagreement to the amendment of the Senate numbered 159, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "152"; and the Senate agree to the same.

Amendment numbered 160: That the House recede from its disagreement to the amendment of the Senate numbered 160, and agree to the same with an amendment, as follows: On page 66, line 12, of the Senate engrossed amendments strike out "155" and insert "153"; and the Senate agree to the same.

Amendment numbered 161: That the House recede from its disagreement to the amendment of the Senate numbered 161, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "154"; and the Senate agree to the same.

Amendment numbered 163: That the House recede from its disagreement to the amendment of the Senate numbered 163, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "155"; and the Senate agree to the same.

Amendment numbered 178: That the House recede from its disagreement to the amendment of the Senate numbered 178, and agree to the same with the following amendments: On page 72, line 2, of the Senate engrossed amendments strike out "158" and insert "156."

On page 74, line 21, of the Senate engrossed amendments after the period insert "Under regulations prescribe by the Commissioner with the approval of the Secretary, a taxpayer which owns 100 per centum (excluding qualifying shares) of each class of stock of a corporation may elect to determine the worthlessness of its interest, described in this paragraph, in or with respect to the property of the corporation, without regard to the amount of the property of such corporation which would be excluded under subsection (e) (2) (A) in determining the adjusted basis of all the assets of the corporation for the purposes of subsection (e), but such amount shall be treated under subsection (b) (1) as a recovery by the taxpayer in the taxable year with respect to such interest."

On page 80, line 6, of the Senate engrossed amendments after "owns" insert "not less than."

On page 80, line 12, of the Senate engrossed amendments after "liquidates" insert "(by distributing all the assets which it is able to distribute and all its rights to assets which it is not able to distribute, including the right to the recovery of the property described in subsection (a) (1) and (2))."

On page 80, line 21, of the Senate engrossed amendments after "stock" insert "or other interest."

On page 80, line 22, of the Senate engrossed amendments after "stock" insert "or other interest."

And the Senate agree to the same.

Amendment numbered 179: That the House recede from its disagreement to the amendment of the Senate numbered 179, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 157. Recovery of unconstitutional Federal taxes.

"(a) In general: Chapter 1 of the Internal Revenue Code is amended by inserting after section 127 the following new section:

"'SEC. 128. Recovery of unconstitutional Federal taxes.

"'Income (excluding interest) attributable to the recovery during the taxable year of a tax imposed by the United States which has been held unconstitutional, and in respect of which a deduction was allowed in a prior taxable year may be excluded from gross income for the taxable year, and the deduction allowed in respect thereof in such prior taxable year treated as not having been allowable, if—

"'(a) The taxpayer elects in writing (at such time and in such manner as may be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary) to treat such deduction as not having been allowable for such prior taxable year, and

"'(b) The taxpayer consents in writing to the assessment, within such period as may be agreed upon, of any deficiencies resulting from such treatment, even though the statutory period for the assessment of any such deficiency had expired prior to the filing of such consent.'

"(b) Taxable years to which applicable: The amendment made by subsection (a) shall be applicable with respect to taxable years beginning after December 31, 1940."

And the Senate agree to the same.

Amendment numbered 181: That the House recede from its disagreement to the amendment of the Senate numbered 181, and agree to the same with an amendment, as follows: On page 83, line 18, of the Senate engrossed amendments strike out "160" and insert "158"; and the Senate agree to the same.

Amendment numbered 185: That the House recede from its disagreement to the amendment of the Senate numbered 185, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "159"; and the Senate agree to the same.

Amendment numbered 197: That the House recede from its disagreement to the amendment of the Senate numbered 197, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "160"; and the Senate agree to the same.

Amendment numbered 203: That the House recede from its disagreement to the amendment of the Senate numbered 203, and agree to the same with an amendment, as follows: On page 89, line 13, of the Senate engrossed amendments strike out "163" and insert "161"; and the Senate agree to the same.

Amendment numbered 204: That the House recede from its disagreement to the amendment of the Senate numbered 204, and agree to the same with the following amendments:

On page 90, line 15, of the Senate engrossed amendments strike out "164" and insert "162."

On page 95, line 16, of the Senate engrossed amendments strike out "both the".

On page 95, line 22, of the Senate engrossed amendments strike out "both".

On page 98, lines 5 and 6, of the Senate engrossed amendments strike out "the persons who are made the beneficiaries of the contributions paid by the employer" and insert "all employees".

Beginning with line 16 of page 104 of the Senate engrossed amendments strike out down through and including line 17 on page 105.

And the Senate agree to the same.

Amendment numbered 205: That the House recede from its disagreement to the amendment of the Senate numbered 205, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "163"; and the Senate agree to the same.

Amendment numbered 206: That the House recede from its disagreement to the amendment of the Senate numbered 206, and agree to the same with the following amendments: On page 107, line 11, of the Senate engrossed amendments strike out "which has" and insert "the"; and on page 107, line 14, of the Senate engrossed amendments strike out "comprising" and insert "of which comprise"; and the Senate agree to the same.

Amendment numbered 208: That the House recede from its disagreement to the amendment of the Senate numbered 208, and agree to the same with an amendment, as follows: On page 115, line 9, of the Senate engrossed amendments strike out "166" and insert "164" and the Senate agree to the same.

Amendment numbered 215: That the House recede from its disagreement to the amendment of the Senate numbered 215 and agree to the same with the following amendments:

On page 118, line 8, of the Senate engrossed amendments strike out "167" and insert "165."

Strike out pages 119 and 120, and the first two lines of page 121, of the Senate engrossed amendments and insert in lieu thereof the following: "every mutual insurance company (other than a life or a marine insurance company and other than an interinsurer or reciprocal underwriter) a tax computed under paragraph (1) or paragraph (2) whichever is the greater and upon the income of every mutual insurance company (other than a life or a marine insurance company) which is an interinsurer or reciprocal underwriter, a tax computed under paragraph (3).

"'(1) If the corporation surtax net income is over $3,000 a tax computed as follows:

"'(A) Normal tax: A normal tax on the normal-tax net income, computed at the rates provided in section 13 or section 14 (b), or 30 per centum of the amount by which the normal-tax net income exceeds $3,000, whichever is the lesser; plus

"'(B) Surtax: A surtax on the corporation surtax net income, computed at the rates provided in section 15 (b), or 20 per centum of the amount by which the corporation surtax net income exceeds $3,000, whichever is the lesser.

"'(2) If for the taxable year the gross amount of income from interest, dividends, rents, and net premiums, minus dividends to policy holders, minus the interest which under section 22 (b) (4) is excluded from gross income, exceeds $75,000, a tax equal to the excess of—

"'(A) 1 per centum of the amounts so computed, or 2 per centum of the excess of the amount so computed over $75,000, whichever is the lesser, over

"'(B) the amount of the tax imposed under Subchapter E of Chapter 2.

"'(3) In the case of an interinsurer or reciprocal underwriter, if the corporation surtax net income is over $50,000 a tax computed as follows:

"'(A) Normal tax: A normal tax on the normal-tax net income, computed at the rates provided in section 13 or section 14 (b), or 48 per centum of the amount by which the normal-tax net income exceeds $50,000, whichever is the lesser; plus

"'(B) Surtax: A surtax on the corporation surtax net income, computed at the rates provided in section 15 (b), or 32 per centum of the amount by which the corporation surtax net income exceeds $50,000, whichever is the lesser.

"'(4) Gross amount received over $75,000 but less than $125,000: If the gross amount received during the taxable year from interest, dividends, rents, and premiums (including deposits and assessments) is over $75,000 but less than $125,000, the amount ascertained under paragraph (1), paragraph (2) (A), and paragraph (3) shall be an amount which bears the same proportion to the amount ascertained under such paragraph, computed without reference to this paragraph, as the excess over $75,000 of such gross amount received bears to $50,000.

"'(5) Foreign mutual insurance companies other than life or marine: In the case of a foreign mutual insurance company (other than a life or marine insurance company), the net income shall be the net income from sources within the United States and the gross amount of income from interest, dividends, rents, and net premiums shall be the amount of such income from sources within the United States.

"'(6) No United States insurance business: Foreign mutual insurance companies (other than a life or marine insurance company) not carrying on an insurance business within the United States shall not be taxable under this section but shall be taxable as other foreign corporations.'"

And on page 83, line 15, of the House bill after "207" insert "(a) (1) or (3)."

And the Senate agree to the same.

Amendment numbered 217: That the House recede from its disagreement to the amendment of the Senate numbered 217, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "166"; and the Senate agree to the same.

Amendment numbered 219: That the House recede from its disagreement to the amendment of the Senate numbered 219, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "167"; and the Senate agree to the same.

Amendment numbered 220: That the House recede from its disagreement to the amendment of the Senate numbered 220, and agree to the same with an amendment, as follows: On page 127, line 5, of the Senate engrossed amendments strike out "170" and insert "168"; and the Senate agree to the same.

Amendment numbered 221: That the House recede from its disagreement to the amendment of the Senate numbered 221, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "169"; and the Senate agree to the same.

Amendment numbered 224: That the House recede from its disagreement to the amendment of the Senate numbered 224, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "170"; and the Senate agree to the same.

Amendment numbered 234: That the House recede from its disagreement to the amendment of the Senate numbered 234, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "171"; and the Senate agree to the same.

Amendment numbered 242: That the House recede from its disagreement to the amendment of the Senate numbered 242, and agree to the same with the following amendments:

On page 133, line 19, of the Senate engrossed amendments strike out "174" and insert "172."

On page 134 of the Senate engrossed amendments, strike out lines 8 to 14, inclusive, and insert in lieu thereof the following:

"'(a) Definition: The term "victory tax net income" in the case of any taxable year means (except as provided in subsection (c)) the gross income for such year (not including gain from the sale or exchange of capital assets as defined in section 117, or interest allowed as a credit against net income under section 25 (a) (1) and (2), or amounts received as compensation for injury or sickness which are included in gross income by reason of the exception contained in section 22 (b) (5)) minus the sum of the following deductions:'

On page 138 of the Senate engrossed amendments, line 24, strike out "another" and insert "one other person"; on page 142 of the Senate engrossed amendments, lines 19 and 23, strike out "(f)" and insert "(e)"; on page 143 of the Senate engrossed amendments, line 7, before "for services" insert "(other than fees paid to a public official)"; on page 144 of the Senate engrossed amendments, strike out lines 6 to 15, inclusive, and insert in lieu thereof the following:

"(d) Employee: The term 'employee' includes an officer, employee, or elected official of the United States, a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing. The term 'employee' also includes an officer of a corporation."

On page 150 of the Senate engrossed amendments, strike out lines 1 to 6; on page 150 of the Senate engrossed amendments, lines 7 and 14, strike out "(e)" and "(f)" and insert "(d)" and "(e)", respectively; on page 151 of the Senate engrossed amendments, lines 1 and 7, strike out "(g)" and "(h)" and insert "(f)" and "(g)", respectively; on page 153 of the Senate engrossed amendments, line 15, after "section" insert "shall be in lieu of the return required to be furnished by the employer with respect to his employee under section 147 and"; on page 156 of the Senate engrossed amendments, line 18, strike out "(f)" and insert "(e)"; on page 157 of the Senate engrossed amendments, line 24, strike out "(g)" and insert "(f)"; and on page 158 of the Senate engrossed amendments, lines 12 and 15, strike out "(f)" and insert "(e)."

And the Senate agree to the same.

Amendment numbered 273: That the House recede from its disagreement to the amendment of the Senate numbered 273, and agree to the same with an amendment, as follows: Strike out the matter proposed to be stricken out by the Senate amendment and insert the following:

"(g) Specific exemption and returns of interinsurers and reciprocal underwriters:

"(1) Specific exemption: Section 710 (b) (1) is amended by inserting before the semicolon at the end thereof a comma and the following: 'and in the case of a mutual insurance company (other than life or marine) which is an interinsurer or reciprocal underwriter a specific exemption of $50,000.'

"(2) Returns: Section 729 (b) (2) is amended by inserting before the period at the end thereof the following: 'or, in the case of a mutual insurance company (other than life or marine) which is an interinsurer or reciprocal underwriter, is not greater than $50,000'."

And the Senate agree to the same.

Amendment numbered 290: That the House recede from its disagreement to the amendment of the Senate numbered 290, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 209. Nontaxable income from exempt excess output of mining and timber operations and from bonus income of mines, etc.

"(a) Income credit: Section 711 (a) (1) (relating to excess profits credit computed under income credit) is amended by inserting at the end thereof the following new subparagraph:

"'(I) Nontaxable income of certain industries with depletable resources: In the case of a producer of minerals, or a producer of logs or lumber from a timber block, as defined in section 735, there shall be excluded nontaxable income from exempt excess output of mines and timber blocks and nontaxable bonus income provided in section 735.'

"(b) Invested capital credit: Section 711 (a) (2) (relating to excess profits credit computed under invested capital credit) is amended by inserting at the end thereof the following new subparagraph:

"'(K) Nontaxable income of certain industries with depletable resources: In the case of a producer of minerals, or a producer of logs or lumber from a timber block, as defined in section 735, there shall be excluded nontaxable income from exempt excess output of mines and timber blocks and nontaxable bonus income provided in section 735.

"(c) Nontaxable income: Subchapter E of Chapter 2 is amended by inserting after section 734 the following new section:

"'SEC. 735. Nontaxable income from certain mining and timber operations.

"'(a) Definitions: For the purposes of this section, section 711 (a) (1) (I), and section 711 (a) (2) (K)—

"'(1) Producer: The term "producer" means a corporation which extracts minerals from a mineral property, or cuts logs from a timber block, in which an economic interest is owned by such corporation.

"'(2 Mineral unit: The term "mineral unit" means a unit of metal, coal, or nonmetallic substance in the minerals recovered from the operation of a mineral property.

"'(3) Timber unit: The term "timber unit" means a unit of timber recovered from the operation of a timber block.

"'(4) Excess output: The term "excess output" means the excess of the mineral units or the timber units for the taxable year over the normal output.

"'(5) Normal output: The term "normal output" means the average annual mineral units, or the average annual timber units, as the case may be, recovered in the taxable years beginning after December 31, 1935, and not beginning after December 31, 1939 (hereinafter called "base period"), of the person owning the mineral property or the timber block (whether or not the taxpayer). The average annual mineral units or timber units shall be computed by dividing the aggregate of such mineral units or timber units for the

base period by the number of months for which the mineral property or the timber block was in operation during the base period and by multiplying the amount so ascertained by twelve. In any case in which the taxpayer establishes, under regulations prescribed by the Commissioner with the approval of the Secretary, that the operation of any mineral property or any timber block is normally prevented for a specified period each year by physical events outside the control of the taxpayer, the number of months during which such mineral property or timber block is regularly in operation during a taxable year shall be used in computing the average annual mineral units, or timber units, instead of twelve. Any mineral property, or any timber block, which was in operation for less than six months during the base period shall, for the purposes of this section, be deemed not to have been in operation during the base period.

"'(6) Mineral property: The term "mineral property" means a mineral deposit, the development and plant necessary for the extraction of the deposit, and so much of the surface of the land as is necessary for purposes of such extraction.

"'(7) Minerals: The term "minerals" means ores of the metals, coal, and such nonmetallic substances as abrasives, asbestos, asphaltum, barytes, borax, building stone, cement rock, clay, crushed stone, feldspar, fluorspar, fuller's earth, graphite, gravel, gypsum, limestone, magnesite, marl, mica, mineral pigments, peat, potash, precious stones, refractories, rock phosphate, salt, sand, silica, slate, soapstone, soda, sulphur, and talc.

"'(8) Timber block: The term "timber block" means an operation unit existing as of December 31, 1941, which includes all the taxpayer's timber which would logically go to a single given point of manufacture, but shall not include any operation unit acquired after December 31, 1941.

"'(9) Normal unit profit: The term "normal unit profit" means the average profit for the base period per mineral unit for such period, determined by dividing the net income with respect to minerals recovered from the mineral property (computed with the allowance for depletion computed in accordance with the basis for depletion applicable to the current taxable year) during the base period by the number of mineral units recovered from the mineral property during the base period.

"'(10) Estimated recoverable units: The term "estimated recoverable units" means the estimated number of units of metal, coal, or nonmetallic substances in the estimated recoverable minerals from the mineral property at the end of the taxable year plus the excess output for such year. All estimates shall be subject to the approval of the Commissioner, the determinations of whom, for the purposes of this section, shall be final and conclusive.

"'(11) Exempt excess output: The term "exempt excess output" for any taxable year means a number of units equal to the following percentages of the excess output for such year:

"'100 per centum if the excess output exceeds 50 per centum of the estimated recoverable units;

"'95 per centum if the excess output exceeds 33⅓ but not 50 per centum of the estimated recoverable units;

"'90 per centum if the excess output exceeds 25 but not 33⅓ per centum of the estimated recoverable units;

"'85 per centum of the excess output exceeds 20 but not 25 per centum of the estimated recoverable units;

"'80 per centum if the excess output exceeds 16⅔ but not 20 per centum of the estimated recoverable units;

"'60 per centum if the excess output exceeds 14⅔ but not 16⅔ per centum of the estimated recoverable units;

"'40 per centum if the excess output exceeds 12½ but not 14⅔ per centum of the estimated recoverable units;

"'30 per centum if the excess output exceeds 10 but not 12½ per centum of the estimated recoverable units;

"'20 per centum if the excess output exceeds 5 but not 10 per centum of the estimated recoverable units.

"'(12) Unit net income: The term "unit net income" means the amount ascertained by dividing the net income (computed with the allowance for depletion) from the coal or iron ore or the timber recovered from the coal mining property, iron mining property, or timber block, as the case may be, during the taxable year by the number of units of coal or iron ore, or timber, recovered from such property in such year.

"'(b) Nontaxable income from exempt excess output.—

"'(1) General rule: For any taxable year for which the excess output of mineral property which was in operation during the base period exceeds 5 per centum of the estimated recoverable units from such property, the nontaxable income from exempt excess output for such year shall be an amount equal to the exempt excess output for such year multiplied by the normal unit profit, but such amount shall not exceed the net income (computed with the allowance for depletion) attributable to the excess output for such year.

"'(2) Coal and iron mines: For any taxable year, the nontaxable income from exempt excess output of a coal mining or iron mining property which was in operation during the base period shall be an amount equal to the excess output of such property for such year multiplied by one-half of the unit net income from such property for such year, or an amount determined under paragraph (1), whichever the taxpayer elects in accordance with regulations prescribed by the Commissioner with the approval of the Secretary.

"'(3) Timber properties: For any taxable year, the nontaxable income from exempt excess output of a timber block which was in operation during the base period shall be an amount equal to the excess output of such property for such year multiplied by one-half of the unit net income from such property for such year.

"'(c) Nontaxable bonus income: The term "nontaxable bonus in income" means the amount of the income derived from bonus payments made by any agency of the United States Government on account of the production in excess of a specified quota of a mineral product or of timber the exhaustion of which gives rise to an allowance for depletion under section 23 (m), but such amount shall not exceed the net income (computed with the allowance for depletion) attributable to the output in excess of such quota.

"'(d) Rule in case income from excess output includes bonus payment: In any case in which the income attributable to the excess output includes bonus payments (as provided in subsection (c)), the taxpayer may elect, under regulations prescribed by the Commissioner with the approval of the Secretary, to receive either the benefits of subsection (b) or subsection (c) with respect to such income as is attributable to excess output above the specified quota.'

"(d) Retroactive exclusion of nontaxable bonus income: The amendments made by this section inserting section 711 (a) (1) (I), section 711 (a) (2) (K), and section 735 (c), to the extent that they relate to nontaxable bonus income, shall be applicable to taxable years beginning after December 31, 1940."

And the Senate agree to the same.

Amendment numbered 291: That the House recede from its disagreement to the amendment of the Senate numbered 291, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 210. Net operating loss deduction adjustment.

"(a) Section 711 (a) (1) (relating to the excess profits credit computed under income redit) is amended by adding at the end thereof the following new subparagraph:

"'(J) Net operating loss deduction adjustment: The net operating loss deduction shall be adjusted as follows:

"'(i) In computing the net operating loss for any taxable year under section 122 (a), and the net income for any taxable year under section 122 (b), no deduction shall be allowed for any excess profits tax imposed by this subchapter, and, if the excess profits credit for such taxable year was computed under section 714, the deduction for interest shall be reduced by the amount of any reduction under paragraph (2) (B) for such taxable year; and

"'(ii) In lieu of the reduction provided in section 122 (c), such reduction shall be in the amount by which the excess profits net income computed with the exceptions and limitations specified in section 122 (d) (1), (2), (3), and (4) and computed without regard to subparagraph (B), without regard to any credit for dividends received, and without regard to any credit for interest received provided in section 26 (a) exceeds the excess profits net income (computed without the net operating loss deduction).'

"(b) Section 711 (a) (2) (relating to the excess profits credit computed under invested capital credit) is amended by adding at the end thereof the following new subparagraph:

"'(L) Net operating loss deduction adjustment.—The net operating loss deduction shall be adjusted as follows:

"'(i) In computing the net operating loss for any taxable year under section 122 (a), and the net income for any taxable year under section 122 (b), no deduction shall be allowed for any excess profits tax imposed by this subchapter, and, if the excess profits credit for such taxable year was computed under section 714, the deduction for interest shall be reduced by the amount of any reduction under subparagraph (B) of this paragraph for such taxable year; and

"'(ii) In lieu of the reduction provided in section 122 (c), such reduction shall be in the amount by which the excess profits net income computed with the exceptions and limitations provided in section 122 (d) (1), (2), (3), and (4) and computed without regard to subparagraph (D), without regard to any credit for dividends received, and without regard to any credit for interest received provided in section 26 (a) exceeds the excess profits net income (computed without the net operating loss deduction).'

"(c) The amendments made by this section shall be effective as of the date of enactment of the Excess Profits Tax Act of 1940."

And the Senate agree to the same.

Amendment numbered 296: That the House recede from its disagreement to the amendment of the Senate numbered 296, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "228"; and the Senate agree to the same.

Amendment numbered 309: That the House recede from its disagreement to the amendment of the Senate numbered 309, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "5"; and the Senate agree to the same.

Amendment numbered 325: That the House recede from its disagreement to the amendment of the Senate numbered 325, and agree to the same with an amendment, as follows: On page 196, line 2, of the Senate engrossed amendments strike out "average" and insert "amount"; and the Senate agree to the same.

Amendment numbered 385: That the House recede from its disagreement to the amendment of the Senate numbered 385, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(d) Optional retroactivity of amendments to 1940 and 1941: The amendments made by this section, inserting section 760 and section 761, shall also be applicable in the computation of the tax for all taxable years beginning after December 31, 1939, if the taxpayer, within the time and in the manner and subject to such regulations as the Commissioner, with the approval of the Secretary, prescribes, elects to have either or both of such amendments apply. For any taxable year for which the provisions of section 760 are applied retroactively, the amendment made by subsection (b) (2) of this section to section 719 (a) (1) shall also apply. In case the provisions of section 761 are applied retroactively, the provisions of section 718 (a) (5), section 718 (b) (4), and section 718 (c) (4) shall not apply in such computations."

And the Senate agree to the same.

Amendment numbered 386: That the House recede from its disagreement to the amendment of the Senate numbered 386, and agree to the same with the following amendments:

On page 230, line 6, of the Senate engrossed amendments after "1941" insert "(except in the case of a taxable year beginning in 1941 and ending before July 1, 1942)."

On page 230, beginning with "In" in line 9, of the Senate engrossed amendments strike out down to and including the period in line 12 and insert "For the purposes of this part, in the case of a taxpayer whose tax is determined under section 710 (a) (3), the term 'tax imposed under this subchapter' means the excess of the tax imposed by such section 710 (a) (3) over the tax that would be imposed if such section 710 (a) (3) were not applicable."

On page 231, of the Senate engrossed amendments, in the table appearing on such page strike out "Within the calendar year 1942" and insert "Within the calendar year 1941 or 1942."

On page 235, line 14, of the Senate engrossed amendments after "shall" insert ", at the election of the taxpayer made in its return for such year."

On page 235, of the Senate engrossed amendments strike out lines 20 to 23 inclusive, and insert:

"(1) An amount equal to 10 per centum of the tax imposed under this subchapter for the taxable year."

On page 236, of the Senate engrossed amendments strike out lines 11 and 12 and insert:

"(4) In case such taxable year begins in 1941 or ends before September 1, 1942, zero."

And the Senate agree to the same.

Amendment numbered 391: That the House recede from its disagreement to the amendment of the Senate numbered 391, and agree to the same with an amendment, as follows: On page 249, line 6, of the House bill after "months" insert "on account of a change in the accounting period of the taxpayer"; and the Senate agree to the same.

Amendment numbered 399: That the House recede from its disagreement to the amendment of the Senate numbered 399, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(d) Powers with respect to which amendments not applicable:

"(1) The amendmentr made by this section shall not apply with respect to a power to appoint, created on or before the date of the enactment of this Act, which is other than a power exercisable in favor of the decedent, his estate, his creditors, or the creditors of his estate, unless such power is exercised after the date of the enactment of this Act.

"(2) The amendments made by this section shall not become applicable with respect to a power to appoint created on or before the date of enactment of this Act, which is exercisable in favor of the decedent, his estate, his creditors, or the creditors of his estate, if at such date the donee of such power is under a legal disability to release such power, until six months after the termination of such legal disability. For the purposes of the preceding sentence, an individual in the military or naval forces of the United States shall, until the termination of the present war, be considered under a legal disability to release a power to appoint.

"(3) The amendments made by this section shall not apply with respect to any power to appoint created on or before the date of the enactment of this Act if it is released before January 1, 1943, or within the time limited by paragraph (2) in cases to which such paragraph is applicable; or if the decedent dies before January 1, 1943, or within the time limited by paragraph (2) in cases to which such paragraph is applicable, and such power is not exercised."

And the Senate agree to the same.

Amendment numbered 402: That the House recede from its disagreement to the amendment of the Senate numbered 402, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(b) Liability of Life Insurance Beneficiaries: Section 826 (c) (relating to apportionment of liability of beneficiaries) is amended to read as follows:

"'(c) Liability of Life Insurance Beneficiaries: Unless the decedent directs otherwise in his will, if any part of the gross estate upon which tax has been paid consists of proceeds of policies of insurance upon the life of the decedent receivable by a beneficiary other than the executor, the executor shall be entitled to recover from such beneficiary such portion of the total tax paid as the proceeds of such policies bear to the sum of the net estate and the amount of the exemption allowed in computing the net estate, determined under section 935 (c). If there is more than one such beneficiary the executor shall be entitled to recover from such beneficiaries in the same ratio.'"

And the Senate agree to the same.

Amendment numbered 418: That the House recede from its disagreement to the amendment of the Senate numbered 418, and agree to the same with an amendment, as follows: Omit the matter proposed to be inserted by the Senate amendment and on page 249, of the Senate engrossed amendments after line 23 insert:

"(c) Release on or before January 1, 1943:

"(1) A release of a power to appoint before January 1, 1943, shall not be deemed a transfer of property by the individual possessing such power.

"(2) This subsection shall apply to all calendar years prior to 1943."

And the Senate agree to the same.

Amendment numbered 435: That the House recede from its disagreement to the amendment of the Senate numbered 435, and agree to the same with an amendment, as follows: Restore the matter proposed to be stricken out by the Senate amendment and strike out wherever appearing therein the term "United States Tax Court" and insert "The Tax Court of the United States"; and the Senate agree to the same.

Amendment numbered 438: That the House recede from its disagreement to the amendment of the Senate numbered 438, and agree to the same with an amendment, as follows: On page 253, line 16, of the Senate engrossed amendments strike out "505" and insert "506"; and the Senate agree to the same.

Amendment numbered 448: That the House recede from its disagreement to the amendment of the Senate numbered 448, and agree to the same with an amendment, as follows: On page 262, line 7, of the Senate engrossed amendments strike out "December 31, 1941" and insert "the date of the enactment of this Act"; and the Senate agree to the same.

Amendment numbered 449: That the House recede from its disagreement to the amendment of the Senate numbered 449, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "507"; and the Senate agree to the same.

Amendment numbered 459: That the House recede from its disagreement to the amendment of the Senate numbered 459, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 508. Mitigation of effect of renegotiation of war contracts or disallowance of reimbursement.

"Chapter 38 is amended by inserting at the end thereof the following new section:

"'SEC. 3806 Mitigation of effect of renegotiation of war contracts or disallowance of reimbursement.

"'(a) Reduction for prior taxable year:

"'(1) Excessive profits eliminated for prior taxable year: In the case of a contract with the United States or any agency thereof, or any subcontract thereunder, which is made by the taxpayer, if a renegotiation is made in respect of such contract or subcontract and an amount of excessive profits received or accrued under such contract or subcontract for taxable year ending after December 31, 1941, "prior taxable year") is eliminated and, in a taxable year ending after December 31, 1941, the taxpayer is required to pay or repay to the United States or any agency thereof the amount of excessive profits eliminated or the amount of excessive profits eliminated is applied as an offset against other amounts due the taxpayer, the part of the contract or subcontract price which was received or was accrued for the prior taxable year shall be reduced by the amount of excessive profits eliminated. For the purposes of this section—

"'(A) The term "renegotiation" includes any transaction which is a renegotiation within the meaning of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong., 2d Sess.) or such section, as amended, any modification of one or more contracts with the United States or any agency thereof, and any agreement with the United States or any agency thereof in respect of one or more such contracts or subcontracts thereunder.

"'(B) The term "excessive profits" includes any amount which constitutes excessive profits within the meaning assigned to such term by subsection (a) of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong., 2d Sess.), as amended by the Revenue Act of 1942, any part of the contract price of a contract with the United States or any agency thereof, any part of the subcontract price of a subcontract under such a contract, and any profits derived from one or more such contracts or subcontracts.

"'(C) The term "subcontract" includes any purchase order or agreement which is a subcontract within the meaning assigned to such term by subsection (a) of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong., 2d Sess.), as amended by the Revenue Act of 1942.

"'(2) Reduction of reimbursement for prior taxable year: In the case of a cost-plus-a-fixed-fee contract between the United States or any agency thereof and the taxpayer, if an item for which the taxpayer has

been reimbursed is disallowed as an item of cost chargeable to such contract and, in a taxable year beginning after December 31, 1941, the taxpayer is required to repay the United States or any agency thereof the amount disallowed or the amount disallowed is applied as an offset against other amounts due the taxpayer, the amount of the reimbursement of the taxpayer under the contract for the taxable year in which the reimbursement for such item was received or was accrued (hereinafter referred to as "prior taxable year") shall be reduced by the amount disallowed.

"'(3) Deduction disallowed: The amount of the payment, repayment, or offset described in paragraph (1) or paragraph (2) shall not constitute a deduction for the year in which paid or incurred.

"'(4) Exception: The foregoing provisions of this subsection shall not apply in respect of any contract if the taxpayer shows to the satisfaction of the Commissioner that a different method of accounting for the amount of the payment, repayment, or disallowance clearly reflects income, and in such case the payment, repayment, or disallowance shall be accounted for with respect to the taxable year provided for under such method, which for the purposes of subsections (b) and (c) shall be considered a prior taxable year.

"'(b) Credit against repayment on account of renegotiation or allowance:

"'(1) General rule: There shall be credited against the amount of excessive profits eliminated the amount by which the tax for the prior taxable year under Chapter 1, Chapter 2A, Chapter 2D, and Chapter 2E, is decreased by reason of the application of paragraph (1) of subsection (a); and there shall be credited against the amount disallowed the amount by which the tax for the prior taxable year under Chapter 1, Chapter 2A, Chapter 2D, and Chapter 2E, is decreased by reason of the application of paragraph (2) of subsection (a).

"'(2) Credit for barred year: If at the time of the payment, repayment, or offset described in paragraph (1) or paragraph (2) of subsection (a), refund or credit of tax under Chapter 1, Chapter 2A, Chapter 2D, or Chapter 2E, for the prior taxable year, is prevented (except for the provisions of section 3801) by any provision of the internal-revenue laws other than section 3761, or by rule of law, the amount by which the tax for such year under such chapters is decreased by the application of paragraph (1) or paragraph (2) of subsection (a) shall be computed under this paragraph. There shall first be ascertained the tax previously determined for the prior taxable year. The amount of the tax previously determined shall be (A) the tax shown by the taxpayer upon his return for such taxable year, increased by the amounts previously assessed (or collected without assessment) as deficiencies, and decreased by the amounts previously abated, credited, refunded, or otherwise repaid in respect of such tax; or (B) if no amount was shown as the tax by such taxpayer upon his return, or if no return was made by such taxpayer, then the amounts previously assessed (or collected without assessment) as deficiencies, but such amounts previously assessed, or collected without assessment, shall be decreased by the amounts previously abated, credited, refunded, or otherwise repaid in respect of such tax. There shall then be ascertained the decrease in tax previously determined which results solely from the application of paragraph (1) or paragraph (2) of subsection (a) to the prior taxable year. The amount so ascertained, together with any amounts collected as additions to the tax or interest, as a result of paragraph (1) or paragraph (2) of subsection (a) not having been applied to the prior taxable year shall be the amount by which such tax is decreased.

"'(3) Interest: In determining the amount of the credit under this subsection no interest shall be allowed with respect to the amount ascertained under paragraph (1) or paragraph (2); except that if interest is charged by the United States or the agency thereof on account of the disallowance for any period before the date of the payment, repayment, or offset, the credit shall be increased by an amount equal to interest on the amount ascertained under either such paragraph at the same rate and for the period (prior to the date of the payment, repayment, or offset) as interest is so charged.

"'(c) Credit in lieu of other credit or refund: If a credit is allowed under subsection (b) with respect to a prior taxable year no other credit or refund under the internal-revenue laws founded on the application of subsection (a) shall be made on account of the amount allowed with respect to such taxable year. If the amount allowable as a credit under subsection (b) exceeds the amount allowed under such subsection, the excess shall, for the purposes of the internal-revenue laws relating to credit or refund of tax, be treated as an overpayment for the prior taxable year which was made at the time the payment, repayment, or offset was made.'"

And the Senate agree to the same.

Amendment numbered 460: That the House recede from its disagreement to the amendment of the Senate numbered 460, and agree to the same with an amendment, as follows: On page 273, line 2, of the Senate engrossed amendments strike out "508" and insert "509"; and the Senate agree to the same.

Amendment numbered 474: That the House recede from its disagreement to the amendment of the Senate numbered 474, and agree to the same with an amendment, as follows: On page 290, line 8, of the Senate engrossed amendments strike out "$2.00" and insert "$2.50"; and the Senate agree to the same.

Amendment numbered 497: That the House recede from its disagreement to the amendment of the Senate numbered 497, and agree to the same with an amendment, as follows: Restore the matter proposed to be stricken out by the Senate amendment and on page 317, line 11, of the House bill strike out "621" and insert "620' and beginning in line 16 strike out the following:

"(a) Tax: There shall be imposed upon the amount paid within the United States after the effective date of this section for the transportation, on or after such effective date, of property by rail, motor vehicle, water, or air from one point in the United States to another, a tax equal to 5 per centum of the amount so paid, except that, in the case of coal, the rate of tax shall be 5 cents per long ton", and insert in lieu thereof:

"'(a) Tax: There shall be imposed upon the amount paid within the United States after the effective date of this section for the transportation, on or after such effective date, of property by rail, motor vehicle, water, or air from one point in the United States to another, a tax equal to 3 per centum of the amount so paid, except that, in the case of coal, the rate of tax shall be 4 cents per short ton.'"

And the Senate agree to the same.

Amendment numbered 498: That the House recede from its disagreement to the amendment of the Senate numbered 498, and agree to the same with an amendment, as follows: On page 295, line 8, of the Senate engrossed amendments strike out "620" and insert "621"; and the Senate agree to the same.

Amendment numbered 499: That the House recede from its disagreement to the amendment of the Senate numbered 499, and agree to the same with an amendment, as follows: On page 296, line 2, of the Senate engrossed amendments strike out "621" and insert "622" and the Senate agree to the same.

Amendment numbered 500: That the House recede from its disagreement to the amendment of the Senate numbered 500, and agree to the same with an amendment, as follows: On page 297, line 2, of the Senate engrossed amendments strike out "622" and insert "623"; and the Senate agree to the same.

"Amendment numbered 503: That the House recede from its disagreement to the amendment of the Senate numbered 503, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

"TITLE VIII—RENEGOTIATION OF WAR CONTRACTS

"SEC. 801. RENEGOTIATION OF WAR CONTRACTS

"(a) Subsections (a), (b), and (c) of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public, 528, 77th Cong., 2d Sess.), are amended to read as follows:

"'SEC. 403. (a) For the purposes of this section—

"'(1) The term "Department" means the War Department, the Navy Department, the Treasury Department, and the Maritime Commission, respectively.

"'(2) In the case of the Maritime Commission, the term "Secretary" means the Chairman of such Commission.

"'(3) The terms "renegotiate" and "renegotiation" include the refixing by the Secretary of the Department of the contract price.

"'(4) The term "excessive profits" means any amount of a contract or subcontract price which is found as a result of renegotiation to represent excessive profits.

"'(5) The term "subcontract" means any purchase order or agreement to perform all or any part of the work, or to make or furnish any article, required for the performance of another contract or subcontract. The term "article" includes any material, part, assembly, machinery, equipment, or other personal property.

"'For the purposes of subsections (d) and (e) of this section, the term "contract" includes a subcontract and the term "contractor" includes a subcontractor.'

"'(b) Subject to subsection (i), the Secretary of each Department is authorized and directed to insert in any contract for an amount in excess of $100,000 hereafter made by such Department—

"'(1) a provision for the renegotiation of the contract price at a period or periods when, in the judgment of the Secretary, the profits can be determined with reasonable certainty;

"'(2) a provision for the retention by the United States from amounts otherwise due the contractor, or for the repayment by him to the United States, if paid to him, of any excessive profits not eliminated through reductions in the contract price, or otherwise, as the Secretary may direct;

"'(3) a provision requiring the contractor to insert in each subcontract for an amount in excess of $100,000 made by him under such contract (i) a provision for the renegotiation by such Secretary and the subcontractor of the contract price of the subcontract at a period or periods when, in the judgment of the Secretary, the profits can be determined with reasonable certainty, (ii) a provision for the retention by the contractor for the United States of the amount of any reduction in the contract price of any subcontract pursuant to its renegotiation hereunder, or for the repayment by the subcontractor to the United States of any excessive profits from such subcontract paid to him and not eliminated through reductions in the contract price or otherwise, as the Secretary may direct, and (iii) a provision for relieving the contractor from any liability to the subcontractor on account of any amount so retained by the contractor or repaid by the subcontractor to the United States, and (iv) in the discretion

of the Secretary, a provision requiring any subcontractor to insert in any subcontract made by him under such subcontract, provisions corresponding to those of subparagraphs (3) and (4) of this subsection (b); and

"'(4) a provision for the retention by the United States from amounts otherwise due the contractor, or for repayment by him to the United States, as the Secretary may direct, of the amount of any reduction in the contract price of any subcontract under such contract, which the contractor is directed, pursuant to clause (3) of this subsection, to withhold from payments otherwise due the subcontractor and actually unpaid at the time the contractor receives such direction.

"'The provision for the renegotiation of the contract price, in the discretion of the Secretary, (i) may fix the period or periods when or within which renegotiation shall be had; and (ii) if in the opinion of the Secretary the provisions of the contract or subcontract are otherwise adequate to prevent excessive profits, may provide that renegotiation shall apply only to a portion of the contract or subcontract or shall not apply to performance during a specified period or periods and may also provide that the contract price in effect during any such period or periods shall not be subject to renegotiation.

"'(c) (1) Whenever, in the opinion of the Secretary of a Department, the profits realized or likely to be realized from any contract with such Department, or from any subcontract thereunder whether or not made by the contractor, may be excessive, the Secretary is authorized and directed to require the contractor or subcontractor to renegotiate the contract price. When the contractor or subcontractor holds two or more contracts or subcontracts the Secretary in his discretion, may renegotiate to eliminate excessive profits on some or all of such contracts and subcontracts as a group without separately renegotiating the contract price of each contract or subcontract.

"'(2) Upon renegotiation, the Secretary is authorized and directed to eliminate any excessive profits under such contract or subcontract (i) by reductions in the contract price of the contract or subcontract, or by other revision in its terms; or (ii) by withholding, from amounts otherwise due to the contractor or subcontractor, any amount of such excessive profits; or (iii) by directing a contractor to withhold for the account of the United States, from amounts otherwise due to the subcontractor, any amount of such excessive profits under the subcontract; or (iv) by recovery from the contractor or subcontractor, through repayment, credit or suit, of any amount of such excessive profits actually paid to him; or (v) by any combination of these methods, as the Secretary deems desirable. The Secretary may bring actions on behalf of the United States in the appropriate courts of the United States to recover from such contractor or subcontractor, any amount of such excessive profits actually paid to him and not withheld or eliminated by some other method under this subsection. The surety under a contract or subcontract shall not be liable for the repayment of any excessive profits thereon. All money recovered by way of repayment or suit under this subsection shall be covered into the Treasury as miscellaneous receipts.

"'(3) In determining the excessiveness of profits realized or likely to be realized from any contract or subcontract, the Secretary shall recognize the properly applicable exclusions and deductions of the character which the contractor or subcontractor is allowed under Chapter 1 and Chapter 2E of the Internal Revenue Code. In determining the amount of any excessive profits to be eliminated hereunder the Secretary shall allow the contractor or subcontractor credit for Federal income and excess profits taxes as provided in section 3806 of the Internal Revenue Code.

"'(4) Upon renegotiation pursuant to this section, the Secretary may make such final or other agreements with a contractor or subcontractor for the elimination of excessive profits and for the discharge of any liability for excessive profits under this section, as the Secretary seems desirable. Such agreements may cover such past and future period or periods, may apply to such contract or contracts of the contractor or subcontractor, and may contain such terms and conditions, as the Secretary deems advisable. Any such agreement shall be final and conclusive according to its terms; and except upon a showing of fraud or malfeasance or a wilful misrepresentation of a material fact, (i) such agreement shall not be reopened as to the matters agreed upon, and shall not be modified by any officer, employee, or agent of the United States; and (ii) such agreement and any determination made in accordance therewith shall not be annulled, modified, set aside, or disregarded in any suit, action, or proceeding.

"'(5) Any contractor or subcontractor who holds contracts or subcontracts, to which the provisions of this section are applicable, may file with the Secretaries of all the Departments concerned statements of actual costs of production and such other financial statements for any prior fiscal year or years of such contractor or subcontractor, in such form and detail, as the Secretaries shall prescribe by joint regulation. Within one year after the filing of such statements, or within such shorter period as may be prescribed by such joint regulation, the Secretary of a Department may give the contractor or subcontractor written notice, in form and manner to be prescribed in such joint regulation, that the Secretary is of the opinion that the profits realized from some or all of such contracts or subcontracts may be excessive, and fixing a date and place for an initial conference to be held within sixty days thereafter. If such notice is not given and renegotiation commenced by the Secretary within such sixty days the contractor or subcontractor shall not thereafter be required to renegotiate to eliminate excessive profits realized from any such contract or subcontract during such fiscal year or years and any liabilities of the contractor or subcontractor for excessive profits realized during such period shall be thereby discharged.

"'(6) This subsection (c) shall be applicable to all contracts and subcontracts hereafter made and to all contracts and subcontracts heretofore made, whether or not such contracts or subcontracts contain a renegotiation of recapture clause, unless (i) final payment pursuant to such contract or subcontract was made prior to April 28, 1942, or (ii) the contract or subcontract provides otherwise pursuant to subsection (b, or (i), or is exempted under subsection (i), of this section 403, or (iii) the aggregate sales by the contractor or subcontractor, and by all persons under the control of or controlling or under common control with the contractor or subcontractor, under contracts with the Departments and subcontracts thereunder do not exceed, or in the opinion of the Secretary concerned will not exceed, $100,000 for the fiscal year of such contractor or subcontractor.

"'No renegotiation of the contract price pursuant to any provision therefor, or otherwise, shall be commenced by the Secretary more than one year after the close of the fiscal year of the contractor or subcontractor within which completion or termination of the contract or subcontract, as determined by the Secretary, occurs.'

"(b) Subsection (f) of section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong., 2d Sess.), is amended to read as follows:

"'(f) Subject to any regulations which the President may prescribe for the protection of the interests of the Government, the authority and discretion herein conferred upon the Secretary of each Department may be delegated in whole or in part by him to such individuals or agencies as he may designate in his Department, or in any other Department with the consent of the Secretary of that Department, and he may authorize such individuals or agencies to make further delegations of such authority and discretion.'

"(c) Section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Cong. 2d sess.), is amended by adding at the end thereof the following subsections:

"'(i) (1) The provisions of this section shall not apply to—

"'(i) any contract by a Department with any other department, bureau, agency, or governmental corporation of the United States or with any Territory, possession, or State or any agency thereof or with any foreign government or any agency thereof; or

"'(ii) any contract or subcontract for the product of a mine, oil or gas well, or other mineral or natural deposit, or timber, which has not been processed, refined, or treated beyond the first form or state suitable for industrial use; and the Secretaries are authorized by joint regulation, to define, interpret, and apply this exemption.

"'(2) The Secretary of a Department is authorized, in his discretion, to exempt from some or all of the provisions of this section—

"'(i) any contract or subcontract to be performed outside of the territorial limits of the continental United States or in Alaska;

"'(ii) any contracts or subcontracts under which, in the opinion of the Secretary, the profits can be determined with reasonable certainty when the contract price is established, such as certain classes of agreements for personal services, for the purchase of real property, perishable goods, or commodities the minimum price for the sale of which has been fixed by a public regulatory body, of leases and license agreements, and of agreements where the period of performance under such contract or subcontract will not be in excess of thirty days; and

"'(iii) a portion of any contract or subcontract or performance thereunder during a specified period or periods, if in the opinion of the Secretary, the provisions of the contract are otherwise adequate to prevent excessive profits.'"

The Secretary may so exempt contracts and subcontracts both individually and by general classes or types.

"'(j) Nothing in sections 109 and 113 of the Criminal Code (U. S. C., title 18, secs. 198 and 203) or in section 190 of the Revised Statutes (U. S. C., title 5, sec. 99) shall be deemed to prevent any person appointed by the Secretary of a Department for intermittent and temporary employment in such Department, from acting as counsel, agent, or attorney for prosecuting any claim against the United States: *Provided*, That such person shall not prosecute any claim against the United States (1) which arises from any matter directly connected with which such person is employed, or (2) during the period such person is engaged in intermittent and temporary employment in a Department.'"

"(d) The amendments made by this section shall be effective as of April 28, 1942."

And the Senate agree to the same.

Amendment numbered 504.

Amend the table of contents to read as follows:

"TITLE I—INDIVIDUAL AND CORPORATION INCOME TAXES

"PART I—AMENDMENTS TO CHAPTER 1

"Sec. 101. Taxable years to which amendments applicable.

