PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. SHERIDAN:

H. R. 2310. A bill for the relief of Gaylon Dhue; to the Committee on Claims.

H. R. 2311. A bill for the relief of Richard M. Cripps; to the Committee on Military Affairs.

By Mr. McGEHEE:

H. R. 2312. A bill for the relief of Everett A. Alden, Robert Bruce, Edgar C. Faris, Jr., Kathryn W. Ross, Charles L. Rust, and Fredrick C. Wright; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

357. By Mr. ELLIS: Resolution adopted by the Board of Directors of the West Virginia Society of Professional Engineers, Charleston, W. Va., protesting against any act on the part of the mine operators or the United Mine Workers of America that would require members of the engineering profession to join, or to be represented by, any organization; to the Committee on Labor.

358. By Mr ROLPH: Resolution of the International Brotherhood of Electrical Workers, Local Union No. 6, relative to the rationing program of the Office of Price Administration; to the Committee on Banking and Currency.

359. Also, resolution of the International Longshoremen's and Warehousemen's Union, Locals Nos. 1–10, San Francisco, Calif., relative to amending the Social Security Act so as to include all cemetery employees within the benefits and provisions of this act; to the Committee on Ways and Means.

360. Also, resolution of the Brotherhood of Teamsters and Auto Truck Drivers, Local No. 85, San Francisco, Calif., relative to amending the Social Security Act to include all cemetery employees within the benefits and provisions of this act; to the Committee on Ways and Means.

HOUSE OF REPRESENTATIVES

SATURDAY, MARCH 27, 1943

The House met at 12 o'clock noon, and was called to order by the Speaker pro tempore, Mr. McCORMACK.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Merciful Father, be pleased to consider and hear our prayer: Grant that the spirit of our Lord may rest like a shaft of light over all lands and like a lane of beams across the troubled waters of this raging earth. O dwell in its heart and soul until it is humiliated and aroused and accepts the government of a righteous God who blesses those who have known the cross and are waiting for the victor's crown.

We beseech Thee to deliver all men from the unchastened bonds of selfishness which lure from the high altitude of the soul; bless them with the spirit of Him who had human hands and a human heart. Help us so to labor that each man's good shall be every man's rule, thus lifting one another to a life of mutual helpfulness. All through the days of our hope, enable us to elect for the service of humanity, the universal interest, a broader, richer devotion for the welfare of all Thy children. In the way of Him who went about doing good, inspire us not with abstractions, but with the realities of service and self-denial. In the sympathy and fortitude of our Lord, may we work zealously for the crowds whose sorrow no one mentions and nobody shares, that Thy kingdom of peace may be strengthened and secured forever. In the name of the Teacher of Nazareth. 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 passed a bill of the following title, in which the concurrence of the House is requested:

S. 886. An act relating to the selective-service deferment on occupational grounds of persons employed by the Federal Government.

HOUR OF MEETING MONDAY

Mr. RAMSPECK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock on Monday.

The SPEAKER pro tempore. Is there objection?

There was no objection.

TEMPORARY COMPENSATION, POSTAL SERVICE

Mr. BURCH of Virginia. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 1366) to provide temporary compensation for employees in the Postal Service, with Senate amendments thereto, and concur in the Senate amendments.

The SPEAKER pro tempore. The Clerk will report the title of the bill and the Senate amendments.

The Clerk reported the title of the bill.

The Clerk read as follows:

Senate amendments:

Page 2, line 8, strike out "$300 per annum" and insert "an average of $25 per month for the fiscal year or fractional part thereof: *Provided*, That the additional compensation at the rate of $300 per annum shall not be considered in computing or fixing earned basic compensation for any purpose under this act."

Page 2, strike out lines 13 to 16, inclusive, and insert:

"SEC. 3. This act shall take effect on May 1, 1943, and shall terminate on June 30, 1945, or such earlier date as the Congress by concurrent resolution may prescribe."

The SPEAKER pro tempore. Is there objection?

Mr. MARTIN of Massachusetts. Mr. Speaker, I reserve the right to object. Will the gentleman from Virginia please explain to the House the effect of these amendments?

Mr. BURCH of Virginia. Mr. Speaker, the first amendment simply clarifies the "not to exceed $300 per annum", found on page 2, line 8. It clarifies the provision of not to exceed $300 per annum for the employees on part time in the Postal Service. It provides that not to exceed an average of $25 a month shall be paid.

Mr. MARTIN of Massachusetts. And there is no real change there?

Mr. BURCH of Virginia. No real change there. Also, in the compensation over and above 40 hours, straight pay time, it clarifies that that shall be made upon the basic salary, and not with the $300 included. As for the other amendment, instead of remaining in effect during the war and 6 months thereafter, as in the House bill, it provides that it shall terminate on June 30, 1945.

Mr. MARTIN of Massachusetts. Then the gentleman's committee is unanimously in favor of the amendments?

Mr. BURCH of Virginia. Yes.

Mr. MARTIN of Massachusetts. Mr. Speaker, I withdraw my reservation of objection.

Mr. RAMSPECK. Mr. Speaker, I reserve the right to object, although I do not intend to do so. When this bill came before the House under suspension of the rules, the gentleman from Texas [Mr. POAGE] raised a question about what the effect would be on the pay of postal employees. I undertook to answer that question, and my answer has been construed by leaders of some of the postal unions, as I understand it, as being in opposition to the bill. I was not opposed to the bill. I voted for it, and, as a matter of fact, I introduced a similar bill last year at the request of the employee organizations. However, I do think that in the interest of getting the facts before the public and the House, it might be well to restate what this means. Prior to something like a year ago legislation dealing with the pay of postal employees provided that they should work a 40-hour week, and that if they worked more than 40 hours in any one week, they should be given compensatory time off during the following week. Just about a year ago the House amended that legislation and provided that they could be worked beyond 40 hours a week, and paid straight pay for the additional hours of work. That legislation is still on the statute books and will again become effective April 30, when Senate Joint Resolution 170 expires. Now, we have passed a bill giving the postal employees $300 per year. As I said, I am in favor of it because I think we can justify it. It is the only increase in basic compensation to be provided for the employees for the same work since 1925. If we should apply the Little Steel formula to the Federal employees, they would be entitled to 30 percent for 8 hours of overtime and to a 15-percent increase in the basic wage rate, but we are not going that far in this legislation. It does mean, and we may as well admit it, that if they work a 48-hour week, which they are now doing under order of the President of the United States and the Postmaster General, that their weekly or monthly wage under this legislation plus the legislation passed a year ago will be 35 percent more than it was a year ago.

Mr. BURCH of Virginia. Will the gentleman yield?

Mr. RAMSPECK. I yield.

Mr. BURCH of Virginia. I have no idea that any of the postal employees think the gentleman from Georgia is opposed to this bill, because they know he has always been their friend and supported their legislation. Now, fur-

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ther, I want to state that in case the postal employees did work 48 hours, then what the gentleman states would possibly be correct. But you must bear in mind that when this bill becomes effective they are only paid on straight time; they are only paid for the hours overtime they work. They will not work 48 hours. If these regulars were not working that time, substitutes would have to be used for that time, and therefore there is no additional cost on account of this bill. I want to state one other thing: Only about 33 to 40 percent of the post offices in the United States require overtime work. Some of them do not have as much work as they had before the war. So when you take it on the average, it cannot possibly be 35 percent.

Mr. RAMSPECK. Of course, the gentleman and I agree as to the facts, I think. The difference between us is that he thinks they are only going to work 40 hours after April 30, and I do not. I do not see how this Government can say to the private employers of this country, "You must work your employees in the critical labor areas 48 hours a week and pay them time and a half, and then we are going to take 300,000 employees in the Postal Service and work them 40 hours a week." It would not be right. We cannot afford to do it.

Mr. BURCH of Virginia. Do not understand me that they will work 40 hours. They will work 48 hours when needed, but it is not generally needed.

Mr. RAMSPECK. Will the gentleman answer this question: If any employee works 48 hours, under this legislation will he not get 35 percent more than he got a year ago?

Mr. BURCH of Virginia. Yes, certainly. But I make this point: If he does—and but few of them do that—if when needed they do not work 48 hours, a substitute would have to go in and work the time needed because he is only called when he is needed.

Mr. RAMSPECK. I say it is justified because of the policy we have adopted in this country for private employees. We are not going as far for the postal employees as we have gone under the Little Steel formula for private employees, by 10 percent.

Mr. DONDERO. Mr. Speaker, will the gentleman yield?

Mr. RAMSPECK. I yield.

Mr. DONDERO. The joint resolution which will expire on April 30 is a resolution providing a 10-percent flat increase. Is that correct?

Mr. RAMSPECK. No. It provided 21.6 percent for most of the postal employees, and 10 percent for rural letter carriers and employees who could not work on an hourly basis.

Mr. DONDERO. Under the flat increase of $25 a month, or $300 a year, will that not be paid for the regular time put in by postal employees, rather than for any overtime?

Mr. RAMSPECK. Oh, no. That is an increase in their base pay.

Mr. DONDERO. But it will not apply to overtime pay?

Mr. RAMSPECK. No, it will not apply to overtime pay. It applies to the man who only works 40 hours a week. If he works beyond 40 hours, he will get regular, straight pay for as many hours as he works.

Mr. DONDERO. How much will it amount to in the aggregate—the total cost to the Government?

Mr. RAMSPECK. If they all work 48 hours a week, I estimate the additional cost of this bill, plus the other bill which pays them straight time, will be somewhere in the neighborhood of $175,000,000 per year. The cost of this bill is $88,000,000, and the remainder is for the extra hours worked because of the additional 8 hours per week.

Mr. DONDERO. I am like the gentleman. I also supported this bill from the Post Office Committee in the belief that the postal employees had had no increase since 1925, and we had to do something to bring them up to the level of the increased cost of living.

Mr. RAMSPECK. The gentleman is correct in that, and I justify it because we are still not doing as much for them as we require the private employer to do for his employees under the Little Steel formula.

Mr. PACE. Mr. Speaker, will the gentleman yield?

Mr. RAMSPECK. I yield.

Mr. PACE. I understand that where an employee works in excess of 40 hours he is not paid time and a half for the excess time.

Mr. RAMSPECK. That is correct. He only gets straight time.

Mr. PACE. And, secondly, of course that extra time or extra compensation for the extra time would not apply to rural carriers, but the only increase they would get under both bills would be this increase under the present bill of $300 a year?

Mr. RAMSPECK. That is correct. All they would get out of any legislation now pending or that has been passed would be $300 after April 30. They get the 10 percent increase now under that joint resolution.

Mr. PACE. And that will not be in effect beyond?

Mr. RAMSPECK. That is correct; it expires on April 30, 1943.

Mr. HOFFMAN. Will the gentleman yield?

Mr. RAMSPECK. I yield.

Mr. HOFFMAN. You were speaking of the Little Steel formula. Does that apply to Congressmen?

Mr. RAMSPECK. No; it does not apply to Congressmen or to any other Federal employee.

Mr. COLE of Missouri. Will the gentleman yield?

Mr. RAMSPECK. I yield.

Mr. COLE of Missouri. This straight time pay for overtime worked is figured on the old basic rate of pay and the $300 increase is not included in computing that under the Senate amendment?

Mr. RAMSPECK. This is correct under the Senate amendment. I doubt whether that would have been the situation under the bill as it passed the House, but it has now been made certain under the Senate amendment that 20 percent for 8 hours' additional work will be paid on the basic salary of $2,100 for a letter carrier or postal clerk.

Mr. COLE of Missouri. That is, the $25 additional per month is not considered.

Mr. RAMSPECK. That is correct.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Virginia [Mr. BURCH]?

There was no objection.

The Senate amendments were agreed to.

A motion to reconsider was laid on the table.

TERM OF THE PRESIDENT OF THE UNITED STATES

Mr. MASON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

Mr. MASON. Mr. Speaker, we witness today a grass-roots demand that—

> No person who has been twice elected to the office of President of the United States shall thereafter be eligible for reelection to such office.

This demand is spreading like a prairie fire through Midwestern States, in the form of resolutions passed by State legislatures, my own State, Illinois, being one of the first. In response to the action of the Illinois Legislature I have this day introduced a joint resolution proposing an amendment to the Constitution of the United States which, if adopted, would disqualify any person from serving as President for more than two elective terms.

Mr. RANKIN. Mr. Speaker, will the gentleman yield?

Mr. MASON. I yield.

Mr. RANKIN. Why do not you Republicans just come across now and adopt the Confederate Constitution which limited the term of the Presidency to 6 years and which provided that he could not succeed himself?

Mr. MASON. I think that is a pretty good idea at this particular date.

APPOINTMENT OF MR. DAVIS AS FOOD ADMINISTRATOR

Mr. VOORHIS of California. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

Mr. VOORHIS of California. Mr. Speaker, in my judgment the appointment of Mr. Chester C. Davis to be Food Administrator is an excellent appointment. I only hope that in Mr. Davis' hands will be sufficient power with regard to farm prices, machinery, and labor to enable him to do this job in the way I am certain he is competent to do it.

EXTENSION OF REMARKS

Mr. FORAND. Mr. Speaker, I ask unanimous consent to extend my own remarks and include the script used by Mr. Richard Harkness and myself on the air last night to describe the Forand-Robertson plan.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

Mr. SPRINGER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein extracts from letters received from canners from the State of Indiana.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

Mr. GRANT of Alabama. Mr. Speaker, I ask unanimous consent that my colleague the gentleman from Alabama [Mr. BOYKIN] may extend his own remarks in the RECORD and include therein an editorial from the Mobile Labor-Journal.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

APPOINTMENT OF MR. DAVIS AS FOOD ADMINISTRATOR

Mr. HOPE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

Mr. HOPE. Mr. Speaker, on Thursday of this week it was announced that Chester C. Davis had been appointed as Food Administrator. This is an excellent appointment—one of the best that the President has made. Mr. Davis' previous service with the Government has demonstrated his ability in the field of Government administration. There is no man in the country who knows the over-all agricultural situation better than he.

Press reports, however, indicate that Mr. Davis has been given no authority over the food situation excepting a part of that which had previously been given Secretary Wickard. If this be true, it is difficult to see how the appointment of Mr. Davis can do more than add to the great confusion which already exists in the field of food production and distribution. Secretary Wickard has never had a chance as Food Administrator. He has had the job but not the power to carry it out. No Administrator can successfully meet the food crisis confronting the country today unless he is given broad authority over farm prices, farm manpower, and the production of farm machinery and equipment. I hope that Mr. Davis has not accepted this appointment without having a definite understanding that he is to have adequate powers to meet what is becoming an increasingly critical situation. If he does not have, it will make matters worse rather than better.

CUMBERLAND GAP NATIONAL HISTORICAL PARK

Mr. PETERSON of Florida. Mr. Speaker, I ask unanimous consent to take from the Speaker's table and immediately consider the bill (H. R. 1896) to amend sections 1 and 2 of the act approved June 11, 1940 (54 Stat. 262), relating to the establishment of the Cumberland Gap National Historical Park in Tennessee, Kentucky, and Virginia, and to grant the consent of Congress to such States to enter into a compact providing for the acquisition of property for such park, with amendments recommended by the committee.

The Clerk read the title of the bill.

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, as I understand it, this is a unanimous report; that the bill simply limits boundaries by transferring some land from public to private ownership.

Mr. PETERSON of Florida. The gentleman is correct. The bill was reported out unanimously by the Committee on the Public Lands. It had been found difficult to acquire some of the land set forth in the original boundary. This bill curtails the boundary a little. It takes no funds. The States will enter into a compact with reference to the funds.

Mr. MARTIN of Massachusetts. Mr. Speaker, I withdraw my reservation of objection.

Mr. ROBSION of Kentucky. Mr. Speaker, reserving the right to object, this bill deals with the national park at Cumberland, Tenn.?

Mr. PETERSON of Florida. Yes; and it was reported unanimously by the committee. There were certain features which the original bill contemplated including, but these tracts we have not been able to acquire. This bill reestablishes the boundaries on a somewhat smaller scale.

Mr. ROBSION of Kentucky. I appreciate the action taken by the gentleman's committee and strongly favor the amendments. I think it ought to be done.

Mr. PETERSON of Florida. I thank the gentleman. I know the gentleman is very much interested in the Cumberland Gap National Historical Park.

The SPEAKER pro tempore. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That sections 1 and 2 of the act approved June 11, 1940 (54 Stat. 262; 16 U. S. C., 1940 ed., title 16, secs. 261, 262), relating to the establishment of the Cumberland Gap National Historical Park, are hereby amended to read as follows:

"That when title to such lands, structures, and other property in the Cumberland Gap-Cumberland Ford areas, being portions of the Warriors Path of the Indians and Wilderness Road of Daniel Boone, within Bell and Harlan Counties, Ky.; Lee County, Va.; and Claiborne County, Tenn.; and may be determined by the Secretary of the Interior as necessary or desirable for national historical park purposes, shall have been vested in the United States, such area or areas shall be, and they are hereby, established, dedicated, and set apart as a public park for the benefit and inspiration of the people and shall be known as the Cumberland Gap National Park: *Provided*, That the United States shall not purchase by appropriation of public moneys any lands within the aforesaid area.

"SEC. 2. The total area of the Cumberland Gap National Historical Park, as determined pursuant to this act, shall comprise not less than 6,000 acres and shall not exceed 50,000 acres, and lands may be added to the park following its establishment within the aforesaid limitations. The park shall not include any land within the city limits of Middlesboro and Pineville, Ky.; Cumberland Gap, Tenn.; which the proper officials thereof shall indicate to the Secretary of the Interior prior to the establishment of said park are required for expansion of said cities.

"(a) The consent of Congress is hereby given to the States of Tennessee, Kentucky, and Virginia to enter into a compact providing for (1) the acquisition of the lands, structures, and other property in the Cumberland Gap-Cumberland Ford areas referred to in section 1 of such act of June 11, 1940, as amended by this act, and (2) the transfer of title to such lands, structures, and other property to the United States.

"(b) The right to alter, amend, or repeal this section is hereby expressly reserved."

With the following committee amendments:

Page 2, line 6, strike out "and" and insert "as."

Page 2, line 12, after "National", insert "Historical."

Page 2, line 4, strike out "area" and insert "areas."

The amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. O'HARA. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a speech by Henry M. Wriston, president of Brown University.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Minnesota [Mr. O'HARA]?

There was no objection.

Mr. O'BRIEN of New York. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a letter sent to the Honorable James F. Byrnes, Chairman of the Economic Stabilization Board.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York [Mr. O'BRIEN]?

There was no objection.

Mr. MANSFIELD of Montana. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an article from the Daily Missoulian of Sunday, March 21, 1943.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Montana [Mr. MANSFIELD]?

There was no objection.

Mr. JENSEN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include a letter to me from Mr. W. H. Badeaux, secretary of the Iowa Retail Lumbermen's Association, together with short statements from 45 farmers.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa [Mr. JENSEN]?

There was no objection.

WASTEFUL EXPENDITURES BY GOVERNMENT DEPARTMENTS

Mr. HARNESS of Indiana. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Indiana [Mr. HARNESS]?

There was no objection.

Mr. HARNESS of Indiana. Mr. Speaker, I have before me what purports to be a news map sent out each week by the War Department from the Industrial Division. This map was sent to me by a small manufacturer in my district who said he received it once a week and he assumed there were literally thousands of them going out through the country.

I think it appropriate to bring this to the attention of the House now while we

are considering the biggest revenue-raising measure in the history of the Republic. This, in my opinion, is a needless waste of money and a waste of paper at a time when the O. P. A. is cutting down on newsprint and magazine paper. This goes out from the War Department to industries throughout the United States.

May I say further, Mr. Speaker, this map is about 3 by 5 feet, printed on heavy semigloss paper and in five or more colors.

Mr. RANKIN. Will the gentleman yield?

Mr. HARNESS of Indiana. I yield to the gentleman from Mississippi.

Mr. RANKIN. Has the gentleman seen that communistic magazine, 2,000,000 copies of which the O. W. I. is now mailing to all Negroes in the country? If he has not, he will certainly vomit when he reads it over.

Mr. HARNESS of Indiana. No; I have not seen the publication to which the gentleman refers.

The SPEAKER pro tempore. The time of the gentleman has expired.

EXTENSION OF REMARKS

Mr. RANDOLPH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein certain newspaper material.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from West Virginia [Mr. RANDOLPH]?

There was no objection.

Mr. COMPTON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a table.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Connecticut [Mr. COMPTON]?

There was no objection.

Mr. STEFAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a letter from a farmer.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Nebraska [Mr. STEFAN]?

There was no objection.

Mr. GORDON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a resolution from the Chicago Federation of Labor concerning an adequate provision for the National Resources Planning Board.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois [Mr. GORDON]?

There was no objection.

Mr. SMITH of Ohio. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a short resolution from a Kiwanis Club, Mount Gilead, Ohio.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio [Mr. SMITH]?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. GILLIE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Indiana [Mr. GILLIE]?

There was no objection.

[Mr. GILLIE addressed the House. His remarks appear in the Appendix.]

EXTENSION OF REMARKS

Mr. GILLIE. Mr. Speaker, I ask unanimous consent to revise and extend my own remarks in the RECORD and to include a letter from Bishop Noll, of Fort Wayne, Ind.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Indiana [Mr. GILLIE]?

There was no objection.

Mr. HEIDINGER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a resolution adopted by the General Assembly of the State of Illinois.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois [Mr. HEIDINGER]?

There was no objection.

CALENDAR WEDNESDAY BUSINESS DISPENSED WITH

Mr. RAMSPECK. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule for next week be dispensed with.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Georgia [Mr. RAMSPECK]?

There was no objection.

PUERTO RICO

Mr. SABATH, from the Committee on Rules, submitted the following privileged resolution (H. Res. 159), which was referred to the House Calendar and ordered printed:

Whereas various and sundry legislation has been submitted to the House of Representatives and particularly that embodied in House Joint Resolution 47, H. R. 784, H. R. 1018, H. R. 1019, H. R. 1248, and H. R. 1393, with special reference to the political, economic, and social conditions in Puerto Rico; and

Whereas the President has submitted a recommendation to Congress embodied in House Report No. 126, Seventy-eighth Congress, and relating to political affairs affecting Puerto Rico; and

Whereas an inquiry and investigation into and a study of the political, economic, and social conditions in Puerto Rico are material and necessary to the proper performance by Congress of its legislative functions and duty relative to the legislation hereinbefore mentioned and for the purpose of guiding and assisting Congress in the introduction and passage of such other or further legislation as may be found necessary or advisable: Therefore be it

Resolved, That the Committee on Insular Affairs, acting as a whole, or by a subcommittee or subcommittees, appointed by the chairman, is authorized and directed to conduct a study and investigation of political, economic, and social conditions in Puerto Rico.

The committee shall have the right to report to the House at any time the results of its studies and investigations together with such recommendations for legislation as it may deem advisable.

For the purpose of this resolution the committee, or any subcommittee or subcommittees thereof, are authorized to hold such hearings, to sit and act during the present Congress at such times and places as it deems necessary whether or not the House is in session, has recessed, or has adjourned, and to require the attendance of such witnesses and the production of such books, papers, and documents by subpena or otherwise, and to take such testimony as it deems necessary. Subpenas may be issued under the signature of the chairman of the committee and shall be served by any person designated by such chairman. The chairman of the committee or any member thereof may administer oaths to witnesses.

In the event the committee transmits its report to the Speaker at a time when the House is not in session, as authorized herein, a record of such transmittal shall be entered in the proceedings of the Journal and CONGRESSIONAL RECORD of the House on the opening day of the next session of Congress and shall be numbered and printed as a report of such Congress.

AMENDMENT OF SELECTIVE TRAINING AND SERVICE ACT OF 1940

Mr. SABATH, from the Committee on Rules, submitted the following privileged resolution (H. Res. 192), which was referred to the House Calendar and ordered printed:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 1730) to amend paragraph (1) of section 5 (e) of the Selective Training and Service Act of 1940, as amended. That after general debate, which shall be confined to the bill and shall continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Military Affairs, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the same to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

PERMISSION TO ADDRESS THE HOUSE

Mr. RANKIN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER pro tempore. Without objection, it is so ordered.

There was no objection.

Mr. RANKIN. Mr. Speaker, I had the office of the gentleman from Wisconsin [Mr. KEEFE] called to notify him that I was going to make these few remarks.

On yesterday the gentleman from Wisconsin took me to task for a suggestion I made a day or two before, when he was demanding that we do something about bureaucrats in this Government. On yesterday he said:

At no time have I ever demanded that certain Communists be taken off the pay roll and then voted the other way.

He did admit that he voted against striking from the pay roll a Negro the Dies committee had found to be a Communist. So it must have been Democrats and Republican bureaucrats that he was complaining about.

He said in his extension of remarks:

The gentleman from Mississippi may continue his advocacy of "legislative lynch law" if he so desires.

What he meant was that I was backing up the Dies committee; and by that

statement he brands the Dies committee as guilty of advocating "legislative lynch law" because it recommended striking from the pay roll a Negro Communist who is drawing a salary of $5,600 a year. The Dies committee showed that he belonged to 21 subversive organizations and had made Communist speeches practically all over the world.

If it is "legislative lynching" to vote to drive from the pay roll of this Government a Negro Communist or a white Communist the Dies committee has found to be guilty of advocating the overthrow of this Government by force and violence, then I must plead guilty to the charge of the gentleman from Wisconsin [Mr. KEEFE], who voted the other way.

EXTENSION OF REMARKS

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an editorial.

The SPEAKER pro tempore. Is there objection?

There was no objection.

INDIVIDUAL INCOME TAX COLLECTION BILL OF 1943

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 2218) to provide a method for the payment currently of individual income taxes, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 2218, with Mr. BULWINKLE in the chair.

The Clerk read the title of the bill.

Mr. DOUGHTON. Mr. Chairman, I yield 30 minutes to the gentleman from Virginia [Mr. ROBERTSON], a member of the committee.

Mr. ROBERTSON. Mr. Chairman, for me this has been the most difficult session of the Congress of the past 10 years. We are in the midst of a global war, a terrible war, and it brings domestic problems scarcely less difficult than the major problem of winning the war. Almost every week we are called upon to face up to some categorical imperative without the aid of an empiric device. As Benjamin Franklin once said, "We are groping in the dark, as it were, for political truth, scarce able to perceive it when presented to us."

We are dealing here today with a great economic problem, one affecting not only some 44,000,000 taxpayers but all the one-hundred-and-thirty-two-million-odd people of the United States. It is a technical problem, a difficult problem, a difficult problem. Frequently members of the Ways and Means Committee are asked, "Why do you not make the business of paying taxes simple and easy?"

You might as well ask, Why do you not make differential calculus simpler and easier? The bigger your tax collections grow, the more difficult your problem grows.

For the first 15 years that we had income-tax laws we collected less than the tax liability for 1942. When we were attempting to collect two or three hundred million dollars, even a billion dollars in 1 year, the old collection system worked; it was good enough. When we faced up to the problem of collecting $10,000,000,000 of taxes for 1942, $13,000,000,000 of taxes for 1943, and perhaps $20,000,000,000 of taxes before this terrible war is over, we reached the conclusion that the method of collecting income taxes is not adequate. So our committee started to work to see if we could not bring to you a better method, a method geared to the current problem.

In discussing today the various proposals that have been made to meet this troublesome problem I wish to make it very clear that I have no pride of authorship in the plan that I have proposed and to which certain newspapers have attached my name. My sole interest is in the welfare of this Nation. Had I sought to get any personal advantage out of my plan I would have catered to certain members of our committee with the hope that they would have given me their personal support for the plan I sponsored. I certainly would not have vigorously opposed in the committee the plan offered by the distinguished chairman, whom I love and admire, and he knows it. In the committee I pulled no punches against any plan that I did not think met the issue or would advance the general welfare of the Nation. It has been suggested to me that in speaking today I tread softly when it comes to Mr. Ruml or when it comes to the distinguished gentleman from Kansas [Mr. CARLSON], who is my friend, who is one of the ablest Members of this House, and who is an honor to his district, his State, and his party, in order that maybe, if his plan be not adopted, I could get some support from the Republican Party for my plan in the next go-around.

I want to tell you gentlemen that it makes no difference to me, personally, whether you vote for my plan or what plan you vote for. I do not propose to pull my punches about Mr. Ruml's plan or to shade in any way, shape, or form the objections that I see to the plan that has been proposed by my friend the gentleman from Kansas [Mr. CARLSON].

We are dealing, as I say, with an economic issue, and if that issue be settled correctly it will be settled on the basis of merit; it will be settled on the basis of facts.

I regret that there has been injected into the debate over the last 2 days what I regard as a sour and foreign note, what was clearly intended to be an appeal to passion and class prejudice. "What is truth," said jesting Pilate, "and would not stay for an answer." Then, turning to the multitude, he asked if he might release the incarnate Spirit of Truth. The mob howled, "No, give us Barabbas," and the simple record then said, "Now, Barabbas was a robber."

Last summer before the metropolitan press created all of this hullabaloo about turning the clock ahead and forgiving everybody's taxes for 1942, Mr. Ruml appeared before the great Senate Finance Committee with his plea and got three votes, and only three.

That committee then, desiring to do something to meet a new collection problem, facing the necessity of collecting an unprecedented amount of taxes, considered the proposal offered by Senator BYRD, of Virginia, to waive for all taxpayers the first 10 units of their tax liability. On both sides of that Senate committee there was support for Senator BYRD's proposal, and it lost by a majority of 1.

I did not hear any leader of this House condemn Senator BYRD and the Republicans on the Senate Finance Committee who supported that proposal, not of 19 units as I propose but of the first 10 units for everybody, as being the stooges of the C. I. O. or as proposing a C. I. O. socialistic program that violated every fundamental principle of justice for the rich.

I say we are dealing with an economic issue, and it is no compliment either to the intelligence or the fairness of the Members of this House to think that they will resolve this problem on the basis of an appeal to class prejudice. If the plan I propose be fair, if it be just, if it has in it the element of truth and merit, then endorsement of it by the C. I. O. cannot make it bad. If on the contrary it be bad, no endorsement the C. I. O. or any other agency can give it would make it good.

I hope for the rest of this debate my distinguished friends will see fit to advance the merits of the plans they support, point out the defects of the plans to which they are opposed, and leave all appeal to passion and prejudice out of their argument.

As I have just indicated, Mr. Ruml got three votes in the Senate for his plan last year. Not a single Member of the House would introduce his plan. Up to this minute they have not done it. Why? Not a Member of this House could face the issue of the windfall that echo said was in the proposal. They could not do it.

My friend from Kansas modified the Ruml plan before he introduced it. He cut the windfall to $9,800,000,000. But he is a very conscientious man, seeking to serve the public. He was still troubled in spirit and worried about these windfalls. He looked over his handiwork and decided it was not good. He cut the windfalls again, and this time he got the figure down to $9,400,000,000. Again he viewed his handiwork and again he was not satisfied with the job he had done. Again he took the pruning knife, and on his last effort he pruned it down to $9,340,000,000.

In a spirit of levity I said to him—and I love him; he is a great man—"Make one more move and you are down to the Robertson plan."

Why do I say that the Carlson plan as modified still provides windfalls that give us pause? Why do I say that this plan, as important as it may be to get on a pay-as-you-go basis—as important as it may be—facing a $10,000,000,000 or $15,000,000,000 liability, to have as many

taxpayers current as possible, still has windfalls at a price too high to be paid?

In 1940, when the flames of war had enveloped Europe and the four horsemen of the apocalypse were riding roughshod, with women and children not escaping famine and disease, we envisioned the possibility that those flames might extend to us. In January 1940 we commenced what we called a defense-spending program. When we commenced a defense-spending program we commenced war taxes with which to meet that spending, and we imposed war taxes in 1940, 1941, and 1942.

On an income of $1,000,000 the total increase of war taxes for 1940, 1941, and 1942 amounted to $268,000. If under the original Ruml plan—and, as I say, only about $60,000,000 of the windfall has been taken out of that by the last Carlson plan—we waive the 1942 liability of $854,000, that taxpayer would not pay one cent toward the war effort in war taxes unless the war lasted for 3 more years—a global war, a people's war, a war which we said will not be the rich man's war and the poor man's fight, a war which we said we will prosecute on the fundamental principle of Jeffersonian democracy—equal burdens for those that are to get equal benefits and special privileges for none.

I tell you, you cannot successfully defend any proposal that goes before the country and says to a group of rich people, "You do not have to pay 1 cent of war tax until this war lasts for 3 more years, after 1943." The most fallacious argument that Mr. Ruml presented was that after the war is over the national income will continue to rise until it reaches the unprecedented, the almost astronomical figure of $180,000,000,000 a year. He argued on the basis of that, that we would suffer no loss by immediately writing off a current liability of $10,000,000,000. He said the income will keep going up. That is a fine argument to be presented by the chairman of the board of the Federal Reserve Bank of New York City. We could get $180,000,000,000 income on the basis of printing-press money, but what we are afraid of, what we are trying to do in writing a tax bill, is to use that in part as a safeguard against inflation. Do not think when we finish this collection bill we are through with taxes. According to Dr. Gallup, the rank and file of the people of this Nation think that we are starting out to run a gravy train, and all that is involved is to hand out bounties, and the only argument is, Who is going to get the biggest hand-out?

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON. I shall be very happy to yield after I get through with a few scattered thoughts. I have no manuscript, and I would rather finish what I have in mind before I yield. When I have gone 15 minutes, I shall be happy to yield whether I have finished or not.

Mr. Chairman, what we fear is unemployment after this war.

The crocodile tears shed by Mr. Ruml have been for that war worker who will have no employment when this war ends, and he says, make it better for him by turning the clock ahead a year, but he has not said what it does for the millionaire, or for those who need no guardian, which constitute about one-tenth of 1 percent of the taxpayers, the group that makes $25,000 a year or more. Suppose a man made $200,000 in 1942. He dies in 1943. Mr. Ruml says that you do not lose anything. The tax on that income was $174,000. The estate tax on that amount would be about $50,000. That is the difference for him. Suppose that business executive is making $200,000 a year, and is 60 years old, and wants to retire when he is 65 years old. Under the Carlson bill he will earn $200,000 a year for 6 years, and he will pay taxes on that for 5 years, and then he steps out of the picture, and lets somebody else get into the vineyard and labor. Under the Ruml plan the national income does not immediately go down. Under none of the plans does it go down immediately, but when your national income eventually falls, you will have a loss. You have written off $10,000,000,000, and it is no use trying to kid yourself that you have not lost an asset when you do it. Under the Ruml plan, if you go to get it back, you will find inherent in it a redistribution of the tax burden. You cannot go back to the man paying a top of 90 percent and ask him to ante up more. You go back to the lower and middle income groups if you try to make up in future years what you will need to keep this Government going. When Mr. Ruml appeared before us I conceded the necessity of a pay-as-you-go plan, and I tried to meet that issue by offering one myself. In doing so I said that if somebody offered a better one I would be happy to adopt that. I threw mine out for discussion and analysis. We went through all of the hearings, all of the executive sessions, and I reached the conclusion that no better one had been offered, and so I stuck with it until the final vote, and I voted for the committee bill because I was not willing for the committee not to bring out a bill. I voted for the committee bill because it was embodying half of my bill, and therefore I thought to that extent it was good. Why call that a monstrosity, when it is incorporated in the Carlson bill, and all of the Republicans, according to the press, said that they would vote for it? It is also in the Forand bill. So, so far as withholding is concerned, it is not easy to call that a monstrosity. That is what everybody is going to vote for, if we vote for any bill at all. I assure you that we are not going to leave this Chamber next week some night and tell the country that we have not done anything at all. We are going to do something. We are going to bring out some kind of a bill, and if it is not like some of us wish, the Senate still has a chance at it. I now yield to the gentleman from Minnesota.

Mr. KNUTSON. Mr. Chairman, the gentleman is making a very fine statement.

I want to compliment him on being one of the very few members of the Ways and Means Committee who has been consistent throughout.

Mr. ROBERTSON. I thank the gentleman.

Mr. KNUTSON. I presume the gentleman will discuss the committee bill before he takes his seat. I want to ask the distinguished gentleman from Virginia if it is not true that under the committee bill, with its 4-percent annual discount, an entire year of taxes will be wiped out in 25 years?

Mr. ROBERTSON. Well, that is based upon the supposition that a man will pay in advance for 25 years. It is theoretically possible but not practically feasible.

Mr. KNUTSON. We are told by experts that the average expectancy of those paying income taxes, at an average age, will be 25 years.

Mr. ROBERTSON. But from a practical standpoint, will not my distinguished friend agree that we are going to vote for the withholding tax in the committee bill because it is in the Carlson bill, it is in the Forand bill and it is in the committee bill, and the argument is not on that, but the argument is on the "gravy train."

Mr. COOPER. Will the gentleman yield?

Mr. ROBERTSON. I yield.

Mr. COOPER. I am sure the gentleman will not have to devote much time to thinking through the question as to whether it is better to spread out a little forgiveness over 25 years than to give 100-percent forgiveness in 1 year in the midde of a war?

Mr. KNUTSON. But under the committee bill very few will become current and the gentleman will admit that was the objective we started out with. Is that not true?

Mr. ROBERTSON. That is the reason I wanted to be pardoned for taking a minute or two to say that I think my plan is better not only than the Carlson plan but also the committee plan.

Mr. KNUTSON. Pour a little oil of lavendar on the committee bill.

Mr. ROBERTSON. One criticism, if it be called a criticism, of the committee bill is that we set out to get a pay-as-you-go plan and make people current. The plan I offered, to waive 19 units, the 6-percent normal and 13-percent first-bracket surtax, will make 90 percent of the people current; 99 percent, 75 percent or more current; and for an income up to $5,000 net before exemption, by the payment of only 1.1 percent more he can become current; less than $5,000, not as much as 1 percent; and you will have 96 percent of them current under my plan, and no windfall for anybody. Now, as to whether that is socialistic, as to whether it is unfair to the rich, bear in mind it was pointed out by the gentleman from New York [Mr. REED] that that was the exemption in the 1913 act. Last year we lowered the exemption and brought in about 12,000,000 new taxpayers. Those additional taxpayers, out of an increase of $1,100,000,000, contributed $100,000,000. Those already paying taxes put up the other billion dollars. That was not called socialistic.

That was not called unfair to the rich. A lot of the rich asked us to do it. They said, "I want to make that fellow down there who is a free spender tax conscious, so that he won't keep running to Congress and asking for an appropriation." They did not call it unfair.

Now, I took the reverse of that in this proposal, and by indirection raised the exemption, and when you raise the exemption you let 90 percent of them out. The other 10 percent get their proportionate rebate, too. For the man with a million dollars it amounts to approximately $190,000. I have not figured it out for the $2,000,000 man because I do not know who he is, and perhaps he does not exist any more.

Mr. VOORHIS of California. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON. I yield.

Mr. VOORHIS of California. Is this not important, too, that assuming we are going to have to raise additional revenue in the future, it will have to come out of the general, ordinary taxpayers, because you cannot get much more out of the higher brackets even if you tried?

Mr. ROBERTSON. The gentleman is clearly right. When additional taxes are collected, either by raising income rates or a general sales tax most of the new burden will fall on the low and middle income groups. You cannot get much more out of those now paying 90 percent. As I say, we must forget that the major thing is handing out bounties. Our major program is to get more money. The President says we must have sixteen billions in addition to what the present rates will yield. Where are you going to get it? We are trying to make some concession to a bad collection problem. The majority committee report says "Do not forgive anybody's taxes." I would be for that if it would make them current. I am not for forgiving anybody because I want to be generous, as we have to raise more taxes when this bill is behind us. Do not forget that.

Mr. VOORHIS of California. But under the gentleman's plan the tax brackets who would be relieved of paying the 1942 tax, under his plan, are the same ones who are going to have to bear the bulk of the additional burden of increased taxes in the future. In other words, it seems to me the abatement provided in the gentleman's plan is abatement to those same tax brackets where the additional burden will mostly fall.

Mr. ROBERTSON. The gentleman is right. My present objective is to make current and thus take care of that group when the war suddenly ends and a big tax liability will have accrued and men will not have jobs, else we may have chaos after the war. I want to make that worker current if we can, and then we can take up who is going to pay what, for the next increase. But let us now tell him, "Do not let this war-tax nightmare hang over you. We will make 96 percent of you current, but you may have to pay some more taxes, but you will pay it as we go along."

Mr. COOPER. Will the gentleman yield?

Mr. ROBERTSON. I yield.

Mr. COOPER. I wanted to ask the gentleman one question before the gentleman from California [Mr. VOORHIS] asked his question. The gentleman mentioned forgiveness as provided under the Ruml plan. The gentleman will recall that every dollar we are asking the individual taxpayer of this country to pay for 1942 was the tax imposed by the 1942 revenue act, which passed this House, as I recall, with only 2 votes against it.

Mr. ROBERTSON. And when Mr. Ruml was before our committee I said, "Mr. Ruml, do you think the rates of the 1942 act were fair and just?"

He said: "I think so."

"Are you seeking to change those rates, Mr. Ruml?" He said: "I am not."

Mr. DEWEY. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON. I yield to the gentleman from Illinois.

Mr. DEWEY. My distinguished friend and colleague from Virginia and I at various times talked over certain sections of the taxpayers.

The CHAIRMAN. The time of the gentleman from Virginia has expired.

Mr. DOUGHTON. Mr. Chairman, I yield 3 additional minutes to the gentleman from Virginia.

Mr. DEWEY. I refer to that section of the taxpayers which I call the middle section that I thought were not dealt with fairly in the other tax reductions that we have had. These, as the gentleman well knows and as I mentioned yesterday, have been done on a percentage basis and not on a percentage point basis. In the chairman's proposal that was spoken of as the Doughton No. 2 plan it was a flat 50-percent proposal. Is it not true that when you get on a percentage point basis that a reduction of 19 percent means 100 percent for a certain group and only a smaller percentage for people in the higher brackets? I think it is not fair.

Mr. ROBERTSON. That may be true, but on the contrary, under the Carlson plan, the forgiveness means 3 years' of savings for the rich man and 1 week's savings for the poor man. You can just pay your money and take your choice as to which is preferable.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. ROBERTSON. I have but 2 more minutes in which I want to say something for myself.

Mr. COOPER. But the gentleman knows they do not impose taxes by percentage; they impose them by percentage points.

Mr. DEWEY. But by a system of progression.

Mr. ROBERTSON. As I said, Mr. Chairman, it is immaterial to me which plan you take. I am trying simply to give you my impression of a plan that will take care of 90 percent of the taxpayers without any windfall. If you do not approve I will not quarrel with your viewpoint; but I have taken my position. I concede to you the right to take yours.

One of my friends said to me yesterday afternoon that if the Members of the House got tired hearing me talk about taxes I could make them a speech on Robert E. Lee. I said that there was nothing I would love more than to tell them about the greatest military leader the world has yet produced, and withal an outstanding Christian gentleman. I am not going to make a speech about Robert E. Lee, but I want to quote one sentence from a letter. When writing to his son at West Point that great leader said:

> Duty then is the sublimest word in our language. Do your duty in all things. You cannot do more. You should never wish to do less.

May the Father of Light illuminate our understanding as we seek to know our duty; and, as we do it may one and one-half centuries of American constitutional freedom look down upon us with approval.

The CHAIRMAN. The time of the gentleman from Virginia has expired.

Mr. KNUTSON. Mr. Chairman, I yield 20 minutes to the gentleman from Kansas [Mr. CARLSON].

Mr. CARLSON of Kansas. Mr. Chairman, it is a pleasure to follow the distinguished gentleman from Virginia [Mr. ROBERTSON]. He has made a very fair statement for his proposal. The gentleman from Virginia and I are not very far apart on the objective of getting taxpayers current.

Before I discuss my own proposal I will say just a few words on the committee bill.

DISCOUNT PROVISIONS

Let us see how the committee discount provisions would apply in the case of a Government stenographer earning $1,500 a year.

She now owes $181 tax on her 1942 income. Last March 15 she filed a return and paid one-fourth of the tax, or $45.25. She still owes $135.75.

Now, let us make a violent assumption. Let us assume that she has some extra funds on hand and wants to take advantage of the committee's discount provisions by paying both her 1942 and 1943 tax liabilities in 1943. How much will she get in the way of discount?

In order to qualify for the discount, she must first pay her 1942 tax in full. If she does this by June 15, she will have to pay at that time her second, third, and fourth installments, amounting to $135.75. This would place her in a position to claim discount on the prepayment of her 1943 liability.

Now, what will the 1943 liability be? It will be the same as in 1942, except that a $52 Victory tax will be added, making her total tax $233 for 1943. Allowing for the 25-percent post-war credit against the Victory tax, her net 1943 liability will be $220.

If she were not subject to withholding at the source, she could discharge her $220 1943 liability by paying $206.80 on June 15, in addition to the balance of her 1942 tax. Thus her discount would be $13.20. Her total payments in 1943, out of the $1,500 income, would be $181 plus $206.80, or a total of $387.80.

This $1,500 stenographer, however, cannot take advantage of the 6-percent discount because her tax will be withheld at the source beginning July 1. If she pays her back tax in full, the amount

withheld at the source entitles her to a 3-percent discount against the 1943 tax to which it is credited. Since she is paid twice a month, and receives $62.50 each pay day, the amount withheld from her will be $9.30, or a total of $111.60 for the last 6 months of 1943, which is approximately one-half the 1943 liability. This would earn a 3-percent discount of $3.35. By prepaying the other half June 15, this stenographer could earn a 6-percent discount on the $108.25 of the 1943 liability which would remain, or $6.50. Thus her total discount would be $3.25 plus $6.50, or $9.75. And in order to earn this small discount, she would have to pay in 1 year, out of a $1,500 income subject to other deductions—such as 5 percent for retirement, 10 percent for War bonds, and so forth—$181 plus $210.25, or a total of $391.25.

Now, in comparison with the $9.75 which this $1,500 stenographer would get, let us see what the man with a million-dollar income would get. His 1942 tax would be $854,616. His 1943 tax, including the net Victory tax liability, would be $899,500. By paying his 1942 tax June 15, and by prepaying his 1943 tax on the same date, he would earn a discount of $53,970.

The chairman of the Ways and Means Committee and other Members have inferred that there is no difference between the withholding provisions of my bill and of the committee bill. There is a vital difference in this respect: The withholding under the committee bill is applied in the first instance to the payment of the past year's liability. Under my bill, the amount withheld is credited in all instances to the current liability. There is just as much difference between the two as between black and white in this respect. The only similarity is in the mechanical details of the withholding. Where we differ is in regard to what the withholding is credited against. I hope that this difference is clear to the House.

I appreciate very much the opportunity to enter into this dicussion on pay-as-you-go taxation. I do not believe anyone can approach this problem with an unbiased viewpoint without reaching the definite conclusion that our tax collections must be placed on a current basis. It is a fundamental change in our income-tax law and one that should be debated and discussed from every angle. The change is of vital importance to the Treasury, as well as the taxpayers. The issue is clearly drawn and I hope that after the debate is over and the vote is taken it can be said of the Members of the House of Representatives that they had the courage to approve a bill that would remove the tax debt that hangs over all taxpayers and make personal income tax payers current.

This personal income tax indebtedness if a threat to the solvency of our Federal Treasury and a millstone around the neck of the taxpayer.

Under our present law personal income tax payers are 1 year behind. That is, they must pay in 1943 a tax based on their 1942 income. If the taxpayer suffers a serious reduction in income, or loses his job, or dies, the tax debt for the prior year becomes a serious problem.

There are two, and only two, methods of getting the taxpayers immediately on a current basis. First, Congress can base this year's tax on this year's income. In other words, move the tax clock ahead 1 year. Second, Congress can try to collect 2 years taxes in 1 year; in other words, levy an impossible burden of double taxation. These are the only two alternatives. Proposals to collect the 1942 liability in whole or in part in addition to current taxes over a period of years also involve some degree of double taxation and also continue the objectionable overhanging income-tax debt.

For several months I have been studying this problem and am convinced that the only practical way to remove the personal income tax debt is to assess the personal income tax on current income and collect it out of current income. If the problem is as serious as I firmly believe it is, our Nation can well afford to pay whatever the cost may be, if any. This fundamental change in our income-tax law is proposed for all years in the future, and the benefits of the change would continue to accrue, both to taxpayers and the Treasury.

Many economists and tax authorities have offered various proposals to get our taxes on a current basis. One of the original sponsors of a pay-as-you-go tax plan and an outstanding tax authority in the United States, Mr. Beardsley Ruml, of New York City, has proposed the plan which has received Nation-wide approval. It is commonly referred to as the Ruml plan. Mr. Ruml is Chairman of the Federal Reserve Board of New York and treasurer of R. H. Macy & Co., Inc. He was first formerly associated with the administrative branch of the Federal Government in 1930 as a member of Col. Arthur Wood's committee on employment, and more recently as adviser of the National Resources Planning Board. He has also served as a member of the advisory committee of the Division of Cultural Relations of the Department of State, of the advisory committee of the Coordinator of Inter-American Affairs, and of the advisory council of the Department of Agriculture.

Mr. Chairman, before the end of the Seventy-seventh Congress I began studying the problems connected with getting our tax payments on a current basis. I approached this subject with an open mind and studied every plan I could secure. I can definitely state that, in my opinion, just criticism can be levied at any or all of them. It was after this study and research that I reached the conclusion that the Ruml plan offered the best solution to our problem of getting taxpayers current.

Either the tax clock must be advanced 1 year or there must be a collection of 2 years' taxes in 1 year. My knowledge of the economic problems of the American people convince me that our taxpayers cannot pay 2 years' taxes in 1. In my study of this problem I discovered many interesting things concerning our income-tax law. Historically, our Federal income-tax law goes back to a bill signed by President Lincoln on August 5, 1861. It was first announced as a war-revenue measure and even at that early date one provision of the act provided for collections by withholding at the source. The act was carried on the statute books for several years. In its early stages it was definitely an excise tax or a duty and so construed by the courts. A most informative statement in regard to the early history of the income-tax law was recently written by Mr. F. Morse Hubbard, formerly of the legislative drafting research fund of Columbia University, and a former legislative draftsman in the Treasury Department. This compilation of information concerning our income-tax law is so well written that I am making it a part of my statement and the record:

I. THE INCOME TAX IS AN EXCISE TAX, AND INCOME IS MERELY THE BASIS FOR DETERMINING ITS AMOUNT

The first Federal income tax law was approved by President Lincoln on August 5, 1861, a little less than 4 months after the bombardment of Fort Sumter and the President's call for 75,000 volunteers, and less than a month after the disaster at Bull Run. It was distinctly a war-revenue measure. The act of 1861 (12 Stat. 292) provided for a tax to be levied, assessed, and collected in the year 1862, the tax to be based on income for the "preceding" year, that is, the year 1861. This tax, which was due and payable on or before June 30, 1862, was levied only for that 1 year.

In 1862, in order to meet the need for continued war revenues, Congress passed the second income-tax law. This act took effect on July 1, 1862, the day after the tax under the act of 1861 expired. The act of 1862 (12 Stat. 432) which used the word "duty" instead of "tax," provided that this duty should be levied, collected, and paid in the year 1863 and in each year thereafter until and including the year 1866 "and no longer" (sec. 92). Like the act of 1861 it provided that the tax (or duty) collected in each year should be based on the income for the "preceding" year (sec. 91). At the same time it contained a provision for withholding at the source, which will be referred to later on.

The general pattern of the act of 1862 was followed in the subsequent income tax laws of this period, namely, the act of June 30, 1864 (13 Stat. 223), and its amendments, and the act of July 14, 1870 (16 Stat. 256). Under each of these acts the tax to be paid in any given year was based on the income for the preceding year, provision was made for withholding at the source, and the tax was to be in effect only for a limited period. Under the act of 1864 the tax terminated in 1870, and under the act of 1870 the tax terminated in 1872.

The income on which the tax was based was defined as income from all sources, "whether derived from any kind of property, rents, interests, dividends, salaries, or from any profession, trade, employment, or vocation" (act of 1864, sec. 116). Thus investment income, as well as other kinds of income, was included in the basis for measuring the tax.

In sustaining the Civil War income tax laws, the Supreme Court held that the tax based on income was not a direct tax but was an excise or duty and as such did not require apportionment among the States. *Springer* v. *United States* ((1880) 102 U. S. 586). This decision, rendered after the income tax had been thoroughly tested for a period of 10 years, represents a deliberate determination as to the fundamental nature of the tax.

The true character of the income tax was at the outset so firmly fixed in the minds of those charged with its administration that for 6 years the Treasury Department held that if a person died at any time between

January 1 of one year and the date when his return was due in the following year the income for such period was not subject to tax, even though he may have made a return of income before his death in advance of the due date (T. D. June 9, 1865, 2 Internal Revenue Record 54). This rule was not changed until 1867, when it was held that such income was subject to the tax and should be returned by the executor or administrator (T. D. Apr. 6, 1867, 5 Internal Revenue Record 109; T. D. Jan. 1, 1868, 7 Internal Revenue Record 59). See also *Mandell* v. *Pierce* (C. C. D. Mass. 1868, 16 Fed. Cas. 576). The change was doubtless prompted by two important considerations; first, the taxes expired by definite limitation within a very few years; and, second, persons whose tax had been withheld at the source would already have paid their tax up to the date of death. At any rate, the change did not involve any modification in the concept of the income tax as an excise tax based on income.

After a lapse of about a quarter of a century Congress again passed an income-tax law. The act of 1894 (28 Stat. 509, 553; Aug. 27, 1894) provided for a tax to be levied, collected, and paid "from and after" January 1, 1895, "and until the 1st day of January 1900" (sec. 27). Like the Civil War acts it provided that the tax should be based on the "income received in the preceding calendar year." Although the Supreme Court held this portion of the act to be unconstitutional, it still recognized that the income tax was in essence an excise tax. The Court said that a tax on income from business, privileges, or employments, standing by itself, would be valid as an excise tax; but the tax on investment income was held to be invalid because the Court regarded a tax based on income from property as a tax on the property itself and therefore a direct tax which must be apportioned among the States (*Pollock* v. *Farmers' Loan and Trust Co.* (1895), 157 U. S. 429; 158 U. S. 601). The Court said that to sustain a portion of the tax while declaring the rest invalid, "would leave the burden of the tax to be borne by professions, trades, employments, or vocations; and in that way what was intended as a tax on capital would remain, in substance, a tax on occupations and labor. We cannot believe that such was the intention of Congress" (158 U. S. 601, 637). So the entire portion of the act relating to income tax was declared invalid.[1]

There are still those who think that in this case the Court went further than necessary in treating a tax based on income from property as a tax on property itself, and that in any event the excise-tax principle should have been applied to rents and other investment income, as was done under the Civil War acts. In other words, the making and holding of investments, while perhaps not technically a business, is, at least, a kind of activity or privilege which can properly be subjected to an excise tax measured by reference to the income derived therefrom.

That investment income may be included as a part of the basis for measuring an excise tax was recognized by Congress in the act of August 5, 1909 (36 Stat. 11, 112). This act provided "That every corporation * * * shall be subject to pay annually a special excise tax with respect to the carrying on or doing business by such corporation, * * * equivalent to 1 percent upon the entire net income over and above $5,000 received by it from all sources during such year, exclusive of amounts received by it as dividends upon stock of other corporations * * * subject to the tax hereby imposed; * * *." Certain corporations, such as religious, charitable, and educational organizations, etc., were specifically exempted from the tax.

The tax imposed by this act was really an income tax in that it was based on net income, but was given the correct designation of "excise tax." It was imposed with respect to carrying on or doing business; and it should be noted that the basis was net income from all sources, except dividends from other corporations subject to the tax. Such dividends were excepted not because they constituted investment income but because they represented income which had already been taxed. The sole test of taxability under this act was whether a corporation was engaged in business. If it was so engaged, then all the income (except dividends), including investment income as well as strictly business income, was used in measuring the tax. The Supreme Court held that the fact that the tax was measured by net income, and that income from nontaxable property or property not used in business was included in computing net income, did not prevent the tax from being construed as an excise tax which did not require apportionment. *Flint* v. *Stone Tracy Co. et al.* ((1911) 220 U. S. 107).

So far as the objections raised in the Pollock case are concerned, the principle applied to corporations under the act of 1909 with the approval of the Supreme Court might have been extended to individuals engaged in business. In that way investment income of most individuals as well as of corporations could doubtless have been brought under the terms of the act. And the field of income could have been completely covered by applying the principle that the ownership and management of investment property is an activity or privilege with respect to which Congress may impose an excise.[2]

However that may be, Congress chose to remove all doubt by an amendment to the Constitution. The resolution embodying the proposed amendment (S. J. Res. 40, 36 Stat. 184; 61st Cong., 1st sess.) was deposited in the Department of State on July 31, 1909, a few days before the act of 1909 was approved by the President. The amendment was duly ratified and became effective as the sixteenth amendment on February 25, 1913. (Secretary of State's Certificate of Adoption, 37 Stat. 1785).

The sixteenth amendment authorizes the taxation of income "from whatever source derived"—thus taking in investment income—"without apportionment among the several States." The Supreme Court has held that the sixteenth amendment did not extend the taxing power of the United States to new or excepted subjects but merely removed the necessity which might otherwise exist for an apportionment among the States of taxes laid on income whether it be derived from one source or another.[3] So the amendment made it possible to bring investment income within the scope of a general income-tax law, but did not change the character of the tax. It is still fundamentally an excise or duty with respect to the privilege of carrying on any activity or owning any property which produces income.

The income tax is, therefore, not a tax on income as such. It is an excise tax with respect to certain activities and privileges which is measured by reference to the income which they produce. The income is not the subject of the tax: it is the basis for determining the amount of tax.[4]

The purpose of the income tax is to raise revenue in the year of its levy. It is a method by which some of us make annual payments on account of the governmental expenses and the public debt of all of us—contributions to a common fund to preserve the blessings of liberty. The great French political philosopher and jurist, Montesquieu, stated the fundamental principles of taxation as follows:

"The revenues of the State are a portion that each subject gives of his property in order to secure, or to have the agreeable enjoyment of, the remainder." (Spirit of Laws, book XIII, chap. 1.)

The income tax is now a permanent part of our tax structure, and is designed to provide for such contributions, or payments, year after year, indefinitely. The tax "for" any given year is the tax which is to provide revenue for that year. Strictly speaking, then, the "1942 income tax" was the tax payable in 1942; and the "1943 income tax" is the tax payable in 1943.

The amount of the payments for any year is determined by applying certain rates to a specified basis. Both of these factors are matters of legislative policy. Congress may fix any rates which are not confiscatory and may adopt any basis which is reasonable. Hitherto the previous year's income has been used as the basis. But the basis, as well as the rates, may be changed at any time. In these matters of policy, the Constitution, both before and since the Sixteenth Amendment, has left to Congress practically unrestricted freedom of choice.[5]

Under our existing Federal income-tax law which has been operating for many years, the amount of income tax payable in any year by an individual taxpayer is based, not upon the income of the taxpaying year, but upon the income of the preceding year. This method whereby

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[1] It must be remembered that the Court was not appraising economic theories, but was construing provisions of the Constitution. The first related to the power of Congress:

"To lay and collect taxes, duties, imposts, and excises, to pay the debts and provide for the common defence and general welfare of the United States; but all duties, imposts, and excises shall be uniform throughout the United States" (art. I, sec. 8, subdiv. 1).

The second was the provision that:

"No capitation, or other direct, tax shall be laid, unless in proportion to the census of enumeration herein before directed to be taken" (art. I, sec. 9, subdiv. 4).

Thus the Constitution made a distinction between "taxes" on the one hand, and "duties, imposts, and excises" on the other. Uniformity was required in the case of the latter, whereas apportionment according to population was required only in the case of "taxes." The only taxes generally regarded as "direct" were poll taxes and taxes on property. The only direct taxes which had been imposed by Congress prior to 1894 were taxes on lands, houses, and slaves. See Foster and Abbott, A Treatise on the Federal Income Tax under the act of 1894, pp. 27 ff. The Court had no difficulty in classifying a tax on income as an excise tax. Its objection to the act of 1894 was doubtless based on the theory that a tax on rents was not in reality an income tax but was a direct tax on lands and buildings. (See Foster and Abbott, op. cit., pp. 117–118.)

[2] That such is the case is clearly indicated by the recent provision in the Revenue Act of 1942 which allows deductions for expenses incurred in the management of investments (sec. 121). The retroactivity of this provision suggests not merely the declaration of a new policy but the recognition of a fundamental principle.

[3] *Brushaber* v. *Union Pacific Railroad Co.* ((1916) 240 U. S. 1); *William E. Peck and Co.* v. *Lowe* ((1918 247 U. S. 165); *Eisner* v. *Macomber* ((1920) and 252 U. S. 189).

[4] If the tax should be construed as a tax on income as a specific fund the disappearance of the fund before the date of assessment would prevent the collection of the tax. (See Foster and Abbott, op. cit., p. 85.)

[5] "If the income is merely the measure of the tax, it is clearly quite immaterial whether the income that is adopted as a measure is that of the past, or of the present, or of the future, provided only it is practically ascertainable." (Foster and Abbott, op. cit., p. 87.)

a taxpayer must use the previous year's income as a base for the next year's tax payments results in many inequalities and injustices. When the tax rates were low and the exemptions very large these injustices were felt only in a small number of cases. Under greatly increased tax rates and reduced exemptions, the problems presented by this system have multiplied to a degree that not only works a great hardship on large numbers of taxpayers, but might readily prove very embarrassing to the Federal Treasury.

Few people realized how much money they owed the Government for taxes on last year's income until they made out their income-tax returns. There seems to be a prevailing impression that when you pay your quarterly income-tax payments everything is paid until the taxes for the next quarter are due, or at least they assume they are not in debt to the Federal Government. This is an erroneous impression. The fact is that every citizen is indebted to the Federal Government for last year's taxes until they are fully paid, and more than that, the taxpayer is indebted to the Federal Government for the accrued taxes due in the year in which he is paying income taxes.

The income-tax debt hurts most when sickness strikes, when a shift of employment reduces your salary or when you have lost your regular income.

Under the present plan of taxation a man this year pays out of this year's income the taxes assessed against last year's income. In 1944 he is required to pay a tax out of his 1944 income, but based upon his income for 1943. Under the present system it can truthfully be said that a dead man pays income taxes because his estate is liable for income taxes accrued for the year previous to his death. Such a situation—to put it mildly—is not one in which we as a Nation can take pride.

It is true that a man does not have to die to face a similar anomalous position. Any man who at the end of the year has the misfortune to cease to receive an income due to an accident, illness, or other misfortune which might disqualify him from his earning capacity is, under our present law, compelled during that year to pay an income tax on last year's income. Assessing an income tax to be paid in 1 year upon the income of a different year departs widely from the ability-to-pay principle of taxation. Our income-tax law is based on the sound philosophy of ability to pay—that is, it was based on that sound philosophy in 1913, when it was first approved by our Nation. Theoretically, that principle holds true today, but from a practical standpoint I am not so certain that it will stand analysis. Demanding payment of income taxes from dead men or those who have ceased to have income is a complete violation of such a principle. Ability to pay relates to the ability in the year in which payment must be made and not to the condition in some other year. Theoretically, a man sets aside a part of his income for the tax that the law requires him to pay in the following year. This may be good theory, but does not work out in practice. It was the intention of the framers of our income-tax law in 1913 to use 1913 merely as a base for the tax payments to be made out of the next year's income. This is the practical effect of the law today. The fact that the law now allows all of the year 1943 to pay the assessment on 1942 incomes clearly indicates that Congress intends the tax to be paid out of 1943 income.

I do not know of any better illustration of how setting the tax clock ahead 1 year will work than to refer to our distinguished chairman who was here when the Congress passed the first income tax law in 1913. He was a Member of Congress at that time. Bear this in mind, that if we had had the Ruml plan in 1914 and moved the tax clock up 1 year, he would not be $1 better off today, as far as tax money is concerned; he would not have gained a dollar and he will never gain a dollar until his income ceases or until his income decreases.

Mr. DOUGHTON. Mr. Chairman, will the gentleman yield? He has referred to me.

Mr. CARLSON of Kansas. I yield to our distinguished chairman.

Mr. DOUGHTON. If my tax is forgiven for 1942, when will it ever be paid? When will the Government ever get it? The gentleman has gone too far back. Come right down to brass tacks. Say now my tax in 1942 is forgiven and wiped out, $2,500. Then I would keep that much money, would I not? When would the Government ever have me pay it? I would keep it in my pocket. When would the Government ever get it? That is a fair question.

Mr. CARLSON of Kansas. The distinguished chairman paid his taxes in 1941. He paid them on the basis of earnings back in 1940. He paid his taxes in 1942 on his 1941 income. There is no question about that. We pay taxes every year. He does not gain and would not gain anything until his income decreases or ceases.

Mr. DOUGHTON. I did not pay my tax in 1913 because it was not due until the next year.

Mr. CARLSON of Kansas. That is right.

Mr. DOUGHTON. It was not due. I do not ordinarily pay my debts until they are due, but I do try to pay them when they are due. I do not try to dodge them or run out on them. I pay them.

Mr. CARLSON of Kansas. The chairman knows that the taxes he paid in 1914 were based on his income for 1913. That was the standard they set up; that is what they determined he should pay a tax on. But he paid them out of 1914 income.

Mr. DOUGHTON. I had no notion of interrupting the gentleman because he is a very fine and able member of this committee.

Mr. CARLSON of Kansas. I thank the gentleman for his compliment.

Mr. DOUGHTON. However, as long as the gentleman referred to me I think he ought to answer my question. If I get out of my 1942 tax, if it is abated, when would I ever pay it? When would the Government get it?

Mr. CARLSON of Kansas. The chairman will never receive any tax benefit from this program until his income ceases or his income declines; not 1 cent.

Mr. DOUGHTON. I challenge that statement absolutely. If I keep it in my pocket, I have benefited.

Mr. CARLSON of Kansas. The gentleman does not have any money in his pocket in this at all, because he will still be paying tax in 1943 under my bill.

Mr. DOUGHTON. The Government never gets it.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. CARLSON of Kansas. I yield to the gentleman from Minnesota.