"Sec. 102. Normal tax on individuals (sec. 11).

"Sec. 103. Surtax on individuals (sec. 12 (b)).

"Sec. 104. Optional tax on individuals with gross income from certain sources of $3,000 or less (sec. 400).

"Sec. 105. Tax on corporations (sec. 15).

"Sec. 106. Tax on nonresident alien individuals (sec. 211).

"Sec. 107. Tax on foreign corporations (sec. 231 (a)).

"Sec. 108. Withholding of tax at source (secs. 143 and 144).

"Sec. 109. Treaty obligations.

"Sec. 110. Transfers of life insurance contracts, etc. (sec. 22 (b) (2)).

"Sec. 111. Income received from estates, etc., under gifts, bequests, etc. (sec. 22 (b) (3)).

"Sec. 112. Amendments to conform Internal Revenue Code with Public Debt Act of 1941 (sec. 22 (b) (4)).

"Sec. 113. Exclusion of pensions, annuities, etc., for disability resulting from military service (sec. 22 (b) (5)).

"Sec. 114. Exclusion of income from discharge of indebtedness (sec. 22 (b) (9)).

"Sec. 115. Improvements by lessee (sec. 22 (b)).

"Sec. 116. Recovery of bad debts, prior taxes, and delinquency amounts (sec. 22 (b)).

"Sec. 117. Additional allowance for military and naval personnel (sec. 22 (b)).

"Sec. 118. Report requirement in connection with inventory methods (sec. 22 (d) (2)).

"Sec. 119. Last-in first-out inventory (sec. 22 (d)).

"Sec. 120. Alimony and separate maintenance payments (sec. 22).

"Sec. 121. Non-trade or non-business deductions (sec. 23 (a)).

"Sec. 122. Deduction allowable to purchasers for State and local retail sales taxes (sec. 23 (c)).

"Sec. 123. Deduction for stock and bond losses on securities in affiliated corporations (sec. 23 (g)).

"Sec. 124. Deduction for bad debts, etc. (sec. 23 (k)).

"Sec. 125. Corporate contributions to United States, etc., or for charitable use outside United States deductible (sec. 23 (q)).

"Sec. 126. Amortizable bond premium (sec. 23).

"Sec. 127. Deduction for medical, dental, etc., expenses (sec. 23).

"Sec. 128. Deduction of certain amounts paid to cooperative apartment corporation (sec. 23).

"Sec. 129. Deduction denied if proceeds used to pay for insurance (sec. 24 (a)).

"Sec. 130. Taxes and other charges chargeable to capital account not deductible but treated as capital items (sec. 24 (a)).

"Sec. 131. Reduction of personal exemption and credit for dependents—requirement for return (sec. 25 (b) (1)).

"Sec. 132. Computation of net operating loss credit and dividends paid credit (sec. 26 (c) (1)).

"Sec. 133. Credit for dividends paid on certain preferred stock (sec. 26).

"Sec. 134. Income in respect of decedents (sec. 42 (a)).

"Sec. 135. Returns for a period of less than twelve months (sec. 47).

"Sec. 136. Declaration that return made under penalties for perjury in lieu of oath (sec. 51).

"Sec. 137. Exemption of employees' voluntary beneficiary associations (sec. 101).

"Sec. 138. Denial of capital loss carry-over to section 102 companies (sec. 102 (d) (1)).

"Sec. 139. Compensation for services rendered for a period of thirty-six months or more (sec. 107).

"Sec. 140. Certain fiscal year taxpayer (sec. 108).

"Sec. 141. Western Hemisphere trade corporations (sec. 109).

"Sec. 142. Nonrecognition of loss and determination of basis in case of certain railroad reorganizations (sec. 112 (b)).

"Sec. 143. Basis of gifts (sec. 113 (a)).

"Sec. 144. Basis of property in case of optional value for estate tax purposes (sec. 113 (a) (5)).

"Sec. 145. Percentage depletion for coal, fluorspar, ball and sagger clay, rock asphalt, and metal mines and sulphur (sec. 114 (b) (4)).

"Sec. 146. Effect on earnings and profits of wash sale losses (sec. 115 (l)).

"Sec. 147. Distributions in liquidation (sec. 115 (c)).

"Sec. 148. Income from sources without United States in certain cases (sec. 116 (a)).

"Sec. 149. Reciprocal exemption of compensation of employees of the Commonwealth of the Philippines (sec. 116 (h)).

"Sec. 150. Capital gains and losses (sec. 117).

"Sec. 151. Real property; involuntary conversions; etc. (sec. 117).

"Sec. 152. Holding period of stock acquired through exercise of rights (sec. 117 (h)).

"Sec. 153. Two-year carry-back of net operating losses (sec. 122 (b)).

"Sec. 154. Commodity credit loans (sec. 123).

"Sec. 155. Extension of deduction for amortization of emergency facilities (sec. 124).

"Sec. 156. War losses.

"Sec. 157. Recovery of unconstitutional Federal taxes.

"Sec. 158. Foreign tax credit (sec. 131).

"Sec. 159. Extension of consolidated returns privilege to certain corporations (sec. 141).

"Sec. 160. Aliens and foreign corporations treated as nonresidents (secs. 143 and 144).

"Sec. 161. Deductions for estate tax and income tax of estate (sec. 162).

"Sec. 162. Pension trusts (sec. 165).

"Sec. 163. Life insurance companies (sec. 201).

"Sec. 164. Insurance companies other than life or mutual and mutual marine insurance companies (sec. 204).

"Sec. 165. Mutual insurance companies other than life or marine (sec. 207).

"Sec. 166. Technical amendment to definition of 'dividend' (sec. 115 (a)).

"Sec. 167. Transactions in stocks, securities, and commodities not considered engaging in trade or business in certain cases (sec. 211 (b)).

"Sec. 168. Period for filing petition extended in certain cases (sec. 272 (a)).

"Sec. 169. Statute of limitations on refunds and credits (sec. 322).

"Sec. 170. Regulated investment companies (Supplement Q).

"Sec. 171. Amendments to Supplement R (sec. 371).

"Sec. 172. Temporary income tax on individuals.

"PART II—PERSONAL HOLDING COMPANIES

"Sec. 181. Rates of personal holding company tax (sec. 500).

"Sec. 182. Exemption of certain corporations from personal holding company tax (sec. 501 (b)).

"Sec. 183. Consolidated income (sec. 501 (c)).

"Sec. 184. Computation of undistributed Subchapter A net income (sec. 504).

"Sec. 185. Deficiency dividends of personal holding companies (sec. 506).

"Sec. 186. Distribution by personal holding companies (sec. 115 (a)).

"TITLE II—EXCESS PROFITS TAX

"PART I—EXCESS PROFITS TAX AMENDMENTS

"Sec. 201. Taxable years to which amendments applicable.

"Sec. 202. Rate of excess profits tax (sec. 710 (a)).

"Sec. 203. Certain fiscal year taxpayers (sec. 710 (a)).

"Sec. 204. Two-year carry-back of unused excess profits credit (sec. 710 (c)).

"Sec. 205. Computation of excess profits and invested capital of insurance companies (sec. 711 (a)).

"Sec. 206. Technical amendments made necessary by change in base for corporation tax (sec. 711 (a)).

"Sec. 207. Capital gains and losses in the computation of excess profits net income (sec. 711 (a)).

"Sec. 208. Retroactive treatment of involuntary conversions as capital transactions (sec. 711 (a) (1))

"Sec. 209. Nontaxable income from certain mining and timber operations (sec. 711 (a) (1)).

"Sec. 210. Net operating loss deduction adjustment (sec. 711 (a) (1)).

"Sec. 211. Credit for dividends received in computation of excess profits net income in connection with invested capital credit (sec. 711 (a) (2)).

"Sec 212. Application of excess profits tax to certain foreign corporations (sec. 712 (b)).

"Sec 213 Excess profits net income placed on annual basis (sec. 711 (a) (3)).

"Sec. 214. Interest on certain Federal obligations (sec 713 (c)).

"Sec. 215 Base period net income of lowest year in base period (sec. 713 (e) (1)).

"Sec. 216 Capital reduction in case of members of controlled group (sec. 713 (g)).

"Sec. 217. Invested capital credit (sec. 714).

"Sec. 218. Basis of property paid in (sec. 718 (a) (2)).

"Sec. 219 Deficit in earnings and profits of another corporation (sec. 718).

"Sec. 220. Amortizable bond premium on certain Government obligations (sec. 720 (d)).

"Sec. 221. Abnormalities in income in taxable period (sec. 721).

"Sec. 222. Relief provisions (sec. 722).

"Sec. 223 Exempt corporations (sec. 727).

"Sec. 224 Excess profits tax returns (sec. 729 (b)).

"Sec. 225. Consolidated returns (sec. 730).

"Sec. 226. Exemption from tax of mining of certain strategic minerals (sec. 731).

"Sec. 227. Amendments to section 734.

"Sec. 228. Rules for income credit in connection with certain exchanges (Supplement A).

"Sec. 229. Termination of Supplement B.

"Sec. 230. Invested capital in connection with certain exchanges and liquidations (Chapter 2E).

"PART II—POST-WAR REFUND OF EXCESS PROFITS TAX

"Sec. 250. Post-war refund of excess profits tax.

"TITLE III—CAPITAL STOCK AND DECLARED VALUE EXCESS PROFITS TAXES

"Sec. 301. Capital stock tax (sec. 1200).

"Sec. 302. Declared value excess profits tax (sec. 600).

"Sec. 303. Declared value excess profits tax for taxable years of less than twelve months (sec. 601).

"Sec. 304. Technical amendments made necessary by change in base for corporation tax (sec. 602).

"TITLE IV—ESTATE AND GIFT TAXES

"PART I—ESTATE TAX

"Sec. 401. Estates to which amendments applicable.

"Sec. 402. Community interests (sec. 811 (e)).

"Sec. 403. Powers of appointment (sec. 811 (f)).

"Sec. 404. Proceeds of life insurance (sec. 811 (g)).

"Sec. 405. Deductions not allowable in excess of certain property of estate (sec. 812 (b)).

"Sec. 406. Charitable pledges (sec. 812 (b)).

"Sec. 407. Deduction on account of property previously taxed (sec. 812 (c)).

"Sec. 408. Deduction for disclaimed legacies passing to charities (sec. 812 (d)).

"Sec. 409. Denial of deduction on bequest to certain propaganda organizations (sec. 812 (d)).

"Sec. 410. Priority of credit for local death taxes (sec. 813 (a)).

"Sec. 411. Liability of certain transferees (sec. 827 (b)).

"Sec. 412. Exemption of estates of nonresidents not citizens (sec. 861 (a)).

"Sec. 413. Period for filing petition extended in certain cases (sec. 871 (a)).

"Sec. 414. Specific exemption (sec. 935 (c)).

"Sec. 415 Overpayment found by Board (sec. 912).

"PART II—GIFT TAX

"Sec. 451. Gifts to which amendments applicable.

"Sec. 452. Powers of appointment (sec. 1000).

"Sec. 453. Gifts of community property (sec. 1000).

"Sec. 454. Exclusion from net gifts reduced (sec. 1003 (b)).

"Sec. 455. Specific exemption of gifts reduced (sec. 1004).

"Sec. 456. Period for filing petition extended in certain cases (sec. 1012 (a)).

"Sec. 457. Overpayment found by Board (sec. 1027 (d)).

"Sec. 458. Definition of property in United States (sec. 1030 (b)).

"TITLE V—AMENDMENTS TO PRIOR REVENUE ACTS AND MISCELLANEOUS PROVISIONS

"Sec. 501. Additional credits for undistributed profits tax.

"Sec. 502. Stamp tax on certain insurance policies (sec. 1804).

"Sec. 503. Suit against collector bar in other suits (sec. 3772).

"Sec. 504. Change of name of Board of Tax Appeals (sec. 1100).

"Sec. 505. Requirement of filing notice of lien (sec. 3672).

"Sec. 506. Miscellaneous amendments to stamp tax provisions (sec. 1801, etc.).

"Sec. 507. Time for performing certain acts postponed by reason of war.

"Sec. 508. Mitigation of effect of renegotiation of war contracts or disallowance of reimbursement.

"Sec. 509. Amendment to the Public Salary Tax Act of 1939.

"Sec. 510. Abolition of Board of Review and transfer of jurisdiction to Board of Tax Appeals.

"Sec. 511. Definition of military or naval forces of the United States (sec. 3797 (a)).

"Sec. 512. Joint Committee on Internal Revenue Taxation—Power to obtain data (Chap. 48).

"TITLE VI—EXCISE TAXES

"Sec. 601. Effective date of this title.

"Sec. 602. Distilled spirits (sec. 2800).

"Sec. 603. Fermented malt liquors (sec. 3150).

"Sec. 604. Wines (sec. 3030).

"Sec. 605. Cigars and cigarettes (sec. 2000).

"Sec. 606. Telephone, telegraph, etc. (sec. 3465).

"Sec. 607. Photographic apparatus (sec. 3406 (a) (4)).

"Sec. 608. Lubricating oils (sec. 3413).

"Sec. 609. Transportation of persons (sec. 3469).

"Sec. 610. Organs under contract before October 1, 1941 (sec. 3404 (d)).

"Sec. 611. Termination of certain excise taxes (sec. 3406 (a) (5), (7), (8), and (9)).

"Sec. 612. Affixing of cigarette stamps in foreign countries (sec. 2112 (c)).

"Sec. 613. Exemption of insignia, etc., used in connection with uniforms of the armed forces from jewelry tax (sec. 2400).

"Sec. 614. Refrigerators, refrigerating apparatus, and air-conditioners (sec. 3405).

"Sec 615 Exemption of certain cash registers (sec. 3406 (a) (6)).

"Sec. 616 Exempt transportation of oil by pipe line (sec. 3460).

"Sec. 617 Coin-operated amusement and gaming devices (sec. 3267).

"Sec. 618 Sale under chattel mortgage (sec. 2405 and sec. 3441).

"Sec. 619 Repeal of certain provisions relating to mixed flour (Chapter 18, Chapter 27).

"Sec 620. Transportation of property.

"Sec. 621. Exemption from processing tax of palm oil used in manufacture of iron or steel products (sec. 2477).

"Sec. 622 Cabaret tax (sec. 1700 (e)).

"Sec. 623 Sale and use of toilet preparations by beauty parlors, etc. (sec. 2402 (b)).

"TITLE VII—SOCIAL SECURITY TAXES

"Sec. 701. Automatic increase in 1943 rate not to apply (secs. 1400 and 1410).

"TITLE VIII—RENEGOTIATION OF WAR CONTRACTS

"Sec. 801. Renegotiation of war contracts."

R. L. DOUGHTON,
JERE COOPER,
JOHN W. BOEHNE, Jr.,
WESLEY E. DISNEY,
ALLEN T. TREADWAY,
HAROLD KNUTSON,
DANIEL A. REED,
Managers on the part of the House.

WALTER F. GEORGE,
DAVID I. WALSH,
ALBEN W. BARKLEY,
TOM CONNALLY,
ROBERT M. LA FOLLETTE, Jr.,
ARTHUR CAPPER,
A. H. VANDENBERG,
Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 7378) to provide revenue, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: This amendment omits rents and royalties from the classes of income permitted to be reported on the simplified return under Supplement T to secure a closer correspondence between gross income for Supplemental T purposes and Victory tax net income. The House recedes.

Amendments Nos. 2, 3, and 5: These amendments of the Senate change the heading of the last column in the schedule of rates in section 400 of the Code in order to express more accurately the status of the taxpayers coming within this column. The House recedes.

Amendment No. 4: This amendment corrects an error in the table applicable to Supplement T; the House recedes.

Amendment No. 6: This amendment reduces the allowance for each dependent for the purposes of Supplement T from $440 to $330 to conform with the change in the basic allowance. The House recedes with an amendment fixing such allowance at $385.

Amendment No. 7: This amendment provides that a payment made to a wife which is includible in her gross income by virtue of the new sections 22 (k) and 771 of the Code shall not be considered a payment by her husband for the support of any dependent. The House recedes.

Amendments Nos. 8 and 9: These amendments are clerical; the House recedes.

Amendment No. 10: This amendment provides that in computing the corporation surtax net income of a public utility, there shall be subtracted the credit for dividends paid on its preferred stock provided by amendment No. 92, and also that dividends received on preferred stock of a public utility shall be disregarded in computing the credit for dividends received. The House recedes with an amendment denying the credit to fiscal year corporations for fiscal years beginning in 1941.

Amendment No. 11: This amendment exempts from the surtax on corporations Western Hemisphere Trade Corporations as defined in amendment No. 111. The House recedes.

Amendment No. 12: This amendment reduces the rate on corporation surtax net incomes over $25,000 but not over $50,000 from 32 percent to 22 percent. The House recedes.

Amendment No. 13: This amendment provides for a reduction in the rate on corporation surtax net incomes over $50,000 from 21 percent to 16 percent. The House recedes.

Amendment No. 14: This amendment changes the House provision with respect to the credit of corporations in computing normal and surtax for income subject to excess profits tax. Under the House bill, the general rule is that a corporation subject to excess profits tax shall be entitled to a credit in an amount equal to its adjusted excess profits net income. Certain exceptional situations are set forth in which the amount of credit shall be the amount of which the excess profits tax imposed under the particular section making the exception is 90 percent. The House bill includes within this exception the cases of corporations computing excess profits tax under sections 721 and 726. The Senate amendment eliminates from the exception provided in the House bill the case of a corporation computing its excess profits tax under section 722 and adds to the exception corporations computing excess profits tax under sections 731 and 736 (b). The amendment further provides that the excess profits tax which shall be used in computing the credit under the exception means the tax computed without regard to the 80 percent limitation on tax provided in section 710 (a) (1) (B), without regard to the credit provided in section 729 (c) and (d) and without regard to the adjustments provided in section 734. The House recedes, with a technical amendment.

Amendment No. 15: This amendment strikes out a provision in the House bill which has been inserted in section 155 of the bill as passed by the Senate. The House recedes.

Amendments Nos. 16 and 17: These amendments are clerical; the House recedes.

Amendments Nos. 18, 19, 20, 21, 22, 23, 24, and 25: These amendments reduce the rate of tax on nonresident alien individuals as proposed by the House from 37 percent to 30 percent, and the figure of $22,900 appearing in the House bill is adjusted to $15,400, which is the approximate level at which the effective rate equals 30 percent. The House recedes.

Amendment No. 26: This amendment reduces the rate of tax on nonresident foreign corporations proposed by the House from 37 percent to 30 percent; the House recedes.

Amendment No. 27: In the case of nonresident aliens, the House bill provided for withholding of tax at source at a rate of 37 percent. The Senate amendment reduces this rate to 30 percent. The House recedes.

Amendment No. 28: This amendment provides that in the case of tax-free covenant bonds which were issued prior to January 1, 1934, but the maturity date of which has been extended on or after that date, the rate of withholding at the source shall not exceed 27½ percent with respect to nonresident aliens. The House recedes.

Amendment No. 29: This amendment is clerical; the House recedes.

Amendment No. 30: This section does not appear in the House bill. In effect, it provides for the exemption from taxation of proceeds of a life insurance, endowment or annuity contract, if such contract or interest therein has a basis for determining gain or loss in the hands of a transferee determined in whole or in part by reference to such basis of such contract or interest therein in the hands of the transferor. Thus, where a corporation acquires a life insurance policy from a predecessor corporation in a tax-free reorganization, proceeds received under the policy will be exempt from taxation. The House recedes.

Amendment No. 31: This is a change in section number and title; the House recedes.

Amendment No. 32: This is a technical amendment of the last sentence of section

22 (b) (3) which the House bill added in order to prevent the exclusion from income of gifts and bequests paid at intervals out of income. The House recedes.

Amendment No. 33: This amendment of section 110 (b) of the House bill, concerning the allocation of estate and trust income among legatees and beneficiaries, provides a more detailed application of the principles of allocation in cases where amounts are to be paid out of other than income or out of income for a prior period. The amendment requires the inclusion in the income of a legatee or beneficiary of estate or trust income which becomes payable to the legatee or beneficiary within the taxable year. There is a new provision for allocation to the previous taxable year of a portion of amounts paid within the first 65 days of the taxable year of the estate or trust.

The applicability is also changed from the amounts paid, credited, or to be distributed after December 31, 1941, to taxable years beginning after such date, and, in the case of legatees and beneficiaries, to such amounts paid, credited, or to be distributed by estates or trusts on or after the beginning of such estate's or trust's first taxable year beginning after December 31, 1941.

The House recedes.

Amendment No. 34: This amendment retains in substance the provisions of the House bill, which conform certain sections of the Code with the Public Debt Act of 1941. In addition, the Senate inserts clarifying amendments to section 25 (a) and 26 (a) of the Code, which are declaratory of existing law.

The amendment also classifies public obligations and provides the extent to which interest thereon shall be excluded from gross income.

The House recedes with an amendment striking out the matter inserted by the Senate amendment, restoring the matter stricken out by the Senate amendment, and renumbering the section.

Amendment No. 35: This amendment amends section 22 (b) (5) to exclude from gross income amounts received as a pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country. The House recedes.

Amendment No. 36: This amendment retains in substance the provisions of the House bill extending the date of applicability of section 22 (b) (9) of the Code, relating to income realized from the discharge of indebtedness. In addition, the amendment changes 22 (b) (9) to make the relief which it grants available without a showing of unsound financial condition.

The amendment also adds a new paragraph providing for exclusion from gross income of amounts of income realized as the result of discharge of indebtedness of a railroad corporation in equity receivership or reorganization proceedings. The House recedes.

Amendments Nos. 37, 38, 39, 40, 41, and 42: These amendments are clerical; the House recedes.

Amendment No. 43: Section 115 of the House bill provided for the exclusion from gross income of so much of the amount received during the present war by an individual in the military or naval forces of the United States as salary or compensation for active service in such forces as does not exceed $250 in the case of a single person and $300 in the case of a married person. This amendment limits this exclusion to personnel below the grade of commissioned officer, and the $300 exclusion for married personnel is extended to include the head of a family. The House recedes.

Amendment No. 44: This is a change in section number; the House recedes.

Amendment No. 45: Section 116 of the House bill revised the report requirement in connection with inventory methods to apply only to annual reports. This change was made applicable to taxable years beginning after December 31, 1940. The Senate amendment makes the above change applicable to taxable years beginning after December 31, 1938. The House recedes.

Amendment No. 46: This amendment affords to a taxpayer using the elective inventory method authorized by section 22 (d) of the Code a measure of relief from the consequences of the involuntary liquidation of its base stock inventory resulting from prevailing war conditions. It permits the taxpayer in years ending subsequent to the year of liquidation, but not later than 3 years after the termination of the war, to replace, for tax purposes, items of merchandise liquidated from its base stock inventory at their original inventory figures, charging to income for the year of liquidation any excess costs to which it may be subjected in effecting the replacement and adding to income for the year of liquidation any excess of the original inventory figure over the actual replacement costs ultimately incurred. Adjustment of the tax liability for the year of liquidation and for all intervening years shall be made insofar as such years are affected by the replacement adjustment and without regard to any statute of limitations or other restrictions of law other than that of section 3761 of the Code relating to compromises. The House recedes, with technical amendments.

Amendment No. 47: This is a change in section number; the House recedes.

Amendment No. 48: This is a technical change of the rule for treatment of installment payments of alimony. Under both the House and the Senate amendments, in general, installment payments discharging a part of an obligation, the principal sum of which is, in terms of money or property, specified in the decree of divorce or instrument of settlement, are not considered periodic payments for the purposes of section 22 (k). The Senate amendment, however, provides that an installment payment is to be considered a periodic payment if such principal sum, by the terms of the decree or instrument, may be or is to be paid within a period ending more than ten years from the date of such decree or instrument. But in the latter case, such installment payment for the taxable year of the wife (or if more than one such installment payment for such taxable year is received during such taxable year, the aggregate of such installment payments) shall be considered a periodic payment only to the extent that it does not exceed 10 percent of such principal sum. For the purposes of this 10 percent limitation, the portion of a payment of the principal sum which is allocable to the period after the taxable year of the wife in which it is received is considered an installment payment for the taxable year in which it is received. The House recedes.

Amendment No. 49: This is a clerical amendment; the House recedes.

Amendment No. 50: This is a technical amendment making an appropriate cross-reference; the House recedes.

Amendment No. 51: This is a clerical amendment designed to reflect the change made by amendment No. 50. The House recedes.

Amendment No. 52: The amendment is clerical; the House recedes.

Amendment No. 53: This amendment is clerical; the House recedes.

Amendment No. 54: This amendment strikes out subsection (c) of section 118 of the House bill, which now appears as section 163 of the bill as amended by the Senate. The House recedes.

Amendments Nos. 55, 56, and 57: These amendments are clerical; the House recedes.

Amendment No. 58: This amendment provides for the allowance of a deduction to the purchaser for certain State and local retail sales taxes not imposed by law directly on the purchaser but passed on to and paid by him. The taxes imposed upon persons engaged in furnishing services at retail which are passed on to the consumer are also included as deductions to the consumer. There is no comparable provision in the House bill. The House recedes.

Amendment No. 59: Section 23 (g) of the Code provides that the loss resulting from the worthlessness of securities, defined as shares of stock in a corporation and rights to subscribe for or to receive such shares, shall, if such shares are capital assets, be considered as a loss from the sale or exchange of capital assets. The amendment adds a new paragraph (4) to section 23 (g) so as to provide that, for the purposes of this section, stock in a corporation affiliated with the taxpayer shall not, in the case of such taxpayer, be deemed a capital asset. The House recedes.

Amendments Nos. 60 and 61: These amendments are clerical; the House recedes.

Amendment No. 62: This amendment is technical, conforming to the change made by amendment No. 132; in view of the action taken on amendment No. 132, the House recedes.

Amendment No. 63: This amendment is clerical; the House recedes.

Amendment No. 64: This amendment adds a new paragraph (5) to section 23 (k) to provide that bonds, debentures, notes, or certificates, or other evidences of indebtedness issued with interest coupons or in registered form by any corporation affiliated with the taxpayer shall not, in the case of such taxpayer, be deemed capital assets for the purposes of section 23 (k) (2) (which treats the loss resulting from the worthlessness of such securities, if they are capital assets, as a loss from the sale or exchange of capital assets). Section 23 (k) (1) (relating to the deductibility of worthless debts) shall be applicable with respect to debts evidenced by such securities, except that no deduction on account of worthlessness shall be allowed under such section with respect to any such debt which is recoverable only in part. The House recedes.

Amendments Nos. 65, 66, and 67: These amendments are clerical; the House recedes.

Amendment No. 68: This amendment makes the provisions of section 119 of the House bill with respect to nonbusiness bad debts applicable only to taxable years beginning after December 31, 1942, instead of December 31, 1941, as in the House bill. The House recedes.

Amendment No. 69: This amendment provides that section 23 (k) (5) (mentioned under amendment No. 64 above), is applicable with respect to years beginning after December 31, 1941. The House recedes.

Amendment No. 70: This amendment is clerical; the House recedes, with a clerical amendment.

Amendment No. 71: This amendment broadens section 23 (q) of the Code so as to allow deductions to corporations for contributions or gifts made to or for the use of the United States, any State, Territory, or any political subdivision thereof, or the District of Columbia, or any possession of the United States, for exclusively public purposes. The amendment deletes the provision contained in existing law which limits corporate charitable deductions to those contributions or gifts which are to be used only within the United States or its possessions. The House recedes, with an amendment which provides that contributions to a trust, chest, fund, or foundation made within a taxable year beginning after the end of the war shall be deductible only if they are to be used within the United States or its possessions.

Amendment No. 72: This is a change in section number; the House recedes.

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Amendment No. 73: This amendment alters the definition of "bond" for the purpose of the amortization of bond premium provision so as to exclude obligations which constitute stock in trade of the taxpayer or obligations which would be includible in an inventory made by a taxpayer at the close of a taxable year. The House recedes.

Amendment No. 74: This amendment is clerical; the House recedes.

Amendment No. 75: This amendment adds section 23 (x) to the Code to allow a deduction for extraordinary expenses paid during the taxable year for the medical care of the taxpayer, his spouse, or a dependent of the taxpayer. The deduction is limited to such expenses as exceed 5 percent of net income computed without the benefit of section 23 (x), and the maximum deduction for any taxable year in the case of a husband and wife who file a joint return, or a head of a family, may not exceed $2,500, and in the case of all other individuals, $1,250. The House recedes.

Amendment No. 76: This amendment adds to the Code section 23 (y) to provide that losses of certain mining corporations for taxable years beginning in 1938 and 1939 shall be allowed as deductions in computing net income for the first taxable year beginning in 1940. The Senate recedes.

Amendment No. 77: This amendment adds to the Code section 23 (z) to allow a tenant-stockholder to deduct from gross income amounts paid or accrued to a cooperative apartment corporation within the taxable year of the tenant-stockholder, if such amounts represent such tenant-stockholder's proportionate share of certain real estate taxes, allowable as deductions under section 23 (c) of the Code, paid or incurred by the corporation, or of the interest paid or incurred by the corporation on certain indebtedness. The House recedes with an amendment renumbering the section.

Amendment No. 78: This is a clerical amendment; the House recedes, with an amendment renumbering the section.

Amendment No. 79: This amendment is clerical. The House recedes.

Amendment No. 80: Section 121 of the House bill is revised by this amendment which adds to the Code a new paragraph denying a deduction under section 23 (b) for any amount, whether in the form of interest or in any other form, which has been paid or accrued on an indebtedness incurred or continued to purchase a single premium life insurance or endowment contract. For the purposes of this new paragraph a contract shall be considered a single premium life insurance contract, if substantially all the premiums on such contract are paid within a period of four years from the date on which the contract is purchased. The House recedes.

Amendments Nos. 81 and 83: These amendments are clerical; the House recedes, with amendments renumbering these sections.

Amendment No. 82: This is a clerical amendment; the House recedes.

Amendment No. 84: This amendment is technical, to conform the title of section 132 with the material added by amendment No. 86. The House recedes.

Amendment No. 85: This amendment provides that alien residents with the appropriate status of countries contiguous to the United States shall be allowed the personal exemption of head of a family or of a married person living with husband or wife in cases where such countries allow similar exemptions to citizens of the United States who reside in the United States. The House recedes.

Amendment No. 86: This amendment reduces the credit for dependents from $400 to $300. The House recedes with an amendment fixing such credit at $350.

Amendment No. 87: This amendment is clerical; the House recedes.

Amendment No. 88: This is a clerical amendment; the House recedes with an amendment renumbering the section.

Amendments Nos. 89 and 90: These amendments are clerical; the House recedes.

Amendment No. 91: This amendment provides that section 133 of the bill as amended by the Senate shall be applicable with respect to taxable years beginning after December 31, 1939, instead of December 31, 1941, as provided in the House bill. The House recedes.

Amendment No. 92: This amendment inserts at the end of section 26 of the Code a new subsection which allows to public utilities a credit against the corporate surtax of the amount of dividends paid on their preferred stock during the taxable year. The House recedes with technical changes.

Amendment No. 93: This amendment makes a change in section number; the House recedes, with a clerical change.

Amendment No. 94: Under the House bill, the recipient of income in respect of a decedent includes such income in his gross income, and is given a deduction for the estate tax paid on account of the inclusion in the decedent's estate of the right to such income, determined on the basis of the effective rate of estate tax applicable to the decedent's estate. The Senate amendment provides that such deduction shall be determined on the basis of the increase in estate tax caused by the inclusion in the decedent's estate of all rights to such income. The House recedes.

Amendment No. 95: This amendment provides that the retroactive provisions of section 135 of the bill, as amended by the Senate, will apply only if the executor and each person receiving income in respect of a decedent consent to the computation of the income tax of the decedent for his last taxable period under such retroactive provisions. The House recedes.

Amendments Nos. 96, 97, 99, and 100: The retroactive provisions of section 135, relating to income in respect of decedents, require that proper adjustment of the tax of the recipient of such income be made within one year after the filing of the consents by the recipients, notwithstanding any expiration before the end of such year of the period of limitation provided by the Code. These amendments provide that such adjustments shall be made notwithstanding the expiration before the end of such year of any period of limitation prescribed in a revenue law in effect prior to the Code, and notwithstanding any rule of law, such as a previous judicial determination of the recipient's tax, prior to the end of such year. The House recedes.

Amendment No. 98: This is a technical amendment made necessary by amendment No. 95 in order to carry out the provision in the House bill that these retroactive provisions will not extend the period of limitation for claiming credit or refund of the income tax of the decedent for his last taxable period. The House recedes.

Amendment No. 101: This amendment to the retroactive provisions of section 135 provides that if, upon the application of such provisions, there is a deficiency in income tax for the last taxable period of the decedent, such deficiency when assessed shall be reduced by the overpayment, if any, in the estate taxes on the estate of the decedent caused by the failure to deduct from such estate the proper amount of such income tax of the decedent, if at the time such deficiency is assessed credit or refund of such overpayment is barred. The House recedes.

Amendment No. 102: This is a clerical amendment; the House recedes.

Amendment No. 103: This is a change in section number; the House recedes, with a clerical amendment.

Amendment No. 104: This amendment eliminates the requirement that income tax returns of individuals be made under oath and provides for verification by a written declaration that the return is made under the penalties of perjury. There is no comparable provision in the House bill. The House recedes, with an amendment making a change in section number.

Amendment No. 105: This amendment changes the requirements for exemption of an employees' beneficiary association to provide that the 85 percent of income used for making payments and meeting expenses may include contributions from the employer as well as amounts collected from members. This amendment is made retroactive through the Revenue Act of 1928. The amendment also provides for a new class of exempt corporations, namely, nonprofit public utility corporations. Both of these amendments are expressly made inapplicable to employment taxes. The House recedes with an amendment deleting that part of the Senate amendment relating to nonprofit public utility corporations.

Amendments Nos. 106 and 107: These amendments are changes in section numbers; the House recedes with amendments changing the section numbers to conform to the bill as agreed to in conference.

Amendment No. 108: This amendment changes the provisions of section 128 of the House bill so as to delete the requirement that the personal services must have been completed before the required percentage of the compensation is received, and revises the language in order to resolve certain administrative problems which might arise under the House amendment. The House recedes.

Amendment No. 109: This amendment clarifies the language of the House bill. The House recedes.

Amendment No. 110: This amendment eliminates the House provisions relating to fiscal year taxpayers and substitutes provisions applicable only to taxable years beginning in the calendar year 1941 and ending after June 30, 1942. The bill as passed by the House provided that fiscal year taxpayers should, if the law with respect to the respective calendar years in which a fiscal year falls is different, compute their normal taxes, surtaxes, and excess profits taxes in a specified manner. This amendment relates only to normal and surtax, while amendment No. 260 relates to excess profits tax. This amendment provides that in the case of a taxpayer with a taxable year beginning in 1941 and ending after June 30, 1942, the tax is the sum of the following: (a) that portion of the tax computed at the 1941 rates which the portion of the taxable year prior to July 1, 1942, bears to the entire taxable year; and (b) that portion of the tax computed at the 1942 rates which the portion of the taxable year after June 30, 1942, bears to the entire taxable year. Certain special classes of taxpayers are exempted from the operation of the statute, namely, insurance companies subject to Supplement G, investment companies subject to Supplement Q, and Western Hemisphere Trade Corporations as defined in section 141 of the Revenue Act of 1942. In addition, the statute does not apply to individuals who pay their taxes under Supplement T. The House recedes with an amendment making a change in section number and clerical changes.

The conference is agreed that with respect to any future tax increase, fiscal year taxpayers will be liable for the increase as well as calendar year corporations.

Amendment No. 111: The Senate amendment provides exemption from surtax for certain domestic corporations deriving their income principally from the active conduct of trade or business in foreign countries within the Western Hemisphere. There is no comparable provision in the House bill. The House recedes with an amendment making a change in section number.

Amendment No. 112: This amendment provides for nonrecognition of loss on the transfer after December 31, 1939, of property of a

railroad corporation as defined in the Bankruptcy Act pursuant to a court order made in reorganization proceedings, without regard to the definition of reorganization contained in section 112 (g) of the Code. Further, the amendment provides that the property so transferred shall have the same basis in the hands of the transferee as it had in the hands of the transferor. There is no comparable provision in the House bill. The House recedes with an amendment changing the section number.

Amendment No. 113: This amendment provides that the basis for property acquired after December 31, 1934, by street, suburban, or interurban electric railways in interstate commerce, pursuant to court order to effectuate a plan of reorganization under section 77B of the Bankruptcy Act shall be the basis in the hands of the transferor for taxable years beginning after December 31, 1939, notwithstanding section 270 of Chapter X or the definition of reorganization in section 112 (g) of the Code. There is no comparable provision in the House bill. The House recedes.

Amendment No. 114: This amendment provides, with respect to personal holding companies adopting a plan of complete liquidation after the passage of the Revenue Act of 1942, special rules for the treatment of gain on shares of stock owned by certain shareholders on the date of the adoption of the plan of liquidation, where the liquidation is in complete cancellation and redemption of all of the stock and the transfer of the property occurs within the month of December 1942, except for cash reserved for payment of liabilities. The Senate recedes.

Amendment No. 115: This amendment is clerical; the House recedes, with a clerical change.

Amendment No. 116: This amendment provides that the basis of property acquired by bequest, devise, or inheritance or by the decedent's estate from the decedent, which is valued, for estate tax purposes, pursuant to the executor's election under section 811 (j) of the Code, shall be the fair market value of the property as of the applicable valuation date for estate tax purposes. The House recedes, with an amendment renumbering the section.

Amendment No. 117: This amendment is clerical; the House recedes, with a clerical change.

Amendments Nos. 118, 119, 120, 121, 122, and 123: These amendments provide for percentage depletion at the rate of 15 percent with respect to ball and sagger clay and rock asphalt mines, and deny discovery depletion in respect of such mines. The House recedes.

Amendments Nos. 124 and 125: These amendments are clerical; the House recedes, with clerical changes.

Amendment No. 126: This amendment is technical, conforming to the change made in section 152 of the bill as passed by the Senate. The House recedes.

Amendment No. 127: This amendment is clerical; the House recedes, with a clerical change.

Amendment No. 128: Section 134 of the House bill struck out section 116 (a) of the Code, under which a citizen of the United States, a bona fide nonresident of the United States for more than six months during the taxable year, is exempt from tax on earned income from sources without the United States. The amendment retains section 116 (a), but changes the test, effective with respect to taxable years beginning after December 31, 1942, to one of residence in a foreign country or countries during the entire taxable year. The Senate also added a provision that a citizen of the United States, who has been a resident of a foreign country or countries for at least two years before the date on which he changes his foreign residence to a United States residence, shall be exempt with respect to earned income from sources without the United States derived during the period of his foreign residence. This change is applicable with respect to taxable years beginning in 1942. The House recedes.

Amendment No. 129: The amendment deletes an amendment contained in the House bill which provided that there should be included in gross income all amounts paid by the United States or any agency thereof as compensation for labor or personal services or under contract with the United States or any agency thereof. The Senate also has deleted a further House amendment which would confine the application of section 251 of the Code to the Commonwealth of the Philippines and Puerto Rico. The House recedes.

Amendment No. 130: This is a change in section number; the House recedes, with a clerical change.

Amendment No. 131: This is a clerical change; the House recedes with a change in section number.

Amendment No. 132: This amendment alters the provision of the House bill relating to the holding period distinguishing short-term from long-term capital gains and losses by changing the time from 15 months to 6 months. The House recedes.

Amendments Nos. 133 and 134: These are technical amendments related to amendment No. 132. The House recedes.

Amendment No. 135: This amendment removes mutual investment companies from the application of the alternative tax applied by the House bill in the case of certain other corporations if net long-term capital gain exceeds net short-term capital loss. The House recedes.

Amendments Nos. 136 and 137: Section 136 of the House bill provided in the case of banks and insurance companies that the excess for any taxable year of losses over gains on sales and exchanges of bonds, debentures, notes, or certificates, or other evidences of indebtedness, should be considered as ordinary losses and deductible in full. The Senate amendments remove insurance companies from this provision. The House recedes with an amendment removing life insurance companies from the alternative tax applied by the House bill in the case of certain other corporations if net long-term capital gain exceeds net short-term capital loss.

Amendments Nos. 138, 139, 140, 141, 142, 143, 144, 145, and 146: These amendments are technical amendments related to amendment No. 132. In view of the action on amendment No. 132, the House recedes.

Amendment No. 147. This is a clerical change; the House recedes with a change in section number.

Amendment No. 148: This is a technical amendment related to amendment No. 149. In view of the action on amendment No. 149, the House recedes.

Amendments Nos. 149, 150, 151, and 154: Section 137 of the House bill included buildings and similar real property improvements used in trade or business within the definition of capital assets. It provided, in case gain from involuntary conversions, sales, or exchanges of depreciable property used in trade or business (other than buildings and similar real property improvements) held for a term equivalent to that of long-term capital assets, plus gains from involuntary conversions of long-term capital assets, exceed losses from such sales, exchanges, or conversions, the gains and losses should be treated as long-term capital gains and losses; if gains do not exceed losses, the gains and losses should not be treated as capital gains and losses. Amendment No. 149 in part provides, instead of buildings and similar real property improvements used in trade or business being classified as capital assets, that real property used in trade or business shall be excluded from the definition of capital assets. Amendments Nos. 150, 151, and 154, together with the rest of amendment No. 149, accomplish the same result as Section 137 of the House bill so far as conversions, sales, and exchanges of property used in the trade or business and involuntary conversions of long-term capital assets are concerned. The House recedes.

Amendments Nos. 152, 153, and 155: These are technical amendments related to amendment No. 132. In view of the action on amendment No. 132, the House recedes.

Amendment No. 156: The Senate amendment provides that an involuntary conversion will be considered an exchange of the property converted for the property acquired in determining the period for which such property is held. The House recedes.

Amendment No. 157: This is a clerical amendment; the House recedes.

Amendment No. 158: This amendment makes taxable the gains upon an involuntary conversion to the extent that money, whenever received, is not expended to acquire property similar to the converted property. The House recedes.

Amendment No. 159: This is a clerical change; the House recedes with a change in section number.

Amendment No. 160: This amendment adds to the bill a new section to permit the net operating loss for any taxable year beginning on or after January 1, 1942, to be carried back and credited against net income for each of the two preceding years (but not for any taxable year beginning before January 1, 1941). That portion of the net operating loss for any taxable year which is not used as a carry-back may be carried forward, as under existing law, to the two succeeding taxable years. The House recedes with an amendment to conform the section number with the bill as agreed to in conference.

Amendment No. 161: This is a clerical change; the House recedes with a change in section number.

Amendment No. 162: A taxpayer electing to include loans received from the Commodity Credit Corporation in income for taxable years, beginning after December 31, 1938 and before January 1, 1942 may, under section 139 of the House bill, elect to do so at, or at any time prior to, the time for filing the taxpayer's return for his taxable year beginning in 1942. The Senate amendment allows this only if the records of the taxpayer are sufficient to permit an accurate determination of income for the years involved and if the taxpayer agrees to allow additional assessments of any deficiencies for such years although the statutory period for assessing deficiencies may have expired. The House recedes.

Amendment No. 163: This is a clerical change; the House recedes, with a change in section number.

Amendment No. 164: This is a clerical amendment; the House recedes.

Amendment No. 165: This amendment extends from 3 months to 6 months after the date of the enactment of the Revenue Act of 1942, the period in which an election may be made to take an amortization deduction for an emergency facility completed or acquired by a corporation after December 31, 1939 and before June 11, 1940, or by a taxpayer other than a corporation after December 31, 1939, and before January 1, 1942. The House recedes.

Amendment No. 166: This is a clerical amendment; the House recedes.

Amendment No. 167: This amendment permits amortization in the case of a taxpayer which commenced construction, reconstruction, erection, or installation of an emergency facility during the emergency period,

but did not complete it before the end of the emergency period. It provides that the taxpayer shall use an amortization period beginning with the month in which the construction, etc., was begun and ending as of the end of the month within which the emergency period ends, or within which the emergency facility ceased to be necessary in the interest of national defense during the emergency period The House recedes.

Amendment No. 168: This amendment provides that the part of any facility which was constructed, etc., after December 31, 1939, and not earlier than 6 months prior to the filing of an application for a certificate of necessity and with respect to which part a certificate of necessity has been made, shall be deemed to be an emergency facility notwithstanding that the other part of such facility was constructed, etc., earlier than 6 months prior to the filing of the application for the certificate of necessity. The House recedes.

Amendment No. 169: This is a technical amendment related to amendment No. 168. In view of the action on amendment No. 168, the House recedes.

Amendments Nos. 170 and 171: These amendments extend from 3 to 6 months after the enactment of the Revenue Act of 1942 the period in which an application for a certificate of necessity must be filed in the case of facilities acquired or completed by corporations after December 31, 1939 and before June 11, 1940 and by persons other than corporations after December 31, 1939. The House recedes.

Amendment No. 172: This is a technical amendment related to amendment No. 167. In view of the action on amendment No. 167, the House recedes.

Amendments Nos. 173, 174, and 175: The House bill provided that no amortization deduction should be allowed unless a certificate of necessity was made within 9 months after the date of enactment of the Revenue Act of 1942 in the case of facilities completed or acquired by corporations after December 31, 1939 and before June 11, 1940, within the six months after the last date on which an application for a certificate of necessity was filed or within 9 months after the date of enactment of the Revenue Act of 1942, whichever was later, in the case of facilities completed or acquired by persons other than corporations after December 31, 1939 and before January 1, 1943. The Senate amendments extend the six-month periods to 9 months and the nine-month period to 12 months. The House recedes.

Amendment No. 176: This is a clerical amendment; the House recedes.

Amendment No. 177: This amendment extends the provision in the House bill for a credit or refund of the amount of tax paid under Chapter 1 of the Code which would not have been paid had the amortization provisions in the bill been enacted on October 8, 1940. Amounts paid under the excess-profits tax and the declared value excess-profits tax are included. The House recedes.

Amendment No. 178: This amendment, for which there is no corresponding provision in the House bill, provides practical rules for the treatment of property destroyed or seized in the course of military or naval operations during the war, and of property located in enemy countries or in areas which come under the control of the enemy.

In the case of property situated in an enemy country, or in an area controlled by such country, on the date war was declared on such country by the United States, such property is under this amendment deemed to have been seized or destroyed on the date the United States declared war on such country.

Similarly, if after the date war is declared by the United States, the enemy country occupies an area in which the taxpayer's property is located, that property is treated as destroyed or seized upon the date the enemy gains control of the area. In many cases, the exact date of enemy occupation cannot be established. Therefore, the taxpayer is permitted to treat the loss as occuring at any time after the last date on which the United States or a friendly country had complete control of the area and before the earliest date on which the enemy gained complete control.

This amendment also provides similar rules for determining the date of the loss in the case of property actually destroyed or seized in the course of military or naval operations.