Mr. KNUTSON. Will the gentleman inform the House just what his taxes would be this year under existing law and what they would be under his bill?

Mr. CARLSON of Kansas. I will make this statement because it seems so clear. If there is any man on this floor who thinks he is going to have some tax money left in his pocket if he votes for this bill of mine, he is just mistaken for this reason. You do not get out of a dollar of tax. You pay just the same taxes in 1943 under my bill that you would have paid on the 1942 liability in 1943 under the present law. The only difference is that it is your current year's taxes under my bill. You are current instead of being 1 year behind.

Mr. GEARHART. Mr. Chairman, will the gentleman yield?

Mr. CARLSON of Kansas. I yield to the gentleman from California.

Mr. GEARHART. You will pay the same taxes, but you will have had 2 years of income—1 year's tax but 2 years' income. Is that not correct?

Mr. CARLSON of Kansas. I do not agree with the gentleman at all. The gentleman can figure 2 years' income out of that. I wish I could, but I cannot. The fact is that a tax was collected out of the 1942 income measured by the 1941 income.

Mr. GEARHART. You will have the income of 1942, in the gentleman's case $10,000. You will not pay any tax on that. You will have the income of 1943, and you will pay the tax on that alone. That is $20,000 of income, but a tax on only $10,000.

Mr. CARLSON of Kansas. The gentleman and I have gone over this before. He forgets that in 1941 I paid taxes on my 1940 income. In 1942 I paid on my 1941 income. I did not skip any tax years. I did not gain anything, and I will not gain this year.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. CARLSON of Kansas. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. The gentleman has referred to Congress either lowering or raising the rate. There is no reason why Congress cannot pass another tax bill in October of this year and raise the rate to 40 percent, is there?

Mr. CARLSON of Kansas. No; there is no reason why it cannot. We do it continually.

Miss SUMNER of Illinois. Mr. Chairman, will the gentleman yield?

Mr. CARLSON of Kansas. I yield to the gentlewoman from Illinois.

Miss SUMNER of Illinois. It seems to me the trick is that Congressmen are going to serve here this year and we know it, but take it this way. Say that I go out of Congress in 1944 and do not serve. Then what is going to happen? Say I go into the law business right away. In 1945 I have no income. I do not know whether my clients are going to pay me. Maybe they will not pay until 1946. I do not have anything to pay in the way of income tax that year, do I? The way the law is at present, I would have to pay $2,000 or $3,000, according to what my tax would be in 1942.

Mr. CARLSON of Kansas. That is absolutely correct. You are 1 year behind. The gentlewoman from Illinois is thrifty and prudent. I have no doubt she will have her tax money all stored up in tax-anticipation notes, but there will be many of the people in this country who will not be able to pay a cent of that money. That is the reason we have to get current.

I am frank in saying this may cost us something, but because of what it is worth to the country in the future we need to get it done.

Mr. HARNESS of Indiana. Mr. Chairman, will the gentleman yield?

Mr. CARLSON of Kansas. I yield to the gentleman from Indiana.

Mr. HARNESS of Indiana. I have in mind a young man who died in November of 1942. He had a substantial income during the time he lived in 1942. I understand the Government will claim from his widow a tax of several hundred dollars, almost $1,000, for the man left no estate other than the home in which his widow lives. Under the committee bill the Government would collect from that widow and force her to sell that home and pay that $1,000.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. KNUTSON. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. CARLSON of Kansas. I will say to the gentleman from Indiana [Mr. HARNESS] that this is the situation, and it is true, sadly true, in this country at this time. We have boys dying in Africa, boys who died last year. Their widows are subject to a personal income tax, and the distinguished Senator from Michigan, Senator VANDENBERG, placed in the RECORD early this year or in December of last year a letter from the Treasury Department to one of these widows reminding her that the income tax was due. Now if there was not any other thing that could come from this, certainly we ought to take care of that situation.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. CARLSON of Kansas. Yes.

Mr. COOPER. In all fairness both the gentleman's bill and the committee bill take care of that.

Mr. CARLSON of Kansas. The gentleman from Tennessee knows just as well as I do that it is in both bills, but that is not the law today. There is no abatement under the committee bill on the civilian income of soldiers unless they die in the service.

Mr. COOPER. But it is in both bills.

Mr. CARLSON of Kansas. To the extent I have stated. After all, that is not the law today. The law today is that they must pay. Of course it is in both these bills. I purposely put it in there.

Mr. COOPER. It is in the committee bill, and the gentleman copied it in his bill.

Mr. CARLSON of Kansas. It is the Woodruff amendment, and I have included it in my bill also. But it is not the law today.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. CARLSON of Kansas. Yes.

Mr. ROBSION of Kentucky. There might be something in this thing about forgiveness, if we paid income tax for a year, but it is clearly the policy of this Government to collect income taxes. Under the gentleman's bill, the Ruml plan, will the Government collect from more income taxpayers this year or less than under the committee bill?

Mr. CARLSON of Kansas. That is correct.

Mr. ROBSION of Kentucky. Will the Government collect more taxes this year under the gentleman's plan than it will under the committee plan, and if so about how much?

Mr. CARLSON of Kansas. The facts are, and I think that is agreed to by the Treasury, and the President in his Budget message stated that we would collect $3,000,000,000 more revenue in 1943 than in 1942, and under my bill the Government will collect $3,000,000,000 more revenue than under existing law.

Mr. ROBSION of Kentucky. And would that not also hold for 1944?

Mr. CARLSON of Kansas. Of course.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield?

Mr. CARLSON of Kansas. Yes.

Mr. MURDOCK. Did I understand the gentleman to say as a positive fact that we must either forgive 1 year's taxes, or else we must double up and pay 2 years' taxes in 1 year, and that there is no other possible alternative to fix the law for getting on a current basis?

Mr. CARLSON of Kansas. I made that statement, yes. It is the only way we can get everyone current immediately with no doubling up.

Mr. MURDOCK. I deny that statement as a fact.

Mr. CARLSON of Kansas. The gentleman has a right to deny it, but it is still true.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. CARLSON of Kansas. I hope I will not have to yield any more.

Mr. COOPER. I think in all fairness the gentleman misunderstood the question asked by the gentleman from Kentucky [Mr. ROBSION]. The gentleman knows the situation stated by him would be the same under both bills.

Mr. CARLSON of Kansas. If I misunderstood the gentleman I am very sorry. I thought the gentleman asked the question as to whether this bill of mine would bring in more or less revenue than existing law and that is what I tried to answer.

Mr. COOPER. And the committee bill would, too. There is no difference on that point.

Mr. CARLSON of Kansas. Oh, I think there is a great deal of difference on that point. The committee bill would collect taxes in 1943 based on the lower level of 1942 income.

Mr. COOPER. That is brought about by the increased national income.

Mr. CARLSON of Kansas. Oh, just a minute. I want to answer the gentleman from Tennessee. If the people get current, it would be true, but if they do not then they still pay their 1942 tax liability as under existing law, and the only way that you can get those $3,000,000,000 additional revenue is to collect it on the 1943 income.

Mr. COOPER. The gentleman is mistaken on that. The increase from $10,000,000,000 tax liability in 1942 to $13,000,000,000 tax liability in 1943 is because we will have $140,000,000,000 national income in 1943 as against $119,000,000,000 in 1942. The rates are the same for both years.

Mr. CARLSON of Kansas. I just want to say this. The committee bill will collect that increase in 1944 in the way of taxes. My bill would collect it in 1943.

Mr. ROBERTSON. In the gentleman's opinion, what is the second best bill?

Mr. CARLSON of Kansas. I have not made any choice. I do not believe we can compromise on principle.

The CHAIRMAN. The gentleman's time has expired.

Mr. KNUTSON. Mr. Chairman, I yield the gentleman 1 minute more.

Mr. CARLSON of Kansas. The best proof that income-tax payments for last year's income-tax liability are made out of current income is the large amount of money that is borrowed to make quarterly payments. This reaps a real harvest for the loan sharks in the Nation. They are the ones who really benefit from the present back-taxing system. If the present system is allowed to continue the loan sharks will continue to reap their rewards. If you will follow the classified ad section in the newspapers for the month preceding income-tax payment dates you will find they are filled with ads headed "Loans to pay income taxes." They display very cleverly arranged tables and call attention to the ease with which this money may be borrowed. In fine print in the same ad you will find statements reading like this:

> We guarantee that these payments will repay loans in full, if payments are made on schedule. Total cost will be reduced if payments are made ahead of schedule. Payments include charges at the rate of 2½ percent per month on balances of $100 or less, and 2 percent per month on that part of the balance in excess of $100.

You will note that the interest rate is 2½ percent per month on amounts less than $100. This means an annual interest rate of 30 percent. Certainly Congress cannot afford to allow the continuation of this graft on the American taxpayers.

The statement released on March 23d by Mr. Syn J. Hughes, vice president of the Morris Plan Industrial Bank of New York, the largest consumer credit bank in the Nation, tells that a minimum of 50,000 New York families borrowed from banks and lending agencies an estimated $10,000,000 to pay their first quarterly income-tax installment. Mr. Hughes also estimated that at least a half million families over the Nation as a whole borrowed a minimum of $100,000,000 for the same purpose. It is his estimate that the number of taxpaying borrowers might rise to as many as 5,000,000, involving a billion dollars, directly or indirectly due to the present tax base.

The objective of pay-as-you-go taxation is to remove the income-tax debt that hangs over the head of all taxpayers. That is what is meant when it is said the purpose of the Ruml plan is to put personal income tax collections on a current basis. The way in which it is proposed to do this is to move the tax clock ahead 1 year. It is now 1 year behind all the time. The Ruml plan would make taxes current with income.

The fault of this system of back tax-debt collection has been recognized for a long time, but nothing has been done about it. The fault of the present system has become increasingly recognized and some change must be made to minimize the evil effects of the present law.

As I have stated previously, there are two ways to get personal income taxpayers on a current basis. First, the Congress can base this year's tax on this year's income, in other words move the tax clock ahead, or secondly, Congress can try to collect 2 years' taxes in 1 year. I do not think it would be practical or expedient to try and collect 2 years' taxes in 1 year.

Double taxation in any year or in any series of years would result in a ratio of assessment that is utterly unjust. In many cases it would mean that the amount of tax to be paid would be greater than the income. That would result in a confiscation of capital.

This leaves only one other alternative and that is to change the income-tax base from a preceding year to a current year.

It was with this thought in mind that I have introduced H. R. 2245 in the House. Basically it follows the proposal of Mr. Ruml in regard to the transition of the tax base from one year to another. It has several antiwindfall provisions and a section dealing with withholding for collection of taxes at the source. It is a perfected Ruml plan.

The question naturally arises in everyone's mind as to how we can drop an income-tax year out of the calendar in this way without having the Treasury lose a lot of money badly needed for the war effort. The answer is that we shall all go along paying our income taxes as we have before, except they will be on a current basis. The Treasury will also go along getting its revenues.

Unfortunately, many of our people have been led to believe that by setting the tax clock ahead 1 year they would not be obligated for payment of current taxes. Everyone must realize that our Federal Treasury must have more tax revenue, not less tax revenue.

I would be the last person to suggest that any plan be proposed which would threaten the solvency of our Federal Government. This bill protects our Federal Treasury.

The big difference between proposed and existing tax collections is that when a taxpayer dies, or when his earnings or other income are cut off or diminished he does not owe the tax as he does under the present system. The only reduction that is possible under the proposed bill is when the taxpayer's income ceases or declines. The reduction is therefore spread over the whole lifetime of the present income-tax-paying generation, and occurs beneficially for each taxpayer at the time when his income fails. The Treasury has at no time ever considered taxes receivable as an asset, and accordingly they can be written off the balance sheet of the Government without the change of a single penny.

The tax experts estimate that the rate of loss to the Government by such means would be so slow that 35 years would pass before a total sum equal to 1 year's income-tax revenue from the whole country would be dropped out of the Treasury's anticipated revenue.

The second point is that the loss of revenue in any case would be offset by better tax collections and collection methods.

At the present time tax collections are important as a part of the anti-inflation control, and the point has been raised that this method of advancing tax collections might have an inflationary effect by releasing funds set aside for last year's tax liability. I doubt this very much, as there are comparatively few people who make provision in advance to take care of their income-tax payments. Those people who do are not spendthrifts and are not the type who would go out into the open market and spend their money promiscuously.

The current tax collections might have a wholesome effect on inflationary tendency because our people would be required to pay their taxes from current income. The Revenue Act of 1942 carries a provision for a Victory tax which was enacted by Congress to siphon off excess purchasing power in addition to furnishing needed revenue.

The third point in the pay-as-you-go income-tax plan is designed to solve the problem of how we can pay our income taxes on a current basis, when we do not know at the beginning of a year what our income is going to be in that year. The way of solving this problem is not too difficult. We will go ahead as we do today, filing an income-tax schedule about the 15th of March declaring our previous year's income. But this will be a tentative return for the year then beginning and we will pay our current taxes on the basis of this tentative return. After the year had ended there would have to be an adjustment up or down depending on whether our actual income for the year was greater or less than that on our tentative return. But this adjustment would be made on the same blank and at the same time as our return for the following year. This return would be at one time the final return for the old year and the tentative return for the new. There would be no doubling of returns involved and only a few extra lines for the adjustment computations.

The fourth feature of the plan is the provision for adjustment in case a taxpayer knows his income in the current year is going to be less or greater than that of the year of his tentative declaration. The plan provides that he may declare his true knowledge of lower or higher income, as a result of salary changes, and so forth, which have actually occurred, and make his current payments accordingly. This provision eliminates the awkwardness of year-end adjustments and keeps the plan closer to a true pay-as-you-go basis than it would otherwise be.

The fifth point about the pay-as-you-go income-tax plan is that it proposes to give fair treatment to all taxpayers under the plan. This means to start the whole country debt-free as far as the income tax is concerned.

The plan I have included in my bill and just outlined forgives nothing in the way of taxes. Whether the word "forgiveness" as applied to this plan was initiated maliciously or through a misunderstanding of the plan is not now pertinent. It did do great damage to the country's welfare through confusing the issue and creating in many minds a completely false impression. The plan does not propose the forgiveness of income tax in any year, nor does it involve skipping a year of taxation. Income taxes under this plan will be paid every year as under existing law. It does, however, eliminate the inequities of the present law. Under such a system the result for each taxpayer will be that as income increases the amount of the tax to be paid from such income increases. As income decreases the amount of the tax decreases. If income ceases the tax ceases. This plan brings taxation more nearly in accord with ability to pay. It does not demand that an income tax shall be paid by a dead man nor by a man who has through other causes ceased to earn or receive income. If that be construed as "forgiveness" it would appear that few of our elected Government officials would be hardy enough to state that this country has reached a point where it cannot carry on its proper activities, even in wartime, without collecting income taxes from dead men.

The use of the term "forgiveness" implies a relationship between two parties utterly at variance with the relationship of the United States Government and the taxpaying people of this country. The Government of the United States is the people. The Government of the people, by the people, and for the people has not yet perished from this land. The people through their chosen representatives — the Government — decide how much revenue the people must contribute to the needs of the country as a whole. That is taxation. The people

through their elected representatives may decide at any time to improve the method of allocating these contributions to the Government. Under such new allocation duly enacted into law, the amount each taxpayer must contribute becomes his obligation in lieu of his prior obligation. There is no forgiveness. There is merely a substitution of the amount determined under the new basis for the amount determined under the old basis. In other words, the people decide how much must be paid by the people for the benefit of the people. The amounts so decided upon become the obligation of each of the people affected. To change the base of such contributions in order to reduce the inequities of the past method has no relation whatsoever to the term "forgiveness."

The opponents of my plan, having no real facts upon which to base their opposition, are resorting to pure demagogery. The skeleton of 60 millionnaires and a $10,000,000,000 forgiveness to the Treasury are being dragged over every trail in the Nation. It is the hope of the opposition that they can so imprint these various misrepresentations on the minds of the people that they, the people, will not see the benefits to the individual taxpayer, the Nation as a whole, and the Federal Treasury. The Treasury has submitted figures showing that in 1943 there will be 44,000,000 personal income tax payers. This same Treasury table shows that out of this group there are only 60 individuals who have an income of $1,000,000 or over. There are only 200 individuals in the United States who have an income of between one-half million and one million dollars. Contrast this with the 37,509,000 citizens and taxpayers who have an income of less than $5,000.

All the opposition has been able to see are the 60 millionaires sunning themselves on the beach. They do not want to recognize the other 44,000,000 taxpayers who are hanging to driftwood and rafts, hoping and praying that someone will rescue them from their tax indebtedness.

Now, let us analyze this purported $10,000,000,000 loss of assets which the opponents keep dangling before the eyes of the American people. In the first place, if there were a forgiveness or loss to the Treasury, it would immediately show up in the revenue of the Treasury. No one in authority will concede that moving the tax clock ahead 1 year will cause a loss of revenue to the Treasury. The President, in his Budget message to Congress, stated that the revenue for 1943 would be $3,000,000,000 more than for 1942. If this is true, then the substitution of one tax base for another would increase the revenue by $3,000,000,000. Certainly there is no loss in that transaction.

The plan proposed in my bill does not involve forgiving a year's taxes, nor does it skip a year of taxes. Income taxes under this plan will be paid year after year according to the rates applicable to each year. No taxpayer will receive any benefit under this bill unless his income decreases or his income ceases. Congress establishes an individual's tax liability by law. It may increase it or decrease it as deemed necessary. A decrease in tax liability is not a forgiveness of a taxpayer's liability, but merely a reduction in the tax he should pay. It is purely a bookkeeping transaction between the taxpayer and the Government.

We can safely change the basis of assessment to 1943 instead of 1942 because the Government will be in a much better financial condition by doing it. This does not mean forgiving or not paying a debt. It means a substitution of one debt for another with no loss to the Treasury and no gain to the taxpayer.

The opponents of the Ruml plan are attempting to defeat it on the ground that it is an expediency of the moment—a scheme to relieve the people from the burden of last year's taxes. That is the way they would have you look at it.

They suggest that you isolate the means by which objectives are to be obtained, blast, damn, and excoriate those means unmercifully, and utterly ignore the objectives.

I am going to talk about both the means and the objectives. If you will consider them together you will speedily understand what we are trying to do under the Ruml plan. You will be won over, as any clear-thinking man must be.

What are the objectives?

Before discussing them we must first consider certain fundamentals on which we are all agreed—both the proponents and the opponents of the Ruml plan.

It is unanimously agreed, for example, that there is no possible method by which we can collect 2 years' taxes in 1 from everybody—I repeat, everybody. If we tried to do that, it would mean outright confiscation in some cases, an unconstitutional levy against capital in other cases, and most certainly an unbearable burden on all. So we are agreed we cannot double up the payments.

It is unanimously agreed, I think, that once this war is over, millions of persons are going to find themselves jobless or with drastically reduced incomes, during the transition back to a peacetime economy. So we are agreed that we have a gigantic problem ahead of us, 1, 2, or 3 years hence.

It is a fact, and therefore unanimously agreed, that 1943 finds millions of persons—somewhere between 17,000,000 and 21,000,000 persons—paying income taxes for the first time in their lives. They are, for the most part, people who are not accustomed to tax budgeting, people who never before filled out an income-tax form or made a payment.

I believe that we unanimously agree that when this war is over the majority of people who are going to be jobless or who are going to have drastically reduced incomes are these very same people who are now paying taxes for the first time.

I think we are agreed on all these things, and I want you to remember them as we discuss the objectives of the Ruml plan.

Now—a tax system which collects taxes a year after the income is earned will collect little or nothing from those millions of persons who will be jobless or hard pressed financially in the post-war period. I do not think anybody will stand up here and argue that you can collect taxes from people who do not have the money. But you cannot escape the fact that they will owe those taxes.

If you do not prepare for that day, that post-war period—if you do not prepare for it now, you are going to have this grave situation on your hands:

You are going to have a Government that is not the servant of the people, but a debtor of the people. You are going to have millions of people with the awesome specter of their Government holding a first lien on anything a jobless person might ever earn again. Think of it. Consider—when people owe taxes which they cannot pay; when they owe burdensome taxes for which they have no money, you are flirting with another Boston tea party. You are supplying the one kind of fuel which has touched off more uprisings than any other single thing in history—taxes.

Consider—when people find that their Government has placed them in the position of tax defaulters, as will be the case, you are inviting disrespect for government; and when you have disrespect for government, when the confidence of the people is shaken, then watch out. Trouble is ahead.

The plain fact is this—the people have the money today, but many of them will not have it tomorrow when they must pay. The time to prepare for tomorrow is now. Not next year, but now.

There is a second aspect to this post-war picture. If people owe taxes and do not have the money to pay them you may find some dangerous demagogue, some pint-sized leader with the rabble-rousing voice of a Hitler or a Mussolini, rise up to a place of dreadful political power on the sole issue that he will wipe out what the people owe and cannot pay. Talk about tax moratoriums—as some Members are talking—and he and his followers will laugh you off the front pages.

We are facing serious tax problems, grave problems, and the Ruml plan, as proposed in my bill, and only this plan meets them head-on. The Carlson-Ruml plan, and only the Carlson-Ruml plan, will solve this tax problem. Its objectives are two-fold: First, to provide a method of collecting taxes while people have the money; and second, to provide a method which will relieve the people of their tax debt owing their Government in times when they have no money for taxes.

The Ruml plan—and I stress this—is both realistic and forward-looking. It, and only it, will solve both the problem facing us today and the problem facing us on some darker tomorrow.

Now get this: The Ruml plan deliberately chooses the abating of 1 year's taxes as a means—not to relieve either the poor or the rich, the weak or the strong, the many or the few—but as a means, a method, a way, in fact the only way, by which these two objectives can be attained now.

Let us now discuss for a few minutes the statement made by the Treasury that "forgiving a year's tax would wipe

out assets amounting to close to $10,000,000,000." It is simply nonsense to say that the Government would be wiping out $10,000,000,000 of assets if we put the tax clock ahead.

The Treasury's analogy is wholly false. Taxpayers owe the Government what the Government at any time chooses to say they owe it—no more and no less. Congress has the authority to increase or decrease taxes as they see fit, and forgiveness is not involved. There is no valid comparison whatever between taxes and a fixed debt which once forgiven cannot be unforgiven. The Treasury insists on talking about losing the tax revenue on last year's income. That phrase "losing tax revenue" is being used to appeal to sound and honest people who dislike the idea of the Government building up the present huge debt. It sounds as though the revenue to the Treasury Department is going to be reduced. That is absolutely untrue.

The Treasury will continually—without any break or pause—get more money if we switch to a pay-as-you-go plan than under existing law. Under the present tax law collections will be about $10,000,000,000 while if we adopt the proposal in the Carlson bill the tax collections in 1943 would be $13,000,000,000. As further proof of the fact that you will not be forgiven anything, you as an individual will pay just as much tax money to the Treasury during 1943 as you are paying under the present system, unless you have a reduced income.

Let us see how this forgiveness works out from a practical standpoint. Take, for instance your own personal income tax payments this year. If your income for 1943 is the same as for 1942, and the rates remain the same, you will pay exactly the same amount of tax, whether it is paid on the 1942 liability or 1943 liability.

What happens if Congress should retroactively, by legislative enactment, reduce the income-tax rates or increase the exemptions? For instance, if a taxpayer's liability for the previous year was $1,000 and the Federal Government decided they only needed to collect $800 of it in order to meet the current obligations of the Government, Congress could reduce the rates or increase the exemptions retroactively and reduce this taxpayer's tax liability $200.

I ask you in all fairness if the Treasury will lose any money through this transaction? Would they lose any assets? Of course the Treasury would not lose any revenue, nor would they lose any Treasury assets.

The benefits of this proposal are of value to every taxpayer in more ways than one. They are especially beneficial to millions of our men and women who are employed in wartime industry. You realize your jobs are secure only as long as the war lasts or war production is needed. When these factories must shift from war production to the manufacture of goods needed in peacetimes you will be out of a job for several months and maybe several years. Under existing law you will be liable for income taxes on last year's income. This transition in industry will affect at least 20,000,000 citizens who will be required to pay last year's income taxes out of unemployment compensation checks.

The farmers of the United States are another group that will receive great benefits from this bill. There is no group of people whose income is more uncertain than that of the farmers. Droughts, floods, fluctuating farm prices make the farmers' income more uncertain. The present tax debt adds another unnecessary worry to the farmers of our Nation. They should be permitted to pay their income taxes on the basis of the income they receive the year the taxes are due.

Another group that will be greatly benefited by this bill are the hundreds of thousands of small businessmen in every community in the Nation who had a small thriving business in 1942 but are gradually being forced into bankruptcy. These small businessmen are in debt to the Federal Government for their 1942 taxes. They will be expected to pay these taxes in 1943 when they have little or no income.

The passage of the Carlson bill would be a godsend to millions of boys who have entered military service. Many of them left good paying jobs and are now serving Uncle Sam at $50 a month. They, too, owe income taxes accrued in 1942 and are now asked to pay them out of a soldier's pay. This situation must be corrected.

Let us not forget the heartaches and suffering this bill would remove from widows and mothers who are left alone with an income tax hanging over their heads. Thousands of these wives and mothers have only a small amount of money to meet the emergency forced upon them. Yet the Federal Government steps in and asks them for the income tax earned by their late husband or father in the previous year.

Broadly speaking, what will the plan accomplish?

The pay-as-you-go income tax plan is a three-way plan:

First of all, it is a plan that will relieve thousands of citizens from hardship and distress arising from income tax debt, and that will bring peace of mind to millions more who are in income tax debt-danger.

Second, it is a method for clearing the decks for an all-out war financing program. If we can all be free of income tax debt on the first of 1943 we can start on a pay-as-you-go basis and stay there. If we need high, withholding taxes we can have them; if we need to supplement voluntary savings with compulsory savings, we can do that too. But whatever is called for, it would be paid out of the current year's income as an assessment on the same year's income. We would not be paying for dead horses while we are fighting a war.

In the third place, the pay-as-you-go income-tax plan is the best kind of financial planning for the post-war period. Our policies can then be forward looking, not backward looking. We will not be trying to collect income taxes from people who are unemployed, we will not be debating whether we should collect taxes on 1941 or 1942 income from men demobilized from the armed forces. We will not have a spending spree in the first little boomlet, financed on unpaid taxes, and then a tax-debt headache if income should drop off for a year or so.

As a nation of individuals, we will be better able to meet the present and to attack whatever the future has in store for us if we are paid up in our income tax, and, being out of income-tax debt, can pay as we go out of what we earn.

I believe that the problem of tax debt must be solved in some manner. As I have pointed out, the problem is an intensely personal one affecting every taxpayer. The suggested solution offered in the pay-as-you-go plan gives relief to the taxpayer and yet does not embarrass the revenues. The pay-as-you-go plan may not be, in all its details, the very best solution, but it is the best that I and those with whom I have consulted have been able to devise. Whether the solution of the problem of income-tax debt takes the exact form suggested in the pay-as-you-go plan is not important; what is important is that the problem should be solved.

DETAILED EXPLANATION OF PROVISIONS OF THE CARLSON BILL, H. R. 2245

The first section provides that the bill may be cited as the Current Payment of Individual Income Tax Act, 1943, and provides that terms used in the bill are to have the same meaning as when used in the Internal Revenue Code.

PREVENTION OF DOUBLING UP OF TAX PAYMENTS

The bill provides for current tax payments only by individuals.

Section 2 contains the provisions relating to the manner of transition from the present system to a pay-as-you-go system.

Since the bill requires that the tax assessed against the income of any year is to be paid currently during that year, it is necessary, in order to prevent the doubling up of tax payments in 1943, to abate 1 year's tax liability.

This is effected under section 2 (a) of the bill by the discharge of the 1942 liability.

PREVENTION OF WINDFALLS

Sections 2 (b) and 2 (c) of the bill contain special rules for the preventing of windfalls to taxpayers.

(a) Taxpayers with substantial incomes whose 1942 tax is greater than 1943 tax: Section 2 (b) of the bill contains provisions designed to prevent the abatement of the 1942 tax from resulting in a windfall to well-to-do taxpayers whose 1942 tax is greater than their 1943 tax. It provides that if the reported taxable income for 1942 was $20,000 or more and the reported 1942 tax greater than the reported 1943 tax, the 1942 tax is to be abated only to the extent of $7,100—the approximate tax on a taxable net income of $20,000—and the 1943 liability is abated to the extent it exceeds $7,100.

This provision has the effect of requiring such a taxpayer to pay the tax on the higher of the 2 years, but treats the 2 years together and abates a portion of the tax for each so as not to discriminate against the taxpayer whose 1942 income is slightly over $20,000 as compared with

the taxpayer whose 1942 income is slightly under that amount. Thus the $7,100 abatement constitutes an automatic "notch" provision. So far as payments in 1943 are concerned, the "notch" provision has no effect where both the 1942 and 1943 incomes are over $20,000, since the amount it abates for 1 year it recaptures in the next. The "notch" does, however, have the effect of graduating the amount payable in 1943 where the 1943 income is less than $20,000.

Two examples will illustrate how section 2 (b) of the bill will operate:

Example 1. Taxpayer with a 1942 income of $1,000,000 and no 1943 income: Richard Roe, single, reported a net income for 1942 which after subtraction of the personal exemption and credit for dependents equaled $1,000,000; and reported no net income for 1943. Without the application of the bill, the 1942 tax on the $1,000,000 would be approximately $854,000. Section 2 (b) of the bill abates only $7,100 of this amount. Thus Richard Roe would have to pay in 1943 approximately $846,900 on account of his 1942 tax.

Example 2. Taxpayer with 1942 income of $21,000 and no 1943 income: Charles Coe, single, reported a net income for 1942 which, after subtraction of the personal exemption and credit for dependents, equaled $21,000; and reported no net income for 1943. Without the application of the "notch" provision, the whole 1942 income would be subject to tax in 1943, amounting to approximately $7,710. Section 2 (b) of the bill abates the first $7,100 of the 1942 tax, leaving a balance of $610, which is the amount of tax payable in 1943 on the 1942 income.

Example 2. Taxpayer whose 1942 income slightly over $20,000: John Doe, single, reported a taxable income for 1942 of $21,000; and he reported a taxable income for 1943 of $19,000. Without the application of the bill, the 1942 tax on the $21,000 would be approximately $7,710, and the 1943 tax on the $19,000 would be approximately $7,640 (including the Victory tax). Section 2 (b) of the bill abates $7,100 of the 1942 tax leaving a balance of $610. It abates the excess of the 1943 tax over $7,100, or $540, leaving a balance of $7,100. Thus, John Doe would have to pay in 1943 $610 on account of his 1942 tax and $7,100 on account of his 1943 tax, or a total of $7,710.

It is apparent from this example that the amount which the taxpayer is required to pay in 1943 is equal to the tax on the higher of the 2 years, and that if the $19,000 income had occurred in 1942, the amount required to be paid in 1943 would be the same. Thus there is no discrimination between taxpayers with incomes slightly under $20,000 in 1942 on one hand and those with incomes slightly over $20,000 on the other hand.

(b) Taxpayers with substantial income whose 1942 and 1943 incomes are substantially greater than normal income: Section 2 (c) of the bill contains a special rule for the case in which both the 1942 and 1943 incomes are more than $50,000 in excess of the normal income. For the purpose of this provision the taxable income for 1941 is considered the normal taxable income, that being the last year in which the income was not substantially affected by the present war.

The rule contained in this section provides in this case that if the 1942 income is equal to or less than the 1943 income—in which case the regular 1943 income tax would be based on the 1943 income—the first $500,000 of the excessive portion of the 1942 income is to be taxed at the rate of 25 percent, and the balance at 50 percent.

If the 1942 income is greater than the 1943 income—in which case the regular 1943 income tax would be based on the 1942 income—the first $500,000 of the excessive portion of the 1943 income is taxed at the rate of 25 percent, and the balance at the rate of 50 percent.

The taxpayer is given the right, upon the furnishing of adequate security, to an extension of time for the payment of the 25 and 50 percent amounts. The original extension cannot exceed 18 months, and in exceptional cases a further extension of 12 months may be granted. These periods of extension are similar to the extensions permitted under existing law for the payment of deficiencies in income tax. If an extension is granted, interest is charged at the rate of 3 percent per annum.

Two examples will illustrate how this provision will operate:

Example 1. Taxpayer whose income as a result of war has increased $900,000: John Smith, single, had a taxable income for 1941, 1942, and 1943, as follows: 1941, $100,000; 1942, $1,000,000; 1943, $1,000,000. Thus both his 1942 and 1943 income is substantially in excess of his normal income of $100,000. Section 2 (c) of the bill provides in this case that in addition to the 1943 tax on the $1,000,000 income for 1943, John Smith must pay as 1942 tax 25 percent of the first $500,000 of the excess of his 1942 income over his 1941 income, or $50,000, whichever is the greater, and 50 percent on the balance. Since his 1941 income is greater than $50,000, he must pay as 1942 tax 25 percent of 500,000, and 50 percent of $400,000, or a total of $325,000. He may get an extension of time, not exceeding 30 months, in which to make this payment.

Example 2. Taxpayer whose income as a result of war has increased $900,000 in 1942 and whose 1942 tax is greater than 1943 tax: John Jones, single, had a taxable income for 1941, 1942, and 1943, as follows: 1941, $100,000; 1942, $1,000,000; 1943, $900,000. Thus both his 1942 and 1943 income is substantially in excess of his normal income of $100,000. As explained in example 2 in subdivision (a) above, the 1942 tax is abated to the extent of $7,100 and the 1943 tax abated to the extent it exceeds $7,100, under section 2 (b) of the bill. Section 2 (c) of the bill also deals with this case and adds to the unabated portion of his 1943 tax 25 percent of the first $500,000 of the excess of his 1943 tax over his 1941 income or over $50,000, whichever is the greater, and 50 percent of the balance. Since his 1941 income is greater than $50,000 he must pay as an addition to the unabated portion of his 1943 tax 25 percent of $500,000, and 50 percent of $300,000, or a total of $275,000. He may get an extension of time, not exceeding 30 months, in which to make this payment.

TENTATIVE TAX

Section 3 amends the Internal Revenue Code to provide for the payment each taxable year of a tentative tax for that taxable year.

Subsection (a) amends section 56 of the code to define the tentative tax for any taxable year. The tentative tax is either (1) the tax shown on the return for the preceding taxable year (minus the foreign tax credit), or (2) the tax shown on a tentative return which the taxpayer is permitted—though not required—to file, or (3) the tax withheld at source on salaries and wages.

The taxpayer may treat the tax shown on the return for the preceding year as the tentative tax during the first quarter or first two or three quarters, and then switch to a tentative return basis, or he can begin by filing a tentative return and if he desires file superseding tentative returns each quarter; or he may treat the amount withheld at source on his wages or salary as the tentative tax, if he has not filed any tentative return and has not paid any installment on the basis of the return for the preceding year. Later in the year he may switch from this basis of computing the tentative tax to a tentative return basis.

The taxpayer whose income consists almost entirely of wages or salary and who is not above the first surtax bracket (estimated to be approximately 70 percent of all individual taxpayers) will undoubtedly decide to treat the amount withheld at source as the tentative tax, for by doing so he will not have to make any tentative returns or pay quarterly installments on the basis of the return for the preceding year. If during the course of the year, however, he gets an increase in wages or salary so as to put him above the first surtax bracket, or gets some dividend income, he will undoubtedly make one or more tentative returns later in the year, and pay the remaining tentative tax on the new basis.

The taxpayer whose income consists of amounts not subject to withholding will either use the previous-return basis or the tentative-return basis in computing his tentative tax. If his income does not vary widely from year to year, he will undoubtedly compute his tentative tax on the basis of the return for the preceding year. If his income does vary substantially, he will compute his tentative tax on the basis of one or more tentative returns, or will begin the year computing his tentative tax on the previous-return basis and later in the year switch to a tentative-return basis. A tentative return—as hereafter explained—may be filed as late as December 31, which means that farmers having one money crop a year could file their tentative return and pay their tentative tax for the year at that time if they should desire.

TIME AND MANNER OF PAYMENT

If the tentative tax is computed on the basis of the return for the preceding year or on the basis of a tentative return, it is payable in four installments,

one on the 15th day of the third month, one on the 15th day of the sixth month, one on the 15th day of the ninth month, and one on the last day of the last month of the taxable year. Because the taxpayer is permitted to change the method of computing the tentative tax, the installments may not be equal. Thus a rule is prescribed for computing the amount of any particular installment. The amount of any installment is the excess of the tentative tax, as last determined, over the amount of the previous installments, divided by the number of remaining installments.

OVERPAYMENT OF TENTATIVE TAX

If the tentative tax paid for any taxable year exceeds the tax imposed for the taxable year, the excess is to be credited or refunded in the same manner as an overpayment made on the date prescribed for paying the tax.

CREDIT AGAINST TAX IMPOSED

The tentative tax paid for any taxable year is allowed as a credit against the tax imposed for the taxable year.

TENTATIVE RETURNS

Any individual, on or before the 15th day of the third, sixth, or ninth, or the last day of the twelfth month of the taxable year, or on or before any two or more such dates, is permitted to make a tentative return which is to state the items which the taxpayer estimates as the items of his gross income, deductions, and credits against net income for the taxable year. The effect of making such a return has been discussed above in the explanation of the tentative tax.

SUBSTANTIAL UNDERPAYMENT OF TENTATIVE TAX

In order to require that taxpayers with wages or salaries above the first surtax bracket or with income from sources other than wages and salaries, keep their tax payments reasonably current, either by using the previous-return basis or the tentative-return basis of computing the tentative tax, it is provided that if the final tax liability for the year exceeds 120 percent of the tentative tax paid during the year, there shall be collected as an addition to the final tax an amount equal to 10 percent of such excess.

TAXABLE YEARS TO WHICH APPLICABLE

The amendments made by section 3 of the bill—relating to the tentative tax—are to be effective only with respect to taxable years beginning after December 31, 1942.

WITHHOLDING AT SOURCE ON SALARIES AND WAGES

Section 4 of the Carlson bill provides for withholding at the source on salaries and wages.

The withholding provisions are, except in one respect, the same as those contained in H. R. 2218 reported by the majority of the committee.

Under the committee bill, H. R. 2218, the amounts withheld during any calendar year are permitted to be credited against the tax for the preceding year. Since the Carlson bill, H. R. 2245, puts taxpayers on a current basis, this provision of H. R. 2218 is unnecessary.

Sections 4, 5, and 6 of the Carlson bill are the same as sections 4, 5, and 6 of H. R. 2218 reported by the majority of the committee.

Section 4 (a) contains a technical provision relating to the refunding of excessive withholding, and section 4 (b) extends to the allowance of interest on such refunds the existing rule applicable to the refund itself which prevents review of the Commissioner's determination by any other administrative or accounting officer of the Government. This provision is necessary to speed up the allowance of refunds to small taxpayers.

TAX RELIEF FOR SOLDIERS AND SAILORS

Section 5 of the Carlson bill is the same as section 5 of the committee bill, and provides relief from income tax for members of the armed forces. During the present war, a member of the military or naval forces of the United States will have excluded from gross income so much of his military pay as does not exceed the difference between $3,500 and his personal exemption. Thus, a married man is entitled to a personal exemption of $1,200. In arriving at his income subject to tax, he will be entitled to exclude $2,300 of his military pay. In addition, he will still be entitled to the personal exemption of $1,200 and the credit for dependents of $350, which is allowed under the present law as a credit against net income. A single person in the armed forces will be entitled to exclude from gross income so much of his military pay as does not exceed the difference between $3,500 and $500. Thus, a single person will be entitled to exclude $3,000 of his military pay from income. In addition, he will be entitled to the personal exemption of $500 and the credit for dependents of $350, if he has dependents, which will be allowed as a credit against his net income. This provision is somewhat similar to a provision contained in section 213 (b) (8) of the World War Revenue Act of 1918, which excluded from gross income so much of the compensation received by a person in the military or naval forces as salary or compensation from the United States for active service in such forces as did not exceed $3,500.

The bill makes this relief applicable to 1942 and subsequent years, but it is confined to compensation for active service in the military or naval forces during the present war.

Section 6 of the Carlson bill, which is the same as section 6 of the committee bill, applies to individuals dying in the active service as a member of the military or naval forces of the United States. Any Federal income tax which is outstanding at the time of the death of such individual—including interest, additions to the tax, and additional amounts—is abated and if collected after the date of death will be refunded. This provision is effective on or after December 7, 1941.

Mr. DOUGHTON. Mr. Chairman, I yield 30 minutes to the gentleman from Georgia [Mr. CAMP].

Mr. CAMP. Mr. Chairman, I feel a hesitancy in addressing the House on this subject after listening to the able speeches of our great chairman of this committee and other members of the committee who have preceded me; but I feel so very deeply on this subject that I am going to ask you to indulge me for a few minutes in order that I may express my own feelings.

I feel deeply that a very grave injustice, a very great hurt may be put over on the people of this country under a very false impression that they are laboring under all over this land. In recent visits to my own district in the last 2 months I have had dozens and dozens of men meet me on the street and say, "CAMP, I understand they have got a bill up there to take a tax paying holiday; not pay any taxes this year; this Ruml plan. I sure hope you pass it."

I think Mr. Ruml and his followers and that crowd that has put on this big campaign of advertising, although they may have done it unintentionally, have done this country a great disservice in a year of war when we need tax money more than at any time in the history of this country. They talk about not losing 1942 taxes if you forgive them, and argue until they are blue in the face to make you see that the country does not lose it. They put their argument on the wrong basis.

As I understand the principle of income taxation, the country asks its people for a proportion, a percentage, of its national income. That is not used for any basis. They simply want a proportion of the national income. If the national income of this country is $119,000,000,000, as it was last year, the greatest in all our history, and the people of this country owe $10,000,000,000 of it in income taxes, to come here and say "You need not pay it, but we will let you pay 1943 in advance," is the same identical proposition as this, if you will allow me to use a homely illustration. I own a little farm down in Georgia. I rent it out to an old darky. He pays me five bales of cotton a year as rent. He cannot pay it in advance, because he cannot even pay for his fertilizer in advance. I furnish him his fertilizer, money, and his food. But in the fall, when he picks the cotton, he pays my rent and the fertilizer money. Suppose he comes this fall and says, "Mr. CAMP, I am going to pay you those five bales, but not for 1943. I want you to take this in advance on 1944." Does anybody in this House say that I would not lose a year's rent? I leave it there.

On last Thursday the gentleman from Minnesota, the ranking minority member of our committee, referring to our work and the bill we have brought out, said, "The mountain labored and brought forth a mouse." Well, I would like to say that he is at least 50 percent right. The committee has really labored. No group of men ever worked more conscientiously or with more perseverance, and no chairman of any committee ever kept a group closer to the work in hand than has our distinguished chairman.

The subject of taxation, and I think we should say "current taxation," was taken up soon after I became a member of this great committee in January. Citizens had appeared before our committee representing practically every phase of American business life. We

have carefully listened to all of them. Letters from all over the country have been received by the members of our committee. Many different changes in our income-tax collection procedure have been suggested and to all of this we have given our best thought and attention.

The principal ideas advanced to us seemed to revolve around two propositions and I ask you to listen closely to this because this is what I got out of it.

The first proposition was this: There are so many new taxpayers on the rolls, because of the advance in salaries and wages due to the war and the lowering of exemptions and broadening of the tax base, that it is feared by many that thousands of them will fail to make income-tax returns, and will escape taxation by simply becoming lost in the shuffle unless some method of collecting the tax at the source by deductions from their weekly or monthly pay checks is adopted.

That proposition seems to have worried a great many people. It seems to have especially worried those employers who are paying big wages to people. We have had so many of them to come.

The second proposition is this: It is highly desirable that individuals pay their taxes currently from month to month out of their income as it is earned and as they receive it, rather than to pay it at the end of the year as it is done at present.

There are the two propositions. Those propositions were thoroughly investigated by our committee. As to the first one, it was shown by the Treasury Department that their past experience did not warrant the fears of so many of our citizens that thousands of the workers of this country would avoid payment of their taxes. In fact, it was shown by the records of the Treasury Department that during the past 10 years this country has lost only two-tenths of 1 percent in the collection of income taxes. It was also shown that the Treasury Department requires every employer who pays to anyone a salary or wages in excess of the exemption of a single man, to make a return, called "information at the source." From this return the Treasury Department has lost only two-tenths of 1 percent. I think that is a great record.

Mr. BARRY. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield.

Mr. BARRY. Does that two-tenths of 1 percent represent those who have filed?

Mr. CAMP. It represents all that is due, whether they filed returns or not.

Mr. BARRY. I mean there are many who never file.

Mr. CAMP. According to this two-tenths of 1 percent get away, they say.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield.

Mr. COOPER. There is, of course, no difference on that point. The Carlson bill just copies the provisions of the committee plan.

Mr. CAMP. Yes; and I will get to that in my next statement.

Mr. COOPER. There is no issue on that point at all.

Mr. CAMP. I made some investigation of this question in my own State during the past month with our collector who had the same fears on the subject to begin with. He was most agreeably surprised by the prompt response of our new taxpayers. I want to give you three examples. About March 1 of each year the collector sends his deputies out over the State to assist the people in making their income-tax returns. They stay at the county seats for 2 weeks up to March 15. In one Georgia town these information sheets that I have just spoken of indicated that there were 120 new taxpayers, and the deputy who was holding office there in the post-office building to assist new taxpayers make returns was told that if at the end of his 2 weeks' stay these men had not reported to file returns, to look them up and to get them. Before the 2 weeks were up every single one of the 120 new taxpayers came there voluntarily and filed his return, and 101 of the 120 paid their entire 1942 tax in cash.

I went to my home town. I was making out my income tax down there along about the 6th or 7th of March.

Mr. DONDERO. Was that State income tax or Federal?

Mr. CAMP. Federal, of course; we are talking about Federal. I went there and I asked: "Well, what is your record here?"

"Well," he said, "It is better than that."

He said: "We had 135 new taxpayers here. One hundred and twenty have paid their 1942 tax in full, leaving only 15 making the quarterly payment."

I understand that down at Savannah they had to keep the office open on the 16th of March because they turned so many back the previous day. They had the greatest income-tax receipts of all their history there, and more than 50 percent of the taxpayers were workers in the shipyards paying taxes all the way up to $600, all paying it happily, and gladly, and patriotically.

Talk to me about losing taxes if you do not make them deduct them. I say it is not necessary to do that, although it may be desirable. I should like, however, to state here that both the Carlson bill and the committee bill take care of this proposition by deducting the 20 percent at the source, so we need not bother about the first proposition any further; the two bills are identical on that.

Mr. BARRY. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield.

Mr. BARRY. Does the gentleman believe that when the war ends and these people are faced with the loss of jobs when the war-production effort ceases, that same condition is going to exist?

Mr. CAMP. That is the time to do your forgiving if you ever do any. That may come, but I am not willing to do it in these flush years.

Mr. BARRY. But then when you do that you forgive those people, but at the same time you penalize those millions of taxpayers, white-collar taxpayers, who continue to pay their bills right along and because they still pay their tax they have no reason to be forgiven. Is not that true?

Mr. CAMP. This Congress will never pass a law that would be unfair to one class at the expense of another.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield.

Mr. COOPER. The gentleman from New York overlooks the very basic fundamental principle of income-tax law, that, if a man does not make the income, he does not have to pay any tax at all.

Mr. CAMP. Why, of course. Now, let us get back to this second proposition about paying taxes currently. On first consideration it seems unanswerable.

Mr. BARRY. Mr. Chairman, will the gentleman yield once more?

Mr. CAMP. I cannot yield further until I finish my statement.

Mr. BARRY. I want to answer the gentleman.

Mr. CAMP. Mr. Chairman, I decline to yield. As I say, on first consideration, this proposition of paying taxes currently seems unanswerable, but the more you delve into it and inquire, the more you find how mysterious it is. We discovered, for instance, that it is impossible to place a great number of our taxpayers on a current basis; in fact, it would be an unjust and unfair thing to make a great many of our citizens pay currently.

Mr. BROWN of Georgia. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield.

Mr. BROWN of Georgia. Under the Carlson plan, when will the citizen pay the 1942 tax?

Mr. CAMP. They know they will never be paid and there is no backer of that proposal who could ever explain when the 1942 tax would be paid, because it is like Tennyson's brook, it goes on forever, only I may paraphrase Tennyson by saying, "It is gone forever; it is gone forever."

Mr. MORRISON of North Carolina. Will the gentleman yield?

Mr. CAMP. I yield to the gentleman from North Carolina.

Mr. MORRISON of North Carolina. Is there any precedent whatever, and was any cited before your committtee, to retroactively repeal a revenue act where the tax under it had already been levied, as the bill levied it, assessed and the people made out their bills and sent their money? Is there any precedent?

Mr. CAMP. There was no precedent given to us.

Now, let us take the case of the corporations. No corporation can estimate its net income in advance. It may have for 6 months, or even 9 months, a very profitable business at the beginning of the year, and then have losses the last 3 months that would wipe out the profits of the first part of the year. Even Mr. Ruml himself admitted before the committee that his famous plan could not possibly apply to corporations. So you have got to wipe out that great class of taxpayers to start with.

Second, let us take the farmers. I want to ask you Members just a plain, every-day question here and I want you to ponder it a little. How in the world can a cotton farmer pay his 1943 taxes now when the cottonseed are not yet in

the ground? Is he going to be able to get labor to work his crop after he gets the seed planted? Are we going to have a drought this year or a flood or a storm? Are the boll weevils going to eat it up this fall when it comes on? How are you going to make him pay taxes with all those contingencies facing him? All of us know that the average cotton farmer is hard pressed to buy supplies, his fertilizer, his seed, his implements, and many of them borrow from the banks and the Government credit agencies to finance their crops. Even if he had a good idea as to how much crop he is going to make and what his tax may be, where is he going to get the money to pay it with? I am talking now about my part of the country. You folks may have your money to pay in advance, but we do not have it. The same thing is true of the wheat farmer, the corn farmer, the tobacco farmer, the grain farmer or any one-crop farmer.

This same man I am talking about, the cotton farmer, is the nearest current man in this country today anyway, because his 1942 tax was due on March 15. He just sold his cotton along in December. It takes him to March 15 to pay his debts, get straightened out, and pay his taxes. He is paying it out of the money he receives just as soon as he can. He is practically current right now. If you ask him to pay the 1943 taxes why you are just about 14 months ahead of the proposition.

Now come the professional men—lawyers, doctors, and dentists. Their earnings greatly vary from year to year and the collections vary the same way. They cannot estimate in advance what their incomes will be. They, like the corporations, should be allowed to finish their year's work, cast up their accounts, reckon their net income, and pay at the end of the year, and that is what they want to do. If you change this law any other way you are going to get more kicks than you ever heard of. Then there are the real-estate men, insurance men, small merchants, mechanics, contractors—any kind of self-employed people.

Why, as an attorney I have had some friends who were contractors. They would go to a contract letting and come to me and say, "Mr. CAMP, I am going to make some real money. I have a contract here and I am going to be able to take the wife and children to Florida this winter for a trip." And he thought that. But along came the rains, labor troubles, and delay in getting materials, and my old friend changed his demeanor. He got blue, and he lost instead of making money on the contract. You tell me you can let that fellow estimate in advance and pay his tax in advance? Why, as I stated before, you are going to have the biggest kick in the world on this thing.

Mr. Chairman, suppose we did not have any income-tax law on the statute books at all and we were about to enact one and we passed a law here today. We are going to tax the incomes of all the people this year, and we say, "Everybody come up and tell us what your income is going to be and pay the tax now." Do you think the people of this country would stand for that? Think about that a little.

So you see all you have left who could possibly pay that tax currently are those people whose principal income is derived from wages and salaries. Now that is what we get down to and that is not over one-third of the whole. It is said that only the most provident save up their money during the year so as to be able to meet their taxes on March 15. Well, the American people are to be congratulated on their sagacity, for although the law allows each taxpayer to pay his income tax in quarterly installments throughout the year, the Treasury Department's records show that the record of payments during the past 10 years is that 60 percent of the taxpayers pay all their tax in cash on March 15. Now, where is your argument that you shed crocodile tears over about the fellow who will not be able to pay his taxes? Sixty percent of our people have done it in the past, and if it had not been for this great disservice, this newspaper advertising campaign all over the country about this Ruml plan, we would have gotten 60 percent of them this time. That is what I think about the whole business.

Let us see what may happen when you begin these so-called current payments. Suppose a man pays monthly for 8 months. Let us take this same girl that the gentleman from Kansas [Mr. CARLSON] told us about a while ago. Suppose that young lady on this current-payment business pays for 8 months, taking out 20 percent of her salary, and then the poor thing gets sick and has to go to a hospital. She has to quit work and loses that salary. Why, at the end of the year she would not owe any tax for this year. There the Government would be with 20 percent of her money for 8 months and the poor thing needing money badly to pay hospital bills. I may say further she may need it very much worse before the Government gets around to refunding it to her. He kept talking about how much tax that young lady would pay this year, but forgets, and all these Rumlites forget, that she had last year's salary and this year's, too.

She has had 2 years' salary to pay 1 year's tax with, but they will not talk about that income for last year.

I am awfully glad that Mr. Ruml appeared before our committee. The high-pressure advertising that has been done by the selfish group sponsoring his plan, the misleading information given out about it, the very great disservice to the Government in delaying payment of taxes at a time when every dollar is so badly needed in this costly and perilous war, has caused me to wonder about Mr. Ruml, but as he stood on his feet before our committee for 5½ hours, I reached the conclusion that he may be like our colleague who told us the other day about what he is going to say to St. Peter when and if he gets there. He has thought so much about his 1942 taxes that he really wants to believe this plan is sound. He really wants it so badly that his wish has become father to his thought.

Mr. Ruml frankly admitted before our committee that the plan could not apply to corporations. He frankly admitted that the great war profits, or the windfalls, as he called them, should not go untaxed. As the lawyers down our way would say, in my opinion, Mr. Ruml just admitted his case out of court.

Mr. HARE. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield to the gentleman from South Carolina.

Mr. HARE. The gentleman has made a very informative statement here. I would like to just ask a question or two to see if I can get this in my mind as he has it.

In the first place, am I correct in the conclusion that the only difference between the bill now before the House, and what we know as the Ruml plan, or the Carlson bill, is the cancelation of the taxes for 1942?

Mr. CAMP. Absolutely; that states it in very terse words. The only difference is the cancelation.

Mr. HARE. Now, another question. Then all of the provisions in the bill now before the House are similar to the provisions in the Carlson bill with the exception of the cancelation of the taxes for 1942?

Mr. CAMP. It is not only similar but it is word for word practically all the way through.

Mr. HARE. The gentleman will pardon me, I am sure, because I want to get this clear in my mind: Does either one of these bills attempt to levy new taxes?

Mr. CAMP. No.

Mr. HARE. Then I understand the only purpose is to supply a new method for collecting taxes?

Mr. CAMP. That is right, and to give people an opportunity to become current if they want to.

Mr. HARE. Is there any provision in the proposed bill that requires the payment of 2 years' taxes in 1?

Mr. CAMP. Not in the committee bill; no.

Mr. GIFFORD. Mr. Chairman, will the gentleman yield?

Mr. CAMP. I yield to the gentleman from Massachusetts.

Mr. GIFFORD. I want to get some help from the gentleman. My people have heard that they are to be forgiven 1 year's taxes, but they earnestly request me to tell them what year they do not have to pay taxes. What years are forgiven? Apparently they have to pay every year. They cannot quite get it.

Mr. CAMP. If the gentleman heard what I said about the Negro paying his rent down in Georgia, he ought to be able to answer that question.

Mr. Ruml was referred to here the other day as the high priest of the house of Macy. He is a banker as well as a great merchant. The founders of the house of Macy, the Strauses, were born and originated in my district in Georgia and we are awfully proud of them. They are greatly loved there for their generosity and patriotism. They have a great branch store in Atlanta. Mr. Ruml was entertained, wined and dined on his recent visit there. Many of our people fell for his proposition like a ton of brick, as the saying is, and they began clipping coupons out of the papers. They have had an advertising campaign down there,

with a coupon down in the corner of the page ad reading:

Send this to your Congressman and demand that he vote for the Ruml plan without change or amendment.

They started to send them to me after Mr. Ruml's visit to Atlanta. Well, in the past week or so there has been a change taking place. The biggest taxpayer in my county, who is a real taxpayer, by the way, president of one of the largest textile mills in the South, wrote and said, "Sid, please disregard my other letter. I have thought about this thing. You and I were in the last war together. I don't know why I ever fell for the Ruml plan."

The CHAIRMAN. The time of the gentleman has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. CAMP. Now he says, "I am wrong about it. Just disregard my letter." I have had many such letters; I even got some today of that tenor. People are going to get the Ruml plan down in their minds one of these days, and I hope they will do it before we pass it. I hope we are not deceived by the vast advertising campaign promoted to put it over. It was not paid for by those whose income is derived principally from salaries and wages. I have received a pile of letters and pamphlets more than a foot high regarding it, and among these are represented a great many of the leading manufacturers and suppliers of Army-Navy goods in this country. A funny thing happened. I picked up on a streetcar a copy of Nation's Business, or some such business magazine, and I read an article in it about the wonderful profits the manufacturers of fountain pens made last year. They said that every soldier boy and every sailor boy received from his wife, his sweetheart, or his mother a fountain pen when he went into the service. When I got down to my office, why, bless my soul, if there was not a letter from the president and general manager of the Sheaffer Fountain Pen Co. asking me to please vote for the Ruml plan.

Now, that is the crowd that paid for the advertising and that is the crowd that want to save their 1942 taxes.

Mr. Chairman, in my humble opinion the Ruml plan and similar plans are not aimed principally at simply placing these poor working people, these salary and wage earners, on a pay-as-you-go or current basis. The Rumlites are not so concerned about them. As my old law professor used to say, the Rumlites are not mad about what they are mad about. There is a "nigger in the wood pile." I can see nothing to it except a scheme to avoid paying the taxes due to the Government of the largest national income our people ever received, $119,000,000,000 of income in 1942, a tax amounting to over $10,000,000,000. The savings accounts in this country today show deposits of $29,000,000,000, and our people are amply able to pay the $10,000,000,000 of 1942 taxes.

Many years ago a man by the name of John Law, a naturalized Frenchman of English birth, originated a famous scheme to pay off the huge national debt of France and at the same time make all the people rich. His plan was similar to the Ruml plan. They are both based on the fallacy that you can beat simple arithmetic, and both operated by simply projecting the payment of taxes into the future. But that tax load is going to have to be borne by someone some day. Who is it? Your son, the returning soldiers. Did you not hear them say that all you had to do was just increase the tax rate to make up for it? They have used that argument this morning.

Mr. Ruml told us that the Government would lose nothing by his plan, that everyone would pay just as usual, except, he said—and he made this motion—we move the tax clock up a year. Using the same reasoning he gave, why not move it up 2 years and pay 1944 taxes instead of 1943 taxes this year? The Government would get the money just the same, would it not? The same Carlson argument would hold true. You know that is foolish. You cannot move it up 2 years. It is just as foolish to move it up 1 year.

Our people are able to pay their taxes. They will pay them, and had they been left alone and not been confused by this gigantic advertising campaign, I believe the cash payments on March 15 would have broken all records. Our people know what it requires to win this war. They know that every man, woman, and child must toil and work and sweat, and that every citizen of this country must pay taxes that are burdensome.

The CHAIRMAN. The time of the gentleman from Georgia has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield 5 additional minutes to the gentleman from Georgia.

Mr. CAMP. Mr. Chairman, not long ago Eddie Cantor came home from Europe. He was met at the boat by the newspapermen. They propounded to him many questions. Finally they said, "What about the new tax law?" Eddie Cantor scratched his head and thought about what he had seen across the waters and said, "The tax rates are too low."

What about this committee bill that was attacked here yesterday as the rich man's bill, one favoring the business of the loan shark? If it is the rich man's bill, is it not strange that the rich men are not supporting it, and if so, how can you explain the strange support the Carlson bill is receiving?

The committee bill has been fully and ably explained by the gentleman from Tennessee [Mr. COOPER]. It makes no changes in the present rate of taxation or the method of making returns or payments, except to begin withholding at the source from salaries and wages on July 1 and to grant high exemptions to our men in the armed services, and to provide inducements for prepayment of taxes, in the form of discounts. Under it no one need pay more than 1 year's taxes this year or any other year unless he desires or wants to do so.

The Carlson bill has every provision contained in the committee bill, the only difference being that under the Carlson bill the taxpayers are made current by forgiving them the 1942 tax.

As I stated before, one of the ranking minority members of our committee facetiously ridiculed the work of our committee as a mountain bringing forth a mouse. If he calls our bill a mouse, I want to tell him an old story that some of you may have heard which illustrates what I think of the Ruml plan.

Over at the State agricultural college there was a great professor of entomology. He tried to help all the boys in their work. They would bring specimens to him from time to time and he could always identify them. The boys wanted to catch him, so one of them went out and got a big black beetle, and to that black beetle he glued some grasshopper's hind legs and a pair of butterfly wings. He carried it up to the professor of entomology and said, "Doctor, what is this?" The old doctor looked at it awhile and finally he looked up and said "Young gentleman, that is a humbug."

Mr. Chairman, we have the flower of our youth in our armed forces fighting in every corner of the globe. Many are giving their lives every day. Many of these men have already been in service over two years, and those who are not killed will have given years of their lives to their country, the years of youth, so precious to us all. As a veteran of the first World War who spent over 2 years in France in the Army, I think I know what these boys are going to think when they get back.

In the last war we had more than 55,000 men killed in battle, and while they were being killed over 65,000 American citizens became millionaires in contracting to furnish the Government war supplies. I think the most solemn pledge this Congress has made to our boys is that we would not allow a new crop of millionaires to grow up out of this war. We thought we were protecting ourselves in this pledge when we passed the excess-profits tax law, and raised the income-tax rate in the higher brackets as high as 88 percent. I tell you here and now this Ruml plan is a scheme adopted to get around all our plans.

The young men who are fighting this war will be the ones to pay for it, just as they shouldered the load following the last war, while the brittle old men who stayed at home and piled up war profits passed out of the picture.

In Flanders fields the poppies blow
Between the crosses, row on row,
That mark our place; and in the sky
The larks, still bravely singing, fly
Scarce heard amid the guns below.

We are the dead. Short days ago
We lived, felt dawn, saw sunset glow,
Loved and were loved, and now we lie
In Flanders fields.

Take up our quarrel with the foe:
To you from failing hands we throw
The torch; be yours to hold it high.
If ye break faith with us who die
We shall not sleep, though poppies grow
In Flanders fields.

Mr. Chairman, are we going to break faith with these soldiers, sailors, marines—those boys who fell on Bataan, Guadalcanal, in the naval battles in the

South Pacific, those who are falling now in Africa—and those who in the grave days to come will lay down their lives for America? God forbid.

The CHAIRMAN. The time of the gentleman from Georgia has again expired.

Mr. KNUTSON. Mr. Chairman, I yield 1 minute to the gentleman from New York [Mr. COLE].

Mr. COLE of New York. Mr. Chairman, no proposal of recent years has captivated public imagination and aroused Nation-wide interest and support so completely as the plan advanced by Beardsley Ruml providing for payment of income taxes on a current basis rather than a deferred basis, as has been the practice ever since the income tax was first inaugurated. Under this plan, taxes would be paid in installment payments currently with the earning of income. Under it, except in certain instances, no tax would be collected by the Government on income earned in 1942. Simply stated, the tax clock would be turned forward for 1 year and revenues to the Government would continue to flow as in the past, except that the basis for determining the amount of tax due would be the earnings of 1943 rather than 1942.

The proposal has been discussed in its various phases by public officials and by radio and newspaper commentators. Its effect and purposes are fully understood by all. The businessman, the salaried worker, and the wage earner have all voiced their general approval of it. In spite of the many serious arguments presented by sincere persons in opposition to it, the response has been so widespread and so unanimous that it is the duty of the Congress to adopt the principle of pay-as-you-earn in income taxation.

Taxpayers are fully aware of the tremendous burden which they must carry in the future. It is they who must bear the load for any "forgiveness" of taxes entailed by adoption of the current payment plan. Their desires must be considered, because it is they who are adversely affected by any possible mistake in having made a change in the system.

If democracy is to survive, the wishes of the people must be followed when made manifest so unanimously and completely as in this instance. Congress should immediately act favorably on the basic principles of the Ruml plan.

Mr. KNUTSON. Mr. Chairman, I yield now 1 minute to the gentleman from Ohio [Mr. VORYS].

Mr. VORYS of Ohio. Mr. Chairman, the gentleman from Georgia [Mr. CAMP] gave us an illustration which is unfortunate from his standpoint. He told us about this poor Negro tenant who paid 5 bales of cotton for rent in 1943 out of his 1943 income. If that tenant is as poor as he is described, of course, the landlord will not get anything out of him if he dies. The gentleman from Georgia has got his tenant on the Ruml plan now. Of course, he cannot advance him a year into the future because he is operating the Ruml plan now on that Georgia farm, to wit, pay as you go, do not pay if you are dead. He, of course, approves of advancing the clock an hour in wartime, of advancing Thanksgiving so that you can gain a couple of weeks of shopping, but because it was not first suggested by his administration he seems to object to a pay-as-you-go system for the Government, although he applies it to his own tenant.

Mr. KNUTSON. Mr. Chairman, I yield myself 1 minute. After listening to the mental gymnasts on the other side, I have come to the conclusion that the thing that is wrong with the Ruml plan is that it was planned by a successful businessman. Had it been proposed by a W. P. A.'er, who had been on the town before the W. P. A., the other side would be embracing it with open arms.

I now yield 20 minutes to the gentleman from California [Mr. GEARHART].

Mr. GEARHART. The great American hoax of 1943: The Ruml plan—a bonanza for the rich, a cruel joke upon the poor. That, Mr. Chairman, is what we are here today to discuss—a plan which slogans built—"Pay as you go"; "Withhold it at the source"; "Skip a year"; "Wipe the old slate clean."