The section of the bill added by this amendment provides that if any interest in or with respect to property deemed to be seized or destroyed under such section (property seized or destroyed in the course of military or naval operations or in an area under the control of the enemy, or an interest in or with respect to such property) becomes worthless, the loss thereon shall be treated as a casualty loss resulting from the destruction or seizure of the interest in such property. The amendment applies only if the property deemed to be seized or destroyed under this section had been destroyed. The section applies equally to land and interests in real property, and to tangible and intangible personal property interests. For example, under section 127 (a) (3) contained in this amendment, land which has been seized in the course of military or naval operations or which is in an area under enemy control is treated, for the purposes of determining whether the stock or bonds of the corporation owning such land have become worthless, as having been destroyed, even though land may be ordinarily regarded as indestructible.

In the case of a taxpayer which owns at least 50 percent of the stock of each class of a corporation, which corporation has property, representing at least 75 percent of the adjusted basis for determining loss of all its property, destroyed or seized in the course of military or naval operations, or located in an area under the control of the enemy, such taxpayer may treat that part of the loss upon the liquidation of such corporation which results from the destruction or seizure of such property as being a casualty loss on account of the destruction or seizure of the stock interest in such property.

This amendment also provides that in determining the loss upon the destruction or seizure of the property described in this section, the taxpayer shall ignore those elements of value caused by the possibility that the property will be returned to him at the end of the war, or the possibility that the Government will reimburse him for the property after the war. The taxpayer shall not, of course, ignore his right to reimbursement from insurance or from other similar definite rights which compensate him for the loss. It is provided that in determining the loss upon property treated as seized or destroyed, consideration must be given to any compensation for such loss resulting from the property, treated as seized or destroyed, being used in the same taxable year to pay any obligations of the taxpayer with respect to such property. If the taxpayer cannot determine whether or not certain obligations are so discharged, it may determine its loss as if all such obligations were so discharged. For example, a bank has a branch in Tokio. If it cannot determine whether or not the assets in the Tokio branch were used to discharge its liabilities to those depositors in the branch who are not enemies of Japan, it may nevertheless determine its loss as if such assets were so used.

This amendment further provides that any money received in respect of property treated as destroyed or seized under this amendment, the fair market value of any property received in lieu of such property, and the fair market value of the property itself, if it is recovered, shall be included in income for the taxable year when received. Furthermore, the restoration in value of any interest in or with respect to such property, which interest was treated as destroyed or seized under this amendment, as a result of the recovery of money or property in respect of property to which such interest related, shall be included in income for the taxable year in which such restoration in value occurs.

The provisions of this amendment are applicable to taxable years beginning after December 31, 1940. However, under the terms of this amendment, no war loss can be sustained prior to December 7, 1941. The House recedes with the following amendments:

In the case of a wholly-owned subsidiary, whose stock would be worthless if the value of certain liquid assets (excluded in determining whether the taxpayer could treat the loss upon the liquidation of the subsidiary as a war loss) were disregarded, the section is changed to permit the taxpayer to determine the worthlessness of its interest in the subsidiary without regard to the value of such assets, except that the value of all of such assets must be treated as a recovery by the taxpayer. A taxpayer electing to claim its loss under this provision need not liquidate its subsidiary.

In the case of a taxpayer entitled to a loss for the partial worthlessness of its interest in a subsidiary upon the liquidation of the subsidiary, the section is changed to expressly provide that a complete distribution in good faith of all assets and of all rights to assets is a sufficient liquidation. If the taxpayer is not able to make an immediate distribution of any asset, it must distribute all its rights to such asset.

In the case of a taxpayer entitled to a war loss upon the liquidation of its subsidiary, the section is changed to remove the provision limiting the taxpayer's loss to its stock interest in the subsidiary. Upon the liquidation of the subsidiary, the loss upon the taxpayer's entire interest in the subsidiary is treated as a war loss.

Amendment No. 179: The Senate amendment provides that a taxpayer who has paid an unconstitutional Federal tax for which he has been allowed an appropriate deduction and who subsequently recovers such tax in any taxable year beginning after December 31, 1940, may exclude the income (exclusive of interest also recovered) attributable to such recovery from his gross income in the taxable year of recovery provided certain conditions are fulfilled. The House recedes with an amendment eliminating surplus language.

Amendment No 180: This is a clerical amendment; the House recedes.

Amendment No. 181: This amendment provides, with respect to taxable years beginning after December 31, 1940, that a taxpayer who has paid or accrued foreign income taxes may claim such taxes as a credit against his tax liability or, in the alternative, as a deduction from gross income. The election to take the credit may be made or changed at any time prior to the expiration of the period prescribed for making a claim for credit or refund of the tax imposed by chapter 1. Existing law provides that, if "the taxpayer signifies in his return" the tax imposed shall be credited with the foreign tax. On the deduction side, it is provided that the taxpayer may use the foreign tax as a deduction from gross income if he "does not signify in his return his desire to have to any extent" the credit.

The conferees gave consideration to the question of an amendment to section 131 of the Code to provide that the credit for foreign taxes on foreign income not reported

in the taxable year because of its being blocked should be deferred and allowed in the taxable year in which such income is released and realized for income tax purposes. It was agreed that such an amendment is unnecessary. Under a proper interpretation of existing law, the credit for foreign taxes, as well as the various allowable deductions, follows the income into the taxable year in which it is realized for purposes of the income tax law. This might appropriately be covered specifically by departmental regulations in view of the importance of the question to a large number of taxpayers.

The House recedes with a change in section number.

Amendment No. 182: This is a technical amendment made necessary because of the change in method of computing "normal tax net income" provided in section 105 of the bill. The House recedes.

Amendment No. 183: This is a clerical amendment; the House recedes.

Amendment No. 184: The Senate amendment provides that the term "income, war profits and excess profits taxes" shall, for the purposes of sections 131 and 23 (c) (1) (C), relating to the foreign tax credit and deduction, include a tax paid in lieu of a tax upon income, war profits, or excess profits otherwise generally imposed by any foreign country or by any possession of the United States. The House recedes.

Amendment No. 185: This is a clerical amendment; the House recedes with a change in section number.

Amendments Nos. 186 and 192: In extending the privilege of filing consolidated returns, the House bill provided that the group making a consolidated income tax return might include corporations not includible in the group making a consolidated excess profits tax return. It is believed desirable that the affiliated group of corporations should be identical for both consolidated income and for consolidated excess profits tax return purposes. This is administratively expedient, both from the standpoint of the Government and the taxpayer. In addition, it prevents the disqualification for consolidated excess profits tax return purposes of groups which are eligible for consolidated income tax return purposes in those cases where the common parent corporation would otherwise be exempt from excess profits taxes under sections 725 and 727 of the Code. These amendments help to carry out this policy, by striking the provisions of the House bill, that for consolidated income tax purposes, the affiliated group might include corporations subject to the income tax whether or not such corporations were includible for consolidated excess profits tax return purposes, and by removing personal service corporations, personal holding companies, and companies exempt under section 727 from the excess profits tax from the category of ineligible corporations. The House recedes.

Amendments Nos. 187 and 188: Section 141 of the Code, in its present form and as amended by this bill, provides that consolidated returns may be filed by an affiliated group only if all corporations which were members of the group at any time during the taxable year for which such returns are filed consent to the consolidated returns regulations. Under such a rule a group which, without obtaining the required consents, had disposed of an affiliate prior to the time that recommendations were made to Congress by the Treasury Department that consolidated returns should be extended for income as well as excess profits tax purposes would not be able to avail itself of this provision. The Senate amendments have therefore provided that a corporation which is not a member of the affiliated group after March 31, 1942, of the last taxable year of the group beginning before April 1, 1942, shall not be considered a member of the group for consolidated income tax return purposes although it shall be considered a member for consolidated excess profits tax return purposes. The House recedes.

Amendment No. 189: The regulations under existing law provide that the net operating loss deduction of a member of a group, on account of a carry-over from years prior to that in which its income is first included in a consolidated return, shall not exceed the amount of the separate income of such member. This amendment provides that this limitation shall not prevent the portion of the deduction, on account of a net operating loss carry-over which is attributable to a 1941 war loss, from being taken into account in computing consolidated net income. The House recedes.

Amendment No. 190: This is a technical amendment related to amendment No. 261. It retains a $5,000 specific exemption from excess profits tax for a group filing a consolidated return instead of the $10,000 exemption provided in the House bill. In view of the action taken on amendment No. 261, the House recedes.

Amendment No. 191: The House bill provided that corporations entitled to the benefit of section 251 of the Code, relating to income from sources within possessions of the United States, should be excluded from the privilege of filing consolidated returns unless electing under section 251 (b) not to be taxed under such section. This amendment removes the option of becoming an includible corporation by electing not to be taxed under section 251. The House recedes.

Amendment No. 193: This is a technical amendment related to amendment No. 192. In view of the action on amendment No. 192, the House recedes.

Amendments Nos. 194, 195, and 196: These are clerical amendments; the House recedes.

Amendment No. 197: This is a clerical change; the House recedes, with a change in section number.

Amendment No. 198: This amendment strikes from section 14 (c) of the Code relating to foreign corporations, the phrase which permits such a corporation special tax treatment if it has an office or place of business in the United States. In so doing, the amendment accords with the sections of the House bill removing this phrase in other sections of the Code. The House recedes.

Amendments Nos. 199, 200, 201, and 202: These are clerical amendments; the House recedes.

Amendment No. 203: This amendment provides that, unless a specified statement has been filed as prescribed by the Commissioner, no deduction (except under section 23 (w), relating to deductions of estate, etc., on account of decedent's deductions) shall be allowed in computing the net income of an estate for income tax purposes on account of amounts allowable as a deduction under section 812 (b) of the Code in computing the net estate of a decedent for estate tax purposes. The House recedes, with a change in section number.

Amendment No. 204: This amendment revises substantially the treatment of pension trusts and annuity and profit-sharing plans contained in the House bill. The present law is restored to the effect that a trust is exempt if the trust assets may not be used for purposes other than the exclusive benefit of the employees so long as all liabilities with respect to the employees or their beneficiaries have not been satisfied. The requirement that 70 percent of all employees should be covered by the plan for the plan to be tax-exempt has been altered so that if 70 percent of all employees are eligible and at least 80 percent of those eligible participate, the plan will be exempt. Specific language has been inserted to provide that plans supplementary to social security benefits shall not be considered discriminatory merely because limited to salaried or clerical employees.

The House bill limited the employer's deduction in the year of payment of contributions to a plan to 5 percent of the compensation otherwise paid to the employees with permission to spread any excess over a 5 year period. The House bill has been revised in the case of pension trusts to subject the reasonableness of the deductions claimed up to 5 percent to periodical examinations by the Commissioner at not less than 5-year intervals. Further provision has been made for plans where it is actuarially necessary for the employer's contributions in any given year to exceed 5 percent of the compensation otherwise paid employees. Under the Senate changes, where the employer's contributions for both past and current service credits are determined in terms of a level amount, or a level percentage of compensation, over the remaining future service of each employee, the employer's contributions are permitted, with a minor qualification, as a deduction in excess of the 5 percent limit where actuarially necessary. Where the employer may be said to pay a level percentage of compensation for present services but pays in irregular amounts for past services a deductible amount is allowed in addition to normal cost of not in excess of 10 percent of the cost which would be required to completely fund or purchase the pension or annuity credits as of the date when they are included in the plan. Any excess may be carried over to a subsequent year in which contributions fail to reach the prescribed limits. If contributions are paid into a stock bonus or profit-sharing trust such contributions are limited to 15 percent of the compensation otherwise paid employees. Any excess contributions may be carried over or carried back to years in which this limit was not reached. If amounts are deductible in connection with two or more trusts or plans, the total amount deductible in a taxable year shall not exceed 25 percent of compensation otherwise paid employees according to the provisions of the amendment. If an annuity is purchased by a section 101 (6) corporation, the employee includes in income only amounts he receives.

Detailed provisions have been added by the Senate amendment with respect to the dates of application of this measure to pension plans now in existence or not yet in existence for the purpose of allowing adequate opportunity to adjust plans to the requirements erected, with special allowances for plans in existence prior to December 31, 1939.

The House recedes with certain clerical and technical changes and the removal of the provisions with respect to plans in existence prior to December 31, 1939.

Amendment No. 205: This is a clerical change; the House recedes with a change in section number.

Amendment No. 206: This amendment contains a number of clerical corrections and provides a less stringent exclusion of burial insurance companies, and provides for the inclusion of certain assessment life insurance companies. Capital gains are excluded from the tax base, and amortization of bond premium and accrual of bond discount is provided for. The House recedes with certain clarifying amendments.

Amendment No. 207: This amendment by the Senate repeals a section made unnecessary by other changes. The House recedes.

Amendment No. 208: This is a change in section heading; the House recedes with an amendment to conform the section number to the bill as agreed to in conference.

Amendments Nos. 209, 210, 211, and 212: These Senate amendments tax mutual marine insurance companies in the same manner as stock companies, with a deduction for dividends to policyholders. The House recedes.

Amendment No. 213: Participating stock companies are allowed a deduction by this amendment for all dividends paid to policyholders, instead of only that part in excess of investment income; the deduction for surplus apportioned to policyholders is eliminated, and a provision is inserted to permit life insurance reserves to be treated as unearned premiums in the case of life business of a company not taxed under section 201. Capital losses are to be allowed in full as a deduction from ordinary income to the extent that they arise from the sale of assets disposed of to obtain funds to pay abnormal insurance losses or to pay dividends in periods of declining premium income. The House recedes

Amendment No. 214. This amendment is clerical; the House recedes.

Amendment No. 215: This amendment provides that mutual insurance companies other than life shall be taxed on their investment income at the regular corporate and excess profits tax rates or at 1 percent on gross income whichever gives the greater tax. "Gross income" means the gross amount received from interest, dividends, rents, and net premiums, minus dividends to policy holders, less the interest which under section 22 (b) (4) is excluded from gross income. Reciprocal underwriters or interinsurers are taxed on the investment income basis only. Companies having gross receipts of less than $75,000 are exempt, and companies having less than $75,000 of gross income and less than $3,000 of investment income pay no tax. Reciprocal underwriters or interinsurers pay no tax if investment income is less than $50,000. Notch provisions determine the tax of companies having incomes slightly in excess of these limits. Capital losses are to be allowed in full as a deduction from ordinary income to the extent that they arise from the sale of assets disposed of to obtain funds to pay abnormal insurance losses or to pay dividends in periods of declining premium income.

The House recedes with a series of clarifying amendments and an amendment providing that reciprocal underwriters and interinsurers are not subject to tax unless the surtax net income from investments exceeds $50,000.

Amendment No. 216: This amendment provides an exemption from tax for small stock accident and health insurance companies having gross receipts of less than $200,000. The Senate recedes.

Amendment No. 217: This is a clerical change; the House recedes with a change in section number.

Amendment No. 218: This is a technical amendment related to amendment No. 215. In view of the action on amendment No. 215, the House recedes.

Amendment No. 219: This is a clerical change; the House recedes with a change in section number.

Amendment No. 220: The Senate amendment provides that if a notice of deficiency in income tax is mailed to a taxpayer outside the States of the Union and the District of Columbia, the taxpayer has 150 days within which to file his petition with the Board of Tax Appeals. The House recedes with a change in section number.

Amendment No. 221: This is a clerical change; the House recedes with a change in section number.

Amendment No. 222: This is a clerical change; the House recedes.

Amendment No. 223: The Senate amendment adds to the situations in which a seven-year statute of limitations is prescribed by the House bill for a claim for credit or refund, the case of an overpayment on account of the effect that the deductibility of a debt or loss from the worthlessness of a security has on the application to the taxpayer of a carry-back. The House recedes.

Amendment No. 224: This is a clerical change; the House recedes with a change in section number.

Amendment No. 225: This amendment includes in the definition of regulated investment companies for the purposes of the income tax common trust funds or similar funds not included in the definition of a common trust fund in section 169 of the Code and excluded by section 3 (c) (3) of the Investment Company Act of 1940 from the definition of an investment company. The House recedes.

Amendment No. 226: The House bill provided that a corporation should not be considered a regulated investment company unless 90 percent of its net income for the taxable year computed without regard to net long-term and net short-term capital gains was distributed to its shareholders as taxable dividends during the taxable year. The Senate amendment removes this restriction in view of the change in amendment No. 230. The House recedes.

Amendment No. 227: This is a clerical change; the House recedes.

Amendment No. 228: It was further provided in the House bill that a corporation is not a regulated investment corporation unless it complied with rules and regulations prescribed by the Commissioner, for the purpose of ascertaining the actual ownership of its outstanding stock. This requirement is removed by the Senate amendment in view of the change in amendment No. 230. The House recedes.

Amendment No. 229: A corporation, to qualify as a regulated investment company, is required by the Senate amendment to file with its return for the taxable year an election to be a regulated investment company unless it has made such an election for a previous taxable year which began after December 31, 1941. The House recedes.

Amendment No. 230: With respect to the tax on Supplement Q net income and Supplement Q surtax net income, the Senate amendment permits Supplement Q treatment where there has been a distribution as taxable dividends of not less than 90 percent of the net income without regard to net short-term and net long-term capital gains, and compliance with regulations prescribed for the purpose of ascertaining the actual ownership of the stock. The amendment also extends the recognition of the conduit principle to capital gains, thus taxing distributed portions of such gains as capital gains in the hands of the shareholders. The Senate amendment also provides that the earnings and profits for any taxable year beginning after December 31, 1941 (but not the accumulated earnings and profits) shall not be reduced by any amount which is not allowable as a deduction in computing net income for such taxable year. The House recedes.

Amendments Nos. 231 and 232: These are clerical or minor technical amendments; the House recedes.

Amendment No. 233: The Senate amendment provides for retroactive adjustments of earnings and profits in order to eliminate certain hardship cases which have arisen out of subsequent disqualifications of mutual investment companies. The House recedes.

Amendment No. 234: This is a clerical change; the House recedes with a change in section number.

Amendments Nos. 235, 236, 237, and 238: These are clerical changes; the House recedes.

Amendment No. 239: The Senate amendment provides that, in cases where property was acquired in a taxable year beginning before January 1, 1942, in any manner described in section 372 prior to its amendment by the Revenue Act of 1942, the basis shall be that prescribed in such section prior to its amendment. The House recedes.

Amendment No. 240: This is a clerical amendment; the House recedes.

Amendments Nos. 241 and 242: The House bill provided a system for collection of the tax at the source on dividends, bond interest, and wages. The amount so collected was to be allowed as a credit against the tax imposed by chapter 1 for the taxable year in which such dividends, bond interest, and wages were includible in gross income. The rate of withholding under the House bill was to have been 5 percent for the calendar year 1943 and 10 percent for each calendar year thereafter. The Senate amendment struck out this provision in the House bill and inserted in lieu thereof a new subchapter D to chapter 1 of the Internal Revenue Code. Part I of this amendment imposes a Victory tax of 5 percent upon the Victory tax net income of every individual other than a nonresident alien subject to the tax imposed by section 211 (a). Such tax is applicable with respect to taxable years beginning after December 31, 1942, and expires after the date of cessation of hostilities in the present war. Part II of this amendment provides a system for collection of the tax at the source and allows the amount so collected as a credit against the Victory tax and the other taxes imposed by chapter 1. Collection of the tax at the source under the Senate amendment is limited to wages and does not include dividends and bond interest as was provided in the House bill. The rate of withholding under the Senate amendment is 5 percent. Under the Senate amendment an annual deduction of $624 is allowed which is not subject to withholding as against an annual deduction of $552 in the case of a single person and $1,320 in the case of a married person under the House bill. The House bill also allowed an annual deduction for each dependent in the sum of $432 which is not allowed under the Senate amendment since the Senate amendment makes no distinction as to the marital or dependency status of the taxpayer.

Under the Senate amendment, fees received by public officials were included in the definition of wages and thus were subject to withholding. The conference action excludes such fees from the definition of wages and therefore from withholding. If such public official has a salary in addition to his fees, the salary would be subject to the withholding provisions. Excluding such fees from the withholding provisions does not affect the Victory tax net income of such official and in computing his Victory tax such fees are includible in his gross income.

Under the Senate amendment, the term "employee" was defined to include, in addition to public officers, employees, and elected officials, certain individuals who are not employees under the law of master and servant. The effect of the definition was to broaden the common law concept of master and servant and bring within the purview of the with-

holding provisions certain individuals who would not otherwise be covered. The conference action excludes such individuals from the definition of employee but retains within its meaning public officers, employees, and elected officials.

Under the Senate amendment, employers are required to furnish each employee a statement at the end of the year showing the wages paid by the employer to his employee and the amount of tax withheld and collected in respect of such wages. A duplicate copy of each such statement is required to be filed by the employer with his final return for the year. Under section 147 of the Internal Revenue Code, employers are also required to file a return showing, among other things, the amount of salaries and wages paid to his employees during the taxable year. In order to avoid duplication of effort and lessen the reports required to be made to the Commissioner of Internal Revenue, the conference action provides that if the employer filed the statement required to be furnished to his employees under the Senate amendment, he would not be required to file a return under section 147 showing the salary or wages of such employees.

Certain technical and clerical changes were also made to the Senate amendment. The House recedes.

Amendment No. 243: This amendment is an addition by the Senate to the income tax provisions of the Code, requiring the recomputation of the net income of any individual who for five consecutive years has each year had allowable deductions attributable to a trade or business exceeding the gross income therefrom. The Senate recedes.

Amendment No. 244: The House bill provided that licensed personal finance companies must be subject to the supervision of State authority having supervision over financial institutions. This amendment restores the provisions of existing law which requires merely that such companies be under State supervision. The House recedes.

Amendment No. 245: This amendment eliminates the provision of the House bill that loan or investment companies be "subject to the supervision of state authority for supervision over finance institutions." The House recedes.

Amendment No. 246: This amendment provides that the amendments relative to exemption of certain corporations from personal holding company tax shall be applicable to taxable years beginning after December 31, 1941, instead of December 31, 1938, with a provision that the taxpayer may, at his election, have the amendments apply retroactively to all taxable years beginning after December 31, 1938, and not beginning after December 31, 1941. The House recedes.

Amendment No. 247: This is a technical amendment related to amendment No. 192. The House recedes.

Amendment No. 248: This amendment allows a personal holding company a deduction, in computing its undistributed subchapter A net income for taxable years beginning after December 31, 1940, of amounts distributed before January 1, 1944, in redemption of preferred stock outstanding prior to January 1, 1934, in cases where a corporation, for the 4-year period immediately prior to January 1, 1934, in fact, operated as a manufacturing, commercial, processing or service company. The House recedes.

Amendments Nos. 249 and 250: These are changes in section numbers; the House recedes.

Amendments Nos. 251 and 252: These are clerical amendments; the House recedes.

Amendments Nos. 253, 254, and 255: These amendments extend the period in which relief may be obtained by personal holding companies through distributions from 90 days to 6 months. The House recedes.

Amendments Nos. 256, 257, and 258: These are technical amendments; the House recedes.

Amendment No. 259: The House adopted a flat excess profits tax rate of 90 percent of adjusted excess profits net income, instead of the rate table now provided. This amendment limits the excess profits tax so computed to an amount which, when added to the taxes imposed by chapter 1 (other than section 102), equals 80 percent of the corporation surtax net income computed without the credit provided in section 26 (e) for income subject to excess profits tax. The House recedes.

Amendment No. 260: As pointed out in the explanation of amendment No. 110, the bill as passed by the House provided that fiscal year taxpayers should, if the law with respect to the respective calendar years in which a fiscal year falls is different, compute their normal taxes, surtaxes, and excess profits taxes in a specified manner. This amendment simplifies the computation of excess profits tax liabilities of such taxpayers, and makes the provision applicable only to taxable years beginning in the calendar year 1941 and ending after June 30, 1942. The House recedes.

Amendment No. 261: The House bill increased the specific exemption allowed in computing adjusted excess profits net income from $5,000 to $10,000 ($50,000 in the case of a mutual insurance company other than life), and, likewise, provided that an excess profits tax return need not be filed if excess profits net income does not exceed $10,000 ($50,000 in the case of a mutual insurance company other than life). The Senate deleted these provisions. The House recedes.

Amendment No. 262: This amendment adds to the bill a new section to permit unused excess profits credit for any taxable year beginning on or after January 1, 1942, to be carried back and credited against excess profits net income for each of the two preceding years (but not for any taxable year beginning before January 1, 1941). That portion of the unused excess profits credit for any taxable year which is not used as a carryback may be carried forward, as under existing law, to the two succeeding taxable years. The House recedes.

Amendment No. 263: This is a change in section number. The House recedes.

Amendments Nos. 264, 265 and 266: These amendments relate to the computation of excess profits net income of insurance companies. Mutual insurance companies other than life or marine are taxable under a special notch provision, if the gross amount received from interest, dividends, rents, and premiums (including deposits and assessments) is between $75,000 and $125,000.

In computing the adjusted excess profits net income of a life insurance company under the income credit, the House bill is amended to allow a deduction from normal tax net income of the excess of the product of the figure determined and proclaimed by the Secretary under section 202 (b) and the excess profits net income computed without regard to this provision, over the adjustment for certain reserves. Under the invested capital credit this deduction is 50 percent of such excess. The House recedes.

Amendments Nos. 267 and 268: These amendments make clerical changes; the House recedes.

Amendments Nos. 269, 270, and 271: These amendments correct technical imperfections in the House bill. The House recedes.

Amendment No. 272: This amendment would amend section 723 of the Code to provide that the equity invested capital of mutual insurance companies other than life or marine shall be the mean of the surplus, plus 50 percent of the mean of all reserves required by law. The House recedes.

Amendment No. 273: This amendment deletes an unnecessary cross-reference. The House recedes with an amendment fixing the specific exemption of mutual insurance companies (other than life) which are interinsurers or reciprocal underwriters at $50,000. A corresponding change is made in the requirement for filing excess profits tax returns.

Amendment No. 274: This is a change in section number; the House recedes.

Amendment No. 275: This amendment eliminates the provision in the House bill requiring computation of the excess profits credit carry-over from taxable years beginning in 1940 and 1941 under the law applicable to taxable years beginning in 1942. The House recedes.

Amendment No. 276: This is a change in section number; the House recedes.

Amendments Nos. 277, 278, 279, 280, 281, 282, 283, 284, 285, 287, and 288: These are clerical and technical amendments relating to the treatment of capital gains and losses and of income derived from the cancellation of indebtedness necessitated by the change from 18 months to 6 months in the holding period for long-term capital assets. The House recedes.

Amendment No. 286: This amendment makes a technical change in the provisions which permit a net short-term capital loss carry-over in computing base period net income. The House recedes.

Amendment No. 289: This amendment, which is applicable only to taxable years beginning after December 31, 1939, and not beginning after December 31, 1941, provides that gains or losses on the involuntary conversion of property of a character subject to the allowance for depreciation provided in section 23 (l), held for more than 18 months, shall be treated for excess profits tax purposes the same as gains or losses from the sale or exchange of such property. In the determination of the period for which such property has been held, the provisions of section 117 for determining the holding period of capital assets shall apply. The House recedes.

Amendment No. 290: This amendment excludes, in the computation of excess profits net income of certain producers of minerals, logs, or lumber, certain income derived from the exempt excess output of mineral and timber properties, as well as bonus income received for increased production. In the case of timber, the exclusion is determined by reference either (1) to a quota based upon past production (to be fixed by the War Production Board, or other governmental agency) or (2) to the amount received in bonus payments by an agency of the Government on account of log production. In the case of minerals, the exclusion is computed by reference to the nontaxable income from exempt excess output, as defined in section 735 of the Code, added by this amendment, and also to the nontaxable bonus income received from an agency of the Government, with certain provisions for the elimination of duplication between nontaxable income from exempt excess output and nontaxable bonus income.

The exclusion in the case of minerals subject to this section is determined by multiplying the normal unit profit during a defined base period by a specified portion of current production in excess of normal output during such base period, or in the case of coal and iron mines by multiplying current excess production by one-half of the current net income per unit of coal or iron.

The House recedes with an amendment making drafting and clarifying changes and the following changes of substance:

The exclusion in the case of timber is made the same as in the case of minerals, namely, nontaxable income from exempt excess output, and nontaxable income from exempt excess output of a timber block is defined. New definitions added in section 735 are of "producer", "mineral unit", "timber unit", and "timber block". The definitions of "excess output" and "normal output" are expanded to cover timber units; "normal output" is expanded to give a discretion to the Commissioner to reduce the number of months to be used in computation, where physical events normally prevent working during certain months during the year. An election is given in the case of coal and iron mines to compute nontaxable income from exempt excess output either under the general rule or under the special rule applicable thereto. The provisions are applicable only to producers of minerals or logs as defined in the report of the committee of conference.

It is contemplated that the determination of income from mining and logging operations to be excluded from excess profits net income shall be made on the basis of individual mineral properties or timber blocks rather than on the basis of an aggregate of mineral properties or timber blocks owned by a taxpayer.

Amendment No. 291: This amendment inserted a new section in the bill to provide for the adjustment of the net operating loss deduction in computing excess profits net income. Under existing law, this deduction is designed for use in determining net income, and the adjustments required by this amendment are necessary to coordinate this deduction with the provisions for the computation of excess profits net income. The House recedes with amendments providing that the adjustments to the computations made for any taxable year in determining the net operating loss deduction are determined with respect to the excess profits tax adjustments for the year for which such computations are made. For example, if section 711 (a) (2) (B) (reducing the deduction for interest in certain cases) is applicable to the taxpayer in the taxable year in which a net operating loss is sustained, an adjustment corresponding to that required by section 711 (a) (2) (B) is made in determining the net operating loss, even though section 711 (a) (2) (B) is not applicable in the taxable year in which the net operating loss deduction, determined on the basis of such net operating loss, is claimed.

Amendment No. 292: This amendment incorporates a new section to amend existing law by providing that dividends on stock which is not a capital asset shall be included in full in the computation of excess profits net income of a taxpayer using the excess profits credit based on invested capital. The change is applicable to taxable years beginning after December 31, 1939. The House recedes.

Amendments Nos. 293, 294, and 295: These are changes in section numbers. The House recedes.

Amendment No. 296: This makes a clerical change. The House recedes, with an amendment to conform to the bill as agreed to in conference.

Amendment No. 297: This amendment adds a new section to the bill to amend section 713 (e) of the Code to provide that, in case the average monthly excess profits net income or deficit in excess profits net income for a taxable year in the base period is less than 75 percent of the aggregate of the excess profits net income (reduced by deficits in excess profits net income) for the remaining years, divided by the number of months in such remaining years (called average monthly amount), the base period net income for such year shall be an amount equal to 75 percent of the average monthly amount multiplied by the number of months in such year.

This adjustment is applicable only in the case of one year in the base period, and to that year for which the increase in excess profits net income will produce the highest base period net income. The House recedes.

Amendments Nos. 298, 299, and 300: These are changes in section numbers; the House recedes.

Amendment No. 301: This amendment incorporates a new section to amend section 718 of the Code by providing that, under certain very limited circumstances, the equity invested capital of a "transferee" corporation which receives property from another corporation pursuant to a tax-free exchange or reorganization shall be increased, and the invested capital of the transferor shall be decreased, by the deficit in earnings and profits of the transferor which is attributable to the property so transferred. Subsequent earnings of the transferee shall first be applied to reduce the amount of such deficit before any earnings and profits can be determined to have been accumulated and to increase invested capital. The amendment is applicable to taxable years beginning after December 31, 1939. The House recedes.

Amendment No. 302: This is a technical amendment which amends section 720 (d) of the Code to provide that the amount of interest on Government obligations, described in section 22 (b) (4), by which the taxpayer elects to increase its normal tax net income for excess profits purposes is to be reduced by the amount of the amortizable bond premium attributable to such obligations. The House recedes.

Amendment No. 303: This amendment inserts a new section into the bill to make certain technical changes necessary in the computation of tax under section 721 of the Code, relating to abnormalities in income in the taxable period. Subsection (f) is added to section 721 to provide that, if by reason of taking into account exploration, discovery, prospecting, research, or development of tangible property patents formulae, or processes, extending over a period of more than 12 months, the constructive average base period net income as a result of the application of the relief provisions of section 722 is higher than if such activities had not been taken into account, no net abnormal income resulting from such activities which are of a class described in section 721 (a) (2) (C) shall be attributable to the base period, or to any year other than a taxable year under Subchapter E of Chapter 2. This amendment is applicable to taxable years beginning after December 31, 1939. The House recedes.

Amendment No. 304: This is a change in section number; the House recedes.

Amendments Nos. 305, 306, 307, 310, 311, 314, 316, 318, 319, 325, 327, 328, 329, 330, 331, 332, 333, and 334: These amendments relate to the relief provisions under the excess profits tax.

Section 213 of the House bill revises and broadens section 722 of the Code, relating to adjustments in the base period net income of corporations, to remove existing inequities and to alleviate hardship in cases where relief cannot now be obtained. The Senate amendments clarify the changes made by the House bill, broaden the relief granted in certain respects, and alter the administration of the relief provisions.

In those cases described in the last sentence of section 722 (b) (4) (relating to taxpayers the change in the character of the business of which accrued after December 31, 1939) and in section 722 (c) (relating to taxpayers which came into existence after December 1, 1939) regard shall be had, under the amendments of the Senate, to such changes to the extent necessary to establish the normal earnings to be used as the constructive average base period net income, despite the general rule that events occurring after December 31, 1939, are to be disregarded.

Under the House bill a corporation may be entitled to relief if, prior to January 1, 1940, commitments were made binding it to make changes in the operation, management, etc., and such changes are effectuated during a taxable year ended after December 31, 1939. In this case the changes are deemed to result in a change in the character of the business as of December 31, 1939. The Senate has made a clarifying amendment to make it manifest that the commitments made need not take the form of legally binding contracts only. The Senate has also deleted those provisions of the House bill which provide for certain limitations to be applied in determining eligibility for relief and in computing the final tax liability after relief has been given.

The general relief provisions under the House bill were applicable to taxable years beginning after December 31, 1941. The Senate has made these provisions retroactive and applicable to all taxable years beginning after December 31, 1939, which necessitated an amendment to extend the time for filing an application for relief in the case of taxable years beginning after December 31, 1939, but not after December 31, 1941, to six months after the date of the enactment of the Revenue Act of 1942. If an application for relief for such years is not timely filed, any relief will be limited, as in the case of a claim for the current year not timely filed, to the amount of any deficiency finally determined without the application of the relief section.

As a result of the provisions added by the Senate, extending relief to certain mining corporations by exempting from excess profits tax a certain portion of the current income, a further amendment was made in the general relief provisions to provide that, if the constructive average base period net income of a taxpayer, to which section 711 (a) (1) (I) or section 711 (a) (2) (K) of the Code applies, is established under section 722, there shall also be determined a fair and just amount to be used as normal output and normal unit profit for the purposes of section 735.

The Senate deleted the provisions of the House bill relating to the treatment under section 721 of the Code of current abnormal income in cases where a constructive average base period net income is determined under section 722. Substitute provisions with respect to such cases have been inserted elsewhere by the Senate.

The House bill provided for the establishment within the Board of Tax Appeals of a special division which would be the sole division of the Board hearing and determining and redetermining issues arising under section 711 (b) (1) (H), (I), (J), or (K), (relating to abnormal deductions within the base period), section 721 (relating to abnormal income within the taxable period), and section 722 (relating to general relief from discriminatory excess profits taxes). The abnormality cases under section 711 (b) (1) (H), (I), (J), or (K), or under section 721, except section 721 (a) (2) (C), do not on the whole involve problems of the complexity of those presented by section 722. Such cases will be disposed of under the Senate amendments in the same manner in which such

cases are currently handled under existing law. Determination and redetermination by any division in the Board involving any question arising under section 721 (a) (2) (C) or section 722 would be reviewed by the special division of the Board.

In addition to the provisions relating to general relief, the House bill granted additional relief to taxpayers in certain special circumstances. The Senate transferred the provisions relating to bonus income of industries with depletable reserves to those sections relating to nontaxable income from exempt excess output of mining and logging, and from bonus income of mines and timber blocks.

The Senate also made certain changes relating to installment basis taxpayers and has added provisions extending relief to taxpayers with income from long-term contracts. In the case of installment basis taxpayers the eligibility requirements have been amended by the Senate to provide an election to taxpayers which can establish (a) that the average volume of credit extended to purchasers on the installment plan in the four taxable years preceding the first taxable year beginning after December 31, 1941, was more than 125 percent of such credit extended to such purchasers in the taxable year, or (b) that the average outstanding installment accounts receivable at the end of each of the four taxable years preceding the first taxable year beginning after December 31, 1941, was more than 125 percent of the average of such accounts receivable at the end of the taxable year. Under the amendment the House bill provides for an irrevocable election which the Senate has changed to provide taxpayers with a new election to resume the reporting of income on the installment basis when the eligibility requirements are no longer satisfied. When once made, such election shall be irrevocable and shall preclude any further election under section 736 (a) and for the taxable year in which the election to resume the installment method of accounting is made and for subsequent taxable years income shall be computed in accordance with section 44 (c) of the Code.

The Senate has added a provision extending relief to taxpayers reporting income from long-term contracts upon the completed contract method of accounting, if it is abnormal for the taxpayer to derive income from contracts, the performance of which requires more than 12 months, or, if the amount of such income is abnormally great, so that such a taxpayer may elect for excess profits tax purposes to compute in its return for such taxable year its income from such contracts upon the percentage of completion method of accounting. This election when made is irrevocable and applies to all other contracts, past, present, or future, the performance of which requires more than 12 months, and the net income for prior years including the base period years of the taxpayer is to be adjusted for excess profits tax purposes in conformity with this election.

The provisions of the House bill authorizing adjustment of the excess profits income of the years prior to that with respect to which the elections under this section have been made, despite the fact that such adjustments might otherwise have been prevented by any other provision or rule of law, have been broadened to include long-term contracts and adjustments in the tax imposed by chapter 1 stemming from the operation of this section.

Under the existing law, as interpreted by the Commissioner of Internal Revenue, it was necessary for the taxpayer to compute his tax without regard to the relief provisions and file a claim for refund for each taxable year. It is believed that such a procedure should not be followed where the taxpayer has had its constructive average base period net income finally determined for any year. Such determination should permit the taxpayer to use the base period net income so determined as a basis in computing its excess profits tax for any future year.

By action of the Senate the amendments to section 722 are applicable with respect to taxable years beginning after December 31, 1939. Unless a taxpayer elects within six months after the date of enactment to have subsection (b) of section 736 and so much of subsection (c) as is applicable thereto apply retroactively to all taxable years beginning after December 31, 1939, such subsections shall apply only to taxable years beginning after December 31, 1941.

The House recedes with respect to each of the above amendments with a technical amendment in the case of amendment No. 325.

Amendments Nos. 308, 309, 312, 313, 315, 317, 320, 321, 322, 323, 324, and 326: These are technical and clerical amendments necessitated by the substantive changes made in the general relief provisions. The House recedes with a clerical change in amendment No. 309.

Amendment No. 335: This is a change in section title and number; the House recedes.

Amendment No. 336: This amendment provides that a corporation which would otherwise be exempt from excess profits tax shall not be exempt if it is a member of an affiliated group of corporations which files a consolidated return under section 141 of the Code. The reason for this change is explained in connection with amendment No. 186. The House recedes.

Amendments Nos. 337 and 338: These amendments make technical and clerical changes; the House recedes.

Amendment No. 339: This amendment incorporates a new section into the bill as passed by the House to eliminate the present requirement that the return of a taxpayer subject to the excess profits tax must contain two sets of computations of the excess profits credit. The optional provisions which permit a taxpayer to disclaim either method of computing its credit are likewise repealed. These changes are applicable to taxable years beginning after December 31, 1939, so that previous disclaimers are rendered ineffective. The House recedes.

Amendment No. 340: This is a change in section number; the House recedes.

Amendment No. 341: The Senate has added a new section 731 to the Code to exempt from excess profits tax that portion of the adjusted excess profits net income attributable to the mining by a domestic corporation in the United States of certain specified strategic metals. This amendment is applicable to taxable years beginning after December 31, 1940. The House recedes.

Amendment No. 342: This amendment revises section 734 of the Code, relating to adjustment in the case of an inconsistent position taken by a taxpayer with respect to a prior income tax liability. The Committee of Conference considered a number of problems arising under this section, some of which appear to be satisfactorily determined under existing regulations issued by the Commissioner. Thus, the effect of a previous adjustment under section 3801, or of an inconsistent position in a subsequent excess profits tax taxable year, or the determination whether consistency with the prior year treatment of an item or transaction is permitted for excess profits tax purposes, although under current rulings and decisions such treatment is erroneous, and whether the taxpayer has a right to withdraw from an inconsistent position, are properly treated under existing law.

The Senate has defined the term "predecessor" specifically to include only a person which is a component corporation of the taxpayer within the meaning of section 740 and a person which on April 1, 1941, or at any time thereafter controlled the taxpayer and any person which is a predecessor of a person which is a predecessor of the taxpayer under the definition.

The character for tax purposes of that portion of an adjustment which represents interest, the proper treatment of the excess of an adjustment representing a decrease in excess of the excess profits tax for the taxable year, and the method of computation of interest in determining the amount of an adjustment are fully described in the statute by action of the Senate This amendment also provides a statutory rule for the burden of proof in cases arising under section 734. The House recedes.

Amendment No 343: This is a change in section number and the House recedes.

Amendments Nos. 344, 345, 348, 349, 350, 351, 352, 353, 365, 366, 367, 368, 369 and 370: These are technical amendments made necessary by amendments made in certain sections of Supplement A under the excess profits tax. The House recedes.

Amendment No. 346: This amendment makes several technical changes in section 740 (c) as amended in the House bill. Section 740 (c) (1) of the bill as passed by the Senate corresponds to the whole of section 740 (c) of the House bill, but is subject to the further rule of paragraph (2) of section 740 (c) as added by the Senate. Section 740 (c) (1) also allows a component corporation to take into account its entire base period experience (except as provided in section 740 (c) (2)) for the purpose of the growth formula under sections 713 (f) and 742 (h), except that it cannot take into account such base period experience for the purpose of determining the greatest amount of excess profits net income for any base period year to which the average base period net income or Supplement A base period net income is limited under the growth formula. A technical addition to section 740 (c) (1) also gives the component corporations' base period experience for the day of the Supplement A transaction as well as the prior period (with certain exceptions) and its capital addition and capital reduction as of such day immediately prior to such transaction and for all prior periods to the acquiring corporation.

Section 740 (c) (2), as added by the Senate, applies only in case of a Supplement A transaction occurring in a taxable year beginning after December 31, 1941. In such case, the base period experience of the component corporation (after the application of section 740 (c) (1) in case of a prior transaction) is allocated to such component corporation for purposes of excess profits credit for only such year in the ratio which the number of days in such year before the transaction plus such days bears to the total tax in such year.

The last sentence of section 740 (c), as added by the Senate bill, is retroactive to taxable years beginning after December 31, 1939. In general, it prevents an acquiring corporation from taking into account any experience after the Supplement A transaction of a component corporation which continues in existence thereafter. The House recedes.

Amendment No. 347: This amendment makes the change in base period for purposes of Supplement A under the excess profits tax (changed to the four calendar years 1936 through 1939 in the House bill) subject, in

general, to the election to have the amendments to Supplement A made by this act apply retroactively for the purpose of computing the excess profits tax for all taxable years beginning after December 31, 1939. The only exception is in the case of any corporation which became an acquiring corporation prior to September 1, 1940. The House recedes.

Amendment No. 354: This amendment changes the treatment of two or more taxable years beginning in the same base period year under Supplement A of the excess profits tax. The House bill requires the excess profits net income for such years to be put upon an annual basis. The Senate bill provides that the excess profits net incomes for such years shall be adjusted to such extent as the Commissioner, under regulations prescribed by him with the approval of the Secretary, prescribes as necessary in order that such base period year shall reflect income for a period of twelve months. The amendment adds a rule for guidance in the application of this provision to provide that a taxable year of a component corporation (beginning within the base period) which begins with or within the taxable year of the acquiring corporation in which the acquisition occurred, or which begins with or within the same base period year with which or within which such taxable year of the acquiring corporation begins, shall be considered a taxable year of the acquiring corporation and to have begun in the base period year with which or within which such taxable year of the acquiring corporation began. The House recedes.

Amendment No. 355: This amendment applies the 75 percent rule for the purpose of computing the excess profits tax under Supplement A for taxable years beginning after December 31, 1941. Under this rule, the lowest base period year of group excess profits net income is to be raised to 75 percent of the average for the other three years. The House recedes.

Amendments Nos. 356, 357, 358, 359, 360, and 363: These Senate amendments are technical, resulting primarily from changing the rule of section 742 (e) (1) as amended in the bill passed by the House. The House recedes.

Amendments Nos. 361 and 362. In the House bill, section 741 (e) (2) under Supplement A of the excess profits tax provided for an adjustment, under the Commissioner's regulations, in excess profits net income for "vacant" base period years (which are to be filled up on the basis of 8 percent of invested capital) in cases where there was cross ownership of stock between acquiring and component corporations on the first day of the owning corporation's first taxable year beginning in 1940. The amendments renumber this section, 742 (e) (3), and provide more specifically for the situations in which the adjustment is to be made. In some cases of cross ownership of stock, adjustment under section 742 (e) (3) is not necessary by reason of the provisions for adjustment in section 742 (f) (1) as amended by this bill. Thus the example given in the House and Senate Committee reports under this section is covered by section 742 (f) (1).

The primary purpose of section 742 (e) (3) is to provide for adjustment where, by reason of the acquisition by one corporation of stock in another, the invested capital of the corporation whose stock is acquired is increased without a corresponding decrease in the invested capital of the owning corporation. This may occur, for example, in the case of a purchase by A Corporation of B Corporation's stock from B on the last day of the base period. In such case, the invested capital of B for the first day of its first taxable year in 1940 will be increased by the assets received from A, while, by reason of the operation of the inadmissible asset ratio as to A, A's invested capital for such day will not be reduced correspondingly. Section 742 (e) (3) also applies regardless of the date prior to the first taxable year in 1940 when the stock was acquired if the inadmissible asset ratio fails to eliminate duplication of the same invested capital as between the acquiring corporation and its component. Accordingly, in such cases the Commissioner is given authority to prescribe regulations with the approval of the Secretary for adjustment in the excess profits net incomes of such corporations. The House recedes.

Amendment No. 364: This is a technical amendment to section 742 (f) (1) under Supplement A of the excess profits tax. Such section was designed in the House bill to eliminate experience attributable to stock acquired by the transfer of assets (other than the issuance of the acquiring corporation's stock) of the acquiring corporation, which assets thereupon went out of the system. This amendment provides that stock which has in the hands of the taxpayer a basis determined with reference to the basis of stock previously acquired by the issuance of the taxpayer's own stock shall be considered as having been acquired in consideration of the issuance of the taxpayer's own stock. The House recedes.