It is a crafty tax-gypping program that has been sold to the American people with ear-catching slogans—slogans that have been so often repeated and so loudly proclaimed that our ears are ringing with them today—and they that have embraced this well-advertised scheme are very choosy about the slogans they use. They only use the slogans that have the proper flavor. Forgiveness? Horrors, no. Because that word proclaims the truth in all of its ugly nakedness. Whatever may have been said of this plan, whatever may be said of it in the future, the truth will yet be made manifest, even to the most obtuse.

It is simply a cleverly and smartly devised plan to get 2 years of income and pay upon it but a single year of taxes. They use the most ingenious of arguments, but, if you please, after the spell of oratory has been dissipated and we have recaptured our reason, it will be the same old iniquitous thing—2 years of income and 1 year of taxes.

Even my friend the gentleman from Kansas [Mr. CARLSON]—and I want to say that there is no man in this Congress for whom I have a warmer affection—even he tried to duck on that plain and undeniable thing. He did his best to convince us that, should his plan go through, he would not have 2 years of income upon which he would pay but 1 year of taxes. But, despite his heroic effort, the immutable fact will remain to haunt him, as it will everyone who votes for the Ruml-Carlson plan—he will have had a $10,000 salary check paid him in 1942 and another $10,000 salary check will be paid him in 1943, and when those 2 years are passed and each of them has receded into history it will in time dawn upon him that he has paid only 1 year of taxes—this because we will have skipped the taxes on his income of 1942 and taxed only his income earned in 1943.

Mr. MILLER of Connecticut. Mr. Chairman, will the gentleman yield?

Mr. GEARHART. Please permit me to proceed with my argument.

Mr. MILLER of Connecticut. Which year will he skip?

Mr. GEARHART. In practical effect it does not make any difference what year he skips. He still has 2 years of income and only pays 1 year of taxes.

Mr. MILLER of Connecticut. He will pay $2,000 each year.

Mr. GEARHART. Yes; the tax he paid in 1942 was on the income he earned in 1941. If the Carlson bill should prevail, the tax he would pay in 1943 would be on his income he earned in 1943. The income on the $10,000 he earned and received for 1942 would go scot-free of all tax. That 1942 income would be all velvet.

Mr. BARRY. Mr. Chairman, will the gentleman yield?

Mr. GEARHART. Yes; I would be glad to yield to the distinguished gentleman from New York.

Mr. BARRY. There are millions of white-collar employees who have been paying taxes, whose cost of living is rising daily, and whose salaries are not increasing at all. In order to get current, they must pay under the committee bill 2 years' taxes in 1.

Mr. GEARHART. Under the committee bill no taxpayer is required to double up. If he does not want to become current, he does not have to. It is a matter entirely under his own control——

Mr. BARRY rose.

Mr. GEARHART. Please do not press me further in respect to that fallacy. The saying of it over and over again does not make it true. No doubling up is required whatsoever.

Though you may deny the fact as vigorously as you please, until this Chamber echoes with your protests, this crafty scheme is just an ill-disguised maneuver to get 2 years of income and pay but 1 year's taxes. Now, vote to exempt your 1942 income from all taxes, if you please. Deceive yourself, believing that you are performing your full duty to your country, if you will. But for myself, I will vote for no bill to get out of the paying of any part of the taxes on any part of the income I have already earned and enjoyed.

Now, I want to get down to the point. What is the difference in the impact of a Ruml law upon the rich and the poor? It is simply this: From the bottom up to a certain point, poor people pay their taxes in sacrifice. When they pay those taxes they, of necessity, give up many things they would like to have. But the rich man, if you pass the Ruml plan, will not pay his taxes in sacrifice. He will pay his taxes out of surplus. Oh, what a vast difference in paying your taxes out of surplus and paying your taxes in sacrifice. Now, maybe you have been turning this ear-catching phrase of "pay as you go" over in your mind, weighing the desirability of achieving it. Maybe you have forgotten that the people have had the right to pay their taxes in four equal installments for as long as we have had income-tax laws. Now, I ask you Members of this House why did we write that quarterly installment into the law that was passed in the early days of our income-tax experience? Why have we rewritten it into every succeeding law down to the present time?

Simply because we know that many of the people in America—and, of course, you know I am referring to those in the lower income-paying brackets—have to have credit extended to them; that those people will have to have time in which to earn the tax that they owe to the Government which is theirs and yours and mine. So those people in the poorer class—that group that pay their taxes in four installments, pay their taxes out of the earnings they make from day to day. The taxpayers in the lower brackets have always been on a pay-as-you-go basis. But the people who pay their taxes out of surplus are in an entirely different classification. The change from the old law to the Ruml plan impacts upon these two groups in an entirely different way. The upper-bracket group makes no sacrifice. They have everything they want. They have their automobiles, their marble palaces; they have all the food they can consume. These people simply write a check on their tax-savings account and send it on March 15 to Uncle Sam. If they should not set up a tax-savings account, did not anticipate the taxes coming due on next March 15, they would not long be in the rich class, because it is just that failure to look after the substance which is theirs that turns a rich man into a poor man. If they did not save, they would soon again be poor men, paying on the four-installment basis, just as the poor people in our country have always paid their taxes down through the years.

What is the importance of this distinction to which I call your attention? I think most of you on either side of the aisle will agree that it is sound. What is the difference when the Ruml plan begins to operate on these two groups of taxpayers? The difference is simply this: The poor people go on paying their taxes as they earn, whatever year the assessment is based upon, paying year in and year out on the pay-as-you-earn basis.

In other words, the change to the Ruml plan will mean to them no change whatsoever. But to the rich man who takes care of his affairs diligently there is a vast difference. In anticipation of his next year of taxes he starts out by creating a sinking fund to which he adds each month until he has safely on deposit the money needed to take care of the tax falling due on the 15th of March of the year that follows. That man approaches the 15th day of March with all the money in the bank which he needs to pay his tax on the day it must be paid. He is always ready to write the check for the internal-revenue collector. The man with a million-dollar income will see to it he has $850,000 in the bank ready for Uncle Sam. If you adopt the Ruml tax-gypping proposal, all the rich man will do will be to strike out "tax-anticipation account" and write in "personal account," and then, by that simple operation the money which belongs to Uncle Sam immediately becomes capital; more capital for him to invest; more capital to get richer upon—richer beyond dreams of Midas.

Oh, the cruel joke you play on the poor. The windfall you insure to the rich. The Ruml plan is the most unfair, unjust, and discriminatory proposal that has ever been urged upon any legislative body in this great country of ours.

If I have not made the truth of what I have said clear to every one of you by this time my saying of it over and over again will serve no purpose. So I am going to leave that to discuss in detail another phase of the Carlson bill, to call to your attention another defect which is equally true, and upon the truth of which I will stake my reputation as a lawyer of 20 years' experience. I say that the Carlson bill fails 100 percent to make anybody current that will not become current under the committee bill, if the taxpayer desires to achieve that position.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. GEARHART. I am sorry but I want to proceed without interruption for the time being.

Mr. MOTT. When the gentleman has concluded will he yield?

Mr. GEARHART. I will, gladly. In both the committee bill and the Carlson bill we have withholding at the source in precisely the same words. The Carlson bill in this respect was copied, as the gentleman from Kansas [Mr. CARLSON] admitted a moment ago, from the committee bill. Withholding at source, only affects, if you please, people whose income is derived from wages or salaries. It does not reach the outside income of the people within this group. So, I am quite sure you will all agree that withholding at the source can only be applied to that portion of a person's income which is derived from fixed income paid at fixed intervals.

So, what is the other great class of taxpayers, the self-employed? In this great group are found the farmers, lawyers, doctors, realtors, commission merchants, small businessmen. They are the self-employed. Is there anything in the Carlson version of the Ruml plan which would make the members of the group current? I say to you that, while there are a lot of "mays" scattered through it there is only one "must" which can be applied to the self-employed in the Carlson bill. If a self-employed person does not pay 80 percent of his income tax by December 31 then, and in that event he must suffer a penalty of 6 percent. Taxpayers in this classification do not have to pay a nickel until December 31, the end of the year in which they earned their income. If they are willing to suffer a penalty of 6 percent, they do not have to pay a cent until the following March 15.

Now tell me, what does this do to the currency idea in the Carlson bill? They do not have to pay during the current year at all unless they want to save 6 percent on 80 percent by paying it before December 31. Is that currency? I think the gentleman from Kansas is thinking of the kind of farmer he has out in his State who gets all of his money paid to him at the end of the year, along in the fall; but let me tell him that we have other kinds of farmers besides wheat farmers; we have citrus growers, we have orange, lemon, and grapefruit growers who get the bulk of their money in the early spring. So the citrus grower would collect in the spring, use his money throughout the entire year. If he does not want to avoid a 6-percent penalty, he does not have to settle until March 15 of the following year.

O, Mr. CARLSON! This is time for a Carlson bill No. 4. You did not make our taxpayers current in Carlson bill No. 1; you missed it again in Carlson bill No. 2; and, as I have pointed out, you missed the bus in Carlson bill No. 3.

The last one; oh, the last one. That was the bill that was going to prevent windfalls to the millionaires. Oh, yes; it was going to take care of the windfalls. And what do we find? When the experts had checked it up we found that this third Carlson bill would only save $60,000,000 from the windfall grabbers, yes, the measly sum of only $60,000,000. That is all the 25 to 50 percent formula which you would have us enact would save from the richest—as the poor look on. You give it to them just the same as Mr. Ruml would give it to them, every nickel; you just reached in and took a small commission of $60,000,000 back. Maybe a Carlson bill No. 5 could fix it, but, in my humble opinion, you will never have a good bill until you outlaw the forgiveness idea, lock, stock, and barrel.

Now, I am going to devote myself for the next few minutes to things which are nearest and dearest to me, the things that are throbbing within my heart, the things which all of us are now thinking of. My colleagues of this Congress, this is not the time to be forgiving taxes.

The time to forgive taxes is when it is necessary to forgive, in times of recession and depression, not when the people have in their pockets billions of dollars: $13,000,000,000 in their pockets, in the old sock, behind the clock, and in their safety deposit boxes. The people have $13,000,000,000 of currency in their possession today. The people have almost $19,000,000,000 of war and savings bonds readily convertible today or tomorrow—yes, readily convertible for almost $20,000,000,000. The people have on deposit in the banks over $37,000,000,000. Let us look at this report; they have in currency and on deposit in the banks $67,000,000,000. Just think of it, now they have $67,000,000,000 in liquid assets.

How about their Government securities? Now the people have $23,500,000,000 of these. By simple addition, it is revealed that the people have in their possession in this land of ours in liquid assets—and I say liquid assets with emphasis because I want to be precisely correct—liquid assets in the amount of $90,500,000,000. These are the people which some say cannot afford to pay 2 years' taxes in this 1 year, this year when the Government needs money more than it ever has needed it in its history.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. KNUTSON. Mr. Chairman, I yield 5 additional minutes to the gentleman from California.

Mr. MOTT. Mr. Chairman, will the gentleman yield in this extended 5 minutes?

Mr. GEARHART. I shall be glad to yield but I should prefer to go ahead a little further.

Mr. MOTT. It is a short question.

Mr. GEARHART. I yield.

Mr. MOTT. The gentleman propounded a proposition of interest. He said that the gentleman from Kansas [Mr. CARLSON], if he was successful in getting his bill through would receive two $10,000 salary checks from the Government but that he would pay income taxes upon only one. Suppose at the conclusion of this Congress the gentleman from Kansas should decide not to be a candidate for reelection, should go out of the Congress: Upon which of Mr. CARLSON's salary checks would he avoid the payment of Federal taxes under the Carlson bill?

Mr. GEARHART. He will be here all of 1943 and 1944; I do not think we need worry about the gentleman from Kansas.

Mr. MOTT. I am not worrying; I am asking on which salary check the gentleman from Kansas would avoid paying the Federal income tax.

Mr. GEARHART. If the Ruml plan went through?

Mr. MOTT. Yes.

Mr. GEARHART. The tax on his 1942 income, of course, the tax due under his 1942 assessment. Should we spend more time on that?

Mr. MOTT. I think it would be profitable to spend a little more time; it is a matter of mathematical calculation.

Suppose in 1944 he does not run and is no longer a Member of Congress, I am asking the gentleman upon which of those checks, 1941, 1942, or 1943, the gentleman from Kansas will avoid paying a Federal tax on?

Mr. GEARHART. I will answer that question.

Mr. MOTT. Did the gentleman say he would not answer or he could not?

Mr. GEARHART. I said I would answer the question. If the gentleman has studied his income-tax return and if he will look up in the corner he will see that the one he filled out in 1943 said, "Income tax for 1942." The income tax that you have paid one-fourth of or all of was a tax on the $10,000 check you got in 1942. That money was due not on March 15, but was due on January 1, 1943. It was just an accommodation which Uncle Sam extended to you, and which you may have taken advantage of. If those A B C's are kept in mind, I hate to take further time to explain these A B C's, the gentleman will be able to answer his own question.

Mr. MOTT. I thought the gentleman said he was going to answer the question.

Mr. GEARHART. I am through with the gentleman. Everyone but he seems to know that it is the tax on the income earned in 1942 that would be forgiven if the Carlson bill becomes the law.

I want to discuss the liquid assets now in the hands of the people. Ninety billion, five hundred million dollars is the stupendous figure as of December 31, 1942. And some still say that the people cannot pay their taxes. Why can they not pay $10,000,000,000 of 1942 income taxes when they have in their possession almost $100,000,000,000 in liquid savings? The thing is ridiculous.

I want to talk now about an emotional subject, a subject which ought to be uppermost in the minds of each and every man and woman in this Chamber today, and that is the question of winning this war, a question that has to do with the national debt that you the other day raised to $215,000,000,000.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KNUTSON. Mr. Chairman, I am sure the galleries would like to see the finish of this mental marathon.

The CHAIRMAN. Does the gentleman from Minnesota yield to the gentleman from California any further time?

Mr. KNUTSON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. GEARHART. Mr. Chairman, the country needs every nickel it can get to win this war. This is no time to be dodging taxes when our American fighting boys are dodging enemy bullets. This is no time to be cutting a tax cake when our boys are eating cold rations in the fox holes of Tunisia. This is no time for announcing to them that we are passing a portion of this debt over to them to pay when they return, a debt which we ought to pay ourselves, here and now. Is there one among you so naive as to think that you can forgive $10,000,000,000 of money that you now owe to Uncle Sam that you will not have to issue an equivalent $10,000,000,000 in bonds? Everyone of you know that when you issue bonds, that for every $100 in bonds you issue that it will require $200 in taxes to redeem that bond. Do not forget that those boys who come back are going to hear about those new war millionaires that you have allowed to spring up when they were away. Who will it be that is going to have to pitch in and pay for those bonds that have to be redeemed? Why the soldier who will come limping back on his crutches. He is the man you will be passing the $10,000,000,000 obligation to that you are now so willing to forgive. He is the one, the one who asked for no skip a year on the job he had to do.

Are you going to do it? Mr. Chairman, this is just a Wall Street boondoggling, tax-gypping scheme, one to make the rich richer, one which will make the poor poorer. Do not tell the poor that you have given them anything. All that this Carlson bill would do would be to force upon them a debt which they will have to pay back $2 for every dollar that you give them, a debt of $2 which will be represented in bonds and which will have to be paid for in the future by all the people, the heroes of the Republic included. If you do not see it that way, then wait until the boys come home and let them explain it to you. How do you think they are going to feel when they get home and they find out that Mr. Ruml has made arrangements for them to pay for the tanks that they used, the guns they fired, and the ammunition they burned? If we pass this Carlson bill look for trouble in the future. There will be plenty of it.

Two years' income and 1 year's tax. That is the essence of the Ruml plan and that is why the Rumlites must not and shall not pass.

Mr. KNUTSON. Mr. Chairman, I yield 10 minutes to the gentleman from Iowa [Mr. CUNNINGHAM].

Mr. CUNNINGHAM. Mr. Chairman, after listening to the debate through Thursday, yesterday, and today I am convinced that the proponents of both the committee bill and the Carlson bill seek identically the same objectives. First, each of them seeks to put the taxpayer on a current basis or on a pay-as-you-go basis. Next, each of them seeks to do this without costing the Treasury any revenue. Third, each of them seeks to accomplish this purpose without hardship to the taxpayer and, lastly, each one is attempting to do it without creating windfalls for the rich.

In the few minutes allotted me, and I hope I may have more time because I cannot cover it in 10 minutes, I shall take up these four objectives of each bill, analyze them, and see how much each bill accomplishes the objectives every one is seeking to accomplish.

First, I shall take the committee bill. Does it put the taxpayer on a pay-as-you-go or current basis? The answer is no. By the admission of the proponents of the bill the most it does is give the taxpayer the option of going on a current or pay-as-you-go basis. How many of them will go on it? How many of them will be on a pay-as-you-go basis at the end of this year, under the plan in the committee bill? I leave that to your judgment, but I venture the guess that 90 percent or more will still be operating under the present plan if the committee bill is adopted. So the committee bill falls down in its first objective.

Next, what does the committee bill do on the second objective in the way of getting money into the Federal Treasury? It does a magnificent job and I will give the committee bill credit, because it will get into the Federal Treasury all the money the taxpayer would owe on his 1942 income payable in 1943, plus whatever it gets from those who are suckers enough to comply with the option and go on a pay-as-you-go basis under the provisions of that bill. So it could not get less money for the Treasury; it is bound to get more money.

Third, will it accomplish this without hardship to the taxpayer? Absolutely not. I want to talk to you for a few minutes about the unrecognized voter who has not been mentioned in this discussion. I am referring to the white-collar man or woman on a very moderate income, as well as the wage earner or the factory worker.

I have worked out a schedule with one of the individuals who has a taxable income of approximately $1,050. Under the present tax schedule now in force the tax payable on that taxable income of $1,050, approximately, would be $200. on 1942 income payable in 1943.

Under the committee bill the taxpayer would have to pay that $200. In addition, after July 1, they will start withholding 20 percent of that taxpay-

er's income, which will be equal to if not greater than the proportionate tax for last year. Then on July 1, when they start withholding, he decides, "I want to go on a pay-as-you-go basis," and exercises the option under the committee bill. He goes to the revenue collector to see what he must do and here is what he finds out. He must pay the full $200 on his 1942 income. In addition to that, he has 20 percent withheld in the last half of this year, which is about another $100, so he must borrow or dig up from some source the $100 for the first 6 months of 1943, which will make him pay a total of approximately $400, less 6 percent on the first half of 1943, that he advanced out of his borrowings or savings, less 3 percent credit on that withheld which would leave him paying this year $391, under the committee bill, whereas under the present plan, if you do nothing, he would only have to pay $200. I ask you, is that doubling up or is it not? Is that paying 2 years' taxes in one or is it not? Between March 15 of this year and December 15 of this year he will have paid $391 instead of just $200 that he would have to pay under the present plan. Is that a hardship to the laboring man? Is that a hardship to the white-collar worker?

Something was said yesterday by the gentleman from New York about how this would affect the loan sharks. I am not going to call loan sharks these legalized lending agencies that charge from 18 to 42 percent interest a year on the money they loan in the various States, depending on the State in which they are located, because after all they are legalized, but let us look at the white-collar worker who has to borrow money to come under this plan. He is the man who has raised a family and spent everything he has made to buy milk and clothing and shoes for his family. He has not been able to save money because he does not make enough income to do it.

Where can that fellow get money to go onto a pay-as-you-go basis under the committee bill unless he borrows it from some source? I say to you that the statement contained in the Evening Star of day before yesterday that 50,000 taxpayers who are already going to the Morris Plan banks and other lending institutions of a commercial nature to get this money represent only a drop in the bucket to what it will be if the committee bill goes through and if the taxpayer wants to go under it. That kind of a workingman, the white-collar or factory worker, is not able to go to the established banks because he has not established credit. He is not able to go to the regular banks because they long ago ceased to loan money on character and have put it on a collateral basis. He does not have bonds and stocks to put up as security and he cannot furnish a financial statement, so there is only one place left for him to go, to the commercial, established lending companies who are permitted to lend and charge the borrower all the way from 12 percent, which you will find is the minimum in the Morris Plan Bank, up to 42 percent a year. That is what this poor fellow will have to do if he goes on a pay-as-you-go basis under this plan.

I could talk about the man with a $2,000 income or about the Congressman, as did one gentleman day before yesterday, who would have to pay approximately $2,000 on their 1942 income. If a Congressman elects to go under the plan of the committee bill he would have to pay $3,910 in 1943. You can take any amount you want and you find the same percentage all the way through.

I say to you, therefore, there is a doubling up and you cannot get away from it, I do not care what kind of hieroglyphics in the way of talk you use to say that there is no doubling up, and that is what our people do not want.

Coming to the fourth objective, about the windfalls, will there by any windfall under the committee bill? Yes; for the very, very wealthy who are able to go to the bank and borrow money at 2 or 3 percent and pay it to the Government and get 4½ to 6 percent in return.

Is that a windfall for the wealthy man? But can the poor white collar worker or the factory worker do that? No. If he wants to borrow, he has to pay the higher rates. To the man of wealth, the man with money in his own account, to take advantage of the provisions of the committee bill, and go on the pay-as-you-go basis, it gives a premium. It puts a discount or a detriment on the poor fellow who has not been able to save in advance. He is the man who has to go to the higher rate lending agencies in order to get the money to go on the pay-as-you-go basis. So it definitely creates a windfall for the wealthy man.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. CUNNINGHAM. Yes.

Mr. REED of New York. All of these millions made by so-called wealthy men to whom the gentleman refers, all of that will be thrown back on the back of the man who does not have that money.

Mr. CUNNINGHAM. Absolutely. Eventually he will pay their bill over a period of 25 years, at 4 percent.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. KNUTSON. Mr. Chairman, I yield the gentleman 3 minutes more.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. CUNNINGHAM. Yes.

Mr. MOTT. Will the gentleman answer the question that was put to the gentleman from California?

Mr. CUNNINGHAM. I shall endeavor to answer it. I noticed that the gentleman from California could not answer the question.

Mr. MOTT. The gentleman did not answer the question.

Mr. CUNNINGHAM. I understand the question. On which of the salary years will the man pay the income tax? I do not know that I can answer the question. The gentleman from California did not. Under the Ruml bill, probably the year that he is forgiven will be 1942 but not in case the gentleman from Oregon wants to carry the question 1 year further. If the gentleman from Kansas does not come back to Congress in 1945 he will pay his tax for the year 1944 in the year 1944 and in 1945 he will pay on what he earns in 1945 only. It is almost an unanswerable question, except just to say that it is 1942 that will be forgiven.

Going back to my main theme, I want to take up the Carlson bill with the four main objectives, and see what the Carlson bill does with it. First, does the but a corporation will not be on a pay-as-you-go basis? Absolutely. No one but a corporation will not be on a pay-as-you-go basis, under the Carlson bill, if it is enacted, where 90 percent of our people will not be on a pay-as-you-go basis under the committee bill, because practically they cannot get on it. Second, will the Carlson bill do this without loss of revenue to the Treasury? Absolutely, because the income of the taxpayer in 1944 is and will be greater than the income for the year 1942, and to that extent the Treasury will profit under the Carlson bill. I understand the figure is somewhere near $3,000,000,000, but I have not attempted to get at it. There is one thing that has been emphasized again and again and again in this debate, and it has gone out over the country, through the press and over the radio, and has caused a misconception in the minds of our people. That is, millions of our people have been led to believe that under the Ruml plan they will not have to pay any taxes in 1943. It is regrettable and unfortunate, because it is not true. It is unfortunate that the news did not carry the further statement that when the 1942 tax is forgiven, the taxpayer in 1944 is stepped ahead a year, and he pays this year instead of next year, that is, this year's taxes are payable this year and not next year's taxes payable next year.

Mr. O'CONNOR. Mr. Chairman, will the gentleman yield?

Mr. CUNNINGHAM. Yes.

Mr. O'CONNOR. The gentleman says the Treasury would not suffer any loss under the Ruml plan.

Mr. CUNNINGHAM. That is correct.

Mr. O'CONNOR. Let us assume that when this war ends, and we may as well be realistic about this thing and not indulge in any utopian ideas, but when this war closes in 1945, fixing arbitrarily that date, then we take a nose dive in business, and another depression comes on and our earnings drop, say, to $60,000,000,000 a year, and that is the date, in 1944, under the Ruml plan, that we will be paying on the income of 1945.

Mr. CUNNINGHAM. That is correct. Of course, we cannot imagine such a situation happening under the New Deal.

Mr. O'CONNOR. Oh, let us forget the New Deal.

Mr. CUNNINGHAM. But the gentleman brought it in.

Mr. O'CONNOR. No; I did not. I am going to say to you that if the depression comes, and our earnings drop, that that is when the Treasury will suffer under the Ruml plan. It does not suffer as long as the earnings of the country are as great as they are now, but the moment those earnings drop, then the tax income drops, and then the persons

who are the beneficiaries under the Ruml plan will be the gainers, with $5,000,000,000 in their jeans.

The CHAIRMAN. The time of the gentleman from Iowa has again expired.

Mr. KNUTSON. I yield the gentleman 5 minutes more.

Mr. CUNNINGHAM. There are two answers to the gentleman's question, and I want to say that it is a very good question: The first is that under the committee bill we will be in exactly the same situation, and the second answer is that under the present taxing plan you simply postpone that suffering 1 year to 1946. I wish to go further and say that the individual tax book just given me here in regard to the income to the Treasury states:

> It is not correct to assume that the forgiveness of a year's tax liability combined with the corresponding current income-tax collection would reduce the tax flow into the Treasury.

That is on the hearings before the Committee on Ways and Means.

Mr. KNUTSON. That is from Mr. Randolph Paul.

Mr. CUNNINGHAM. Mr. Randolph Paul is the one who made the statement I just read from his testimony given before the House Ways and Means Committee.

Now, this is a serious thing. I sometimes have felt in the past 3 days as the gentleman from Massachusetts [Mr. GIFFORD], said, that it would be better if we had never heard of any pay-as-you-go plan, because of the great amount of confusion in the minds of our people and the trouble we are in on account of it. But it is a problem this Congress has to face. What I like about this debate is the attitude of everyone in trying to work out the best bill.

Now, I want to go to the third provision in the Carlson bill, that is, that this is without hardship to the taxpayer. The Carlson bill allows the worker, the taxpayer, to get on a pay-as-you-go basis without any hardship at all. It simply provides that the taxes he pays this year, instead of calling them last year's taxes, will be called this year's taxes. We are going to advance the tax he would otherwise have paid in 1944 forward to 1943. If I may use a homely example, and I think it applies to most of you in your own States, in my State for years we have been paying real property taxes in the year succeeding, just as this present income tax, without any of these bills, does. In other words, in 1943 the real-property tax that is paid is the 1942 property tax, payable in 1943 on the 1942 assessment. How often I have thought it would be better for the people, and more sensible, to call it 1943 based upon 1942 assessments instead of having our property owners always a year behind in their obligations for taxes on their real property. The property owner would pay the same and the State would get the same amount of money. There would be no loss in revenue. Now, lastly on the Carlson bill is the windfall proposition, but before coming to that I wish to read to you from a white-collar worker, a woman who wrote me this letter that was received yesterday morning. She is the treasurer of a small university at Fayette, Iowa.

> I do not see how our faculty can possibly pay two taxes in 1 year. They are on very modest salaries which have not been raised for several years except in the case of a very few. Those salaries range from $1,100 to $1,650 a year, which is no more than a bare living wage. Most of them have families to support. These are the people upon whom a great deal of the burden falls to sustain the churches and other worth-while community projects. They also wish and are expected to buy Defense bonds with which to support the war. It seems to me that we cannot afford to allow our civilian morale—

That is something we have not given much consideration in the Committee of the Whole House, how it would apply—

> our civilian morale to drop to too low a point. This is bound to happen if the tax burden is excessively heavy.

What she means by "excessively heavy" is that if our taxpayers are called upon to pay 2 years' taxes in 1943. Can you imagine any greater shattering to the civilian morale, the morale of the men in our arms plants who are producing munitions, the men who are producing food and clothing that our boys at the front need? Talk about patriotism. If you break down the civilian morale by putting this up to the people who want to go on a current basis as is done in the committee bill, they will have to pay approximately 2 years in 1, you will do more to shatter the morale of the home front than anything that has ever been brought before this Congress.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. KNUTSON. Mr. Chairman, the gentleman is making a fine contribution. I yield him 5 additional minutes.

Mr. HARE. Mr. Chairman, will the gentleman yield?

Mr. CUNNINGHAM. I yield.

Mr. HARE. Referring to the lady who was unable to pay last year's taxes out of her $1,500 salary—I assume that is correct—would she be any more able to pay the same tax out of her income this year?

Mr. CUNNINGHAM. No.

Mr. HARE. Now, the point is she is talking about being required to pay double taxes. She would not be able to pay either one.

Mr. CUNNINGHAM. Yes. But she is perfectly willing to have it deducted from her salary, which is what is proposed in both of these bills. Unfortunately it does not start until July 1. Neither of these bills will take care of that lady for the first 6 months.

Mr. HARE. She knew last year she was going to have this tax to pay.

Mr. CUNNINGHAM. She should have.

Mr. HARE. If she did not elect to pay it out of the income last year, then why would she be better able to pay the 1943 income tax than she was in 1942?

Mr. CUNNINGHAM. Aside from the fact that the Sergeant at Arms keeps books for us, how many Members of Congress even anticipated it and set it aside? People do not do that. In addition we must not overlook the terrible hardship the committee bill would inflict upon the unmarried teachers of whom there are many.

Mr. KNUTSON. Will the gentleman yield?

Mr. CUNNINGHAM. I yield.

Mr. KNUTSON. Only the other day a former Member of this body dropped in and expressed the hope that the Ruml plan would be adopted. He said, "You know I have been here so many years and well known to all of you." He said, "It was necessary for me to mortgage my furniture in order to pay the first quarter of my 1942 taxes." That was after his check had stopped in March.

Mr. CUNNINGHAM. There are millions like that.

Now, I touch the last point in the Carlson bill and I want to lay emphasis upon the fact that everyone here is thinking about less than one-tenth of 1 percent of the taxpayers and overlooking the benefit to 43,990,000 taxpayers who need a practical plan somewhat along the line of the Carlson bill, and which relief they will not get under any set of circumstances from the committee bill. The proponents of the committee bill, I have heard them say time and again that the Carlson bill or the Ruml bill would rob the Treasury. I say it would not, but I do say that the committee bill will crucify the average taxpayer on a cross of gold, if you will permit me to plagiarize the great William Jennings Bryan.

Now, are there any defects in the Carlson bill? Namely, will it create any windfalls? Yes; it will. I want to be frank about it. I am trying to point out exactly how these bills attain their objectives. There is not any question about it that somewhere along the line those who make exceedingly large incomes may have a benefit, particularly if they retire. But I have never heard of any man who was making a large amount of money speculating or gambling or on war contracts who quit. They keep on going. As long as they keep on going they pay just the same amount to the Government every year until they die. Then we get some through the inheritance and estate taxes. So here you set up a straw man of a very, very few people and overlook 43,990,000 or more who need a practical plan, and who get it under the Ruml plan.

Because some Members of the House are concerned about this windfall the gentleman from Kansas [Mr. CARLSON] and those supporting his plan have recognized it to the extent of adding an additional 25 percent on earnings up to $500,000, and 50 percent on earnings above $500,000 and have done a pretty good job toward getting the man of large income to pay his just share. So, as between the two bills, there is but one choice, the Carlson bill. But I have what I believe to be an improvement. I shall make the suggestion, but I am not going to propose it as an amendment, because any amendment I propose I want the sponsors of the bill to agree on, but I do offer this as a solution that I believe is better than the one now in the Carlson bill. The Carlson bill does not apply at all to corporations; I understand the committee bill does not either.

If it is all right to leave corporations out and not put them on a pay-as-you-go basis, but just let them pay under the present system and not have this bill apply to them, why not solve the windfall danger as far as the extremely wealthy are concerned by leaving out every taxpayer whose income exceeds a certain amount? I do not care whether it is $5,000, $10,000, $25,000, or $50,000; there could be no windfalls under this system and it could be easily taken care of.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. KNUTSON. Mr. Chairman, I yield 1 additional minute to the gentleman from Iowa.

Mr. CUNNINGHAM. In conclusion, you have been very patient with me. I do not want to close without again emphasizing the morale angle of this bill and this plan. The committee bill as compared to the Carlson bill and as emphasized by this lady who works for a college, the lady I put in the unrecognized voter class—we have got to keep the morale of this class of our citizens up to the highest possible pitch if we are to get the necessary food supply and munitions for our men on the fighting front and back them up a hundred percent, as we must do to win this war, and as we are going to do.

Mr. Chairman, I yield back the balance of my time.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. DIES].