Amendments Nos. 371, 372, 373, 374: These are technical amendments to the applicability provision of section 22° of the bill as passed by the Senate (216 of the House bill), designed primarily to reflect the retroactive application to taxable years beginning after December 31, 1939, of the last sentence of section 740 (c) as added by the Senate bill. The House recedes.

Amendments Nos. 375 and 376: The House bill provided that section 752, relating to the computation of highest bracket amount in connection with exchanges, should not apply to any taxable year beginning after December 31, 1941. Amendment No. 375 strikes this provision and amendment No. 376 repeals section 752 as of the date of the enactment of the Second Revenue Act of 1940. The latter amendment also repeals as of such date section 710 (a) (2), relating to the application of the highest bracket amount in the computation of the excess profits tax. The House recedes.

Amendment No. 377: This is a clerical amendment; the House recedes.

Amendment No. 378: This amendment revises and simplifies the definitions of "exchange" and "transferee upon an exchange" and adds the term "transferor" in connection with the rules provided for determining invested capital as the result of certain tax free exchanges and "intercorporate liquidations." It is provided that the term "exchange" means a transaction by which one corporation, called the "transferee," receives property of another corporation, called the "transferor," and the basis of the property so received, in the hands of the transferee, for the purposes of section 718 (a) (relating to the definition of equity invested capital) is determined by reference to the basis in the hands of the transferor. This amendment also provides that the basis in the hands of the transferee of the property received upon the exchange from the transferor is to be determined in accordance with the provisions of section 718 (a) (2), namely, the basis (unadjusted) for determining loss, adjusted, with respect to the period before its receipt by the transferee upon the exchange, by an amount equal to the adjustment proper under section 115 (l) for determining earnings or profits. The House recedes.

Amendments Nos. 379 and 380: These amendments are technical amendments; the House recedes.

Amendments Nos. 381, 382, 383, 384 and 385:

Amendment No. 381 rewrites, with numerous technical and clarifying changes, the provisions of section 761 of the House bill, providing for an invested capital adjustment at the time of a tax-free intercorporate liquidation.

Amendment No. 382 strikes subsection (b) of section 760 of the House bill, making the provisions of section 760 applicable retroactively to all taxable years beginning after December 31, 1939.

Amendments Nos. 383 and 384 make merely technical changes.

Amendment No. 385 makes, if the taxpayer so elects, the provisions of section 761 applicable to all of the taxable years of such taxpayer beginning after December 31, 1939, and the provisions of sections 718 (a) (5), 718 (b) (4), and 718 (c) (4) inapplicable to such taxable years of such taxpayer.

The House recedes with a change in amendment No. 385 making section 760 applicable retroactively, at the option of the taxpayer, taxable years beginning after December 31, 1939.

Amendment No. 386: This amendment adds a new part III to subchapter E of chapter 2 of the Code, so as to provide for a postwar refund of excess profits tax. A credit equal to 10 percent of the tax imposed under subchapter E for each taxable year is directed to be established by the Secretary of the Treasury to the account of the taxpayer. Taxpayers entitled to such credit shall receive non-interest-bearing bonds of the United States equal to 10 percent of the tax paid. Such bonds shall not be transferable on or before the date of cessation of the present war. Within appropriate limitations, 40 percent of the amounts paid during the taxable year in retirement of debt is allowed as a credit against the tax for such year imposed by subchapter E. The House recedes with certain clarifying changes.

Amendments Nos. 387, 388, 389, and 392: These amendments relate to the capital stock and declared value excess-profits taxes. The House bill provided for annual declarations of capital value in making capital stock tax returns, and also made technical amendments with respect to the declared value excess-profits tax. Senate amendments Nos. 387, 388, and 389 terminate both the capital stock and declared value excess-profits taxes. Amendment No. 392 eliminates technical amendments made by the House. The Senate recedes.

Amendments Nos. 390 and 391: The House bill inserted a new provision in the Code for determining the declared value excess-profits tax for taxable years of less than 12 months. Amendment No. 390 makes a technical change in this provision and amendment No. 391 makes the provision applicable to taxable years beginning after December 31, 1939. The House recedes with an amendment indicating that the amendment in the House bill relates only to an income-tax taxable year which is a period of less than 12 months on account of a change in the accounting period of the taxpayer.

Amendment No. 393: The House bill contained no provision with respect to certain inter vivos transfers of community property. This amendment adds such a provision to section 811 (d); the House recedes.

Amendment No. 394: This is a clerical amendment; the House recedes.

Amendment No. 395: This is a clerical amendment; the House recedes.

Amendment No. 396: The House bill provided that one of the excepted powers to appoint is a power to appoint within a class which does not include any others than the spouse of the decedent, descendants of the

decedent or his spouse, spouses of such descendants, donees described in section 812 (d), and donees described in section 861 (a) (3). This amendment broadens the class to include the spouse of the creator of the power, descendants (other than the decedent) of the creator of the power or his spouse, and spouses of such descendants. The House recedes.

Amendment No. 397: This amendment clarifies the scope of the corresponding provision of the House bill. The House recedes with a clerical amendment.

Amendment No. 398: This is a technical amendment, coordinating the House provision with amendment No. 402. The House recedes.

Amendment No. 399: This amendment revises the provisions governing the applicability of section 403 to existing powers of appointment. Under the House bill nongeneral powers, created on or before the date of enactment of this act, are not taxable if released within 2 years after the date of enactment of the act or if exercised on or before such date. The House bill also provided that the amendments are not applicable with respect to a power to appoint released on or before the date of enactment of this act. The Senate amendment provides that nongeneral powers, created on or before the date of enactment of this act, are not taxable unless exercised after such date. This change makes allowance for the inability to release various nongeneral powers under applicable local law. The Senate amendment also provides that the amendments made in the House bill shall not apply to any power created on or before the date of enactment of this act if released on or before January 1, 1943. In addition, the Senate amendment contains a special rule for those under a legal disability at the date of enactment of this act. The House recedes with certain technical amendments.

Amendment No. 400: This amendment restores the $40,000 exemption now applicable to insurance proceeds payable to beneficiaries other than the executor. The House bill eliminated this exemption and allowed a $60,000 specific exemption under the additional estate tax. The Senate recedes.

Amendment No. 401: This amendment clarifies the corresponding provision of the House bill. The House recedes.

Amendment No. 402: This amendment makes various technical changes. The House recedes with a technical amendment.

Amendment No. 403: This is a clerical amendment; the House recedes.

Amendment No. 404: This amendment clarifies the language of the corresponding provision of the House bill; the House recedes.

Amendments No. 405 and No. 406: These are clerical amendments; the House recedes.

Amendment No. 407: This is a technical amendment made necessary by amendment No. 415. The Senate recedes.

Amendments No. 408 and No. 409: These are technical amendments; the House recedes.

Amendments No. 410 and No. 411: Under the House bill the deduction of the disclaimed interest must be preceded by a disclaimer which becomes irrevocable prior to the date prescribed for the filing of the estate tax return. These amendments allow the deduction if the disclaimer is made prior to such date, provided that it becomes irrevocable before the expiration of the applicable period of limitations for the determination of the estate tax. The House recedes.

Amendment No. 412: This is a clerical amendment; the House recedes.

Amendment No. 413: This amendment provides that, if a notice of deficiency in estate tax is mailed to a taxpayer outside the States of the Union and the District of Columbia, the taxpayer has 150 days within which to file his petition with the Board of Tax Appeals. The House recedes.

Amendment No. 414: This amendment strikes out a provision in the House bill which allowed a $60,000 specific exemption under the additional estate tax, in conjunction with the elimination of the $40,000 insurance exemption with respect to insurance payable to beneficiaries other than the executor. See amendment No. 400. The Senate recedes.

Amendment No. 415: This amendment adds a new subsection (e) to section 812 of the Code, providing, subject to certain stated limitations, for the deduction of estate, succession, legacy, or inheritance taxes actually paid to any foreign country in respect of any property situated within such foreign country, which is included in the gross estate and which the Commissioner determines cannot be withdrawn from such foreign country by reason of freezing orders, exchange restrictions, or other prohibitions. A special statute of limitations is included for those cases where the tax claimed as a deduction is recovered at a later date. This special statute of limitations is also made applicable to the recovery of any state estate, succession, legacy, and inheritance taxes allowed as a credit. The amendment applies to estates of decedents dying after December 31, 1941. However, it is provided that the amendment, insofar as it relates to the deduction of foreign death taxes, shall not apply to estates of decedents dying more than 1 year after the termination of the present war. The amendment makes various technical changes made necessary by the principal changes. The conferees are impressed with the purpose of this amendment, but it has been decided to withhold any legislative action pending further study of the problems involved. The Senate recedes.

Amendment No. 416: This is a clerical amendment; the House recedes.

Amendment No. 417: The changes made by this amendment correspond to the changes made by Senate amendment No. 396. The House recedes.

Amendment No. 418: This amendment provides that the release of a general power of appointment before January 1, 1943, shall not be deemed a taxable gift. Under the House bill the amendments with respect to powers of appointment were not applicable to the release of a power before January 1, 1943. However, such releases might be held taxable under the existing gift tax statute, and this amendment accordingly makes it clear that releases made before January 1, 1943, are not taxable under existing law. The House recedes with certain technical amendments. These amendments, in accordance with the entire tenor of sections 403 and 452 of the House bill, apply only to powers received by the individual from another person, and do not affect the present status of powers reserved to an individual by himself. See *Estate of Sanford* v. *Comm.* (308 U. S. 39 (1939)).

Amendment No. 419: This amendment corresponds to amendment No. 397. The House recedes.

Amendment No. 420: Under the House bill nongeneral powers, created on or before the date of enactment of this act, are not taxable if released within 2 years after the date of enactment of this act or if exercised on or before such date. The House bill also provided that the principal amendments are not applicable with respect to a power to appoint released on or before the date of enactment of this act. The Senate amendment provides that nongeneral powers, created on or before the date of enactment of this act, are not taxable unless exercised after such date. In addition, the amendment contains a special rule for those under a legal disability at the date of enactment of this act. The House recedes. See amendment No. 418.

Amendment No. 421: This amendment clarifies language in the House bill; the House recedes.

Amendment No. 422. This amendment allows the annual exclusion in the case of gifts in trust, except in cases of gifts of future interests in property. The House recedes.

Amendment No. 423: This amendment provides that, if a notice of deficiency in gift tax is mailed to a taxpayer outside the States of the Union and the District of Columbia, the taxpayer has 150 days within which to file his petition with the Board of Tax Appeals. The House recedes.

Amendments Nos. 424 and 425: These are clerical amendments; the House recedes.

Amendments Nos. 426, 428, 429, and 430: These are clerical amendments; the House recedes.

Amendment No. 427: This amendment to the Revenue Act of 1936 provides an additional credit for determining undistributed net income subject to undistributed profits surtax in certain cases of corporations having a deficit in accumulated earnings and profits and prohibited because of such deficit by a State law or order of a public regulatory body from distributing dividends. There is no comparable provision in the House bill. The amendment also expands the paragraph prohibiting double credits to contemplate the inclusion of this additional credit. In like manner, the definition of undistributed net income is also expanded and is broadened further to include the additional credit provided in amendment No. 431. The House recedes.

Amendment No. 431: This amendment to the Revenue Act of 1936 provides an additional credit to give relief from undistributed profits surtax to a corporation realizing income from the sale of a capital asset which income is distributed pursuant to contract to preferred shareholders in redemption of their shares prior to March 3, 1936. There is no comparable provision in the House bill. The House recedes.

Amendment No. 432: This amendment provides that the stamp tax on indemnity, fidelity, and surety bonds, and insurance other than life, is imposed at the rate of 8 cents, instead of 4 cents as provided in the House bill, on each dollar, or fractional part thereof, of the premium charged. The Senate recedes.

Amendment No. 433: This amendment provides that the stamp tax imposed in the House bill, at the rate of 1 cent on each dollar, or fractional part thereof, of the premium charged for life insurance, sickness, and accident policies, and annuity contracts, shall not apply where the insurer is subject to tax under section 201 of the Code, relating to tax upon the income of life insurance companies. The House recedes.

Amendment No. 434: This is a change of section heading; the House recedes.

Amendment No. 435: Section 504 of the House bill changed the name of the Board of Tax Appeals to United States Tax Court. The amendment strikes this section. The House recedes with an amendment fixing the name as The Tax Court of the United States.

Amendment No. 436: This is a change in section number; the Senate recedes.

Amendment No. 437: Section 506 of the House bill provided for the exclusion of a

specified period in computing interest with respect to income tax in the case of nonresident alien individuals subject to the provisions of section 211 (a) or 211 (c) of the Code, and foreign corporations subject to the provisions of section 231 (a) of the Code, where payment of tax was prevented due to restrictions imposed by any foreign country. The amendment eliminates this section because the subject matter thereof is included within the scope of section 506 of the bill as passed by the Senate. The House recedes.

Amendment No. 438: Section 507 of the House bill exempted from documentary stamp tax the use of instruments to make effective certain orders of the Securities and Exchange Commission. By amendments Nos. 438 to 448, inclusive, the Senate adds to the section a number of other provisions relative to documentary stamp taxes. Amendment No. 438 changes the section number to 505, changes the heading of the section to conform to the additional provisions included by the Senate, and adds a subsection providing that for the purposes of chapter 11 of the Code relating to issues of bonds, stocks, etc., obligations issued by any receiver, trustee in bankruptcy, assignee, or other person having custody of the property or charge of the affairs of any corporation, shall be deemed to be issued by the corporation. The House recedes, with a clerical amendment.

Amendment No. 439: This amendment adds to the House bill a provision abolishing exemption from stamp tax of any delivery or transfer of stocks, bonds, etc., by operation of law, but establishes specific exemptions with respect to enumerated transfers and deliveries of the character of, or resembling, transfers and deliveries by operation of law. The House recedes.

Amendment No. 440: This amendment adds to the House bill a provision exempting from documentary stamp tax on issue and transfer, stocks and bonds issued by savings and loan associations, cooperative banks, and homestead associations, substantially all the business of which is confined to making loans to members. The House recedes.

Amendment No. 441: This amendment adds a provision to existing law conferring exemption from documentary stamp tax with respect to the use of instruments to make effective reorganizations confirmed under the National Bankruptcy Act. The amendment extends exemption to the use of instruments to make effective any plan of reorganization or adjustment confirmed under the National Bankruptcy Act, or approved in an equity receivership in a court involving a railroad corporation as defined in section 77 (m), or a corporation as defined in section 106 (3), of the said act. The amendment limits the exemption to such use of instruments occurring within 5 years from the date of confirmation or approval. The House recedes.

Amendment No. 442: This is a technical amendment; the House recedes.

Amendment No. 443: This amendment changes the designation of a subsection from (g) to (f); the House recedes.

Amendment No. 444: This is a clerical amendment; the House recedes.

Amendment No. 445: This amendment exempts from the stamp tax imposed by section 1802 (a) of the Code shares or certificates of a common trust fund. The House recedes.

Amendment No. 446: This amendment provides that the United States or any agency or instrumentality thereof shall not be liable for documentary stamp tax with respect to an instrument to which it is a party, and even though stamps are affixed thereby the tax may nevertheless be collected from any other party liable therefor. The House recedes.

Amendment No. 447: This amendment repeals an exemption with respect to deliveries or transfers of bonds in connection with a reorganization as defined in section 112 of the Revenue Act of 1932, if gain or loss is not recognized under the applicable income tax law. The House recedes.

Amendment No. 448: This amendment establishes the effective dates of the various amendments to stamp tax provisions made by section 505 of the bill, as passed by the Senate. The House recedes with a change in an effective date.

Amendment No. 449: This is a clerical change; the House recedes with a change in section number.

Amendments Nos. 450, 451, 452, 453, 454, 455, 456, 457, and 458: The House bill provides for the suspension of time limitations running against the Government, taxpayers, and others, in certain cases, where by reason of the war timely performance of acts affecting Federal tax liabilities and rights is impossible or impracticable. These amendments clarify these provisions in certain respects, and provide further that section 205 of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, shall not apply with respect to any period of limitation prescribed by or under the internal revenue laws. Also added by the Senate is a provision for the refund or credit of interest, penalty, additional amount, or addition to the tax, where amounts thereof are collected, but liability therefor was in reality not incurred by reason of sections 3804 and 3805 of the Code as added by this bill. The House recedes.

Amendment No. 459: This amendment contains special provisions in respect of crediting Federal income and excess profits taxes against amounts repayable to the United State on account of disallowances under cost-plus-a-fixed-fee contract. Under existing law a person who has a legal or equitable claim against the United States is entitled to credit or offset such claim against his liability to the United States, whether such claim arises out of the particular transaction in which he incurred his liability to the United States (*Bull* v. *United States*, 295 U. S. 247) or out of a distinct and separate transaction which would constitute a legal or equitable setoff (*United States* v. *Macdaniel*, 7 Peter's 1, 16, 17; *United States* v. *Ringgold*, 8 Peter's 150, 163-164; *Gratiot* v. *United States*, 15 Peter's 336, 370; *Watkins* v. *United States*, 76 U. S. 759, 765; U. S. Code, title 28, sec. 774). In I. T. 3577, I. R. B. 1942-37, page 5, the Bureau of Internal Revenue has taken the position that in cases in which Government war contracts are renegotiated by reductions applied retroactively to prior taxable year for which returns have been filed, no refund or abatement of the Federal income and excess profits taxes for such prior years shall be made by reason of such renegotiation and that such taxes are to be applied as a credit or offset against the amounts to be repaid pursuant to the renegotiation. By such ruling a similar position is taken in respect of cases involving a cost-plus-a-fixed-fee contract where an item for which the taxpayer has been reimbursed is disallowed as an item of cost chargeable to such contract and the taxpayer is required to repay to the United States the amount disallowed. The amendment adds a new section to the Code, section 3806, to apply the Bureau rule in cases involving cost-plus-a-fixed-fee contracts, to prohibit a taxpayer from deducting in the year of repayment the amount repaid, to provide specifically for the method of computing the amount of taxes to be credited in respect of barred years, to provide a rule as to interest, and to authorize a credit or refund of taxes allowable but not allowed as a credit against the amount to be repaid to the United States. The House recedes with an amendment which provides for similar treatment in cases involving renegotiations of war contracts or subcontracts where the taxpayer is required to pay or repay to the United States or any agency thereof the amount of excessive profits eliminated pursuant to the renegotiation. Under the Senate provisions as thus amended the Government representative who accepts the payment or repayment on behalf of the United States or any agency thereof is, in cases of renegotiation as well as in cases of disallowances under cost-plus-a-fixed-fee contracts, authorized to allow the credit for taxes provided for in the new section 3806. The conference agreement therefore modifies to conform with section 3806 of the Code, the provision in section 801 of the bill which authorizes the Secretary of the Department concerned to credit against the eliminated excessive profits the amount of Federal income and excess profits paid or payable with respect thereto.

Amendment No. 460: This amendment extends relief from the provisions of the Public Salary Tax Act of 1939 in cases of compensation received in a taxable year beginning after December 31, 1938, for services rendered prior to January 1, 1939. The House recedes with a clerical amendment.

Amendment No. 461: This amendment provides for a Joint Committee to study plans for compulsory savings and other plans whereby money may be raised to assist in the conduct of the war and the avoidance of inflation and plans for the payment currently of taxes. These matters come within the jurisdiction of the present tax committees of the Congress and will be considered in connection with future tax legislation. The Senate recedes.

Amendment No. 462: This amendment abolishes the Processing Tax Board of Review and transfers its jurisdiction to the Board of Tax Appeals. The House recedes.

Amendment No. 463: This amendment makes more explicit the fact that the additional allowance for military and naval personnel, contained in amendment No. 43, applies to the Women's Army Auxiliary Corps and the Women's Reserve branch of the Naval Reserve. The House recedes.

Amendment No. 464: This amendment adds a new provision to the House bill, relating to the powers of the staff of the Joint Committee on Internal Revenue Taxation in securing information, data, estimates and statistics. The amendment is in accord with the spirit and intent of the organic law creating the Joint Committee. The House recedes.

Amendments Nos. 465 and 470: The House bill required persons to make their floor stocks tax returns on distilled spirits and wines on or before the first day of the third month following the effective date of the bill. This amendment deletes this requirement and substitutes therefor a provision that such floor stocks tax returns shall be made on or before the end of the thirtieth day following the effective date of the bill. The House recedes.

Amendment No. 466: This amendment provides that alcohol of 160 proof, or greater, may be imported into the United States and be withdrawn, in bond, from customs custody, without payment of the internal-revenue tax imposed upon the act of importing such alcohol, for transfer to industrial alcohol plants, alcohol bonded warehouses, and denaturing plants for redistillation or denaturation and withdrawal, or withdrawal without redistillation, either free of tax or upon payment of the tax, as the case might be, for all the purposes authorized by part II of subchapter C of chapter 26 (relating to industrial alcohol) of the Code. This amendment also provides that imported

alcohol may be withdrawn from customs custody by the United States or any governmental agency thereof for its own use free of internal-revenue tax. The House recedes.

Amendment No. 467: This amendment provides for a drawback of $3.75 per proof gallon to manufacturers of certain nonbeverage produces where fully tax-paid, domestically produced distilled spirits are used, upon the payment of an annual tax graduated from $25 to $100 according to amounts of withdrawal. The amendment provides for records to be kept and regulations of the Commissioner to be issued and grants investigative powers to the Commissioner through his agents to ascertain the correctness of claims filed. The section also provides the period within which claims may be filed. There is no comparable provision in the House bill. The House recedes.

Amendment No. 468: This amendment deletes the House provision, in respect of fermented malt liquor, for an exemption from the floor stocks tax in favor of retail stocks held by a person on premises as to which such person has incurred occupational tax as retail dealer in liquors or retail dealer in malt liquors for a period beginning on July 1, 1942, but as to which premises no other occupational tax with respect to dealing in distilled spirits or fermented malt liquors has been incurred by such person for a period beginning on such date.

This amendment also deletes the House provision which would require persons to make their returns for the floor stocks tax on fermented malt liquors, on or before the first day of the third month following the effective date of the bill. The amendment substitutes therefor a requirement that such floor stocks tax returns shall be made on or before the end of the thirtieth day following the effective date of the bill.

The House recedes.

Amendment No. 469: This is a technical amendment; and the House recedes.

Amendment No. 471: This amendment changes a section heading in conformity with amendments Nos. 472 to 481, inclusive. The House recedes.

Amendment No. 472: The House bill increases the rate of tax on smoking tobacco from 18 cents per pound to 24 cents per pound. The amendment eliminates this increase; the House recedes.

Amendment No. 473: This is a clerical change; the House recedes.

Amendment No. 474: The House bill increased the tax rates applicable to cigars weighing more than 3 pounds per thousand. The Senate lowers certain of the rates fixed by the House bill as shown by the table below:

Tax rates approved by House			Tax rates approved by Senate		
Class	Made to retail at (cents)	Rate per M	Class	Made to retail at (cents)	Rate per M
A	Not more than 2.5 each	$2.50	A	Not more than 2.5 each	$2.00
B	More than 2.5 and not more than 4	3.50	B	More than 2.5 and not more than 4	3.00
C	More than 4 and not more than 6	5.00	C	More than 4 and not more than 6	4.00
D	More than 6 and not more than 8	7.00	D	More than 6 and not more than 8	7.00
E	More than 8 and not more than 11	10.00	E	More than 8 and not more than 15	10.00
F	More than 11 and not more than 15	13.50			
G	More than 15 and not more than 20	18.00	F	More than 15 and not more than 20	15.00
H	More than 20 and not more than 30	25.00	G	More than 20	20.00
I	More than 30	35.00			

The House recede with an amendment changing to $2.50 the rate on cigars made to retail at not more than two and one-half cents.

Amendment No. 475: This is a clerical change; the House recedes.

Amendment No. 476: The House bill increased the existing rate of tax on cigarette papers of one-half cent for each 50 papers, or fraction thereof, with an exemption of lots of not less than 25 papers, to one-half cent for each 25 papers or fraction thereof with no exemption. This amendment eliminates this provision of the House bill. The House recedes.

Amendment No. 477: This is a clerical change; the House recedes.

Amendments Nos. 478 and 479: These are technical amendments to correspond to amendment No. 472; the House recedes.

Amendment No. 480: This changes a subsection designation from (f) to (d); the House recedes.

Amendment No. 481: This amendment adds a new provision to the House bill, permitting tax-free removal beyond the jurisdiction of the United States of cigarette papers and tubes. The House recedes.

Amendment No. 482: The House bill increased from 10 percent to 15 percent the rate of tax on telegraph, cable or radio dispatches or messages. The amendment restores the 10 percent rate with respect to international dispatches or messages. The House recedes.

Amendment No. 483: This amendment, in order to conform to the establishment of an additional rate by amendment No. 482, changes the provision of the House bill for tax computation based upon the sum of all charges for telegraph, cable or radio dispatches or messages covered by a bill, to provide for separate computation of tax at each rate. The House recedes.

Amendment No. 484: The House bill increased from 10 to 25 percent the rate of tax applicable to photographic apparatus, exempted from tax cameras weighing more than 4 pounds exclusive of lens and accessories, and increased from 10 to 15 percent the rate of tax applicable to photographic films and plates and sensitized paper. The amendment reduces the 25 percent rate to 10 percent, removes the exemption with respect to cameras weighing more than 4 pounds, exclusive of lens and accessories and exempts sensitized papers for use in the reproduction of drawings, records, and other documents for industrial or commercial purposes. The Senate recedes.

Amendment No. 485: This is a technical amendment to conform to amendment No. 486; the House recedes.

Amendment No. 486: This amendment adds a provision extending t members of the military and naval forces of any of the other United Nations an exemption from the tax on certain amounts paid for transportation, and seats and berths connected therewith, like that extended by existing law to personnel of the United States Army, Navy, etc. The House recedes.

Amendment No. 487: This amendment adds to the articles exempted by the House bill from jewelry tax, watches designed especially for use by the blind; the House recedes.

Amendment No. 488: The House bill exempted from the tax on the sale or lease of refrigerators and other cooling equipment, the lease or renewal of a lease of a water cooler leased prior to October 1, 1941. The amendment eliminates the specific exemption relative to water coolers, which the amendment makes unnecessary and limits the tax to (a) household type refrigerators, (b) articles for or suitable for use as parts of or with such household type refrigerators, and (c) self-contained air-conditioning units, including in each case parts or accessories therefor sold on or in connection with the sale thereof. The House recedes.

Amendment No. 489: This amendment adds a new provision to the bill, increasing from $50 to $100 the annual tax on coin-operated gaming machines. The House recedes.

Amendment No. 490: This is a clerical change; the House recedes.

Amendment No. 491: The House bill classified as an amusement machine subject to the tax of $10 per annum, thus excluding from tax as a gaming machine, a vending machine operated by insertion of a one cent coin, which, when it dispenses a prize, never dispenses a prize of a retail value of, or entitles a person to receive a prize of a retail value of, more than 5 cents. The amendment requires as a further condition to such classification that any prize dispensed shall be merchandise and not cash or tokens. The House recedes.

Amendment No. 492: This amendment provides that trade stimulator machines shall not be construed as gaming devices. The Senate recedes.

Amendment No. 493: The House bill made inapplicable to coin-operated gaming machines section 3275 of the Code, which provides for the keeping of a list of special taxpayers open to public inspection and the furnishing of copies to prosecuting officers for a stated fee. The amendment strikes out this provision of the House bill.

Under the House bill amendments relative to coin-operated machines were made applicable to the year beginning July 1, 1942, except that no tax would be payable for a period prior to the effective date of the amendments with respect to an article not taxable prior to the amendments. The Senate amendment provides that the amendments relative to coin-operated machines shall be first applicable (1) where a machine previously taxable is subjected by the amendments to an increased rate of tax, with respect to the year beginning July 1, 1943; (2) where a machine was not previously taxable, with respect to the taxable period beginning with the effective date of the amendments; and (3) where the amount of the prize is limited to 5 cents, with respect to the year beginning July 1, 1942. The House recedes.

Amendment No. 494: This amendment eliminates the tax imposed by the House bill on pari-mutuel or totalizator wagering on any racing or any other sporting event of 5 percent of the amount wagered and received into the pool to be paid by the person conducting or having control thereof. The House recedes.

Amendments Nos. 495 and 496: These are clerical changes; the House recedes.

Amendment No. 497: This amendment eliminates from the House bill a tax on amounts paid for the transportation of property. The House recedes with an amendment

restoring the tax and providing that the tax is imposed at the rate of 3 percent of the amount paid, except that in the case of coal the rate is 4 cents per short ton.

Amendment No. 498: This amendment incorporates a new section which exempts from the tax on the first domestic processing of certain oils, the use of palm oil in the manufacture of iron or steel products or any subsequent use of palm oil residue resulting from the manufacture of iron or steel products, corresponding to a similar exemption now existing with respect to palm oil used in the manufacture of tin plate or terne plate, and the subsequent use of the residue of such palm oil. The House recedes with a clerical amendment.

Amendment No. 499: This is an amendment to section 1700 (e) (1) of the Code. This provision of the Code imposes the 5 percent tax on amounts paid for admission, refreshment, service, or merchandise at any roof garden, cabaret, or similar place furnishing a public performance for profit. In order to allay possible questions under the present statute, the amendment specifies that the tax, levied on amounts paid by or for any patron or guest entitled to be present during any portion of the performance, shall be applicable although no increase is made in the charges for admission, refreshment, service, or merchandise by reason of the furnishing of the performance. Thus the tax will be collected although a cabaret does not increase its prices for food or beverages while its floor show is in progress. The amendment confirms the Treasury Department's interpretation of the present statute by stating that the tax is applicable in the case of any room in any hotel, restaurant, hall, or other public place where music and dancing privileges or any other entertainment, except instrumental or mechanical music alone, are afforded the patrons in connection with the serving or selling of food, refreshment, or merchandise. The House recedes with a clerical amendment.

Amendment No. 500: This amendment changes the provision of existing law that the sale of a toilet preparation to, and the resale by, a person operating a barber shop, beauty parlor, or similar establishment, shall both be considered a sale at retail, but there shall be credited against the tax payable upon the resale the tax paid on the sale to such person. The amendment provides that sale to such person for use in such operation shall be deemed a sale at retail, but sale to such person for resale shall not be deemed a sale at retail. Use in such operation of an article purchased for resale shall be considered a sale at retail at a price equivalent to the amount paid for the article. The House recedes with a clerical amendment.

Amendment No. 501: This amendment exempts from the retailers' excise taxes retail sales at post exchanges and ships' service stores. The Senate recedes. This recession is not to be given any effect in interpreting existing law. The conference believes the matter requires further study.

Amendment No. 502: This amendment postpones the increase in the rates of tax imposed by the Federal Insurance Contributions Act by providing that the 1 percent rate shall remain effective through the calendar year 1943, and that the 2 percent rate shall apply to wages paid and received during the calendar years 1944 and 1945. The House recedes.

Amendment No. 503: This amendment adds to the House bill title VIII, relating to renegotiation of war contracts, which amends section 403 of the Sixth Supplemental National Defense Appropriation Act (Public Law 528, 77th Cong., 2d sess.). Title VIII includes the following provisions:

(1) Renegotiation is made applicable to the Treasury Department.

(2) The terms "subcontract" and "article," which are not defined in the present statute, are defined to mean, in the case of "subcontract", any purchase, order or agreement to perform all or any part of the work, or to make or furnish any article, required for the performance of another contract or subcontract, and in the case of "article," as including any material, part, assembly, machinery, equipment or other personal property.

(3) In the discretion of the Secretary of the Department concerned, the provision for the renegotiation of the contract price may fix the period for renegotiation, and may provide that renegotiation shall apply only to a portion of the contract or subcontract.

(4) The Secretary may renegotiate contracts or subcontracts as a group.

(5) In determining the excessiveness of profits, the Secretary shall recognize the properly applicable exclusions and deductions which the contractor or subcontractor is allowed under chapter 1 and chapter 2E of the Code.

(6) The Secretary of the Department concerned is authorized to credit against excessive profits eliminated pursuant to this section the amount of Federal income and excess profits taxes paid or payable with respect to such profits.

(7) No renegotiation may be commenced more than one year after the close of the fiscal year of the contractor or subcontractor within which completion of the contract or subcontract occurs.

(8) Contracts and subcontracts for certain mineral or natural deposits, or timber, are exempted from renegotiation.

(9) The Secretary of the Department is authorized to exempt specified categories of contracts and of subcontracts.

Amendment No. 504: This amendment makes clerical changes in the table of contents. The House recedes with an amendment conforming the table of contents to the bill as agreed to in conference.

The House recedes with an amendment designed to clarify the language of the Senate provisions which provides that the credit for income and excess profits taxes shall be determined in accordance with the provisions of amendment No 459.

The committee of conference does not feel that the amendments which are made by the bill to the renegotiation law contain all the changes and improvements which it might be desirable to make. No attempt has been made to study and reexamine all the possible methods for dealing with excessive profits realized on war contracts. The bill merely attempts to remove some of the more pressing objections to the present law and to make the law administratively workable. It is anticipated that the Ways and Means Committee will study section 403 in connection with matters now pending before the committee, with an eye to a more general revision than is contained in the 1942 revenue bill.

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WESLEY E. DISNEY,
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Managers on the part of the House.

Mr. DOUGHTON. Mr. Speaker, for almost 10 months the Committees on Ways and Means and Finance and the Congress have had this revenue bill under consideration. Those of you who have not experienced the many steps necessary in tax legislation cannot realize the amount of painstaking work and effort that has gone into this bill. The members of the Committee on Ways and Means, with the help of the Treasury staff, of our own staff of experts, and of the Legislative Counsel's office, have spent about three-fourths of a year in formulating, drafting, and examining this legislation. No one is perfectly happy with the result, but I do sincerely believe that, considering the circumstances under which we have labored and the stress of the times that this bill represents the best legislation possible. There are many of us who do not agree with many features of the bill. Many of those in the other branch of the Congress consider some of its provisions undesirable. As I have told you in commenting on conference reports in years past, the lack of unanimity upon legislation of this character is only to be expected. Like all major legislation, it is the result of compromise and does not represent the opinion of any one man or group of men.

This bill will produce gross additional revenue of almost $10,000,000,000 annually, of which almost two billion will be refunded after the war in post-war credits, leaving a net annual additional revenue of approximately $8,000,000,000. When added to the revenue which will be secured under the present tax laws, the gross Federal tax bill of the American people for the next year will approximate twenty-eight billion; and the net burden, after deducting the post-war credit, will be in excess of twenty-six billion. This figure both your Committee on Ways and Means and the Senate Committee on Finance believe to be the greatest amount that we can safely take in taxes without imposing unbearable burdens upon some groups or without seriously impairing our national economy and war effort. It is my considered judgment that if more revenue must be had under the present economy we shall have to resort to a general sales tax or some other direct tax upon consumption.

It is true that the total Federal revenue under the existing law and under this bill will be only about 30 percent of our anticipated expenditures. In formulating this legislation, however, and in deciding upon the extent to which we can safely go at this time in imposing increased rates, it has been, I believe, more important to concern ourselves with the burden which we are imposing upon our taxpayers rather than with the revenue desired. This is the fourth major revenue bill since 1939. The two Revenue Acts of 1940 and the Revenue Act of 1941 laid heavily increased tax loads upon us all. This bill adds tremendously to that burden. We must simply decide to what extent we can tax our people without seriously injuring our economy and impairing our war production.

When this bill was before the House for final passage, a difference of opinion existed as to whether the tax rate on nor-

mal corporate profits should be 45 percent or 40 percent. We were generally agreed that the excess profits tax should be around 90 percent, but a majority of this body thought that the rate on normal profits should be 45 percent. I differed strongly from this view and urged as vigorously as I could that we put the rate on normal corporate profits at 40 percent. At that time I urged the great importance of our making every effort not to destroy the business structure which must produce the sinews of this war. In addition, I was particularly concerned about the effect of drastic rates upon small corporations and upon the great number of corporations which far from being helped by the war expenditures are actually crippled and broken through priorities, war restrictions, and increased labor costs. The majority of the Committee on Ways and Means agreed with me in this respect, but the House felt differently and by a narrow vote put the normal corporate rate at 45 percent. By an overwhelming vote in the Committee on Finance and in the Senate itself this figure was reduced in the Senate bill to 40 percent. I deemed this a wise and healthy action. On this point the Senate conferees were adamant and showed no evidences of yielding.

The House conferees, however, were successful in reinstating the capital stock and declared value excess profits tax. We felt that it would be very unwise to repeal these taxes, particularly at this time. The excess profits tax rate of 90 percent which the House fixed was agreed to by the Senate. This high rate on excess profits, we feel, can be thoroughly justified.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. RICH. In the excess-profits tax I understand why the House conferees yielded to the Senate version in the bill. I understood that there would be a 10-percent refund to corporations, or 10 percent held by the Treasury for a post-war credit.

Mr. DOUGHTON. That is true. The House provided no post-war credit out of the excess-profits tax, but the Senate did, and the House concurred, and the post-war credit of 10 percent of the excess-profits tax is carried in the bill.

We lost considerable revenue in the House bill on the change in the corporation tax from 45 percent to 40 percent. Also we provided a transportation tax of 5 percent. The Senate struck out the 5 percent, and we compromised on a 3 percent tax, rather than a 5 percent tax.

Mr. EATON. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. EATON. I received a communication this morning to the effect that this bill carries a provision that if 10 percent of the stockholders of a public utility petition the Government, the Government can take over the utility and the Reconstruction Finance Corporation will furnish the money to do it.

Mr. DOUGHTON. The bill carries no such provision. Mr. O'Brien, from the legislative counsel, who is an expert among experts, and one of the most valuable public servants that I have ever known, agrees with my recollection in that respect.

Mr. EATON. I agree with the gentleman's estimate of Mr. O'Brien, and I am very glad the gentleman has someone of such ability to advise him.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. COOPER. The chairman will recollect that the amendment to which the gentleman refers was not agreed to in conference, and that it is not in the bill.

Mr. EATON. Good.

Mr. DOUGHTON. Oh, there are a great many reports abroad about what we do and what we expect to do, and what we have done, that are erroneous. We cannot rely at all times on rumors, or even sometimes statements carried in the press, although I am sure the press desires to be accurate.

Mr. HINSHAW. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. HINSHAW. The Members of the House and the public have received information through public sources to the effect that under the provisions for the renegotiation of war contracts, it is impossible for a concern that has a contract to know what its tax under the tax bill is going to be. Is any way provided so that they will know what their tax will be under the renegotiation provision?

Mr. DOUGHTON. About the best, and the most accurate and dependable information that I would know about, would be for them to carefully read the act, and most all of the large taxpayers have attorneys and tax experts, but if there is any particular point that the gentleman has in mind, I will see if I can give him information about it.

Mr. HINSHAW. If the manufacturers are subject to a renegotiation, within the taxable year, how can they tell what their profits have been?

Mr. DOUGHTON. If they wait until the end of the year, then they can tell. About all this bill does with respect to the renegotiation of contracts is a clarification of the present law. There is very little fundamental change if any in this bill from the present law. It is principally a clarification.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. Yes.

Mr. COOPER. I think it is fair to say with respect to the renegotiation provisions of the conference report, that they are much fairer and more in the interest of the contractors than the present renegotiation law. The renegotiation law which was attached as a rider to an appropriation bill, as will be remembered, provides for the renegotiation of war contracts. The important thing to bear in mind is that the renegotiation of war contracts deals with excessive profits under those contracts? It is not a question of excess profits tax, but a question of excess profits under the contract.

Mr. HINSHAW. Correct.

Mr. COOPER. Excess profits that the Government has to pay under those contracts. Under the law as it now stands, renegotiation can be had for a period of 3 years after the war. The amendments here restrict the period to 1 year after the end of the contract, so as to considerably narrow the period of time in which renegotiations may be had. It also limits it to one renegotiation, whereas now there is no limitation of that type.

Mr. HINSHAW. May I ask the gentleman a question?

Mr. DOUGHTON. Certainly. That is what we are here for—to give information.

Mr. COOPER. If the gentleman will permit, I think it should be stated that the Senate Finance Committee went into this question perhaps more carefully than anything else in connection with this bill. A subcommittee of the Finance Committee of the Senate was appointed, composed of five of the ranking members of that committee. Senator WALSH, of Massachusetts, was chairman, Senator BARKLEY, of Kentucky, Senator CONNALLY, of Texas, Senator LA FOLLETTE, of Wisconsin, and Senator VANDENBERG, of Michigan, were the five Senators who served on that subcommittee. They went into the matter very carefully, and the amendments here presented were agreed to by the War Department, the Navy Department, and the Maritime Commission. All of these amendments are in the interest of the contractors, in an effort to bring a greater degree of certainty to them in connection with these war contracts. We have this simple situation, that the renegotiation law stands today on the statute books. These amendments were adopted in the Senate, so your conferees simply had this question presented, whether to accept these amendments with the improvements afforded by them, or disagree to the amendments, and have the renegotiation law stand as it is today on the statute books.

Mr. HINSHAW. Will the gentleman yield for a brief question?

Mr. DOUGHTON. With pleasure.

Mr. HINSHAW. May I compliment the gentleman for the astuteness of himself and the committee in accepting the amendments. The point I wanted to inquire into is this: Of course, these profits made by them are still recorded as profits on the books of the company and subject to tax. If at a later date, under renegotiation and after payment of the tax, it is discovered that these profits were away out of line and should be recaptured, then what happens to the tax that the man has already paid on the money that is recaptured by the Government?

Mr. COOPER. He gets credit. Certainly those elements are taken into consideration during the renegotiation

proceeding. Certainly the Government negotiators are not going to overlook as important an item as the gentleman has pointed out.

Mr. HINSHAW. May I ask one more question? Would not the Government get more money out of the manufacturer if, instead of renegotiating, they took it under the present tax schedule?

Mr. COOPER. Of course, as I pointed out at the beginning, the question of renegotiation is not based on the excess-profits tax that the contractor has to pay. The renegotiation is based upon excess profits that the contractor makes out of contracts with the Government.

Mr. DOUGHTON. If the gentleman will read at the bottom of page 21 of the conference report, he will get a full explanation of that.

Mr. RICH. Will the gentleman yield for a question?

Mr. BOEHNE. Will the gentleman yield to me?

Mr. DOUGHTON. I yield to the gentleman from Indiana, a member of the committee.

Mr. BOEHNE. I suggest to the gentleman from California [Mr. HINSHAW], or any other Members of the House who are interested in this renegotiation procedure and the amendments which were adopted by the House conferees, that they read the last paragraph of the statement of the managers, which appears on page 80, particularly the last sentence, which reads as follows:

> It is anticipated that the Ways and Means Committee will study section 403, in connection with matters now pending before the committee, with an eye to a more general revision than is contained in the 1942 revenue bill.

Mr. COOPER. Will the gentleman yield for one word further?

Mr. DOUGHTON. I yield.

Mr. COOPER. Further in reply to the gentleman from California, I invite his attention to page 80 of the conference report, paragraph 6, in which he will find this statement:

> The secretary of the department concerned is authorized to credit against excessive profits eliminated pursuant to this section the amount of Federal income and excess-profits taxes paid or payable with respect to such profits.

Mr. DISNEY. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Oklahoma.

Mr. DISNEY. It is important to remember this also, that the contractor may set in motion the negotiations himself by filing certain documents with the secretary of the particular department, and if renegotiation does not ensue as a result of his notice, then renegotiation is barred. So the contractor has a protection under these Senate amendments that is not under the present law.

Mr. HINSHAW. Any contractor on a national defense contract or a war contract has to make certain provisions for his quick assets and his quick liabilities. He has to be able to meet his bills.

Mr. DISNEY. He has a measure of protection under these amendments. I do not think they go far enough and that we should study the subject further. England has such a process that has worked out fairly well. It is a different system that we ought to investigate, but it has worked out fairly well under their management.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Pennsylvania.

Mr. RICH. I should like to address a question to the gentleman from Tennessee [Mr. COOPER] in this respect, and I think it is well taken so far as the gentleman from California is concerned. I should like his opinion on this point: As I understand, earnings of 8 percent are allowed on capital stock, then the Government in excess profits proposes to take 90 percent over and above that. This will take practically all the corporation makes and it will have very little left with which to pay its debts and dividends. If the manufacturer is going to be continually harrassed by this proposition of renegotiating contracts he may find himself out of business. Sometimes he may even have borrowed money to pay his taxes. Such a businessman may find himself in a pretty difficult position unless he can include in the taxable year any contract he may have to readjust. The Government certainly is not going to lose anything; it is going to take practically everything he makes and he is going to be in jeopardy not only of losing his business but his employees will be in jeopardy of losing their jobs.

Mr. COOPER. If the gentleman will permit me to answer, I would remind him of the fact that there is a provision in this conference report limiting excess profits taxes to 90 percent. This means that the corporation has 10 percent free of all Federal taxes. In addition to that the corporation gets 10-percent post-war credit of the amount of excess-profits taxes it pays.

Mr. RICH. How will that 10 percent be applied?

Mr. COOPER. There is furthermore a provision in the conference report placing an over-all limit of 80 percent on normal, surtax, and excess-profits taxes for corporations.

Mr. RICH. All right; suppose a corporation does not make any money, some year, goes in the red, which is just as natural as the fact that it rains every now and then; how is the corporation going to carry on?

Mr. COOPER. There are ample provisions in the present law and they are extended further in this conference report in respect to loss carry-overs, and with respect to loss carry-backs; there is no difficulty on that point.

Mr. RICH. Will the gentleman cite specific instances?

Mr. COOPER. A corporation has a 2-year loss carry-over for the future and a 2-year loss carry-back for the past, and the taxable year included means 5 years in which a corporation may meet conditions which the gentleman points out.

Mr. RICH. I am glad those provisions are in the bill.

Mr. DOUGHTON. Corporations are not treated as roughly and severely by this bill as is sometimes thought. We have to look to them for large amounts of revenue for one thing because where large amounts of money are made, where large profits are made, is where we must go to get the major portion of the taxes.

I yield to the gentleman from Michigan [Mr. CRAWFORD].

Mr. CRAWFORD. Mr. Speaker, I wish to ask the gentleman from Tennessee this question, Would it be fair to take the position, having limited the time in which a contract could be renegotiated to 1 year—and by that I assume that the renegotiation must be completed within 1 year—is that correct?

Mr. COOPER. That is correct.

Mr. CRAWFORD. Would it be fair to say that this injects into the calculation of tax liability any greater hazard or any greater difficulty for the corporation than our usual procedure under the determination of what constitutes invested capital?

Mr. COOPER. The gentleman is entirely correct.

Mr. CRAWFORD. I think the committee has done a great job in getting that brought down to 1 year.

Mr. COOPER. And I think the gentleman will also agree that every one of the amendments in this conference report with respect to renegotiation of contracts is in the interest of the contractor. As I pointed out we had this simple situation presented to the House conferees: If the present renegotiation law stands on the statute books there is nothing in the House bill with respect to it. The Senate added this series of amendments in the interest of the contractors. It was a simple question either of taking those amendments and improving the present situation or leaving the present renegotiation law in effect.

Mr. CRAWFORD. One more question, if the gentleman will permit.

Mr. DOUGHTON. Certainly.

Mr. CRAWFORD. As the bill now stands, does it carry provisions that simplify the calculation of invested capital at 8 percent of the cash investment

Mr. COOPER. I do not quite get the gentleman's question.

Mr. CRAWFORD. If it is complicated I would not expect the gentleman to take the time to answer it, but can he tell us what is the yardstick for measuring invested capital? Is it 8 percent of the cash invested, or 8 percent of the invested capital and assets? What is the basis?

Mr. COOPER. It is based upon the amount of capital and ranges from 8 percent to 7 percent to 5 percent.

Mr. CRAWFORD. I understand; that is enough.

Mr. GIFFORD. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. GIFFORD. I wish the gentleman would clarify this matter of excess profits. During the other war and in the bills following we computed excess profits before Federal taxes were subtracted; for

instance, $400,000 made normally prewar, $600,000 during the war, would give excess profits of $200,000. They allowed that before taxes were subtracted. This bill is called tricky; it is called dishonest to the public inasmuch as you now subtract taxes so as to make the excess profits in such an instance perhaps twice as much. It cannot be understood at all. This is very important to me. Certainly the gentleman noticed the editorial which was published in many of the papers yesterday.

That is an indictment that this method is dishonest. I want that clarified here and now. Was there anything tricky or dishonest about that? When was it done? I need to have that information.

Mr. COOPER. I am sorry, but the gentleman's lengthy question leaves me in the situation that I do not know just what it is he is asking.

Mr. GIFFORD. I think I made it very clear and simple. In other wartimes there was an excess-profits tax computed in relation to the normal prewar profits. If the normal prewar profits were $400,000 and wartime profits were $600,000, the difference of $200,000 was the excess profits to be taxed. In this bill, you subtract the taxes from the normal profits first, and by so subtracting you show a much greater increase in the excess profits. That is declared to be dishonest. I desire a clear statement. The answer ought to be easy. Now, I ask, When did this method of computation creep into this tax bill?

Mr. COOPER. As I understand the gentleman's inquiry, I think he is in error on that point. I am afraid he got his information from a recent editorial that appeared in a newspaper.

Mr. GIFFORD. I did.

Mr. COOPER. And not from the tax bill or the conference report.

Mr. GIFFORD. I am now trying to get it from the gentleman. Why not give me the answer?

Mr. COOPER. The situation stated by the gentleman is not accurate.

Mr. DOUGHTON. The same situation existed in the 1941 tax bill. There is nothing new in this bill in that respect. The gentleman's curiosity and animosity has risen from reading an editorial, a paid editorial, that has appeared in the newspapers, written by some one who apparently does not know a thing about taxes and in all likelihood has not even read this bill. I have great respect for the gentleman who asks the question, but it is easy for the press to criticize.

Mr. GIFFORD. The gentleman must not say that this question is asked because of my own curiosity or animosity.

Mr. ROBERTSON of Virginia. Will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Virginia.

Mr. ROBERTSON of Virginia. I think I can clear up any question in the gentleman's mind. In the 1941 tax bill we changed the method of computing excess profits. We did that to put emphasis on war profits instead of on normal profits. We adopted the plan we had in the last World War. We followed the precedent of Great Britain and Canada. It does increase the excess-profits tax, but it does not increase the normal tax.

Mr. COOPER. And in that respect there is no difference between the treatment during the last World War and the treatment now.

Mr. ENGEL. Will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Michigan.

Mr. ENGEL. I was a member of the subcommittee that drafted this renegotiation clause. It was done rather hastily and I think we all realize it is not perfect. I was interested in reaching the profits that were not being reached by the tax bill. Now, I want to ask a question, but wish to make a statement first.

I have gone over some 150 corporation statements and I am talking now about corporations that are doing, as a rule, 100 percent Government business. When you and I pay our taxes, we make all we can make during the year, then the Government tells us how much we have to pay. We set aside a certain percentage for reserve. We find in the case of these corporations that they are anticipating the profit they are going to make and the tax they are going to pay and some of them have set aside 90 percent of the profits of the past in figuring on the Government contracts. I have in mind one corporation that collected from the Government 100-percent profits and paid back 90 percent, keeping 10 percent, or paid back 80 percent and kept 20 percent. I have in mind particularly a corporation that collected $78,000,000 doing nothing but war work. They paid the Government back $66,000,000 in taxes and kept the difference.

Mr. COOPER. Now, please do not take all the time of the gentleman from North Carolina. Will the gentleman ask his question and we will try to give him the answer.

Mr. ENGEL. I want to see whether the gentleman agrees with this.

They kept $11,000,000 in profit, which is 22½ percent on their stock, which is not subject to taxation. Are we getting at that 22½ percent which is not subject to taxation?

Mr. COOPER. In answer to the question asked by the gentleman, may I say authority continues to exist, as has been true in the past, for the Government to renegotiate war contracts. As I have pointed out several times before, the important thing—and the renegotiators bear in mind this fact—is the excessive profits that the contractors are making out of the Government. As an illustration, let us suppose that the War Department gives a contract to a corporation to make a certain article on the basis of $10 a unit. They so increase their production that it is found that $8 is a fair price for that unit. They renegotiate the contract and provide for $8 instead of $10.

Mr. BLAND. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Virginia.

Mr. BLAND. I should like to make just a brief statement in connection with that.

The renegotiating powers in the original act contemplated the War Department, the Navy Department, the Maritime Commission, and now, in this, the Treasury Department. By Executive order of the President certain powers were transferred from the Maritime Commission to the War Shipping Administration. Many of the functions formerly performed by the Maritime Commission are now in the War Shipping Administration. I presume that it is intended that the powers of renegotiation with respect to contracts made by the War Shipping Administration shall be in the War Shipping Administration just as they were in the Maritime Commission, so that we shall not have a contracting agency here that is not reached by this legislation.

Mr. DOUGHTON. The presumption of the gentleman is sound, or at least that was our intention. The normal tax and surtax rates on individuals were not changed in the Senate bill nor were any changes made in the personal exemptions. The credits for dependents, however, were decreased from $400 to $300. The conferees compromised this credit to $350.

VICTORY TAX

The House conferees accepted the Senate provision levying a Victory tax of 5 percent on all income in excess of $624 received during the year by individuals from salaries, wages, and other compensation for personal services, dividends, interest, annuities, and net income from business or profession.

In the case of salaries and wages, 5 percent of the excess over $624 will be withheld at the source, except in the case of domestic servants, agricultural labor, and members of the armed forces. In other words, one receiving a salary in excess of $624 a year, or in excess of $52 a month, or in excess of $12 a week, will have 5 percent of such excess deducted from his pay regardless of whether he is single or married, with or without dependents. This will greatly simplify the administrative procedure and will also greatly reduce the amount of work and expense to the employers.

Under the withholding provision of the House bill it was necessary for the employer to determine the marital status of each employee, whether single or married, and also the number of dependents, which would involve a tremendous amount of bookkeeping at considerable expense to the employer. The House conferees felt that the withholding provision agreed to was preferable in view of the fact that married persons with or without dependents were given a differential in the case of post-war credit allowances.

The Victory tax allows a post-war credit of 25 percent of the Victory tax for single persons, but not in excess of $500. In the case of a married person, 40 percent of the tax is allowed as a post-war credit, but not to exceed $1,000

annually, and 2 percent, but not in excess of $100, is allowed for each dependent.

The taxpayer may absorb the post-war credit currently against his Victory tax for payment of debts, life insurance payments where outstanding prior to September 1, 1942, or for the purchase of war bonds. In the case where the full post-war credit is absorbed currently, no repayment will be made after the war.

This Victory tax is estimated to yield a gross revenue of $3,600,000,000, of which amount $1,100,000,000 will be returned as a post-war credit, leaving a net yield of $2,500,000,000 of additional revenue to the Treasury, and at the same time the Government will have the use free of interest of that portion of the $1,100,000,000 post-war credit not taken currently.

The Victory tax will greatly increase the number of persons who will pay a direct tax to the Government—a direct contribution to the war effort. It is estimated that under the regular income tax there will be 27,500,000 taxpayers, and with the Victory tax there will be approximately 46,000,000 taxpayers.

In order to raise the large amount of additional revenue required, it is necessary to levy taxes on those in the lower income group, and in doing so the Victory tax, in my opinion, is fair and equitable and one which does not subject to taxation the barest necessities of life, as each taxpayer is allowed $624 free of taxation.

This tax, in my opinion, will be cheerfully borne by the American people who are ready and willing to contribute more directly and more substantially to the war effort and to an early victory.

Mr. HINSHAW. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from California.

Mr. HINSHAW. I want to know if there is any disposition on the part of the committee to substitute a sales tax for this Victory tax, which I believe is a very great damage to the people.

Mr. DOUGHTON. We have not reached that bridge yet.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Tennessee.

Mr. COOPER. Of course, the sales tax was not in conference. It was not in either bill.

Mr. HINSHAW. I understand, but I want to know if there was any disposition on the part of the committee to consider it.

Mr. DOUGHTON. It was not discussed at all.

Mr. VOORHIS of California. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from California.

Mr. VOORHIS of California. How much of the revenue from the Victory tax would have been lost if it had started at say $1,000 per year instead of $624? It seems to me that $1,000 would have been far more equitable.

Mr. DOUGHTON. A lot of people seem to think that way, but this represents the judgment of the conferees on the subject of the Victory tax. Of course, the House did not impose any Victory tax. The Senate imposed this tax.

Mr. VOORHIS of California. The Victory tax exempts all capital gains, does it not? It does not touch capital gains at all. I believe it should.

Mr. DOUGHTON. No; it does not. Of course, there are taxes in here to which anyone can object, and with which I myself cannot agree.

Mr. VOORHIS of California. I know that.

Mr. DOUGHTON. However, we realize that we must have a large amount of money. All tax measures as large as this are the result of compromise, and necessarily so.

In my opinion, this Victory tax, like all other taxes, will be cheerfully borne by patriotic people. I think everyone is anxious to have a part in meeting the expenses of this World War which was thrust upon us without any blame whatever upon our part. It was an inevitable war, and it is the most costly and terrible war in the Nation's history or that was ever inflicted upon the world. Those of us who stay at home in safe places do not have to face shot and shell or submarines and tanks, as well as other engines of destruction, like the boys we send abroad. They are the ones who make the sacrifices. In paying taxes we are only performing a reasonable service and should regard it not as a sacrifice but a glorious service to our country.

The House agreed to a greater number of changes than the Senate, but many of those changes are typographical or technical changes made necessary as a result of further study of the House bill and are not fundamental changes. It would appear that the Senate had almost written this bill, but a majority of these changes are minor or technical changes in the language of the bill, and things of that sort made necessary so that the bill may conform to the purpose had in mind by those who prepared the measure.

In general, I give you assurance that this bill represents the very best effort of your Committee on Ways and Means and the House conferees. It lays, of course, a tremendous burden upon the American people, an unprecedented burden, but our needs are unprecedented, the demands of our Government are unprecedented, and, in my judgment, this burden will be cheerfully borne by every patriotic American citizen.

Mr. ROBINSON of Utah. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman.

Mr. ROBINSON of Utah. Am I correct in my understanding that there is only $1,000 that is repayable in the Victory tax to married men and $500 that is repayable to single men?

Mr. DOUGHTON. For each year; yes.

Mr. Speaker, I yield 10 minutes to the distinguished gentleman from Massachusetts [Mr. TREADWAY].

Mr. TREADWAY. Mr. Speaker, in view of the explanation of the bill that has been made by the distinguished chairman of the Ways and Means Committee, I will consume very little time, and I ask, Mr. Speaker, to be allowed to revise and extend my remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. TREADWAY. Mr. Speaker, Mr. Elmer Davis, Director of War Information, some little time ago said we are "knee deep in the war." With the enactment of the pending tax bill we are going to be "over our necks in taxes" to help pay for the war, into which we are getting deeper all the time.

The adoption of the conference report will complete legislative action on the tax bill, which was initiated last March 3, when hearings were begun before the Ways and Means Committee.

At that time, the committee was asked by the Treasury to increase taxes by some $7,600,000,000. Later, the Treasury goal was increased to $8,700,000,000. The bill as subsequently passed by the House increased taxes by $6,300,000,000. The bill as passed by the Senate would raise a net amount of $6,800,000,000, or slightly more than the House bill.

The conference agreement raises $60,000,000 more revenue than either the House or the Senate bill. The net yield will be nearly $7,000,000,000, according to the Treasury estimates, which, of course, are conservative.

The bill increases the Federal tax burden from $18,000,000,000 annually to at least $25,000,000,000 and State and local governments will collect $10,000,000,000 more. So you can see that the total tax burden of the people will be in the neighborhood of $35,000,000,000, or one-third of the national income.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. TREADWAY. I would prefer not to yield in view of the short time available and as I intend to yield back some of my time.

Mr. RICH. Will the gentleman yield for just one question?

Mr. TREADWAY. All right; I yield.

Mr. RICH. When we have gone in the red $15,000,000,000 since July 1, and this bill is only going to raise $6,000,000,000, where are you going to get the money for the rest of it unless you cut down Government expenditures?

Mr. TREADWAY. At the present time there will have to be a large amount of borrowing, and the Secretary of the Treasury has already notified us that he wants another $6,000,000,000 tax bill following this one. I might say in that connection that the only place I see to gain anything like that amount which the Secretary says we must have will be to go to a sales tax.

Mr. RICH. How about cutting down a lot on Government expenditures?

Mr. TREADWAY. Oh, I have talked about that until I am hoarse. The gentleman will have to do something with the present administration before he will get very far along that line. I may say, however, for the benefit of the House, that the Byrd economy committee, of which I am a member, has recommended

over $1,300,000,000 reduction in those expenditures, and the Congress has largely carried out our suggestions.

Mr. Speaker, the bill as laid before the Conference Committee covered 601 pages of text, and embraced 504 amendments. Your conferees completed action on these amendments in just 4 days, which is very definite evidence that there was no disposition to delay final passage of the measure until after the elections, as had been rumored.

The conference report includes the so-called Victory tax, which was inserted in the bill by the Senate. This is the outstanding change over the House bill.

Your conferees were in this position on the Victory tax: It was either a case of accepting it or rejecting it. We had no authority to substitute some other kind of levy, such as a sales tax. To have omitted the 5-percent Victory tax from the bill would have involved a net loss of revenue of between two and two and one-half billions.

While there are many objections to the Victory tax, as there are to nearly every tax, it has at least one commendable feature, in that it allows credit for payments on debts, life insurance, and the purchase of War bonds, which are not deductible in computing the regular income tax. Taxpayers who do not elect to take this allowance against the current tax liability may receive it as a post-war credit. This allowance amounts to 40 percent of the Victory tax in the case of married persons, 25 percent in the case of single persons, and 2 percent for each dependent. The maximum allowance is $1,000 for married persons, $500 for single persons, and $100 for each dependent.

The 5-percent rate is not a flat tax, but applies only to that portion of the income which is in excess of $12 per week or $624 annually, whether married or single. Adjustment for the marital status is provided by means of the difference in the amount of the credits previously mentioned.

A separate withholding tax of 5 percent is imposed, which will be collected at the source from pay rolls, on that portion of any wage or salary in excess of $12 per week. This withholding tax will then be allowed as a deduction against the Victory tax, and if the amount withheld is in excess of the Victory tax due, the difference will be credited against the regular income tax.

Mr. HINSHAW. Mr. Speaker, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. HINSHAW. I certainly hope that the committee in the near future will cut out this Victory tax and substitute a sales tax for it, because the Victory tax is very complicated as I see it, and I do not think that John Doe will understand it at all.

Mr. TREADWAY. I have no doubt that the gentleman's ideas are probably in accord with those of a great many Members. So far as the parliamentary situation is concerned, he must surely understand it could not be done, since the Senate did not put in a sales tax.

Mr. HINSHAW. I understand.

Mr. TREADWAY. Further than that, let me say that before the Ways and Means Committee voted not to include a sales tax in the pending bill, the Secretary of the Treasury sent us word that he would prefer to have the bill fall short of his revenue goal rather than to include a sales tax to make up the total.

Mr. HINSHAW. I appreciate the gentleman's position.

Since the Senate adopted the House schedule of income-tax rates, they were not in conference. It will be recalled, however, that the House bill provided for exemptions of $500 in the case of single persons and $1,200 in the case of married persons, plus $400 for each dependent. The Senate changed the dependent allowance to $300, and the conference agreement compromises the credit at $350. The other exemptions remain as in the House bill.

The conference agreement includes a new deduction for unusual medical and dental expenses, which was added by the Senate. In cases where the taxpayer spends more than 5 percent of his net income for these purposes, he may deduct such excess amount, but not more than $1,250 in the case of single persons and $2,500 in the case of married persons. This amendment will be a help to persons or families having to undergo unusual outlays for medical purposes in any year. It is not intended to take care of the ordinary medical expenses, which on the average do not exceed 5 percent of net income.

The conference agreement also adopts the Senate provision eliminating the requirement that income-tax returns be signed under oath before a notary or other officer. However, the elimination of the oath will not alter the fact that returns are signed subject to the penalties for perjury.

Mr. CURTIS. Mr. Speaker, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. CURTIS. In reference to young men who are going into the armed service, for instance, let us take a young farmer, who has to sell all of his machinery and livestock and equipment, and report a part of that at least as income, and then he will be compelled to buy it back when he returns from the war. Is there any relief in this tax bill for that particular thing?

Mr. TREADWAY. Not in this bill.

Mr. CREAL. Mr. Speaker, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. CREAL. Is not the sum at which the Victory tax is to be imposed a little too low?

Mr. TREADWAY. I agree that it is unfortunate that a man who makes over $624 a year, or $12 a week, should be brought into the income-tax picture. It is a low amount at which to begin, and I, personally, would like much to see it raised.

Mr. CREAL. About $20?

Mr. TREADWAY. It is hard to determine just what the figure ought to be.

Mr. CREAL. One more question for information. Do not you think that physical farm labor should be exempted entirely from that Victory tax?

Mr. TREADWAY. There are a number of exemptions from the withholding provisions, including farm labor.

Mr. CRAWFORD. Mr. Speaker, will the gentleman yield?

Mr. TREADWAY. Yes.

Mr. CRAWFORD. Is it correct to assume, or to say, that the Treasury from time to time after this measure was first taken up by the committee, changed its general approach on taxes?

Mr. TREADWAY. Oh, yes; very definitely; but perhaps the Treasury should not be too severely criticized for changing its mind.

Mr. CRAWFORD. I am not criticizing the Treasury, and I do not think the committee should be criticized because it took so many weeks to bring out the bill. That was because it had to adjust itself to the changed conditions.

Mr. TREADWAY. We started out to expend in the war forty to fifty billion dollars, and now the sum that we have appropriated is in the neighborhood of $220,000,000,000. That is the answer to the whole thing.

Mr. CRAWFORD. Does the gentleman care to say anything about the forthcoming tax bill? I ask that only because I would like to see it come up as quickly as possible.

Mr. TREADWAY. So would I. I think the Secretary of the Treasury chose a rather poor time to broach that. I think it is unfortunate that he took occasion to say that he wanted another tax bill just at the time when we are finishing the present one. Even before we had finished the bill, he told us what he wanted us to do in the next one. I think that was a rather unfortunate time to announce such a thing.

Mr. Speaker, in the case of corporations with net incomes over $50,000, the House bill provided for a combined normal and surtax rate of 45 percent. This was reduced to 40 percent by the Senate, and the conference agreement adopts the lower figure, which was the rate recommended by the Ways and Means Committee. The present rate is 31 percent. The conference agreement also makes an adjustment in the rate applicable to corporations with between $25,000 and $50,000 net income. This is the so-called "notch" provision.

On the other hand, the conference agreement retains the present capital-stock tax on corporations and the related declared-value excess-profits tax, which the Senate had eliminated.

The Senate bill adopted the rate of 90 percent on excess profits, as fixed by the House bill, so this matter was not in conference. However, the Senate included a post-war credit for corporations, equal to 10 percent of the excess-profits tax, which will be used for industrial rehabilitation and reemployment in the post-war period. This credit will be given in the form of non-interest-bearing, non-negotiable bonds. The credit may be used currently for debt payments, up to 40 percent of the principal amount involved, but in no case in excess of the post-war credit.

The specific exemption under the excess-profits tax was fixed at $10,000 under the House bill, and $5,000 under the

Senate bill. The conference agreement adopts the lower figure, which is the same as existing law.

Under the House bill, corporations which are on a fiscal year basis, and whose taxable year ended any time during the calendar year 1942, would have been taxed retroactively at the increased rates on all business done after January 1. The Senate bill postpones the effect of the increased rates to July 1, and thus eliminates the retroactive feature. The conference agreement adopts the Senate change.

Another Senate amendment adopted by the conference was the 2-year carry-back of net losses and unused excess-profits credits. This change is intended largely to take care of companies who are obliged by existing restrictions to defer upkeep and maintenance expenditures, which would otherwise be an allowable deduction in the current year.

Under both the House and Senate bills, there is a maximum rate of 25 percent on long-term capital gains. Under the House bill, long-term capital assets are those held for more than 15 months. The Senate bill reduces the holding period to 6 months, and the conference agreement adopts the latter figure. It is believed that by relaxing the holding period, the market in capital transactions will be stimulated, thereby resulting in increased revenue to the Treasury.

The conference report adopts certain changes proposed by the Senate in the law requiring the renegotiation of war contracts. It has been found that the present law has resulted in much confusion, annoyance, and uncertainty, and even the agencies of the Government concerned with the administration of the law have found it desirable to make certain changes. There has been much agitation for the complete repeal of the law, and the substitution of some other method of limiting war profits. The Senate Finance Committee did not have time to go into the whole subject at this time, but did include in the bill certain changes which are agreeable to the War and Navy Departments, and the Maritime Commission, and which are in the interest of more certainty and less annoyance. The question of adopting more substantial changes or of substituting some other form of profit limitation will be postponed for future consideration. The outstanding change is that the right to renegotiation must be exercised by the Government within 1 year after the completion of the contract, instead of within 3 years after the war, as under existing law. A shorter period than 1 year may be fixed by the departments in any case, and when renegotiation has once taken place it shall be final and conclusive except for fraud. Also there is included a clarification of the term "subcontractor." I am very glad to see these changes made in the law, and I hope that further amendments will be considered in the near future.

There has been considerable interest in the provisions of the bill relating to mutual fire and casualty insurance companies. Under existing law, these mutual companies are completely exempt from income tax. Under the House bill, those having net income in excess of $50,000 and assets in excess of $100,000 were made subject to tax. The Senate has changed the exemption to $75,000, and substantially changed the basis of taxation of companies made subject to tax. The conference agreement adopts the Senate amendments, which are desired by the mutual companies. Stock insurance companies, which compete with the mutual companies for business, favored the House provisions.

On the question of employees' pension trusts, which was dealt with to some extent in the House bill, the Senate has made further modifications which are in the interest of preserving existing pension systems without tax.

The only important matter under the estate tax which was in conference was the question of the amount of the exemption. Under existing law, there is a general exemption of $40,000, and an additional exemption of $40,000 for insurance. The House bill consolidated these two exemptions into a single exemption of $60,000, all or any part of which could be in insurance or other property. The Senate restored the existing law, but the conference agreement adopts the House provision, fixing the exemption at $60,000 for all purposes.

The Senate bill adopted the House rates on liquor, beer, and wine, and these items were not in conference. Nonbeverage alcohol was granted a preferential rate by the Senate, and this change was retained by the conference committee. The general rate on spirits is $6 per proof gallon, which means spirits of 100 proof. Flavoring extract manufacturers, pharmacists, and other users of alcohol for nonbeverage purposes generally use alcohol of 190 proof, which would bear a tax of $11.40 per liquid gallon. Under the Senate bill they would be allowed a drawback of tax at the rate of $3.75 per proof gallon upon furnishing satisfactory evidence that the alcohol was not used for beverage purposes. To be eligible for drawback, a special license fee, graduated from $25 to $100 per annum, would have to be paid.

The House rate on cigarettes was not changed. In the case of cigars, however, the Senate adopted a lower schedule of rates, which are adopted by the conference agreement with the exception of the rate on two for a nickel cigars, on which the House rate of $2.50 per thousand is retained.

Under the House bill, the taxes on smoking tobacco and cigarette papers were increased, but the Senate eliminated these items, and the conference agreement adopts the Senate action, which has the effect of retaining existing law.

The House bill provided for a tax on pari-mutuel betting, which the Senate eliminated. The conferees have concurred in the Senate action, on the ground that the States where pari-mutuel betting is permitted already levy a tax of this kind, and that to impose a Federal tax in addition would encourage bookmaking and destroy the State's revenue. In Massachusetts, for example, the receipts from the pari-mutuel tax are used for the payment of social security benefits.

The House bill contained a 5-percent tax on freight charges, except on coal, on which the tax was 5 cents per ton. The Senate eliminated this tax, but it is restored by action of the conferees with certain modifications of the rates, namely, 3 percent of freight charges, and 4 cents per short ton on coal.

Of general interest is the action of the conference committee in adopting the Senate amendment providing for the freezing of the present 1-percent rate under the social-security pay-roll tax for another year. Under existing law, it would automatically increase to 2 percent on both employers and employees on January 1 next. Under the present 1-percent rate, the reserves are already twice the amount contemplated by Congress, and they will continue to increase with the expansion of pay rolls. Since the pay-roll taxes are only intended to meet the needs of the Social Security System, and are not for general revenue purposes, there is no justification for exacting an additional 1 percent from both employers and employees at this time. I am personally very much opposed to using social security taxes for other than social security purposes, and for that reason am very much in sympathy with the amendment freezing the present rate for another year. The matter can be reexamined later in the light of conditions then existing.

It has not been possible, in the time available, to go into any detail regarding the conference report, but I have endeavored to touch the highlights. Full explanation of the changes is given in the statement of the managers, which is found in the latter part of the conference report.

While the conference agreement is far from perfect, I believe that on the whole the final result represents an improvement over the measure as passed by the House.

There is no question but what the bill imposes a tremendous additional burden of taxation on both individuals and business. I have personally felt that we have dipped down too low on the income tax exemptions for individuals. The rates, too, are very high, starting with a tax of 19 percent on the first dollar of taxation income, to which must be added the 5 percent Victory tax, which makes a total initial rate of 24 percent. Yet heavy as present and proposed taxes are, both on individuals and business, the fact remains that they must probably be increased still further before victory is won.

We are spending at the rate of more than seventy-five billions annually, which means that prospective Federal taxes of twenty-five billions will still leave fifty billions annually to be added to the national debt. This fifty billions must be financed by borrowing on top of an already staggering national debt.

Heavy, drastic, burdensome taxes are only one of many sacrifices we must make to assure victory in the present war. We all realize it is better to pay taxes to Uncle Sam than to live in slavery and want under totalitarian rule. Therefore, we stand ready and willing to pay our fair share of whatever tax burden may be necessary.

In addition to the revenue aspect of the tax bill, it is also a factor in the effort to control inflationary price rises. We have

recently enacted additional price- and wage-control legislation, and the tax bill will supplement that measure by tapping some of the increased purchasing power resulting from the war boom. Unfortunately, however, it is difficult to reach this increased purchasing power without at the same time imposing an undue burden on those whose incomes have not increased as a result of the war, but which in fact may have decreased. This is a matter which should be given serious consideration by the Congress. Any further tax legislation should be framed so as to bear more heavily on war income than on normal income.

It appears most certain that when the next tax bill is considered the sales tax will be about the only levy left to which we can resort. It is, of course, open to many objections, but it also has several features which make it desirable as a war-financing measure. It would produce considerable revenue, it would be deflationary, and it would tend to bear more heavily on those who had the most to spend. The fact that it is not based on ability to pay, as is the graduated income tax, would be a strong argument against it if it were advocated as the sole means of financing the Government, but the fact that the graduated income tax is imposed concurrently would preserve the ability-to-pay principle insofar as the aggregate burden on the individual is concerned.

The subject of compulsory saving will also be considered in connection with the next tax bill. A Senate amendment providing for the creation of a special committee to study this subject was eliminated from the bill in conference, since it is a matter to which the Ways and Means Committee will necessarily give consideration in any event. To set up a special committee would have served no useful purpose.

As a final word, I urge the adoption of the conference report as the best possible compromise between the House and Senate bills. The bill has already been before Congress too long, and should therefore be speeded toward final enactment so that the people will know what their tax burden will be, at least for the time being.

Mr. Speaker, I yield back the remainder of my time to the chairman of the committee. I ask unanimous consent to extend my remarks.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. The gentleman yields back 1 minute.

Mr. DOUGHTON. Mr. Speaker, I yield 1 minute to the gentleman from Minnesota [Mr. KNUTSON]

(By unanimous consent, Mr. KNUTSON was granted leave to extend his remarks in the RECORD and to include certain correspondence that has passed between several Members of the House and the chairman of the Ways and Means Committee.)

Mr. KNUTSON. Mr. Speaker, after more than 7 months of hearings and deliberations by the Ways and Means Committee, and the Senate Finance Committee, we will today take final action on the biggest revenue bill in all the history of the Republic. It will raise nearly $8,000,000,000 net which, added to the revenue being raised under existing law, will impose a tax burden upon the American people in excess of $26,000,000,000, or about 25 cents on every dollar of our national income.

The bill in its present form is a decided improvement over the House and Senate bills and under the circumstances is about as good a tax bill as can be produced.

Considerable interest has been evinced in section 722, better known as the relief section, and in order to further clarify that section, at this point I insert for the RECORD certain correspondence that has passed between several Members of the House and the chairman of the Ways and Means Committee, Mr. DOUGHTON. This is being done with the knowledge and approval of the chairman. The correspondence follows:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., October 10, 1942.

Hon. ROBERT L. DOUGHTON,
Chairman, House Ways and Means Committee, House Office Building, Washington, D. C.

DEAR MR. DOUGHTON: H. R. 7378 as passed the House contained section 213 which amended section 722 (b.4) of the Internal Revenue Code, reads in part as follows:

"Any change in the capacity for production or operation of the business consummated during the taxable year ending after December 31, 1939, as a result of commitments made prior to January 1, 1940, binding the taxpayer to make the change."

This language was changed by the Senate and is contained in section 221, and reads in part as follows:

"Any change in the capacity for production or operation of the business consummated during any taxable year ending after December 31, 1939, as a result of a course of action to which the taxpayer was committed prior to January 1, 1940."

Inasmuch as the Senate version, according to the Finance Committee's report, affords relief to a taxpayer who was committed to a course of action prior to January 1, 1940, I would like you to advise me if the following course of action taken by a corporation in Minnesota would constitute "a course of action to which the taxpayer was committed prior to January 1, 1940":

"The corporation in question had been carrying on a program of expansion over a period of probably 15 years. It was the policy of the company to pay modest dividends and finance all new construction out of earnings. In 1939 the company's earnings were exceptionally high and at its last dividend meeting of that year, held December 2, 1939, the president, in a written report, requested that "before a decision is made as to the amount of the dividend to be declared for the final quarter of the year certain matters be considered by the board, namely:

"(a) The question of retaining a sufficient amount of the current year's earnings to enable the company to carry on its probable expansion and research programs, and

"(b) Will such retention subject the company to a tax under section 102 of the revenue act, which is a tax on corporations for improperly accumulating surplus, in view of the recent ruling of the Commissioner of Internal Revenue to his examining agents requiring such agent to make a report of all corporations examined containing a specific recommendation as to whether or not section 102 applies to the corporation examined, particularly where the corporation has not distributed at least 70 percent of its earnings as taxable dividends, and has large investments of stocks or securities or other properties not related to its normal business activities?

"(c) If the company retains a part of its current year's earnings, and the earnings so retained are not all required in the company's program of expansion and research, and later distributed, it is possible that the stockholders would be subject to higher surtax rates, in view of the President's proposed program of defense.

"Regardless of the tax question involved, the directors should seriously consider whether or not they want to depart from the past policy of the company—which has been to keep a substantial amount of cash in the treasury and to finance its growth entirely from current earnings. This policy has made the company an outstanding success; and the record clearly demonstrates that, at no time in the company's history have earnings been retained for any purpose other than for reinvestment in the business. The company is spending large amounts for laboratories and research, and, for that reason, it is certainly sound business to keep the company in a financial position to equip itself to exploit new products."

In line with this, the president then listed a number of expansion projects, including:

(a) Addition to two factory buildings at an estimated cost of $215,000.

(b) An entirely new factory at an estimated cost of $1,250,000.

The board of directors concurred in the President's program as outlined; the dividend was increased from $1.80 per share in 1938 to $2.40 per share in 1939, despite high earnings which could have justified a much larger dividend; a sufficient sum was retained to finance the proposed projects; and this company, by this action of the board of directors, was put in a position to proceed with the expansion program as outlined.

Project (a) was started in June 1940 and completed early in 1941, in line with the reasoning and course of action at said meeting in December 1939.

Project (b) was started in 1941 and completed in 1942, and this again was in line with the reasoning and course of action at said meeting in December 1939.

It seems to me that this course of action is quite in keeping with the intent of the Senate Finance Committee when in its report (p. 37, par. 5), it says: "Such a course of action to which taxpayer was committed may be evidenced by such factors as a contract, action by the board of directors or governing body as to a particular course of action, expenditures in the commencement of such changes, or other courses of action clearly indicating the intent to make such changes, even though later modified."

Yours very truly,
RICHARD P. GALE,
Member of Congress.

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION,
Washington, October 20, 1942.

Hon. ROBERT L. DOUGHTON,
Chairman, Joint Committee on Internal Revenue Taxation, House of Representatives, Washington, D. C.

DEAR MR. CHAIRMAN: Reference is made to the letter to you from the Honorable RICHARD P. GALE of October 10 regarding the application of section 722 of the Internal Revenue Code, as amended by section 213 of the pending revenue bill. Mr. GALE, after a statement of facts regarding the situation of a corporate taxpayer, asks whether or not such taxpayer will be entitled to relief under section 722, as amended.

It is difficult to make a definite answer in the absence of all of the facts bearing on this case. However, upon the facts contained in Mr. GALE's letter, I am of the opinion that

the taxpayer described therein is entitled to the benefits of section 722.

I am returning Mr. GALE's letter for your files.

Respectfully yours,

COLIN F. STAM,
Chief of Staff.

HOUSE OF REPRESENTATIVES,
October 12, 1942.

The Honorable ROBERT L. DOUGHTON,
Chairman, Committee on Ways and Means, House of Representatives,
Washington, D. C.

MY DEAR MR. DOUGHTON: I would like to draw your attention to the attached page from the CONGRESSIONAL RECORD for October 9, 1942, giving correspondence between Senator GURNEY and Mr. Stam in connection with section 722 as amended by the 1942 tax bill, and a letter from Senator GEORGE, chairman of the Senate Finance Committee, to Senator GURNEY confirming the views of Mr. Stam.

I happen to have an interest in similar questions involving the same section of the bill, and I would like to know if you, as chairman of the Ways and Means Committee, concur in the interpretations given by Senator GEORGE to Senator GURNEY.

Sincerely yours,

FRANCIS CASE.

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Washington, D. C., October 16, 1942.

Hon. FRANCIS CASE,
House of Representatives,
Washington, D. C.

DEAR MR. CASE: Your letter of October 12, enclosing reprint from the CONGRESSIONAL RECORD of correspondence between Senator GURNEY and Senator GEORGE and Mr. Colin F. Stam has been received.

I have read this enclosure and concur in the replies given Senator GURNEY by Senator GEORGE and Mr. Stam with respect to relief under section 213 of H. R. 7378.

Sincerely yours,

R. L. DOUGHTON.

Mr. DOUGHTON. Mr. Speaker, I yield such time as he may desire to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to include as a part of my remarks certain tables in connection with this tax bill.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. REED of New York. Mr. Speaker, I am presenting to the House for its convenience certain tables. I am not the author of the tables, but I am offering them in my remarks to give a statistical picture of the largest tax bill ever enacted by a legislative body in the history of the world.

I will say frankly that, while I appreciate the wonderful work that has been done by members of the committee at both ends of the Capitol in enacting this stupendous tax bill, nevertheless it contains features that I would not support were we not at war. But, of course, under the circumstances I shall support the bill.

When you examine the tables I have put in, you will find an accurate picture of the impact of this bill on various taxpayers. We have had many telegrams, and you have had many telegrams, relating to mutual life-insurance companies and various other phases of the bill. I will try to present in by extended remarks the answers to some of the questions, so that you may accurately inform your constituents at home. Your constituents may not be aware that you could not reply to their inquiries until the conferees made their report, which is today.

I ask unanimous consent to extend my remarks on this bill, Mr. Speaker.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. REED of New York. Mr. Speaker, this is a statistical picture of the largest tax bill ever enacted by a legislative body in the history of the world:

TABLE I.—*Personal exemption and credit for dependents allowed under the Revenue Acts of 1913–41, the House bill, and Senate Finance Committee bill*

Revenue act	Income year	Personal exemption and credit for dependents		
		Single or married and not living with husband or wife and not head of family	Married and living with husband or wife, or head of family	Credit for each dependent
1913	Mar. 1, 1913, to Dec. 31, 1915.	[1] $3,000	[1] $4,000	-----
1916	1916	3,000	4,000	-----
1917	1917	1,000	2,000	$200
1918	1918 to 1920	1,000	2,000	200
1921	1921 to 1923	1,000	[2] 2,500	400
1924	1924	1,000	2,500	400
1926	1925 to 1927	1,500	3,500	400
1928	1928 to 1931	1,500	3,500	400
1932	1932 and 1933	1,000	2,500	400
1934	1934 and 1935	1,000	2,500	400
1936	1936 and 1937	1,000	2,500	400
1938	1938 and 1939	1,000	2,500	400
1940	1940	800	2,000	400
1941	1941	750	1,500	400
1942:				
House bill	1942	500	1,200	400
Senate Finance Committee bill.	1942	500	1,200	300
Conference report.	-----	-----	-----	350

[1] No provision for head of family in Revenue Act of 1913. Exemption prorated for period Mar. 1 through Dec. 31, 1913.

[2] For net income in excess of $5,000, personal exemption is $2,000.

TABLE II.—*Normal tax rates under the Revenue Acts of 1913–41 and under proposed revenue bill of 1942*

Revenue act	Income year	Normal tax rate	
		Net income subject to tax	Percent
1913	Mar. 1, 1913, to Dec. 31, 1915.	All	1
1916	1916	All	2
1917	1917	First $2,000	2
		Balance over $2,000	4
1918	1918	First $4,000	6
		Balance over $4,000	12
	1919, 1920	First $4,000	4
		Balance over $4,000	8
1921	1921–23 [1]	First $4,000	4
		Balance over $4,000	8
1924	1924	First $4,000	2
		Second $4,000	4
		Balance over $8,000	6

[1] Tax for 1923 reduced 25 percent by credit or refund under sec. 1200 (a) of the Revenue Act of 1924.

TABLE II.—*Normal tax rates under the Revenue Acts of 1913–41 and under proposed revenue bill of 1942*—Continued

Revenue act	Income year	Normal tax rate	
		Net income subject to tax	Percent
1926	1925–27	First $4,000	1½
		Second $4,000	3
		Balance over $8,000	5
1928	1928	First $4,000	1½
		Second $4,000	3
		Balance over $8,000	5
	1929 [2]	First $4,000	½
		Second $4,000	2
		Balance over $8,000	4
	1930, 1931	First $4,000	1½
		Second $4,000	3
		Balance over $8,000	5
1932	1932, 1933	First $4,000	4
		Balance over $4,000	8
1934	1934, 1935	All	4
1936	1936, 1937	All	4
1938–41	1938	All	[3] 4
1942 House and Finance Committee bill.	1942	All	6

[2] See joint resolution of Congress No. 133, approved by the President Dec. 16, 1929, reducing rates of income tax for 1929.

[3] Not including 10-percent defense tax provided for by the Revenue Act of 1940.

TABLE III.—*Comparison of proposed surtax rates and cumulative surtax under present law, House bill, and Senate Finance Committee bill*

Surtax net income classes	Surtax rates			Cumulative surtax on higher amount shown in bracket		
	Present law, percent	House bill, percent	Senate Finance Committee bill, percent	Present law	House bill	Senate Finance Committee bill
$0 to $2,000	6	13	Same as under House bill	$120	$260	Same as under House bill
$2,000 to $4,000	9	16		300	580	
$4,000 to $6,000	13	20		560	980	
$6,000 to $8,000	17	24		900	1,460	
$8,000 to $10,000	21	28		1,320	2,020	
$10,000 to $12,000	25	32		1,820	2,660	
$12,000 to $14,000	29	36		2,400	3,380	
$14,000 to $16,000	32	40		3,040	4,180	
$16,000 to $18,000	35	43		3,740	5,040	
$18,000 to $20,000	38	46		4,500	5,960	
$20,000 to $22,000	41	49		5,320	6,940	
$22,000 to $26,000	44	52		7,080	9,020	
$26,000 to $32,000	47	55		9,900	12,320	
$32,000 to $38,000	50	58		12,900	15,800	
$38,000 to $44,000	53	61		16,080	19,460	
$44,000 to $50,000	55	63		19,380	23,240	
$50,000 to $60,000	57	66		25,080	29,840	
$60,000 to $70,000	59	69		30,980	36,740	
$70,000 to $80,000	61	72		37,080	43,940	
$80,000 to $90,000	63	75		43,380	51,440	
$90,000 to $100,000	64	77		49,780	59,140	
$100,000 to $150,000	65	79		82,280	98,640	
$150,000 to $200,000	66	81		115,280	139,140	
$200,000 to $250,000	67	82		148,[illegible]80	180,140	
$250,000 to $300,000	69	82		183,280	221,140	
$300,000 to $400,000	71	82		254,280	303,140	
$400,000 to $500,000	72	82		326,380	385,140	
$500,000 to $750,000	73	82		508,780	590,140	
$750,000 to $1,000,000	74	82		693,780	795,140	
$1,000,000 to $2,000,000	75	82		1,443,780	1,615,140	
$2,000,000 to $5,000,000	76	82		3,723,780	4,075,140	
Over $5,000,000	77	82		-----	-----	

TABLE IV.—*Victory tax—Amount of gross Victory tax, post-war credit, and net Victory tax*

Gross income	Gross Victory tax	Post-war credit			Net Victory tax		
		Single person, no dependents	Married person, no dependents	Married person, 2 dependents	Single person, no dependents	Married person, no dependents	Married person, 2 dependents
$600							
$700	$3.80	$0.95	$1.52	$1.67	$2.85	$2.28	$2.13
$750	6.30	1.58	2.52	2.77	4.72	3.78	3.53
$800	8.80	2.20	3.52	3.87	6.60	5.28	4.93
$900	13.80	3.45	5.52	6.07	10.35	8.28	7.73
$1,000	18.80	4.70	7.52	8.27	14.10	11.28	10.53
$1,100	23.80	5.95	9.52	10.47	17.85	14.28	13.33
$1,200	28.80	7.20	11.52	12.67	21.60	17.28	16.13
$1,300	33.80	8.45	13.52	14.87	25.35	20.28	18.93
$1,400	38.80	9.70	15.52	17.07	29.10	23.28	21.73
$1,500	43.80	10.95	17.52	19.27	32.85	26.28	24.53
$1,600	48.80	12.20	19.52	21.47	36.60	29.28	27.33
$1,700	53.80	13.45	21.52	23.67	40.35	32.28	30.13
$1,800	58.80	14.70	23.52	25.87	44.10	35.28	32.93
$1,900	63.80	15.95	25.52	28.07	47.85	38.28	35.73
$2,000	68.80	17.20	27.52	30.27	51.60	41.28	38.53
$2,100	73.80	18.45	29.52	32.47	55.35	44.28	41.33
$2,200	78.80	19.70	31.52	34.67	59.10	47.28	44.13
$2,300	83.80	20.95	33.52	36.87	62.85	50.28	46.93
$2,400	88.80	22.20	35.52	39.07	66.60	53.28	49.73
$2,500	93.80	23.45	37.52	41.27	70.35	56.28	52.53
$3,000	118.80	29.70	47.52	52.27	89.10	71.28	66.53
$4,000	168.80	42.20	67.52	74.27	126.60	101.28	94.53
$5,000	218.80	54.70	87.52	96.27	164.10	131.28	122.53
$6,000	268.80	67.20	107.52	118.27	201.60	161.28	150.53
$7,000	318.80	79.70	127.52	140.27	239.10	191.28	178.53
$8,000	368.80	92.20	147.52	162.27	276.60	221.28	206.53
$9,000	418.80	104.70	167.52	184.27	314.10	251.28	234.53
$10,000	468.80	117.20	187.52	206.27	351.60	281.28	262.53
$15,000	718.80	179.70	287.52	316.27	539.10	431.28	402.53
$20,000	968.80	242.20	387.52	426.27	726.60	581.28	542.53
$25,000	1,218.80	304.70	487.52	536.27	914.10	731.28	682.53
$30,000	1,468.80	367.20	587.52	646.27	1,101.60	881.28	822.53
$50,000	2,468.80	500.00	987.52	1,086.27	1,968.80	1,481.28	1,382.53
$60,000	2,968.80	500.00	1,000.00	1,200.00	2,468.80	1,968.80	1,768.80
$80,000	3,968.80	500.00	1,000.00	1,200.00	3,468.80	2,968.80	2,768.80
$100,000	4,968.80	500.00	1,000.00	1,200.00	4,468.80	3,968.80	3,768.80
$150,000	7,468.80	500.00	1,000.00	1,200.00	6,968.80	6,468.80	6,268.80
$250,000	12,468.80	500.00	1,000.00	1,200.00	11,968.80	11,468.80	11,268.80
$500,000	24,968.80	500.00	1,000/00	1,200.00	24,468.80	23,968.80	23,768.80
$750,000	37,468.80	500.00	1,000.00	1,200.00	36,968.80	36,468.80	36,268.80
$1,000,000	49,968.80	500.00	1,000.00	1,200.00	49,468.80	48,968.80	48,768.80
$2,000,000	99,968.80	500.00	1,000.00	1,200.00	99,468.80	98,968.80	98,768.80
$5,000,000	249,968.80	500.00	1,000.00	1,200.00	249,468.80	248,968.80	248,768.80

EFFECTIVE RATES

The effective rates of the Victory tax are shown by the following table:

TABLE V.—*Victory tax effective rates*

Gross income	Gross Victory tax	Net Victory tax		
		Single person, no dependents	Married person, no dependents	Married person, 2 dependents
	Percent	*Percent*	*Percent*	*Percent*
$600				
$700	0.54	0.41	0.33	0.30
$750	.84	.63	.50	.47
$800	1.10	.82	.66	.62
$900	1.53	1.15	.92	.86
$1,000	1.88	1.41	1.13	1.05
$1,100	2.16	1.62	1.30	1.21
$1,200	2.40	1.80	1.44	1.34
$1,300	2.60	1.95	1.56	1.46
$1,400	2.77	2.08	1.66	1.55
$1,500	2.92	2.19	1.75	1.64
$1,600	3.05	2.29	1.83	1.71
$1,700	3.16	2.37	1.90	1.77
$1,800	3.27	2.45	1.96	1.83
$1,900	3.36	2.52	2.01	1.88
$2,000	3.44	2.58	2.06	1.93
$2,100	3.51	2.64	2.11	1.97
$2,200	3.58	2.69	2.15	2.01
$2,300	3.64	2.73	2.19	2.04
$2,400	3.70	2.77	2.22	2.07
$2,500	3.75	2.81	2.25	2.10
$3,000	3.96	2.97	2.38	2.22
$4,000	4.22	3.16	2.53	2.36
$5,000	4.38	3.28	2.63	2.45
$6,000	4.48	3.36	2.69	2.51
$7,000	4.55	3.42	2.73	2.55
$8,000	4.61	3.46	2.77	2.58
$9,000	4.65	3.49	2.79	2.61
$10,000	4.69	3.52	2.81	2.63
$15,000	4.79	3.59	2.88	2.63
$20,000	4.84	3.63	2.91	2.71
$25,000	4.88	3.66	2.93	2.73
$30,000	4.90	3.67	2.94	2.74
$50,000	4.94	3.94	2.96	2.77
$60,000	4.95	4.11	3.28	2.95
$80,000	4.96	4.34	3.71	3.46
$100,000	4.97	4.47	3.97	3.77
$150,000	4.98	4.65	4.31	4.18
$250,000	4.99	4.79	4.59	4.51

TABLE V.—*Victory tax effective rates*—Con.