Mr. DIES. Mr. Chairman, I hesitate to intrude my views upon the House, because I recognize that I am not a tax expert. I have listened to this debate carefully and read the reports of the committee for the purpose of reaching what I conceive to be a correct decision. After having heard the arguments pro and con I am amazed that Members of the House should undertake by specious arguments to convince the House of something that no man could possibly believe—namely, that by the Carlson plan or any similar scheme we are not in effect forgiving taxes. Mr. Chairman, it seems to me that plain common sense should demonstrate to all of us that we owe the Government $10,000,000,000 of taxes. This debt accrued on January 1. It is not money that belongs to this Congress; the money has already been spent; it is money, Mr. Chairman, that we owe to sustain our national economy and our obligations as an honest people. We are trustees of this money; it is our duty to see that it is administered for the purposes for which it was intended. We are asked to forgive $10,000,000,000—and that is all it amounts to—now, let us not try to deceive ourselves by specious arguments to the effect that we will be paying the same amount of tax. What are the facts in that connection? I owe a tax; if I fail to pay it, or if the Government forgives me the Government loses the tax. I have but so many productive years of life. Even under normal conditions a man's productive years are limited to only several decades and when that period passes then he ceases to produce at anything like the maximum rate he did during his best years. If, therefore, I am forgiven my 1942 tax it simply means for all practical purposes that the Government is making me a gift of $2,500. Now, can I justify that? I have spoken against this philosophy of pretending to give people something for nothing; it is a mere illusion. Here we are in America with the most stupendous debt ever known in all our history.

Every day we are accumulating more obligations for our descendants. You would think a Nation that owes $125,000,000,000, with the probability that that debt will be increased to $300,000,000,000 before this war is over, would realize the serious situation in which we find ourselves; but, to the contrary, we talk as if we have something to give away. This whole psychology of "something for nothing" is disastrous to the morale of our people and to our country, and I am convinced that the people we represent, our taxpayers, or 90 percent of them at least, realize that if they accept this bonus from the Government in the long run they will be penalized.

Do you know what sort of precedent this will establish? Whether you like it or not, all over this country it will be charged that we are making blood millionaires, that we are violating our pledge to the American people that in this war we will not permit war profiteers and millionaires to be created. You can argue all you want to that the same amount of tax will be paid, but the common sense of the American people knows that if it were not for the element of forgiveness there would not be any enthusiasm for a pay-as-you-go program.

Mr. Chairman, I have heard from the lips of many of my conservative friends denunciation of the philosophy that you can give something for nothing when we have had before the House measures designed to relieve those in distress, when we were confronted with the bonus bill, and now the cradle-to-the-grave program and similar schemes and panaceas. Many of my conservative friends have cried out in alarm, "Where will this end?" Yet I find some of them today advocating the very principle that they have denounced in the past. Stripped of all verbiage and specious arguments and long-drawn-out phrases and sentences, this Carlson plan can only mean one thing, that is that the Government has $10,000,000,000 and by our act in Congress we are forgiving that $10,000,000,000. This is not money which we own or have or have any right to, but money that we have already pledged to maintain the solvency and the honor of these United States of America.

In my home town of Orange, Tex., already three of the boys who used to play in my yard with my boy have made the supreme sacrifice and laid their lives upon the altar of their country. All over our land people are sacrificing. There is not a mother or father in America who understands the true situation but is not willing to give not only his 1942 tax but, if need be, to double that amount so that our boys can be equipped with the implements that they need to defend themselves and the honor and the integrity of these United States.

Let me give you some plain facts. In my district we have a number of shipyards. There are men in those shipyards who are making more money than they ever made before, literally thousands of them and there are some forty or fifty thousand men working in war industries in my district. Many of those men made high wages and salaries during 1942. Do you mean to say that we should say to them. "You owe the Government $500, but we are going to forgive that $500"? What do you think the mothers and the fathers in my home town and all over my district, whose boys are now fighting in Africa, will say when they look at the shipyards and see able-bodied men who are making $400 or $350 or $250 a month, working 8 hours a day. What will those mothers and fathers say when they think, "My boy is fighting and dying and suffering on foreign soil, but here is a boy or man making $400 a month, yet the Congress of the United States forgave him his tax of $500 that he owed to support our Government"?

The CHAIRMAN. The time of the gentleman has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. DIES. Mr. Chairman, I recognize that there is merit in the argument that we should make our taxes current and put them as far as possible on a pay-as-you-go basis. I do not know how much the Government would gain by such transition. I have not been presented with any concrete facts to convince me that the Government will save a billion dollars, two billion dollars or three billion dollars. Let us assume, however, that it will be desirable and that in the long run in my district those who are working in war industries will be benefited and the Treasury will be benefited by reason of the fact that when those industries discontinue and the men are no longer employed the Government will have already collected its tax. I recognize the force and the validity of that argument, but, Mr. Chairman, it has occurred to me that if the Government is going to make our taxes current the Government should not be compelled to now forego more advantages in making currently the taxes than the Government hopes to eventually reap from that process.

In other words, Mr. Chairman, I am perfectly willing to vote for some reasonable and fair proposal that will enable us to go on a pay-as-you-go basis, but I submit it is ridiculous to talk about giving up $10,000,000,000 in order to go on a current basis. In the first place, I am not convinced that the American people will default when the war is over. The people of my country are devoted to this Government. They believe in its support and in its maintenance.

I believe that public sentiment will be so crystallized in the State of Texas that any man who refuses to pay the tax that he owes to the Federal Government to support the war effort will be held up as

an object of scorn in the community. But assuming that there are advantages, why can we not come in with a fair and reasonable program that will not ask the Government to forego more than it hopes to obtain in the final result?

I would caution you gentlemen on the Republican side to think very carefully before you commit yourselves to a proposal which in the public mind will always be branded as another bonus, as another scheme to give something for nothing, as another Townsend plan. You cannot justify your position by pointing to similar precedents of this House. You are by your act opening the door to a veritable flood of demands in the future for forgiveness of taxes. You by your vote are establishing a precedent that will prove embarrassing in the months and in the years to come. I will not by my vote forgive a man who made $800,000 or $400, and I am not interested in the amount involved. Let us not place this on the narrow basis of class prejudice. I say that the people working in my shipyards owe a debt to this Government and they ought to pay it. If I thought for one moment they would not want to pay it, I would not want to represent them in the Halls of Congress. Remember, you cannot adopt language so convincing or specious as to deny what is obvious.

What is obvious? Water will not run uphill. Yet here for 2 or 3 days I have listened to speeches clothed in deceptive language and based upon specious arguments and illogical statements, all designed to do what? To further extend this money illusion under which the people are laboring in this country.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. DOUGHTON. Mr. Chairman, I yield 2 additional minutes to the gentleman from Texas.

Mr. DIES. What I want to get down to is this: I have an abiding faith in the fairness of the Members of this House on both sides. We are confronted with a problem that ought to be solved, and it ought to be solved in a fair and sensible way. I believe the great majority of the Members of this House are prepared to support some reasonable and fair proposal in order to make taxes current in the United States. I believe further that if you insist upon the Carlson plan and if it should pass this House it will never become a law. It is not going to pass the other body, or if it does pass the other body the President has already by his commitments and statements made it certain that he will veto it. Therefore, in the final analysis, no action will be obtained, whereas if we could work out a fair compromise that will allow for a fair abatement distributed equally among all classes and not designed to raise the class issue in any respect, I believe the majority of the Members of this House could support it in good conscience and the Treasury in the end would make more money than it would lose. This would not be giving something for nothing. It would be a fair trade in which the Government would gain as much, if not more, in the end than it now foregoes to make taxes current.

Mr. MARTIN of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. DIES. I yield to the gentleman from Massachusetts.

Mr. MARTIN of Massachusetts. May I ask my dear and respected friend from Texas how he would compromise the principle he has enunciated so eloquently in the last 15 minutes?

Mr. DIES. I have a great deal of confidence in the gentleman's judgment. What principle does the gentleman mean?

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. KNUTSON. Mr. Chairman, I yield 10 minutes to the gentleman from Connecticut [Mr. MILLER].

Mr. MILLER of Connecticut. Mr. Chairman, at this point in the debate I doubt if there are many Members of this House, including the majority of the Ways and Means Committee, who think that the committee bill will be approved. Later on in the debate much may be said about the necessity or wisdom of accepting a compromise bill as proposed by Congressman ROBERTSON of Virginia or Congressman FORAND of Rhode Island.

Why should a compromise be even considered? Either it is desirable to put income taxes on a current pay-as-you-earn basis, or else it is desirable to continue the present unsatisfactory method of tax collection. Certainly the committee's proposal of paying 1½ years' or even 2 years' taxes in 1 year is impossible. If we want a pay-as-you-earn method without paying 2 years' taxes in 1 year, we have no alternative but to accept the Ruml-Carlson bill, H. R. 2245. As pointed out by the acting ranking minority member of the Ways and Means Committee, the gentleman from Minnesota [Mr. KNUTSON], no member of that committee is in a position to argue against the Carlson bill on the grounds that as a matter of principle they are opposed to rebating or forgiving taxes. We have been told—and thus far it has not been denied—that every member of the Ways and Means Committee, including the chairman of that great committee, voted for the forgiveness of all or part of the 1942 taxes. That record disposes of any possible argument against the principles involved in the Ruml-Carlson bill.

In years to come Mr. Beardsley Ruml will be acclaimed by the American people as the man who made the greatest contribution toward winning an economic battle on the home front during this period of war. For the past 3 months the American people have been making known their desires that income-tax payments be placed on a current pay-as-you-earn basis, and that the provisions of the 1943 tax bill be made known to the taxpayers at the earliest possible date. The bill now being debated in this House is a great disappointment to our constituents. First of all, it is not a tax bill, it is simply legislation changing our outmoded method of collecting income taxes and it is quite easy to understand that our people are disturbed by the thought that it may be July, August, or even October before they know what new taxes are to be assessed against them during this year of 1943.

Have you ever heard anyone object to a reduction in the real-estate tax rates of the home community simply because Squire Jones will have his taxes reduced $300 while Mr. You-Know-Who receives a reduction of only $30?

If Congress fails to speedily enact the Ruml-Carlson plan into law, what will those who oppose it say to the 11,000,000 men and women who will some day, we hope, be discharged from our Army and Navy, only to be faced by a collector of internal revenue with a bill for three, five, seven hundred, or more, that they owe as a tax on the income for 1942? Income earned prior to their induction into the armed services. What are you going to say to the soldiers and sailors who worked 7, 9, or even 12 months in 1942 and who were then inducted into the service? Perhaps they had even saved a few hundred dollars to be used toward paying their income tax on March 15, 1943. Sad but true, it sometimes takes several months for a soldier's allotment checks to reach his wife and children, and in many cases while waiting for the allotment checks they may have to use the money saved for taxes for their living expenses. This certainly could not be made up out of the soldier's meager allotment.

The most recent Gallup poll shows that 83 percent of the taxpayers who were interviewed favored adoption of the Ruml plan, and only 17 percent were opposed to it. One interesting factor in connection with this survey by Dr. Gallup was the rather unusual situation wherein no one who was interviewed declined to express an opinion on the Ruml plan. It is my considered judgment that if the people interviewed by Dr. Gallup's organization could have known of the so-called antiwindfall provision recently written into the Carlson bill, the report would have been much nearer 100 than 83 percent in favor.

It seems to me that the sooner we adopt the Ruml plan and turn our attention to writing the badly needed 1943 revenue bill, the better for the economy of the United States. And when the 1943 tax bill is brought on the floor, let no man stand on this floor to contend that the new tax bill is offered to make up what has been forgiven under the Ruml plan. We are going to have higher taxes no matter which bill we pass next week.

In 1913, the first income-tax law was adopted by Congress. At that time income taxes were the concern of a very few citizens. The rate of taxation was low, and the exemptions were high—for example, $3,000 for a single person. Today, the situation is far different; practically every working man and woman is now required to pay an income tax. Who has a better right to say when and how income taxes will be collected than the people who sent us here? Whose Government is this? Whose Treasury is it? We are but the representatives

of those who sent us here. Will any Member of this House stand on this floor and say that the overwhelming majority of the people are not in favor of placing the collection of income tax on a pay-as-you-earn basis? Who in this House will say that the American people do not understand the provisions and purposes of the Ruml plan as presented to Congress in the Carlson bill? Today, any idea can be discussed in any city of the United States and in a very short space of time, due to the radio and improved news-gathering agencies, every detail of the idea is known to the people of every city, town, and hamlet throughout the United States.

Let us look at the Ruml plan as contained in the Carlson bill. First of all, it is well to remember that neither the Carlson bill nor the House Ways and Means Committee bill change, in any way, the rates or method of collection of corporation taxes. If that is understood, any discussion of profits in the war industry is pretty well eliminated. Very, very few people attempt to do business today as individuals. You will find that pretty generally those who have war material contracts are incorporated. It is tragic that we must admit that there are some people who so despise the few wealthy men and women left in the United States that they would deny beneficial legislation to more than 40,000,000 citizens for fear that some benefit might accrue to the so-called wealthy 60 families. Fortunately, such fears are not well founded. The Ruml-Carlson plan takes care of the so-called "windfall cases" by directing that where an extraordinary income has been earned in either 1942 or 1943, the tax collection would be on the higher income of the 2 years. The distinguished chairman of the Ways and Means Committee, during his discussion of the committee bill, made much of the fact that three different Carlson bills had been introduced. That is as it should be, in my way of reasoning.

The gentleman from Kansas [Mr. CARLSON] and his colleagues on the Ways and Means Committee were as anxious as anyone could be that no possible loophole be left in the bill as finally presented to the House. With that thought in mind, the most recent Carlson bill carries an additional antiwindfall provision.

It seems to me that there are a few additional things that we should keep in mind throughout this debate. First of all, during the calendar year of 1943 and in years to come the Treasury will receive more dollars, under the Ruml plan, than it will receive under the committee bill. No one can successfully challenge that statement. Next, the Treasury will not be adversely affected until one of three things happen:

First. When and if the world comes to an end the taxpayer may owe the Treasury some money.

Second. If and when—and God forbid it will ever happen—we all go broke and the Government collapses.

Third. Probably at the death of any taxpayer who was liable for 1942 income tax.

A lot has been said about the few wealthy taxpayers who will benefit temporarily, if the Ruml plan is enacted into law. For the sake of argument, let us admit that such a charge is true, but I do not admit it. May I point out that it is not the wealthy man who really suffers by high income-tax rates. The man who pays a half million dollars into the Treasury each year as his income tax will not have to lapse his life insurance if the Ruml-Carlson plan is not adopted. He will not have to take his son or daughter out of school; no indeed; he will simply take a few of his 2-percent tax-exempt bonds, push them through the cashier's window at his bank as collateral for a loan. He will then pay his 1942 taxes and 1943 taxes in June of 1943 and accept the 6-percent discount so generously provided for the wealthy in the committee bill now under consideration.

It has been alleged that the Ruml plan would bring disproportionate benefits to those in the upper brackets as against those in lower brackets. The answer is that the Ruml plan abates the 1942 liabilities in the same manner as the progressive rates schedule of the income tax increases it. If the progressive principle of the income-tax system is fair and sound in the imposition of taxes, it is fair and sound in reverse.

Mr. DOUGHTON. Mr. Chairman, I yield 30 minutes to the gentleman from Rhode Island [Mr. FORAND].

Mr. FORAND. Mr. Chairman, I ask unanimous consent to revise and extend my remarks, and I would appreciate not being interrupted until my brief statement is made.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. FORAND. Mr. Chairman, at the outset let me say that the chairman of the Committee on Ways and Means is one of the outstanding Members of this House and about as fair a man as I have ever met. I pay public tribute to him for the way that he has handled a very, very difficult situation in the committee and for the recognition that he has given each of us new Members who came on that committee this year. Never was there a question that came before the committee upon which even the least ranking member of the committee did not have just as fair an opportunity as did the ranking members on both sides. Frankly I was surprised, because I know of other instances where just a few members of the committee were recognized to discuss matters before it, but that was not so on the Committee on Ways and Means. The distinguished gentleman saw to it that we were all given a fair break, and for that I am thankful and pay public tribute to him. Also I pay public tribute to every other member of the committee and appreciate their kindliness and willingness to help new members to get their feet on the ground and know what it was all about.

Mr. Chairman, in any discussion of the question before us—a pay-as-you-go plan for income taxes—it is only fair to say that the Committee on Ways and Means as a whole, and every member of it as an individual, worked hard and diligently during several weeks in an effort to solve a very complex problem.

Every member of the committee, at one time or another, supported some form of forgiveness, but at no time could a majority agree on one specific plan.

I have a proposal of my own, which I intend to offer at the proper time, and I desire it to be fully understood that I am merely exercising my prerogative as a Member of this House to disagree with the committee and place before my colleagues a pay-as-you-go plan on which I believe we can agree and which will be satisfactory to the taxpayers. My disagreement with the committee is on two points: First, the committee bill forgives nothing. Second, I am opposed to the discount unless there is forgiveness.

MEANING OF THE TERM "PAY-AS-YO-GO"

The term "pay-as-you-go," since it has been used in connection with income taxes, has been generally interpreted as meaning a system whereby, through withholding at the source, taxpayers would be made current in the payment of income taxes—that they would pay 1943 taxes out of 1943 incomes, and that 1942 taxes would be canceled.

By reading the hearings before the Ways and Means Committee, on the bill now before the House, you will find that the committee, as well as all the witnesses who testified, accepted that meaning.

In opening the hearings on February 2, 1943, the chairman said—page 1 of hearings:

> We are opening hearings today on the proposal to place the income tax of individuals on the pay-as-you-go basis. Therefore, we shall consider all possible methods to accomplish this purpose.
>
> In the case of salaries and wages one of the methods suggested is that of withholding at the source. In the case of many of the taxpayers, such as those who are in business, for example, it may not be practical to withhold at the source, and we will have to consider every method or plan to put the taxpayer on a current basis, so that he may pay his taxes currently.
>
> The hearings will be confined, unless otherwise directed or changed by this committee, to a consideration of the pay-as-you-go proposal, of which the withholding tax is one part.

Mr. Randolph E. Paul, general counsel for the Treasury Department—see page 9 of hearings—testified:

> The problem of putting income taxes on a pay-as-you-go basis was emphasized by President Roosevelt in his recent Budget message in connection with his request to Congress for $16,000,000,000 of additional collections for the fiscal year 1944.

Here is what the President said in his Budget message:

> I hope that the Congress in working out the revenue program will consider that the fiscal measures must be designed not only to provide revenue, but also to support the stabilization program as well by deterring luxury or nonessential spending. The cost of the war should be distributed in an equitable and fair manner. Furthermore, care should be taken that the fiscal measures do not impair but actually promote maximum war production. Finally, it is more important than ever before to simplify taxation both

for taxpayers and for those collecting the tax, and to put our taxes as far as feasible on a pay-as-you-go basis.

The Treasury Department favors my pay-as-you-go plan—see page 9—because for the 39,000,000 individual taxpayers required to pay income taxes of $10,000,000,000 for 1942 under the present law, it affords a way of meeting their tax obligations with a maximum of convenience and a minimum of hardship, and also because the Government needs a flexible instrument of fiscal policy under which revenues will react speedily to changes in tax rates and exemptions and in the national income.

Approximately 17,000,000 more persons are expected to file income-tax returns this year than last year. These are persons in the low-income brackets, most of whom never filed an income-tax return before. Many of them were hard hit during the depression. For a long time they and their families did not live, as we understand the term, they merely existed. The depression forced many of them to give up their homes and to double up with relatives. Others moved into most undesirable dwellings. Many went in debt with the grocer, the baker, the landlord, and everyone else with whom they had dealings, relying on the sympathetic consideration of their creditors.

Now, I consider the American people, generally, are honest men and women. As soon as these people were able to obtain employment, true most of them went into war work at good wages. Yes, in many cases, high wages. But as the money came in they paid their debts, moved into respectable living quarters, rehabilitated their homes and provided decent living for their families. They have not had a chance to set cash aside for the future.

Nearly all of these people have been purchasing War bonds in addition to discharging their other obligations. Many found it necessary to cash these bonds in order to pay the first installment on their income tax. Others who intended to use their bonds to pay their tax and thought that they could just turn in the bonds with their income-tax returns were surprised that this could not be done, so not having the money available they just filed their returns and will pay the penalty of 6 percent interest until such time as they can cash their bonds and pay their tax.

These people are patriotic. They are willing and anxious to pay their fair share of the war through taxation. However, many of these people never paid taxes before, and made no provisions to accumulate the amount necessary to meet that obligation. Others did set aside some money but anticipated that the tax rate would be about the same as for 1941. They did not know, nor did anyone else know until the 1942 revenue bill became law last October, that the 1942 rate would be nearly double that of 1941.

When the war ends many of these people will, for some time at least, be thrown out of employment. They will have no income with which to pay their tax for the preceding year.

What will happen? Are we going to put them all in jail or are we going to break down our tax system by wholesale abatement? One course or the other will have to be followed unless we look forward now and adopt a plan of pay-as-you-go, as we understand the term. Now is the time to act.

By adopting my plan all taxpayers will pay the same amount of tax during 1942 as they would under present law. The Treasury will collect not only as much this year, but more because collection at the source on wages and salary will get what is already reported and in addition will reach many who do not now file returns.

Do you know that during the first 5 days in March 1943 there were $24,995,000 worth of series E bonds cashed as against $5,000,000 for the same period in 1942; that during January 1943 there were $62,973,000 worth cashed as against $15,408,000 for January 1942; that in February 1943 there were $76,352,000 worth cashed as against $15,774,000 in February 1942? A total for January, February, and the first 5 days of March 1943 of $164,320,000 as compared to only $36,322,000 for the same period in 1942. Why? I say it was to get cash to pay taxes.

That our present system of tax payment is defective is acknowledged by the Treasury Department. Here is what the Treasury Department spokesman has to say on the subject:

DEFECTS IN OUR PRESENT SYSTEM OF PAYMENT

The income tax is the most direct and equitable method of reaching taxpaying ability. Since it is, and must remain, the backbone of the Federal tax system, every attention should be given to improving its structure and application. For the great masses of taxpayers the present method of collecting the income tax payment has the basic defect that tax payments are not synchronized with the receipt of the income on which the tax is based. This defect arises partly because installment payments are not timed to fit the receipt of income and partly because the taxes on a given year's income are not payable until the following year.

POOR ADAPTATION TO TAXPAYERS' BUDGETS AND FLOW OF INCOME

A system of equal quarterly installments ignores the basic fact that most people budget on a weekly, semimonthly, or monthly basis according to the interval between pay checks. Such a system also ignores the wide variations in income receipts from one quarter to the next for such persons as farmers and seasonal workers. Equal quarterly installments are accordingly ill-adapted both to prevailing budget habits and to the flow of income.

This defect was not serious when income-tax rates were low and the tax reached only the minority of our population with relatively large incomes. But in recent years the defect has been greatly magnified. The tax has been broadened to reach many millions of additional taxpayers with small incomes and little experience in planning their finances to meet large bills at infrequent intervals. Moreover, the burden of the tax has been greatly increased for all taxpayers. A suitable pay-as-you-go method will be of great assistance to millions of persons.

THE LAG IN PAYMENTS

Another difficulty of our existing method of payment, from the standpoint of the vast majority of taxpayers, is that this year's tax payments are based on last year's income. The resultant lag caused no serious payment problem as long as the income-tax burden was relatively low, and the persons principally affected by the tax were accustomed to saving and budgeting for various obligations, including taxes. But with the expansion of the income tax the payment lag has become a vital problem. To be sure, the lag does not cause the taxpayer difficulty as long as his income continues at a steady pace. If, however, his income varies from year to year, his taxes will be poorly geared to his receipt of income. And if his income declines sharply or ceases entirely, as at unemployment, retirement, disability, or death, the overhanging tax debt may cause real hardship.

Opponents of forgiveness have mentioned the possibility of inflation if any part of the 1942 tax is canceled, and to support their argument they have cited the fact that savings deposits have reached the huge figure of $29,000,000,000.

That amount of savings, at first blush, seems staggering, but let us look at the figures for the past years, and keep in mind that the rich do not put much of their money in savings but prefer to invest it in stocks and bonds. Savings usually are the property of wage earners and little businessmen. Do you know that at the height of the depression savings deposits never went below $21,000,000,000, although the national income went down to thirty-nine and nine-tenths billions? The low mark was struck in 1933 when 39,000,000 depositors had savings of $21,125,000,000 an average per account of $538.06, that in 1930 and 1931 savings exceeded $28,000,000,000 and that since 1939 these savings deposits have always been over $25,000,000,000.

The savings deposits at the end of 1942 were $29,000,000,000 against a national income of $115,000,000,000. Compare that with a low in savings deposits of $21,000,000,000 against a national income of forty-two billions during the depression. I am sure that we should not be alarmed because savings have reached $29,000,000,000 when we consider what the term "savings deposits" as used with these statistics means.

The American Bankers' Association, in explaining its figures, says:

The term "savings deposits" is construed as including deposits in savings accounts, Christmas clubs, and similar accounts, time certificates of deposit due in 30 days or over, and postal savings redeposited in banks.

The Securities and Exchange Commission, in a footnote to its release, says:

These figures include the cash and deposits of unincorporated business as well as of consumers. Probably the two most important groups included in unincorporated business are agriculture and trade. It should be noted that part of the above increase in cash and deposits reflects a liquidation of inventories of unincorporated trade.

I am not afraid of permitting the small wage earner to accumulate a few dollars now to tide him over when the slack comes after the war when we will

have to transform our present war economy to a peace economy. I want them to have a few dollars ahead then so that they will not have to again seek relief.

Let us not permit this bug-a-boo to frighten us against doing what is right. Let us adopt my plan and make as many people current as it is feasible to do.

THE CARLSON BILL

The Carlson bill is the Ruml plan with some revision. It is written, we are told, with a view to preventing windfalls because it provides that persons having incomes in excess of $20,000 shall pay the tax on either 1942 income or the 1943 income whichever is the greater.

True the Carlson bill would put the tax on the larger of the 2 years' incomes, and now he has another provision to go back to 3 years, but that would still permit windfalls where the incomes for the 3 years were the same. Take, for instance, in the case of the million-dollar taxpayer, if his income was the same for 1941, 1942, and 1943 years he would receive a windfall of $854,000 under the Carlson bill just as he would under the Ruml plan. In the case of the $500,000 taxpayer the windfall would be $414,616. In the case of the $100,000 taxpayer the windfall would be $64,641. You just cannot get away from windfalls if you forgive a whole year's taxes. The President stated at a recent press conference that to adopt the Ruml plan would mean forgiving 60 millionaires the amount of $94,000,000. I cannot subscribe to such a plan. I am opposed to making war millionaires.

Another reason why I am opposed to the complete forgiveness of a year's taxes is that when the time comes to increase the tax revenue it will not be possible to increase the rates for the taxpayer in the higher brackets, the taxpayer with the larger income, because he is already taxed about 90 percent of his income over his exemptions. This would, of necessity, place the additional burden upon those taxpayers in the lower brackets and would be a most unfair imposition. Under my proposal all taxpayers would receive the same treatment. The basic tax, that is, the first 19 units—6 percent normal and 13 percent surtax—would be forgiven. When the time comes for raising the rates, and that is bound to come real soon, the increase in rates can be applied to all brackets and not only on the small-income earner.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. FORAND. Yes.

Mr. DISNEY. And from the 19 percent where would you go? What would be the next bracket after you get to the 19 percent?

Mr. FORAND. Whatever difference there is in the bracket that there is today. I think the next one would be one point about.

Mr. DISNEY. And 19 percent would get the fellow of about what income?

Mr. FORAND. Twenty percent would take care of up to $3,200 of net income for a married man with no dependents.

Mr. DISNEY. He would be forgiven up to there?

Mr. FORAND. Yes.

Mr. DISNEY. And then start in the 22-percent rate just above that?

Mr. FORAND. That is correct.

The bill brought here by the Committee on Ways and Means provides for no forgiveness whatever. It makes no one current except those who desire to pay 2 years' tax in 1 year. It offers a discount for those who would do so.

The taxpayers in the $100,000 class could save $6,000 if he paid his 1943 tax by June 15 next. The little fellow whose tax amounts to $100 would save $6. I am sure, ladies and gentlemen, that if the little fellow could pay $94 to make himself current, he could and would pay the $100 without this discount. I doubt very much, though, that the $100,000 man would give up the use of his money unless he received a consideration for it. So, I say, this discount provision will help those who do not need help and be a discrimination against those who do need help unless my proposal is adopted.

If the House agrees to my plan of forgiving the basic liability it will make approximately 90 percent of the taxpayers current. Under those circumstances I would have no objection to providing a discount for the remaining 10 percent of the taxpayers, all of whom are in the higher brackets, from obtaining the additional forgiveness that the discount would bring them on the amount over their basic liabilities if they should choose to become current. This would mean more revenue to the Treasury at a time when we need it.

My proposal contains all of the committee bill, plus the forgiveness features of the Robertson plan.

Here they are:

First. Forgiveness of the first 19 units, the basic liability on all income tax returns—6 percent normal tax and 13 percent surtax.

Second. Withholding 20 percent at the source on all salaries and wages—3 percent Victory tax and 17 percent income tax.

Third. Discounts up to 6 percent for voluntary advance payments on that part of the tax in excess of basic liability, because that would be paid currently.

Fourth. Increasing exemptions for members of our armed forces to $3,500—less personal exemptions—on compensation received for military service.

Fifth. Abating all taxes owed by a member of our armed forces who dies while in active service.

The collection provisions of my amendment are:

First. Collect March 15 and June 15, 1943, installments of 1942 tax liabilities, as provided under present law. Treat the part of these payments corresponding to the basic liability—6 percent normal tax plus 13 percent of surtax net income—as advance payments of 1943 basic liabilities. Treat the payments in excess of the basic payment as payments of 1942 taxes.

Second. Require September 15 and December 15 installments on 1942 tax only with respect to liabilities in excess of the basic liability.

Third. Forgive the basic liability on 1942 income by crediting it to 1943 tax.

Fourth. Begin collection at source from wages and salaries, July 1, 1943, at a rate of 20 percent to cover basic liability of 6 percent normal tax and 13 percent surtax, and the Victory tax.

Fifth. For income not subject to collection at source begin current payments of basic liabilities with the third quarter of 1943 on the basis of simple quarterly statements of income, permitting the use of 1942 income as a presumptive basis where desired.

Sixth. Farmers, because it is impossible for them to know what their crops will bring until the crop is harvested, will be allowed until December 15 to file a declaration and pay two-thirds of their basic tax. Payment of the balance due on that basic liability will be made when they file their income-tax return on the following March 15.

Seventh. Collect the balance of liability above the basic liabilities in the year following receipt of income as under existing law. Under my proposal we could eliminate the requirement of filing income-tax returns for the 33,000,000 taxpayers whose income does not exceed the basic liability. They would be made current through the withholding of the tax at the source. We could thus save millions of dollars in administrative costs.

The Treasury informs me it cost 50 cents to process each nontaxable return in 1942, 33,000,000 returns times 50 cents is $16,500,000 that could be saved. It may interest you to know that processing taxable returns cost an average of $1 per return. The cost of collecting taxes in 1941 was 89 cents per $100. In 1942 it was 56 cents per $100, the lowest cost ever, and it is estimated 1943 cost will be still lower than that.

I am hopeful, therefore, that you will find it in the best interest of the country to support my proposal.

Mr. JENKINS. Mr. Chairman, I yield 5 minutes to the gentleman from North Dakota [Mr. BURDICK].

Mr. BURDICK. Mr. Chairman, I do not pose as a tax expert. About the only experience I have ever had in that matter has been paying taxes. I have great admiration for the leaders on both sides of this debate, and I am sorry that I cannot subscribe wholeheartedly to the program of my party upon this question, but I cannot do it. There seems to be an unanimity of opinion on both sides that we ought to adopt a new plan of collecting taxes. I have no objection to that, if you think it will work. Personally, I believe the method we are using now is working. It always has with me, and everybody with whom I am personally acquainted; but if you want to change the system to a pay as you go, you will not have any fight from me. In order to do that, however, I hope I have not lost the power of reasoning that I was credited with when I came here. I still have it, unless 9 years' service in Congress has destroyed it. I still think I know what two and two make. They

make four. They did years ago, and I hope they do now. In order to pay as you go, whatever that means—and, of course, there is a lot of them that will not go very far—you are reaching into the pockets of the American people, giving away $10,000,000,000 that already belongs to them. Do you not realize that the business for 1942 is all completed? For God's sake, cannot we agree on that? That is finished, and on that basis for 1942 there is a tax that has been assessed, according to law. That tax is due, is it not? It was due January 1, although the Government gave us until March 15 to pay up. That tax is due this very minute that I am speaking to this Congress. Have we any right, constitutionally or otherwise, to say, just because you want to change the method of collection, that we can give away this $10,000,000,000, especially in time of war? That is what you do. I do not want to be personal about this matter. I have great respect for my Republican friends, and I have respect for my Democratic friends—not as much respect, of course, but still some. I do not see why we cannot reason this thing out together without getting mad about it. Suppose I go home to North Dakota and am in a campaign, and I am speaking to a large body of people.

They say, "Mr. BURDICK, did you pay your 1942 income tax?" "No, I did not." "Why didn't you?" "Well, because there was a fellow by the name of Ruml came along and suggested that we did not have to pay it." My answer will have to be, "Yes, I voted for it." You cannot explain this like the gentleman from New Jersey did in the prohibition days. An excited voter came up and he said, "Mr. EATON, are you for or against prohibition?" Mr. EATON straightened up and said, "I am, sir." "Well," the fellow said, "by gosh, I thought you were"; and he was perfectly satisfied.

The CHAIRMAN. The time of the gentleman from North Dakota has expired.

Mr. JENKINS. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. BURDICK. This is the best place I ever got into. This is the first time I ever got any extra time.

That is what you will have to answer. Now, I do not have any quarrel with my Republican friends. If you want to take the chance of going before the people on that issue, you go ahead, but I submit to you that I am not strong enough in my State to weather the storm. I would not stand here and be an advocate of giving away that which is already due for any new plan of collection.

Mr. JENKINS. Mr. Chairman, will the gentleman yield?

Mr. BURDICK. I yield.

Mr. JENKINS. I wonder if the gentleman received a letter from the Grange this morning, in which they advocated the same plan as the Republicans advocate?

Mr. BURDICK. It would not make any difference if I got a letter from every citizen of the United States. If I did not believe it was right it would not have any influence on me on this occasion. I do not care whether the Grange is for it or against it. I do not care whether Farmers Union is for it or against it. If I inherited anything from my New England ancestors outside of being called a wild jackass of the plains, it was the consciousness to pay my obligations.

Mr. DOUGHTON. Will the gentleman yield?

Mr. BURDICK. I yield.

Mr. DOUGHTON. Mr. Brinkman, the representative of the Grange came before our committee and urged some form of forgiveness, but he never did endorse the Ruml plan, according to my recollection.

Mr. BURDICK. When the Reserve Board in 1920 passed a resolution that broke every bank and every individual in the West, I went broke with all the rest of them. I owed $17,000 worth of nothing; but I stayed with it and paid it. At the time I was sorry I had ancestors that insisted upon that sort of thing, but now I am glad of it. I paid it. I want to pay the tax now. And by the way, I would be willing to pay more than the tax, as every patriotic American citizen is willing to do.

Now, I propose this, and I think the committee is not averse to it, that if there are cases where it is a burden on those who have not paid their taxes for 1942 and must pay in 1943, divide the old debt up into 6 months' payments, without interest, and that will take care of the loan sharks. You never saw a loan shark operate unless he got some interest or commission. If you will cut that out he cannot operate. Then the people who pay-as-you-go can occasionally pick up one of those obligations and retire it.

I know from experience in North Dakota that where the Government poured in million after million to keep us eating out there when we did get one good crop we paid back 290 percent of the current obligations to the Government. They will all pay. I am afraid to look at these reports that come in from the War Department on North Dakota, because our boys are getting killed right and left, as they are from Iowa and some of the other States. When we are furnishing all these fine young men for this war, do you want to condemn the people of North Dakota and say they would not pay their taxes if you gave them a chance? You will not lose 2 percent out of 100 if you will extend this. But the Government needs this, and now is no time to want to give back to anybody.

I know of common, ordinary fellows who have made $500,000 in the last year out of war contracts. If they can get away with the tax for 1942 they are all right.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield?

Mr. BURDICK. I yield.

Mr. MURDOCK. I want to commend the gentleman upon the logical and proper stand he has taken on this important matter. I want to ask the gentleman, in view of what he has just said regarding the stern ideas of virtues he inherited from his ancestors, whether he does not feel it is a sacred obligation which the taxpayer owes in his tax debt to the Government, just as sacred and binding as the Government's debt obligation to its creditors? In other words, we would call it repudiation if the Government did not pay its bonds, but if the taxpayer does not pay his debts we call it forgiveness.

Mr. BURDICK. The gentleman is right. Now, listen. Whatever donation you make to this tax fund will be just so much more added to the new taxpayers who come in, in the years to come. If you give back this $10,000,000,000, that whole amount will have to be added on to the new bunch and my $500,000 friend this year will escape, and there is not any question about it.

Now, what is the use complicating this thing? You are going to take some base year. I want to show you how it is complicated. There are a great many persons who made good incomes in 1942 and on those incomes there is an exact debt due the Government. Do not forget that. The debt is due. What is the use of complicating this simple matter by taking a year of the big flood or a year of the dry rot in potatoes as the base year and then subtract the income of the base year from 1943 and add 25 percent of the difference between the business done in the great flood year and the business done in 1942, and keep on juggling until you think you have demonstrated your own wisdom and it has made you entitled to escape the 1942 tax?

I cannot follow all these ramifications with reference to how you are going to compare one year with another. I have to have things made simple in order to understand them. The reason they gave me No. 444 on my office was so I would remember it. But I am wise enough to know, when the business of 1942 is finished, upon which this Congress has placed a tax, that I owe something, and I know what it is. If I do not they tell me what it is.

What is the use of destroying a thing that has already been passed and making it retroactive just because you want to try something new? I do not care how many are in favor of the other view, I still insist that we leave the money alone that belongs to the people. They are entitled to this money to extinguish some of the debts we have created in fighting this war. If you want to start out on a new plan, go ahead. Incidentally, I do not think very much of that either, if you want to know my view. I think you will get further along by going ahead just as we have in the past, but if you think this is the thing to do, I would not be the one to vote to destroy it. Let us try it.

It seems strange to me that we get all this feeling stirred up over this Ruml plan, when there is nothing behind it except advertising. It has been advertised in the newspapers, magazines, and on the radio for months, and there is not anyone in the Congress who knows a thing about it. Also there is not anyone

in the country who knows anything about it except a few who owe a substantial amount.

Mr. HOLIFIELD. Will the gentleman yield?

Mr. BURDICK. I yield to the gentleman from California.

Mr. HOLIFIELD. I do not agree with the gentleman that that is all that is behind it. There is a $10,000,000,000 steal behind it.

Mr. BURDICK. Well, maybe the gentleman is right because I have discovered in campaigns that it costs money to advertise in newspapers, I have discovered in campaigns that it costs money to talk on the radio. All this propaganda has been going on for 6 months. Who in heaven's name paid for it?

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Mississippi [Mr. WINSTEAD].

Mr. WINSTEAD. Mr. Chairman, after listening patiently to the able gentlemen of the Ways and Means Committee discuss the committee bill and the Carlson and Ruml plan, after carefully studying every other plan which has been suggested, together with the hearings of the Ways and Means Committee, and after talking to many Members of the House, I am convinced that the thing the majority of the people of this country and the membership of this House want to do, is to make it possible for all of us to pay taxes as we earn. At the same time, we do not want to disturb our revenue system to the extent that it will be unfair to our Government, which, at this crucial period of our Nation's history, cannot afford to forgive $10,000,000,000 which the taxpayers owe. I am in favor of exempting the men in the armed forces from all their taxes, but I cannot subscribe to the Carlson bill or the Ruml plan of forgiving all 1942 taxes, which would mean millions of dollars to some people, and at the same time would mean that these same boys, who are fighting on the battle fronts of the world, will, after the war, be burdened with the payment of debts accumulated, due to the forgiveness of taxes during one of the greatest money-making years in the history of our country. As has been previously indicated, 96 percent of every dollar spent for taxes goes for the war effort.

Mr. Chairman, I am opposed to forgiving anybody's tax except the boys in service, unless it is to the best interest of the Federal Government as well as the tax-paying public. Since the membership of this House and the people of the country believe it best to go on a pay-as-you-go plan, at the proper time I propose to submit an amendment to the committee bill which I believe will be as fair or more so than any other proposal I have heard up to now.

Let me say here that I know in the beginning that many will say that my amendment is for the poor man; I admit it is for the average man or taxpayer; but you have also accused the committee bill of being a rich man's bill. On the other hand, the Ruml plan is a rich man's bill. If we will try to work out a compromise, take my amendment and attach it to the committee bill, pass the bill with the amendment, we will accommodate the average taxpayer, but at the same time will meet the decided judgment of all here by placing the average taxpayer on a pay-as-he-goes basis.

The amendment which I intend to submit is as follows:

After subsection (4) on page 50, line 13, add a new subsection as follows:

"Subsection (5). All taxpayers who shall pay 1942 income taxes and the total of 1943 income taxes including the credit hereafter provided in the year 1943, shall be credited with 50 percent of the first $500 or part thereof due in taxes by such taxpayer for the year 1942, and said sum so forgiven shall be credited toward the payment of 1943 taxes, which shall be in addition to all other discounts and incentives hereinbefore provided."

The Treasury Department furnished me with the following information as of March 25, 1943:

Eighteen million four hundred thousand tax recipients pay under $100 in taxes.

Ten million five hundred thousand tax recipients pay from $100 to $200 in taxes.

Four million eight hundred thousand tax recipients pay from $200 to $300 in taxes.

Two million one hundred thousand tax recipients pay from $300 to $400 in taxes.

One million two hundred thousand tax recipients pay from $500 to $1,000 in taxes.

Eight hundred thousand tax recipients pay from $1,000 and over in taxes.

There are 38,800,000 taxable income recipients for 1942. My amendment would apply 50 percent of all 1942 tax payments up to an amount of $500, to every taxpayer's 1943 tax debt. For example:

One hundred dollars 1942 tax payment will have $50 credit to 1943 debt.

Two hundred dollars 1942 tax payment will have $100 credit to 1943 debt.

Three hundred dollars 1942 tax payment will have $150 credit to 1943 debt.

Four hundred dollars 1942 tax payment will have $200 credit to 1043 debt.

Five hundred dollars 1942 tax payment will have $250 credit to 1943 debt.

All above $500 1942 tax payment will have $250 credit to 1943 debt.

By this plan 36,800,000 taxpayers, which is approximately 95 percent of all taxpayers, would be materially benefited. It gives every taxpayer in the higher bracket the maximum credit, and permits practically everyone who desires to make special sacrifices to become current in his 1943 tax payments. This would also aid the little businessman, who, as we all know, is very much in need of help, giving him a chance to stay in business and remain on the tax roll. It would also include the low-salaried people, and there are millions of them, and the much discussed so-called forgotten group. Therefore, those who could never do so otherwise, could become current taxpayers in 1943. I believe that the $500 exemption for single persons and the $1,200 exemption for married persons is too low, under present living conditions, to begin the collection of income taxes. I understand that the 1942 tax law was not passed until October 1942, which means that the taxpayer had worked for 9 months before he knew what tax rate he would be called upon to pay. This being true, my plan would certainly be fair.

In other words, I advocate collecting the 1942 and 1943 taxes, give a credit of 50 percent of the first $500 or part thereof that each taxpayer owes, provided he gets himself current by January 1, 1944. I do not believe the majority of the membership of this House understands all about the 6-percent normal and surtax, neither does the average taxpayer. Let us talk about some figures. If a man owes this Government $500 and you give him a credit of 50 percent of that amount on condition that he goes on a current basis, he knows what we are talking about. In other words, the man who paid $100 would receive a credit of $50 on his 1943 taxes. Then when we start collecting at the source on July 1, 36,800,000 of our taxpayers would become current at the end of 1943.

Mr. Chairman, I contend that if we are going to work this thing out we must not reach a maximum that would give too much benefit to any particular person, and at the same time not cost the Treasury of the United States too much money. If this policy is carried out, under my plan only $2,900,000,000 in tax obligations would be lost to the Treasury. This Government could stand a sacrifice in tax obligation of $2,900,000,000 in order to keep many of our little businessmen in business and permit 36,800,000 of the 38,800,000 taxpayers to become current in 1943, since all agree that it is to the interest of the Government that persons with small incomes be on a current basis. On the other hand, you would give the same credit to that level of the highest taxpayers in this country.

Mr. Chairman, it is my belief that it is the small taxpayer who needs to become current in meeting his tax obligations. Further, Mr. Chairman, it is the smaller taxpayer whom the Government needs to have meet his tax obligations on a current basis. He is the man who draws wages, small salaries, little income, who had rather meet his debt to his Government each month, and not face a big tax bill on March 15 each year after he has spent his income.

It is not so necessary for the large taxpayer. He handles enough money, shows by his income that he possesses business ability sufficient to be conscious of his tax obligations and to make arrangements to meet them.

Mr. Chairman, I say to you that my amendment will place the average taxpayer, or 95 percent of all income taxpayers, on a current basis, with a minimum of loss in tax obligation to the Federal Treasury. To my mind, from the arguments made here, my amendment will meet the committee's objections which make the Carlson bill or Ruml plan impossible. At the same time, it meets the chief objections followers of the Ruml plan have to the committee bill. While my amendment will result in the loss in tax obligations of $2,900,000,000, it will cause 36,800,000 out of 38,800,000 taxpayers to go on a current basis, which

seems so desirable to all who have debated this question.

It is the one plan offered, in my judgment, whose benefits exceed its drawbacks.

I submit that my plan is simple. The simplicity of it will enable the average man on the street to understand, with little effort, how he is being affected. I hope that it will be adopted.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Montana [Mr. O'CONNOR].

Mr. O'CONNOR. Mr. Chairman, I am not in doubt as to the Ruml plan, but I may be wrong. I am in doubt as to whether or not I will vote for the committee bill. That I will determine later.

I am opposed to the Ruml plan and I believe I can state reasons that at least are satisfactory to myself. First of all, as I understand, this bill covers only the liabilities against the individual taxpayers. They are estimated by the Treasury to be $9,800,000,000, based on the 1942 earnings. This amount is due and payable during this year to the Government and is based on total income of approximately $119,000,000,000.

In 1943 we may assume that we will have a larger over-all income than in 1942. We may assume it will reach $120,000,000,000 and the tax that will be levied against individuals under the present law may reach as high as $10,000,000,000. This tax would be payable in 1944. The over-all income of 1944 would be approximately $120,000,000,000, and the individual tax liability will be in the neighborhood of $10,000,000,000. This amount would be payable in the Treasury in 1945.

We will say that the war is over in 1945, or whenever it is over, and that business takes a nose dive, as we know it will whenever that event happens. Let us be realistic about the matter, because I am not a believer in that Utopian dream of a bottle of milk to everybody which we heard about this year, or two chickens in every pot, or two automobiles in every garage that we heard so much about in 1928, and before we got through the 4 years following there was not even a squawk of a chicken for the pot and the garages were empty.

Those are dreams. So we are going to suffer a decline in the income when this war is over. When we do, see what will happen. The Treasury will need money as never before when the war is over, because the income will then go down. Under the present system the taxes on the earnings of 1944 will be payable in 1945. The Treasury will have the money when the war is over, and then as never before it will need it.

What happens under the Ruml plan? First of all, you do not pay anything on the earnings in 1942 under the Ruml plan but you pay your income tax on the earnings of 1943, and approximately $10,000,000,000 will come into the Treasury. That is why you say the Treasury does not suffer this year. With that statement I agree. You follow on to 1944. The war is still on. Your 1944 over-all income will be as big as the 1943 income and the tax that you will collect in 1944 is just as big, because it will be based on 1944 income. There is no loss to the Treasury up to that point, in 1944.

In 1945, it is estimated by those who are in a position to know something about the matter, this war will end—in any event it will end sometime. Anybody who has lived in this world as long as I have and has seen the many ups and down realizes that these Utopian dreams are not going to work out. There will not be a job for everybody. There will not be a bottle of milk for everybody in the world. You know it and I know it, and every other thinking person knows it. Let us be realistic.

We are going to have this drop in over-all income. When you face that, you are going to face a drop in taxes. The year 1945, or whenever this war is over, is when you are going to need those taxes, and you will not have them. You have collected your money on the earnings of 1944, in 1944 and under the Ruml plan you collect your earnings for the year 1945 in 1945, and that is when, or whenever the war is over, your tax drops down to just half of what it was before, because national income drops.

Let me show you where the Treasury suffers. This bill does not involve all the money that has been accredited to it. It involves only the individual taxes. That is estimated for this year at $9,800,000,000 by the Treasury. All right. If we cut down their income and cut down their taxes in 1945, when we close this war, or whenever it is closed, to $60,000,000,000, you will collect only one-half in 1945, or whenever the war closes, of what you collect now, and the loss to the Treasury—and I want gentlemen on the minority side to get this; I only want you to be fair, and I know when you realize this, and I know you will when you think it through—the Treasury will suffer when the income of the country drops. That is when the Treasury will suffer for this forgiveness, and not before, and when business drops to $60,000,000,000 a year, and when the taxes drop to one-half of what they are today, then the Treasury will suffer the difference between the amount due the Government today, namely, about $9,800,000,000, and the amount the Treasury will collect on an over-all business of $60,000,000,000 a year, which under the present rate of taxation would be approximately $5,000,000,000. Now, in whose pockets or in whose jeans will this $5,000,000,000 be? It will be in the jeans of the people who can today afford to pay their taxes for 1942. They will have that much money in their pockets to cushion the shock that businessmen will suffer with the rest of us when business drops down as it inevitably will at the close of this war. Is there anybody so strongly deluded that they cannot see back of the Ruml plan this very thought?

What is back of this? Mr. Chairman, this Ruml plan is nothing in God Almighty's world but an insurance to big business against loss when business drops, and they are the ones who will have in their jeans this money, that they now owe the Government.

Mr. CUNNINGHAM. Mr. Chairman, will the gentleman yield?

Mr. O'CONNOR. If the gentleman will get me some more time.

Mr. CUNNINGHAM. I do not want to do that. I cannot get the time for the gentleman.

Mr. O'CONNOR. I feel this way. Let me take myself. I have explained what will happen and when the Treasury will suffer the loss. How can I go home to Montana and look into the faces of the boys and the men and the women who have gone out to sell stamps and bonds to finance this war? How can I look into the face of the returned soldier when he has placed his life and blood upon the altar of his country, when I have voted to remit taxes on the people who can afford to pay them? How can I do it? How can I cast a vote that will imperil, if you please, the security of the things that the people are buying, namely, United States Government bonds to win this war?

Mr. Chairman, I pledged my people that I would do my best to prevent profits from being made out of this war. We know from investigations that were made that profits going into the hundreds of millions of dollars were made in 1942 out of this war. If we voted for the Ruml plan, those taxes would be abated or forgotten. I would be false to my pledge to my people and unworthy to represent them were I to vote for such a fantastic, unsound, and dishonest piece of legislation.

The CHAIRMAN. The time of the gentleman from Montana has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 1 minute more.

Mr. O'CONNOR. Mr. Chairman, I cannot up to date satisfy myself on the present committee bill, and I will say why. Why make the white-collar voter the goat, and hold back his wages, when you do not hold anything back from business? You do not hold anything back from anybody else, but you take the food out of the wives' and children's mouths of the white-collar men and you say that we withhold it from them. I put a break-down of the salary of a man who gets $200 a month in the RECORD the other day, and under the present withholding plan, he would have $23.35 left with which to buy groceries and pay for clothes and medicines and dental bills. We are discriminating in this bill against that man. Here is what you are trying to do. You are trying to take an initial step on pay-as-you-go, and in addition to that you are trying to get the fellow receiving a tremendous wage in war industry and make him pay something while he has got it. That is what this bill is trying to do, but in doing so, you are going to penalize the fellow who gets from $100 to $150 or $200 a month and who cannot afford to have that 20 percent taken out of his wages, because he cannot feed his family if that is taken out.

I quarrel with an inequality that would be placed on a worker who might only

be receiving one one-hundredth more a month than another fellow worker.

Under the witholding exemption in accordance with the schedule on page 26 of the bill a married employee receiving a monthly wage of $199.99 would have withheld $15.70 per month from his pay check, while a married employee working next to him and receiving $200 would have $23.70 withheld each month from his check. In other words, the second fellow for being paid one one-hundredth more a month than the first fellow would have to pay $8 more a month, or $96 more a year. Now, I understood that any amount of the tax withheld at the source which exceeds the taxes imposed is to be credited against any income tax or installment then due from the taxpayer and any balance thereof is supposed to be immediately refunded to the taxpayer by the Treasury, but I question as to whether or not the average American worker can afford to be deprived of the use of $8 a month of his money, and I therefore would like to see some system worked out whereby no more would be withheld than would be actually due and owing.

I also object as to the way the administration of the bill will work out. You are going to have one employer using the tables as a basis for withholding while another may be using the more accurate and fair method as outlined under subsection (a) of section 466.

By using the table, in the case of an employee making $200 a month his withholding tax as I have just stated would amount to $23.70 a month or $284.40 for the year when as a matter of fact his taxes for the year would only amount to $236.88 so he would be forced to pay approximately $48 more than he should and at the same time be deprived of the use of that money until the Treasury got around to sending him a check for the overcharge. This, I think, is a clear injustice to that man and one which many are not in a position to stand without causing an unnecessary hardship to themselves and their families. If any of you have had money coming to you from the Treasury, you must know what a job it is collecting it.

Mr. JENKINS. Mr. Chairman, we do not have any more to go on with at this time.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Arizona [Mr. MURDOCK].

Mr. MURDOCK. Mr. Chairman, 2 days ago in a colloquy with my friend from Illinois [Mr. MASON], who has just explained that he was expecting to have a little bookkeeping with St. Peter when he arrived at the pearly gates, I asked him whether he would be sure to have a tax receipt for every year that he had a taxable income. He maintained that he would if we enact the Ruml plan. Now, I would like my friend from Illinois to check up on his tax receipts very carefully, because I would not want any slip-up for him at the pearly gates. I am positive from the hurried way we discussed it Thursday he overlooked the fact that his first yearly tax receipt was dated the year after he earned the income upon which the tax was levied and that there is something which St. Peter will find missing.

As a matter of arithmetic, I have not heard as much fallacy, and as much sophistry in all of my life as I have heard the last three days of debate on this Ruml plan and as I have read from the minority report on this bill. It is arithmetic in reverse. Could it be the kind Aristotle taught? I am sure the sophistry must have come from the ancient Sophists who knew how "to make the worse appear the better cause."

I do not want to be facetious, but I am reminded of a smart young fellow who came to an old lady who was running a fruit stand. She had apples and oranges on display. He picked up an orange and said, "How do you sell this?" She said, "For a nickel, sir."

He was about to walk away with an orange but said, "How do you sell those apples?" She said, "Five cents apiece." He said, "Then I will take an apple." He handed her the orange and put an apple in his pocket and started to walk away. She called after him, "You have not paid me for the apple." Said he, "I gave you the orange for the apple." "Yes, but you had not paid for the orange," she shouted. "Well, I do not have the orange; you have it," replied the clever young fellow, leaving the poor old soul muttering, "There is something queer about this, but I do not see it."

I want to say to those of you who are expecting to get admission to the pearly gates by claiming to have a tax receipt for each year of taxable income, in case the Ruml plan should become law, you are going to be in the hands of a better mathematician, St. Peter, than this poor old lady at the fruit stand. And when the Rumlites try to walk away with ten thousand million dollars belonging to Uncle Sam, will Uncle Sam fail to see through it?

Mr. CUNNINGHAM. Will the gentleman yield?

Mr. MURDOCK. Yes; I will yield to the gentleman.

Mr. CUNNINGHAM. I know that the gentleman from Arizona is seriously concerned about our mutual friend from Illinois [Mr. MASON] getting into the pearly gates, as well as every other Member of Congress.

Mr. MURDOCK. That is right.

Mr. CUNNINGHAM. Your question is not being answered by the gentleman from Illinois and, in his absence, I will try to answer it for him. He will have a receipt for St. Peter for every year except the year he died, and he ought not to have one and he should not be called upon to have one for that year, and St. Peter will not expect it from him.

Mr. MURDOCK. No. I am afraid the number of years of his taxable income and the number of his yearly tax receipts will differ by one. The first income tax he paid to Uncle Sam was paid on the previous year, and he will have a receipt for it dated the following year.

Mr. DISNEY. Will the gentleman yield?

Mr. MURDOCK. I yield.

Mr. DISNEY. Will not St. Peter say something about "skipping"?

Mr. MURDOCK. Oh, certainly. That is all we have heard—"skip a year." All this extensive campaign and all these radio addresses, all I have seen is about the "Ruml skip-a-year plan." Do they mean it, or do they not? What on earth does "skip a year" mean if it does not mean "forgive"? By the way, that word certainly does sound scriptural, but if "forgiveness" means anything it means to forget; cancelation; and should not be confused with abatement. Abatement means that the Government is going to come back some time and call for that money which has been passed over temporarily; but if you forgive it, you will never get it again, and that is what the word "forgiveness" means.

Mr. KNUTSON. Will the gentleman yield?

Mr. MURDOCK. I am sorry, I do not have the time. If the gentleman will get me time I will be glad to yield.

Mr. KNUTSON. Well, I do not have the books.

Mr. MURDOCK. Now, very seriously, there is a great fallacy in this Ruml argument. The Rumlites seem to disregard all relation between tax revenue and the public debt or the national defense. Under what supreme law are we acting here as a Congress? I read in the Constitution of the United States, article I, section 8, clause 1:

> The Congress shall have the power to lay and collect taxes, duties, imposts, and excises, to pay the debt and provide for the common defense and general welfare—

And so forth. I want to ask you seriously, you lawyers, you constitutional students, What does that mean? Does the part of the Constitution which I have quoted give two powers or one? For what purpose do we lay and collect taxes? One school would say two powers are granted. Others would say only one power is granted, meaning the Congress has the power to lay and collect taxes in order to pay the debt and provide for the common defense. If one school says—and this is not my view—that the clause gives Congress power to collect taxes for whatsoever purpose, and a separate grant of power to pay debts and provide for the common defense, there need not be any relationship between the two functions. I deny that there is no relationship between those two powers and functions. They are intimately related. Congress is given by the supreme law of this land the power to lay and collect taxes in order to pay the debt and to provide for the common defense. Revenue due from taxpayers is the very basis, for one thing, for the Government's bonds.

Now, talk about forgiving $10,000,000,000 due this Government on 1942 income. The Government itself has incurred obligation to that amount for goods and services of benefit to the taxpayers supposed to be forgiven. Shall the Government then forget to pay for those goods and services?

All that money has accrued and is owing to the Government, and the Government has gone ahead and spent much more than that. Shall the 1942 taxpayers be forgiven and the Government bor-

row ten billions more or collect ten billions from another set of taxpayers? Can I say to my insurance company after a year's protection, "I did not pay my premium last year, but I did not die. Let me pay my premium for 1943 on a monthly plan and forget about my premium for 1942"? Do you think I could get away with that? Certainly I could not.

Now, Uncle Sam has furnished the American people protection in this worst of all wars. We have, of course, spent many times $10,000,000,000. If we do not pay that in taxes we will simply increase the burden of the bonded debt for future generations to pay. I cannot look my two boys, who are now wearing the uniform of this country, in the face and say to them, "I have put a large part of the debt off for you to pay—the dollar cost as well as the blood cost."

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. MURDOCK. I yield.

Mr. COOLEY. Does the gentleman think that Congress has any moral right to forgive 1942 taxes as contemplated by the Ruml plan?

Mr. MURDOCK. No moral right whatsoever. Regardless of the mixed motives of the backers of the idea, it is a terrible thing. That is the way I feel about it.

Mr. DILWEG. Will the gentleman yield?

Mr. MURDOCK. I yield.

Mr. DILWEG. I want to drive home an observation that I think was lost. That is, can we not assume that the popularity of the Ruml plan is based upon the forgiveness feature, the use of the word "forgiveness"?

Mr. MURDOCK. That is correct. Undoubtedly the popular notion is that these taxes will never be collected.

Mr. DILWEG. May I add this, that the words "abatement" and "forgiveness" were used synonymously by the gentleman from New York [Mr. REED] yesterday. As I understand the term one can abate without forgiving. They believe they are going to be forgiven a tax where the real intent is to abate it until such time as they need it, and they will assess it again later on. Is that correct? Certainly if the taxpayer knew that he would pay this tax at a later date the Ruml plan no longer would be attractive. To permit the public to believe that forgiveness and abate are synonymous is a fraud on the public.

Mr. MURDOCK. That is correct.

Mr. KNUTSON. Mr. Chairman, I yield the gentleman an additional minute or two, if he will answer a question.

Mr. MURDOCK. I thank the gentleman.

Mr. KNUTSON. Will the gentleman please inform the House how much less we will pay in 1943 and 1944 under the committee bill than we will pay under the Carlson bill?

Mr. MURDOCK. You are looking at the wrong thing when you think only of the amount collected instead of the obligation satisfied. That is just exactly the fallacy. My friend, Frank, said to me on Sunday evening, the 24th of January last, down here at the Shoreham Hotel when we were on a Nation-wide hook-up——

Mr. KNUTSON. You were on a what?

Mr. MURDOCK. A Nation-wide hook-up on the Forum of the Air. My friend Frank said, "John, your tax under the Ruml plan will be greater this year than it was last." I admit that for me on a fixed income they would be at least as much. It simply means, though, that I have skipped a part of my obligation. I understand that under the Ruml plan we could get more out of the taxpayers, but it would be a different group of taxpayers. I tell you, Mr. Chairman, the taxing power of this Government is not to see how much money we can drag in, forgiving to some and taking it from others. That is what this means. If you forgive some, you have got to get it from others.

Mr. KNUTSON. Will the gentleman yield?

Mr. MURDOCK. I yield to the gentleman from Minnesota.

Mr. KNUTSON. Does the gentleman agree with the President that we have no national debt because we owe it to ourselves? Does the gentleman agree with that philosophy?

Mr. MURDOCK. I am not going to approve any such philosophy as that. That is fallacious, too.

Mr. KNUTSON. That is fallacious?

Mr. MURDOCK. In this respect. We have 133,000,000 people in America. How many of them are bondholders? Only a relatively small number. The debt is owed principally to those bondholders by all the rest of the 133,000,000 people. I would not say 133,000,000 American citizens owe the national debt to 133,000,000 identical Americans.

Mr. KNUTSON. The gentleman would burn down the barn in order to catch a few rats?

Mr. MURDOCK. Oh, no. I am simply a Democrat doing the unusual thing of suggesting to a Republican some sound principles of public finance.

Mr. KNUTSON. That is what his argument amounts to.

Mr. MURDOCK. The gentleman who spoke a moment ago referred to the sacredness of the tax debt obligation and he was exactly right. A debt owed to this Government is a sacred and binding thing. We have no right to shirk it, or forgive it, if we are the lawmakers, unless there is extreme justification. After the War between the States when a great many bondholders of this country were fearful they might have their bonds deteriorate, they said, "Be careful now not to accept spurious money for them. There must be no repudiation." I tell you, that is a wicked word, "repudiation." Republicans were once most apprehensive of it. Would they want now to suggest it? The Ruml plan is highly suggestive.

The CHAIRMAN. The time of the gentleman has expired.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Kentucky [Mr. GREGORY].

Mr. GREGORY. Mr. Chairman, in view of the fact that the entire picture as presenting itself in this issue has been very thoroughly covered by the many speakers who have preceded me, it is doubtless not worth while for me to take the time of the House at this time for such thought as I might advance on the subject—and possibly such thought as others at this late date might advance on the subject—would be a matter of repetition. I am sure by this time that every Member of the House has a very decided and a very firm conviction as to his views on the question. I do not challenge the sincerity of the views, although there is a very wide difference of opinion in the minds of us on it. Because I feel this matter so deeply I am constrained to express my views at this time briefly.

My own position and view is very decidedly contrary to the views of those who favor the Ruml or Carlson bills carrying forgiveness of taxes. I sat through the very lengthy hearings before the Ways and Means Committee with an open mind and with an effort to give careful and impartial consideration to each presentation of view with the hope that I might get to the bottom of all facts presented and that we might reach a decision which would not too heavily burden taxpayers and at the same time would not jeopardize or endanger the position of the Federal Treasury. This question is so far-reaching that it directly affects more than 40,000,000 of our citizens and indirectly reaches into every American home. This question is one which will have some bearing on the life and possibly the security of every American man, woman, and child.

Some of my colleagues have stated that the existing tax program is very burdensome to the American people and that the payment of 1942 taxes in any form will bring about great difficulty to the small taxpayers.

I have heard a great many statements both in committee and on the floor of this House to the effect that thousands of our citizens in the so-called lower salary groups are not prepared to meet their 1942 assessments on any basis. I have received numerous letters from various people on this subject expressing this view, but until this moment I have not received a single letter from an individual in the so-called small-salaried group. Because of my personal contact with this group, which constitutes the major portion of the citizenship of my own congressional district in Kentucky, I am inclined to believe that those who have this view are mistaken, and I am sure honestly mistaken, for I do not think that the district which I have the honor to represent differs greatly from any other district in the Nation so far as patriotism and so far as mentality is concerned. I have in mind one particular case in my own town. One day this week the president of this concern which employes more than 1,000 people sat in my office and told me that prior to March 15 arrangements were made for expert tax accountants to assist their employees in preparing their returns. He told me that more than 600 of these

employees sought this assistance and as a matter of information a record was kept as to the attitude af these taxpayers in the small-income groups, and that not one complaint was offered, but, on the other hand, the major portion of this group expressed a desire to pay all the tax at one time rather than on a quarterly basis. These people, while drawing comfortable salaries, and salaries in line with their particular vocation, are not high-salaried people but are people who are conscious of their responsibility to their Government and of their part in the successful conduct of this war, and by their action in meeting these tax responsibilities so willingly have convinced me that the American working man is fully conscious of the need of the Treasury for money and perfectly willing to bear his pro rata share of the burden.