Gross income	Gross Victory tax	Net Victory tax		
		Single person, no dependents	Married person, no dependents	Married person, 2 dependents
	Percent	*Percent*	*Percent*	*Percent*
$500,000	4.994	4.89	4.79	4.75
$750,000	4.996	4.93	4.86	4.84
$1,000,000	4.997	4.95	4.90	4.88
$2,000,000	4.998	4.97	4.95	4.94
$5,000,000	4.999	4.99	4.979	4.975

WITHHOLDING AT THE SOURCE

In the case of wages and salaries a 5-percent tax on the amount in excess of $624 is paid at the source.

Compensation for the following services is not subject to payment at the source: (1) Services performed by a member of the military or naval forces of the United States other than pensions and retirement pay; (2) agricultural labor; (3) domestic service in a private home, local college club, or local chapter of a college fraternity or sorority; (4) casual labor not in the course of employer's regular trade or business; (5) services as an employee of a nonresident alien individual, foreign partnership, or foreign corporation, if such persons are not engaged in trade or business in the United States; (6) services as an employee of a foreign government or a wholly owned instrumentality thereof; (7) services performed as an employee while outside the United States unless the major part of the services during the year are performed within the United States.

In computing the tax required to be withheld, there is allowed the following deduction:

Pay-roll period:	*Withholding deduction*
Weekly	$12
Biweekly	24
Semimonthly	26
Monthly	52
Quarterly	156
Semiannually	312
Annually	624

If the pay-roll period is less than a week and the taxpayer receives less than $12 a week from the particular employer no withholding is required.

At the election of the employer, if his pay-roll period with respect to an employee is weekly, biweekly, semimonthly, or monthly, the employer may collect the tax in accordance with the following table:

TABLE VI

For weekly pay-roll period			For biweekly pay-roll period		
If the wages are over	But not over	The amount of tax to be withheld shall be	If the wages are over	But not over	The amount of tax to be withheld shall be
$12	$16	$0.10	$24	$30	$0.10
16	20	.30	30	40	.50
20	24	.50	40	50	1.00
24	28	.70	50	60	1.50
28	32	.90	60	70	2.00
32	36	1.10	70	80	2.50
36	40	1.30	80	100	3.30
40	50	1.60	100	120	4.30
50	60	2.10	120	140	5.30
60	70	2.60	140	160	6.30
70	80	3.10	160	180	7.30
80	90	3.60	180	200	8.30
90	100	4.10	200	220	9.30
100	110	4.60	220	240	10.30
110	120	5.10	240	260	11.30
120	130	5.60	260	280	12.30
130	140	6.10	280	300	13.30
140	150	6.60	300	320	14.30
150	160	7.10	320	340	15.30
160	170	7.60	340	360	16.30
170	180	8.10	360	380	17.30
180	190	8.60	380	400	18.30
190	200	9.10	400	420	19.20
200	------	9.40 plus 5 percent of the excess over $200.	420	440	20.30
			440	460	21.30
			460	480	22.30
			480	500	23.30
			500	------	23.80 plus 5 percent of the excess over $500.

For semimonthly pay roll period			For monthly pay-roll period		
If the wages are over—	But not over—	The amount of tax to be withheld shall be—	If the wages are over—	But not over—	The amount of tax to be withheld shall be—
$26	$30	$0.10	$52	$60	$0.20
30	40	.40	60	80	.90
40	50	.90	80	100	1.90
50	60	1.40	100	120	2.90
60	70	1.90	120	140	3.90
70	80	2.40	140	160	4.90
80	100	3.20	160	200	6.40
100	120	4.20	200	240	8.40
120	140	5.20	240	280	10.40
140	160	6.20	280	320	12.40
160	180	7.20	320	360	14.40
180	200	8.20	360	400	16.40
200	220	9.20	400	440	18.40
220	240	10.20	440	480	20.40
240	260	11.20	480	520	22.40
260	280	12.20	520	560	24.40
280	300	13.20	560	600	26.40
300	320	14.20	600	640	28.40
320	340	15.20	640	680	30.40
340	360	16.20	680	720	32.40
360	380	17.20	720	760	34.40
380	400	18.20	760	800	36.40
400	420	19.20	800	840	38.40
420	440	20.20	840	880	40.40
440	460	21.20	880	920	42.40
460	480	22.20	920	960	44.40
480	500	23.20	960	1,000	46.40
500	------	23.70 plus 5 percent of the excess over $500.	1,000	------	47.40 plus 5 percent of the excess over $1,000.

This Victory tax will not be applicable to the very low income-tax groups. The average amount spent for food in the case of all consumer family income levels for 1941 is $561. The average expenditures of families in the United States in this same period with incomes under $500, was $507. This is shown by the following table:

TABLE VII.—*Average expenditures of all families in the United States for main categories of consumption by income level, 1941*

Income level	Average expenditures per family for—														
	All items	Food	Housing	Household operation	Clothing	Automobile	Medical care	Recreation	Furnishings	Personal care	Tobacco	Transportation other than auto	Reading	Education	Other items
Under $500	$507	$220	$98	$61	$38	$16	$24	$6	$10	$10	$10	$3	$4	$2	$2
$500–$750	714	314	126	85	57	28	30	11	16	14	14	5	6	3	5
$750–$1,000	919	383	162	106	79	44	38	17	27	19	19	9	9	4	4
$1,000–$1,250	1,134	437	203	131	102	71	47	25	38	24	23	11	11	7	6
$1,250–$1,500	1,322	489	231	149	124	93	57	32	48	27	28	14	14	10	7
$1,500–$1,750	1,517	529	267	166	149	123	71	42	57	32	30	16	14	11	10
$1,750–$2,000	1,699	562	302	187	167	157	79	50	69	35	35	18	16	15	8
$2,000–$2,500	1,995	624	351	215	211	207	92	63	77	43	39	22	20	20	11
$2,500–$3,000	2,312	689	402	259	258	250	108	82	87	49	41	24	22	30	11
$3,000–$4,000	2,743	770	483	318	318	301	132	106	106	54	48	30	27	37	13
$4,000–$5,000	3,310	848	565	396	411	418	156	138	118	66	53	35	31	56	18
$5,000–$10,000	4,476	1,030	775	577	558	559	245	208	169	88	63	47	41	82	34
$10,000 and over	10,110	1,740	1,827	1,358	1,421	1,231	493	596	364	164	96	281	94	398	47
All levels	1,844	561	325	216	201	178	86	64	67	37	32	23	18	26	10

Source: Research Division, Office of Price Administration, Consumer Income and Demand Section.

TABLE VIII.—*Comparison of individual income tax and total tax on specified incomes (all income earned) under present law, House bill, and Senate Finance Committee bill*

SINGLE PERSON—NO DEPENDENTS

Gross income	Net income before exemptions [1]	Present law—Income tax	House bill			Senate Finance Committee bill [2]				
			Regular income tax	Withholding prepayment of tax due in 1944	Total income and withholding tax	Regular income tax	Victory tax	Total income and Victory tax	Post-war credit	Net tax
$500	$450									
$600	540		$5.20	$2.50	$7.50	$5.20		$5.20		$5.20
$700	630		20.92	7.50	28.42	20.92	$3.80	24.72	$0.95	23.77
$750	675		29.20	10.00	39.20	29.20	6.30	35.50	1.58	33.92
$800	720		37.48	12.50	49.98	37.48	8.80	46.28	2.20	44.08
$900	810	$3.60	54.04	17.50	71.54	54.04	13.80	67.84	3.45	64.39
$1,000	900	11.40	70.60	22.50	93.10	70.60	18.80	89.40	4.70	84.70
$1,100	990	20.04	87.16	27.50	114.66	87.16	23.80	110.96	5.95	105.01
$1,200	1,080	28.68	103.72	32.50	136.22	103.72	28.80	132.52	7.20	125.32
$1,300	1,170	37.32	120.28	37.50	157.78	120.28	33.80	154.08	8.45	145.63
$1,400	1,260	45.96	136.84	42.50	179.34	136.84	38.80	175.64	9.70	165.94
$1,500	1,350	54.60	153.40	47.50	200.90	153.40	43.80	197.20	10.95	186.25
$1,600	1,440	63.24	169.96	52.50	222.46	169.96	48.80	218.76	12.20	206.56
$1,700	1,530	71.88	186.52	57.50	244.02	186.52	53.80	240.32	13.45	226.87
$1,800	1,620	80.52	203.08	62.50	265.58	203.08	58.80	261.88	14.70	247.18
$1,900	1,710	89.16	219.64	67.50	287.14	219.64	63.80	283.44	15.95	267.49
$2,000	1,800	97.80	236.20	72.50	308.70	236.20	68.80	305.00	17.20	287.80
$2,100	1,890	106.44	252.76	77.50	330.26	252.76	73.80	326.56	18.45	308.11
$2,200	1,980	115.08	269.32	82.50	351.82	269.32	78.80	348.12	19.70	328.42
$2,300	2,070	123.72	285.88	87.50	373.38	285.88	83.80	369.68	20.95	348.73
$2,400	2,160	132.36	302.44	92.50	394.94	302.44	88.80	391.24	22.20	369.04
$2,500	2,250	141.00	319.00	97.50	416.50	319.00	93.80	412.80	23.45	389.35
$3,000	2,700	184.20	407.80	122.50	530.30	407.80	118.80	526.60	29.70	496.90
$4,000	3,600	296.10	600.40	172.50	772.90	600.40	168.80	769.20	42.20	727.00
$5,000	4,500	409.50	793.00	222.50	1,015.50	793.00	218.80	1,011.80	54.70	957.10
$6,000	5,400	548.90	1,021.60	272.50	1,294.10	1,021.60	268.80	1,290.40	67.20	1,223.20
$7,000	6,300	698.30	1,250.20	322.50	1,572.70	1,250.20	318.80	1,569.00	79.70	1,489.30
$8,000	7,200	865.70	1,506.80	372.50	1,879.30	1,506.80	368.80	1,875.60	92.20	1,783.40
$9,000	8,100	1,051.10	1,771.40	422.50	2,193.90	1,771.40	418.80	2,190.20	104.70	2,085.50
$10,000	9,000	1,246.50	2,056.00	472.50	2,528.50	2,056.00	468.80	2,524.80	117.20	2,407.60
$15,000	13,500	2,493.50	3,719.00	722.50	4,441.50	3,719.00	718.80	4,437.80	179.70	4,258.10
$20,000	18,000	4,111.50	5,791.00	972.50	6,763.50	5,791.00	968.80	6,759.80	242.20	6,517.60
$25,000	22,500	6,031.50	8,176.00	1,222.50	9,398.50	8,176.00	1,218.80	9,394.80	304.70	9,090.10
$30,000	27,000	8,191.50	10,801.00	1,472.50	12,273.50	10,801.00	1,468.80	12,269.80	367.20	11,902.60
$50,000	45,000	17,931.50	22,361.00	2,472.50	24,833.50	22,361.00	2,468.80	24,829.80	500.00	24,329.80
$60,000	54,000	23,306.50	28,676.00	2,972.50	31,648.50	28,676.00	2,968.80	31,644.80	500.00	31,144.80
$80,000	72,000	34,536.50	42,026.00	3,972.50	45,998.50	42,026.00	3,968.80	45,994.80	500.00	45,494.80
$100,000	90,000	46,421.50	56,351.00	4,972.50	61,323.50	56,351.00	4,968.80	61,319.80	500.00	60,819.80
$150,000	135,000	77,356.50	94,381.00	7,472.50	101,853.50	94,381.00	7,468.80	101,849.80	500.00	101,349.80
$250,000	225,000	140,441.50	172,616.00	12,472.50	185,088.50	172,616.00	12,468.80	185,084.80	500.00	184,584.80
$500,000	450,000	307,654.00	370,616.00	24,972.50	395,588.50	370,616.00	24,968.80	395,584.80	500.00	395,084.80
$750,000	675,000	480,396.50	568,616.00	37,472.50	606,088.50	568,616.00	37,468.80	606,084.80	500.00	605,584.80
$1,000,000	900,000	655,139.00	766,616.00	49,972.50	816,588.50	766,616.00	[3] 43,384.00	810,000.00	500.00	809,995.00
$2,000,000	1,800,000	1,365,131.50	1,558,616.00	99,972.50	1,658,588.50	1,558,616.00	[3] 61,384.00	1,620,000.00	500.00	1,619,995.00
$5,000,000	4,500,000	3,523,124.00	3,934,616.00	249,972.50	4,184,588.50	3,934,616.00	[3] 115,384.00	4,050,000.00	500.00	4,049,995.00

[1] 10 percent of gross allowed in lieu of deductions in arriving at net income.
[2] Conference report same as Finance Committee bill.
[3] Adjusted so that total tax will not exceed 90 percent of net income.

TABLE IX.—*Comparison of individual income tax and total tax on specified incomes (all income earned) under present law, House bill, and Senate Finance Committee bill*

MARRIED PERSON—NO DEPENDENTS

Gross income	Net income before exemptions [1]	Present law—Income tax	House bill			Senate Finance Committee bill [2]				
			Regular income tax	Withholding prepayment of tax due in 1944	Total income and withholding tax	Regular income tax	Victory tax	Total income and Victory tax	Post-war credit	Net tax
$500	$450									
$600	540									
$700	630						$3.80	$3.80	$1.52	$2.28
$750	675						6.30	6.30	2.52	3.78
$800	720						8.80	8.80	3.52	5.28
$900	810						13.80	13.80	5.52	8.28
$1,000	900						18.80	18.80	7.52	11.28
$1,100	990						23.80	23.80	9.52	14.28
$1,200	1,080						28.80	28.80	11.52	17.28
$1,300	1,170						33.80	33.80	13.52	20.28
$1,400	1,260		$7.80	$4.00	$11.80	$7.80	38.80	46.60	15.52	31.08
$1,500	1,350		20.40	9.00	29.40	20.40	3.80	64.20	17.52	46.68
$1,600	1,440		36.96	14.00	50.96	36.96	48.80	85.76	19.52	66.24
$1,700	1,530	$1.80	53.52	19.00	72.52	53.52	53.80	107.32	21.52	85.80
$1,800	1,620	7.20	70.08	24.00	94.08	70.08	58.80	128.88	23.52	105.36
$1,900	1,710	14.16	86.64	29.00	115.64	86.64	63.80	150.44	25.52	124.92
$2,000	1,800	22.80	103.20	34.00	137.20	103.20	68.80	172.00	27.52	144.48
$2,100	1,890	31.44	119.76	39.00	158.76	119.76	73.80	193.56	29.52	164.04
$2,200	1,980	40.08	136.32	44.00	180.32	136.32	78.80	215.12	31.52	183.60
$2,200	2,070	48.72	152.88	49.00	201.88	152.88	83.80	236.68	33.52	203.16
$2,400	2,160	57.36	169.44	54.00	223.44	169.44	88.80	258.24	35.52	222.72
$2,500	2,250	66.00	186.00	59.00	245.00	186.00	93.80	279.80	37.52	242.28
$3,000	2,700	109.20	268.80	84.00	352.80	268.80	118.80	387.60	47.52	340.08
$4,000	3,600	198.60	446.40	134.00	580.40	446.40	168.80	615.20	67.52	547.68
$5,000	4,500	312.00	639.00	184.00	823.00	639.00	218.80	857.80	87.52	770.28
$6,000	5,400	425.40	839.60	234.00	1,073.60	839.60	268.80	1,108.40	107.52	1,000.88
$7,000	6,300	570.80	1,068.20	284.00	1,352.20	1,068.20	318.80	1,387.00	127.52	1,259.48
$8,000	7,200	720.20	1,296.80	334.00	1,630.80	1,296.80	368.80	1,665.60	147.52	1,518.08
$9,000	8,100	893.60	1,561.40	384.00	1,945.40	1,561.40	418.80	1,980.20	167.52	1,812.68
$10,000	9,000	1,079.00	1,826.00	434.00	2,260.00	1,826.00	468.80	2,294.80	187.52	2,107.28
$15,000	13,500	2,246.00	3,425.00	684.00	4,109.00	3,425.00	718.80	4,143.80	287.52	3,856.28
$20,000	18,000	3,819.00	5,448.00	934.00	6,382.00	5,448.00	968.80	6,416.80	387.52	6,029.28
$25,000	22,500	5,694.00	7,791.00	1,184.00	8,975.00	7,791.00	1,218.80	9,009.80	487.52	8,522.28
$30,000	27,000	7,824.00	10,380.00	1,434.00	11,814.00	10,380.00	1,468.80	11,848.80	587.52	11,261.28
$50,000	45,000	17,499.00	21,882.00	2,434.00	24,316.00	21,882.00	2,468.80	24,350.80	987.52	23,363.28
$60,000	54,000	22,849.00	28,172.00	2,934.00	31,106.00	28,172.00	2,968.80	31,140.80	1,000.00	30,140.80
$80,000	72,000	34,049.00	41,480.00	3,934.00	45,414.00	41,480.00	3,968.80	45,448.80	1,000.00	44,448.80
$100,000	90,000	45,919.00	55,784.00	4,934.00	60,718.00	55,784.00	4,968.80	60,752.80	1,000.00	59,752.80
$150,000	135,000	76,839.00	93,786.00	7,434.00	101,220.00	93,786.00	7,468.80	101,254.80	1,000.00	100,254.80
$250,000	225,000	139,909.00	172,000.00	12,434.00	184,434.00	172,000.00	12,468.80	184,468.80	1,000.00	183,468.80
$500,000	450,000	307,084.00	370,000.00	24,934.00	394,934.00	370,000.00	24,968.80	394,968.80	1,000.00	393,968.80
$750,000	675,000	479,819.00	568,000.00	37,434.00	605,434.00	568,000.00	37,468.80	605,468.80	1,000.00	604,468.80
$1,000,000	900,000	654,554.00	766,000.00	49,934.00	815,934.00	766,000.00	[3] 44,000.00	810,000.00	1,000.00	809,000.00
$2,000,000	1,800,000	1,364,539.00	1,558,000.00	99,934.00	1,657,934.00	1,558,000.00	[3] 62,000.00	1,620,000.00	1,000.00	1,619,000.00
$5,000,000	4,500,000	3,522,524.00	3,934,000.00	249,934.00	4,183,934.00	3,934,000.00	[3] 116,000.00	4,050,000.00	1,000.00	4,049,000.00

[1] 10 percent of gross allowed in lieu of deductions in arriving at net income.
[2] Conference report same as Finance Committee bill.
[3] Adjusted so that total tax will not exceed 90 percent of net income.

TABLE X.—*Comparison of individual income tax and total tax on specified incomes (all income earned) under present law, House bill, and Senate Finance Committee bill*

MARRIED PERSON—2 DEPENDENTS

Gross income	Net income before exemptions [1]	Present law—income tax	House bill			Senate Finance Committee bill					Conference report				
			Regular income tax	Withholding prepayment of tax due in 1944	Total income and withholding tax	Regular income tax	Victory tax	Total income and Victory tax	Post-war credit	Net tax	Regular income tax	Victory tax	Total income and Victory tax	Post-war credit	Net tax
$500	$450														
$600	540														
$700	630						$3.80	$3.80	$1.67	$2.13		$3.80	$3.80	$1.67	$2.13
$750	675						6.30	6.30	2.77	3.53		6.30	6.30	2.77	3.53
$800	720						8.80	8.80	3.87	4.93		8.80	8.80	3.87	4.93
$900	810						13.80	13.80	6.07	7.73		13.80	13.80	6.07	7.73
$1,000	900						18.80	18.80	8.27	10.53		18.80	18.80	8.27	10.53
$1,100	990						23.80	23.80	10.47	13.33		23.80	23.80	10.47	13.33
$1,200	1,080						28.80	28.80	12.67	16.13		28.80	28.80	12.67	16.13
$1,300	1,170						33.80	33.80	14.87	18.93		33.80	33.80	14.87	18.93
$1,400	1,260						38.80	38.80	17.07	21.73		38.80	38.80	17.07	21.73
$1,500	1,350						43.80	43.80	19.27	24.53		43.80	43.80	19.27	24.53
$1,600	1,440						48.80	48.80	21.47	27.33		48.80	48.80	21.47	27.33
$1,700	1,530						53.80	53.80	23.67	30.13		53.80	53.80	23.67	30.13
$1,800	1,620						58.80	58.80	25.87	32.93		58.80	58.80	25.87	32.93
$1,900	1,710						63.80	63.80	28.07	35.73		63.80	63.80	28.07	35.73
$2,000	1,800						68.80	68.80	30.27	38.53		68.80	68.80	30.27	38.53
$2,100	1,890					$11.70	73.80	85.50	32.47	53.03		73.80	73.80	32.47	41.33
$2,200	1,980					23.40	78.80	102.20	34.67	67.53	$10.40	78.80	89.20	34.67	54.53
$2,300	2,070		$9.10	$5	$14.10	38.88	83.80	122.68	36.87	85.81	22.10	83.80	105.90	36.87	69.03
$2,400	2,160		20.80	10	30.80	55.44	88.80	144.24	39.07	105.17	36.44	88.80	125.24	39.07	86.17
$2,500	2,250		34.00	15	49.00	72.00	93.80	165.80	41.27	124.53	53.00	93.80	146.80	41.27	105.53
$3,000	2,700	$29.20	116.80	40	156.80	154.80	118.80	273.60	52.27	221.33	135.80	118.80	254.60	52.27	202.33
$4,000	3,600	115.60	282.40	90	372.40	320.40	168.80	489.20	74.27	414.93	301.40	168.80	470.20	74.27	395.93
$5,000	4,500	208.00	463.00	140	603.00	507.00	218.80	725.80	96.27	629.53	485.00	218.80	703.80	96.27	607.53
$6,000	5,400	321.40	655.60	190	845.60	699.60	268.80	968.40	118.27	850.13	677.60	268.80	946.40	118.27	828.13
$7,000	6,300	434.80	860.20	240	1,100.20	912.20	318.80	1,231.00	140.27	1,090.73	886.20	318.80	1,205.00	140.27	1,064.73
$8,000	7,200	584.20	1,088.80	290	1,378.80	1,140.80	368.80	1,509.60	162.27	1,347.33	1,114.80	368.80	1,483.60	162.27	1,321.33
$9,000	8,100	733.60	1,321.40	340	1,661.40	1,381.40	418.80	1,800.20	184.27	1,615.93	1,351.40	418.80	1,770.20	184.27	1,585.93

[1] 10 percent of gross allowed in lieu of deductions in arriving at net income.

TABLE X.—*Comparison of individual income tax and total tax on specified incomes (all income earned) under present law, House bill, and Senate Finance Committee bill*—Continued

Gross income	Net income before exemptions [1]	Present law—income tax	House bill			Senate Finance Committee bill					Conference report				
			Regular income tax	Withholding prepayment of tax due in 1944	Total income and withholding tax	Regular income tax	Victory tax	Total income and Victory tax	Post-war credit	Net tax	Regular income tax	Victory tax	Total income and Victory tax	Post-war credit	Net tax
$10,000	$9,000	$911.00	$1,586.00	$390	$1,976.00	$1,646.00	$468.80	$2,114.80	$206.27	$1,908.53	$1,616.00	$468.80	$2,084.80	$206.27	$1,878.53
$15,000	13,500	2,014.00	3,109.00	640	3,749.00	3,185.00	718.80	3,903.80	316.27	3,587.53	3,147.00	718.80	3,865.80	316.27	3,549.53
$20,000	18,000	3,516.00	5,056.00	890	5,946.00	5,154.00	968.80	6,122.80	426.27	5,696.53	5,105.00	968.80	6,073.80	426.27	5,647.53
$25,000	22,500	5,334.00	7,351.00	1,140	8,491.00	7,461.00	1,218.80	8,679.80	536.27	8,143.53	7,406.00	1,218.80	8,624.80	536.27	8,088.53
$30,000	27,000	7,440.00	9,916.00	1,390	11,306.00	10,032.00	1,468.80	11,500.80	646.27	10,854.53	9,974.00	1,468.80	11,442.80	646.27	10,796.53
$50,000	45,000	17,043.00	21,346.00	2,390	23,736.00	21,480.00	2,468.80	23,948.80	1,086.27	22,862.53	21,413.00	2,468.80	23,881.80	1,086.27	22,795.53
$60,000	54,000	22,361.00	27,596.00	2,890	30,486.00	27,740.00	2,968.80	30,708.80	1,200.00	29,508.80	27,668.00	2,968.80	30,636.80	1,200.00	29,436.80
$80,000	72,000	33,535.00	40,856.00	3,890	44,746.00	41,012.00	3,968.80	44,980.80	1,200.00	43,780.80	40,934.00	3,968.80	44,902.80	1,200.00	43,702.80
$100,000	90,000	45,383.00	55,136.00	4,890	60,026.00	55,298.00	4,968.80	60,266.80	1,200.00	59,066.80	55,217.00	4,968.80	60,185.80	1,200.00	58,985.80
$150,000	135,000	76,287.00	93,106.00	7,390	100,496.00	93,276.00	7,468.80	100,744.80	1,200.00	99,544.80	93,191.00	7,468.80	100,659.80	1,200.00	99,459.80
$250,000	225,000	139,341.00	171,296.00	12,390	183,686.00	171,472.00	12,468.80	183,940.80	1,200.00	182,740.80	171,384.00	12,468.80	183,852.80	1,200.00	182,652.80
$500,000	450,000	306,476.00	369,296.00	24,890	394,186.00	369,472.00	24,968.80	394,440.80	1,200.00	393,240.80	369,384.00	24,968.80	394,352.80	1,200.00	393,152.80
$750,000	675,000	479,203.00	567,296.00	37,390	604,686.00	567,472.00	37,468.80	604,940.80	1,200.00	603,740.80	567,384.00	37,468.80	604,852.80	1,200.00	603,652.80
$1,000,000	900,000	653,930.00	765,296.00	49,890	815,186.00	765,472.00	[2] 44,528.00	810,000.00	1,200.00	808,800.88	765,384.00	[2] 44,616.00	810,000.00	1,200.00	808,800.00
$2,000,000	1,800,000	1,363,907.00	1,557,296.00	99,890	1,657,186.00	1,557,472.00	[2] 62,528.00	1,620,000.00	1,200.00	1,618,800.00	1,557,384.00	[2] 62,616.00	1,620,000.00	1,200.00	1,618,800.00
$5,000,000	4,500,000	3,521,884.00	3,933,296.00	249,890	4,183,186.00	3,933,472.00	[2] 116,528.00	4,050,000.00	1,200.00	4,048,800.00	3,933,384.00	[2] 116,616.00	4,050,000.00	1,200.00	4,048,800.00

[1] 10 percent of gross allowed in lieu of deductions in arriving at net income.
[2] Adjusted so that total tax will not exceed 90 percent of net income.

TABLE XI.—*Comparison of effective rates of individual income tax and total tax on specified gross and net incomes (all income earned) under present law, House bill, and Senate Finance Committee bill*

SINGLE PERSON—NO DEPENDENTS

Gross income	Net income before exemptions [1]	Present law—income tax		House bill				Senate Finance Committee bill [2]					
				Regular income tax		Regular income and withholding tax		Regular income tax		Income and Victory tax		Net tax	
		Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income
$500	$450	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
$600	540	.00	.00	.87	.96	1.28	1.43	.87	.96	.87	.96	.87	.96
$700	630	.00	.00	2.99	3.32	4.06	4.51	2.99	3.32	3.53	3.92	3.40	3.77
$750	675	.00	.00	3.89	4.33	5.23	5.81	3.89	4.33	4.73	5.26	4.52	5.03
$800	720	.00	.00	4.68	5.21	6.25	6.94	4.68	5.21	5.78	6.43	5.51	6.12
$900	810	.40	.44	6.00	6.67	7.95	8.83	6.00	6.67	7.54	8.38	7.15	7.95
$1,000	900	1.14	1.27	7.06	7.84	9.31	10.34	7.06	7.84	8.94	9.93	8.47	9.41
$1,100	990	1.82	2.02	7.92	8.80	10.42	11.58	7.92	8.80	10.09	11.21	9.55	10.61
$1,200	1,080	2.39	2.66	8.64	9.60	11.35	12.61	8.64	9.60	11.04	12.27	10.44	11.60
$1,300	1,170	2.87	3.19	9.25	10.28	12.14	13.49	9.25	10.28	11.85	13.17	11.20	12.45
$1,400	1,260	3.28	3.65	9.77	10.86	12.81	14.23	9.77	10.86	12.55	13.94	11.85	13.17
$1,500	1,350	3.64	4.04	10.23	11.36	13.39	14.88	10.23	11.36	13.15	14.61	12.42	13.80
$1,600	1,440	3.95	4.39	10.62	11.80	13.90	15.45	10.62	11.80	13.67	15.19	12.91	14.34
$1,700	1,530	4.23	4.70	10.97	12.19	14.35	15.95	10.97	12.19	14.14	15.71	13.35	14.83
$1,800	1,620	4.47	4.97	11.28	12.54	14.75	16.39	11.28	12.54	14.55	16.17	13.73	15.26
$1,900	1,710	4.69	5.21	11.56	12.84	15.11	16.79	11.56	12.84	14.92	16.58	14.08	15.64
$2,000	1,800	4.89	5.43	11.81	13.12	15.43	17.15	11.81	13.12	15.25	16.94	14.39	15.99
$2,100	1,890	5.07	5.63	12.04	13.37	15.73	17.47	12.04	13.37	15.55	17.28	14.67	16.30
$2,200	1,980	5.23	5.81	12.24	13.60	15.99	17.77	12.24	13.60	15.82	17.58	14.93	16.59
$2,300	2,070	5.38	5.98	12.43	13.81	16.23	18.04	12.43	13.81	16.07	17.86	15.16	16.85
$2,400	2,160	5.51	6.13	12.60	14.00	16.46	18.28	12.60	14.00	16.30	18.11	15.38	17.09
$2,500	2,250	5.64	6.27	12.76	14.18	16.66	18.51	12.76	14.18	16.51	18.35	15.57	17.30
$3,000	2,700	6.14	6.82	13.59	15.10	17.68	19.64	13.59	15.10	17.55	19.50	16.56	18.40
$4,000	3,600	7.40	8.22	15.01	16.68	19.32	21.47	15.01	16.68	19.23	21.37	18.17	20.19
$5,000	4,500	8.19	9.10	15.86	17.62	20.31	22.57	15.86	17.62	20.24	22.48	19.14	21.27
$6,000	5,400	9.15	10.16	17.03	18.92	21.57	23.96	17.03	18.92	21.51	23.90	20.39	22.65
$7,000	6,300	9.98	11.08	17.86	19.84	22.47	24.96	17.86	19.84	22.41	24.90	21.28	23.64
$8,000	7,200	10.82	12.02	18.83	20.93	23.49	26.10	18.83	20.93	23.44	26.05	22.29	24.77
$9,000	8,100	11.68	12.98	19.68	21.87	24.38	27.09	19.68	21.87	24.34	27.04	23.17	25.75
$10,000	9,000	12.46	13.85	20.56	22.84	25.28	28.09	20.56	22.84	25.25	28.05	24.08	26.75
$15,000	13,500	16.62	18.47	24.79	27.55	29.61	32.90	24.79	27.55	29.59	32.87	28.39	31.54
$20,000	18,000	20.56	22.84	28.95	32.17	33.82	37.57	28.95	32.17	33.80	37.55	32.59	36.21
$25,000	22,500	24.13	26.81	32.70	36.34	37.59	41.77	32.70	36.34	37.58	41.75	36.36	40.40
$30,000	27,000	27.30	30.34	36.00	40.00	40.91	45.46	36.00	40.00	40.90	45.44	39.68	44.08
$50,000	45,000	35.86	39.85	44.72	49.69	49.67	55.19	44.72	49.69	49.66	55.18	48.66	54.07
$60,000	54,000	38.84	43.16	47.79	53.10	52.75	58.61	47.79	53.10	52.74	58.60	51.91	57.68
$80,000	72,000	43.17	47.97	52.53	58.37	57.50	63.89	52.53	58.37	57.49	63.88	56.87	63.19
$100,000	90,000	46.42	51.58	56.35	62.61	61.32	68.14	56.35	62.61	61.32	68.13	60.82	67.58
$150,000	135,000	51.57	57.30	62.92	69.91	67.90	75.45	62.92	69.91	67.90	75.44	67.57	75.07
$250,000	225,000	56.18	62.42	69.05	76.72	74.04	82.26	69.05	76.72	74.03	82.26	73.83	82.04
$500,000	450,000	61.53	68.37	74.12	82.36	79.12	87.91	74.12	82.36	79.12	87.91	79.02	87.80
$750,000	675,000	64.05	71.17	75.82	84.24	80.81	89.79	75.82	84.24	80.81	89.79	80.74	89.72
$1,000,000	900,000	65.51	72.79	76.66	85.18	81.66	90.73	76.66	85.18	81.66	90.00	81.61	90.00
$2,000,000	1,800,000	68.26	75.84	77.93	86.59	82.93	92.14	77.93	86.59	82.93	90.00	82.90	90.00
$5,000,000	4,500,000	70.46	78.29	78.69	87.44	83.69	92.99	78.69	87.44	83.69	90.00	83.68	90.00

[1] 10 percent of gross allowed in lieu of deductions in arriving at net income.
[2] Conference Report same as Finance Committee bill.

TABLE XII.—*Comparison of effective rates of individual income tax and total tax on specified gross and net incomes (all income earned) under present law, House bill, and Senate Finance Committee bill*

MARRIED PERSON—NO DEPENDENTS

Gross income	Net income before exemptions [1]	Present law—income tax		House bill				Senate Finance Committee bill [2]					
				Regular income tax		Regular income and withholding tax		Regular income tax		Income and Victory tax		Net tax	
		Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income
$500	$450	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
$600	540	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
$700	630	.00	.00	.00	.00	.00	.00	.00	.00	.54	.60	.33	.36
$750	675	.00	.00	.00	.00	.00	.00	.00	.00	.84	.93	.50	.56
$800	720	.00	.00	.00	.00	.00	.00	.00	.00	1.10	1.22	.66	.73
$900	810	.00	.00	.00	.00	.00	.00	.00	.00	1.53	1.70	.92	1.02
$1,000	900	.00	.00	.00	.00	.00	.00	.00	.00	1.88	2.09	1.13	1.25
$1,100	990	.00	.00	.00	.00	.00	.00	.00	.00	2.16	2.40	1.30	1.44
$1,200	1,080	.00	.00	.00	.00	.00	.00	.00	.00	2.40	2.67	1.44	1.60
$1,300	1,170	.00	.00	.00	.00	.00	.00	.00	.00	2.60	2.89	1.56	1.73
$1,400	1,260	.00	.00	.56	.62	.84	.94	.56	.62	3.33	3.70	2.22	2.47
$1,500	1,350	.00	.00	1.36	1.51	1.96	2.18	1.36	1.51	4.28	4.76	3.11	3.46
$1,600	1,440	.00	.00	2.31	2.57	3.18	3.54	2.31	2.57	5.36	5.96	4.14	4.60
$1,700	1,530	.11	.12	3.15	3.50	4.27	4.74	3.18	3.50	6.31	7.01	5.05	5.61
$1,800	1,620	.40	.44	3.89	4.33	5.23	5.81	3.89	4.33	7.16	7.96	5.85	6.50
$1,900	1,710	.75	.83	4.56	5.07	6.09	6.76	4.56	5.07	7.92	8.80	6.57	7.31
$2,000	1,800	1.14	1.27	5.16	5.73	6.86	7.62	5.16	5.73	8.60	9.56	7.22	8.03
$2,100	1,890	1.50	1.66	5.70	6.34	7.56	8.40	5.70	6.34	9.22	10.24	7.81	8.68
$2,200	1,980	1.82	2.02	6.20	6.88	8.20	9.11	6.20	6.88	9.78	10.86	8.35	9.27
$2,300	2,070	2.12	2.35	6.65	7.39	8.78	9.75	6.65	7.39	10.29	11.43	8.83	9.81
$2,400	2,160	2.39	2.66	7.06	7.84	9.31	10.34	7.06	7.84	10.76	11.96	9.28	10.31
$2,500	2,250	2.64	2.93	7.44	8.27	9.80	10.89	7.44	8.27	11.19	12.44	9.69	10.77
$3,000	2,700	3.64	4.04	8.96	9.96	11.76	13.07	8.96	9.96	12.92	14.36	11.34	12.60
$4,000	3,600	4.96	5.52	11.16	12.40	14.51	16.12	11.16	12.40	15.38	17.09	13.69	15.21
$5,000	4,500	6.24	6.93	12.78	14.20	16.46	18.29	12.78	14.20	17.16	19.06	15.41	17.12
$6,000	5,400	7.09	7.88	13.99	15.55	17.89	19.88	13.99	15.55	18.47	20.53	16.68	18.53
$7,000	6,300	8.15	9.06	15.26	16.96	19.32	21.46	15.26	16.96	19.81	22.02	17.99	19.99
$8,000	7,200	9.00	10.00	16.21	18.01	20.38	22.65	16.21	18.01	20.82	23.13	18.98	21.08
$9,000	8,100	9.93	11.03	17.35	19.28	21.62	24.02	17.35	19.28	22.00	24.45	20.14	22.38
$10,000	9,000	10.79	11.99	18.26	20.29	22.60	25.11	18.26	20.29	22.95	25.50	21.07	23.41
$15,000	13,500	14.97	16.64	22.83	25.37	27.39	30.44	22.83	25.37	27.63	30.69	25.71	28.56
$20,000	18,000	19.09	21.22	27.24	30.27	31.91	35.46	27.24	30.27	32.08	35.65	30.15	33.50
$25,000	22,500	22.78	25.31	31.16	34.63	35.90	39.89	31.16	34.63	36.04	40.04	34.09	37.88
$30,000	27,000	26.08	28.98	34.60	38.44	39.38	43.76	34.60	38.44	39.50	43.88	37.54	41.71
$50,000	45,000	35.00	38.89	43.76	48.63	48.63	54.04	43.76	48.63	48.70	54.11	46.73	51.92
$60,000	54,000	38.08	42.31	46.95	52.17	51.84	57.60	46.95	52.17	51.90	57.67	50.23	55.82
$80,000	72,000	42.56	47.29	51.85	57.61	56.77	63.07	51.85	57.61	56.81	63.12	55.56	61.73
$100,000	90,000	45.92	51.02	55.78	61.98	60.72	67.46	55.78	61.98	60.75	67.50	59.75	66.39
$150,000	135,000	51.23	56.92	62.52	69.47	67.48	74.98	62.52	69.47	67.50	75.00	66.84	74.26
$250,000	225,000	55.96	62.18	68.80	76.44	73.77	81.97	68.80	76.44	73.79	81.99	73.39	81.54
$500,000	450,000	61.42	68.24	74.00	82.22	78.99	87.76	74.00	82.22	78.99	87.77	78.79	87.55
$750,000	675,000	63.98	71.08	75.73	84.15	80.72	89.69	75.73	84.15	80.73	89.70	80.60	89.55
$1,000,000	900,000	65.46	72.73	76.60	85.11	81.59	90.66	76.60	85.11	81.00	90.00	80.90	89.89
$2,000,000	1,800,000	68.23	75.81	77.90	86.56	82.90	92.11	77.90	86.56	81.00	90.00	80.95	89.94
$5,000,000	4,500,000	70.45	78.28	78.68	87.42	83.68	92.98	78.68	87.42	81.00	90.00	80.98	89.98

[1] 10 percent of gross allowed in lieu of deductions in arriving at net income.
[2] Conference report same as Senate Finance Committee bill.

TABLE XIII.—*Comparison of effective rates of individual income tax and total tax on specified gross and net income (all income earned) under present law, House bill, and Senate Finance Committee bill*

MARRIED PERSON—2 DEPENDENTS

Gross income	Net income before exemptions [1]	Present law—income tax		House bill				Senate Finance Committee bill						Conference report					
				Regular income tax		Regular income and withholding tax		Regular income tax		Income and Victory tax		Net tax		Regular income tax		Income and Victory tax		Net tax	
		Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income
$500	$450	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
$600	540	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
$700	630	.00	.00	.00	.00	.00	.00	.00	.00	.54	.60	.30	.34	.00	.00	.54	.60	.30	.34
$750	675	.00	.00	.00	.00	.00	.00	.00	.00	.84	.93	.47	.52	.00	.00	.84	.93	.47	.52
$800	720	.00	.00	.00	.00	.00	.00	.00	.00	1.10	1.22	.62	.68	.00	.00	1.10	1.22	.62	.68
$900	810	.00	.00	.00	.00	.00	.00	.00	.00	1.53	1.70	.86	.95	.00	.00	1.53	1.70	.86	.95
$1,000	900	.00	.00	.00	.00	.00	.00	.00	.00	1.88	2.09	1.05	1.17	.00	.00	1.88	2.09	1.05	1.17
$1,100	990	.00	.00	.00	.00	.00	.00	.00	.00	2.16	2.40	1.21	1.35	.00	.00	2.16	2.40	1.21	1.35
$1,200	1,080	.00	.00	.00	.00	.00	.00	.00	.00	2.40	2.67	1.34	1.49	.00	.00	2.40	2.67	1.34	1.49
$1,300	1,170	.00	.00	.00	.00	.00	.00	.00	.00	2.60	2.89	1.46	1.62	.00	.00	2.60	2.89	1.46	1.62
$1,400	1,260	.00	.00	.00	.00	.00	.00	.00	.00	2.77	3.08	1.55	1.72	.00	.00	2.77	3.08	1.55	1.72
$1,500	1,350	.00	.00	.00	.00	.00	.00	.00	.00	2.92	3.24	1.64	1.82	.00	.00	2.92	3.24	1.64	1.82
$1,600	1,440	.00	.00	.00	.00	.00	.00	.00	.00	3.05	3.39	1.71	1.90	.00	.00	3.05	3.39	1.71	1.90
$1,700	1,530	.00	.00	.00	.00	.00	.00	.00	.00	3.16	3.52	1.77	1.97	.00	.00	3.16	3.52	1.77	1.97
$1,800	1,620	.00	.00	.00	.00	.00	.00	.00	.00	3.27	3.63	1.83	2.03	.00	.00	3.27	3.63	1.83	2.03
$1,900	1,710	.00	.00	.00	.00	.00	.00	.00	.00	3.36	3.73	1.88	2.09	.00	.00	3.36	3.73	1.88	2.09
$2,000	1,800	.00	.00	.00	.00	.00	.00	.00	.00	3.44	3.82	1.93	2.14	.00	.00	3.44	3.82	1.93	2.14
$2,100	1,890	.00	.00	.00	.00	.00	.00	.56	.62	4.07	4.52	2.53	2.81	.00	.00	3.51	3.90	1.97	2.19
$2,200	1,980	.00	.00	.00	.00	.00	.00	1.06	1.18	4.65	5.16	3.07	3.41	.47	.53	4.05	4.50	2.48	2.75
$2,300	2,070	.00	.00	.40	.44	.61	.68	1.69	1.88	5.33	5.93	3.73	4.15	.96	1.07	4.60	5.12	3.00	3.33
$2,400	2,160	.00	.00	.87	.96	1.28	1.43	2.31	2.57	6.01	6.68	4.38	4.87	1.52	1.69	5.22	5.80	3.59	3.99
$2,500	2,250	.00	.00	1.36	1.51	1.96	2.18	2.88	3.20	6.63	7.37	4.98	5.53	2.12	2.36	5.87	6.52	4.22	4.69
$3,000	2,700	.97	1.08	3.89	4.33	5.23	5.81	5.16	5.73	9.12	10.13	7.38	8.20	4.53	5.03	8.49	9.43	6.74	7.49

[1] 10 percent of gross allowed in lieu of deductions in arriving at net income.