If I correctly understand the various proposals, they all provide for approximately 20 percent withholding as of July 1, and each proponent accepts this withholding method. It has been stated by Ruml advocates that it makes very little difference as to whether you call the fund collected as tax for 1942, 1943, or any other year. That being the case, what is our problem, if it takes the same amount of current funds or collections, regardless of the year to which it is applied, and under all plans withholding will continue in an orderly way? So the question resolves itself, as I see it, as to whether or not we shall forgive or forget a proportion or all of taxes due or shall continue on the regular basis, as is provided by the committee bill, allowing those new taxpayers and others who feel so disposed and have the money to become current. In other words, we are debating the question as to whether or not we shall pay as we go or pay when we know.

Now that this has become such a great national issue, I wonder if the proponents of forgiveness or so-called pay as you go are advocating the same plan in their State, city, and local taxes in their own communities, for, after all, it strikes me as parallel.

It is quite possible that the so-called pay-as-you-go plan and a great deal of the enthusiasm behind this plan is prompted by the desire of the American people to see the temporarily employed war worker who is earning wages without parallel bear his share of the tax burden. Under the committee's withholding plan this problam is solved, for withholding will start July 1, as in any other plan, and their percentage of tax payment will be withheld, regardless of the year to which it is applied.

It is estimated by the Treasury Department that approximately 72 percent of individual income-tax returns for 1942 and 1943 are from salaries and wages and by the suggested forgiveness plan, these workers may become current by having taxes which are now due forgiven. But I am wondering what becomes of the other 28 percent who in my opinion could not become current. This 28 percent embraces the small professional man, the small merchant, the farmer and those having kindred employment. The small merchant has no idea as to what his income will be for the current year until he has closed his year, taken his inventory, charged off his bad debts, and had a general break-down of his business operations. It is claimed that he can make an estimate based on the volume of the previous year, which would be more or less accurate. This I think would be a reasonable assumption in normal times, but no small merchant, or in fact any other merchant, knows today what his volume will be in 1943 because he does not know that he can get merchandise and does not know what the future may hold so far as merchandising is concerned. Therefore, in any estimate he might prepare it is safe to assume that his estimate would be most conservative and that he would make his arrangements so that at the end of the year he would not have overpaid, and it is a natural conclusion when the year is closed if his business was anything like normal he would owe a substantial amount to the Government for the year closed, and therefore would not have been current through the year.

The farmer in the tobacco-growing section, which is the section I represent, will soon begin to prepare his plant beds for tobacco for the 1943 crop. The plants later will be transplanted and the crop harvested and housed, probably in September. Following the period of care in the barns, the tobacco markets will open and in all probability his crop will not be sold until next January or February of 1944. Therefore, he will not have had any idea what his income might have been in 1943, for he does not know what the weather conditions will be or what other conditions will be and can make no estimate as to the type crop he will produce. This would apply to all years, and this individual is part of the 28-percent group, and this group could only be current one time and that is the year in which his taxes have been forgiven. All of you Members who represent rural areas know this problem would exist in almost any kind of crop, and know this condition would exist in the case of the small merchant and professional man.

It strikes me that in giving 100-percent forgiveness for 72-percent currency, the odds are far too great as the remaining 28 percent will, of necessity, have to pay when they know. I therefore think we should proceed very cautiously on this pay-as-you-go plan. Let us suppose that peak employment should end in coming months or next year. What have we gained by forgiving taxes when income was at its peak in national history and savings at the peak of our national history? It strikes me it would be much more appropriate to make this experiment when the American laborer needs it and not at a time when his income is at an all-time peak. I cannot see why this great hue and cry for forgiveness would come when more men are at work at higher wages than ever before in history. I have never known the American Congress to be deaf to the cry of the people of America when stricken by adversity, and I believe that when the time of depression comes the American Congress would be willing to consider sympathetically forgiveness.

As I have previously stated, it must be remembered that the small laborer has not spoken in this instance but rather the voice we have heard is the voice of the titled executive pleading for the little fellow. We have the men who made the real money during 1942 crying for the 1942 tax forgiveness to help the fellow who cannot pay, meaning the little fellow. It does not take a smart man to see that either way it goes, the so-called little fellow will have to be taxed to the limit of his ability to pay, whether it is called 1942, 1943, or current taxes and that taxes canceled on war made millions during 1942 must be made up by someone, and doubtless that someone at the making-up time will be the average taxpayer. I am wondering what will happen to the swollen wartime profits made both by legitimate business and by greedy, unpatriotic profiteers during 1942. All wages, all salaries, and all profits made by individuals and corporations are based on general overhead conditions. In the early days of the W. P. A. the wage scale was not as high in the South as it was in the North. This was due to the fact that it was considered that living expenses in the southern areas were not as high as in the congested areas, even though the same type work was performed. My point is that in every wage and in every salary, the employer must take into consideration the living costs of the employees to include his estimated taxes as part of his living costs. War contractors in 1942 in taking contracts figured in their estimates of overhead all forms of overhead. This included Federal, State, and local taxes. So, therefore, the war contractor who made millions in 1942 received from his Government as part of the remuneration for his services a sufficient amount, first, to defray overhead and then a legitimate profit. This overhead included his estimated Federal taxes. Therefore, the man who made a million dollars on a war contract estimated in his contract the payment of $854,000 of taxes to his Government and collected from his Government in war contracts this amount of money for repayment to his Government for assessed taxes. If we forgive him his taxes, we have not only paid him $854,000 to be used for taxation, but we have allowed him to keep that same amount of money—$854,000—which we paid to him for the specific purpose of meeting his tax liability as an added but not anticipated profit.

Mr. Chairman, with the Nation facing the greatest emergency since its inception, both from an economic and physical safety standpoint, and with the greatest expenditure of Federal funds in 1942 and anticipated in 1943, a major portion of which income was from the almost empty tills of the Treasury, I would feel—though I would benefit by this forgiveness more than $2,000 as would each of you—that I might be to an extent guilty of misappropriation of funds, that I would be derelict in my duties to my country to accept this abate-

ment when the major portion of my income was derived primarily from taxes. Therefore, I am very definitely against the so-called Ruml or Carlson plan, and I feel that in my opposition I can with a clear conscience face the Kentucky boys who come back from the hell holes of war with the feeling that although I have not been with them in physical combat, I have shouldered my share of responsibility so far as the financial and economic burden incident to war is concerned.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from North Carolina [Mr. FOLGER].

Mr. FOLGER. Mr. Chairman, I confess that this is the strangest proposal I ever heard. Either my mind will not work or this Ruml plan is the most preposterous thing I have ever heard in all my life. I am reminded in the discussions that have taken place in support of this plan, and the arguments and the answers given, of a very significant definition of "words." It is this, "Words are used to conceal thoughts."

It looks to me like that is about the place we have gotten to from the proponents of this Ruml plan. Here we are in this day, 1943, with our men on nearly every battlefield of this world fighting to save this country—to save it from every standpoint, including our economy in the years that are to follow this day. Here we were a few days back increasing the debt limit to $210,000,000,000, which means that we apprehend that the time is soon coming when this Government will owe $210,000,000,000 of necessity, because we are bound to win this war and we are going to do it. Yet somebody by the name of Ruml, reinforced by advertisements in every newspaper and magazine in this country, proposes that the American people, not on the battle front but back home, shall stage a sit-down strike.

What a fallacy. Who are you going to fool with the idea that the Government will not lose anything? Whenever you forgive the taxes of 1942 you have lost them as completely as when you turn back to the gentleman from Tennessee, JERE COOPER, his $2,154 and say to him, "Do what you please with it."

After that it may be possible to meet this $210,000,000,000 by levying a higher tax hereafter, but if you forgive this $10,000,000,000 now, you are going to have to make somebody pay it with interest in the years that are to come.

The shameful part of it is that we will have nobody to use to make a contribution to this fund in the years that are to come except the soldiers who are fortunate enough not to die on the battlefields, but who may come back maimed whom we will make pay part of this $10,000,000,000 that we were not men enough to stand up and pay. You cannot make anything else out of it when you propose to repudiate outright as much as $10,000,000,000 of the Federal debt.

Unless you put it on the backs of the present taxpayers, you must put it on the backs of men in the generations soon hereafter to come, augmented by the numbers of those who will come back, seven or eight million of them, those who are not killed, to pay this debt that you and I ought to have paid.

If you saw such a thing as has been staged here on the floor of this House you would imagine that our Government had reached the point where we had an excess of money and were distributing that concerning which we had made a mistake and authorized its collection. You would imagine we had suddenly found ourselves free from any obligations and debts, had levied too much taxes, and were going to pay some money back, that we did not need the money and nobody expected to need it at all. If we are not going to need that money, pay it back.

If we meant what we said when we authorized the raising of the debt limit to $210,000,000,000, or if we realized that we are now $125,000,000,000 in debt, then in any moral conception of human right, honesty, and truth, we have no right to forgive a dollar of that 1942 tax levy which we as men ought to pay. There may come a time in the years that are to follow the conclusion of this war when we will say, "Can we raise $10,000,000,000? No. The people are not receiving the great income they received in the years 1942 and 1943." We will have to levy it according to their ability to pay. After all, if you do not get it in 1 year you have to add it on to the other year. We will have to pay this repudiated indebtedness and obligation if we as citizens of this country in this time of war, being more able to pay than at any other time, are not men enough to stand up and pay it.

I do not believe the men who are following this fallacious proposition realize what they are doing. I think too much of their integrity, I think too much of their patriotism, to believe that they realize they are not contributing to the welfare of this country but are doing that which is positively detrimental and entirely unfair. When they do come to a realization of it, they will flee from it, and maybe before we take this vote.

Mr. Chairman, I should like to forgive, I should like to hand back to anybody that which I am able to do, but in this circumstance we realize that it is absolutely and positively immoral for us as men in this day and this time to cancel this debt and put it over any year or any number of years as an added burden, with its accumulated interest, in the form of debt for others to pay hereafter when they will probably not be as able to pay as we ourselves are now. You know this debt will draw interest. We may go on to this $210,000,000,000 debt now authorized. If we cancel this $10,000,000,000 tax debt, we will jump $10,000,000,000 immediately toward the reaching of that $210,000,000,000 authorized indebtedness of the United States, and do it at one stroke. I am against it.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and Mr. RAMSPECK having resumed the chair as Speaker pro tempore, Mr. BULWINKLE, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee had had under consideration the bill H. R. 2218, and had come to no resolution thereon.

PROPOSED AMENDMENT TO H. R. 2218

Mr. ANDERSON of New Mexico. Mr. Speaker, I ask unanimous consent to proceed for 1 minute and revise and extend my remarks in the RECORD.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. ANDERSON of New Mexico. Mr. Speaker, I have asked for this time to call attention to an amendment which I intend to offer to the committee bill, H. R. 2218, when section 2 of that bill is reached under the 5-minute rule. If other suggestions or substitutes are adopted prior to the time that section is reached, my amendment naturally will not be in order. These remarks are based on the assumption that the previous substitutes will not prevail and that the bill to be read for amendment will be the committee bill.

The purpose of my amendment will be to apply to 1942 income the 1941 rates and exemptions and to abate the difference. In order that there may be relief against the serious problem of double taxes in a single year, the taxpayer may secure an extension of time to pay the unabated portion of taxes on 1942 income for an initial period of 5 years and, in extreme cases of hardship, for an even longer period. Provision is made for collecting 4 percent interest on unpaid balances during such a period of suspension.

The provisions of section 3 of the Carlson bill, relating to the payment of a tentative tax in each year, are also included in the amendment, so that taxpayers with incomes from sources other than salaries and wages and with incomes above the first income bracket will be required to become current on tax payments.

These changes in the committee bill are being suggested, due to a feeling that taxpayers had little chance to prepare for increased tax liabilities carried in the 1942 bill. That act did not become a law until October 21, 1942, too late for the taxpayer to know what the 1942 liability was likely to be and to save to meet it. By the time the bill became law, he had either spent the money, had invested it, or had used it to reduce indebtedness.

We should remember that the 1942 tax law increased the burden on the taxpayer in the lower brackets five times over the 1941 requirements. In addition, it brought in many new taxpayers. These people will largely become subject to the withholding provisions of the present bill. My amendment does two things to them: it takes off the tax burden exactly as it put it on, and it gives them a chance to reach that goal which so many people have endorsed as desirable, being current on income taxes by the close of the present calendar year.

The truth of this statement is self-evident as to those people in the lowest brackets. But let us consider what it does to the wage earner who has a wife and one child and an income that, due to high wage scales and regular employment, has reached $4,000 in a year.

The liability of this taxpayer under the 1941 rates and exemptions would be approximately $213, and under the 1942 rates and exemptions approximately $472. My amendment abates this difference. However, it also requires the taxpayer to make in 1943 current payments on account of his 1943 tax which at present rates, and without including the Victory tax, would be the same as his 1942 tax, namely, $472. These payments are to be made through deductions from the taxpayer's pay check and also by direct payments to the collector of that portion of the 1943 tax which will not be so deducted.

Thus, under my amendment, the taxpayer in 1943 will have to pay into the Treasury at least $472. By also paying the unabated portion of his 1942 tax, $213, or making a total payment of $685, he will be completely current. If he made a like payment under the committee bill, he would be only half current.

If the financial situation of the taxpayer is such as to make it difficult to make in 1943 this payment of the unabated portion of his 1942 tax he may get an extention of 5 years in which to make this payment.

This strikes me as a more desirable solution of our income-tax difficulties.

Mr. Speaker, under unanimous consent to revise and extend my remarks at this point, I include the text of the amendment I intend to offer:

Amendment proposed by Mr. ANDERSON of New Mexico to section 2 of H. R. 2218: Beginning on page 36, line 9, strike out down to and including line 9 on page 38, and insert:

"(e) Credit for tax withheld at source: The tax withheld and deducted under this part shall not be allowed as a deduction either to the employer or to the recipient of the income in computing net income; but the amount withheld and deducted as tax under this part during any calendar year upon the wages of any individual shall be allowed as a credit to the recipient of the income—

"(1) Credit against installment of tentative tax: As a credit against any installment of the tentative tax payable under section 56 (i) (2).

"(2) Credit against tax under sections 11, 12, and 450: As a credit against the tax imposed by sections 11, 12, or 400, as the case may be, and by section 450, for the taxable year beginning in such calendar year, but only to the extent of the excess of the tax so withheld and collected over the portion thereof allowed as a credit under paragraph (1).

"(f) Manner in which credit against installment of tentative tax claimed: The credit for amounts withheld and collected under this part during any calendar year upon the wages of any individual against the tentative tax shall be allowed to the recipient of the income as follows: Such recipient may credit against such tax, or any installment thereof, the amount which he estimates as the amount withheld and collected under this part for the quarter of such calendar year during which such tax or installment is paid, and for preceding quarters of such calendar year to the extent not previously credited against such tax or any preceding installment. This subsection shall not apply in respect of amounts withheld and collected, or installments payable, prior to July 1, 1943."

And on page 46, after line 22, insert:

"SEC. 3. Payment of tentative tax.

"(a) Partial relief from double payments in 1943 by abatement of difference between tax computed at 1941 and 1942 rates:

"(1) In general: The tax imposed upon any individual (other than an estate, trust, or nonresident alien) under chapter 1 of the Internal Revenue Code for the taxable year beginning in 1942 shall be computed without regard to sections 102, 103, 104 (a), and 131 of the Revenue Act of 1942 (relating to increases in rates and reductions in the personal exemption and credit for dependents), except that any payments made on or prior to June 15, 1943, on account of the tax under such chapter for the taxable year beginning in 1942 shall be treated as payments on account of the tentative tax for the taxable year beginning in 1943.

"(2) Deferment of payment of undischarged portion of 1942 liability: Upon application by the taxpayer, the Commissioner shall, under regulations prescribed by the Commissioner with the approval of the Secretary, extend the time for the payment of the undischarged portion of the liability of the taxpayer for the tax for the taxable year beginning in 1942 for a period of 5 years, and provide for its payment in 20 equal quarterly installments during such period. If the aggregate of the installments payable in any calendar year under this subsection plus the tax imposed by chapter 1 of the Internal Revenue Code for the taxable year beginning in the preceding calendar year is greater than either 90 percent of the individual's net income for such taxable year, or 120 percent of such tax, upon application by such individual the Commissioner shall, under such regulations, extend the time for the payment of the unpaid portion of such excess for an additional period, and provide for its payment in equal quarterly installments during such additional period. The length of any such additional period shall be prescribed by the Commissioner so that the aggregate of the installments payable under this subsection in any calendar year plus the tax imposed by chapter 1 of the Internal Revenue Code which became payable in the calendar year in which the length of such additional period is so prescribed will not exceed 120 percent of such tax or 90 percent of the net income in respect of which such tax is imposed, whichever is the lesser. Interest on the installments provided for in this subsection shall be collected at the rate of 4 percent per annum for the period beginning with the date as of which the original extension of time under this subsection becomes effective until such installment is paid and no other interest shall be collected on such installment for such period. The taxpayer may pay any installment provided for under this subsection prior to the date prescribed for its payment. Regulations prescribed under this subsection may include provisions conditioning any extension under this subsection on the furnishing by the taxpayer of adequate security for the payment of the amounts with respect to which the extension is requested.

"(b) Tentative tax and payment thereof: Section 56 of the Internal Revenue Code (relating to payment of tax) is amended by inserting at the end thereof the following:

"'(i) Tentative tax:

"'(1) Definition: For the purposes of this section, the tentative tax of an individual (other than an estate, trust, or nonresident alien) for any taxable year shall be considered an advance payment of the tax for such taxable year and be whichever of the following amounts is applicable:

"'(A) Tentative tax computed on basis of return for preceding year: Except as provided in subparagraph (C), in case a tentative return has not been made under section 51 (e), an amount equal to the tax shown on the return for the preceding taxable year (adjusted for any mathematical errors appearing on the face of the return), minus the credit allowed by section 31 (relating to taxes imposed by foreign countries and by possessions of the United States) for such preceding taxable year; or

"'(B) Tentative tax computed on basis of tentative return: In case a tentative return has been made under section 51 (e), an amount equal to the tax which would have been imposed under this chapter for the preceding taxable year on the basis of the net income and credits against net income included in such tentative return, minus the credit that would have been allowed under section 31 (relating to taxes imposed by foreign countries and by possessions of the United States); or

"'(C) Tentative tax computed on basis of tax withheld at source: If no installment of the tentative tax computed under subparagraph (A) has been paid and no tentative return has been made under section 51 (e), the amount of the tax withheld at source under section 466.

"'(2) Time and manner of payment: The tentative tax for any taxable year computed under paragraph (1) (A) or (B) shall be payable in four installments, the first of which shall be paid on the fifteenth day of the third month following the beginning of the taxable year. Of the remaining installments one shall be paid on the fifteenth day of the sixth month, one on the fifteenth day of the ninth month, and one on the last day of the twelfth month, following the beginning of the taxable year, except that any installment of the tentative tax may be paid, at the election of the taxpayer, prior to the date prescribed for its payment. The amount of any installment shall be the excess, divided by the number of remaining installments (including the installment in question), of the tentative tax over the amount of the previous installments thereof paid under this paragraph.

"'(3) Tentative tax not applicable in respect of certain short taxable years: A tentative tax shall not be payable for any taxable year the taxable year next preceding which does not begin in the preceding calendar year.

"'(j) Refund of excessive tentative tax: If the tentative tax paid for any taxable year exceeds the tax imposed by this chapter for such taxable year, the excess shall be credited or refunded in the same manner as an overpayment made on the date prescribed for the payment of the tax for such taxable year. For the purposes of this subsection, if the tax withheld at source under section 466 is credited against any installment of the tentative tax, the tax so withheld shall be considered to have been paid as tentative tax.'

"(c) Credit of tentative tax against tax imposed: Chapter 1 is amended by inserting after section 35 the following new section:

"'SEC. 36. Credit for tentative tax paid.

"'The amount of the tentative tax (provided for in sec. 56) paid for any taxable year shall be allowed as a credit against the tax imposed by this chapter for such taxable year.'

"(d) Willful failure to pay tentative tax: Section 145 (a) is amended by inserting before 'tax' wherever appearing therein 'tentative tax provided for in section 56.'

"(e) Making of tentative return permitted: Section 51 (relating to individual returns) is amended by striking out subsection

(e) (cross-reference) and inserting in lieu thereof the following:

"'(e) Tentative returns: Any individual (other than an estate, trust, or nonresident alien) on or before the 15th day of the third, sixth, ninth, or twelfth month following the beginning of the taxable year, or on or before any two or more of such dates, may make a tentative return for the taxable year, which shall contain or be verified by a written declaration that it is made under the penalties of perjury, stating specifically the items which he estimates as the items of his gross income, deductions, and credits against net income for such taxable year, and such other information for the purpose of carrying out the provisions of this chapter as the Commissioner with the approval of the Secretary may by regulations prescribe. Except for the purposes of section 145 (c) (relating to penalties for making false return) and section 55 (f) (1) (relating to penalties for disclosing information contained in return) such tentative return shall not be deemed a return for the purposes of this chapter.

"'(f) Fiduciaries: For returns to be made by fiduciaries, see section 142.'

"(f) Substantial underpayment of tentative tax: Section 294 (a) of the Internal Revenue Code (relating to additions to tax) is amended by inserting at the end thereof the following:

"'(3) Substantial underpayment of tentative tax: If the amount of the tax imposed by this chapter for any taxable year upon an individual (other than an estate, trust, or nonresident alien), minus the credit allowed by section 31 (relating to taxes of foreign countries and of possessions of the United States), exceeds 120 percent of the tentative tax for such taxable year paid during such taxable year, there shall be collected as part of the tax an amount equal to 6 percent of such excess.'

"(g) The amendments made by subsections (b) to (f) of this section shall apply only with respect to taxable years beginning after December 31, 1942."

RATIONING OF ESSENTIAL FOODS

Mr. AUGUST H. ANDRESEN. Mr. Speaker, I ask unanimous consent to proceed for 1 minute and revise and extend my remarks.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, for the first time in the history of our country, 75 percent of all essential foods will be placed under a point ration system, with controls and enforcement in the hands of a governmental agency. It is my understanding that Mr. Chester Davis, for whom I have a very high regard, will be in charge of food production and distribution. He is a man of broad experience, and if I am not mistaken, his knowledge of practical affairs is so vast that he will take into consideration the laws of supply and demand in order to make the rationing of food a success, rather than to be guided by the theoretical philosophy of many policy makers who are now administering rationing of food in the O. P. A.

If the present program of meat rationing is not changed, I predict that within 30 days 75 percent of the Nation's meat will find its way into the black market. This would mean a scarcity of meat for the armed forces, and very little if any for civilian needs, except through the black market at double or more than the price fixed by the O. P. A. I urge Mr. Davis and his associates to examine the proposal agreed to by the meat industry as the only sound method for the handling and distribution of meat products. This proposal will keep the price down and assure consumers the full supply provided in the ration program. I am giving herewith an outline of the meat-rationing plan:

MEAT INDUSTRY PROGRAM FOR SOLVING WARTIME MEAT PROBLEMS

Wartime meat controls are not functioning in the public interest.

Recognizing the need for an over-all comprehensive meat-management program that will work, the industry has produced such a plan through the coordinated efforts of more than 200 operating heads of various departments of a large number of meat-packing companies. They were assigned to study the industry operations in which each had had many years of experience.

Every avenue of approach led to the one unescapable fact that demand must be balanced with supply.

The outline of the program which they have produced is as follows:

Since there is not enough meat to go around, the Government must decide to what extent civilian demand for meat shall be restricted in order to free meat for Government needs. Rationing tickets are then issued to permit the public to purchase that amount of meat each week.

In order to make all of the supply available to the meat program, all slaughterers are licensed or put under other compulsion to sell their meat only to the Government itself or to holders of the Government-issued ration tickets.

Then the Government buying program must be managed from day to day and even from hour to hour. Each Government purchase must be made with regard to the supply which is available at the moment. In this way the Government always will be able to maintain the price level which the Government itself may determine.

Of course, Army and Navy needs come first, and coupon values must be set so that there will surely be enough meat left over to take care of these needs every day.

An essential of the whole meat management program, however, is that lend-lease purchases shall be made to fit the flow of livestock to market. When more meat is available, lend-lease must buy more and build up a stock pile. When little meat is available, lend-lease must buy less and draw on its stock pile. If it is determined to increase the total quantity going to lend-lease, it is first necessary to reduce the domestic demand by reducing coupon values and the purchases for lend-lease can be made only after the reduced domestic demand has become effective and after the extra meat has been made available.

This meat-industry program depends on the free play of natural forces with regulations imposed at these two points only—the control of the slaughter of livestock to put the meat into channels where its flow is controllable; consumer rationing to control civilian demand.

Meat management is complete if, and only if, these two controls are used to fortify meat management, which relates coupon demand and Government purchases to the way livestock is flowing to market.

Such a program is adequate and does away with the necessity for quotas, restrictions, price ceilings, and all other devices, which, indeed, under such a program, would hinder rather than help.

EXTENSION OF REMARKS

Mr. MARCANTONIO. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include a statement of taxation submitted by the Committee on Taxation of the National Workers Guild.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. MURDOCK. Mr. Speaker, I ask unanimous consent to extend my remarks in the Appendix and include part of my remarks on the radio program at the Shoreham Hotel, January 24 last.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to extend my remarks and include letters protesting against the elimination of the appropriation for the Bureau of Foreign and Domestic Commerce field and regional offices.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. ENGLEBRIGHT. Mr. Speaker, I ask unanimous consent that the gentleman from Michigan [Mr. BRADLEY], be permitted to extend his remarks in the RECORD.

The SPEAKER pro tempore. Is there objection?

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. LARCADE, for 1 week, on account of official business, on account of United States engineers hearing on bridge at Lake Charles, La., over Calcasieu River.

SENATE BILL REFERRED

A bill of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. 886. An act relating to the selective-service deferment, on occupational grounds, of persons employed by the Federal Government; to the Committee on Military Affairs.

ENROLLED BILLS SIGNED

Mr. KLEIN, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H. R. 1780. An act to increase the debt limit of the United States, and for other purposes; and

H. R. 2068. An act making additional appropriations for the Navy Department and the naval service for the fiscal year ending June 30, 1943, and for other purposes.

ADJOURNMENT

Mr. COSTELLO. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 2 minutes p. m.) the House, pursuant to the order heretofore made, adjourned until Monday, March 29, 1943, at 11 o'clock a. m.

COMMITTEE HEARINGS

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

The hearings scheduled for Monday, March 29, 1943, at 10 a. m., to consider charges of waste of space in ships going to North Africa and delays in ship sailings have been postponed indefinitely.

The Subcommittee on Fisheries of the Committee on the Merchant Marine and Fisheries will meet in executive hearing at 10:30 a. m. on Wednesday, March 31, 1943, to consider the matter of price ceilings on fishery products.

The Committee on the Merchant Marine and Fisheries will hold a public hearing on Thursday, April 1, 1943, at 10 a. m., on S. 163 (H. R. 498) to amend section 511 of the Merchant Marine Act, 1936, as amended, relating to ship construction reserve funds, and for other purposes.

As advised in notice of March 10, 1943, Congressman BATES of Massachusetts, patron of the bill H. R. 1766, upon which hearings were scheduled on April 8, 1943, is a member of the Committee on Naval Affairs and of a subcommittee of that committee which has arranged a schedule of hearings throughout the country which will compel Congressman BATES of Massachusetts to be absent from Washington on April 8 and also April 15.

The chairman of the committee and the Commissioner of Fisheries will be out of town on intervening dates, which will necessitate a further postponement of the hearing until May 13, 1943. You are hereby notified that the hearings scheduled for April 8 and postponed until April 15 have been postponed to Thursday, May 13, 1943, at 10 a. m., at which time the hearings will follow.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

279. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the Interstate Commerce Commission amounting to $11,700 for the fiscal year 1943 (H. Doc. No. 142); to the Committee on Appropriations and ordered to be printed.

280. A communication from the President of the United States, transmitting a draft of a proposed provision pertaining to an existing appropriation for the Tax Court of the United States for the fiscal year 1943 (H. Doc. No. 143); to the Committee on Appropriations and ordered to be printed.

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. SABATH: Committee on Rules. House Resolution 159. Resolution authorizing the Committee on Insular Affairs to investigate the political, economic, and social conditions in Puerto Rico; without amendment (Rept. No. 316). Referred to the House Calendar.

Mr. SABATH: Committee on Rules. House Resolution 192. Resolution for consideration of H. R. 1730, a bill to amend paragraph (1) of section 5 (e) of the Selective Training and Service Act of 1940, as amended, without amendment (Rept. No. 317). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. SNYDER:

H. R. 2313. A bill to defray the cost of travel and transportation of household effects of Government employees transferred other than by their own request, and for other purposes; to the Committee on Expenditures in the Executive Departments.

By Mr. D'ALLESANDRO:

H. R. 2314. A bill to grant credit, in computing service for pay purposes, to certain commissioned officers of the Coast Guard for services as civilian employees in the Bureau of Lighthouses; to the Committee on Military Affairs.

By Mr. BARRY:

H. R. 2320. A bill to establish a Civilian Supply Administration, and for other purposes; to the Committee on Banking and Currency.

By Mr. RANKIN:

H. R. 2321. A bill to amend section 603, title VI, Public Law 801, Seventy-sixth Congress, approved October 8, 1940; to the Committee on Ways and Means.

H. R. 2322. A bill to amend subparagraphs (a) and (d) of paragraph 1 of part III of Veterans Regulation 1 (a), as amended; to the Committee on World War Veterans' Legislation.

By Mr. GWYNNE:

H. J. Res. 106. Joint resolution proposing an amendment to the Constitution of the United States; to the Committee on Election of President, Vice President, and Representatives in Congress.

By Mr. MASON:

H. J. Res. 107. Joint resolution proposing an amendment to the Constitution of the United States by disqualifying any person from serving as President for more than two elective terms; to the Committee on Election of President, Vice President, and Representatives in Congress.

By Mr. CALVIN D. JOHNSON:

H. Res. 190. Resolution expressing the sense of the House that certain members of the armed forces be released from active duty in order to increase the supply of farm labor during the calendar year 1943; to the Committee on Military Affairs.

By Mr. SCHWABE:

H. Res. 191. Resolution expressing the sense of the House that certain members of the armed forces be released from active duty in order to increase the supply of farm labor during the calendar year 1943; to the Committee on Military Affairs.

By Mr. MAAS:

H. Res. 193. Resolution providing for the consideration of H. R. 1364, a bill to amend the Naval Reserve Act of 1938, as amended; to the Committee on Rules.

By Mr. PHILLIPS:

H. Res. 194. Resolution for the relief of William A. Pixley; to the Committee on Accounts.

By Mr. COFFEE:

H. Res. 195. Resolution granting a gratuity to Leonard G. Peck; to the Committee on Accounts.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. COLE of New York:

H. R. 2315. A bill for the relief of Ethel Phillips; to the Committee on Claims.

By Mr. HOPE:

H. R. 2316. A bill granting a pension to Canzada Minton; to the Committee on Invalid Pensions.

By Mr. McMURRAY:

H. R. 2317. A bill for the relief of John F. L. O'Leary; to the Committee on Claims.

By Mr. MANASCO:

H. R. 2318. A bill for the relief of Mrs. Neola Cecile Tucker; to the Committee on Claims.

By Mr. PHILLIPS:

H. R. 2319. A bill to permit the naturalization of Raymando Gonzales, Santa Ana, Calif.; 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:

361. By Mr. MANSFIELD of Montana: Petition of the Twenty-eighth Legislative Assembly of the State of Montana; to the Committee on Foreign Affairs.

362. By Mr. SULLIVAN: Assembly Joint Resolution No. 10 of the Nevada Legislature, petitioning Congress to keep open in winter mountain passes over the Sierra as a defense measure; to the Committee on Military Affairs.

363. Also, Assembly Joint Resolution No. 6 of the Nevada Legislature, memorializing Congress to decentralize the Office of Price Administration; to the Committee on Banking and Currency.

364. Also, Assembly Joint Resolution No. 13 of the Nevada Legislature, petitioning Congress to enact S. 450 for the compensation of civilian defense workers and others for damages suffered in the conduct of their duties; to the Committee on Appropriations.

HOUSE OF REPRESENTATIVES

MONDAY, MARCH 29, 1943

The House met at 11 o'clock a. m., and was called to order by the Speaker pro tempore, Mr. MCCORMACK.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

O God of comfort and Father of all mercies, stretch forth Thy right hand and show us the substance of the Cross. As Thy goodness is round about us as the air we breathe, our grateful prayers rise from the altars of our souls with thanks for the bounties Thou dost bestow upon us. In this rushing, sordid world, whose currents threaten to engulf the monuments which are sacred and enduring, O give us deeply serious minds and engaging hearts to bend our energies toward that cooperation which our defenders have learned on fields of battle.

Make us acutely conscious of the life and destiny of our Republic; our great task must not be cramped nor chilled by a meager and gloomy outlook, nor the high sense of duty perverted and bound by a narrow horizon. We pray that the eclipse of a speedy victory may not only purge our vision but add to our wisdom and increase our spirit of determination to lift the weights from all shoulders until man everywhere is free. Impress our citizens of every station that no one fulfills his mission who does not feel that his life belongs to his God and his country. In the name of Him who gave His life for all mankind. Amen.

The Journal of the proceedings of Saturday, March 27, 1943, was read and approved.