TABLE XIII.—*Comparison of effective rates of individual income tax and total tax on specified gross and net income (all income earned) under present law, House bill, and Senate Finance Committee bill*—Continued

Gross income	Net income before exemptions [1]	Present law—income tax		House bill				Senate Finance Committee bill						Conference report					
				Regular income tax		Regular income and withholding tax		Regular income tax		Income and Victory tax		Net tax		Regular income tax		Income and Victory tax		Net tax	
		Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income	Percent of gross income	Percent of net income
$4,000	$3,600	2.89	3.21	7.06	7.84	9.31	10.34	8.01	8.90	12.23	13.59	10.37	11.53	7.53	8.37	11.75	13.06	9.90	10.99
$5,000	4,500	4.16	4.62	9.26	10.29	12.06	13.40	10.14	11.27	14.52	16.13	12.59	13.99	9.70	10.78	14.08	15.64	12.15	13.50
$6,000	5,400	5.36	5.95	10.93	12.14	14.09	15.66	11.66	12.96	16.14	17.93	14.17	15.74	11.29	12.55	15.77	17.53	13.80	15.34
$7,000	6,300	6.21	6.90	12.29	13.65	15.72	17.46	13.03	14.48	17.59	19.54	15.58	17.31	12.66	14.07	17.21	19.13	15.21	16.90
$8,000	7,200	7.30	8.11	13.61	15.12	17.23	19.15	14.26	15.84	18.87	20.97	16.84	18.71	13.93	15.48	18.54	20.60	16.52	18.35
$9,000	8,100	8.15	9.06	14.68	16.31	18.46	20.51	15.35	17.05	20.00	22.22	17.95	19.95	15.01	16.68	19.67	21.85	17.62	19.58
$10,000	9,000	9.11	10.12	15.86	17.62	19.76	21.96	16.46	18.29	21.15	23.50	19.09	21.21	16.16	17.96	20.85	23.16	18.79	20.87
$15,000	13,500	13.43	14.92	20.73	23.03	24.99	27.77	21.23	23.59	26.03	28.92	23.92	26.57	20.98	23.31	25.77	28.64	23.66	26.29
$20,000	18,000	17.58	19.53	25.28	28.09	29.73	33.03	25.77	28.63	30.61	34.02	28.48	31.65	25.52	28.36	30.37	33.74	28.24	31.38
$25,000	22,500	21.34	23.71	29.40	32.67	33.96	37.74	29.84	33.16	34.72	38.58	32.57	36.19	29.62	32.92	34.50	38.33	32.35	35.95
$30,000	27,000	24.80	27.56	33.05	36.73	37.69	41.87	33.44	37.16	38.34	42.60	36.18	40.20	33.25	36.94	38.14	42.38	35.99	39.99
$50,000	45,000	34.09	37.87	42.69	47.44	47.47	52.75	42.96	47.73	47.90	53.22	45.72	50.81	42.83	47.58	47.76	53.07	45.59	50.66
$60,000	54,000	37.27	42.41	45.99	51.10	50.81	56.46	46.23	51.37	51.18	56.87	49.18	54.65	46.11	51.24	51.06	56.73	49.06	54.51
$80,000	72,000	41.92	46.58	51.07	56.74	55.93	62.15	51.26	56.96	56.23	62.47	54.73	60.81	51.17	56.85	56.13	62.36	54.63	60.69
$100,000	90,000	45.38	50.43	55.14	61.26	60.03	66.70	55.30	61.44	60.27	66.93	59.07	65.63	55.22	61.35	60.19	66.87	58.99	65.54
$150,000	135,000	50.86	56.51	62.07	68.97	67.00	74.44	62.14	69.09	67.16	74.63	66.36	73.74	62.13	69.03	67.11	74.56	66.31	73.67
$250,000	225,000	55.74	61.93	68.52	76.13	73.47	81.64	68.59	76.21	73.58	81.75	73.10	81.22	68.55	76.17	73.54	81.71	73.06	81.18
$500,000	450,000	61.30	68.11	73.86	82.07	78.84	87.60	73.89	82.10	78.89	87.65	78.65	87.39	73.88	82.09	78.87	87.63	78.63	87.37
$750,000	675,000	63.89	70.99	75.64	84.04	80.62	89.58	75.66	84.07	80.66	89.62	80.50	89.44	75.65	84.06	80.65	89.61	80.49	89.43
$1,000,000	900,000	65.39	72.66	76.53	85.03	81.52	90.58	76.55	85.05	81.00	90.00	80.88	89.87	76.54	85.04	81.00	90.00	80.88	89.87
$2,000,000	1,800,000	68.20	75.77	77.86	86.52	82.86	92.07	77.85	86.53	81.00	90.00	80.94	89.93	77.87	86.52	81.00	90.00	80.94	89.93
$5,000,000	4,500,000	70.44	78.26	78.67	87.41	83.66	92.96	78.67	87.41	81.00	90.00	80.98	89.97	78.67	87.41	81.00	90.00	80.98	89.97

Mr. Speaker, I here insert a table which gives a graphic presentation of the new rates in this bill compared with the rates in the old act.

Corporation taxes

	New	Old
1. INCOME TAX		
(a) Normal tax:		
1. Net of $25,000 and under first $5,000 ... percent	15	15
$5,000 to $20,000 ... do	17	17
$20,000 to $25,000 ... do	19	19
2. Net over $25,000: Flat rate ... do	24	24
(b) Surtax:		
On $25,000 net and less ... do	10	-------
If net is over $25,000 ... do	16	-------
First $25,000 net ... do	-------	6
On remaining net ... do	-------	7
2. EXCESS PROFITS TAX		
(a) Exemptions:		
1. Invested capital method—		
On first $5,000,000 of capital ... percent	8	8
On next $5,000,000 of capital ... percent	7	7
On next $190,000,000 of capital ... percent	6	7
On the remainder of capital ... percent	5	7
2. Earnings method—		
Of 4-year 1936–39 average ... percent	95	95
For all companies, a flat	$5,000	$5,000
(b) Rates:		
On all excess profits ... percent	90	-------
On the first $20,000 ... do	-------	35
On next $30,000 ... do	-------	40
On next $50,000 ... do	-------	45
On next $150,000 ... do	-------	50
On next $250,000 ... do	-------	55
All over $500,000 ... do	-------	60

Individual income taxes

1. EXEMPTIONS		
Single person	$500	$750
Married couple	1,200	1,500
Each dependent	350	400
Earned income credit (on earned income up to $14,000) ... percent	10	10

Individual income taxes—Continued

	New	Old
2. TAX RATES		
(a) Normal tax ... percent	6	4
(b) Surtax schedule:		
Surtax net income under $2,000 ... percent	13	6
$2,000 to $4,000 ... do	16	9
$4,000 to $6,000 ... do	20	13
$6,000 to $8,000 ... do	24	17
$8,000 to $10,000 ... do	28	21
$10,000 to $12,000 ... do	32	25
$12,000 to $14,000 ... do	36	29
$14,000 to $16,000 ... do	40	32
$16,000 to $18,000 ... do	43	35
$18,000 to $20,000 ... do	46	38
$20,000 to $22,000 ... do	49	41
$22,000 to $26,000 ... do	52	44
$26,000 to $32,000 ... do	55	47
$32,000 to $38,000 ... do	58	50
$38,000 to $44,000 ... do	61	53
$44,000 to $50,000 ... do	63	55
$50,000 to $60,000 ... do	66	57
$60,000 to $70,000 ... do	69	59
$70,000 to $80,000 ... do	72	61
$80,000 to $90,000 ... do	75	63
$90,000 to $100,000 ... do	77	64
$100,000 to $150,000 ... do	79	65
$150,000 to $200,000 ... do	81	66
$200,000 to $250,000 ... do	82	67
$250,000 to $300,000 ... do	82	69
$300,000 to $400,000 ... do	82	71
$400,000 to $500,000 ... do	82	72
$500,000 to $750,000 ... do	82	73
$750,000 to $1,000,000 ... do	82	74
$1,000,000 to $2,000,000 ... do	82	75
$2,000,000 to $5,000,000 ... do	82	76
Over $5,000,000 ... do	82	77
(c) Victory tax:		
Exemption	$624	-------
Rate ... percent	5	-------

The earned income credit is for purposes of the normal taxes only. This, and the fact that normal taxes do not apply to interest from partially exempt Federal securities, are the only distinctions between income subject to the normal and income subject to surtaxes.

Mr. Speaker, so many telegrams and letters have been received with reference to the treatment of mutual insurance companies other than life, that I here present just what was done in conference as to these companies.

TAXATION OF MUTUAL INSURANCE COMPANIES OTHER THAN LIFE

House bill

Under the House bill, mutual fire and casualty insurance companies were made subject to corporation taxes if their ledger assets exceeded $100,000, and if they had over $50,000 surtax net income.

The tax was to be imposed on the sum of their investment and underwriting income, in a manner similar to that under which stock companies are now taxable.

Senate bill

The Senate has rewritten the provisions of the House bill and the conferees have accepted the Senate provisions. A complete statement of the changes appears in the conference report. The changes are in brief as follows:

First, the exemption is changed so that only companies whose gross income from interest, dividends, rents, and premiums, including deposits and assessments, exceeds $75,000 will be subject to tax.

Secondly, the tax formula applicable to companies not within the exemption is completely changed. In substance, the formula agreed upon is that recommended by Mr. Stam, chief of staff of the Joint Committee on Taxation. It provides, in effect, that the tax shall be either, first, the amount of tax computed at the regular rates applicable to corporations on normal tax net income, surtax net income, and excess-profits net income, or, second, 1 percent of the gross amount of income from interest, dividends, rents, and net premiums, minus dividends to policyholders, minus tax-exempt interest, whichever is the greater. Notch provisions are provided to adjust the rate where the income of the company is just over the exemption.

The provisions relating to mutual fire and casualty companies are found on page 53 of the conference report, amendment No. 215.

Mr. DOUGHTON. Mr. Speaker, I yield 1 minute to the gentleman from Oklahoma [Mr. DISNEY].

Mr. DISNEY. Mr. Speaker, it is estimated that 45,000,000 taxpayers will be included in the tax bill we are now discussing. So if there is anything in the argument that a tax bill will make the people of the United States tax conscious, this bill will do the job.

In 1913, with 90,000,000 people we spent $700,000,000 for the Federal Government. In 1940 with 130,000,000 people we spent nearly $9,000,000,000, exclusive of the emergency defense funds for that year, but including the Army and Navy.

Some day we are going to learn, when dollars get as big as cart wheels, what dollars are worth in this country.

Both the House bill and the Senate bill contained a 90 percent flat excess-profits tax rate. The Senate bill, however, provided that whenever the over-all corporate tax rate exceeded 80 percent such excess should be eliminated. That is, if the corporation had net taxable income of $100,000 with total tax of $85,000—85 percent—the $5,000 would be eliminated and the effective tax would be $80,000 which is 80 percent.

When the Ways and Means Committee first met to hear recommendations from the Secretary of the Treasury, regarding the preparation of this tax bill, he, Mr. Morgenthau, recommended a sliding scale of excess-profits-tax rates reaching a maximum of 75 percent. During the hearings this figure remained as the recommendation of the Treasury. While your committee was in executive session and approximately half way through its work, a reputable member of the Washington press whose stories for many years have been generally accurate, reported that the President would request an excess-profits-tax rate of 99 percent. Shortly afterward, the President did request much higher rates and your committee at one time voted to include a 94 percent excess-profits-tax rate with 14 percent deduction to be used for post-war recovery and reemployment bonds. This action was reconsidered and changed to a flat 90-percent rate without bonds. I have been informed, and it was so stated in the press, that while the Senate Finance Committee was in executive session the Treasury recommended the 80 percent over-all limit which I have just explained and at the same time recommended a post-war credit.

It is the considered opinion of myself, and I believe of the majority of the members of the Ways and Means Committee, that in imposing additional taxes on corporations we should first go as far as possible in the recapture of war profits rather than increasing too far the taxes on normal profits; that is, profits which have not been increased as a result of the war. If the normal and surtax rates are made too high, corporations can never repay their obligations which were made prior to the war. If proper reserves are allowed, corporations cannot be forced into bankruptcy through high excess-profits taxes, but they can become insolvent very quickly through high taxes on normal income which prohibit their fulfilling their contractual obligation. I have been reading a report recently prepared by one of the colleges which argues that if corporations are taxed too highly, farmers and laborers are adversely affected. The report states:

> Corporations are not individuals. They are organizations consisting of land, machinery, raw materials, workers, and managers. As such, they are the means of employment for workers and the means of providing markets for farm products.

I am afraid that we sometimes forget that corporations are in reality largely conduits or channels more than individual entities. I should like to quote a section of this report which is as follows:

> You might ask "Are not corporations owned by rich people?" That, of course, is the popular belief but it isn't true. The common stock of the American Telephone Corporation is owned by 750,000 people, and three-quarters of them own less than 25 shares apiece. In other words most of the owners of this gigantic corporation have less than $3,000 invested in it. General Motors is another giant among corporations, yet it is owned by 396,000 people, of whom four-fifths own less than 50 shares of $2,000 apiece. The United States Steel Corporation is owned by 164,000 people, of whom three-quarters own 25 shares, worth $1,500, or less. In fact, almost half of all dividends paid by corporations in recent years have gone to people with incomes below $5,000. If you want to tax corporations because you believe that they are owned by rich people the proper way to reach this income would be through high individual income rates, which we are doing.
>
> If Congress taxes away two-thirds of corporation income and reduces dividends by that amount, it is in reality levying a tax of 66 percent on part of the income of a man with low salary. Furthermore, many colleges own stocks and use the dividends from them to pay the salaries of their professors. Now colleges are not supposed to pay taxes because they render a valuable public service without making a profit. But corporation tax rates high enough to reduce dividends, actually reduce the money received by colleges, and are a tax on them.
>
> Taxes that reduce dividends do not necessarily take money away from the rich and give it to the poor. But even if they did, corporation taxes still would hurt the worker and the farmer. Those who manage corporations, know from experience that years of high profits are followed by years of low profits or losses. So when profits are large, they set aside a large amount of cash to use in later years when there are losses. Now if the profits of a good year are taxed at a high rate, they have to raise prices and reduce costs in order to make enough money after taxes to set up these rainy day reserves. For example, in 1937 tax rates were higher than in 1929. Now let's see who paid the additional taxes. The owners, who are entitled to what is left after taxes are paid, received 5.5 percent of the sales of all manufacturing corporations as net profit. This was slightly lower than the 6.3 percent they received in 1929. But workers and farmers also received a smaller share of these sales in 1937 than in 1929. For these corporations paid out in wages, raw material costs, etc. only 91.6 percent of their sales in 1937, compared to 92.1 percent in 1929. In other words, when corporations pay the tax collector more, they have to pay the worker and the farmer less. So a tax on corporations is in part a tax on wages and farm prices, too.
>
> I don't think these taxes (corporate taxes) are to the advantage of the Nation, even though we are in war. Higher taxes on individuals can be raised in place of corporation taxes without destroying our ability to regain a high standard of living after the war. You see a tax on that part of a corporation's income which is not going to be paid out in dividends, is a tax on the capital needed to provide workers with jobs when the war ends. The average factory worker needs about $8,000 worth of plant and machinery supplied by the owners before he can produce anything at a reasonable price in this modern age. So firms must be allowed to save enough cash to buy machinery capable of producing civilian goods you and I will want to buy after the war, if we expect to prevent mass unemployment. In other words, corporation assets are not just the property of a few wealthy people, they are the wealth of our working population directly, and the wealth of our farm population indirectly. For farmers can sell their milk, pork, and cotton at high prices only in times like the present when workers are all employed steadily at high wages.
>
> If the farmer had to give two-thirds of his cotton to the Government next year as his personal income tax, he could do so and still survive, perhaps. But if the Government taxed away part of his land, his tractors, and his barn, he not only would live poorly next year, but would be unable to regain a good living in the future. In other words, a tax on your capital takes away your ability to earn income thereafter. Now, a tax on manufacturing corporations is a tax on the worker's capital. Workers can't earn a living after the war unless they are provided with buildings, machinery, and organizations. These things will have to be bought at that time with cash saved out of wartime profits, because the war is eliminating peacetime machinery and organization. Now, a 66-percent tax on wages would be a hardship, but would not keep workers from regaining a good standard of living after the war, but a tax keeping corporations from building up a post-war capital reserve, is a tax on the worker's capital and will keep them poor for a long time. It is like taking fertile soil and good farm machinery away from the farmer.

REGARDING INFLATION

Mr. Speaker, representatives of the administration, including Mr. Leon Henderson, came before the Ways and Means Committee and urged upon us the extreme necessity of taking steps to prevent inflation. Our President has recently addressed both the Congress and the Nation in like manner.

Possibly the address of the President had some effect upon the members of the Senate Finance Committee and the 14 conferees, and possibly it had something to do with their making an effort to place a tax where it would be most effective in combating inflation.

The bill passed by the House was designed to raise $23,000,000,000 a year. Of this total, 43 percent was to be paid by corporations and this 43 percent could in no sense be called an inflation preventing tax. Thirty-four percent was to be paid by personal income taxes on rich individuals which also was not a good

method of preventing inflation. Seventy-eight percent of the taxes to be raised by the House bill was practically no effect on the prevention of inflation. The principal anti-inflation provision was that of excise taxes.

Possibly I should explain why corporation taxes do not prevent inflation. Inflation can be prevented only by individuals spending less money for consumer goods. Corporations do not spend their incomes for consumer goods. They use their cash to buy materials at the direction of the W. P. B. for additional war production, or they save their profits by investing them in Government bonds. Corporation income is in a glass bowl where the Government can watch it all the time and give proper supervision. Corporation taxes can make business firms poorer and can interfere with the ability to provide jobs after the war for the 30,000,000 who will come from war production and the armed forces seeking employment, but corporation taxes do not reduce families spending on consumer goods.

It has been argued that when corporations pay out their profits in dividends, the stockholders have more money to spend but the proper place to reach that income is by taxing the individuals. We have tax rates which reach the wealthy individuals all right. In fact, the rates are so effective as to make it necessary to provide that whenever the total Federal income taxes exceed 90 percent of the income, the excess over 90 percent is to be eliminated. Due to the fact that income taxes paid to States are not deductible against all Federal income taxes, it was necessary to provide this 90 percent limitation. Without the Victory tax the present bill would not reach the source of consumer spending which is the real source of inflation danger. Mr. Henderson told us that when a man left peacetime employment and took a war production job, his earnings on the average increased 60 percent. The Victory tax will take 5 percent of this man's earnings, but in the great majority of cases, without the Victory tax, there would be very little tax curb against the inflation spending of such workers.

It has been stated that families earning less than $2,000 a year spend all their income. If they had to pay income taxes they would have less money left to spend. Such taxes would be anti-inflationary. But in the bill passed by the House, a family with two children would not have to pay an income tax until it earned more than $2,000. Families earning $3,000 would have had to pay a tax of $172 or 6 percent of their income. Such a tax would not reduce the money which they spend for consumer goods, however, because this tax could be paid out of the $300 per year which such families normally save. The same is true of families earning larger amounts. The taxes in the House bill would be paid out of the income which they saved. These taxes could have been called taxes on savings but they could not be called anti-inflationary.

May I repeat that taxes help prevent inflation only when they reduce the amount of money people spend on consumer goods. The taxes to be collected from corporations will not prevent inflation because they take away money which would be saved or used in the war effort if not taxed, as corporations' earnings are not spent on consumer goods in wartime. Also, the taxes on families earning $3,000 per year or more do not curb inflation because these taxes are paid out of what they would have saved.

Aside from the excise taxes which in most cases are hidden taxes, the Victory tax is the most direct and the most effective anti-inflation measure in the tax bill. If the conferees had failed to include this tax or a sales tax, they would have failed to heed the warnings given by Mr. Leon Henderson and by our President. The Victory tax has another important feature in that a large portion of it is credited to the taxpayer and refunded after the war for the purpose of providing poor people with additional purchasing power at a time when they will need it most and can use it without causing inflation.

Section 403 of Public Law 528, popularly known as the renegotiation-of-war-contracts law, makes me shudder every time I think of the unlimited power which it gives to so many individuals—the power to repudiate terms of solemn contracts entered into before the law was enacted—the power of life and death over all war producing industries. I cannot believe that this law is in any sense compatible with the principles of democracy. I read recently in a newspaper article:

> Except for confidence in agreements, civilization would revert overnight to a strictly barter basis. A fish would be exchanged for an arrow only on the spot. Except that men may rely on the future performance of a promise banks would close overnight, insurance companies would disappear, no one could borrow money, capital would go into hiding, and the standard of living would go back to primeval conditions. Read Harry Scherman's great book The Promises Men Live By.

In the light of all this, it seems a strange thing to say that our own Government—the United States of America—claims the right to repudiate every contract it makes for the production of war supplies. About the finest thing we used to say of a man is that "His word is as good as his bond." It can no longer be said of our own Government. No one can rely on its promise to pay what it agrees to pay for anything it buys.

Another writer said:

> Most of us are proud of the campaign made by our Government, which I believe Collier's started some 20 or 30 years ago, which now makes it a crime to label medicine improperly. Of more recent date the Federal Trade Commission has accomplished splendid results in enforcing the proper labeling of foods and various other articles. Today a manufacturer who mislabels his goods is not only subject to the penalties of the law but the public regards him as being engaged in an immoral as well as an illegal business. Suppose that a manufacturer labels a bottle containing a white liquid "Milk," and there is no milk in the bottle? You can readily imagine what would happen to him. Why, then, should the Government label a law "Renegotiation" when there is no "negotiation" in it?
>
> This law uses the words "renegotiation" and "negotiation" and then defines renegotiation as the power to fix prices. When Mr. Marbury, of the War Department, appeared before the Senate Finance Committee, Senator PRENTISS M. BROWN, of that committee, said, "There is no negotiation in the proposition at all." To my mind there could be no clearer case of mislabeling. Now is the time when we need to have confidence in our leaders, in our Government, in our military men and naval men, in our lawmakers, in our laws, and in ourselves. I am convinced that neither business nor the public can have confidence in this law as long as this misleading or deceptive use of the word "renegotiation" is included in its fundamentals.

The Senate made some changes in section 403 of Public Law 528 and I believe that additional changes should be made. The Senate changes were as follows:

1. Subcontractors making any articles, or performing any part of the work, for performance of another contract or subcontract are subject to renegotiation.
2. Renegotiation clauses will be written into all contracts in excess of $100,000 and may provide for "target" prices for limited periods (not to be thereafter renegotiated) if the Secretary believes the profits can be anticipated "with reasonable certainty." Such renegotiation clauses shall be included in subcontracts.
3. The Secretary may, in his discretion, negotiate "some or all of such contracts or subcontracts" as a group.
4. In determining excessive profits the Secretary shall recognize the "properly applicable exclusions and deductions which the contractor or subcontractor is allowed under chapter 1 and chapter 2E of the Internal Revenue Code." (Subch. B, part II of ch. 1 includes sec. 23 which defines the deductions allowed and permits deductions of "ordinary and necessary expenses," "charitable contributions," "advertising and goodwill" expenditures among others.) This amendment offered by Senator VANDENBERG, a member of the Walsh subcommittee, was unanimously adopted by that committee. It further provides that the Secretary shall allow "credit for the amount of Federal income and excess profits taxes paid or payable with respect to such excessive profits."
5. The agreements entered into pursuant to renegotiation "shall be final and conclusive" and, except for fraud or malfeasance "shall not be reopened—by any officer, employee, or agent of the United States."
6. Definite time limitations, after performance of the contracts, within which renegotiation must be instituted are likewise provided.
7. In addition to the specific exemption of $100,000, the following types of contracts will not be renegotiated:
   (a) Contracts between Government agencies.
   (b) Contracts for raw materials.
   (c) Contracts to be performed outside the United States, including Alaska.
   (d) Contracts where profits can be reasonably determined, since prices are fixed by regulatory bodies, or where they can be performed within 30 days.
   (e) Contracts which are "target contracts."

Your conferees believe that the law should be further amended. I offered an amendment which provided that renegotiation could not be commenced in the case of any corporation whose net profit or its war contracts for its taxable year amounted to less than 2 percent of the total contract prices, after taxes. This would have saved the Government millions of unnecessary expenses and would have saved contractors millions of hours which will be taken away from war production. Let me explain how this would be done.

Senator DANAHER and Mr. Pengora, counsel for the Price Adjustment Board of the War Department, stated that approximately 3,000,000 contracts were within the purview of this act. Mr. William L. Marbury, who represented Judge Patterson, of the War Department, stated, "When you are dealing with 20,000 contractors, obviously an audit of every cost is simply inconceivable. There are not enough accountants in the country to do it." I understand that there are between 20,000 and 40,000 war contractors. If it is possible, therefore, to find an automatic method of screening the ones whose profit is not excessive out of these 3,000,000 contracts, so that we will not have to use, in renegotiation, all of the accountants in the country, it should be done. Congressman VINSON, chairman of the House Naval Affairs Committee, reported, after a thorough investigation, that only 5 percent of the contractors were making excessive profits and that 95 percent were all right. Surely no one believes that 2 percent after taxes is an excessive profit. In prewar days 10 percent of sales after taxes was not an unusual figure. I cannot believe that any of the companies which earn only 2 percent on sales after taxes would be found in Mr. VINSON's group of 5 percent—those whose profits were excessive. If Mr. VINSON's figures are correct—there was more study and more facts behind them than we have for any other figures—my amendment would have made unnecessary the examining and renegotiating of 95 percent of the 3,000,000 contracts; an important step toward winning this war.

Other reasons why this law should be amended further are as follows: Congressman VINSON stated to the subcommittee of the Senate Finance Committee:

At the time Public, 528, was before the House I pointed out the injustice of conferring on the various department heads the arbitrary and unlimited authority to limit profits on war contracts by renegotiation and the uncertainty which would result from such a provision, and expressed the hope that such renegotiation authority would soon be superseded by legislation setting out statutory standards defining reasonable profits on war contracts.

It is my feeling that the renegotiation provisions of Public, 528, makes any contract with the War or Navy Department ineffectual and illusionary.

Many companies contracted to use a percentage of earnings to pay off debts, others have similar sinking fund obligations. The renegotiation law makes it impossible to fulfill such obligations and interferes with the securing of credit unless the Government guarantees 90 percent of the loan. It is resulting, in many cases, in restoring the old cost-plus method with all of its evils. For example, two contractors were making the same item, one, operating thriftily and efficiently, produced at a cost of $7,500 per unit and was given new contracts at $7,500 per unit, plus 12½ percent profit—$937.50. The other produced at a cost of $12,500 and was given new contracts at $12,500, plus 12½ percent profit—$1,562.50. By the simple process of increasing its cost $5,000 per unit, the inefficient company was permitted to charge the Government $5,625 more than the other company and to make 60 percent more profit than the other company.

	Efficient company	Inefficient company
Cost per unit	$7,500.00	$12,500.00
Profit on cost allowed in new contracts at 12½ percent	937.50	1,562.50
Total cost to Government	8,437.50	14,062.50

The above figures were the result of renegotiation. You will notice that the profit allowed the inefficient company—$1,562.50—was 160 percent of $937.50, the amount allowed the efficient one—evidently because the costs to the Government were increased 60 percent. No wonder one contractor was encouraged to pay his secretary a bonus of $30,000.

There was considerable discussion in the conference. It was, however, generally agreed that more study was needed. We realized that the amendments made by the Senate were done so at the request of the Army, Navy, and Maritime Commission. Senator Walsh, during the hearings of his committee, asked Mr. Patterson, of the War Department:

Judge, have the contractors with whom the Army has been dealing had an opportunity to see these amendments and to express an opinion upon them?

Mr. PATTERSON. No, sir.

Senator WALSH. So they were not consulted and their opinion was not available when these amendments were made?

Mr. PATTERSON. That is true. We didn't discuss them with the contractors.

Most of the House conferees felt that public hearings on this subject should be held so that we may be guided by the experience of those engaged in producing our war material. The Ways and Means Committee has a bill which could conceivably be the basis for a well-thought-out method of preventing the making of excessive profits on war production and I hope that we will soon begin such hearings.

Mr. DOUGHTON. Mr. Speaker, I yield the balance of my time to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Speaker, as has been stated by other gentlemen who have spoken, this is the largest tax bill in all history. It is realized by all of us that we must provide additional revenue to help finance the war.

There are many provisions of the bill that I opposed in the committee, some that I opposed in the House, and many that I opposed in conference. Having 1 vote out of 25 in the committee, 1 vote out of 435 in the House, and 1 vote out of 7 in the conference, it is obvious that my views could not prevail on all of these various items.

I did not favor the so-called Victory tax, because I thought the burden already placed under this bill on individuals was high enough without imposing this additional burden, especially in view of the treatment given some other taxpayers. Yet I do feel it may be of interest to Members of the House to give a simple illustration of the operation of this so-called Victory tax, in order that they may easily and readily answer questions that may be presented on this matter.

It will be remembered that this is a new subject, something that has not been included in any tax law in this country before. I would like to give a simple illustration of the operation of the Victory tax. Take the case of a married person with no dependents, who makes $200 a month, receives $2,400 a year gross income. The taxpayer figures his income tax on this salary of $2,400, just as he does now. He would probably use the simplified form, because that would be to his interest. That would mean with a total income of $2,400, and by using the simplified form, he would have to pay an income tax of $185. Then he figures his Victory tax. He takes the sum of $2,400 and deducts from that his exemption, or $624. That leaves, subject to Victory tax, $1,776. The Victory tax of 5 percent on that amount is $88.80, the Victory tax that he owes. The post-war credit for the Victory tax of $88.80 is 40 percent of the tax, which is $35.52. The net Victory tax is $53.28. So the total tax is: income tax, $185; gross Victory tax, $88.80; total gross tax, $273.80; less post-war credit of $35.52; total net tax, $238.28.

[Here the gavel fell.]

The SPEAKER. All time has expired.

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the adoption of the conference report.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 130, noes 2.

So the conference report was agreed to.

A motion to reconsider was laid on the table.

RESIGNATION FROM COMMITTEES

The SPEAKER laid before the House the following resignations from committees:

Hon. SAM RAYBURN,
Speaker, House of Representatives, Washington, D. C.

DEAR MR. SPEAKER: I hereby tender my resignation as a member of the House Committee on the Judiciary effective this date.

Very truly yours,
ALBERT L. VREELAND,
Captain, Infantry.

Hon. SAM RAYBURN,
The Speaker of the House of Representatives, Washington, D. C.

DEAR MR. SPEAKER: I hereby respectfully resign as a member of the following committees: Insular Affairs, Education, and Election of President, Vice President, and Representatives in Congress, effective immediately.

Yours very truly,
JOSEPH E. TALBOT.

The SPEAKER. Without objection, the resignations will be accepted.

There was no objection.

ELECTION TO COMMITTEES

Mr. MARTIN of Massachusetts. Mr. Speaker, I offer a resolution (H. Res. 559), and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That JOSEPH E. TALBOT, of Connecticut, be, and he is hereby, elected to the Committee on the Judiciary of the House of Representatives.

The resolution was agreed to.

Mr. MARTIN of Massachusetts. Mr. Speaker, I offer another resolution (H. Res. 560), and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That THOMAS B. MILLER, of Pennsylvania, be, and he is hereby, elected to the Committee on Education of the House of Representatives.

The resolution was agreed to.

EXPENSES OF COMMITTEE TO INVESTIGATE CAMPAIGN EXPENDITURES

Mr. PATTON. Mr. Speaker, I ask unanimous consent for the immediate consideration of House Resolution 558.

The Clerk read as follows:

Resolved, That there shall be paid out of the contingent fund of the House not to exceed $20,000 for the expenses of the select committee appointed under authority of House Resolution 557 to investigate the campaign expenditures of the various candidates for the House of Representatives in both parties.

SEC. 2. That the official committee reporters may be used at all hearings held in the District of Columbia who are not otherwise officially engaged.

Mr. RICH. Mr. Speaker, reserving the right to object, $20,000 seems like a pretty large sum of money for an investigation of this kind.

Mr. WHITTINGTON. Mr. Speaker, if the gentleman will yield I may say that the same amount was appropriated 2 years ago for a similar committee, but not one cent was spent.

Mr. RICH. If none of it is spent, that is all right; but if it is going to be used it is too much.

The SPEAKER. Without objection, the resolution is agreed to.

There was no objection.

RECOGNITION OF SERVICES OF CIVILIANS IN CONSTRUCTION OF PANAMA CANAL

The SPEAKER. The gentleman from Mississippi is recognized.

Mr. COLMER. Mr. Speaker, I ask unanimous consent to withdraw House Resolution 553, providing for the consideration of the bill S. 1481 to provide for the recognition of services of the civilian officials and employees, citizens of the United States, engaged in and about the construction of the Panama Canal, called up by me on yesterday.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

THE LATE WILLIAM TYLER PAGE

The SPEAKER. The Chair recognizes the gentleman from Massachusetts [Mr. MARTIN].

Mr. MARTIN of Massachusetts, Mr. Speaker—

Render therefore unto Caesar the things which be Caesar's and unto God the things which be God's.

This was a favorite quotation of a great American who passed into the Great Beyond this morning. He lived and worked by that rule. This great American was the author of that famous creed which has stirred the hearts of citizens of this country everywhere, the American's Creed. I should like to read this creed as the farewell words to all of us from one we all knew well and for whom we all had a deep affection:

THE AMERICAN'S CREED

I believe in the United States of America as a Government of the people, by the people, for the people; whose just powers are derived from the consent of the governed; a democracy in a republic; a sovereign Nation of many sovereign States; a perfect Union, one and inseparable; established upon those principles of freedom, equality, justice, and humanity for which American patriots sacrificed their lives and fortunes.

I therefore believe it is my duty to my country to love it; to support its Constitution; to obey its laws; to respect its flag, and to defend it against all enemies.

These noble sentiments were woven together by the man who passed from us this morning. His heart was a never-failing well spring of love for and loyalty to his country. William Tyler Page lived practically all his waking life within the confines of this historic Chamber of freedom.

Seventy-four years ago William Tyler Page was born in Maryland of distinguished lineage on both sides of his house. Of those 74 years, 61 were devoted to the public service here in the Halls of Congress. For 13 years he occupied with great distinction and efficiency the important position of Clerk of this great House of Representatives. His words of wisdom and patriotism, an inspiration to all of us, have reached every nook and corner of our beloved land. The passing of this stalwart patriot brings to me profound regret and sorrow. While William Tyler Page served the Republican Party in this House, he really served all of us, for he always responded to any request from either side of the aisle.

One of the finest tributes that has been paid to Tyler Page was by Horace Carlyle in his poem entitled "Americanism":

AMERICANISM

W-illiam Tyler Page did a remarkable deed
I-n arranging so well the American's Creed—
L-ong as lives our peace-loving Republic, it will
L-ive, its purposeful mission to wisely fulfill.
I-n a class to itself, it stands out, set apart,
A-s a great masterpiece of historical art,
M-onument to a man, after God's loving heart.
T-ime will give the American's Creed greater worth,
Y-ea, and broadcast its principles over the earth,
L-iving truths, too unchanging to ever grow old,
E-very truth a necessity, graciously told,
R-ightly placed in this treasure, not measured in gold.
P-roud must be Mr. Page—the American's Creed,
A-s designed by himself, is a treasure indeed,
G-reatly prized by Americans of every age—
E-very loyal American loves Mr. Page.

In closing let me quote words which our comrade so often used:

If this is to remain the Republic of George Washington and our forefathers we must repair to their standards of thought and action. The great Apostle Paul admonished the youthful Timothy to "keep the securities of the faith intact." Holding fast to our priceless spiritual relics, let us go forth resolved to "keep the securities of the faith intact" by adherence to the principles transmitted to us.

My colleagues, it is a great sorrow for us to lose a true patriot like Mr. Page. Peace be to his soul. His example of Americanism will ever live in this great Nation.

The SPEAKER. The gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Speaker, the death of our dear friend leaves a vacant spot in this body which it will be very hard to fill. His death was so sudden that it leaves us in a sense speechless. To express one's thoughts, particularly on this occasion, about our beloved late friend is exceedingly difficult.

Our country has lost a great citizen, Maryland has lost a great son, and the National House of Representatives has lost one of the most outstanding members of its organization under constitutional government. A poet once said that "not a soul beneath the sun but what is precious unto one." You and I know that William Tyler Page was precious unto millions of persons directly and indirectly. He was precious unto those who had the pleasure of knowing him, those who had the opportunity of meeting him during their journey of life. He was also precious unto the countless millions of Americans who had never met him or knew him personally but who knew of him and the great work he did, of those noble things he stood for, of those high ideals which he entertained, the fine example he had set to all, and the ideally great American that he was.

On an occasion of this kind it is very difficult for one to adequately and properly express their thoughts. It is particularly difficult at this time because to those of us who contacted him daily, who had the benefit of his charming personality, who knew him for the profound gentleman that he was, William Tyler Page was a man whose personality we absorbed within ourselves and in a sense he became a part and parcel of our own personality. Very often it is difficult to express one's own personality. I have often wondered during periods of reminiscence what my thoughts might be if I am permitted to live to a very ripe old age. It is hard to say definitely what one's thoughts will be then, we cannot say, but we can sort of look into the future, during periods of reminiscence, and visualize the thoughts that one may have when he is along in years and in a reflective mood. I have thus penetrated into the future and I have in my mind drawn a picture as to what I will probably be thinking of if permitted to live to a ripe old age, God willing.

One's thoughts then would be turned to the past rather than to the future. I have reached the opinion that I will not then be thinking of some great speech I thought I had made, I probably will not be thinking of an outstanding piece of legislation that at a particular time in my life I was instrumental in having enacted into law; I believe I will be

thinking of my friends of the past, and where they are. I would be thinking of some of the close, intimate friendships made during my lifetime. I would be thinking of those things that happened in the past which constituted the basis for the real, true, genuine friendships that will exist in my mind at that time. Some of those of whom I would be thinking will be alive and some dead. I would be thinking about them if alive, with a real fond feeling of friendship, and if dead, of their memory and of our friendship during life. I will be thinking of those friends and where they are, if living, and of those of my friends who have taken the journey into the Great Beyond. One of the latter who would be uppermost in my mind would be that distinguished gentleman who died this morning, that profound American who stood for everything that is high, noble, and constructive. My thoughts will turn to him on many, many occasions. I shall always remember our beloved friend, William Tyler Page, and I shall always pray for his future presence in heaven with God Himself.

The SPEAKER. The gentleman from New Jersey [Mr. EATON.]

Mr. EATON. Mr. Speaker, it is with profound sorrow that I find myself called upon to speak in memory of a friend whom I have revered and loved beyond most men of my acquaintance. He was sleeping last night and he awoke in the golden dawn of Eternity in the secret serenity and power of which he had lived and moved throughout the long years of a great and noble life.

William Tyler Page was a courtly, Christian gentleman of the old school. He belonged to the golden age when men in this country had ideals, when the chief interest in life was not centered in the alimentary canal; when there was an occasional sweeping of the wide white sky lines of the Kingdom of God in men's thinking, and when they realized that America was not simply land, money, and material things, but America was a beautiful soul, and an American was a man whose soul responded to the soul of America.

That was Tyler Page's philosophy. His mind was illuminated and thrilled and strengthened by contact with the great spiritual realities of the Christian religion, in which he was a devout believer and which he practiced in his daily walk and conversation, seeking to transmit those great realities and ideals to us in this body. He believed that the Constitution of the United States was next to the word of God, the most spiritually illuminated and divinely inspiring political document of modern times. So he sat here, a philosopher, a friend, a Christian gentleman, and we sat at his feet and received from him new strength, new courage, new understanding.

As his friend, I would lay this little tribute at his feet:

We could not ask him back. He is gone to be with his Divine Redeemer. That is far better. We leave him there and only hope that we may be worthy of hearing what he must have heard this morning, "Well done, thou good and faithful servant."

The SPEAKER. The gentleman from Missouri [Mr. CANNON].

Mr. CANNON of Missouri. Mr. Speaker, there appear from time to time in the service of the House men of such outstanding ability and devotion to duty as to hold a larger place in the public eye and exert a more profound influence upon legislative and administrative government than the average Member of this great body upon whose staff they serve. Such a man was William Tyler Page.

Mr. Page's career here, beginning in 1881 and closing this morning, covered the extraordinary period of more than threescore years of continuous service, exceeding by far the record of any man, either as a Member or as an employee of the House, from the time of the establishment of the Republic down to this day.

But we remember him not so much for the length of his service as for the quality of his service. His term as Clerk, the premier executive officer of the House, for the Sixty-sixth, Sixty-seventh, Sixty-eighth, Sixty-ninth, Seventieth, and Seventy-first Congresses was merely an incident in his service to the House, for during the entire 60 years and more which he labored here, he was called upon regularly by Members on both sides of the aisle for the most important and confidential duties. His inexhaustible knowledge of procedure and parliamentary intricacies, and his sage and seasoned counsel and advice were sought by all from the newest Congressman to those old in the wisdom of the House. If he has written his memoirs, as I trust he has, you will find there some interesting history that is not written elsewhere and much that will interpret and place in a new light episodes and events for the time at least affecting party and institutional history in the growth and development of the Nation and the Congress.

His service not only transcends that of the average official in importance and effect but was more widely known. He was a man of national renown. His name has long been a household word. His American's Creed is to be found in the galleries of every library and on the walls of every school. It is embodied in the ritual of national social and educational and patriotic organizations. It has helped mold the character of a generation of children throughout the land, and will continue to inculcate patriotic love of country for generations to come.

It was characteristic of him that after the war he contributed the bonds in which he had invested the $1,000 which he received for writing the Creed, to his church. He was a devout churchman. He lived his religion. The eminence of his notable public service was surpassed only by the purity and uprightness of his private life and his high ideals of personal integrity.

There was one desire, however, that was not fulfilled; one ambition which he did not realize. As he sat one day in the lobby of the House, Speaker Clark, his life-long friend and one of his devoted intimates, passing by, asked him jocularly if he had been born in the Capitol. He replied, "No, Mr. Speaker, I was not born here but I do expect to die here." But he did not die in the Capitol. He can never die in this building, hallowed with the memories of the Nation's illustrious men. He can never die in the annals of this House, whose history and traditions he has so greatly enriched by his long and distinguished service. He can never die in the regard and affection of Americans whose creed he wrote. And he can never die in the hearts of those who knew him.

The SPEAKER. The gentleman from Texas [Mr. LANHAM].

Mr. LANHAM. Mr. Speaker, it has been my pleasure for many years to enjoy a cordial and a genial friendship with William Tyler Page. He was an affable, cultured, scholarly American gentleman. He was a public servant in a very broad sense. Not only was he faithful and efficient in the performance of his duties in connection with this body but he has made many contributions of inspirational, patriotic slogans which will be dear forever to every loyal American's heart. He has gone, but his works will continue to follow him here. We shall cherish his memory. He was a Christian gentleman of very high type. In his walks among us he has fought a good fight. He has finished his course. He has kept the faith. Again we shall meet him and know him and love him in that haven of rest to which his soul has departed.

The SPEAKER. The gentleman from Massachusetts [Mr. TREADWAY].

Mr. TREADWAY. Mr. Speaker, I am one of those longest associated with Tyler Page. During the 30 years I have been here I never contacted a man who showed a kinder disposition toward his fellowman than William Tyler Page. He will be known in history as the author of the American's Creed, but in the hearts of those who have been associated with him as intimately as have the Members of this House he will be known as a man of great humility, always courteous, always willing to aid and to assist.

No man, in my opinion, is more entitled than he to the words of St. Matthew, twenty-fifth chapter, twenty-first verse. I read:

> His Lord said unto him, well done, thou good and faithful servant; thou hast been faithful over a few things, I will make thee ruler over many things; enter thou into the joy of thy Lord.

Certainly these words apply very distinctly and directly to our departed friend, William Tyler Page.

The SPEAKER. The gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Speaker, time is never wasted which we spend in honoring departed greatness. It is very difficult, indeed, for me to say anything here on the floor of this House. The death of my dear friend, William Tyler Page, has come as a distinct shock to me. He has been my friend and confidant for 24 years. I always felt free to go to him for advice touching the procedure of the House and I have almost knelt at his feet to learn from him the traditions of this House. No man loved or could love a legislative body more than William Tyler Page loved the House of Representatives. He was jealous of its

rights and traditions and the principles that have made it great, the greatest legislative body in the world. He reminds me of a great leader who sought to build a great and indestructible nation more than 2,000 years ago. In the golden age of Greece, Pericles would take the young men of Athens to the center of that beautiful city and pointing to the Parthenon, that gem of architecture, then the great beauty spot of the world, would say to those about to become citizens:

I would have you day by day fix your eyes on the greatness of Athens until you become filled with love of her, and when you are impressed with the spectacle of her glory, reflect that it was acquired by men who knew their duty and who had the courage to do it.

These words have been ringing down through the ages. They have inspired the Grecians for 2,000 years and Greece will live again as an independent nation because of those words and that challenge to patriotism. And the influence of William Tyler Page as expressed in the American's Creed will be woven into the hearts and minds of the youth of this land, and in every crisis these words will rise up to inspire our young men and lead them on to victory whenever the independence of this Nation is threatened either from enemies within or from without out borders.

God bless our departed friend. He will live on through the ages; his influence as a great and true patriot will never die so long as this Nation survives as the home of the brave and the land of the free.

The SPEAKER. The gentleman from Alabama [Mr. JARMAN].

Mr. JARMAN. Mr. Speaker, I feel very deeply the bereavement of this country in the passing of our distinguished friend. His office was near mine, which caused me to frequently come in contact with him on the elevator, in the halls, and passing to and fro en route to the House. Being somewhat familiar with his physical condition, to say nothing of his age, I was not at all surprised to learn this morning of our great bereavement; in fact, I have thought of this day many times as I came in contact with him and whenever I would, knowing, as I say, that he could not remain with us very long, I would invariably think of a remark made once by a distinguished physician of Alabama whose son, incidentally, represents our State now in the other body, relative to the death of another illustrious physician of our State. He said, "It is a pity that such a brain must die." I have so many times thought, as I saw William Tyler Page, what a pity it was that such a charming gentleman, with such a varied and widespread knowledge of the functioning of this Government, and particularly the House of Representatives, must soon die, thereby denying to those of us present and those to follow us here the great benefit of that vast ability, experience, and knowledge. In fact, to me he was as much a part of this House as the Speaker's desk, as much a part of this House as these chairs, as much a part of this House as this well, and he will be missed accordingly.

I have thought, also, as I came in contact with him of another expression, and that expression is "a Chesterfield." If there ever was a Chesterfield and a gentleman and a scholar, it was William Tyler Page.

Mrs. ROGERS of Massachusetts. Mr. Speaker, this morning, in coming to the Capitol in a taxicab, I opened a newspaper and on one of the pages there was a picture of William Tyler Page saluting the American flag at the celebration of the fiftieth anniversary of "Pledge of Allegiance to the Flag." I did not know then of his passing, but I thought all the way to the Capitol of William Tyler Page's love for the flag and of his love of country—of what he had done for America. It seemed to me that William Tyler Page, when I heard of his passing this morning, had died saluting the flag. There has never been a person on the floor of Congress who has had more influence on the lives of the Members here. I do not mean the influence alone upon the Republican side, for he was a Republican, of course, and perhaps saw the Republican Members more often, but I refer to his influence upon the lives of everybody here. I never knew William Tyler Page to do a mean thing or to say a mean thing. I never knew him to wish to hurt any Member of Congress, whether he agreed with his views or not or whether he thought his views might be wrong. He was always pointing upward and onward. I have thought so many times in seeing the young pages here what a wonderful example he was to them, and that he always will be. He never grew old. His enthusiasm was as great yesterday as when I saw him first here at the Capitol 28 years ago. He started here as a page and he worked his way up and up and up into a high position of great honor and distinction that can be exceeded by none. His life, his hand, his heart, and his mind have reached out all over America. He is known in the nations of the world. He was an innate gentleman, a great student, a true Christian, and a patriotic tireless leader. After his 74 long useful years of outstanding, faithful, loyal service to his country, he died as he would have wished—still in the active service of his country.

Mr. RANKIN of Mississippi. Mr. Speaker, William Tyler Page was a great American. He has left his footprints on the sands of time.

Shakespeare says:

Let fame, that all hunt after in their lives,
Live register'd upon our brazen tombs,
And then grace us in the disgrace of death;
When, spite of cormorant devouring Time,
Th' endeavour of this present breath may buy
That honor which shall bate his scythe's keen edge,
And make us heirs of all eternity.

William Tyler Page, by compiling The American's Creed, not only left his footprints on the sands of time, but attained that honor that has "bated his scythe's keen edge, and made him heir of all eternity."

That creed is our platform; it embodies everything for which America stands, everything for which our men are fighting and dying today. It will outlive all the international towers of Babel that are destined to crash amidst the confusion of tongues now and for ages to come.

In it you hear the voice of Patrick Henry appealing for American independence, you hear the rattle of Washington's sword, you get an insight to Jefferson's philosophy, you realize the valor of Jackson, the magnanimity of Lincoln, the sacrifices of Davis, the tenacity of Grant, and the soul of Lee. It breathes the spirit of an ever-living and unconquerable America.

I believe it was Philip Snowden in the House of Commons some years ago who quoted from one of Swinburne's poems when he said:

All our past acclaims our future: Shakespeare's voice and Nelson's hand,
Milton's faith and Wordsworth's trust in this our chosen and chainless land,
Bear us witness: come the world against her, England yet shall stand.

With the American's Creed, embodying as it does the fundamental principles of the Constitution of the United States, with its sacred Bill of Rights, with that creed spread upon our banner, breathing the spirit of the great men of the past, those patriots whose blood has stained every battlefield on which our heroes have fought, this country, and the things for which it stands, can never be conquered or destroyed.

William Tyler Page was a Christian gentleman. I can say of him as Ben Hill said of Robert E. Lee, that he was a friend without treachery, a foe without hate, a neighbor without reproach, a public servant without vices, a private citizen without wrong, a Christian without hypocrisy, and a man without guile.

He was a Republican and I am a Democrat, but he was one of the best friends I have ever had in this Capitol. That friendship, which has been described as the flowers overhanging the walls of party politics, was always manifest in the life and character of William Tyler Page. He has told me many times that he remembered me in his prayers; and he knew that his devotions were reciprocated.

It is with a sad heart that I say to him in the words of Byron:

Farewell! if ever fondest prayer
For other's weal avail'd on high,
Mine will not all be lost in air,
But waft thy name beyond the sky.

Mr. SHORT. Mr. Speaker—

The moving finger writes; and, having writ,
Moves on: nor all your piety and wit
Shall lure it back to cancel half a line
Nor all your tears wash out a word of it.

Time is inexorable. She is no respecter of persons and each one of us sooner or later must inevitably fall before her onslaught. Not all our piety, wit, and tears will bring back our dear, departed friend. My heart is heavy with sorrow, my mind is overburdend with grief, and my tongue is paralyzed with impotency to give utterance to the deep emotion that wells up in me at this moment. I fear that anything I might attempt to add will be barren repetition. The heart can feel what the tongue cannot speak. I have been genuinely touched by these so well-deserved and glowing tributes

paid to a man who for threescore years served in this body, served from the humblest capacity as page boy up to one of the most important offices in the organization of the House as its Clerk.

William Tyler Page was loyal to his friends. He was charitable to his enemies. Often as I have sat by his side in this Chamber listening to different Members speak, he was just as quick to criticize a Republican, if not a little more so, than any Democratic Member; but never did he criticize any man, how much he might have differed with his views, except in the most charitable and understanding and kindly manner.

Tyler Page was more than a man. He was an institution. He was steeped in the history of our great Nation. He knew the centuries of parliamentary strife that gave rise to the birth of this Republic. He insisted, and correctly so, that our Government is a republic and not a democracy. No man could have served for 60 years in this body, seeing great and small come and go, observing administrations of different political colors, associating daily in a more or less intimate fashion with the Members of this body, without growing to be a great man. Tyler Page was great, not because of his prodigious and impeccable memory of our history that enabled him to entertain us with many amusing anecdotes and incidents that occurred in this body, not merely because of his penetrating and philosophical insight into the basic foundations of the Republic, as well as his vast knowledge of operational functions of government, not merely because he was jealous of the prerogatives of this body and possessed undying faith in the glory and progress of the Republic, but Tyler Page was a great man, first and last, because of those great spiritual values and inner qualities of mind and heart that are all too rare in these days of might and materialism, of confusion and chaos.

It is true that Tyler Page's name is a household word because he was the author of The American's Creed, which has been so comprehensively yet compactly analyzed and described to us in such beautiful fashion today by the gentleman from Mississippi [Mr. RANKIN]. The American's Creed would make any man famous but it was Tyler Page who made Tyler Page great. Emerson once said—

What you are speaks so loud that I cannot hear what you say.

Much as I admired the intellect of Tyler Page, much as I valued the sound counsel and advice that he gave to me, as he did to most of us on occasions when we needed them, the things that I will remember about Tyler Page will be not the things that he said, but the kind of man that he was. No man ever better illustrated the truth, the immortal truth of Emerson's great dictum—

What you are speaks so loud that I cannot hear what you say.

Though his clear, strong voice is stilled and will no longer be heard, the influence, the indelible, undying influence of his spirit, the imperishable impact of his attractive personality, with its gallant carriage, with its immaculate dress, with its dignified bearing, with its gentlemanly and courteous ways, is left upon his contemporaries. That impact of his own personality upon you and me will live on. It cannot die.

So I salute Tyler Page and say, "Goodbye, Tyler, old boy. You had a wholesome sense of humor. You taught us what courage was and faith, too. You have done a great job. You have rendered a service that is immeasurable to your generation and to your country. Uncle Sam needs more men like you—especially just now. We are better men and better Americans for having known you. Though we shall miss your physical presence in this body, your spirit of kindliness and helpfulness, you who were always humble in victory and strong in defeat, will linger in our memories and march side by side with us as we carry you in our hearts down until that hour when we shall answer the final roll call."

The SPEAKER. The gentleman from Alabama [Mr. HOBBS] is recognized.

Mr. HOBBS. "A four-square man withouten flaw ywrought."

Such supreme praise was earned by William Tyler Page. Too high for anything low; too broad for narrowness, or to be confined by partisanship. Too strong for the weaknesses to which human flesh is heir. Too sweet for bitterness, meanness, or those poisons which degrade our manhood. Too noble to close his heart to the poor, weak, friendless, while walking intimately with the great—he was friend of all. Too patriotic to live or preach narrow nationalism.

He walked with God, and was not, for God took him.

Mr. O'HARA. Mr. Speaker, this occasion is an example of the human qualities of the membership of this House. We have paused in the midst of pressing business of the House and the majority and the minority leaders have spoken as has the membership of the House, irrespective of parties, eloquently and so sincerely on the passing of a dear friend who has served honorably and long; spoken with admiration and from the heart the finest tributes that could be paid to any man in any walk of life.

To me, as a Member serving his first term, William Tyler Page has been a great influence. Like my oath of office, like the friendships I have made, one of the beautiful things that has left a lasting impression on me is the personality of William Tyler Page. No one but a great Christian, no one but a great American could have written the American's Creed. No one could have written that great document who did not love and understand the Constitution and have been inspired in a few simple sentences to write as he did.

All over the land today the youth of this country will read of the death of William Tyler Page with sadness, for they have come to know him, too, and through the power of his pen to carry with them his inspiration through life.

In the bitterness of the conflict here it was the greatest comfort to sit by his side and have his advice; for he had absorbed in his 60 years of service here the tradition and an understanding of this House that is given to too few men. These walls were a temple to him, with the world outside but the way to and from that to which he had dedicated his life as a servant and as a citizen of his Government.

William Tyler Page in his time has lived with the great figures of this House who have helped make the history of this Nation; and as he saw his friends go, one by one, he must have thought:

As time goes on the trail grows strange
With faces new; and at the end
The milestones into headstones change
'Neath every one a friend.

Like you, whenever I enter this Chamber I shall miss one of the finest, kindest, sweetest characters that I ever knew, and so long as I may sit within these walls there will be no character that will be of greater influence upon me than was William Tyler Page. I shall miss his cheerful and friendly smile and greeting, his wisdom and his dignity—for William Tyler Page was a part of the tradition of the House, a part of the human living element, a conscious or unconscious influence on all of us.

In all sincerity I say: Hail and farewell. Peace to you, my friend.

The SPEAKER. The gentleman from Massachusetts is recognized.

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent that all Members may have the right to extend their remarks at this point in the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. CASE of South Dakota. Mr. Speaker, before I came to Washington I was told that there was a man at the House of Representatives who could be of very great help to a new Member of Congress. He could be identified, I was told, by the cutaway coat he wore and his emphasis upon the rules of the House. I came here, then, in the expectation that I would find an austere, precise sort of individual, who could be helpful to me if I could muster enough courage to approach him. Of course, every Member knows how approachable, how lovable, how helpful William Tyler Page was. No Member of this House owes more to William Tyler Page than do I. He was my friend, my counselor, my support on many, many occasions. I loved him for his charity, I loved him for his erudition, I loved him for his friendship. It took a great American to write the American's Creed. William Tyler Page was a great man, a great American. I wondered sometimes if he ever secretly wished that he might have been a Member of the House. He would have been an outstanding Member, of coursee, but somehow today, I am glad that I can remember him as something better than a Member—a teacher, a counselor, a mentor of Members.

Mr. DINGELL. Mr. Speaker, I submit a beautiful thought and a tribute to William Tyler Page, offered by our cloakroom attendant, James B. Tyler, which reflects my feelings:

They never quite leave us, the friends who have passed
Through the shadows of death to the sunlight above,
A thousand secret memories are holding them fast
To the places they blessed with their presence and love.

Mr. CANFIELD. Mr. Speaker, William Tyler Page, author of the American's Creed and president general of the United States Flag Association, who died suddenly this morning, leaves an irreplaceable void, not only in this House but in the America we love.

He was one of my dearest friends. He was interested in me as he was in all the Members of this body. He and I lunched together at least three or four times weekly during the sitting days of the Seventy-seventh Congress, and we often met during the evening. I loved him because he breathed the soul of America and gave me encouragement in these trying days when American institutions are so imperiled.

I owe him a debt I can never repay, and I shall miss him more than I can say.

When Mr. Page observed his seventy-fourth birthday anniversary I spoke briefly in the House, and I referred to him as the "patriarch of pages, the helping hand in the House, and inspiration itself."

Today I mourn the passing of Capitol Hill's greatest.

Mr. GILLE. Mr. Speaker, we pause here today to pay tribute to a grand and noble character and to pay a just and loving tribute to the memory of William Tyler Page.

I learned to know Mr. Page when I came to Congress in 1939. On many occasions I sought his advice and counsel on matters pertaining to legislative and parliamentary procedure in the House and I shall always appreciate the value of his timely advice. How deeply grateful I am that he personally autographed a copy of The American's Creed, of which he was the author, and which now adorns my office wall.

I have always held Mr. Page in high esteem but in addition to that he was a great inspiration to me. Strong of body, strong of character, he represented to my idealism the spirit of the American pioneer. I shall always remember him as the embodiment of those stalwart characteristics that have gone into the building of a great Nation.

Mr. CHENOWETH. Mr. Speaker, I was shocked when I reached the floor of the House this morning to learn of the passing of William Tyler Page. It is impossible for me to express the emotions that are mine.

One of my first impressions on coming to Congress 2 years ago is that of meeting Mr. Page. Like all new Members I soon formed a deep admiration for him. This feeling of love and respect grew as the months went by. I shall never come to this floor without being reminded of him.

To visit with Tyler Page was a rare privilege. He was always glad to share with others the wealth of information that he possessed on the procedure and traditions of Congress. I asked him why he did not write a story of his life. He replied that he had been asked to do so by a magazine of wide circulation and had prepared considerable copy. However, it was never published because Mr. Page did not want to include reference to men still living. I hope sometime we may have the benefit of his observations.

No one could know Tyler Page without being a better man. By his death I have suffered a heavy personal loss. One of my proud boasts will always be that I knew and loved Tyler Page.

I cannot say and I will not say
He is dead—he is just away.

Mr. MARTIN of Massachusetts. Mr. Speaker, I offer a resolution (H. Res. 861) and ask for its adoption.

The Clerk read as follows:

Resolved, That the House has heard with profound sorrow of the death of Hon. William Tyler Page, an employee and officer of the House for nearly 62 years.

Resolved, That as a mark of respect to his memory the Speaker appoint a committee of four Members to attend the funeral services.

Resolved, That the Clerk transmit a copy of these resolutions to the family of the deceased.

The resolution was agreed to.

The SPEAKER. The Chair appoints the following committee of Members to attend the funeral: Messrs. CANNON of Missouri, ENGLEBRIGHT, EATON, and ROBSION of Kentucky.

CALENDAR WEDNESDAY—BUSINESS DISPENSED WITH

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that business in order on Calendar Wednesday of this week be dispensed with.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

PERMISSION TO RECEIVE A MESSAGE AND SIGN ENROLLED BILL NOTWITHSTANDING ADJOURNMENT OF HOUSE

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that notwithstanding the adjournment of the House the Clerk be authorized to receive a message from the Senate, and the Speaker be authorized to sign the enrolled bill of the House, H. R. 7378, an act to provide revenue, and for other purposes.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that the time allotted me to speak today be postponed until tomorrow; that on tomorrow, after the disposition of the legislative business of the day and other special orders I may address the House for 20 minutes.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

GETTING OUT THE VOTE

Mr. DINGELL. Mr. Speaker, I ask unanimous consent to address the House for 3 minutes.

The SPEAKER. There are two other special orders pending, but if there is no objection the gentleman may proceed for 3 minutes.

Is there objection?

There was no objection.

Mr. DINGELL. Mr. Speaker, the Nation fights for freedom, for the American way of life, and for democracy. What shall we have gained by winning battles abroad if we should surrender the sacred right of self-government at home? The exercise of the right to vote is the only assurance we have of democracy's survival. If we do not care enough to vote, then we forfeit our right of governing ourselves. It is timely, most urgent I should say, that every newspaper, every radio station, and every medium of publicity in America during these next 2 weeks should concentrate upon the problem of arousing that element of our people who altogether too frequently fail to exercise this constitutional right and privilege.

We must get out the vote. It is the most patriotic service the newspapers and the radio can render. It is more important than scrap in that it is more lasting and vital to America. Why not institute a Nation-wide radio campaign with hourly, yes; half-hourly reminders for the people to vote on election day. The people have grown tired of hearing about the virtues and the value of "bull-rush" and "helluva" watches. The Nation will profit from these gratis announcements made by patriotic and propublic radio stations for a revival of the rush for the polls on November 3. Election day this year, Mr. Speaker, is America's day of trial.

PERMISSION FOR INTERSTATE AND FOREIGN COMMERCE COMMITTEE TO FILE REPORTS

Mr. BOREN. Mr. Speaker, I ask unanimous consent that the Committee on Interstate and Foreign Commerce may have until 12 o'clock tonight to file reports on the bills S. 2693 and H. R. 7370.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma [Mr. BOREN]?

There was no objection.

EXTENSION OF REMARKS

Mr. SHORT. Mr. Speaker, I ask unanimous consent to include in the Appendix of the RECORD an article by T. V. Smith, professor of philosophy, University of Chicago, a former Member of this House, which appeared in the magazine section of last Sunday's New York Times.

The SPEAKER. Is there objection to the request of the gentleman from Missouri [Mr. SHORT]?

There was no objection.

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and to include an analysis of the tax bill by question and answer.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. REED]?

There was no objection.

Mr. GEHRMANN. Mr. Speaker, I ask unanimous consent that my colleague the gentleman from Wisconsin [Mr. SAUTHOFF] may be permitted to extend his own remarks in the Appendix of the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin [Mr. GEHRMANN]?

There was no objection.

Mr. WALTER. Mr. Speaker, I ask unanimous consent that under my extension of remarks I may be permitted to have published a proposal made by the president of Lafayette College.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania [Mr. WALTER]?

There was no objection.

(Mr. TOLAN asked and was given permission to extend his own remarks in the RECORD.)

PERMISSION TO ADDRESS THE HOUSE

Mr. GREEN. Mr. Speaker, I ask unanimous consent that I may today after other special orders of the House have been disposed of address the House for 5 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Florida [Mr. GREEN]?

There was no objection.

EXTENSION OF REMARKS

Mr. MONRONEY. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an editorial on one of the heroes of Bataan taken from a Lovick, Tex., paper.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma, [Mr. MONRONEY]?

There was no objecion.

Mr. GIFFORD. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and to include a very thought-provoking editorial on the tax bill.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts [Mr. GIFFORD]?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. AUGUST H. ANDRESEN. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes today at the conclusion of other special orders.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN]?

There was no objection.

EXTENSION OF REMARKS

Mr. THOMAS of New Jersey. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include the Communist affiliations of three of the contributing editors of the magazine New Republic.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey [Mr. THOMAS]?

There was no objection.

Mr. MICHENER. Mr. Speaker, I ask unanimous consent that the gentleman from Kansas [Mr. REES] may have permission to extend his own remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Michigan [Mr. MICHENER]?

There was no objection.

Mr. MICHENER. Mr. Speaker, I ask unanimous consent that I may extend my own remarks in the RECORD and include an address delivered on September 25 by the minority leader, the gentleman from Massachusetts [Mr. MARTIN].

The SPEAKER. Is there objection to the request of the gentleman from Michigan [Mr. MICHENER]?

There was no objection.

AMENDMENTS IN THE TAX BILL ON THE RENEGOTIATION FEATURE

Mr. CASE of South Dakota. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, and to revise and extend my own remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from South Dakota [Mr. CASE]?

There was no objection.

Mr. CASE of South Dakota. Mr. Speaker, the amendments to the renegotiations statute which are embodied in the conference agreement on the tax bill will be of considerable help to the administration of the act. As I stated when the conference report on the sixth supplemental appropriation bill was adopted last spring, the renegotiations statute is not a perfect solution of the profits problem in wartime contracts. It was a start, however, and under its provisions the taxpayers of the country will be saved upward of $2,000,000,000 this year. That is worth while. It is still true that a penny saved is a penny earned. Any statute of this character requires actual operation to determine its workability. Experience of the past 6 months has enabled the price adjustment sections of the Army, Navy, and Maritime Commission to agree upon some of the changes that have been requested by American business. The amendments adopted today are not controversial All of them, it is believed, will help in the operation of the statute and help in attaining the goal of the elimination of profiteering in war contracts. I hope that the study of curbing excessive profits will not be abandoned at this point. It is a difficult problem at best, and every Member should contribute his efforts to its solution.

LET ENGLAND HANDLE THE HESS MATTER

Mr. RANKIN of Mississippi. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my own remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi [Mr. RANKIN]?

There was no objection.

Mr. RANKIN of Mississippi. Mr. Speaker, the American people will applaud the statement of Secretary of State Cordell Hull when he said that the disposition of Rudolph Hess was a matter for the British Empire to handle.

Much as we would like to see all the Nazi leaders hanged, we must realize that the Hess matter is Great Britain's own affair.

I realize how the Russians feel. On the other hand, personally, I should like to see Stalin hang Sato, the Japanese Ambassador who helped to lay the plans for the Pearl Harbor treachery. I should like to see Russia declare war on Japan and give us bases in Vladivostok so we can establish a second front there, blast hell out of Tokyo, and relieve the pressure on our boys who are dying at the hands of the Japs in the Southwest Pacific.

[Here the gavel fell.]

EXTENSION OF REMARKS

Mr. ANDERSON of California. Mr. Speaker, I ask unanimous consent that my colleague the gentleman from Michigan [Mr. WOLCOTT] may be permitted to extend his own remarks in the RECORD and include therein a letter from a constituent.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

The SPEAKER. Under a previous order of the House, the gentleman from Minnesota [Mr. KNUTSON] is recognized for 15 minutes.

THE FARMERS' FRIENDS

Mr. KNUTSON. Mr. Speaker, as election day draws nigh, the American farmers are apt to ask themselves, "Who are the farmers' friends?"

The leaders of the Democratic Party have curried favor with organized labor because labor is highly organized and casts many votes. The Democratic leaders have turned friendly ears to the demands of organized labor. They have likewise given favorable consideration to the manufacturing interests, especially those engaged in war production.

The farmers, however, are constantly rebuffed by the administration and their claims to economic justice are vigorously denounced. The farmers and the small businessmen seem to have no friend at court.

War contracts have been given, on a cost-plus-profit basis, to the large plants of powerful corporations. Priorities have left small manufacturers without material needed in their small plants. Aid to small business has not been forthcoming, as was promised. A few days ago, Lieutenant General Somervell, appearing before the Senate Small Business Committee, stated that thousands of small industrial plants "will have to close, and you can put that down as a fact." He said that the Army simply cannot fit them into its production program. The same thing, on a much larger scale, is happening in agriculture. Production of food and fiber is falling off. The administration does not seem to know how to fit agricultural production into its program of war production.

INFLATION

The administration has tried to make the farmer the goat in the matter of threatened inflation. Farmers have the lowest per capita income of any class of

our people. They have less money to spend than anyone else. Their prices have been and still are much lower, proportionally, than the prices and wages of our nonfarm citizens. Prices of certain farm products have been recently rising, but not so rapidly as have other prices and wages. Farm prices ought to rise as other prices rise. It is unjust for the administration to attempt to make it appear that a reasonable rise in farm prices constitutes our greatest threat of inflation. Yet the President, in his message to Congress, on September 7, announced his determination, above all things else, to hold farm prices down.

FARM LABOR COSTS

Farm labor constitutes an important part of the cost of operating a farm and in producing farm products. By reason of the draft and the allurement of high wages in industry, the demand for farm labor is high and little is to be had at a wage which the farmer is able to pay.

During the recent debate in Congress on revision of the price-control law, an amendment was offered to the then pending bill to cause the cost of farm labor to be figured into the parity price formula. That was a reasonable proposal, because a parity price that does not take into consideration the element of greatly increased labor costs is not an honest parity price.

The administration, however, opposed this reasonable request with all its power. A compromise measure, worded in vague language, was forced upon Congress. The new law, administered by those who are intent upon holding down farm prices, will doubtless fail to give the farmers prices adequate to enable them to hire necessary help. Because of low price ceilings on farm and dairy products, many farmers and dairymen have been forced to go out of business. Actual shortage of farm production, so necessary to the war effort, will doubtless result from the shortage and rising cost of farm labor. This oppressive policy of the administration as to agriculture is most unwise—yea, dangerous.

COMPUTING PARITY

Not only does parity, as computed by the United States Department of Agriculture, fail to take into consideration the increased cost of farm labor, but it also relates back to a period, 1909–14, when all wages and prices were very much lower than they are today. The farmer's dollar will not go nearly as far today as it did in the base period 1909–14. Parity for the farmer is figured on the basis of a price relationship that existed 30 years ago, while wages are being increased 15 percent above what they were on January 1, 1941.

AGRICULTURAL PRICE FLOORS

The prices of many farm products have not reached the low parity ceiling, figured without regard to increased cost of farm labor.

Due to certain conditions which exist in the agricultural market it is not likely that these prices ever will reach the ceiling, wherever it may be fixed. As to industrial goods and commodities, ceiling prices are actual sales prices. That is not true as to the prices of basic agricultural commodities. As to these commodities, such as grains, the true friends of the farmer are thinking in terms of floors under prices rather than of ceilings over prices. A feeble step has been taken in the direction of establishing price floors at 85 percent of parity—figured without regard to labor costs. Efforts have been made to establish a floor at 100 percent of parity, but such efforts have met with the determined opposition of the administration.

It is true that the new law does provide for Government loans on basic crops at 90 percent of parity, but the law also contains a provision which will enable the President, by selling Government-owned grain for feed, to break the market at any time and to push the ceiling down to 85 percent of an unreasonably low parity price. As a matter of fact, the present farm price of wheat is only 76 percent of parity—figured without regard to labor costs—of corn, only 85 percent of parity; of oats, only 71 percent; of barley, only 60 percent; and of rye, only 50 percent of parity.

INTERNATIONALISM

One important reason for this hostile attitude of the administration toward the farmer is its settled policy to promote the cause of internationalism. Several straws show which way the wind blows.

The administration has been opposed to the production of synthetic rubber out of American-grown farm products. Why is that the case? Simply to promote a mistaken policy of international good will by giving protection to the British and Dutch rubber monopoly. Merely to mention this matter is enough to make the angels weep, so I shall forbear from pressing the point.

Another important reason why the administration is trying to keep agricultural prices down is that the Democrats are steadily working toward a policy of free trade. To establish international free trade requires that American prices, especially agricultural prices, shall be brought into line with low world prices. The theory of the administration seems to be that it is better to put American agriculture onto a low world-price level, in order to stimulate foreign trade, than it is to permit American farmers to enjoy the American standard of living. It seems to be the purpose of the administration to reduce American farmers to the status of colonial producers of cheap raw materials for foreign interests to exploit.

To make America economically independent and self-contained is not in line with New Deal policy. If the New Deal succeeds in bankrupting agriculture, as it certainly will do, if given the chance, it will also succeed, at the same time, in tearing down our entire national economy. The Nation cannot long endure half free and half slave, half American and half European, in its standards of economic life.

AGRICULTURAL SUBSIDIES

Finally, a word about subsidies. No one believes that the payment of subsidies to farmers constitutes a solution of the farm problem or of any part thereof. It is merely a means of helping to keep the producers of our food and fiber products from starving to death. It is supposed to compensate farmers for their loss in having to take less than a cost-of-production price in the market place. These subsidy payments, however, are merely token payments. They are not sufficient to compensate the farmers for losses resulting from inadequate prices.

Mr. CUNNINGHAM. Mr. Speaker, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Iowa.

Mr. CUNNINGHAM. Does not the gentleman feel that the present policy of the administration will make necessary the continuation of subsidies to the farmer?

Mr. KNUTSON. I am not sure we are going to have farmers very much longer. The policy seems to be to drive them out of business, if I may judge by the number who are leaving the farms. They are forcing them to sell their belongings and move to town. Then perhaps the new dealers will set up a new and glorified W. P. A. that will constitute a trough where everybody may partake to the fullest without doing anything toward producing.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. Does not the gentleman feel that there may be something in the objective of the administration to keep farm prices down below parity so that they can continue to pay out these subsidies and try to maintain a political organization in agriculture?

Mr. KNUTSON. I will answer that in just a few moments. I am coming to that, may I say. Of course, the gentleman is absolutely right. The administration has been buying the elections. They bought the 1934, 1936, 1938, and 1940 elections out of the Federal Treasury. We all know that. Even the most ardent new dealer does not deny it.

Many people wonder why it is that the administration prefers to pay to farmers money out of the Public Treasury rather than to permit the farmers to receive fair prices on the sale of the products of the farm. There are many answers to this simple question. The most obvious answer is that this administration believes in low prices for farmers and high wages for organized labor. The administration figures that it does not need the votes of the farmers as much as it needs the votes of the city workers; that national elections can be carried by the vote of the industrial cities and States, without the vote of the rural regions. It believes that it can curry favor with industry by holding agriculture in subjection.

Such a policy, however, is in itself inflationary. The subsidy is, in fact, a payment out of the Treasury to the farmer for the benefit of the consumer. As John Brandt, of Land O' Lakes Creameries, has recently pointed out:

If a pound of butter is actually worth 50 cents, and the producer receives on the sale of butter only 40 cents, the Government's payment of 10 cents a pound to the producer—just for sake of

argument—is a 10-cent subsidy to the consumer, who is thereby enabled to buy for 40 cents that for which he should, in equity and good conscience, pay 50 cents. It enlarges the purchaser's buying power at a time when he has plenty of spending money in his pocket. It would be less inflationary if the consumer, with ample purchasing power, should pay the full price—the honest price—of the things he buys rather than enlarging his purchasing power by buying agricultural products at cut rates.

At a time of generally rising prices subsidies should be abolished. Let everyone have a just return for his goods and services, but let no ceilings be fixed at a point below a just return merely to permit New Deal politicians to dole out public funds for political purposes.

The SPEAKER pro tempore (Mr. MAGNUSON). Under a previous order of the House, the gentleman from Florida [Mr. GREEN] is recognized for 5 minutes.

PREVENTING MORTGAGE FORECLOSURES

Mr. GREEN. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include therein a brief resolution in support of H. R. 7533.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. GREEN. Mr. Speaker, I strongly urge your study, consideration, and support of a bill which I have introduced, H. R. 7533, for the relief of owners of certain properties, mortgages, bonded obligations, and current obligations rendered inoperative by reason of restrictions arising from the war effort. This legislation will relieve distress among owners of property, particularly vacation and resort properties, which have lost their earning power by reason of the war effort and resultant restrictions on the use of automobiles and other methods of transportation. It will relieve the distress in certain cases of bonded indebtedness of States, counties, cities, and districts, particularly in cases where such indebtedness may go in default by the loss of gasoline- and oil-tax revenues. This bill will relieve the distress of said local governmental units in meeting current obligations caused by the loss of gasoline- and oil-tax revenues.

In many States of the Union gasoline- and oil-tax revenues are used not only to retire bonded road and other indebtedness but also to meet current State obligations. A most unhealthy condition may exist if these bonded debts go in default. Likewise, an acute situation will arise if these governmental units are not able to meet their current obligations. Throughout the country, such properties as hotels, apartment houses, rooming houses, tourist camps, auto courts, food places incident to these establishments, gasoline filling stations, automobile general-service stations have existing mortgaged indebtedness. Their hope in the past to meet and pay off these mortgaged obligations has been through revenues derived primarily from transaction of business with the traveling public. The war effort in many instances has rendered practically idle and inoperative certain of these properties. The relief of these obligations is not a minor matter. It is a matter of far-flung importance and beyond the power, in many, many instances, of local financial ability to meet.

Inasmuch as these pending and already occurring defaults have grown out of the war effort, they are national in scope and their relief has become a Federal responsibility. Under the provisions of H. R. 7533, the Reconstruction Finance Corporation is the designated agency to make loans, of course, upon security showing, for the relief of the indebtedness mentioned, and for other financial relief. While the need for this legislation is more acute in the so-called tourist States, its need will grow more and more acute in each of the 48 States. It is legislation which should be enacted now. Without the enactment of this legislation or similar legislation, foreclosures may reach tremendous and damaging proportions in all parts of the country.

During a war crisis is indeed an inopportune time for wholesale mortgage foreclosures. The general effect of such would be damaging and demoralizing to an extent which might even impede the war effort. There is a strong sentiment and desire in all parts of the country for this legislation, and I take the liberty to include herewith copy of a resolution which has already been adopted by organizations and governmental units that know the acute need now of this legislation. This resolution was passed on to me by Hon. John R. Beacham, of West Palm Beach, Fla., and president of the Florida State Senate. He is one of America's leading businessmen, economists, and patriots. I commend the substance of the resolution and H. R. 7533 to your immediate study, consideration, and favorable action. It is anticipated that the House Banking and Currency Committee may in the not distant future have hearings on this legislation, and I trust that each of you, after having familiarized yourself with the scope and purpose of the legislation, may indicate to the committee your views concerning same.

The resolution is as follows:

Resolution requesting the Congress and the President of the United States to enact emergency measures for the protection of pleasure and resort properties whose income from the tourist or automobile trade has been seriously curtailed due to the war

Whereas many persons in every State in the United States have invested their money in pleasure or resort or vacation property which has lost its earning power by reason of war conditions; and

Whereas a great majority of such properties are mortgaged and unless some relief during the war is speedily provided, hundreds of thousands of owners of such property all over the United States will lose their life savings and become destitute due to mortgage foreclosures; and

Whereas a Nation-wide wave of mortgage foreclosures will greatly depress the value of all other real estate as well as that of unmortgaged hotels, apartment houses, and other unencumbered resort properties, and will cause economic depression very detrimental to the war effort; and

Whereas such depression will cause the loss of tax revenue of States, counties, cities, and towns, and will cause impairment of value of the investment of insurance companies, banks, loan companies, and private investors who hold the encumbrances against resort properties; and

Whereas as a part of the war effort it is needful that said properties be maintained in good condition and kept open for the housing of civilians as well as military personnel, especially in case of a long war and also in the reconstruction period after the war; and

Whereas said properties have lost their earning power through no fault of their own, and from past performance have demonstrated that if tided over the present emergency will be sufficiently able to meet all their obligations; and

Whereas foreclosure of hundreds of thousands of such properties throughout the United States would result in a complete economic disaster which is easily avoidable; and

Whereas the use of such properties has not only been curtailed by reason of restriction on automobile, bus, and railroad travel, but also because of restrictions as to the use of such properties due to black-out and other military regulations; and

Whereas at the present time Senator PEPPER of Florida, and Senator MCNARY, of Oregon, have each introduced a Senate bill and Congressman LEX GREEN, of Florida, has introduced a House bill for the purpose of relieving property in distress due to war conditions; and

Whereas it appears that the bill of Congressman GREEN (H. R. 7533) is the most suitable of the bills above mentioned for the purpose of relieving the emergency distress condition in which the owners of resort properties throughout the United States now find themselves: Now, therefore, be it

Resolved by the undersigned as follows, to wit:

That we do hereby go on record as endorsing House bill 7533 as best suited to obtain relief for the hundreds of thousands of property owners throughout the United States who are now facing loss of their properties due to war conditions wholly beyond their control.

That we go on record as approving the efforts of Senators PEPPER and MCNARY to obtain relief for such property owners, and further request that the sponsors of the above-mentioned bills now introduced in the Senate be asked to amend their respective bills so as to conform to House bill 7533 and so that property owners in the city and State below mentioned could qualify for said relief; be it further

Resolved, That a copy of this resolution be forwarded to the Honorable ROBERT F. WAGNER, chairman of the Banking and Currency Committee of the United States Senate, and a copy to the Honorable HENRY B. STEAGALL, chairman of the Banking and Currency Committee of the United States House of Representatives, before which bodies the above-mentioned bills are now pending.

The SPEAKER pro tempore. Under previous order of the House, the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN] is recognized for 5 minutes.

THE NEW TAX LAW HITS MIDDLE-CLASS GROUP

Mr. AUGUST H. ANDRESEN. Mr. Speaker, this tremendous war tax bill which is about to pass Congress will cause a terrific impact upon the economy and standard of living of most people in the United States. It is estimated that this bill plus the existing tax law, will raise more than $26,000,000,000 from

1942 incomes, or approximately 25 percent of the entire national income.

While all people are willing and glad to make great sacrifices to help pay for the cost of the war, it must not be overlooked that more than 70,000,000 Americans are living on fixed or reduced incomes, wages, and salaries, and therefore do not share in the great wave of war prosperity. This group representing our great American middle class will be the hardest hit by the rates provided in the new tax law. These people will contribute more in making sacrifices than those who enjoy benefits and profits from war spending. Their standard of living will be greatly reduced, but they are nevertheless willing to make these sacrifices in order to back American men on all battle fronts and to win victory over our enemies.

The backbone of America's middle class is represented by small independent business, service establishments, professional men and women, owners and workers in manufacturing and other plants engaged in the distribution or production of goods and products for civilian needs, and those who are living on diminishing incomes from fixed investments. These men and women are needlessly being put out of business and profession, and something must be done about it before it is too late. When the middle class is liquidated, American democracy is destroyed. We are fighting this war to save freedom and democracy.

Take the case of the independent merchant and small manufacturer. Commerce Under Secretary Taylor recently predicted that more than 300,000 of this group will be out of business by July 1, 1943. I dare say that his estimate is very conservative. It may be double that figure or more. When these concerns stop their activities, tens of millions of other people are directly involved, and they too are reduced in opportunity, income, and standard of living.

Many promises to save small business have been made by those in high authority, but nothing constructive has been accomplished to do the job. Big business executives have generally dictated the policies to assist small business. The little operators have not been called upon or given an opportunity to shape or administer any program to help them stay in business. Why not give them a chance to formulate and administer a plan so that they too may survive and continue to pay taxes, buy bonds, and keep their patriotic place in our social and economic structure for the building of a strong morale in the Nation's fight for freedom. I call upon the administration to give them a chance.

The progressive and loyal businessmen of Owatonna, Minn., have worked out a plan to save small business which I believe will work if given opportunity. In brief, the Owatonna proposal simply provides for a Nation-wide organization of independent businessmen to function for all types of business engaged in supplying goods and products for civilian needs. It proposes a committee of 12 small business men representing different lines for each State, and a national committee with authority to administer and carry out policies to keep small business going without interfering in any manner with the Nation's war effort.

In other words, this group representing the various lines of small business will actually represent America's middle class. Its principal business will be to find ways and means to secure supplies for civilian needs and factories to produce them in a program to be synchronized into the Nation's war effort.

Time will not permit a full discussion of the Owatonna plan. I expect, however, to furnish Congress with detailed information at a very early date, and will follow the explanation with the introduction of a bill for the consideration of Congress if legislation is necessary.

It is not necessary for me to stress what is happening to small business in every community of our country. You are all aware of it, and I want again to urge that if you expect small business of the country to pay taxes and buy bonds, the time has come to act before it is too late. The cost to the Federal Government of saving small business will be insignificant when we consider that by so doing, we have kept secure the backbone of American democracy. The success of this plan also means the saving of men and women engaged in professional and other lines common to the average community. I am convinced that the plan will work, and above all, I urge that the small businessmen be given their proper place in our national economy with power to function as an agency of the Government in our effort to win the war and preserve American freedom.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. HARE, for the remainder of the week, on account of important business.

BILL PRESENTED TO THE PRESIDENT

Mr. KIRWAN, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, a bill of the House of the following title:

H. R. 5503. An act to authorize the Attorney General to stipulate to the exclusion of certain property from condemnation proceedings.

ADJOURNMENT

Mr. RAMSPECK. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 1 o'clock and 36 minutes p. m.) the House adjourned until tomorrow, Wednesday, October 21, 1942, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1977. A letter from the Archivist of the United States, transmitting a list of papers recommended to him for disposal of certain records of the United States Government; to the Committee on the Disposition of Executive Papers.

1978. A letter from the Acting Secretary of the Navy, transmitting a draft of a proposed bill to suspend until the termination of the present war the provisions of section 7 of the act of August 23, 1912, as amended, relating to certain telephone services; to the Committee on Military Affairs.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar as follows:

Mr. MAY: Committee on Military Affairs. Report pursuant to House Resolution 162, Seventy-seventh Congress, by Special Committee No. 3 investigating the national defense program; without amendment (Rept. No. 2588). Referred to the Committee of the Whole House on the state of the Union.

Mr. TOLAN: Select Committee Investigating National Defense Migration. Report pursuant to House Resolution 113, Seventy-seventh Congress, for the continuation of the select committee conducting the investigation and study of the interstate migration of destitute citizens; without amendment (Rept. No. 2589). Referred to the Committee of the Whole House on the state of the Union.

Mr. BOREN: Committee on Interstate and Foreign Commerce. S. 2693. An act to provide for the instruction of meteorological students in weather forecasting; with amendment (Rept. No. 2597). Referred to the Committee of the Whole House on the state of the Union.

Mr. BOREN: Committee on Interstate and Foreign Commerce. H. R. 7370. A bill to authorize, during time of war, waiver of compliance with or modification or suspension of the operation of certain provisions of the Communications Act of 1934; with amendment (Rept. No. 2598). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. HARRIS of Arkansas: Committee on Claims. H. R. 4029. A bill for the relief of Catherine Barrett; with amendment (Rept. No. 2590). Referred to the Committee of the Whole House.

Mr. SAUTHOFF: Committee on Claims. H. R. 4858. A bill for the relief of the heirs of Simon M. Myhre; with amendment (Rept. No. 2591). Referred to the Committee of the Whole House.

Mr. RUSSELL: Committee on Claims. H. R. 6155. A bill for the relief of Charles Francis Fessenden; with amendment (Rept. 2592). Referred to the Committee of the Whole House.

Mr. WINTER: Committee on Claims. H. R. 6520. A bill for the relief of Jane A. Thornton; with amendment (Rept. No. 2593). Referred to the Committee of the Whole House.

Mr. WINTER: Committee on Claims. H. R. 6780. A bill for the relief of J. M. Jesse; with amendment (Rept. No. 2594). Referred to the Committee of the Whole House.

Mr. PITTENGER: Committee on Claims. H. R. 6873. A bill for the relief of Maude Leach; with amendment (Rept. No. 2595). Referred to the Committee of the Whole House.

Mr. PITTENGER: Committee on Claims. H. R. 6923. A bill for the relief of Mrs. Ada F. Ogle; with amendment (Rept. No. 2596). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. RAMSPECK:

H. R. 7731. A bill to amend section 7 (b) of the act approved June 25, 1938 (52 Stat. 1069), entitled "The Fair Labor Standards Act of 1938"; to the Committee on Labor.

By Mr. VOORHIS of California:

H. R. 7732. A bill to promote the understanding of the American people of the work of their Representatives in Congress; to the Committee on Printing.

By Mr. BROOKS:

H. R. 7733. A bill to amend the Pay Readjustment Act of 1942; to the Committee on Military Affairs.

By Mr. EBERHARTER:

H. R. 7734. A bill to amend the act of May 25, 1937, entitled "An act for the relief of soldiers who were discharged from the Army during the Spanish-American War, the Philippine Insurrection, and the Boxer Uprising because of minority or misrepresentation of age," so as to include certain individuals who enlisted in the Army prior to the War with Spain; to the Committee on Military Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII,

Mr. LESINSKI introduced a bill (H. R. 7735) for the relief of Eleanor McCloskey, also known as Evelyn Mary Mikalauskas, which was referred to the Committee on Immigration and Naturalization.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

3379. By Mr. ROLPH: Resolution of the California-Nevada District of Kiwanis International, to petition the Representatives in Congress of the States of California, Nevada, and Arizona to seek provision for the adequate and continued training of students of exceptional ability under the supervision of the military so long as such students maintain a reasonable standard of achievement and until their actual participation in combat is imperative; to the Committee on Military Affairs.

3380. Also, Resolution No. 180 of the California State Federation of Labor, requesting its legislative representative to have prepared and introduced at the next session of the State legislature a bill to abolish the present California Maritime Academy and incorporate the same under the War Shipping Administration's training program; to the Committee on the Merchant Marine and Fisheries.

3381. Also, Resolution No. 41 of the California State Federation of Labor, for postwar financial aid to members of armed forces; for legislation to provide all servicemen up to the grade of major with a minimum sum of money equal to not less than the average rate of pay of such men for a period of 6 months in order for them to be financially able to readjust themselves; to the Committee on Military Affairs.

3382. Also, Resolution No. 14 of the California State Federation of Labor, regarding disfranchisement of war workers; to petition the appropriate executive departments of our Government to make the necessary adjustments to reinstate the voting status of all citizens living on Government property; to the Committee on the Judiciary.

3383. Also, Resolution No. 23 of the California State Federation of Labor, recommending a minimum monthly annuity of $90 for railroad workers, under proposals pending to submit to Congress to amend the Railroad Retirement Act so as to establish a maximum monthly annuity of $175; to the Committee on Ways and Means.

3384. Also, Resolution No. 115 of the California State Federation of Labor, for the repeal of the poll tax; to the Committee on the Judiciary.

3385. Also, Resolution No. 40, of the California State Federation of Labor, to instruct the incoming executive board to request the Veterans' Administration, Washington, to investigate the ways and means of establishing governmental schools for training in watchmaking and jewelry crafts, or the establishment of instruction classes in recognized schools (State or otherwise) throughout the country, for those service men disabled during the war; to the Committee on World War Veterans' Legislation.

3386. Also, Resolution No. 61 of the California State Federation of Labor, relative to pensions for the blind, and legislation now pending to adjust these pensions under the social-security program, and their support of all bills now pending in Congress for the adjustment of these pensions; to the Committee on Ways and Means.

3387. Also, Resolution No. 274, of the California State Federation of Labor, recommending to the incoming executive council, War Labor Board, the adoption of a policy and an effective program which will establish standards of fair and equal pay for the same work, before approving any rigid formula for the freezing of wages or jobs; to the Committee on Banking and Currency.

3388. Also, Resolution No. 226 of the California State Federation of Labor, in support of legislation to be introduced to the effect that any seaman who has made a voyage to sea on a United States merchant vessel during this war, and whose character and loyalty warrant it, be given an honorary discharge from the United States Government after this war, and the discharge shall have the same recognition as the one given to persons serving in our armed forces; to the Committee on the Merchant Marine and Fisheries.

3389. By Mr. SHORT: Petition of Mrs. J. B. Bailey and other citizens of southwest Missouri, urging legislation prohibiting liquor and vice within specified zones in and about military, naval, marine, and air reservations, industrial and other strategic centers, and for the effective enforcement of such suppressive laws for early winning of the war; to the Committee on Military Affairs.

HOUSE OF REPRESENTATIVES

WEDNESDAY, OCTOBER 21, 1942

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

O God of mercy and forgiveness, do Thou hear the unexpressed voices of our breasts and accept us again as Thy needful children. How bountiful is Thy mercy, and we pray that we may have a very solemn sense of our obligations. Grant that it may be a most serious thought with us that only through righteous and conscientious service to our country can we sustain her honor and power and be a blessing to all men. Whatever is high-minded and disinterested in patriots, may we be identified with their traditions, rebuking that which is sinister and altogether unworthy.

O Thou Saviour of the world, mark the consummation of a plan by which all things are to be made new; let the fir tree come up instead of the thorn and the myrtle tree instead of the briar, and make a better earth for man and a statelier man for earth, giving us a token, a sign, that shall never be cut off. Surely Thou hast planned for us a great destiny and in the years to come we shall know and understand Thy amazing redemption. Through Jesus Christ, our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate has passed without amendment a bill of the House of the following title:

H. R. 7455. An act to amend the Coast Guard Auxiliary and Reserve Act of 1941, as amended, so as to enable Filipinos to qualify for service thereunder.

The message also announced that the Senate has passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 7672. An act making supplemental appropriations for the national defense for the fiscal year ending June 30, 1943, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. MCKELLAR, Mr. GLASS, Mr. HAYDEN, Mr. TYDINGS, Mr. RUSSELL, Mr. NYE, and Mr. LODGE to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the amendments of the House to a bill of the Senate of the following title:

S. 2381. An act to provide that certain provisions of the law relating to the Navy shall be held applicable to the personnel of the Coast Guard when that service is operating as a part of the Navy.

The message also announced that the Vice President had appointed Mr. BARKLEY and Mr. BREWSTER members of the joint select committee on the part of the Senate, as provided for in the act of August 5, 1939, entitled "An act to provide for the disposition of certain records of the United States Government," for the disposition of executive papers in the following departments and agency:

1. Department of Agriculture.
2. Department of War.
3. Federal Works Agency.

SECOND SUPPLEMENTAL APPROPRIATION BILL, 1943

Mr. CANNON of Missouri. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 7672) making supplemental appropriations for the national defense for the fiscal year ending June 30, 1943, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments and agree to the conference requested by the Senate, and I ask for the appointment of the conferees on the part of the House.